

# National Mission for Financial Inclusion

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**In news :** Six years of successful implementation of the Pradhan Mantri Jan Dhan Yojna (PMJDY), which is one of the biggest financial inclusion initiatives in the world.

## About Pradhan Mantri Jan Dhan Yojna (PMJDY); National Mission for Financial Inclusion

PMJDY was announced by Prime Minister, Shri Narendra Modi in his Independence Day address on 15th August 2014.

### Background

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.

### Objectives:

- Ensure access of 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 lakh
- **Funding the unfunded** – Other financial products like

micro-insurance, overdraft for consumption, micro-pension & micro-credit

## **Initial Features**

**The scheme was launched based upon the following 6 pillars:**

1. Universal access to banking services – Branch and BC
2. Basic savings bank accounts with overdraft facility of Rs. 10,000/- to every household
3. Financial Literacy Program– Promoting savings, use of ATMs, getting ready for credit, availing insurance and pensions, using basic mobile phones for banking
4. Creation of Credit Guarantee Fund – To provide banks some guarantee against defaults
5. 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
6. Pension scheme for Unorganized sector

**Important approach adopted in PMJDY based on past experience:**

- Accounts opened are online accounts in core banking system of banks, in place of earlier method of offline accounts opening with technology lock-in with the vendor
- Inter-operability through RuPay debit card or Aadhaar enabled Payment System (AePS)
- Fixed-point Business Correspondents
- Simplified KYC / e-KYC in place of cumbersome KYC formalities

**Extension of PMJDY with New features** – The Government decided to extend the comprehensive PMJDY program beyond 28.8.2018 with some modifications

- 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 28.8.2018.

- Enhancement in overdraft facilities –
  - 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

## **Achievements under PMJDY- As on 19th Aug'2020:**

### **PMJDY Accounts**

- As on 19th Aug'20 Number of Total PMJDY Accounts: 40.35 Crore; Rural PMJDY accounts: 63.6%, Women PMJDY accounts: 55.2%
- During first year of scheme 17.90 crore PMJDY accounts were opened
- Continuous increase in no of accounts under PMJDY

### **Operative PMJDY Accounts**

- As per extant RBI guidelines, a PMJDY account is treated as inoperative if there are no customer induced transactions in the account for over a period of two years
- In Aug'20, out of total 40.35 crore PMJDY accounts, 34.81 crore (86.3%) are operative
- Continuous increase in % of operative accounts is an indication that more and more of these accounts are being used by customers on a regular basis

### **The road ahead**

- Endeavour 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 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.

### **Jan Dhan Darshak App**

- A mobile application, 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. Over 8 lakh banking touchpoints have been mapped on the GIS App.
- The facilities under Jan Dhan Darshak App could be availed as per the need and convenience of common people.
- This app is also being used for identifying villages which are not served by banking touchpoints within 5 km. these identified villages are then allocated to various banks by concerned SLBCs for opening of banking outlets.
- The efforts have resulted in significant decrease in number of such villages.