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Role of Pradhan Mantri Jan Dhan Yojna and Banks in enhancing Sustainability in Rural India

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Abstract

A study was conducted through an ICSSR major research project on assessment of benefits of PMJDY to rural people and impact on their lives. The study was conducted in 14 states of India having sample size of total 3000 individual. It was studied that how far financial inclusion policy for poor has helped and enhanced sustainability in rural India. It was also studied that what were the policy implications and role of banks on their livelihood? It was concluded that people were least aware of the policy and those who were aware couldn't make use of various schemes due to being illiterate and non-cooperation or lengthy documentation procedures of banks. It was however recommended that organization of literacy programmes and proper guidance regarding such schemes should be the first most priority which banks should look upon. Holding up of awareness campaigning's at various, panchayats, villages, districts can provide more information to people and a trust can be developed towards government schemes. PMJDY has contributed a lot to vulnerable and poor households in many forms by providing a medium of savings and investments. Hence for achieving sustainability at rural areas its essential to develop a financial inclusive system so that economically and socially backward section of the country can also come in front. Study shows not a big impact but yes there is a change and its positively improving economic activities.

Keywords: *Pradhan Mantri Jan Dhan Yojna, Financial Inclusion, Sustainability, Savings Behavior, Economic Empowerment*

Introduction

Rural development can be defined in terms of fulfillment of basic needs like welfare opportunities, protection, and access to food, employment and preserving natural resources. The World Monitoring Report (2013) reveals that illiteracy, lack of health care , poverty are some of the common problems faced by people at rural places. (Millennium Development Goals)

The government along with many other institutions and in order to bridge the rural- urban gap undertook various actions, plans and policies. One of them was financial inclusion policies. The financial inclusion was given by K.C.Chakraborty in 2005, chairman of Indian bank. Mangalam in Tamil Nadu was the first Indian village where every house had banking facility. The banks

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introduced the products and services which fulfill the needs of people like savings, credit, loans and insurance etc.

One of such financial inclusion plan was launched by government of India on 28th August 2014 named Pradhan Mantri Jan Dhan Yojana. This scheme is applicable to age group of 10 to 65 years. The scheme has various financial services such as savings bank accounts, loans, insurance and pensions.

Objectives of the study

The objective of the study is to find out the benefits earned by people in rural India through PMJDY. The yojna was studied from two sided perspective one impact on livelihood of people at rural zones and second the Banks role in generations of sustainability.

1. To find out the banking behavior towards rural people or low income groups.
2. Do banks lead to develop saving behavior?
3. Has the Yojna given a sustainable livelihood to people?

Research Methodology

In this empirical study data on consumer banking behavior is collected from 5000 individuals who are PMJDY account holder. The respondents were across 50 districts in 15 states viz., Karnataka, Kerala, Tamil Nadu and Telangana in the South region are, Maharashtra and Gujarat in the West region, Delhi, Haryana, Punjab, Rajasthan and Uttar Pradesh in the North region and Bihar, Jharkhand and West Bengal in East region. All the four zones north ,south east and west India were studied to know the difference in perception about government policies and its impact. Response is collected via personal interview using structured questionnaire.

Factors considered while evaluating PMJDY performance awareness, access, and usage of Banking Services, savings behavior and economic empowerment. Statistical data analysis is performed using IBM SPSS 23.0. Correlation analysis is used to achieve the objectives stated above.

Literature Review

Ghosh and Vinod (2017) has examined in his study that females are reluctant to use banking and other formal methods of getting finance in comparison to males. Males use both formal and informal methods of finance and investment. The study correlated gender and finance in order to study the impact of financial inclusion. It was also found that families lead by female used less formal mechanisms of loan or cash than the families headed by male.

Deb and Das (2016) in his study on Perceptions of Bank Account holders about PMJDY on Baikhora Region of South Tripura has explored the various demographic, service quality and scheme benefits that are the main motivational factors for opening bank accounts under this yojna and found that their preference for opening bank accounts were in public sectors banks instead of private sector banks.

