

Financial Inclusion Through Pradhan Mantri Jan Dhan Yojana (PMJDY) – An Analysis

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ABSTRACT

Finance is a prime constituent of an economy for its overall development. Even after so many years of independence, a large section of Indian population does not have access to basic financial services. Financial inclusion is coming into view as a new pattern of economic growth that plays a vital role in removing poverty from the country. Pradhan Mantri Jan Dhan Yojana (PMJDY) is one of the scheme under financial inclusion initiative of Government of India. The scheme aims to ensure universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension. The main purpose of this study is to analyse the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme in covering all households in the country with banking facilities. The study is purely based on secondary data sources. In order to make analysis and find out findings of the literature collected, various tools have been incorporated.

Keywords: *Pradhan Mantri Jan Dhan Yojana, Financial Inclusion, Rupay debit cards, Households*

INTRODUCTION

In developing countries like India having large population, there are more than 6,00,000 villages and nearly 70 percent of Indian population constitutes rural people. Even though the banking sector of India is very strong, a larger section of population lacks access to formal financial system. Such people depend on unorganised sectors for loans and other credit facilities with a high rate of interest. Ultimately they will fall into the trap of debts. Moreover, such people cannot access insurance facility as they have no bank account. After identifying this situation, Government of India launched Pradhan Mantri Jan Dhan Yojana (PMJDY) to remove hindrance of rural people in availing banking facilities. The scheme has been initiated on 28 August 2014. It foresees universal access to banking facilities with at least one bank account for every household in India.

The main slogan of Pradhan Mantri Jan Dhan Yojana scheme is 'Mera Khata – Bhagya Vidhata' which means 'my bank account is my god'. The slogan expects that in long run, poor people can avail any financial facilities through their bank accounts. As per the terms of PMJDY, people will be provided a zero balance savings account with overdraft facility. The account holder will also be provided insurance coverage. Rupay cards are also provided so that people can swipe it at any ATMs or Pos machines.

A most important achievement of India through Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme is Guinness World record. It has certified that "Most bank accounts opened in one week as part of the financial inclusion campaign is 1,80,96,130 and was achieved by the Department of Financial Services, Government of India. The significance of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme must be known to general public, only then they can deal with such schemes. When adequate knowledge is given, the contribution of Pradhan Mantri Jan Dhan Yojana (PMJDY) in the economic growth of Indian economy can be raised.

LITERATURE REVIEW

Ashok Sandhra, Nair Swathy S and M.B Krishna (2019) discussed the impact of financial inclusion in the successful implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. The survey analyses the level of awareness about the scheme. The study emphasises the fact that the scheme helps in guiding financially excluded people to be part of formal financial sector.

Singh Charan and Naik Gopal (2018) examine the success and consumption of accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. The work came to an end with the finding that role of Self Help Groups (SHGs) has been more predominant than money lenders after the launch of PMJDY

accounts. The study suggested that instruments offered by banks are needed to be more customised based on the socio-economic background of people.

Meera M Rifaya, Kaleeswaran P and Gurunandhini R (2017) analyse the present status and progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. The study also gave suitable suggestions for the improvement of the scheme. It has been concluded that annual growth of amount of account balance and number of Rupay cards issued has increasing trend.

Sharma Neha and Goyal Ruchi (2017) made a conceptual study on Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. The study has been carried out and attempts to learn about the successfulness of financial inclusion in rural areas. It is found that financial information from various sources act as a key factor for the rise in financial inclusion. The work suggested that banks are needed to take more interest in spreading financial information to low income households in rural areas.

Dutta Tulika and Das Ashish (2017) scrutinize and summarise the frequency of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme. The study drawing up a conclusion that banks are needed to take more efforts for the progress of financial inclusion even though they are acting in accordance with Reserve bank of India (RBI) norms.

Swain Bijay Kumar (2016) evaluates the implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY). The study measures the intensity of financial inclusion in some backward and some growing districts in India. It is observed that success or failure of the scheme are different from region to region or bank to bank. It is also found from the survey that the scheme helps to increase the saving habit of people.

