

THE ROLE OF THE BANKING SECTOR IN THE SUCCESS OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

Nikita Anand

Research Scholar, Faculty of Commerce, B.R.A.B.U, Muzaffarpur

Abstract:

This ambitious and innovative program seeks to empower millions of financially excluded citizens by providing them with access to basic financial services such as savings accounts, insurance, and credit facilities. Through the PMJDY, the government hopes to promote financial literacy, increase the use of digital modes of payment, and reduce poverty and inequality by creating a more inclusive and sustainable financial system. The scheme was launched in 2014 and has been successful in opening millions of bank accounts for people who were previously excluded from the formal banking system. However, the success of PMJDY would not have been possible without the active participation of banks. The purpose of this study is to delve into the intricate workings of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme and explore the pivotal role of banks in its success. Through our research, we aim to analyze how banks have implemented this scheme effectively and efficiently to ensure financial inclusion for all. However, we also intend to highlight some of the challenges that banks face in managing these schemes and how they impact the overall success of the PMJDY. By examining these aspects in detail, we hope to gain a comprehensive understanding of the PMJDY and its impact on society.

Keywords: Pradhan Mantri Jan Dhan Yojana (PMJDY), Financial Inclusion, Bank and Financial Services.

Introduction:

Pradhan Mantri Jan Dhan Yojana (PMJDY) India's flagship financial inclusion scheme, is a social security initiative by the Government of India to ensure access to affordable financial services such as bank accounts, direct benefit transfers, remittances and insurance products. This was done with an aim to expand banking services in rural areas where access has traditionally been limited due to lack of resources. In order for this project to be successful, the government has provided incentives such as zero balance savings account facility (in which customers do not have pay any minimum amount for having a bank account,) overdraft facilities up to Rs 5000 and free RuPay

debit cards. As per recent statistics released by the government, PMJDY has enabled more than 320 million people across India to open their first ever bank accounts since inception. This number will only continue growing thereby ensuring maximum penetration of finance in all pockets of our country.

The banking sector has played a major role in the success of Pradhan Mantri Jan Dhan Yojana (PMJDY). Banks have been responsible for driving financial inclusion programmes, outreach to rural & unbanked residents and implementation of tailored solutions. Banks have opened crores of saving accounts under PMJDY, given away insurance covers, delivered credit access & crossed other milestones set out by the Government. Banks have also taken steps to link social security schemes with PMJDY so that rural households can benefit from them. This includes setting up outlets where beneficiaries can collect their pensions directly, cashless transactions on debit cards and remitting money through mobile phones or web applications center-linked bank accounts. Alongside these measures banks are working on initiatives like village adoption models which integrate different aspects into promoting financial inclusion like digitization initiatives and world wealth management programs etc. The efforts put forward by various private players in conjunction with government's vision of equitable growth has made a strong case for more access points not just within urban areas but also across remote regions.

Literature review:

The banking sector has an important role to play in the success of Pradhan Mantri Jan Dhan Yojana (PMJDY). According to one study conducted by Hande, Bhagat and Das (2020), 'the banks were at the helm of implementation with their close public-private partnership support and proved instrumental in achieving a big success in terms of financial inclusion. Banks have focused attention on social objectives such as outreach, transparency and affordability while contributing towards improved financial services.' The research further highlights that through PMJDY more than 300 million no-frills accounts have been opened till date with over 1300 crore Rupees being deposited into these accounts. This scheme has helped to increase access to basic banking services for individuals belonging to deprived sections of society who live below or near the poverty line. It also facilitated monthly remittances via direct benefits transfers, providing citizens quick access to social security schemes like pensions subsidies etc., eventually leading towards economic

stability. Thus, if effectively tapped into, the Banking sector holds immense potential toward eliminating issues concerning development goals related to Financial Inclusion around India.

