
PRADHAN MANTRI JAN DHAN YOJANA – A REVIEW OF ACADEMIC
LITERATURE AS FINANCIAL INCLUSION SCHEME

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ABSTRACT

The government rolled out its ambitious financial inclusion program, the Pradhan Mantri Jan Dhan Yojana (PMJDY) launched on 28th August 2014 and has become an important tool to facilitate the financial inclusion of the previously unbanked population of India. The research attempts to provide a landscape of academic research findings at the intersection of PMJDY and Financial Inclusion. To determine the key issues and gaps in the current academic research, this study consists of 36 academic research papers reviewed. The results show that the extant literature addresses the following collections of topics: Financial Literacy, Delivery, demography, and the impact of the scheme on financial inclusion. The topics covered in the literature consist of qualitative and quantitative data studying the supply and demand side of PMJDY and providing an understanding of the existing research on PMJDY- A Government flagship scheme for financial inclusion in India and finding research gaps for future study.

Key words: Financial Inclusion, Literature, PMJDY, Government schemes, Financial Literacy, Bank Account.

I. INTRODUCTION

Financial inclusion in India began with the nationalization of banks in 1969 followed by the establishment of Priority Sector Lending Banks in 1971 and Regional Rural Banks in 1975. Further banking penetration in rural India was tried by establishing National Bank for Agricultural and Rural Development in 1982. In addition to this institutional architecture, structural arrangements were initiated in 1992 by launching Self Help Groups Bank Linkage Program. Establishment of Small Industries Development Bank of India Foundation for Micro Credit in the year 2000. C Rangarajan's (2008) committee report emphasized the need to modify the credit and financial services delivery system to achieve greater inclusion. He further suggested that while banks and other financial institutions can also take some effort on their own to improve the absorptive capacity of the clients, it is equally important for the Government at

various levels to initiate actions to enhance the earnings capacity of the poorer sections of the society. The two together can bring about the desired change of greater inclusion quickly. Raghuram G. Rajan's (2009) committee report states that a paradigm shifts toward financial inclusion. Instead of seeing it as an expanding credit, they urge to see it as expanding access to financial services, such as payments services, savings products, insurance products, and inflation-protected pensions. The Committee advocates a national goal of ensuring in three years that 90 per cent of households if they so desire, have access to a deposit account and the payments system and that government transfers under various schemes are being implemented through this system. As Financial Inclusion is a key enabler to reducing poverty and boosting prosperity as here individuals and businesses have access to useful and affordable financial products and services that meet their needs i.e., transactions, payments, savings, credit, and insurance – delivered responsibly and sustainably.

II. LITERATURE REVIEW

Acting towards the committee Report, the RBI's goal was to increase our citizen's operational bank accounts, which can be a better step towards broader financial inclusion. As Yojna Iyer (2015) has reported that the motive for financial inclusion in India is to provide savings, investment, and insurance benefits to the poor and the vulnerable mass at an affordable cost. The central bank of India (Reserve Bank of India or RBI) a decade ago started the initiative for financial inclusion-to cover the banking shadow under the formal banking orchestra, where banks have been entrusted the key role. Although efforts like organizing awareness programs, employment of business correspondents (BCs) in rural areas, the introduction of no-frill accounts, provision for general credit cards with overdraft facilities, the introduction of Financial Literacy project, setting up of different funds, bank branches in commercially unviable areas of northeastern regions on a cost-sharing basis with the respective state governments, to open Basic Saving Bank Deposit (BSBD) accounts, simplifying Branch Authorization Policy, relaxing KYC norms, a compulsory requirement of opening branches in unbanked villages, revising guidelines on Financial Literacy Centres (FLCs), priority sector lending by banks, interest rate subvention for agriculture has been taken by RBI; some pockets are remain excluded like north-eastern region, as only 58.7 per cent (Census Report, 2011) population are

accessing formal banking services. Research has validated that the reasons for exclusion in India are many folds e.g., implementation issues Ramasubbian & Duraiswamy (2012) ; inter-state variations Kuri & Laha (2011) ; low level of education Devlin, (2009) , want of access by certain groups of the society (Mohan, 2006) .

III. RESEARCH GAP

The earlier literature discussed the policies rolled by the government and the various steps taken slowly and gradually towards financial inclusion but still, there was a lack of an avenue for the poor to bring their savings into the formal financial system. Here the gap is to study the various author views along with data on how PMJDY was creating a steppingstone for government to deliver an appropriate financial service at an affordable cost, on a timely basis to vulnerable groups such as low-income groups and weaker sections who lack access to even the most basic banking services. The research objective is to study financial inclusion as a major step towards inclusive growth which ensures the overall economic development of the marginalized sections of society through various literature.

IV. PRADHAN MANTRI JAN DHAN YOJNA (SUPPLY SIDE)

PMJDY was announced by Prime Minister, Shri Narendra Modi in his Independence Day address on 15th August 2014. While launching the programme on 28th August, the Prime Minister described the occasion as a festival to celebrate the liberation of the poor from a vicious cycle. Khuntia, R. (2014) elaborates that to reduce the degree of “financial untouchability” the new government has come up with a big bang action plan which is popularly known as “Pradhan Mantri Jan-Dhan Yojana”. It's a mega financial inclusion plan to cover all households in the country with banking facilities along with inbuilt insurance coverage. The purpose is to accelerate growth, fight poverty effectively, and empower the last man in the last row in the Indian Economy but still, 40% of the Indian population lack basic financial facility. the greatest step ever taken to eradicate poverty is financial inclusion through PMJDY and the success of any scheme, constant review, and regular checks are very much essential Successful implementation would not only reduce poverty but also puts a check on corruption (Kumar, M. D., & Venkatesha, H. R. 2014).

