

# **AUGMENTING FINANCIAL INCLUSION IN INDIA THROUGH PRADHAN MANTRI JAN DHAN YOJANA –A CRITICAL ANALYSIS**

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## **ABSTRACT**

**An economy's primary component for general development is finance. A sizable portion of Indians lack access to fundamental financial services even after so many years of freedom. In order to eradicate poverty from the nation, a new pattern of economic growth known as financial inclusion is beginning to emerge. One of the programmes included in the government of India's financial inclusion plan is Pradhan Mantri Jan Dhan Yojana (PMJDY). This study makes an effort to examine the developments made under the Pradhan Mantri Jan Dhan Yojana programme. The study is based on secondary sources which were from published works, a variety of journals, newspapers, reports, books, and PMJDY's official websites. The PMJDY plan has considerably decreased financial untouchability in the country's banking sector, according to the study's conclusions. The plan's objective might not be met by only opening bank accounts; rather, for the strategy to be genuinely successful, the bank accounts must be operated consistently.**

**KEYWORDS: Beneficiary, Bank Mitra, Debit Card, Financial Inclusion, Pradhan Mantri Jan Dhan Yojana, Rupay.**

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## **I. INTRODUCTION**

Economic planners have long advocated for social and economic equality so that every citizen of the country can benefit from development. Although the major concern of the planning process is social and economic equality in several dimensions. Following the 1991 economic changes, which included the adoption of globalization, liberalisation and privatization India's economy, has grown at a rapid pace. However, it has exacerbated the gap between the rich and the poor in society. So the benefits of progress are not evenly distributed throughout society's

various segments. Even after so many years, a huge portion of the population remains financially disadvantaged. As per the world bank group “Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsibly and sustainably way.”

## **A. Financial Inclusion**

Financial inclusion provides banking and financial services to individuals. Its objective is to offer basic financial services to all members of society, irrespective of their savings or income. Its main objective is to give benefits to those persons who are economically disadvantaged from financial support. The provision of affordable, user-friendly savings and lending services to the underprivileged is the broad definition of the term. Its objective is to guarantee that those who are impoverished and disadvantaged can obtain financial literacy and optimize their financial resources.

## **B. Elements influencing financial services accessibility**

On the one side, the goal of financial inclusion is to make banking services like savings accounts, cash credit, and insurance products available to the most vulnerable groups in society. On the other hand, it refers to the goal of providing enough credit and financial services to every sector of the economy. Since the poor lack the skills and information necessary to utilize the financial services that they can access, financial services need to be increasingly being extended to low-income households, which have been acknowledged as a crucial component of development. The majority of commercial banks exclusively conduct business in commercial districts, and they locate their branches in lucrative locales. Therefore, it is challenging for the populace who live in remote locations to receive financial services. Although accessibility to these services is influenced by a variety of factors, including population density, rural areas, population mobility (the term used to describe extremely mobile individuals who do not have a formal residence), etc., also effects financial services access.

It is against the law for women, minorities, economic and political migrants, and refugee laborers to use banking services if they do not have valid identification, such as original birth certificates or identity cards. For ladies without property or assets, it is typically cumbersome to get credit. In order to receive credit from any financial organisations, they also required a male guarantee. The biggest barriers to obtaining different financial services for people are incomplete fundamental education as well as financial literacy. They are uninformed of the significance of

financial products like as bank accounts, the capacity to pay with cheques, bank loans, or overdrafts, and insurance. Financial products are used more frequently by various economic agents, such as business correspondents, NGOs, MFIs, and others, when people are financially literate. People's ability to receive financial services depends heavily on their financial standing. Even when financial services are designed for lower income level groups, poor individuals cannot access them. Additionally, there are numerous hidden bank fees in India, which have discouraged the underprivileged from using these services. Additionally, consumers have little interest in utilizing these financial services or products with strict terms and conditions. Numerous financial organizations impose different limits on how their accounts are used, like minimum balance requirements. When it comes to lending money, banks typically do not like small borrowers or unorganized firms. As a result, these loan applications are regularly denied.

