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Pradhan Mantri Jan Dhan Yojana: A way to Financial Inclusion

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Abstract

Pradhanmantri Jan-Dhan Yojana is India's largest financial inclusion scheme, which covers the largest portion of the population who are still excluded from the financial services of the banks. This study examines the origins, execution, effects and obstacles of the Pradhanmantri Jan Dhan Yojana (PMJDY) in promoting financial inclusion throughout India. Initiated in 2014, PMJDY aimed to significantly broaden access to banking and related financial services for the unbanked population, especially among marginalized and rural groups. Rangarajan committee, Nachiket Mor committee, and various scholars like KC Chakraborty, etc. have made a large contribution towards the domain of financial inclusion. Various factors responsible for financial exclusion are pointed out by these financial experts. As it is a known fact that finance is the life blood for the survival and development of the economy as well as the community. Financial inclusion or inclusive financing is the effort to provide low-cost banking and financial services to the disadvantaged people of the economy. In the current scenario financial inclusion is proved to be an effective tool for the government to boost the growth of India and GDP as well. The present paper is an overview of the Jan-Dhan Yojana and ambitious financial inclusion programme. The paper offers a summary of the initiatives, its success, and the challenges that still exist. This study based on the primary and secondary sources as well as.

Keywords: - PM Jan Dhan Yojana, financial inclusion, RuPay debit card, banking services, subsidy.

Introduction

Financial inclusion at its core refers to the process of providing affordable, accessible, and timely financial products and services, such as banking, credit, insurance, and pensions, to all individuals and businesses, especially the underserved and the low-income population. It can benefit the poor by dragging their savings into the formal financial system, which grows over time and increases capital formation.

Pradhanmantri Jan Dhan Yojana is a way to financial inclusion launched on 28 August 2014, aiming to bring the vulnerable and underserved population into the formal banking system by providing access to basic banking services. This research paper critically examines the impact and achievements of PMJDY as a financial inclusion initiative. This national mission on financial inclusion adopts a coordinated approach to ensure that all households across the country are included in the economic system.

Pillars of Pradhan Mantri Jan-Dhan Yojana: -

1. **Universal access to banking facilities:-** Mapping of each district into Sub Services Area (SSA) catering to 1000-1500 households in a manner that every habitation has access to banking services within 5 km.
2. **Providing basic banking accounts with overdraft facility and RuPay debit card to all households:-** To all households, efforts should be made to cover all uncovered households with banking facilities. Facility of an overdraft of Rs. 10000/- through RuPay debit card.
3. **Financial literacy program:-** Financial literacy is an integral part of the mission to help the beneficiaries make the best use of the financial services made available to them.
4. **Creation of credit guarantee fund:-** Creation of a credit guarantee fund is to cover the defaults in overdraft accounts.
5. **Micro insurance:-** To provide micro insurance to all willing and eligible persons by 14th August 2018 and then on an ongoing basis.
6. **Unorganised sector pension scheme like Swavlamban:-** By 14th August, 2018 and then on an ongoing basis.

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Review of Literature.

Kumar (2009) in the present scenario, where people have reached space, it is very disheartening that millions are still unbanked and that banks are unable to reach these individuals. The primary issue faced by the banks is the large number of individuals who do not utilize banking services.

Dr. M Shettar (2016). Financial inclusion can greatly assist the poor by integrating their savings into the formal financial system, which can grow over time and enhance capital formation. They further have pointed out the importance of a cashless economy and the challenges it presents during this transformative phase. She notes that demonetization has impacted both supply and demand, leading to lower inflation but also reduced demand, limited job opportunities and decreased consumption. She recommends that the distributional effects of any action be taken into account to ensure price stability in the domestic economy and advocates for the use of rules over discretion in the implementation of economic intervention.

Khandelwal (2017) has examined the importance of financial inclusion in developing economies, providing a detailed analysis of the Pradhanmantri Jan Dhan Yojana, the role of Aadhar and the effects of demonetization on the Indian economy. The author emphasizes that many under privileged and marginalized individuals in India remain excluded from the formal financial system and that a drastic measure was possibly necessary to instigate a shift toward better compliance. Additionally, the author notes that while demonetization may help reduce black money, inclusive growth can only occur if those funds are redirected towards developmental initiatives, a process that cannot be accomplished quickly.