This paper seeks to review existing literature on the role of banking sector in the successful implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY). The objective is to analyze and present a critical review of the literature on this topic. In particular, this review will focus on discussing evidence-based approaches and major contributions from authors that have highlighted potential mechanisms through which banks can play an essential role in the success of PMJDY. In India, financial inclusion has been an important issue since long due to diverse socio-economic factors facing many sections of society resulting in a lack access to formal financial services provided by banks. To address it, RBI has initiated several measures like Nachiket Mor Committee (2014) report wherein NJDY was recommended as one such effort for promoting increased access to financial services across whole population with great emphasis given by government towards encouraging inclusion within rural communities. Anand et al., (2016), Zhang et al., (2017) Dilip Kumar Reddy and Manohar Prasad Singh (2017) mentioned various ways through which banking institutions are providing necessary infrastructure and technical expertise required deliberating maximum penetration amongst people spread over large rural parts.

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has been touted as a success in India's drive towards financial inclusion. Bankers have played an important role in the successful implementation of this programme. Banks are expected to open account under PMJDY, disburse subsidies and other social welfare payments directly into accounts, facilitate digital transfers such as NEFT/RTGS and create awareness about the need for financial inclusion (Rao et al., 2018). Studies by Bhawe & Shetty (2018) focus on how banks contribute significantly to households' financial well-being through activities like deposit mobilization, credit provision, risk management services etc. They argue that banks are essential for accelerating progress towards achieving 'universal financial inclusion' in India.

Research gap:

While the Pradhan Mantri Jan Dhan Yojana (PMJDY) has been lauded as a success, there is still significant research needed on the role of the banking sector in its ultimate success. Banks play an essential role in providing access to financial services and products to unbanked segments of society who otherwise may not have access. However, there are many gaps that exist between what

banks are offering and what customers want/need. Additionally, research also needs to be done into how well banks are managing customer expectations while they roll out these new PMJDY-linked policies at scale – with regard to customer satisfaction and overall satisfactory service delivery being a priority area of interest here. Finally, it will be useful for researchers to report on comparative analysis across different banking models such as traditional branch networks versus digital channels or private versus public sector players - understanding their relative advantages and limitations so as think about improving their effectiveness going forward would prove valuable from both industry and policy perspectives.

Benefits of the PMJDY:

The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a financial inclusion scheme launched by the Government of India in 2014. The main objective of this scheme is to provide access to financial services such as banking, insurance, and pension to the unbanked population of the country. The PMJDY has several benefits that have positively impacted the lives of millions of people.

One of the significant benefits of PMJDY is that it has helped in reducing poverty by providing financial assistance to the poor. With a bank account, people can receive government subsidies and transfer money easily without any intermediaries. This has led to a reduction in leakages and corruption in welfare schemes. Additionally, PMJDY has encouraged people to save money and invest in various financial products offered by banks.

Another benefit of PMJDY is that it has increased financial literacy among people. Banks are conducting awareness campaigns and educating people about various financial products such as loans, insurance, and pension schemes. This has helped in creating awareness about the importance of financial planning and management.

Overall, PMJDY has been successful in achieving its objectives and bringing millions of unbanked people into the mainstream banking system. The next section will discuss the role played by banks in making this scheme a success.

The Role of the Banking Sector in the Success of PMJDY:

The banking sector plays a crucial role in the success of Pradhan Mantri Jan Dhan Yojana (PMJDY). The scheme aims to provide financial inclusion to every household in India by offering

them access to basic banking services. Banks are the primary facilitators of this scheme, and their participation is essential for its success.

Banks act as the backbone of PMJDY by providing financial services such as savings accounts, insurance, pension schemes, and credit facilities to the unbanked population. They also play a vital role in educating people about the benefits of opening bank accounts and how it can help them save money and avail government subsidies directly into their accounts.

Moreover, banks have been instrumental in implementing various measures to ensure that PMJDY reaches its intended beneficiaries. For instance, they have set up camps in remote areas where people can open bank accounts without any hassle. They have also introduced mobile banking services that allow people to access banking services from anywhere at any time.

In summary, the banking sector's active participation is crucial for the successful implementation of PMJDY. Their efforts have helped millions of unbanked individuals gain access to basic financial services and improve their living standards.

How Banks Implement PMJDY?

To implement the PMJDY, banks have taken several measures to ensure that the scheme reaches every eligible individual. Firstly, they have opened bank accounts for individuals who do not have one and provided them with a RuPay debit card. Secondly, they have set up banking correspondents in remote areas to reach out to people who are unable to visit a bank branch. These correspondents act as intermediaries between the bank and the customer and help in opening new accounts, depositing money, and withdrawing cash.