### **C. Pradhan Mantri Jan Dhan Yojana**

On the occasion of India's Independence Day, Prime Minister Narendra Modi announced a scheme '**Pradhan Mantri Jan Dhan Yojana**' (August 2014) for financial inclusion so that each household can be included in the banking system. The scheme was launched on 28 August 2014. A basic savings bank deposit account can be opened under the plan at any bank branch or Bank Mitra outlet by individuals without any other accounts. A Bank Mitra operates as an intermediary between a bank and its customers, specifically in underserved areas. They assist in places where there are no ATMs or bank branches. A Bank Mitra offers a variety of services to India's unbanked citizens. They examine potential consumers first and assist them in opening accounts by verifying their identities and collecting the necessary paperwork. The objectives of this scheme are to provide each household basic bank account, Rupay debit card, overdraft facility, financial literacy, accident insurance and pension facility.

### **D. Benefits of PMJDY**

PMJDY primarily focuses on the individuals and groups that are not included in the fundamental financial institutions even in the modern times of advanced technology and research. Through this Yojana, Unbanked individuals are provided with a single basic savings bank account with no minimum balance requirements. Interest is paid on deposits made into PMJDY accounts. These accounts promote the habit of saving and investment among people as interest is earned and underprivileged sections are also covered. Account holders receive a Rupay Debit card also under this scheme. PMJDY account holders can access an accident insurance cover of Rs. 1 lakh (up to

Rs. 2 lakh for newly opened accounts started after August 28, 2018) with the RuPay card that is provided to them. Account holders who meet certain requirements can avail an overdraft (OD) facility of up to Rs 10,000.

## II. REVIEW OF LITERATURE

**Awasthi (2015)** The research also recommended that the RBI and commercial banks provide proper client training and design a concerted campaign to inform clients about the several financial inclusion programs, involving trainers. Financial inclusion is a long-term process that requires consistent attempts to increase financial literacy.

**Hussain (2015)** stated that financial inclusion has risen to the foreground since the inception of PMJDY. Due to its unique qualities, it is now one of the best policies for achieving inclusive growth and financial inclusion. The major pillars of this plan, which are particularly advantageous to the poor, are the Rupay card, insurance coverage, and overdraft facility. The biggest disadvantage is that people are unaware of the benefits of PMJDY and its services. To raise knowledge of the scheme's benefits, a lot of publicity is required.

**Thyagarajan and Nair (2016)** studied that Indian government have been making numerous attempts for the promotion of financial inclusion of the public, with the primary goal of providing financial services to the financially disadvantaged group of the society.

**Shettar (2016)** indicates that the PMJDY plan is extremely beneficial to people in rural and urban areas in receiving government schemes directly. The PMJDY plan has produced an excellent effect in the banking sector in terms of eliminating financial untouchability. Simply opening bank accounts may not achieve the scheme's goal, but the continual operation of bank accounts is required for the scheme to be successful.

**Kaur and Walia (2016)** in their review study summarised that the government of India have taken several measures to promote financial inclusion, and bank branches around the country have held various awareness camps to raise awareness about the new PMJDY plan. According to studies, UP was the only state with a higher awareness rate and satisfied with the Jan Dhan Yojana.

**Sharma and Goyal (2017)** through their paper highlighted importance of PMJDY awareness in connecting the marginalized with conventional institutions. Informants who live closer to the bank have more probability to be financially included. Financial data from numerous sources like -Bank

Mitra, newspapers, television, friends, etc. aided inclusion. Banks and policymakers should work closely together to disseminate financial information, as these efforts are deemed to be beneficial as their business is directly impacted.

**Bijoy (2017)** found in his study that because of Pradhan Mantri Jan Dhan Yojana there is increase in penetration of banking services but real financial inclusion can be achieved when people have income so there is need to reduce poverty to achieve financial inclusion in real.

**Nimbrayan et al. (2018)** stated that for economic growth and development financial inclusion is of great importance and PMJDY is a great step towards this objective but there are various challenges like multiple accounts, dormant accounts, lack of rural financial literacy and so on. These must be addressed for effective implementation of the scheme.

**Banerjee and Gupta (2019)** in their study found that beyond an arithmetic increase in bank account ownership, PMJDY was unable to financially include people. The scheme, on the other hand, is credited with lowering the gender difference in bank account ownership as now it has narrowed to 20% in 2014 to 6% in 2017. However, a regular bank account appears to be more effective in providing much-needed financing to people.

**Bhishma and Ekta (2020)** studied that because of PMJDY there is an increase in digital financial inclusion as due to opening of bank accounts one can avail internet banking, mobile banking etc. but there is need to spread awareness regarding this and to educate the people regarding how to operate mobile banking and internet banking.