Shukla, Bal Govind and Gupta, Hariom (2018) they used primary data in their study and concluded that the people actively support any initiative taken by the government which are basically targeted to eradicate corruption, black money, and any other threats such as terrorism and naxalism in the country.

Objectives of the study:

- To study the awareness of beneficiaries of PM Jan Dhan Yojana in Moradabad district.
- To understand the present status of financial inclusion in Moradabad district.
- To study the challenges present in front of beneficiaries of PMJDY.

Research methodology

This paper is prepared with the help of primary and secondary data. The primary data is collected by the questionnaire, and the secondary data is collected through various resources like newspapers, magazines, websites etc. The present study adopts a descriptive and analytical research design to examine the role of Pradhan Mantri Jan

Number of beneficiaries as on 23/07/2025 under PMJDY

(All figure in crore)

Dhan Yojana in promoting financial inclusion with a special reference to Moradabad district. The methodology has been framed in accordance with the objective of the study.

Analysis of Data

A survey was conducted to assess the level of awareness about the Pradhan Mantri Jan_Dhan Yojana among 108 individuals. The responses are categorized into three levels: "Fully aware," "Somewhat aware," and "Not aware at all." Each category includes the frequency (number of respondents) and the corresponding percentage. Primary data were collected through the structured questionnaire administered to beneficiaries of this scheme in Moradabad district. The questionnaire was designed to assess awareness levels, use of banking services, and problems faced by account holders. The questions consisted of simple and closed ended questions to ensure clarity and ease of response from the beneficiaries

Awareness about Financial Inclusion plan: PMJDY

The table, presented above illustrates the respondents' awareness level concerning the financial inclusion initiative PMJDY. Among the 108 respondents, 81% were fully aware, 8% had some knowledge, and however, 11% of the respondent are not aware of the scheme at all. These findings suggest that while the majority are informed, there remains a need to target awareness efforts toward the less informed population to ensure inclusive financial literacy

These results indicate the necessity for enhanced and broader awareness campaigns to guarantee that the advantages of financial inclusion are accessible to everyone in society. Strengthening community outreach, digital Literacy, and bank-led education can help to fill this gap.

Current status of financial inclusion

The RBI and the Government of India implemented some measures to promote the financial inclusion programme. These measures included the nationalization of banks, expanding the branch network, establishing and growing cooperatives and regional rural banks (RRBs), introducing priority sector lending, the Lead Bank Scheme, forming self-help groups (SHGs), and developing state-specific approaches for government-sponsored programs through State Level Bankers' Committees (SLBCs). In 2005-2006, the RBI recommended that banks align their policies with the goal of enhancing financial inclusion. Additionally, to improve access to banking services, it was decided to leverage NGOs, SHGs, microfinance institutions (MFIs), and other civil society organizations as intermediaries, utilizing the Business Facilitator and Business Correspondent Model.

| Bank name/ Type | Number of beneficiaries at | Number of beneficiaries at | Number of rural-urban | Number of total beneficiaries | Deposits in accounts (in | Number of RuPay debit |
|-----------------|----------------------------|----------------------------|-----------------------|-------------------------------|--------------------------|-----------------------|
|-----------------|----------------------------|----------------------------|-----------------------|-------------------------------|--------------------------|-----------------------|

| | rural/semi-urban central bank branches | Urban metro central bank branches | female beneficiaries | | crore) | cards issued to beneficiaries |
|----------------------------|--|---|-------------------------|-------|-----------|----------------------------------|
| Public Sector Banks | 27.35 | 16.07 | 23.95 | 43.42 | 204015.65 | 33.24 |
| Regional rural banks | 9.05 | 1.49 | 6.13 | 10.53 | 50337.31 | 3.83 |
| Private sector banks | 0.78 | 1.06 | 1.03 | 1.83 | 7629.20 | 1.49 |
| Rural Cooperative Banks | 0.19 | 0.00 | 0.10 | 0.19 | 0.01 | 0.00 |
| Grand total | 37.36 | 18.62 | 31.21 | 55.98 | 261982.17 | 38.56 |