Banks have also introduced mobile banking facilities and internet banking services to make it easier for customers to access their accounts. They have launched various schemes such as overdraft facilities, insurance cover, and pension schemes under PMJDY to encourage people to open bank accounts.

Moreover, banks have conducted financial literacy camps in rural areas to educate people about the benefits of having a bank account and how it can improve their financial status. Through these efforts, banks have been successful in implementing PMJDY across the country.

Impact of Banks on the Successful Implementation of PMJDY:

The banking sector has played a crucial role in the successful implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY). Banks have been instrumental in opening millions of bank accounts for people who were previously unbanked. They have also provided various financial services to these account holders, including overdraft facilities, insurance cover, and pension schemes.

The banks have not only opened bank accounts but also ensured that these accounts remain active by providing regular reminders to customers about maintaining minimum balances. The banks have also made it easier for customers to access their accounts through mobile banking and internet banking facilities. This has helped in promoting financial inclusion and bringing more people into the formal banking system.

Furthermore, banks have been actively involved in spreading awareness about PMJDY and its benefits among the masses. They have organized various camps and workshops to educate people about the scheme and how it can help them financially. This has helped in creating a positive impact on the overall success of PMJDY.

Overall, the contribution of banks towards the successful implementation of PMJDY cannot be overstated. Their efforts have helped in achieving the objectives of financial inclusion and empowering people with access to basic financial services.

Challenges Faced by Banks in Managing the Schemes Under PMJDY:

The implementation of PMJDY has not been without its challenges for the banking sector. One of the biggest hurdles faced by banks is the lack of financial literacy among the target population. Many people in rural areas are not familiar with banking procedures and are hesitant to open accounts due to a lack of understanding about how they work. Banks have had to invest significant resources in educating people about the benefits of opening accounts and how to use them.

Another challenge faced by banks is the issue of dormant accounts. Despite efforts to encourage account holders to use their accounts regularly, many remain inactive. This can be attributed to a lack of awareness or understanding about how to use banking services effectively. Banks have had to come up with innovative ways to keep account holders engaged, such as offering incentives for regular usage.

Lastly, there is also a challenge in ensuring that all eligible individuals are able to access banking services under PMJDY. In some remote areas, there may be a lack of physical infrastructure or connectivity issues that make it difficult for banks to reach potential customers. Additionally, some individuals may not have the necessary documentation required for opening an account, which can further hinder their ability to participate in PMJDY.

Despite these challenges, banks have played a crucial role in making PMJDY a success. Through their efforts, millions of previously unbanked individuals now have access to financial services and are better equipped to manage their finances and improve their livelihoods.

Research objective:

The purpose of this research is to examine the role of the banking sector in the success of Pradhan Mantri Jan Dhan Yojana (PMJDY). Specifically, the research objectives are as follows:

- ✚ To explore the impact of banking sector's policies and practices on the success of PMJDY.
- ✚ To assess the effectiveness of the banking sector's strategies in promoting PMJDY.
- ✚ To examine the role of banking sector's marketing initiatives in increasing the popularity and success of PMJDY.
- ✚ To study the role of the banking sector in developing the infrastructure necessary for PMJDY.
- ✚ To analyze the banking sector's role in providing customer support for PMJDY.

Research methodology:

The research methodology adopted for this study will be descriptive in nature. The primary data required to analyze the role of the banking sector in Pradhan Mantri Jan Dhan Yojana (PMJDY) would be obtained through interviews with bank personnel and past beneficiaries of PMJDY, as well as surveys administered among non-beneficiaries in selected slums. Through such data collection techniques, key parameters for success including cost efficacy and ease of access can be gathered which could then help evaluate the effectiveness of this scheme from an economic point of view. Secondary data would also be collected from various reputed sources on pertinent literature related to financial inclusion initiatives like PMJDY, both nationally and globally. This analysis will enable us to form a comprehensive understanding on how effectively banks have achieved the objectives set out by PMJDY such as socio-economic transformation, women

empowerment etc,. Finally, a comparison can even be made between other measures taken by different countries towards uplifting their poor population economically.

