
PRADHAN MANTRI JAN DHAN YOJANA: A WAY TOWARDS FINANCIAL INCLUSION

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Abstract

Among the various policy priorities by The Government of India, financial inclusion is a prominent one. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups of people at an affordable cost. Despite regular efforts by government and Reserve Bank of India, a vast section of people are still remaining financially excluded. One big push by the Government of India to combat the problem of financial excludability is the introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) in the year 2014. Its achievement in opening most bank accounts in one week as a part of financial inclusion campaign was recognized by Guinness World Records. With same enthusiasm along with other states of the country this Yojana is implemented in Assam also. In this background present study tried to find out the level of implementation of the PMJDY as a way towards financial inclusion. The study was conducted in Bajali Development Block of Barpeta District of the State taking 60 sample from 6 villages. The study found that mass media is taking a major role in spreading the knowledge of the scheme. Due to financial illiteracy very basic financial products are not being used. Some of the accounts are even not in used for a long period of time. For better achievement of financial inclusion through the implementation of PMJDY, the enhancement of financial infrastructure along with wide spread financial literacy programmes are suggested.

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Keywords:

Financial Inclusion
PMJDY
Reserve Bank of India
Financial Literacy
Assam

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I. Introduction

Financial inclusion has become one of the policy priorities for the government as well as policy makers. It is realized that financial inclusion is the core of sustainable economic growth and development for a country like India. It is confirmed from the empirical evidence that higher economic growth and other development goals can be achieved with the help of a sound and inclusive financial system (Singh & Mishra, 2014). Many studies found positive relationship between financial inclusion and economic growth (Swamy, 2010; Sharma, 2016, Lenka and Sharma, 2017). Financial inclusion also has been linked to social inclusion as well as positive welfare outcomes (Nanziri, 2016). Therefore, attempts have been made by the policymakers and financial institutions to bring large sections of the rural population within the banking or formal financial system.

Financial inclusion is the process of bringing unbanked adults into the formal financial system so that it can help them to access to formal basic financial services (Dev, 2006; Bhaskar, 2013). The Rangarajan Committee (2008)* defined financial inclusion as *“the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost”*. With financial exclusion, a large number of total population remains outside the ambit of inclusive growth process.

The Government of India and the Reserve Bank of India has been working for financial inclusion from time to time. However, even after the nationalization of SCBs and RRBs in India, banking services have not reached to the backward and rural areas to give affordable financial services. People of rural and slum areas are mostly taking credit from microfinance institutions, moneylenders and some other informal sources (Mahadeva, 2008; Bhatia and Chatterjee, 2010). However, for economic prosperity the inclusion of the whole society with an effective banking system is indispensable (Sharma, 2016). At this juncture, in order to give a big push towards financial inclusion another transformational and highly ambitious decision was taken by then Prime Minister of India, Narendra Modi in the form of launching Pradhan Mantri Jan Dhan Yojana (PMJDY) on 28th of August 2014. It is a mega financial inclusion plan with the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. The purpose is to accelerate growth, fight poverty effectively and to empower the last man in the last row in Indian economy.

II. Review of Literature

Barhate and Jagtap (2014) focused on the strategies and issues related to the success of PMJDY in relation to financial inclusion. Their study found that the PMJDY is good mechanism to fight with poverty and to resist the economic downfall.

By using PMJDY scheme in India, Kumar and Venkatesha (2014) made a conceptual study to discuss its role towards financial inclusion. The study expressed PMJDY as the greatest step of the government through which poverty can be eradicated and financial inclusion can be achieved. It suggested the constant review and regular check of the scheme for its success.

Singh & Nisha (2014) found a positive relationship between financial inclusion and human development in their study. For the maximum attainment of the policy of financial inclusion, they mentioned the importance of physical infrastructure for better connectivity & information.

Gupta (2015) in her study attempted to analyse the performance of the PMJDY and to discuss the latest trends being implemented for financial inclusion by PMJDY. She observed that out of the total accounts opened at public sector banks (PSBs) under PMJDY, 71 % were zero-balance and it was 64 % for private banks. Only 28 per cent of the accounts opened under the scheme were active.

Goyal and Khera (2016) discovered in their research that the number of accounts opened under PMJDY in India is more in rural areas than the urban areas. They again found

* A committee on financial inclusion (Chairman: Dr. C. Rangarajan) has been constituted by the Government of India in June 2006 to recommend a strategy to achieve higher financial inclusion in the country. The Committee has submitted its report on January, 2008.

that 60% of the accounts under PMJDY were opened with a deposit and the remaining 40% were only the zero balance accounts.

