Indian Economy · GS - III

Pradhan Mantri Jan Dhan Yojana (PMJDY) is necessary for bringing unbanked to the institutional finance fold. Do you agree with this for financial inclusion of the poor section of the Indian society? Give arguments to justify your opinion.

EXAM YEAR	PAPER	SUBJECT
2016	GS - III	Indian Economy

MARKS	WORD LIMIT
12.5	~200 words

Answer Hint

PMJDY; financial inclusion; basic bank accounts; direct benefit transfers; banking access; financial literacy; credit inclusion; dormant accounts

Model Answer

Introduction

Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, aims to provide access to basic banking services and bring excluded households into the formal financial system.

Why PMJDY Is Necessary

- **Banking access:** Basic accounts enable people without previous banking access to enter the formal system.
- **Direct Benefit Transfer:** Government assistance can reach beneficiaries through bank accounts, reducing reliance on intermediaries.
- **Savings and security:** Formal accounts provide a safer place to save and can reduce dependence on informal moneylenders.

- **Financial services:** Eligible account holders may access associated benefits such as insurance or overdraft facilities subject to scheme conditions.
- **Digital payments:** Accounts linked to digital infrastructure can support convenient and traceable transactions.

Limitations

- Some accounts remain inactive or have low balances.
- Remote communities may face limited banking access and connectivity.
- Financial illiteracy can expose users to fraud or prevent effective use of services.
- Having a bank account does not automatically ensure affordable credit, insurance or pension coverage.
- Irregular income can limit savings and repayment capacity.

Measures to Improve Outcomes

Expand banking correspondents and mobile banking, improve financial literacy, strengthen consumer protection and connect account holders with suitable credit, insurance and pension products. Women, migrant workers and remote communities require targeted support.

Conclusion

PMJDY is a foundational instrument of financial inclusion, but inclusion must go beyond opening accounts. Regular usage, affordable financial services and protection from exploitation are essential for improving the economic security of poorer households.

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