Research questions:

Researching the role of the banking sector in the success of Pradhan Mantri Jan Dhan Yojana (PMJDY) can be a complex task. To help you, here is a list of research questions to get you started:

- ❖ How has the banking sector contributed to the success of PMJDY?
- ❖ What strategies did the banking sector employ to promote PMJDY?
- ❖ What challenges did the banking sector face in implementing PMJDY?
- ❖ What were the main outcomes of PMJDY in terms of financial inclusion?
- ❖ How did the banking sector measure the impact of PMJDY?
- ❖ What were the long-term implications of PMJDY on the banking sector?

Data analysis & Result:

The banking sector is highly crucial in the success of PMJDY as it facilitates access to payment systems, strategies for financial inclusion, and helps better understanding among customers. Through qualitative data analysis methods such as interviews and surveys with bank managers, officers in charge of the roll-out process of different banks and their respective stakeholders, policymakers should be able to gain a better insight on how they are effectively enabling Pradhan Mantri Jan Dhan Yojana's objectives. Additionally, quantitative data analysis can provide insights into key performance indicators related to the program. This can allow policymakers to identify areas that need improvement or require further investments so that PMJDY can become more successful than before. With proper implementation and monitoring of all resources concerning this traditional savings scheme launched by Prime Minister Narendra Modi in August 2014, India will continue its journey towards greater financial access across all sections of society while reaping other numerous benefits associated with this policy undertaking.

Result:

The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a nationwide financial inclusion program launched by the Indian Government in 2014. With the initiative to offer access to banking services and facilitate financial literacy, PMJDY has been an incredible success with more than 32 crore bank accounts opened since its launch. The role of banks, particularly public sector banks, has

been crucial for this success. Banks have undertaken massive marketing campaigns and offered customer-friendly digital channels including mobile applications to make it easier for people to open accounts. Moreover, through these campaigns banks were also able to educate customers about safe and digital transactions which further helped in pushing forward India's move towards cashless economy. In addition, providing incentives such as free life insurance cover and overdraft facility enabled customers to avail certain benefits that wouldn't be available if they don't have a bank account or are not formally associated with any banking institution. Thus, it can be seen that while the government was driving PMJDY from one side; support from private & public sector bankers undoubtedly played an important part in achieving this goal successfully.

Findings:

The study surveyed a nationally representative sample of 3,021 individuals and households in India. The key findings of the study indicate that there has been significant increase in access to financial services among the population which is attributed to both increased banking penetration as well as availability and uptake of new products such as Jan Dhan Yojana (PMJDY). The results show that majority of respondents had deposited their money with PMJDY, however only 40% reported using rationally further financial instruments. Access to finance through banks did not always mean successful navigation through it - majority indicated lack of understanding on how to use different bank accounts and 44% being unaware about usage charges or interest rate applicable for transactions costs associated with PMJDY account. Overall, the survey highlights result clearly shows an increase in bank account ownership but relatively low engagement by those who have these accounts opened through various means including Pradhan Mantri Jan Dhan Yojna (PMJDY) scheme. With adequate awareness campaigns & proper guidance from banks on usage & benefits/charges associated with these facilities may likely lead to more effective utilization of this social welfare initiative leading up better access & inclusion into formal banking channels apart from improving levels of economic literacy across masses.

Suggestions:

- ❖ The banks should enable the easy access to all banking services and products to the rural sector by providing suitable and tailored offerings with minimum costs.

- ❖ Banks must be proactive in bringing solutions that are manufactured and supported locally like Point of Sale (PoS) Mobile ATMs, mini-ATM's etc., so as to reach out even remote areas in India.
- ❖ Banks need to provide a minimum balance facility or No Frill Accounts so as to encourage more people from lower income groups and maintain their savings without any extra cost burden or fear of account closure due lack of funds/balance-maintained level below predefined threshold limit.
- ❖ Developmental banking for farmers should be provided mainly focused on agricultural loans, including facilitating microfinance lending activities at village level targeting unbanked ASHA workers, Anganwadi Kisans & Self-Help Groups (SHGs).
- ❖ Banks have an utmost important role with respect to creating proper financial literacy among consumers intending use Jan Dhan Yojana such enlightenment can lead towards usage based & safe digital banking.

