

# The Impact on Financial Inclusion in the Successful Implementation of PradhanMantri Jan DhanYojana (PMJDY) Scheme

Sandhra Ashok, Swathy S. Nair, Krishna M.B

**Abstract:** *The PradhanMantri Jan DhanYojana scheme was launched by the Honorable Prime Minister of India Sri. NarendraModi on 28<sup>th</sup> August 2014. The basic objective of PMJDY scheme is to provide access to formal financial services to the vulnerable sections of the society that do not have access to these services. The study about “The impact on Financial Inclusion in the successful implementation Of PradhanMantri Jan DhanYojana (PMJDY)” is conducted to know the level of awareness about the scheme as well as the success and usage of this scheme. This study reveals that people have awareness about the scheme and the main reason for opening PMJDY account is because the account holders can maintain zero balance. Large numbers of accounts are opened under this scheme and helps in bringing the financially excluded population to be part of formal financial sector. The study suggests that interest from the part of bank employees should be increased and also financial literacy programs should be conducted to remove the drawbacks of the scheme. The study concludes that PMJDY scheme played a major role in eradicating the problem of financial exclusion in India.*

**Keywords:** *Bank account, Financial Inclusion, Financial service, PradhanMantri Jan DhanYojana (PMJDY).*

## I. INTRODUCTION

A bank is a financial institution which provides banking and other financial services to its customers. It safeguard the money and valuable products and provides loans, credit and payment services such as checking accounts, money orders and cashier's cheques etc. The bank also offer investment and insurance products. Based on the services and safety provided by banks the majority of people in the country trust bank and they try to make a relationship between banks through depositing money and by utilizing the various schemes provided by the banks. The banks have shed their traditional functions and they bring more innovating ideas and new types of services in order to cater to the needs of the customers. The banking system in India has become more effective with the combined efforts of cooperative banks, Regional Rural Banks and Development banking institutions. However with increasing

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Development in electronic banking system the banking transaction had become so easy and thus people also try to go with these changes in the banking sector.

The most important national objective of RBI and the Central Government is Financial Inclusion. Financial inclusion is defined by the Committee on Financial Inclusion, Chairman Dr. C Rangarajan, 2008 as the process of ensuring access to financial services and timely and adequate credit where needed to the vulnerable groups such as weaker sections and the low income groups at an affordable cost. It is an effort taken by RBI and the Central Government to bring forward those vulnerable sections of the society to have access to formal financial services. Several schemes and policies have been introduced to increase financial inclusion in India. The introduction of frill accounts, Basic Savings Bank Deposit Account (BSBDA), simplified the KYC norms, adoption of banking correspondents (BC's), conducting financial literacy programs, Kissan Credit Cards (KCC), General Credit Cards (GCC), Aadhaar enabled payment system, Direct Benefit Transfer, electronic benefit transfer, PradhanMantri Jan DhanYojana (PMJDY), Swabhiman campaign etc are introduced towards increasing financial inclusion. All these measures help to increase the savings habit, availing credit through formal channels, availing benefits directly and other welfare programs. Hence this will help to remove the problem of financial exclusion in India and also helps in increasing the GDP and economic growth.

The PradhanMantri Jan DhanYojana scheme is a national mission launched toward the financial inclusion in India. It was announced by the honorable Prime Minister Shri. NarendraModi on 15<sup>th</sup> august 2014 and was launched on 28<sup>th</sup> august 2014 across India. The PMJDY is a scheme that is launched to provide access to basic financial services such as banking or savings, deposit remittance, availing credit etc., to the vulnerable sections that do not have access to these services. An account opened under Jan Dhan scheme, an account holder can maintain zero balance, can take overdraft of Rs.5000 after 6 months of opening the account, receive rupay card with accident insurance cover. This scheme helps to eliminate corruption as the subsidies and other benefits are directly paid to the beneficiary account. The PMJDY scheme plays a major role towards achieving thenational objectives of financial inclusion.

Financial inclusion is a subject of national priority for the government and regulators of the Indian financial system. The PradhanMantri Jan DhanYojana (PMJDY) is arguable the largest financial inclusion drive in the world.

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As of February 28, 2015 a total of 136.8 million accounts are been opened within just six months after the announcement of the scheme. With the availability of maintaining zero balance account many low income groups such as rural area people are able to make a relationship with the bank. So with the implementation of this scheme the financially excluded people are able to get financial assistance and other various services for meeting their needs. So it is clear that many people are utilizing the PMJDY scheme effectively to be financially included.

