

Jan Dhan a/cs: Panel pitches for changes in overdraft facility to raise utilisation

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As per the PMJDY scheme, an OD of up to ₹5,000 is made available to one account holder (preferably the lady) per household after 6 months of satisfactory conduct of PMJDY account. - PTI

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Concerned over low utilisation of overdraft (OD) linked to the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts, the Steering Committee of the National Financial Inclusion Mission is seeking to modify the OD facility so that more people avail themselves of it and the per head OD amount goes up substantially.

The yawning gap between the number of PMJDY accounts opened and those who have availed themselves of the OD facility that comes bundled with the account was highlighted at the meeting of the Committee, which is headed by the Financial Services Secretary and has chiefs of banks and Reserve Bank of India Deputy Governor as members.

For example, as at December 20, 2017, there were 30.76 crore PMJDY account holders with an outstanding balance of ₹71,233 crore. However, up to December 15, 2017, only 31.04 lakh of these account holders had availed themselves of just ₹ 354 crore as OD.

What this means is that just about one per cent of the PMJDY account holders have tapped the OD facility. Also, on an average, the per head OD amount works out to only ₹1,140. As per the PMJDY scheme, an OD of up to ₹5,000 is available to one account holder (preferably the woman) per household after six months of satisfactory conduct of the PMJDY account.

The objective of PMJDY, which was launched in August 2014 by the NDA government, is to ensure access to various financial services such as a basic savings bank account, need- based credit, remittances facility, insurance and pension to the excluded sections.

Though the PMJDY website gives information about the number of beneficiaries who have opened PMJDY accounts and the outstanding deposits, it is silent on numbers relating to the OD facility. As on August 1, there were 32.25 lakh PMJDY account holders with an outstanding balance of ₹80,675 crore.

A senior public sector bank official said: “In an OD account of ₹5,000, every month there is an interest debit. And if for three months interest is not paid, the account becomes a non-performing asset (NPA). The account gets frozen...The customer will never come to the bank, banking transaction will stop.”

“The people operating the account are very poor and not financially literate (don’t know how to conduct the account). Politicians at the village level have projected the account as some sort of a dole from the government. The beneficiaries must be educated that they have to pay ₹50-60 to the bank every month so that the OD account is sustained. That has not happened. So, that is one problem we face.”

DBT to Jan Dhan a/cs

As the conduct of PMJDY accounts where OD has been sanctioned is not up to the mark, banks want the government and the State governments to link direct benefit transfers (DBT) to PMJDY accounts so that there is credit to the account every month or two and the OD interest gets serviced from the same. Such an arrangement will also encourage banks to sanction OD to PMJDY account-holders as there will be no fear of accounts turning sour.

A senior regional rural bank official said: “If one talks of lakhs of PMJDY accounts getting opened, then OD linked to these accounts runs into thousands. There is that kind of gap... Now the authorities basically need to understand that if we have given ₹5,000 as a loan and there is an interest charge which is happening every month in these accounts, which we can’t stop, and if there is any money coming in (via DBT), it will be swiped to get our interest out.

“...So, if you take ₹5,000 (OD) and spend once, then throughout the year you may not get anything. It is a very difficult situation. Actually, the solution lies in financial literacy.

“The beneficiaries should know that OD linked to PMJDY accounts is a loan, every month they need to pay interest, and if they don’t service the account there is going to be a problem and all that.”

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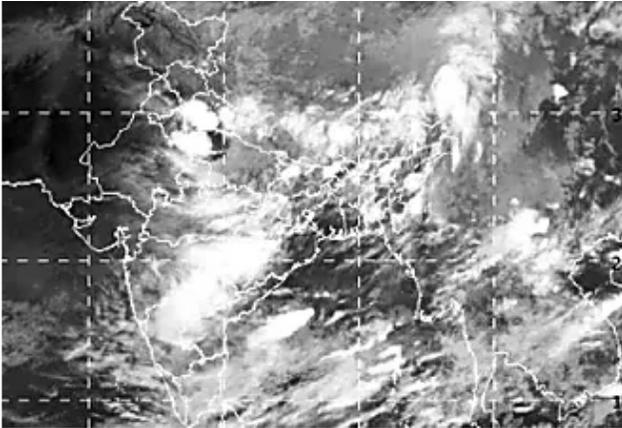
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