Role of Pradhan Mantri Jan DhanYojana in Augmenting Financial Inclusion in India: Review of Literature

***Dhiraj Kumar**
Research Scholar
Department of Commerce and Business Administration,
Lalit Narayan Mithila University, Darbhanga, Bihar, India

****Dr.Mani Kant Jha**
Assistant Professor
Department of Commerce,
Bahera College, Bahera, Darbhanga, Bihar

Abstract

The objective of Pradhan Mantri Jan Dhan Yojana (PMJDY), India's National Mission for Financial Inclusion, is to make financial services including banking, savings and deposit accounts, remittance, credit, insurance, and pensions easily accessible to the less powerful and lower-income sectors of society. The PMJDY is the cornerstone of the "Sab ka sath Sab ka Vikas" development idea. PMJDY's slogan is "Mera khatta Bhagya vidhata." Every household would have access to banking and credit options with a bank account. On August 28, 2014, the Indian government unveiled the PMJDY scheme. For creating the most bank accounts in the shortest amount of time, the PMJDY initiative broke the Guinness World Record on June 20, 2015. Up till the end of March 2020, more than 38 crore accounts had been opened nationwide through PMJDY. This scheme was officially introduced in August, 2014 for the four-year period that concluded on August 14, 2018. In September 2018, the government relaunched PMJDY as an open-ended scheme and introduced extra advantages to entice individuals to register bank accounts, buoyed by the scheme's success. The government wants to expand access to formal banking from "every family to every adult" by increasing insurance coverage and double the overdraft (OD) limit under the new PMJDY. Against this background, the paper attempts to present a review of literature on role of PMJDY in augmenting financial inclusion in India.

Key words: *Economic and Social Development, Financial Inclusion, Mera Khata Bhagya Vidhata, Micro Insurance, Pradhan Mantri Jan Dhan Yojana.*

Introduction

The concept of Financial Inclusion is the burning issue for Government of India, so has been given much more importance. This concept helps to achieve the sustainable development of the country, through available financial services to the unreached people with the help of financial institutions.

In order to expand the credit and financial services to the wider sections of the population, a wide network of financial institutions has been established over the years. The organized financial system comprising Commercial Banks, Regional Rural Banks (RRBs), Urban Co-operative Banks (UCBs), Primary Agricultural Credit Societies (PACS) and post offices caters to the needs of financial services of the people. The initiatives taken by the Reserve Bank and the Government of India towards promoting financial inclusion since the late 1960s have considerably improved the access to the formal financial institutions.

The committee on financial inclusion, of government of India, has defined financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost **(Rangarajan Committee, 2008)**.

In an address Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the National Finance Conclave 2010, has mentioned that financial inclusion is no longer a policy choice but it is a policy compulsion today. Effective banking system is a key driver for inclusive growth.

The Khan Commission (2004) and The Rangarajan Committee (2008) were the major initiators of Financial Inclusion in India. The reserve bank of India setup commission in 2004 known as Khan Commission to initiate financial inclusion. The recommendation given by the committee were incorporated in the midterm review policy(2005-06).So, India has prominence in Financial Inclusion in 2005, when it was introduced, through a pilot project in UT of Pondicherry, by Dr. K. C. Chakraborthy, the chairman of Indian Bank. Mangalam Village became the first village in India where all households were provided banking facilities. The commercial banks started a 100% Financial Inclusion Campaign by getting inspired by it. As the result of this campaign States and UT like Pondicherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts.

The Pradhan Mantri Jan-Dhan Yojana was launched on 28 August, 2014, across the nation simultaneously. It was launched formally in Delhi with parallel functions at the state level and also at district and sub-district levels. Camps are also been organized at the branch level. The Pradhan Mantri Jan-Dhan Yojana lies at the core of development philosophy of “Sab Ka Sath Sab Ka Vikas".

With a bank account, every household would gain access to banking and credit facilities. This will enable them to come out of the grip of moneylenders, manage to keep away from financial crises caused by emergent needs, and most importantly, benefit from a range of financial products. As a first step, every account holder gets a RuPay debit card with a Rs. 1, 00,000/- accident cover. Further, they will be covered by insurance and pension products. There is need to enrol over 7.5 crore households and open their accounts.

Past Studies on Financial Inclusion Index

So far, several studies have been conducted with a substantial variation in time and parameters used in the development of the financial inclusion index at sub-national, national, and international levels. The first part of the survey deals with Indian states' studies, the second part of the survey deals with studies on the India level, and the third part deals with studies on the International level.