In a study Yonzon & Oveis (2016) analysed the recent trends in financial inclusions in India with special reference to PMJDY and pointed out various strategies to achieve financial inclusion. The study found that the PMJDY was successful in reducing the habit of lending money from informal sources which encouraged the culture of savings. The study was concluded with the suggestion that after the successful opening of accounts, next efforts should be to keep those accounts alive.

Lenka and Sharma (2017) made an investigation on the effect of financial inclusion on economic growth in India covering a period from 1980 to 2014. Principal component analysis (PCA) was used to construct a financial inclusion index. The study found that financial inclusion has a positive impact on economic growth both in the long-run and short-run in India.

III. Statement of the Problem

The focus of the financial inclusion in India is confined to ensuring a bare minimum access to a savings bank account to all without frills. Exclusion from the financial sector means that people are unable to open a bank account; they don't have the facility of life or health insurance; they cannot access loan in times of their need. Unfortunately, in our country, a large section of the population has been deprived from any access to the formal financial sector. Before the Aadhaar number system or the PMJDY came into being, a simple task, like opening a bank account was difficult for people belonging to the marginalised sections of our society. So much paperwork was involved in opening of bank accounts which most poor folks could not cope. The PMJDY has brought significant changes in the field of financial inclusion by providing various financial services *viz.* savings and deposit accounts, credit, insurance, pension etc. Probably for the first time in our history, the bankers went to the rural people to ensure that the banks are able to provide efficient services to the people at lowest possible cost.

In Assam there is a dominance of informal sources in the rural financial market (Das, 2014). In this context how far the implementation of PMJDY is effective for the people of this region in making them financially included is a matter of concern. Therefore, an attempt has been undertaken to study on financial inclusion through PMJDY in Assam with special reference to Bajali Development Block of Barpeta District and the extent to which this scheme is successfully implemented.

IV. Objective

The specific objective of the present study is to find out the level of implementation of the Pradhan Mantri Jan Dhan Yojana as a mean of financial inclusion in the study area.

V. Methodology

The present study is based on both primary and secondary data. Bajali Development Block of Barpeta District has 84 revenue villages. Out of them, 6 villages *viz.* Baghmara, Ratanpur, Dubi, Konimara, Dumuria and Uparnoi have been selected randomly. Primary data have been collected from 10 sample villagers of each of the selected villages having

bank account under PMJDY. Thus, total sample size for the study becomes 60. In selecting sample villagers judgmental sampling method was adopted. The methods implemented for collecting primary data were personal observation, Interview, telephonic communication and schedule. The secondary data have been collected from various government publications, journals, news papers and websites.

VI. Discussion and Data Analysis

PMJDY, the biggest financial inclusion initiative in the world was announced by the Hon'ble Prime Minister on 15th August 2014 and Mega launch was done by him on 28th August 2014 across the country. The scheme has been started with a target to provide 'universal access to banking facilities' starting with "Basic Saving Bank Account" with an overdraft up to Rs.5000 subject to satisfactory operation in the account for six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and milestones achieved under PMJDY providing social security schemes i.e., Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana. At present (See Table- 1) more than 28 crore bank accounts have been opened under PMJDY and the people have deposited almost Rs.64,000 crore in these accounts. The contribution of public sector banks was considerably larger than private sector and regional rural banks in this period.

Table- 1: Bank-wise Details of Accounts Opened Under PMJDY in India

(As on 19th April 2017) (All Figures in Crore)

Bank Types	Total Account	Number of RuPay Cards	Balance in Accounts	% of Zero Balance Accounts
Public Sector Banks	22.80	17.76	□ 49,999.02	23.96%
Regional Rural Banks	4.65	3.53	□ 11,853.55	20.72%
Private Banks	0.93	0.86	□ 2,107.60	35.56%
Total	28.38	22.15	□ 63960.17	23.80%

Source: <https://pmjdy.gov.in/Archive>

Table- 2 expresses that in April 2017, 1.17 crore accounts have been opened and 92 lakh RuPay card has been issued in Assam. The percentage of PMJDY account holders is higher in the state in comparison to the national level.

Table- 2: Accounts Opened Under PMJDY - Assam and India

(As on 19th April 2017)

	Total Accounts	Deposit (in Crore)	RuPay Card Issued	% PMJDY account holders	% RuPay Card issued	Number of ATMs
Assam	11744845	2425.27	9191755	37.7	78.3	3691
India	283822514	63960.16	221459055	21.7	78.0	219637

Source: <https://pmjdy.gov.in/Archive>

Primary data have been collected from 60 respondents of 6 villages of Bajali Development Block. The findings of the collected data are as follows

Table- 3: Source of Information about PMJDY

Sources of Information	Number of Respondent	Percentage
Radio	6	10%
News Paper	12	20%
Television	15	25%
Friends/Relatives	16	27%
SHGs	11	18%
Total	60	100%

Source: Field Survey Data

Table 3 shows the sources of information from where the sample respondents become aware about have been opened under PMJDY and the. The table reveals that most of the people i.e. 27% come to know about have been opened under PMJDY and the through their friends and relatives. 25% of the respondents came to know about PMJDY with the aid of television followed by news paper. Mass media could not influence much in making aware the samples about PMJDY.