**Shafi and Muhammed (2021)** found that through the PMJDY programme bank branches are gradually being penetrated, bank accounts are being opened, and business correspondents are being implicated. This programme, like any other, has opportunities and obstacles, including big dormant accounts, concerns about rural financial illiteracy, insufficient executors, and so forth.

**Dey (2022)** Pradhan Mantri Jan Dhan Yojana scheme is very impactful for achieving the motive of financial inclusion. The states which have low per capita income or fewer people are financially included performed well in comparison to those states where there is high per capita income or more financially included people

**Gupta and Shrivastava (2022)** Pradhan Mantri Jan Dhan Yojana is a turning point for financial inclusion for poor and underprivileged sections of society. Private sector banks have performed

better as compared to PSB and RRB but their reach is limited. Bankers must be motivated to play an active part in increasing financial inclusion in backward areas.

### **III. OBJECTIVES OF STUDY**

- A.** To study the scenario of Pradhan Mantri Jan Dhan Yojana.
- B.** To analyze the performance of Pradhan Mantri Jan Dhan Yojana in various states of India.
- C.** To study the challenges of Pradhan Mantri Jan Dhan Yojana.

#### **a. Hypothesis**

**H1:** There is significant relation between total beneficiaries under PMJDY and Number of Rupay cards issued.

### **IV. RESEARCH METHODOLOGY**

The study is based on descriptive research design and for this study secondary data have been collected from various websites, journals, books, reports and official website of Pradhan Mantri Jan Dhan Yojana. Correlation is used to test the relationship between total beneficiaries and Rupay debit card issued using SPSS and descriptive statistics, average, percentage, graphs etc. were used to analyze data.

### **V. DATA ANALYSIS AND INTERPRETATION**

The data have been collected from official website of Pradhan Mantri Jan Dhan Yojana. The table given below shows the total number of beneficiaries, Rupay cards issued, deposits in accounts, female beneficiaries and beneficiaries at rural and urban centre bank branches as on 15 June 2022.

**Table 1: Beneficiaries of Pradhan Mantri Jan Dhan Yojana as on 15 June 2022**

(All figures in crore)

Bank Type	No. of Beneficiaries at rural bank branches	No. of Beneficiaries at urban bank branches	Rural-Urban Female Beneficiaries	Total Beneficiaries	Deposits in Accounts(In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	22.56	13.46	19.87	36.02	131340.21	27.31
Regional Rural Banks	7.27	1.13	4.85	8.40	33636.39	3.39
Private Sector Banks	0.70	0.60	0.71	1.30	4849.21	1.10
<b>Grand Total</b>	<b>30.53</b>	<b>15.19</b>	<b>25.43</b>	<b>45.72</b>	<b>169825.81</b>	<b>31.81</b>

**Source: Official Website of Pradhan Mantra Jan Dhan Yojana**

From Table 1 it is found that accounts opened under PMJDY scheme is 45.72 crore out of which 36.02 crore accounts are opened through public sector banks, 8.40 crore through Regional Rural Banks and 1.30 crore through Private Sector Banks. Number of Rupay debit cards issued to beneficiaries are 31.81 crore out of which 27.31 crore are issued by Public Sector Banks.

### A. All States and UTs' accomplishments in PMJDY

The following three indicators are used to categorize all of the states and UTs:

- The percentage of beneficiaries in the overall population.
- The average balance per account.
- Rupee card issued as percentage of beneficiaries.