The most notable study on Indian states done by **Kainth (2011)** utilizing UNDP methodology, constructed a district-level financial inclusion index for Punjab state. The FII involved three banking indicators, namely, penetration, availability, and usage. The studies' significant finding is that six districts fall under high and very high financial inclusion categories, with Jalandhar bagging the top position. Three districts fall under medium financial inclusion, and the remaining districts fall under the low financial inclusion category. Further, **(Chattopadhyay, 2011; Kuri and Laha, 2011)** utilized **Sarma (2008)** methodology in constructing an FII for Indian states. The studies employed three banking indicators: penetration, availability, and usage in constructing the FII. The study's significant finding is that Maharashtra & Chandigarh, respectively, bagged top positions and fell under the studies' high financial inclusion category. Manipur bagged the last position in both studies and fell under the low financial inclusion category. **Bagli and Dutta (2012)** utilized principal component analysis and constructed a comprehensive FII with ten banking sector indicators for 28 Indian states. Similarly, **Gupta et al. (2014)**, utilizing **Sarma (2012)** methodology constructed a IFI for 28 Indian states. The study's significant finding is that Goa bagged the highest IFI while Manipur bagged the least IFI.

Laha and Kuri (2014), utilizing **Sarma (2008)** methodology, developed a FII using demand and supply-side indicators, separately. The study's significant finding is that the southern and western states are performing better in terms of financial inclusion. Similarly, **Ambarkhane et al. (2016)**, using three indicators, namely demand, supply, and infrastructure, constructed a financial inclusion index utilizing **Sarma (2008)** methodology combined with population growth, corruption as drag factors for 21 Indian states. The study's significant finding is that Kerala recorded the highest rank among the 21 states, and Chhattisgarh recorded the last rank. Further, **(Poonam and Chaudhry, 2016; Sethy and Goyari, 2018)**, utilizing UNDP's methodology, constructed a FII using three banking indicators for Indian states. The studies' significant finding is that most Indian states fall under the low financial inclusion category. Similarly, **Kaur and Abrol (2018)** followed **Sarma (2008)** methodology to construct an IFI for the Indian state of Jammu & Kashmir using three banking sector indicators: penetration, availability, and usage. The study's significant finding is that Jammu district recorded the highest rank, followed by the Srinagar district, while Kishtwar recorded the last rank in terms of IFI value.

CRISIL (2018), using four penetration indicators, namely, branch, credit, deposit, and insurance, constructed a district-wise FII of India. The study's significant finding is that North-Eastern states fall under the low financial inclusion category. Southern states are performing better than other states, with Kerala scoring the top position. **Singh and Sarkar (2020**) followed **Sarma (2008)** methodology to construct an IFI for Jharkhand state using three banking sector indicators: penetration, availability, and usage. The study's significant finding is that Ranchi and Purbi Singhbhum district fall under the high financial inclusion category. Garhwa district recorded the lowest IFI value (0.055). Further, **Yadav et al. (2020)**, utilizing UNDP methodology, developed a FII using demand and supply-side indicators, separately. The study found that Southern and Western states are performing better compared to other states.

Similarly, several studies have been conducted so far on the National level. **Gupte et al. (2012)**, utilizing UNDP methodology, constructed a national level FII for 2008 and 2009. The study found that financial inclusion increased from 2008 to 2009 for India. Further, **(Goel and Sharma, 2017; Sethy, 2016)** utilized UNDP's methodology to develop an FII for India.

Similarly, **Deepti and Vaidhyasubramaniam (2018)**, utilizing **Sarma (2012)** methodology, constructed an IFI for India using three banking sector indicators: penetration, availability, and usage. The study's significant finding is that India falls under the low financial inclusion category from 2011-12 till 2014-15. In 2015-16, India attained medium financial inclusion due to an increase in the value of indicators.

On the other hand, there are various studies conducted on the international level. The most notable study done by **Sarma (2008)**, utilizing UNDP methodology, constructed an IFI for 55 countries using three banking sector indicators: penetration, availability, and usage. The study's significant finding is that Spain recorded the top position in terms of IFI value and fall under the high financial inclusion category. India ranked 31st, thus falling under the low financial inclusion category. Similarly, utilizing UNDP methodology, **Sarma (2012)** constructed an IFI using three banking sector indicators: penetration, availability, and usage for developed and developing countries.