SIGNIFICANCE AND IMPORTANCE OF THE STUDY

Even though India has high economic growth rate, a larger section of population still remains unbanked. Financial inclusion policy of the Government makes significant changes in this matter especially in rural economy. Pradhan Mantri Jan Dhan Yojana (PMJDY) is a vital scheme launched in India as financial inclusion tool. The introduction of PMJDY scheme is expected to spot a revolution in the accessibility of financial services to rural people. The scheme has a positive progress in its initial years. Government of India attaches digital provision in the scheme, Rupay cards. With the issue of Rupay cards, even weaker sections of the society can make financial transactions digitally.

STATEMENT OF THE PROBLEM

Financial development is one of the promoter in the overall economic development of a nation. Regard to this most developing countries adopted financial inclusion as their major national policy. In India, one of the major scheme initiated under financial inclusion is Pradhan Mantri Jan Dhan Yojana (PMJDY). The main aim of the scheme is to provide banking services to all households in the country with a powerful attention on technology usage. The financial inclusion through Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme needed to be examined more closely in order to ensure whether the scheme covers weaker areas of society in accessing banking facilities.

OBJECTIVES OF THE STUDY

1. To examine the progress of Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme since its launch.
2. To study the effect of Pradhan Mantri Jan Dhan Yojana (PMJDY) launch on bank account penetration in weaker areas of India.
3. To determine the role of different classes of banks in providing Pradhan Mantri Jan Dhan Yojana (PMJDY) services.
4. To make a study on digital reach on weaker people through Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme.

HYPOTHESES OF THE STUDY

- H_1 : There is significant relation between accounts opened under PMJDY and Number of Rupay cards issued.

- H_1 : The two variables, bank category and area where PMJDY accounts opened are associated.

METHODOLOGY OF THE STUDY

This study is descriptive based purely on secondary data. Secondary data needed for the study have been gathered from the annual reports of Pradhan Mantri Jan Dhan Yojana to a large extent. Data from various theses, journals, reports and websites have also been used for the detailed examination. Accumulated data have been examined in detail with the help of some mathematical tools, SPSS software and parametric as well as non-parametric tests.

DATA AND INTERPRETATION

The data have been collected from the annual reports of Pradhan Mantri Jan Dhan Yojana. The period selected for study is the five years after the launch of the scheme that is, from 2015 to 2019. The data as on the last Wednesday of August for each year have been collected.

Table 1 Accounts opened under PMJDY scheme – aggregate result

Options	2015	2016	2017	2018	2019
Number of accounts opened	179002257	241008384	300929441	325414074	367943255
Trend Percentage	100	135	168	182	206