Rajeshwari M. Shettar, has mentioned in his research paper on “Pradhan Mantri Jan Dhan Yojana: Issues and Challenges” about the challenges associated with such schemes of financial inclusion where mere opening up of bank account is not the ultimate objective but there should be continuous usage and operation of the bank account, then and only it can be termed as real success. People should also get benefitted at the same time bank should also work in favor of its customers.

Ruchi Garg, Zillur Rahman & M.N. Qureshi, in their research paper titled "Measuring customer experience in banks: scale development and validation", has measure the customer experience in Indian banks. They studied 14 factors of customer experience having 41 items and identified their impact on customer satisfaction. The results showed that out of all the factors related to customer experience scale in banking, convenience is the most significant factor. With the use of this scale the bankers can identify their customer's current expectations and desired expectations.

Data Analysis

Table 1. Progress-Report Pradhan Mantri Jan - Dhan Yojana (Crore)

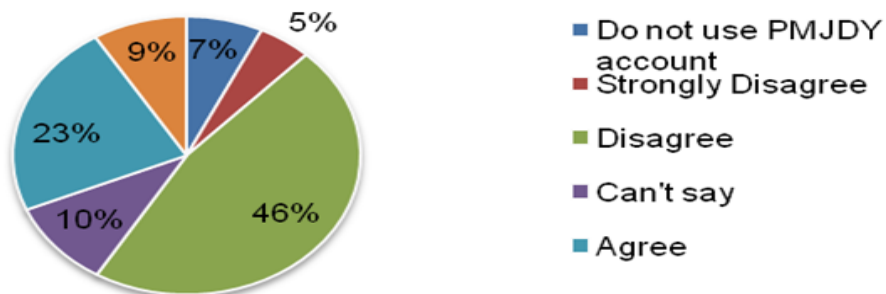
Beneficiaries as on 15/08/2024

Bank Type	No. of Beneficiaries at rural/semiurban branches	No. of Beneficiaries at Urban and Metro branches	No of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts(In Crore)	Number of Rupay Debit Cards issued to beneficiaries
P S B	14.09	12.07	13.71	26.17	64897.24	19.79
R R B	4.43	0.82	2.88	5.24	14127.51	3.70
PS B	0.60	0.40	0.53	1.00	2199.79	0.93
Grand Total	19.12	13.29	17.11	32.41	81224.55	24.42

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

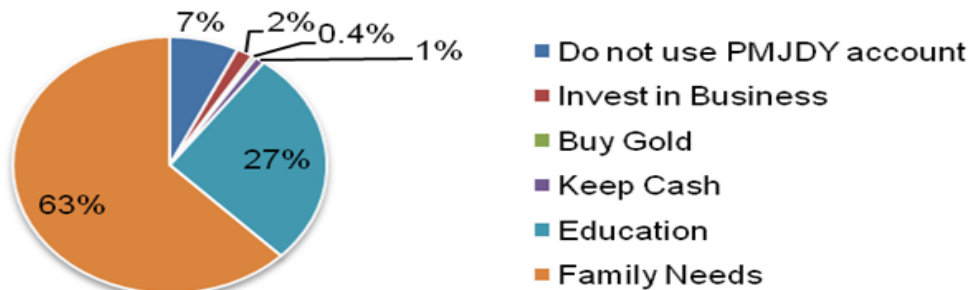
The all-India CRISIL Inclusix score stood at 58.0 in fiscal 2016, compared with 50.1 in fiscal 2013. The Pradhan Mantri Jan-Dhan Yojana, and such policies focused on the unbanked regions in India and improved financial inclusion. 336 out of 666 districts have scored ‘Above-average’ on the CRISIL Inclusix index. Jan-Dhan is making a seminal difference to the financial inclusion agenda by steering strong growth in deposit penetration. Since launch in August 2014, it accounted for 31 crore new deposit accounts.

PMJDY bank account has helped you in generating more savings than before?