Chakravarty and Pal (2013), utilizing **Sarma (2008)** methodology developed an IFI for 21 countries, including India using eight banking sector indicators. The study's significant finding is that India ranked 13th among the 21 nations with equal contribution attributed by each indicator in achieving higher inclusion. Further, **Yorulmaz (2013)**, utilizing UNDP methodology, constructed an IFI for Turkey using three banking sector indicators: penetration, availability, and usage. The IFI was constructed for 12 regions and 80 cities falling under 12 regions from 2004-10 using the indicators mentioned above. The study's significant finding is that the Istanbul region bagged top rank with the highest IFI value throughout the period. The Mid – East Anatolia region bagged the last rank with the lowest IFI value. Similarly, **(Camara and David, 2014; Datta and Singh, 2019; Nwidobie, 2019; Pineyro, 2013)**, utilizing principal component analysis, developed a financial inclusion index for developed and developing nations.

Further, **(Ali and Khan, 2020; Pham et al., 2019)** utilized **Sarma (2008)** methodology to develop an IFI using cross country data. Similarly, utilizing HDI methodology, **Sha'ban et al. (2020)** constructed an FII with cross country data, using three banking sector indicators: use, access, and depth. The study's significant finding is that Spain bagged the top position while The Democratic Republic of Congo bagged the last position in FII values among the 95 countries. India bagged the 54th rank with an FII value of 0.135.

Past Studies on Role of PMJDY

Sharma and Kukreja (2013) explored the need and significance of financial inclusion for economic and social development of society. The researcher analysed the current status of financial inclusion in Indian economy. The paper attempted to study the access of rural people to bank branches and the number of ATM opened in those areas an d studied the progress of State Cooperative Banks in financial inclusion plan. She explained the Forthcoming Plan of Banks for Financial Inclusion in her paper.

Pathak et al (2014) focused their Study on number of accounts would be open by prime minister jan-dhanyojna.They attempted to study that how the weaker section will be benefited from this scheme and how people make the saving. They collect some primary data from various banks, on the basis of that they conclude that this project "Pradhan Mantri Jan –

Dhan Yojana" is going a step forward to ensure the poorest citizens and their families a safe and secured life. Banks have been playing a pivotal role in enriching the economic and social life of the nation.

Raihanath and Pavithran (2014) studied the role of commercial banks in the financial inclusion programme. He explains the phases of Financial Inclusion (Evolution of Commercial Banks) in his study. He talked about the role of commercial banks to be performed as part of financial inclusion programme in which he discuss about Financial literacy, Credit counselling, BC/BF model, KYC norms , KCC/GCC ,No-frill accounts, Branch expansion and Mobile banking.

Kumar and Venkatesha (2014) discussed about the concept of financial inclusion and Pradhan Mantri Jan Dhan Yojna.In this paper he explored the concept of financial inclusion tried to list out the negative implications of PMJDY. He talked about the Six Key elements, implementation and probable threat of PMJDY.

Chowhan & Pande (2014) concluded that by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. To mitigate such sufferings, the Pradhan Mantri Jan Dhan Yojna lies at the core of Govt of India development philosophy of Sab Ka Saath Sab Ka Vikas. In projecting brighter future of PMJDY they further mentioned that its huge success will enable the Bank Managers to understand and utilize the opportunity provided by Financial Inclusion to their advantage, by participating in Govt‟s poverty alleviation programmes for weaker section, improving their CASA base, raising their deposit base through direct fund transfer scheme of the Govt. etc.

Sachdeva et al (2015) explained the role of public sector banks in financial inclusion. In this report she discussed about the "Pradhan Mantri Jan Dhan Yojna" which aims to provide financial services to each and every part of country. She talked about the various initiatives taken by R.B.I and various banks for encouraging financial inclusion services to achieve rural and growth. Moreover, she argued that financial inclusion is possible only through proper mechanism and governance of banking sector.

Arun and Kamath (2015) studied about the policies and practices of Financial Inclusion in their paper. They studied the progressive approach to financial inclusion in which they argued that financial inclusion has emerged as a key global priority. They had discussed two key principle i.e. Financial inclusion is a progression with payments as the optimal entry point and The usage of products is not guaranteed because of adoption and must be an explicit goal. They concluded that the sequence of interventions and experience in India in the arena of financial inclusion gives valuable insights and can guide future policy.

Kaur & Singh (2015) found that financial inclusion in India will help government and banker to reach at untapped potential of bottom of the pyramid section of Indian economy. They have also described that The widely acknowledged & successful launch of this PMJDY scheme also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trust, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of the mission.