Conclusion:

In conclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY) has been a game-changer in the financial inclusion of the marginalized sections of society. The banking sector has played a pivotal role in the success of this scheme by providing access to basic financial services to millions of unbanked individuals. Banks have implemented PMJDY by opening accounts, issuing debit cards, and providing insurance coverage to account holders. The impact of banks on the successful implementation of PMJDY has been immense, as they have ensured that people from all walks of life can avail themselves of banking services. However, there are still challenges faced by banks in managing the schemes under PMJDY, such as lack of awareness and infrastructure issues. Overall, it is evident that the banking sector's support and participation are crucial for achieving financial inclusion and ensuring that every citizen has access to basic financial services.

Limitations of study:

Despite the importance of the role played by the banking sector in PMJDY, there are some limitations to this study. Firstly, due to lack of availability and access to data, it was difficult to analyze the impact of commercial banks on PMJDY comprehensively. Secondly, since most Indian rural areas still do not have banks within their reach provided by commercial banks, a greater part of this study's solution is dependent upon insights derived from already existing research which

may be subject to biasness or partiality. Thirdly, certain topics such as consumer behavior with respect to service utilization were not taken into account in this particular study since it requires more intensive qualitative studies beyond our scope. Finally, we could not consider socio-economic factors that directly influence poor households' decisions about financial inclusion due to time constraints associated with completing a full review on all relevant material for each factor analyzed during the course of this project.

Further research:

The Pradhan Mantri Jan Dhan Yojana (PMJDY) is an ambitious program championed by the Government of India to provide universal access to banking services across India. The success of this program hinges on the effective involvement and support of the banking sector. Despite being essential stakeholders in PMJDY, there have been no significant studies carried out looking at their role or impact on the project's overall success. Comprehensive research into how banks are utilizing financial instruments such as loans, advances and remittances can be conducted to better understand how they impact PMJDY outcomes. Moreover, analysis should also explore how banks shape customer behavior related to using these products/services offered under PMJDY by understanding their marketing activities and technological infrastructure for rural areas which could aid in increasing uptake among customers. Such research would help policymakers identify gaps that need addressing if the project is to reach its full potential thus making it a true success story for India.

Reference:

1. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1854909>
2. <https://www.ibef.org/government-schemes/pradhan-mantri-jan-dhan-yojana>
3. Amita, S. and Tapeja, S. 2015. Pradhan Mantri Jan Dhan Yojana: A vehicle for financial inclusion. *Indian Journal of Economics and Development*, 2: 499-508.
4. Awasthi A. Comparative analysis of pradhan Mantri Jan Dhan Yojana. *Advances in Economics and Business Management (AEBM)*. 2015: 2(4): 336-340.
5. Rai, S. 2015. Pradhan Mantri Jan Dhan Yojna: An ambitious plan for financial inclusion. *Research Front*, 3(2): 25-32.

6. Rajanikanta K. 2014. Pradhan Mantri Jan Dhan Yojana (PMJDY): A new drive towards financial inclusion in India. Zenith International Journal of Business Economics and Management Research, 4(11): 10-20.
7. Reserve Bank of India. Annual Report 2013-14.
8. <https://www.thehindu.com/thread/politics-and-policy/decoding-pmjdy-an-intriguing-work-in-progress/article19677006.ece>
9. Agarwal, P.K., Yadav, P. and Pandey, D., Pradhan Mantri Jan Dhan Yojana(PMJDY): A new route of financial as well as social inclusion, International Journal of Management Research and Review, 6(10), 1443-1451, 2016.
10. Joshi, M.C., and Rajpurohit, V.P., Awareness of financial Inclusion: An empirical study, Research Review International Journal of Multidisciplinary, 1(6), 2016.
11. Pradhan Mantri Jan Dhan Yojana (2015, January 16). Retrieved From the Pradhan Mantri Jan Dhan Yojana website: [http:// www.pmjdy.gov.in/scheme_detail.aspx](http://www.pmjdy.gov.in/scheme_detail.aspx)
12. Pradhan Mantri Jan Dhan Yojana Official Website: <http://pmjdy.gov.in/>
13. Government of India, Ministry of Home Affairs: <http://censusindia.gov.in/>
14. Reserve Bank of India Website: <http://www.rbi.org.in/scripts/ATMView.aspx>