### II. REVIEW OF LITERATURE

Dr. Vedala Naga Sailaja and Dr. Uma MaheswaraRao T.(2018) in their research paper: A study on financial inclusion awareness through PMJDY in Guntur District studied about the present status and people's awareness about PMJDY schemes and also the factors affecting access to financial products and also suggests measures to overcome problems in attaining financial inclusion. This study suggests that the government and banking sector should take necessary steps to identify and remove the factors that hinder the public from accessing formal financial channels. By providing awareness to people through financial counseling helps in removing the problems faced in accessing formal financial sources.

Charan Singh and GopalNaik (2018) had focused on the importance of financial inclusion after PMJDY through the study of Financial Inclusion after PMJDY: A Case Study of GubbiTaluk, Tumkur. PradhanMantri Jan-DhanYojana (PMJDY) was introduced in August 2014 and has achieved record success in terms of ensuring almost 100% household coverage. The study attempts to examine the success of PMJDY in six Gram Panchayats of Gubbi. The study finds that new accounts have been opened by women, small and marginal farmers, and rural people with no formal education. The properly run, Common Service Centers have served an important purpose of facilitating financial services to rural population. Interestingly, demonetization did not have any long term impact on the behavior of users nor bankers but money lenders improved their services. The other financial schemes of the government pertaining to pension, insurance and social security have yet to make an inroad into rural sector. However, digitalization of the economy needs to be carefully addressed because many respondents were not comfortable in using online, internet, ATM and mobile banking.

ParthaSarathiSenapati (2018) in his research "A Study of PradhanMantri Jan DhanYojana (PMJDY) Scheme in Odisha and Challenges of Financial Inclusion" mentioned about the importance of this scheme (PMJDY) and its progress across the country as well as in the state of Odisha .PradhanMantri Jan-DhanYojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. Since the launch of this scheme in 2014, it has created a milestone in bringing millions to the banking services. It is a crucial scheme of Government to achieve financial inclusion of the mass and making a progress towards inclusive growth. This paper tries to study the scheme in details and its progress across the country as well as in the state of Odisha.

M. RifayaMeera, P. Kleeswaran and R. Gurunandhini (2017) in their study about financial inclusion through PradhanMantri Jan Dhan scheme try to know the salient features and benefits enjoyed by PMJDY account holders. They also analyzed the current status and progress of PMJDY scheme and make suitable suggestion for the betterment of the scheme. The author made a comparison between public sector, private sector and regional rural banks in terms of number of accounts opened, number of accounts with zero balance, rupay cards issued. It is clear that all these services are given mainly through public sector banks and the least through regional rural banks. This study suggests that private sector banks participation should be increased and more awareness about the scheme through financial literacy centers and camps should be provided to the public.

Reetika Bhatt (2017) published an article entitled "Augmenting financial inclusion through PradhanMantri Jan DhanYojana", the major objective of the study is to know the level of awareness and progress of PMJDY. From the study we could understand that in the first phase of the scheme several unbanked villages were identified and covered by opening banking outlets and in the second phase a high increase in number of bank accounts was seen. District wise study shows a high progress of the scheme. The scheme is more successful in rural areas. Majority of the accounts are opened under this scheme and of the accounts opened majority are zero balance accounts.

Manuela Günther (2017) "The Progress of Financial Inclusion in India: Insights from Multiple Waves of Survey Data" has studied how the unbanked can be brought into the formal financial system remains a question of policy and academic interest. India lends itself as an interesting case study. He uses data of India's lowest income states to understand the trends in financial inclusion in India between 2013 and 2015. The sample frame covers the time-period in which India introduced the PMJDY scheme. Over 260 million bank accounts are opened. He characterizes several cross-sectional differences that highlight the heterogeneity in the progress of financial inclusion. For instance, richer, more educated, older, and employed individuals are still most likely to own a bank account. But the PMJDY scheme has significantly increased the likelihood of owning an account among the most disadvantaged, such as women and the rural population. Lastly, it also shed light on the effect of other Government-led interventions such as the introduction of unique identification cards, bank agents, and digitizing government payments.

Dr. Rajeshwari M. Shettar (2016) in her study about PradhanMantri Jan DhanYojana: Issues and Challenges studied about the present scenario, actual progress and challenges of PradhanMantri Jan DhanYojana. This study suggests that duplication of accounts should be prevented, financial literacy programs should be conducted, ATM s should be strengthened in rural areas and also Swabhimana campaigns with business correspondents needs to be enlarged. Another challenge faced by the scheme is to make the non operative zero balance account operative.



