

## Role of Pradhan Mantri Jan Dhan Yojana In Digital Financial Inclusion

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### **Abstract**

*Financial inclusion is also necessary for the country's economic development. Economic development is impossible without financial inclusion, because large part of the total population lives outside the development process. The Effective utilization of Digital Technologies in finance sector provides a range of solutions to these problems. Access to digital technology enables a wider range of financial services such as mobile banking, internet banking, and more. Digital financial inclusion includes the use of digital means that are currently financially economical and cost-effective manner to exclude and undistributed populations. Pradhan Mantri Jan-Dhan Yojana (PMJDY) has been launched across the country to promote financial inclusion. This is a mission mode project of the Government of India. The scheme is designed to provide access to banking services in every household in the country. It is necessary to understand the effects of financial inclusion relation to the modern communication technologies in India. This paper made an attempt to discuss Digital financial inclusion in India with special reference Pradhan Mantri Jan-Dhan Yojana (PMJDY). The study of this paper is entirely based on secondary data obtained through various reports of PMJDY, RBI, and Govt. of India, newspaper articles and other published studies on the topic.*

**Keywords:** *Financial Inclusion, Digital financial inclusion, India, PMJDY, Aadhaar*

### **INTRODUCTION**

Financial untouchability is a phenomenon that arises from certain situations that impede people's access to formal financial systems. Due to the lack of a formal financial system, people have to turn to local lenders, money lenders, traders, who receive higher interest rates from the poor. The problem of social discrimination also creates because of financial untouchability. The only way to fight against the evil of financial untouchability is to promote financial inclusion, which could be interpreted as a way of providing access to financial services with a fair and just credit for the opportunity needed by vulnerable groups such as the weak and low income groups at a relatively low cost.

### **FINANCIAL INCLUSION**

Financial inclusion is a simple way to make financial services more accessible and affordable to all sections of the population, especially low-income groups. The term financial inclusion was used first time by ex RBI governor Y.V. Reddy in April 2005. It is a deliberate effort to attempt to engage non-banking people in banking service to achieve a cohesive and sustainable growth. The timely arrival of banking services at an affordable cost, as well as easy access to financial institutions, will contribute to positive economic growth. And financial inclusion is said to be crucial to building a strong foundation for the country's financial infrastructure. At the same time, by lower-level groups within the official banking sector financial inclusion protects their financial assets and other resources related to wealth in critical situations. Financial inclusion formally reduces the risk of weaker sections by forcible money lenders by facilitating easy access to loans. Financial inclusion is the delivery of affordable banking services ('no frills' accounts,) for large sections of the unemployed and low income group.

According to RBI “Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.” Over the past decade, economic and social inequalities have been steadily increasing as growth has increased in the regional inequalities. More than a quarter of the Indian population is still living in poverty. As a result, inclusive growth has become the goal of the national policy of the Union Government. Therefore, the need for inclusive growth is reflected in the picture of India's economic development.

## REVIEW OF LITERATURE

**Gwalani and Parkhi (2014)** investigated the financial inclusion of an Indian context. They mentioned that poverty, non-availability of banking services, complex processes, financial illiteracy, traditional cultural values and lack of trust in the banking system are all reasons for financial exclusion. They discussed various models leading banking system, correspondent banking, mobile banking, microfinance model that covers financially excluded people.

**Gitte Madhukar R (March 2015)** in her paper "Pradhan Mantri Jan Dhan Yojana: A National Mission on Financial Inclusion in India" this paper aimed at promoting sustainable development, generating employment, reducing corruption and reducing poverty in rural areas by providing various financial services to the poor. Further evaluate the progress made in this scheme and discuss its main features and key pillars. She gave some suggestions for smooth functioning of this scheme.

**Susantono (2016)** investigated that digital economies are developing rapidly throughout the world as they are huge drivers of development, competition and innovation. There are many people who are excluded from the ability to support financial inclusion for the digital economy's sustainable economic development. India is creating new environment for digital financial services development, which includes defining a good national system, an efficient settlement system between financial providers, and a regulatory environment that supports various financial services from banks and non banks, and government support for digital financial inclusion.