**Table 2: Achievements of all the States and UTs in PMJDY**

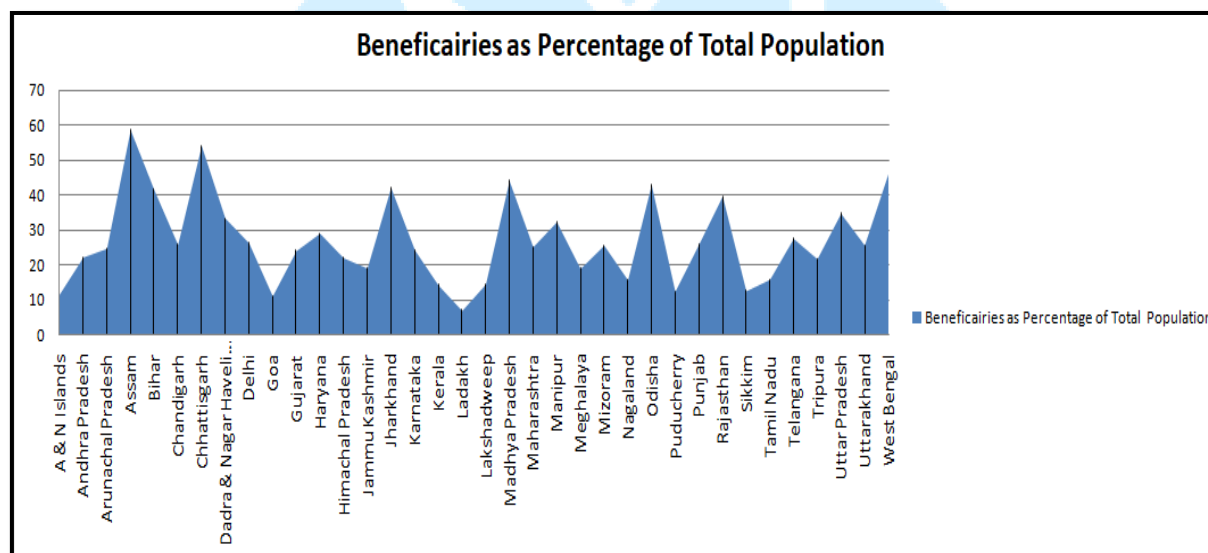
State Name	Total Population (2022)	Total Beneficiaries	Beneficiaries as % of Total Population	Balance in Beneficiary Accounts (in crore)	Average Balance per Account (in Rs.)	No. of RuPay cards issued to beneficiaries	Rupee card issued as % of beneficiary
A & N Islands	402000	46840	12	31	6637	37770	81
Andhra Pradesh	52972000	11793089	22	4006	3397	8875603	75
Arunachal Pradesh	1548000	383425	25	224	5851	312449	81
Assam	35378000	20745021	59	5405	2605	11052735	53
Bihar	124919000	51872913	42	18049	3479	38662694	75
Chandigarh	1219000	315604	26	149	4733	208187	66
Chhattisgarh	29836000	16140135	54	5042	3124	10333028	64
Dadra & Nagar Haveli and Daman & Diu	644174	215326	33	115	5352	140575	65
Delhi	20965000	5526106	26	2315	4189	4110528	74
Goa	1567000	175532	11	134	7615	115827	66
Gujarat	70648000	17025677	24	7534	4425	12809445	75
Haryana	29846000	8682947	29	4811	5541	5843872	67
Himachal Pradesh	7431000	1639411	22	1106	6746	1145145	70
Jammu Kashmir	13505000	2584501	19	1582	6120	1844549	71
Jharkhand	38969000	16433530	42	5959	3626	11310628	69
Karnataka	67268000	16409698	24	6392	3895	9932344	61
Kerala	35633000	5086574	14	2191	4307	2914639	57
Ladakh	299000	21027	7	25	11918	18518	88
Lakshadweep	68000	9911	15	16	16275	4788	48
Madhya Pradesh	85548000	37755462	44	9737	2579	29216857	77
Maharashtra	125411000	31638762	25	10939	3457	21860834	69
Manipur	3194000	1033849	32	228	2204	675301	65
Meghalaya	3318000	630315	19	340	5393	427521	68



Mizoram	1227000	314921	26	144	4583	120860	38
Nagaland	2213000	349118	16	98	2803	292572	84
Odisha	44162000	18977972	43	7422	3911	14060335	74
Puducherry	1362786	170265	12	70	4133	119800	70
Punjab	30535000	7908413	26	3496	4421	5722141	72
Rajasthan	80153000	31842478	40	13850	4349	23903588	75
Sikkim	683000	86297	13	48	5576	60389	70
Tamil Nadu	76631000	12207315	16	3418	2800	9147224	75
Telangana	37907000	10464845	28	3027	2893	8346542	80
Tripura	4109000	895144	22	426	4764	318850	36
Uttar Pradesh	233297000	81132615	35	33489	4128	54065413	67
Uttarakhand	11518000	2963899	26	1650	5568	2066815	70
West Bengal	98604000	45453885	46	16408	3610	28247074	62
<b>TOTAL</b>	<b>137298959</b>	<b>458932822</b>	<b>33</b>	<b>169879</b>	<b>3702</b>	<b>318325440</b>	<b>69</b>

