Eight Years of Pradhan Mantri Jan Dhan Yojna (PMJDY)

For Prelims: Pradhan Mantri Jan Dhan Yojana (PMJDY), Financial Inclusion Index, Digital Identity (Aadhaar), Centre for Financial Literacy (CFL) Project, Promotion of Digital Payments, E-commerce

For Mains: Issues Relating to Poverty & Hunger, Inclusive Growth, Government Policies & Interventions

Why in News?

Recently, Pradhan Mantri Jan Dhan Yojana (PMJDY) - National Mission for Financial Inclusion, completed eight years of successful implementation.

- More than 46.25 crore beneficiaries banked under PMJDY since inception, amounting to Rs. 1,73,954 crores.
What is Pradhan Mantri Jan Dhan Yojana (PMJDY)?

- **About:**
  - Pradhan Mantri Jan Dhan Yojana (PMJDY) is the National Mission for Financial Inclusion.
  - It ensures access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.
  - PMJDY has been the foundation stone for people-centric economic initiatives. Whether it is Direct Benefit Transer (DBT), Covid-19 financial assistance, PM-KISAN, increased wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), life and health insurance cover, the first step of all these initiatives is to provide every adult with a bank account, which PMJDY has nearly completed.

- **Objectives:**
  - Ensure access to financial products & services at an affordable cost.
  - Use of technology to lower cost & widen reach.

- **Basic tenets of the scheme:**
  - **Banking the unbanked:** Opening of basic savings bank deposit (BSBD) account with minimal paperwork, relaxed KYC, e-KYC, account opening in camp mode, zero balance & zero charges.
  - **Securing the unsecured:** Issuance of Indigenous Debit cards for cash withdrawals & payments at merchant locations, with free accident insurance coverage of Rs. 2 lakhs.
  - **Funding the unfunded:** Other financial products like micro-insurance, overdraft for consumption, micro-pension & micro-credit.

What is Financial Inclusion?

- **Financial inclusion** is defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost.
- In a diverse country like India, financial inclusion is a critical part of the development process. Since independence, the combined efforts of successive governments, regulatory institutions, and civil society have helped in increasing the financial-inclusion net in the country.
- Being able to have access to a transaction account is a first step toward broader financial inclusion since a transaction account allows people to store money, and send and receive payments.
  - A transaction account serves as a gateway to other financial services.

What are the Other Initiatives to Increase Financial Inclusion in India?

- **Digital Identity (Aadhaar)**
- **National Centre for Financial Education (NCFE)**
- **Centre for Financial Literacy (CFL) Project**
- **Expansion of financial services in Rural and Semi-Urban Areas**
- **Promotion of Digital Payments**

What are the Six Pillars of the Scheme?

- **Universal access to banking services:** Branch and Banking Correspondants.
- **Overdraft Facility:** Basic savings bank accounts with overdraft facility of Rs. 10,000/- to every eligible adult.
- **Financial Literacy Programme:** Promoting savings, use of ATMs, getting ready for credit, availing insurance and pensions, using basic mobile phones for banking.
- **Creation of Credit Guarantee Fund:** To provide banks some guarantee against defaults.
• **Insurance:** Accident cover up to Rs. 1,00,000 and life cover of Rs. 30,000 on account opened between 15 Aug 2014 to 31 January 2015.

• **Pension scheme** for Unorganized sector.

**What are the Achievements of the Scheme?**

- **Approach towards Digital Banking:**
  - Accounts opened are **online accounts in the core banking system** of banks.
  - Focus has shifted from ‘Every Household’ to Every Unbanked Adult’.
  - **Fixed-point Business Correspondents.**
  - **Simplified KYC / e-KYC** in place ofcumbersome KYC formalities.