**Sheena Das and Marcus A (2019)** have studied that financial inclusion is a government initiative to increase universal access to banking services for every household with at least one basic bank account. The technology is in the process of financial inclusion and is focused on providing banking services to non-bank residents at various services offered by different agencies.

## OBJECTIVES OF THE STUDY

To know the conceptual framework of Pradhan Mantri Jan-Dhan Yojana schemes with respect to digital financial inclusion

## RESEARCH METHODOLOGY

The present research paper is descriptive in nature and based on only secondary sources of data. Data has been collected from official websites of Pradhan Mantri Jan-Dhan Yojana([www.pmjdy.gov.in](http://www.pmjdy.gov.in)), reputed journals, research articles and newspapers. The data were further analyzed using simple statistical tools.

## DIGITAL FINANCIAL INCLUSION

Digital technologies are the key pillars for successful financial inclusion in the country. The advancement of this technology is necessary to extend banking services to unbanked population and the available technology. Digital inclusion is the basis of financial inclusion. Non-banking economies have captured the potential of digital technology, especially in the Internet space, to feed the impact of technology-driven integration. Access to digital technology enables a wider range of financial services such as mobile banking, internet banking, and more. Technology has expanded online banking, mobile wallets, mobile banking, e-wallets, as well as credit and debit cards. Digital financial inclusion involves many intermediaries intuitions, banks, NGO's and public. It offers clients a number of benefits, such as convenience, easy financial transactions and more. RBI has played an integral role in supporting

technology with financial inclusion. As a part of financial inclusion several measures have been taken and Pradhan Mantri Jan Dhan Yojana (PMJDY) is one of them to make maximum use of technology to achieve all the required results.

Digital financial inclusion is one of the new and useful tools to help to provide financial services to the inaccessible and uncovered people of this country. Such services should be tailored to the needs of the customer and be provided responsibly, at an affordable cost to the customer and stable to the providers. Providing financial services to the needy is part of the financial system a country that promotes socio-economic development. Therefore, the main purpose of the digital financial inclusion program is to provide access to infrastructure and electronic services on demand. This step will certainly increase the speed of financial Digital financial inclusion is defined as 'digital access to and use of official financial services by excluded and undervalued populations. Digital financial inclusion is the backbone of economic development of any developing or developed country. Banks and financial institutions should invest in technology to deliver financial products and services in a transparent, fair and equitable manner for inclusive economic growth. The process of digital financial inclusion is to start with the idea that people who are excluded and / or undervalued has some official bank accounts and need digital access to be able to conduct their major financial transactions remotely. An effective digital financial inclusion program must adapt to meet the needs of the needy and underprivileged population and be responsibly delivered to suppliers at a cost that is sustainable and customer-accessible cost. The proper use of technology through financial inclusion is called as digital financial inclusion. The development of digital financial inclusion in India has led to many innovations in the private and public sectors. Among all government's policy one of the key policies is digital financial inclusion that emphasizes access to the financial system as a tool to reduce poverty and economic growth.

Digital financial inclusion is considered a success when a poor, and thus far unbanked, customer starts transacting digitally with his/her family and friends, formal banking and financial institutions and utility companies, and receives government to-person (G2P) payments directly into his/her bank account. In the current scenario globally, around 1.7 billion adults remain unbanked (Global Findex Database, 2017)

Prime Minister of India has instructed the Indian DIGITALIZATION which supports the idea of a cashless economy along with internet facility and mobile phone availability in the remote area. In recent years the idea of digital financial inclusion is attainable. And with the step of Prime Minister of India the development of digitalization seems very easy. This digital financial inclusion is emerging concept, which provides effective communication between economic activity participants, and helps financially provide financial services to those who have no digitalization capabilities. It will reach people in the shortest time and with less difficulty.

This paper attempts to discuss the digital financial inclusion in India in connection with Pradhan Mantri Jan-Dhan Yojana scheme. It seems successful Digital financial inclusion in the country.