Source: Official Website of Pradhan Mantra Jan Dhan Yojana

Figure 1: Beneficiaries as Percentage of Total Population



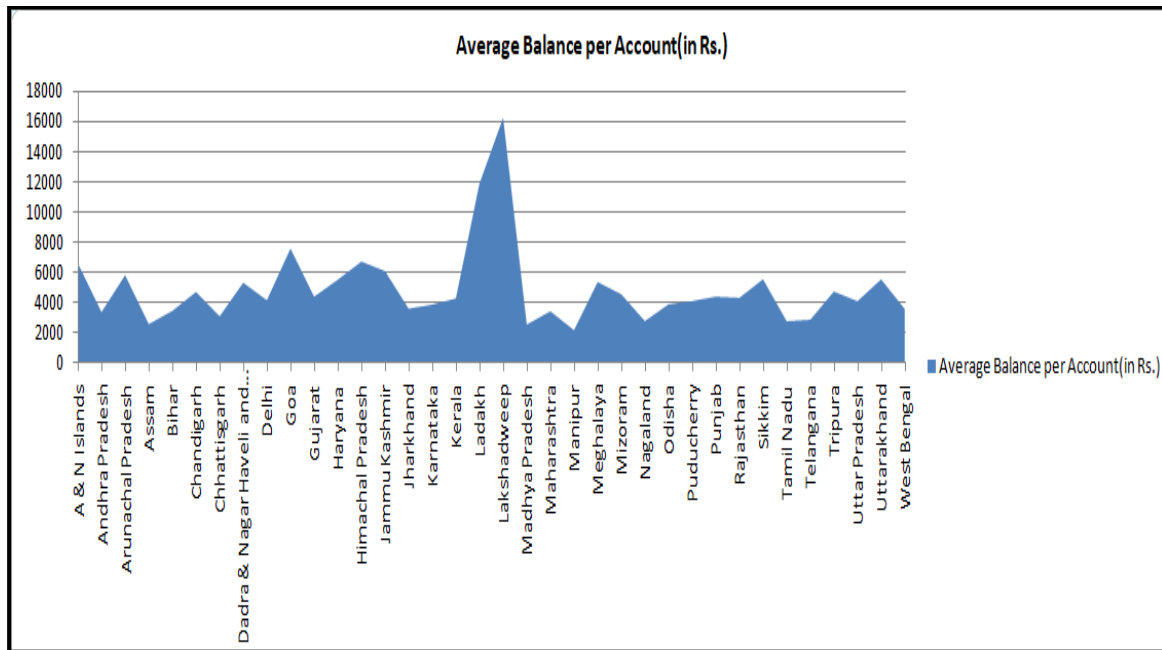
Source: Compiled by Author

From the table 2 and Figure 1 the following findings are observed:

When compared to the entire population, Assam has the largest percentage of beneficiaries i.e. 59% followed by Chhattisgarh and West Bengal. Ladakh has the lowest performance. It could be

because of formation of this UT in 31 October, 2019. Other poor performing states are Sikkim, Tamil Nadu, Nagaland etc.

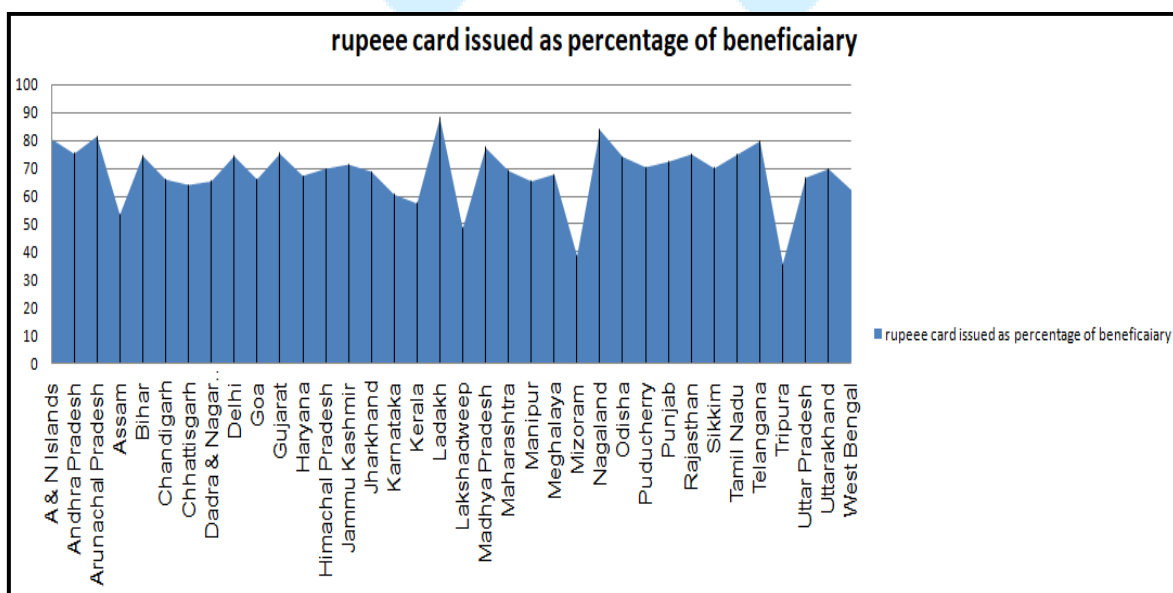
**Figure 2: Average Balance (per account)**