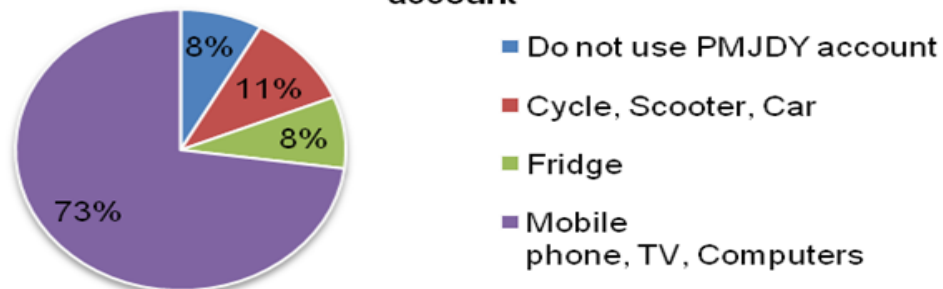
a. Savings generation

Utilization of the Interest money earned



b. Interest money utilization

Beneficiaries asset holdings after opening PMJDY bank account



c. Asset holdings

Findings

Since its launch in 2014, PMJDY has been successful in its mission to bring the unbanked individuals under the ambit of formal banking system. However, it is unsuccessful in bridging the gender gap in bank account ownership especially in West (32% gender gap), North (22% gender gap) and East (12% gender gap) regions of the country. The awareness on scheme facilities like overdraft, loan and insurance is fair across regions but its use is not. 70% respondents across regions do not use these scheme facilities. However, the highest level of awareness on PMJDY is observed in South region (71% aware) where as other regions reported less than 50% awareness.

The use of digital payment systems such as Rupay debit card (36% users) is the common among the PMJDY beneficiaries, followed by online banking (30% users). But the use of mobile phone banking with only 18% users is still not common.

Owning a bank account is not the only need of the rural poor and low income groups. Thanks to PMJDY, these people now aspire to be self-confident in handling financial emergency thereby have reduced dependency on moneylenders and learn to invest in income-generating avenues. And to achieve this they look forward to receive support from PMJDY and the banks.

It was found that one of the reason for negative progress in PMJDY was geographic exclusion, people at rural and remote areas were not able to use the banking facility due to distance and inaccessibility of transport and proper infrastructure facilities..

Secondly due to illiteracy, class, different income groups and caste barriers people faced social exclusion. Traditional mindset of people didn't allow some segments of poor and rural women to work for the livelihood of their families, the male is the sole earning hand and this also creates social exclusion.

We can say that there has been a big difference in handling rural –urban people, so there is need to eliminate such differences. PMJDY has contributed a lot to vulnerable and poor households in many forms by providing a medium of savings and investments. Hence for achieving sustainability at rural areas its essential to develop a financial inclusive system so that economically and socially backward section of the country can also come in front. Study shows not a big impact but yes there is a change and its positively improving economic activities.

Recommendation and Conclusion

Though the success of PMJDY is very minimal but there are other plus points of the schemes which make it successful otherwise. Now every person has a bank account, people are financially literate and digitally aware. But the main limitation of the scheme was no pre- financial literacy camps were organized to make people aware about this scheme. Secondly people faced documentary problems at initial stage to get their accounts opened which also led people step aback to operate them again and again. Demonetization was the time when people find utmost difficult to even withdraw Rs 500/- after investing whole day standing in a queue, whereby people made a perception of not using it as it's a wastage of time and their money. Another reason was feeling of being cheated and therefore people didn't deposit their savings to bank accounts rather they feel convenient to lend it to others at higher rate of interest.

This study was conducted to find out how people were benefitted after getting their bank accounts opened under PMJDY. But the after results were shocking in a sense that only 21% of the bank

account were in use. The government should have invested first on advertisement through different medias like t.v, radio, newspapers, posters etc. then few camps must be organized at various villages and districts so as to increase financially literacy among people. The process of opening a bank account should be made easier and a greater number of benefits and facilities should be associated with it. Banks and government in association with RBI should come up with such new schemes which attract a common man to use banking in their day to day life then and only then financial inclusion can be successful.

Limitations of the Study

The study acknowledges consumer biases in revealing their financial situation. The study also understands that it is difficult to compare and generalize the research findings with the existing geographic and socio-economic differences between villages/ districts/ states.

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