

## ROLE OF PRADHAN MANTRI JAN-DHAN YOJANA IN ECONOMIC DEVELOPMENT

**Dr. Rupesh Wamanrao Khubalkar**  
Assistant Professor,  
Nutan Adarsh Arts, Commerce & Smt. M.  
H. Wegad Sci. College, Umred.  
Email id : khubalkar.rupesh@gmail.com

**Dr. Gajanan Gopalrao Babde**  
Associate Professor,  
Nutan Adarsh Arts, Commerce & Smt. M.  
H. Wegad Sci. College, Umred.  
Email id : gajananbabde03@gmail.com

### **Abstract :**

*The Pradhan Mantri Jan-Dhan Yojana (PMJDY) has completed ten years since its inception, during which it has facilitated the opening of 53.53 crore accounts. Launched in 2014, PMJDY plays a crucial role in promoting financial inclusion and contributing to India's economic development. The accounts opened under this scheme hold deposits totaling ₹232,850 crores. The primary objective of PMJDY is to provide basic banking services, including savings accounts, credit, insurance, and pensions, to unbanked and vulnerable sections of society. By offering zero-balance accounts and facilitating direct benefit transfers (DBT), PMJDY reduces dependence on informal moneylenders and ensures that government subsidies and welfare benefits reach the intended beneficiaries directly. A significant portion of the account holders are women, which has further promoted gender equality and economic empowerment. Additionally, the scheme fosters a culture of saving, decreases economic vulnerability through insurance coverage, and provides a foundation for small businesses to access formal credit. This has led to an increase in savings rates, a reduction in corruption, and improvements in economic stability in both rural and urban areas, ultimately achieving overall economic growth and progress.*

**Keywords :** Financial Inclusion, Economic Development, Saving Bank Account, Financial Services, Direct Benefit Transfer.

### **Introduction :**

The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a financial inclusion scheme launched by the Government of India on 28th August 2014. Financial inclusion is the effort to guarantee access to financial services and ensure the availability of timely, affordable credit for vulnerable populations, including weaker and low-income groups. The primary objective of financial inclusion is to provide large sections of the financially excluded Indian population with affordable financial services like bank accounts, money transfers, credit, insurance, and pensions.

The Government of India and the Reserve Bank of India have been making continuous efforts to promote financial inclusion. These efforts include the nationalization of banks, building a strong branch network of scheduled commercial banks, cooperative banks, and regional rural banks, setting priority sector lending targets, the Lead Bank Scheme, the formation of self-help groups, allowing banks to appoint Business Correspondents (BCs) and Business Facilitators (BFs) to provide banking services at the doorstep, zero-balance savings accounts (BSBD accounts), and more.

### **Scheme Details :**

The Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a national initiative aimed at



promoting financial inclusion by providing easy access to essential financial services, including banking, savings and deposit accounts, remittances, credit, insurance, and pensions at affordable rates. Under this scheme, individuals can open an account from any bank branch or Business Correspondent (Bank Mitra) without any initial deposit. However, if the account holder wishes to obtain a cheque book, they must meet the minimum balance requirements.

#### **Benefits under PMJDY:**

Under this scheme following benefits and facilities are given:-

1. **Basic Savings Bank Account:** A basic savings bank account is opened for every unbanked person under the scheme.
2. **No Minimum Balance:** There is not requirement to maintain a minimum balance in PMJDY accounts.
3. **Interest on Deposits:** Interest is earned on deposits made in PMJDY accounts.
4. **RuPay Debit Card:** PMJDY account holders are provided with a RuPay debit card.
5. **Accident Insurance Cover:** PMJDY account holders receive accident insurance coverage of ₹1 lakh, which was enhanced to ₹2 lakh for accounts opened after 28th August 2018.
6. **Overdraft Facility:** An overdraft facility of up to ₹10,000 is available for eligible account holders.
7. **Access to Other Schemes:** PMJDY account holders are eligible for various government schemes, such as:
  - Direct Benefit Transfer (DBT)
  - Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
  - Pradhan Mantri Suraksha Bima Yojana (PMSBY)
  - Atal Pension Yojana (APY)
  - Micro Units Development & Refinance Agency Bank (MUDRA) scheme.

#### **Analysis of PMJDY :**

Pradhan Mantri Jan - Dhan Yojana (All figures in Crore) Beneficiaries as on 18/09/2024

| Bank Name /Type                | Number of Beneficiaries at rural/semiurban centre bank branches | Number of Beneficiaries at urban metro centre bank branches | No of Rural-Urban Female Beneficiaries | Number of Total Beneficiaries | Deposits in Accounts (In Crore) | Number of Rupay Debit Cards issued to beneficiaries |
|--------------------------------|---|---|--|-------------------------------|---------------------------------|---|
| <b>Public Sector Banks</b>     | 26.17   | 15.54   | 22.99                                  | 41.71                         | 180386.22                       | 31.59   |
| <b>Regional Rural Banks</b>    | 8.56  | 1.43  | 5.81                                   | 9.99                          | 45724.88                        | 3.52  |
| <b>Private Sector Banks</b>    | 0.73  | 0.91  | 0.89                                   | 1.64                          | 6738.84                         | 1.36  |
| <b>Rural Cooperative Banks</b> | 0.19  | 0.00  | 0.10                                   | 0.19                          | 0.01                            | 0.00  |
| <b>Grand Total</b>             | <b>35.65</b>  | <b>17.88</b>  | <b>29.80</b>                           | <b>53.53</b>                  | <b>232849.95</b>                | <b>36.47</b>  |

(Source:-<http://www.pmjdy.gov.in/account>)

The PMJDY scheme completes 10 years of operation. As on 18/09/2024, there were a total of 53.53 crore beneficiaries under the PMJDY scheme. Of these beneficiaries, 26.17 crore were from rural/semi-urban areas, while 17.88 crore were from urban/metro centers. A significant number of women have been brought under the financial umbrella through PMJDY, with 29.80 crore female beneficiaries. Public Sector Banks have the highest number of beneficiaries, with 41.71 crore accounts. Regional Rural Banks have a significant presence in rural areas, with 9.99 crore beneficiaries. While Private Sector Banks have opened only 1.64 crore accounts, their numbers are lower compared to public sector and regional rural banks, private sector banks. Rural Cooperative Banks have a relatively small share of beneficiaries. The total deposits in all accounts under PMJDY amounted to Rs. 232849.95 crore. 36.47 crore Rupay debit cards have been issued to beneficiaries, promoting digital transactions.