Table- 4: Reasons of opening PMJDY account

Reasons	Respondent	Percentage
Saving	14	23%
To avail benefits of government schemes	26	43%
Following the Mass	11	19%
Buying LPG connection	7	12%
Other	2	3%
Total	60	100%

Source: Field Survey Data

Question was asked to the samples about the reasons of opening PMJDY accounts. The majority of the respondents (43%) opened those with a motive of availing the benefits of government schemes. 23% people opened the bank account because of the saving habit. Many of the people (19%) opened accounts by simply following the mass without any knowledge of PMJDY (Table 4).

Table- 5: Frequency of Uses of PMJDY Accounts

Frequency of Use	Respondents	Percentage
Once in Week	3	5%
Once in Month	15	25%
Once in 2 Months	22	37%
Once in 6 Months	10	17%
Once in a Year	2	3%
Not in Use	8	13%
Total	60	100%

Source: Field Survey Data

Regarding the uses of PMJDY accounts (Table 5), the study found that most transactions are conducted once in a month (25%) or once in two months (37%). However, the area of concern is that 13% of the respondent could not use their PMJDY accounts and 3% could somehow use their accounts once in a year. Thus more or less regular uses of the PMJDY accounts are seen.

Table- 6: Facilities Availed Under PMJDY

Facilities	Yes	No	Don't know	Total Number
RuPay Cards	35	22	3	60
Overdraft	0	11	49	60
Insurance (Bima Yojna)	6	13	41	60
Pension (Pension Yojna)	5	15	40	60

Source: Field Survey Data

The present study wanted to know about various facilities availed by the respondent in the study area which are provided by the PMJDY. The result found was not satisfactory. Only 58% respondent used RuPay cards. None used overdraft facilities. Very few respondents used insurance and pension schemes. The fact is that maximum people were ignorant about overdraft, insurance and pension facilities (Table 6).

Table- 7: Access of Credit of the Respondents

Sources of Credit	No. of Respondents	Percentage
Bank	8	13%
MFI	4	7%
SHG	32	53%
Moneylender	12	20%
Friends and Relatives	52	87%

Source: Field Survey Data

Note: Multiple responses were there; therefore, total respondent may exceed 60 and total percentage may not add to 100 percent

It has been revealed in Table 7 that friends and relatives continue to play a very dominant role in rural finance. In the study area the role of banks, MFIs and moneylenders are SHGs are not very significant. But, SHGs are playing again important role in fulfilling the demand of rural credit.

Table- 8: Perception of People on the Success of PMJDY

Perceptions	Respondent	Percentage
Fully Success	5	8%
Average Success	38	63%
Very Low Success	11	19%
Completely Failure	6	10%
Total	60	100%

Source: Field Survey Data

It was tried to understand the general perception of the respondents regarding the successfulness of opening PMJDY accounts. From the Table 8 it is seen that 8 % of respondents consider PMJDY a fully successful scheme while 10 % of them consider it as a complete failure. 63% respondent considers PMJDY as an average successful one. Again, 19% feels that successfulness of PMJDY is very low.

VII. Suggestion and Conclusion

PMJDY is a great hope for the rural based economy of India. Its aim is to remove financial untouchability and to include all hitherto excluded disadvantaged people into the formal financial system. From our study it is observed that the effect of the implementation of PMJDY in the study area is a mixed one. After its implementation financial thriftiness has increased. Uses of RuPay card has also increased. But, people are still unaware about various financial products available. This is the reason for which people are relying more on informal sources of credit. Financial illiteracy has been the hindrance for the successful implementation of the financial inclusion programmes like PMJDY. However, to make the financial inclusion mission successful, a lot more has to be done.

The government and the RBI have been trying their best for it. ICT based financial system is the demand of the time. Availability of financial infrastructure like banks, ATMs etc. need to be increased especially in the rural areas. Bank Mitras should come more forward to serve the account holders better by creating more awareness about banking services and products among rural people. In school curriculum financial education may be included to increase financial awareness amongst the students. Use of multimedia can also do a lot in influencing common mass. There is long road ahead but undoubtedly PMJDY is playing a significant role and is working on the positive direction. But, achievement of financial inclusion requires collective efforts on the parts of three parties viz. RBI, financial institutions and the general public. If all the sectors cooperate each other, then in the near future financial inclusion will definitely be achieved and unprivileged mass of India will be flourished

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