

BUZZWORDS

Pradhan Mantri Jan Dhan Yojna: The Way Forward

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Summary: *This article discusses the key provisions and identifies the challenges of the latest financial inclusion scheme, Pradhan Mantri Jan Dhan Yojna, backed by the author's own experience.*

The Financial Inclusion is the new buzzword in the area of banking and finance, bringing with it immense career opportunities for finance students along with social welfare for urban and rural poor, hitherto excluded from formal finance and banking system of the country. From as early as 1950s, when findings of 'All India Rural Credit Survey' highlighted the importance of greater financial access to all households in India; financial inclusion, based on the principle of equity and inclusive growth, has attracted the attention of policy makers nationally and internationally. Concomitant to the above development, both State as well as national government and the Central Bank has formulated many policies and programmes to promote financial inclusion, the latest & most popular among them being the Pradhan Mantri Jan Dhan Yojna (Here after referred to as PMJDY).

PMJDY is a new time bound financial inclusion mission aimed at providing bank account to every household in the country. The scheme is supplemented with a bouquet of many other financial services aimed at viable financial inclusion of poor, which is one of the reasons for the scheme's huge popularity.

Outline of PMJDY

- a) It targets opening of over 7.5 crores bank accounts in the first five months.
- b) Each Bank account opened under this scheme will come with additional facilities such as provision of a Rupay Debit Card, accidental (cover of Rs. 1 Lakh and overdraft facility up to Rs.5000 after 6 months
- c) Accounts to be linked with Aadhar card for Direct

Benefit Transfer schemes such (as MNREGA, Subsidies, LPG subsidy, etc.)

- d) All accounts to be online in nature & connected with CBS network of Banks and will provide services such as Mobile Banking, Balance Enquiry, Online transfers, etc.
- e) Business Correspondent Model will be used access remote villages and 50,000 Business Correspondents will be recruited for the same.

However, to examine the implementation of the scheme and to see for myself whether the hullabaloo surrounding it is justified, I decided to visit banks in my area and open an account under PMJDY. I visited 3 banks and 1 Business Correspondent outlet and none opened my account citing issues such as form unavailability or simply postponing future dates, which sets the tone for the various challenges ahead for this apparently rosy scheme.

Challenges Ahead

- § The Scheme sets an ambitious target of covering 7.5 households in 5 months. This target lacks feasibility since the State run banks suffer from dearth of infrastructure and have not yet been provided with basic necessary resources such as stationery.
- § The scheme targets opening up of around 7,000 bank branches, 20,000 ATMs and 50,000 Business correspondents (BC) in coming years. However, recruiting staff to meet the requirement of growing branches and recruiting rural cadre as BCs will pose a huge challenge to banks, who are already facing shortage of about 50,000 personnel and about 1,00,000 employees are expected to retire in the next 5 years as per Khandelwal Committee Report of the RBI.
- § Even if the above challenges are met, the banks will require an additional corpus of Rs. 37,500 crores to provide overdraft facility to 7.5 crores new account holders.

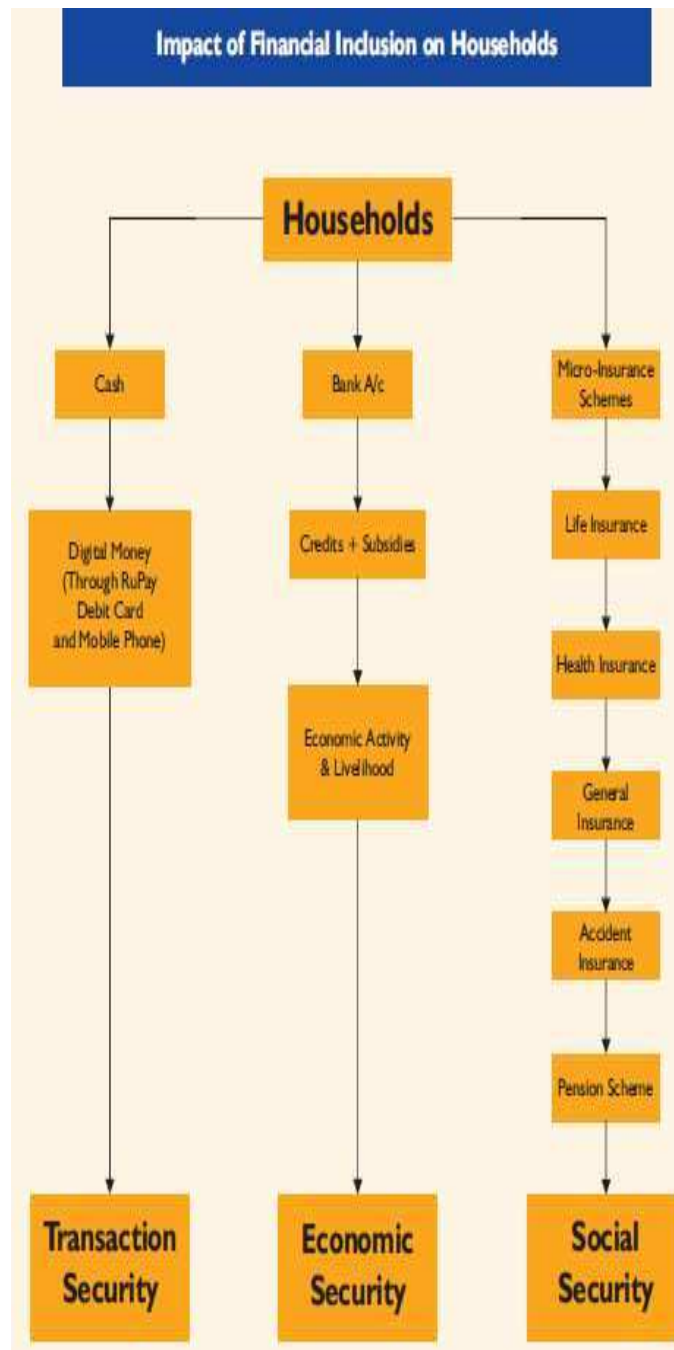
- § This scheme aims to provide universal banking facilities to all account holders through CBS network of banks. However as per census 2011, 50,000 villages do not have internet connectivity and in much larger number of villages the telecom infrastructure is not fit for banking operations.
- § Low level of financial literacy in rural areas will continue to pose a big challenge to the success of new age banking technology such as ATMs & Debit Cards.
- § High Level of Rural NPA (Non Performing Assets) is another factor to be considered.

Conclusion

PMJDY is an innovative and new age technology enabled financial inclusion mission with ambitious targets and strict time frame and hence, worthy of applause from all classes. But success of this scheme essentially depends on critical examination of the various challenges and steps taken to address the same. If issues pertaining to it are not addressed timely, the PMJDY may end up to be another populist scheme; not serving any purpose other than political gains. We wish all the success to this scheme and expect issues are addressed and it proves to be a milestone in the financial inclusion mission of India.

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India from Planning Commission to Niti Ayog

Bhumika Soni-3rd year

Summary: This article is based on the dismantling of the Planning Commission and its replacement by a new institution, which we know as the NITI AYOOG. It is mainly divided into two broad sub topics. While the former retraces the journey of the Planning

Commission since its inception, the latter highlights how the new institution is different from its predecessor and talks about the challenges that lie ahead of the AYOOG. In the end the writer concludes that "The Niti Ayog may be an old wine in a new bottle