Source: PMJDY Annual Reports

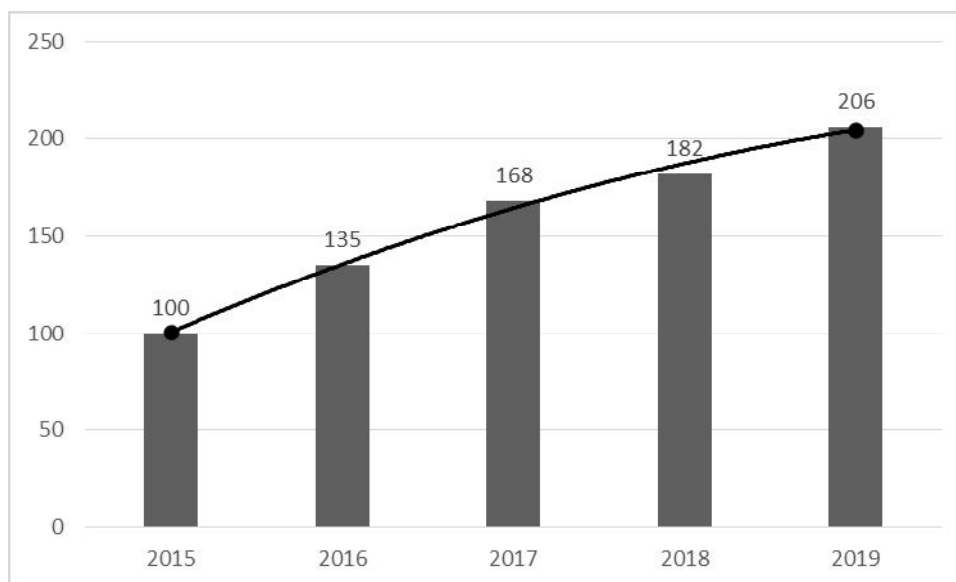


Figure-1

The table and graph shows an upward trend in the number of accounts opened under Pradhan Mantri Jan Dhan Yojana scheme in the initial five years. It depicts the success of the scheme.

Table-2: Area wise classification of accounts opened under PMJDY scheme

Options	2015	2016	2017	2018	2019
Total	179002257	241008384	300929441	325414074	367943255
Rural/ semi-urban	108439080	147921866	179342930	192070653	216879196
Percent to total	60.58	61.38	59.60	59.02	58.94
Urban	70563177	93086518	121586511	133343421	151064059
Percent to total	39.42	38.62	40.40	40.98	41.06

Source: PMJDY Annual Reports

Majority of the accounts opened under PMJDY scheme were in rural or semi-urban area for the five years. It can be observed that rural or semi-urban enrolment has been increased from 10.8 crores to 21.7 crores. The urban enrolment has been raised from 7.1 crores to 15.1 crores.

Table-3: Bank category wise classification of accounts opened under PMJDY scheme

Options	2015	2016	2017	2018	2019
Total	179002257	241008384	300929441	325414074	367943255
Public sector Banks	139941629	191206765	243123315	262607551	292633229
Percent to total	78.18	79.34	80.79	80.70	79.53
Private sector Banks	8878143	10989752	13095287	14254621	17088871
Percent to total	4.96	4.56	4.35	4.38	4.64
Regional Rural Banks	30182485	38811867	44710839	48551902	58221155
Percent to total	16.86	16.10	14.86	14.92	15.83

Source: PMJDY Annual Reports

By 2019, the number of accounts opened by public sector banks were 29.3 crores. It was only around 14 crores in 2015. In case of private sector banks and regional rural banks also, the number of accounts opened have been increased. In all the years, most of the accounts were opened by public sector banks.

Table-4: Bank category wise classification of accounts opened in Rural/ semi-urban areas

Bank category	2015	2016	2017	2018	2019
Public Sector Banks	76917989	107174844	132574987	141444500	157355047
Private Sector Banks	4202953	5206915	5851061	6044861	6923471
Regional Rural Banks	27318138	35540107	40916882	44581292	52600678
Total	108439080	147921866	179342930	192070653	216879196

Source: PMJDY Annual Reports

As on August 2019, total number of accounts opened under Pradhan Mantri Jan Dhan Yojana in rural or semi-urban areas were 21.7 crores. The contribution of public sector banks in this effort was outstanding than private sector banks and Regional Rural banks (RRBs).

Table-5: Bank category wise classification of accounts opened in Urban areas

Bank category	2015	2016	2017	2018	2019
Public Sector Banks	63023640	84031921	110548328	121163051	135278182
Private Sector Banks	4675190	5782837	7244226	8209760	10165400
Regional Rural Banks	2864347	3271760	3793957	3970610	5620477
Total	70563177	93086518	121586511	133343421	151064059

Source: PMJDY Annual Reports

In case of urban area, accounts opened under Pradhan Mantri Jan Dhan Yojana in the year 2019 were 15.1 crore. The accounts opened in the five years succeeding the launch of the scheme show a rising trend. Public sector banks have considerably large share in the number of accounts opened in urban areas.