- **Extension of PMJDY with New Features:**
  - Focus shift from ‘Every Household’ to Every Unbanked Adult’.
  - **RuPay Card Insurance:**
    - Free accidental insurance cover on RuPay cards increased from Rs. 1 lakh to Rs. 2 lakh for PMJDY accounts opened after 28th August 2018.
  - **Enabling Interoperability:**
    - Through RuPay debit card or Aadhaar enabled Payment System (AePS).
  - **Enhancement in overdraft facilities:**
    - Overdraft (OD) limit doubled from Rs 5,000/- to Rs 10,000/-; OD upto Rs 2,000/- (without conditions).
    - Increase in upper age limit for OD from 60 to 65 years.
  - **Jan Dhan Darshak App:** A mobile application, [Jan Dhan Darshak App](#) was launched to provide a citizen centric platform for locating banking touch points such as bank branches, ATMs, Bank Mitras, Post Offices, etc. in the country.

- **Increased Financial Inclusion:**
  - Within 10 days of nationwide lockdown due to Covid-19, more than about 20 crore women PMJDY accounts were credited with ex-gratia.
  - **PMJDY Accounts have grown three-fold** from 14.72 crore in Mar’15 to 46.25 crore as on 10th August 2022.
  - In August’22, out of total 46.25 crore PMJDY accounts, 37.57 crore (81.2%) are operative.
    - Only 8.2% of PMJDY accounts are zero balance accounts.
  - **Deposits have increased about 7.60 times** with an increase in accounts 2.58 times (Aug’22 / Aug’15).

- **Formalisation of Financial System:**
  - It provides an avenue for the poor to bring their savings into the formal financial system, an avenue to remit money to their families in villages besides taking them out of the clutches of the usurious money lenders.

- **Prevention of Leakage:**
  - DBTs via PM Jan Dhan accounts have ensured every rupee reaches its intended beneficiary and prevents systemic leakage.

- **Smooth DBT transactions:**
  - Close monitoring to avoid DBT failures in consultation with DBT Mission, National Payments Corporation of India (NPCI), banks and various other Ministries ensures that the eligible beneficiaries receive their DBT in time.

- **Digital transactions:**
  - The total number of digital transactions have gone up from 978 crore in FY 2016-17 to 7,195 crore in FY 2021-22.
    - The total number of Unified Payments Interface (UPI) financial transactions have increased from 1.79 crore in FY 2016-17 to 4,596 crore in FY 2021-22.
    - Similarly, total number of RuPay card transactions at Point of Sales (PoS) and E-commerce have increased from 28.28 crore in FY 2016-17 to 151.64 crore in FY 2021-22.

**Way Forward**

- There must be anendeavour to ensure coverage of PMJDY account holders under micro insurance schemes.
Eligible PMJDY account holders will be sought to be covered under PMJJBY and PMSBY. Banks have already been communicated about the same.

- Promotion of digital payments including RuPay debit card usage amongst PMJDY account holders through creation of acceptance infrastructure across India.
- Improving access of PMJDY account holders to **Micro-credit and micro investment such as flexi-recurring deposit etc.**

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**UPSC Civil Services Examination, Previous Year Question (PYQ)**

**Prelims**

**Q.** ‘Pradhan Mantri Jan-Dhan Yojana’ has been launched for (2015)

(a) providing housing loan to poor people at cheaper interest rates  
(b) promoting women’s Self-Help Groups in backward areas  
(c) promoting financial inclusion in the country  
(d) providing financial help to the marginalized communities

**Ans:** (c)

**Exp:**

- Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission on Financial Inclusion encompassing an integrated approach to bring about a comprehensive financial inclusion of all the households in the country.
- The plan envisages universal access to banking facilities (with at least one basic bank account for every household), financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having an inbuilt accident insurance cover of `2 lakh.
- It also seeks to channel all government benefits (from Centre/State/Local Body) to the beneficiary’s accounts and pushing the Direct Benefits Transfer (DBT) Scheme of the Union Government.
- Therefore, option **C** is the correct answer.

**Mains**

**Q.** Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poorer section of the Indian society? Give arguments to justify your opinion. (2016)

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**Source: PIB**