### **PRADHAN MANTRI JAN-DHAN YOJANA (PMJDY)**

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is the flagship financial inclusion program of the Modi government. It is targeted at households, both in urban and rural areas. The Prime Minister said in a statement, "Let us celebrate today as the day of financial freedom". The scheme starting from "basic banking accounts" and has been launched with the goal of providing worldwide and clear access to banking facilities. PRADHAN MANTRI JAN DHAN YOJANA which was launched by the Prime Minister Narendra Modi on 28 August 2014 **slogan for this Yojna "Sabka saath, sabka vikas"**. that step has been taken for financial inclusion. PMJDY proposed to achieve into two phases i.e.

#### **Phase I (15 Aug, 2014 - 14 Aug, 2015)**

- Universal access to banking facilities
- Providing Basic Banking Accounts for saving & remittance and RuPay Debit card with inbuilt accident insurance cover of 1 lakh and RuPay Card
- Financial Literacy Programme

#### **Phase II (15 Aug, 2015 - 15 Aug, 2018)**

- Overdraft facility of upto ` 5000/- after six months of satisfactory performance of saving / credit history.
- Creation of Credit Guarantee Fund for coverage of defaults in overdraft A/Cs
- Micro-Insurance
- Unorganized sector Pension schemes like Swavalamban

Also, in this phase, the dump coverage will be provided families in hilly, tribal and difficult areas will be done. In addition, this period is aimed at covering the remaining adults in the household and students.

To provide financial inclusion, RBI / GoI has taken various initiatives, such as: Nationalization of Banks, establishment and expansion of cooperative and RRBs, lead bank scheme, formation of SHGs and state specific approach for government, expansion of branch network of banks, introduction of PS lending Sponsored schemes to be developed by SLBC etc.

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a specific mission for country for financial inclusion. The main objective of this scheme is covering 10 to 65 years [age group] and provides financial services to that people at affordable cost. PMJDY banks accounts opened for individual are classified as Basic Savings Bank Deposit Accounts (BSBDA). An integrated way of bringing the desire changes in the financial status of each and every person in the country. The plan provides access to at least one basic bank account in every household, access to credit, insurance, financial literacy, Banking/ Savings & Deposit Accounts, Remittance and pension facility to the excluded sections i.e. weaker sections & low income groups. at an affordable cost. Deep penetration at this affordable cost is possible only through efficient use of technology. The initiative seeks to direct all government benefits (from Central / State / Local Authority) to beneficiaries' accounts and to involve the Union Government Direct Benefit Transfer Scheme (DBT). Bank accounts opened for the majority of the population of India under the Government's Pradhan Mantri Jan-Dhan Yojana (PMJDY) scheme, which have become the default channel for the disbursement of government payments through Direct Benefit Transfer (DBT).

One of the important steps taken by the Indian government is JAM- Jan Dhan, Aadhar and mobile is a potential game changer for financial inclusion. JAM trio Jan Dhan Yojana (financial inclusion program), Aadhaar (biometric identification for the) and shortened attribute for mobile number to provide less targeted and targeted delivery of services to person designated beneficiaries. The JAM Triad is a special policy intervention in the process of giving benefits that will remove multiple mid-channel layers and provide opportunities to citizen using technology. The contributions of digital technologies to the financial inclusion under laying the JAM trinity will led outreach of banks in many ways. PMJDY's current plan for on Financial Inclusion proposed to use technology on a large scale to meet the targets in limited time period. Some key products are appended here:

- **Electronically Know Your Customer (e-KYC)**
- **Transaction through Mobile Banking**
- **Immediate Payment System (IMPS)**
- **Micro-ATMs**
- **RuPay Debit cards**
- **Aadhaar Enabled Payment System(AEPS)**

### **Progress and Achievements of Pradhan Mantri Jan Dhan Yojana**

Pradhan Mantri Jan Dhan Yojana welcomed him with great success from the first day of launch. The PMJDY website reported that in the first day more than 1.5 accounts were opened in various banks under this scheme. which is the largest exercise on a single day possibly anywhere in the world, with 7.5 crore people by 26 January 2015. In the first months of the scheme, one lakh account was opened each and every day. Bank account will be given to every poor of the country, and the account holder will be given a debit card and life insurance cover of the rupees 1 lakh. The goal was greatly achieved and, in fact, the reality has surpassed given target. By September 2014, 3.02 crore accounts were opened under the scheme, amongst Public sector banks, SBI had opened 30 lakh (3 million) accounts, followed by Punjab National Bank with 20.24 lakh (2 million) accounts, Canara Bank 16.21 lakh (1.62 million) accounts,