#### **Contribution of PMJDY in Economic Development :**

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has played a crucial role in India's economic development by promoting financial inclusion and empowering marginalized sections of society. The Contributions of PMJDY in economic development are given below:

**1. Financial Inclusion:** The Pradhan Mantri Jan Dhan Yojana (PMJDY) has been instrumental in advancing financial inclusion, granting millions of people in rural and semi-urban areas, previously without access to banking services, the opportunity to utilize formal financial services. Through this scheme, individuals have the opportunity to open zero-balance bank accounts, enabling access to financial products such as loans, insurance, and pensions. This has facilitated the inclusion of the unbanked population into the economic mainstream. 53.53 crore accounts are opened under this scheme. Nearly one third of the population of India comes under the banking system.

**2. Encourages Savings:** PMJDY has promoted the habit of saving among low-income individuals, especially in rural areas. Access to bank accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) has encouraged the habit of saving among low-income individuals in rural areas. With access to bank accounts, people are securely saving and depositing their earnings in these accounts. A total of ₹2,32,849.95 crore has been deposited in these accounts, which was previously outside the economy. This scheme has led to an increase in the country's overall savings. As a result, investments in the country have grown and ultimately boosted economic development.

**3. Direct Benefit Transfer (DBT):** This is one of the most significant outcomes of the scheme. It has made it easier to transfer the amount from government subsidies, pensions, and welfare schemes directly into the beneficiaries' accounts. This has eliminated intermediaries, reducing corruption significantly. By ensuring that financial aid reaches the intended recipients directly, the efficiency of government welfare programs has improved, leading to greater economic security for the poor. Schemes like the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Micro Units Development & Refinance Agency Bank (MUDRA) scheme, Pradhan Mantri Kisan Samman Nidhi Yojana and Ladli Behna Yojana have successfully reached a large portion of the country's underprivileged population.

**4. Financial Literacy:** The Pradhan Mantri Jan Dhan Yojana (PMJDY) has enhanced financial literacy among the general public. By encouraging people to use banking services such as ATMs, digital payments, and mobile banking, this scheme has promoted financial awareness. Financial literacy enables individuals to make better financial decisions, which contributes to the economic development of the country.

**5. Boost to Small Businesses:** Through PMJDY accounts, small businesses and entrepreneurs, especially in rural areas, now have access to banking services such as credit and other financial facilities, helping them grow their businesses. Many small and large businesses are now using UPI platforms like Paytm, PhonePe, and Google Pay for transactions. With payments being directly deposited into their accounts, their savings have increased. The growth of small businesses is providing employment, which is contributing to the overall economic development of the country.

**6. Reduction in Informal Lending:** By providing easy access to savings accounts and formal credit through banks, the reliance of the general public on moneylenders, who frequently charge high interest rates, has reduced. This scheme enables low-income individuals to access affordable credit, which can be used for productive purposes. PMJDY offers an overdraft facility of up to ₹10,000 for eligible account holders. This reduces the dependence of account holders on moneylenders for small loans. Consequently, it leads to greater economic stability for them.

**7. Women Empowerment:** A large proportion of PMJDY account holders are women. Nearly 57% account holders are women, as on 14th August 2024, 29.56 crore PMJDY accounts are held by women. It provides them direct control over their finances. This not only increases the economic independence of women, but also contributes to the broader goal of gender equality and economic empowerment of women.



**8. Social Security:** PMJDY offers a safety net for economically weaker sections by providing insurance coverage and pension benefits. Account holders under PMJDY are eligible for accident insurance of ₹1 lakh, which was increased to ₹2 lakh for accounts opened after 28th August 2018. The insurance cover attached to PMJDY accounts protects individuals from financial crises, thereby reducing their economic vulnerability.

#### **Conclusion :**

The Indian economy is rapidly developing. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has played a transformative role in India's economic growth by promoting financial inclusion on an unprecedented scale. PMJDY has transformed the landscape of financial inclusion in India and laid a strong foundation for inclusive economic growth. By empowering marginalized groups with access to formal financial services, the scheme has significantly contributed to poverty alleviation, job creation, and the overall economic development of the country. The scheme has empowered marginalized communities, encouraged savings habits, and reduced dependence on informal moneylenders. PMJDY has facilitated the direct transfer of government benefits, ensuring that financial aid reaches the intended beneficiaries and reducing leakage. Additionally, this scheme has enhanced women's financial independence and security, contributing to gender equality and the economic empowerment of disadvantaged groups. The inclusion of insurance and pension facilities has strengthened the social safety net for economically vulnerable populations. Ultimately, PMJDY has created a more inclusive and resilient financial system, which has become a key pillar for sustainable economic growth and poverty eradication in India. Overall, the significant impact of PMJDY in bringing millions of people into the formal banking system, especially in rural areas. It has also contributed to financial inclusion, women's empowerment, and the promotion of digital payments.

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