MrunalChetanbhaiJoshi1-Vikram P. Rajpurohit (2016) has found through the study of Awareness of Financial Inclusion: An Empirical Study, that government is consistently working for the betterment of rural customer by taking initiative through various schemes. From time to time Indian Government consistently makes its efforts towards inclusion of rural customer (investors) in organizing financial system. This might not only provide handsome amount of cash flow to boost Indian economy but it could also help the government to facilitate rural development through offering various services like gas subsidies etc. Thus, nomenclature of financial inclusion varies due different ruling party, but the primary objective remains the same i.e. to flourish the bottom of the pyramid of financial market. The current states elucidates that present government up to some extent turn out to be successful by opening around 12.54 crore new bank account (up to January 2015) and deposits of more than Rs. 5000 crore (up to November 2014) through new form financial inclusion PradhanMantri Jan DhanYojana (PMJDY). But it has been observed that still the largest part of the rural market in untouched and not explored fully. Hence, this paper is an attempt to study about the awareness of PMJDY among its potential investor i.e. rural customer.

Rajat Deb (2016) "Perceptions of Bank Account Holders about PMJDY – A Study on Baikhora Region of South Tripura" found the empirical results that have indicated the catalysts like demographic characteristics, service quality and scheme benefits. Policy lags and perceptions about private banks have attracted the respondents in nationalized banks. The public sector banks may incorporate the results in their strategic policy formulations to attract the potential customers and may frame course of actions to compete with the tentative private players in PMJDY. The study offers policy relevance, acknowledges few limitations and indicates the future research agenda.

### III. OBJECTIVES OF THE STUDY

- To study the progress of PMJDY scheme in Ernakulam district.
- To analyze the level of awareness about the scheme.
- To study the impact of PMJDY scheme on financial inclusion.
- To examine the success, reach, and usage of accounts opened under PMJDY scheme.

### IV. HYPOTHESIS

H0: There is no significant difference between awareness level about PradhanMantri Jan DhanYojana scheme with demographic factors.

H1: There is significant difference between awareness level about PradhanMantri Jan DhanYojana scheme with demographic factors.

## V. RESEARCH METHODOLOGY

The study is descriptive in nature. Both primary and secondary data is used in the study. Primary data has been collected by using a structured questionnaire from 50 respondents in Ernakulam district. Secondary data has been collected from articles, journals, and websites.

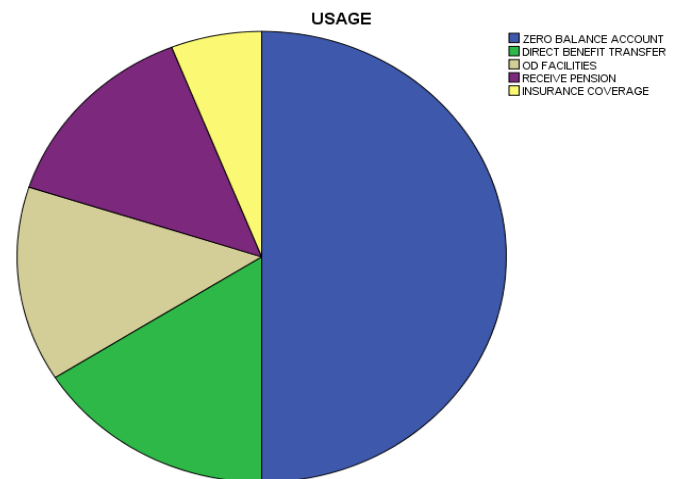
## VI. DATA ANALYSIS AND INTERPRETATION

Table VI. (i) Usage of PMJDY account

Particulars	Frequency	Percent
Zero balance account	25	50.0
Direct benefit transfer	8	16.0
OD facilities	7	14.0
Receive pension	7	14.0
Insurance coverage	3	6.0
Total	50	100.0

Source: Primary data

Fig VI(i) Usage of PMJDY scheme



The most used feature of PradhanMantri Jan DhanYojana scheme is the facility to keep zero balance account by the account holders. Direct benefit transfer, overdraft facilities etc are also used by PMJDY account holder.

Table VI.(ii) Reasons for not opening PMJDY account

Particulars	Frequency	Percent
ID proof	5	10.0
Lack of earning	11	22.0
Prefer informal channels	7	14.0
Lack of awareness about opening a/c	8	16.0
Accessing bank is time consuming	19	38.0
Total	50	100

Source: Primary data

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**Fig VI.(ii) Reasons for not opening PMJDY account**