Table-6: Number of Rupay cards issued under PMJDY scheme – aggregate result

Options	2015	2016	2017	2018	2019
Number of Rupay cards	157361372	190003740	227504264	245056251	291470537
Trend Percentage	100	121	145	156	185

Source: PMJDY Annual Reports

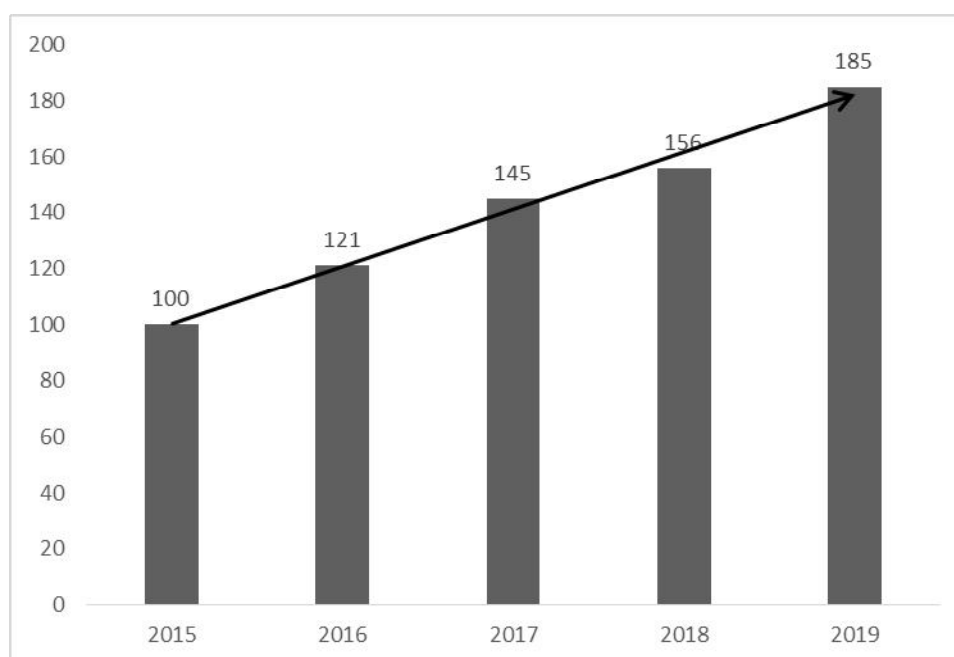


Figure-2

Number of Rupay cards issued under Pradhan Mantri Jan Dhan Yojana scheme has increased from 15.7 crores of the year 2015 to 29.2 crores in 2019. It shows an increasing trend of Rupay cards issue.

Table-7: Bank category wise classification of number of Rupay cards issued under PMJDY scheme

Options	2015	2016	2017	2018	2019
Total	157361372	190003740	227504264	245056251	291470537
Public sector Banks	127652028	153348452	182679947	198646175	241423942
Percent to total	81.12	80.71	80.30	81.06	82.83
Private sector Banks	23487245	28776145	35858806	37116918	38403282
Percent to total	14.93	15.14	15.76	15.15	13.18
Regional Rural Banks	6222099	7879143	8965511	9293158	11643313
Percent to total	3.95	4.15	3.94	3.79	3.99

Source: PMJDY Annual Reports

Bank category wise classification of Rupay cards issue under PMJDY scheme make it clear that majority of cards were issued by public sector banks. Regional rural banks were issued only a little number of Rupay cards under the scheme.

Table-8: Amount of deposit in PMJDY accounts (Amount in lakhs)

Bank category	2015	2016	2017	2018	2019
Public Sector Banks	1793166.31	3337850.70	5205372.38	6536903.72	8078500.10
Private Sector Banks	387783.36	719923.49	1173475.98	1447619.95	1869515.21
Regional Rural Banks	109118.30	151649.64	201097.78	219411.60	293527.47
Total	2290067.97	4209423.83	6579946.14	8203935.27	10241542.78