Central Bank of India 15.98 lakh (1.59 million) accounts and Bank of Baroda with 14.22 lakh (1.42 million) accounts. It was reported that total of 7 Crore (70 million) bank accounts have been opened with deposits totaling more than 5000 crore Rupees (approx 1 billion USD) as of November 6, 2014. On February 12, 2020, the performance of Pradhan Mantri Jan Dhan Yojana is given below:

**Banks performance on PMJDY as on 12/02/2020 (All figures in Crore)**

<b>BANK NAME/TYPE</b>	<b>Rural/Semi urban centre bank branches</b>	<b>Urban metro centre bank branches</b>	<b>Number of Total Beneficiaries</b>	<b>Deposits in Accounts(In Crore)</b>	<b>Number of Rupay Debit Cards issued to beneficiaries</b>
Public Sector Banks	16.35	13.95	30.30	91102.49	24.37
Regional Rural Banks	5.27	1.24	6.51	21002.10	3.56
Private Sector Banks	0.70	0.56	1.26	3172.10	1.15
<b>Total</b>	<b>22.31</b>	<b>15.75</b>	<b>38.06</b>	<b>115276.69</b>	<b>29.08</b>

Source: <https://pmjdy.gov.in/account>

Above table indicates that PMJDY beneficiaries as on 12<sup>th</sup> February 2020 with respect to number of beneficiaries at rural semi urban, urban centre bank branches and deposits in accounts Total beneficiaries, under PMJDY. Total amounted to **38.06** Crore of which 30.30 Crore beneficiaries from Public Sector Banks, 6.51Crore beneficiaries from Regional Rural Banks and 1.26 Crore beneficiaries from Private Sector Banks.

Total deposit in PMJDY accounts amounted to Rs. **115276.69** Crore of which Rs. 91102.49 Crore in Public Sector Banks, Rs. 21002.10 Crore in Regional Rural Banks and Rs. 3172.10 Crore in Private Banks.

Total number of Rupay debit card issued to the beneficiaries amounted to **29.08** of which cards 24.37 issued by public sector banks, 3.56 cards issued by Regional Rural Banks 1.15 cards issued by private Banks as on 12.02.2020.

## CONCLUSIONS

Financial Inclusion introduced in India In the year 2006, purpose of providing affordable financial services to excluded and underserved populations. Financial inclusion is a necessary condition for achieving universal economic development and achievement of greater economic and social equality, but the presence of unaccounted money and a parallel economy makes it impossible. This article discusses digital finance and its effects on financial inclusion. Digital finances play an important role in people's daily lives. Thus, the study concluded that digital financing (Internet banking, mobile banking, mobile wallets (apps), credit cards and debit cards) has a significant effect on financial inclusion. Digital financial inclusion is one of the most important initiatives in India, providing an easy and fast service to

the needy people in the country. The PMJDY scheme has been launched with the aim of providing universal access to banking facilities for each and every household through a bank branch or business correspondent outlet. It has been concluded that, PMJDY is one of the most important schemes connecting people who have been issued through a bank account or who are excluded from formal financial facility. As on 12/02/2020 there are 38.06 crore bank accounts were opened under PMJDY with accumulated deposits of Rs 115276.69. Although it is one of the biggest steps in poverty eradication, it is including inclusive funding through PMJDY. Continue evaluation and regular checking is very essential for the success of any scheme. A bold first step by the NDA government actually helped many in getting into the main river of the economy and reducing financial untouchability. Thus, continuous and regular monitoring of the program has been proposed for an effective regulatory system and successful implementation of PMJDY towards financial inclusion in India. Therefore, this paper has concluded Digital Financial Inclusion is one of the most successful initiatives with the help of PMJDY and DBT which is linked with Aadhaar.

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