Source: Compiled by Author

It is evident from Figure 2 that Lakshadweep has highest average balance per account followed by Ladakh and the states having least average balance are Manipur and Madhya Pradesh.

**Figure 3: Rupee Card Issued**



Source: Compiled by Author

From Figure 3, it is observed that all the beneficiaries are not covered under rupee card issued to beneficiaries. Ladakh has highest coverage of rupee debit card issued i.e. 88 percent followed by Nagaland, Arunachal Pradesh and Andaman & Nicobar Island. Tripura and Mizoram are the least performing states with 36 and 38 percent coverage respectively.

**B. CORRELATION**

**H1:** There is significant relation between total beneficiaries under PMJDY and Number of Rupay cards issued.

**Table 3: Correlation Between Beneficairies and Rupay Cards Issued**

Correlation			
		Total Beneficia ries	No. of RuPay cards issued to beneficiaries
Total Beneficiaries	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	36	36
No. of RuPay cards issued to beneficiaries	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	36	36
**. Correlation is significant at the 0.01 level (2-tailed).			

**Source: Compiled by Author by using SPSS**

Total beneficiaries under PMJDY and Rupay cards issued to beneficiaries have positive correlation with the degree of correlation is 0.995. As the p value is less than 0.05, the alternative hypothesis is accepted. As a result, the factors have a very significant relationship.

**C. Challenges of Pradhan Mantri Jan Dhan Yojana**

Although the performance of PMJDY is very satisfactory in these 8 years but it faces various challenges also. Although there have been 8 years of launching this programme but still all the people and all the areas are not covered. During the initial phase the progress rate of this yojana is high but gradually the progress rate of this yojana is declining. A large number of accounts of the people are dormant under this Yojana. There are various instances in which there is opening of more than one account by individuals in various banks. Since the use of overdraft facilities is up to the relevant institutions' judgment, and they need to be sufficiently regulated. Since this

programme does not require KYC standards, duplication is inevitable. To be appointed as a bank mitra, they should get proper instruction that equips them with the necessary information, abilities, and attitudes, and the training's results should be evident in the achievement of the intended goal. Private Banks impose hidden fees on the beneficiary, which could make financial inclusion more difficult.

## VI. FINDINGS OF THE STUDY

- Numbers of beneficiaries under this yojana are highest in public sector banks followed by regional rural banks and private sector banks.
- Assam has highest number of beneficiaries i.e. 59% and Ladakh has the least number of beneficiaries as percentage of total population of that state.
- Lakshadweep and Ladakh has highest average balance per account i.e. Rs. 16275 and Rs.11918.
- The state to whom the highest number of rupee debit card issued is Ladakh and least is Arunachal Pradesh.
- There is highly significant relation between total number of beneficiaries and rupee debit card issued to beneficiaries among various states and UTs of India.

## VII. CONCLUSION

Financial inclusion broadens the base of the nation's financial system's resources by instilling a saving and investing culture among a sizable portion of the rural population, particularly the underprivileged. By enabling simple access to formal credit, financial inclusion assists the impoverished in escaping the grasp of moneylenders. In terms of ending financial untouchability in the nation, the PMJDY strategy has produced an excellent result in the banking industry. Just number of accounts opened under this scheme are not an indicator of the success of the scheme they must be continuously operated to have the real benefits of the scheme.

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