Source: PMJDY Annual Reports

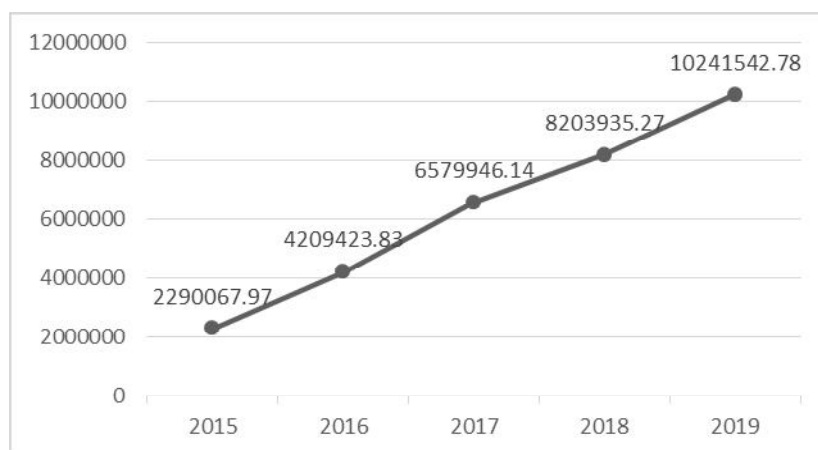


Figure-3

The total amount of deposit in all Pradhan Mantri Jan Dhan Yojana accounts has been increasing overtime. But the increasing rate of deposit amount seems to be constant.

CORRELATION

H_1 : There is significant relation between accounts opened under PMJDY and Number of Rupay cards issued.

Table-9

		Number of accounts opened	Number of Rupay Debit Cards issued
Number of accounts opened	Pearson Correlation	1	.988
	Sig. (2-tailed)		.002
	N	5	5
Number of Rupay Debit Cards issued	Pearson Correlation	.988	1
	Sig. (2-tailed)	.002	
	N	5	5

Tools used: SPSS

Accounts opened under Pradhan Mantri Jan Dhan Yojana and number of Rupay cards issued under the same are positively correlated and the degree of correlation is 0.988. As the p value is less than 0.05, the alternative hypothesis can be accepted. Thus, there is highly significant relation between the variables.

CHI-SQUARE

H_1 : The two variables, bank category and area where PMJDY accounts opened are associated.

	Public sector	Private sector	Total
Rural/ semi-urban	157 (a)	7 (b)	164
Urban	135 (c)	10 (d)	145
Total	292	17	309

$$\chi^2 = \frac{(ad-bc)^2 N}{(a+b)(c+d)(a+c)(b+d)} = \frac{[(157 \times 10) - (7 \times 135)]^2 \times 309}{(157+7)(135+10)(157+135)(7+10)} = 1.02$$

The degrees of freedom for a 2x2 table chi-square test is 1. The table value at 5 percent significance is 3.841 and as the table is greater than the computed value, the alternative hypothesis is rejected. Hence there is no association between categories of banks and areas where Pradhan Mantri Jan Dhan Yojana accounts opened.

FINDINGS OF THE STUDY

- Number of accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme during the initial five years are increasing. It exhibits the success of the scheme.
- Nearly sixty percent of PMJDY accounts were opened in rural or semi-urban areas giving a well-built banking connection with financially excluded people in India.
- Majority of the PMJDY accounts were opened by public sector banks both in rural or semi-urban areas and urban areas. Private sector and Regional rural banks have poor role in this regard.
- Number of Rupay cards issued is on rise which reveals the increasing demand for digital products.
- Public sector banks offer more technological innovations like the issue of Rupay cards. Regional Rural Banks are needed to extent the same.
- Amount of deposit in PMJDY accounts shows a rising trend. It shows the progress of PMJDY scheme.
- The research work produced an evidence that number of accounts opened and number of Rupay cards issued under PMJDY scheme have a notable mutual relationship.
- The study communicates that categories of banks and areas where PMJDY accounts opened are not so related.

CONCLUSION

Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme has been launched with an objective to provide access to banking facilities for all households in India through bank branches. Financial inclusion through this scheme is becoming success in its opening periods. Financially excluded people in rural areas are now actively participating in banking activities. Issue of Rupay cards causes increase in the technological knowledge of weaker sections of the society.

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