Raval (2015) in his research mentioned about importance of inclusion of people of low income or deprived class in economic development. PMJDY is such an initiative in this direction by the government of India. He also studied that an initiative to cover "excluded segment" can be successful if government is backed with efforts of private sectors and involvement of people beyond just policy formation of government.

Balasubramanian (2015) has focused on importance of financial literacy focusing on saving habit among poor. He has build decision tree model indicated that the number of earning members, family size, average monthly income and nature of employment are the deterministic independent variables which influence the regular saving behavior of the poor.

Deb and Das (2016) assessed the bank account customers' opinions of PMJDY. South Tripura's Baikhora area is where this study was conducted. In the study, it was found that men and women had quite different opinions on opening bank accounts under PMJDY. The study also revealed a positive relationship between monthly income and the outcome, i.e., a higher monthly income is associated with greater motivation to open a bank account, while a negative relationship was found between respondents' age and educational attainment, i.e., a lower level of education is associated with greater motivation to open a bank account. The study came to the conclusion that the respondents preferred public sector banks over private sector banks and that a number of factors pushed them to create bank accounts via PMJDY.

Suryavanshi Pushpa and Babita Yadav (2016) have done studies on PMJDY: A National scheme for financial inclusion in India. In this study an attempt has been made to give an insight of PMJDY scheme and to analyse the issues and challenges involved in implementation of PMJDY. The study concluded that there are many issues and challenges involved in effective implementation of schemes like limited life insurance cover, poor telecom connectivity, duplication and dormant accounts, poor performance and less involvement of private banks, increased operational costs associated with the scheme and giving credit facility without the assessment of credit value. The study recommended implementing a number of initiatives for financial inclusion, including the use of cutting-edge technologies, putting up bank branches in remote regions, providing credit to everyone, entire life insurance coverage, etc.

Verma and Garg (2016) analysed the effectiveness of PMJDY on workers at Central University of Rajasthan and residents of Bandrasindri hamlet in Rajasthan's Ajmer district. The majority of respondents, according to the survey, have a basic understanding of PMJDY, and the primary causes of financial exclusion are a lack of resources and a lack of financial literacy. According to a study, the government must make sure that financial literacy programmes are properly delivered in rural parts of the nation so that the rural people can be use banking services in true sense.

Dutta and Das (2017) have analysed the data of PMJDY. In this report it has been attempted to summarize and interpret the PMJDY data that the Government of India disseminates. This study's primary goals were to determine the strategies used by various banks and learn what the public thought of those strategies as part of a financial inclusion initiative. The survey revealed that even while banks are adhering to RBI guidelines, there is still more work to be done to advance financial inclusion. According to the report, three parties—the RBI, all banks, and the general public—must exert effort for financial inclusion to progress.

Chaudhary (2017) has examined the role and implications of PMJDY in financial inclusion and growth of India. The study came to the conclusion that the PMJDY plan has attracted a significant portion of India's population by offering banking services and financial products at competitive prices.

Sharma and Goyal (2017) had conducted conceptual research on PMJDY and sought to determine the success rate of the inclusion process in rural areas of Jaipur district. The study came to the conclusion that factors influencing inclusion include income, access to financial information through a variety of outlets, and knowledge of PMJDY. According to research, the possibility of inclusion is increased by proximity to banks.

Ravi Kumar, (2018), has stated that PMJDY has been implemented rigorously at national level. It has achieved more number of account opening than its target and still progressing. The scheme is doing well in terms of account opening. The most important challenge is to sustain this performance over a period of time.

Nimbrayan, Tanwar and Tripathi (2018) have found that "financial inclusion will help the poor in bringing them to the mainstream of growth and would also provide the financial institutions an opportunity to be partners in inclusive growth. Financial inclusion is the essence of sustainable economic growth and development in a nation like India. Inclusive growth winds up inconceivable without financial inclusion. Financial inclusion is likewise shall for the economic development of the nation. Overall, the PMJDY is an ambitious financial inclusion plan".

Birla (2021) found out that PMJDY is pushing Financial Inclusion to the positive direction. PMJDY is a National Mission to include all the household in the country into the banking system. Pradhan Mantri Jan Dhan Yojna reveals a path for unbanked, deprived and vulnerable section of society to be got include into the financial system. As level of financial literacy increasing the number of bank account is also increasing. PMJDY has motivated banks to open new branches in rural areas as well as urban areas. This change makes an extreme impact on financial system of India on global platform.