Source: www.pmidv.gov.in

- Dominance of Public Sector banks: they serve the highest number of PMJDY beneficiaries (43.42cr) and also hold the maximum deposits (₹204015.65cr). Public sector banks are the backbone of PMJDY, ensuring wide access and deep penetration, especially in rural and semi-urban areas. They issued most RuPay debit cards (33.24 cr)
- Significant role of Regional Rural Banks: they hold 10.53 cr accounts (second highest). Serve a large share of rural female beneficiaries (6.13cr), showing their impact in deep rural areas.
- Women beneficiaries: out of 55.98 cr. total beneficiaries, 31.21 cr., are rural-urban female beneficiaries. This indicates that women form a major part of the beneficiaries, showing success in financial inclusion among females.
- Low penetration of private sector banks: there are only 1.83 cr. beneficiaries with deposit of ₹ 7629.20 cr. Also they issued just 1.49cr debit cards; far behind PSBs and RRBs. However, private and Cooperative banks need to enhance their involvement. Focus areas should include increasing RuPay card coverage and improving private/cooperative bank participation.
- Marginal contribution from Rural Cooperative Banks: almost negligible impact with just 0.19cr accounts and ₹0.01cr deposits. There is no significant role in PMJDY implementation of these banks.

Challenges of Pradhan Mantri Jan-Dhan Yojana

- Numerous instances have been identified where individuals have opened multiple accounts across different banks.
- The government has not allocated budgetary resources for incentives, which could improve the financial health of banks.
- Insurance companies need to fix a nominal premium to mitigate risks for account holders; failure to do so may lead to significant losses for the state-owned LIC.
- The overdraft facility must be effectively regulated, as it is currently at the discretion of individual banks, many of which may refuse to offer this service, undermining its intended purpose.
- If business correspondence is tasked with meeting objectives, there is a risk they will miss you there authority, adversely impacting individual living below the poverty line.
- The program does not enforce KYC norms, making it likely that duplication will occur.

- The RBI must grant banks approval to open additional branches, considering the population and number of villages.
- The concept of bank correspondence, bank-mitra, is under consideration by the finance ministry, but building the necessary infrastructure, such as computers, micro-ATMs, biometric scanners, and internet connectivity, poses a significant challenge.
- The government has pledged Rs.50000 for equipment, Rs.25000 for working capital, and Rs.50000 for a vehicle; however, these commitments are made without adequate budgeting.
- A large number of bank Mitra should be appointed, and the need comprehensive training to acquire the necessary knowledge, skills and attitudes, with the effectiveness of the training visible in achieving targets.
- while goal of transforming every village into a Swavlamban village is seen as beneficial, inadequate infrastructure could hinder successful implementation.
- The Reserve Bank of India needs to create a roadmap to ensure effective financial inclusion through the Indian banking system.
- Private banks impose hidden fees on beneficiaries, which may hinder efforts towards financial inclusion.

Conclusion

In this study we have found that the government is actively working for the betterment of the rural and urban customer are taking initiative through various scheme. They are partially successful in increasing awareness about new financial inclusion plan PMJDY as compare to various previous schemes. However, the government has not significantly impacted rural customers' awareness of PMJDY. Although the 11% of population is totally unaware about this scheme so the study suggests that government should start the digital literacy programme to aware the customers about this scheme. A large number of bank Mitra should be appointed, and the need for comprehensive training to acquire the necessary knowledge, skills and attitudes, with the effectiveness of the training visible in achieving targets. The Pradhanmantri Jan Dhan Yojana is fully helpful to eradicate the untouchability from banks for low income people. Now they can also avail the various services of the banking system. However, the public sector banks have been dominant in making this scheme accessible to the people. Mere opening accounts may not fulfill the purpose of this scheme

government should take many initiatives to give real success for this scheme. In conclusion, PMJDY has laid a strong foundation for inclusive growth, but its long-term success depends on addressing operational challenges and ensuring that every citizen not only has access to banking but also understands and utilizes it effectively.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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