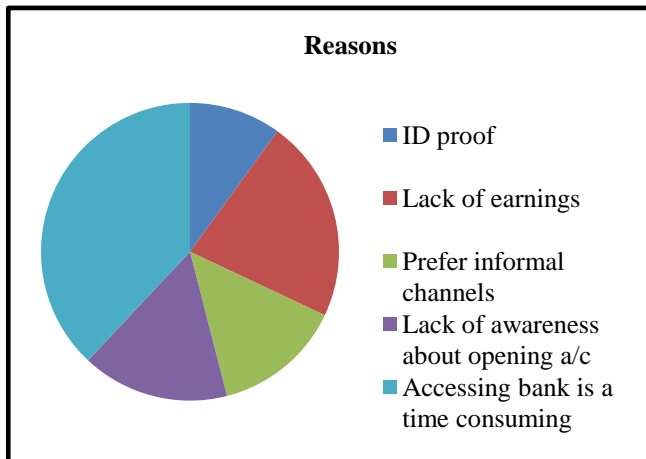


Table VI.(ii) reveals that the main reason for not opening PradhanMantri Jan DhanYojana account is that accessing bank is considered as a time consuming activity. Other reasons for not opening PMJDY account is because of their lack of earning to deposit in bank accounts, lack of awareness about opening bank account.

**Table VII.(iii) Drawbacks of PMJDY accounts**

Particulars	Frequency	Percent
Lack of interest from bank employees	11	22.0
Delay in receiving benefits	3	6.0
Lack of knowledge about the features of PMJDY scheme	20	40.0
OD not properly availed	10	20.0
Insurance coverage based on transaction details	6	12.0
Total	50	100

Source: Primary data

The present study reveals that the main drawback of PMJDY is lack of knowledge about the features of PMJDY scheme. Lack of interest from bank employees in opening bank accounts is a reason for the low popularity of PMJDY scheme. Overdraft facilities are not properly received to the customers.

**Table VI.(iv) One-way ANOVA of awareness about PMJDY and demographic factors**

Source: Primary data

The above table reveals that  $p > 0.05$ , so there is no significant difference in the awareness level about PradhanMantri Jan DhanYojana Scheme and the demographic factors. So the null hypothesis is accepted and the alternate hypothesis is rejected i.e. there is significant difference between awareness level of PMJDY scheme and demographic factors.

### VII. FINDINGS

		Sum of Squares	df	Mean Square	F	Sig.
GEN DER	Between Groups	.222	1	.222	.763	.387
	Within Groups	13.958	48	.291		
	Total	14.180	49			
AGE	Between Groups	.645	4	.161	.536	.710
	Within Groups	13.535	45	.301		
	Total	14.180	49			
EDU CATION	Between Groups	1.907	4	.477	1.748	.156
	Within Groups	12.273	45	.273		
	Total	14.180	49			
OCC UPATION	Between Groups	1.061	5	.212	.712	.618
	Within Groups	13.119	44	.298		
	Total	14.180	49			

- People have awareness about PMJDY scheme irrespective of various demographic factors such as age, gender, occupation, education.

- The main reason for opening PMJDY account is, the account holders can maintain zero balance in their accounts.
- The most used feature of PMJDY account is the facility to maintain zero balance in accounts and overdraft facilities provided under the scheme.
- Large number of bank accounts is opened under this scheme and helps in bringing the financially excluded population to be part of formal financial sector.

### VIII. SUGGESTION

- Lack of interest from the part of bank employees is a major problem faced by the people. So more initiative from bank employees should be made in order to reduce the difficulties faced by the people in opening PMJDY accounts.
- More number of accounts are opened in public sector banks so the government should promote the private sector banks as well as the Regional Rural Banks and cooperative banks to open more accounts.
- Most of the respondents are not fully aware of the features of PMJDY schemes, so financial literacy programs or through business correspondents.
- More bank branches should be opened in rural areas because some people see accessing bank is a time consuming process.
- Most of the people open these account because they can maintain zero balance in their account. Large number of accounts opened under this scheme maintains zero balance, so adequate should be taken so that a minimum cash balance is maintained by the account holders.

### IX. CONCLUSION

The PradhanMantri Jan DhanYojana scheme was launched to eradicate the problem of financial exclusion in India. The basic objective of PMJDY scheme is to provide access to formal financial services to the vulnerable sections of the society that do not have access to these services. This study is conducted to know the level of awareness about the scheme among the general public. It also studies about the impact of the scheme by analyzing its usage and also the factors affecting the scheme. By introducing this scheme the government and RBI is able to bring a large number of people to formal financial channel and thereby helps in removing financial exclusion. This study suggests that the private sector banks and regional rural banks should be promoted to open more PMJDY accounts. The awareness about this scheme among the public should be increased by conducting financial literacy programs or through business correspondents. The study also suggests that the Government and RBI should take adequate measures so that the accountholders may maintain cash balance in their accounts rather than making advantage of the facility to maintaining zero balance in their accounts. These are some of the steps that can be taken to increase the performance of the scheme. Hence we can say that the PMJDY scheme is a major step taken by the government towards financial inclusion in India.

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