Panwa and Singh (2022) concluded that PMJDY is a great scheme of financial inclusion, But opening bank account is not the only objective of financial inclusion. It includes the ability to get credit with affordable rates from financial institution when poor people needed. According to World Bank survey only 40% of Indian bank account holders are "active" account users. This number depicts that Jan Dhan accounts has been opened only to achieve target. Hence, we can say that PMJDY has laid the basic foundation of financial inclusion but need to give more facilities and spread more awareness to the account holder to give them true power of Financial Inclusion.

Summing-up

Time to time Indian Government consistently make its efforts towards inclusion of rural customer (investors) in organised 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 scenario elucidates that present Government upto some extent turn out to be successful in changing the landscape of financial inclusion in India.

The Jan Dhan account frees the poor from the control of predatory money lenders in addition to providing a mechanism for them to transfer money to their family in the villages and enter their savings into the formal financial system. Thanks to PMJDY, which has also enhanced India's financial infrastructure, the majority of adults in that country now have access to financial services. Direct Benefit Transfers (DBTs) have helped the most vulnerable sections of society during the Covid epidemic by empowering them and providing them with financial security. One important element is that DBTs through PM Jan Dhan accounts have halted systematic leakage and ensured that every rupee reaches its assigned beneficiary. Rajiv Gandhi, a former prime minister, famously observed, “A rupee provided by the centre is only worth 15 paisa by the time it reaches the beneficiary.” As opposed to this, it has now assured that recipients are receiving 100% of government aid through direct benefit transfers into the 37 crore accounts opened under PMJDY. The PMJDY's slogan, "Mera Khata Bhagya Vidhata," is therefore considered to be fully accomplished.

References:

1. *Arun Thankom and Kamath, Rajalaxmi (2015), Financial Inclusion: Policies and Practices, Elsevier Ltd. on behalf of Indian Institute of Management, Bangalore, November, pp. 267-287.*
2. *Chaudhary, Alka (2017), PMJDY- A Study of Its Role in Financial Inclusion and Inclusive Growth in India, International Journal for Research in Management and Pharmacy, Vol. 6, No. 5, May, pp. 14-17.*
3. *Deb, Rajat and Das, Prasenjit (2016), Perceptions of Bank Account Holders About PMJDY: A Study on Baikhora Region of South Tripura, Amity Journal of Finance, Vol. 1, No. 1, pp. 67-91.*
4. *Dutta, Tulika and Das, Ashish (2017), Analysing Data of PMJDY, Technical Report, Indian Institute of Technology, Mumbai.*
5. *Kaur, M and Bist, N. S (2015), Micro Finance Through Self-Help Groups: A Step Towards Rural Development, Vista International Publishing House,*

6. *Khandker, Shahidur R. (1998), Fighting Poverty with Micro-Credit: Experience in Bangladesh, Oxford University Press, New York.*
7. *Kumar, Divyesh and Venkatesha, H R (2014), Financial Inclusion using Pradhan Mantri Jan Dhan Yojana- A Conceptual Study, Asia Pacific Journal of Research, Vol. I, Issue XX, December, pp. 37-42.*
8. *Pathak, Ashish, Soni, Amrita and Agrwal, B. P (2014), Pradhan Mantri Jan Dhan Yojana for Weaker Section- An Evaluation, International Research Journal of Indian Languages, Vol.2, Issue 12, October, pp. 164-173.*
9. *Raihanath, M and Pavithran, K. B (2014), Role of Commercial Banks in The Financial Inclusion Programme, Journal of Business Management & Social Sciences Research, Blue Ocean Research Journals, Volume 3, Issue 5, May, pp. 75-81.*
10. *Sahdeva, Sakshi, Latawa, Sourav and Singh, Pradeep (2015), Role of Public Sector Banks in Financial Inclusion, Global Journal of Multidisciplinary Studies, Volume-4, Issue-6, May, pp. 164-173.*
11. *Sharma, Anupama and Kukreja, Sumita (2013), An Analytical Study: Relevance of Financial Inclusion for Developing Nations, International Journal of Engineering and Science, Vol.2, Issue 6, March, pp. 15-20.*
12. *Sharma, Neha and Goyal, Ruchi (2017), Pradhan Mantri Jan Dhan Yojan (PMJDY)- A Conceptual Study, International Journal of Research- Granthaalayah, Vol. 5, No. 4, pp. 143-152.*
13. *Verma, Yogesh and Garg, Priyanka (2016), Pradhan Mantri Jan Dhan Yojana (PMJDY): A Step towards Eradicating Financial Untouchability, Indian Journal of Finance, Vol. No. , pp. 1-15.*
14. *www.pmjdy.gov.in*
15. *www.rbi.org.in*