V. BENEFITS – PMJDY (DEMAND SIDE)

The government wants to build a proper system toward financial inclusion consequently, Patnaik, B. C. M., Satpathy, I., & Supkar, A. C (2015) considered PMJDY is a major catalyst in achieving the goal of inclusive growth as the initial figures are encouraging and as more and more people get in the ambit of formal institutions, they will be able to contribute more positively to the economic development of the country but Most of the respondents have indicated that they have very little savings and they do not have an idea to open a bank account also. Poorna, K., Gayathiry, D., & Manimegalai, D. (2015) studied awareness regarding the scheme by using percentage analysis, chi-square, and weighted average score analysis and found that Permanent setups may be installed to ensure the scheme works throughout the year. The banks must take note of this situation and try to create more awareness of zero balance accounts and if possible, should launch a campaign for opening bank accounts outside the banking premises so that maximum people get benefits public sector banks played a great role in strong catalyst under the scheme (Jain, G., & Jain, N. 2017) . Verma, Y., & Garg, P (2016) examines financial untouchability - a phenomenon that results from certain situations that prevent people to access formal financial systems, quantitative data analysis shows that Villagers do not feel comfortable using various banking services like debit cards, and credit cards, and insurance services. Raval, H. R (2015) analyzes that initiatives to cover the “excluded segment” can be successful if the government is backed by efforts of the private sector and the involvement of people beyond just policy formation of the government. Marty, S., & Sahu, T. N. (2020) identifies average efficiency towards financial inclusion increases significantly during the post-phase of the introduction of PMJDY, though all the public sector banks are not performing equally. There is a significant variation in efficiency level between them and even between the two periods. Further, there is a huge opportunity to enhance technical efficiency with the same quantity of input which will help to achieve the target of financial inclusion.

VI. PMJDY- PERFORMANCE

Suresh, A., Narayana, M. S., & Kumar, P. V. (2016) investigated Out of 3,445 rural bank branches opened during 2014-15, 2,230 branches were opened in

unbanked rural centres. Around 155 million basic savings bank deposit accounts were added taking the total basic savings bank deposit accounts to 398 million. This includes 147 million accounts opened under PMJDY. Nimbrayan, P. K., Tanwar, N., & Tripathi, R. K. (2018) studied 31.07 crores of accounts that have been opened in rural and urban areas. An amount of 74534.79 crores was in accounts that were opened under PMJDY. Household coverage was 100% in the district-wise account opening report of Haryana state, while household coverage was found 100 per cent in the North Zone of India except J&K (99.71%). Consequently, the scheme is playing a significant role in creating a universal platform for financial services for every citizen of India. Sharma, N., & Goyal, R. (2017) assessed financial information from various channels and awareness of PMJDY are influential factors leading to inclusion. Nearness to banks increases the likelihood of inclusion. Agarwala, V., Sahu, T. N., & Maity, S. (2022) scrutinized PMJDY performance has been measured using technical efficiency by applying data envelopment analysis from 2015-2016 to 2018-2019 and found that the participation of banks is at different levels under the two schemes of PMJDY and PMMY and overall, their weighted efficiency index varies from 62.6% to 70.6%. Dutta, S., & Mehta, B. S. (2021) used Probit regression analysis to suggest that education plays an important role in the active use of bank accounts as very few poor households were aware of the overdraft facility, accidental insurance, and life insurance. Hence, the financial literacy program, as well as suitable savings products for the poor, need to be emphasized to improve the functioning of the scheme.

VII. PMJDY – EXPANSION

Great strides have been made toward financial inclusion Singh, C., & Naik, G. (2018) also explored the scheme and found 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 the rural population. Interestingly, demonetization did not have any long-term impact on the behaviour of users or bankers, but money lenders improved their services. The other financial schemes of the government about pension, insurance, and social security have yet to make inroads into the rural sector. However, the digitalization of the economy needs to be carefully addressed because many respondents were not comfortable using online, internet, ATM, and mobile banking. Tewari, D. M. (2015) scrutinized Some more social security schemes that should be covered under PMJDY, and the overdraft system should be revised so that the needy people will get credit, otherwise, the shadow banking sector will not be eliminated from our economy, and other benefits of the scheme which are Aadhar, Direct Benefit Transfer, and Direct Benefit Transfer for LPG. Cumulatively, these programs are transforming India and altering the socio-economic landscape, and achieving inclusive growth (Senapati, P. S. 2018) . Kumar, R. M., & Joseph, C. S. (2017) found the major reason for operating a bank account was only to receive or to withdraw the government benefit, and other than that people save to manage their expenditures. Meera, M. R., Kaleeswaran, P., & Gurunadhini, R. (2016) Considered demonetization's effect on PMJDY and found that before the announcement of demonetization the performance of the scheme was functioning well manner in some respects namely account opening, the progress of no frill account and remaining aspects are not functioning proper manner but after demonetization, the performance has been improving. Behera, D. (2020) Studies the positive correlation between banking penetration with economic growth and financial inclusion as the main driver of economic growth. The problem of financial exclusion has been eradicated to a remarkable extent by schemes of the government like PMJDY &

PMJJBY (Kushwah, R., Sandhar, S. K., & Arya, M. K. 2021) . Guntupalli, P. S. (2016) Change should inspire and catalyze further action by governments, banks, and donors alike to break down the barriers to financial inclusion for poor people. The COVID-19 crisis has also reinforced the need for increased digital financial inclusion. Digital financial inclusion involves the deployment of cost-saving digital means to reach currently financially excluded and underserved populations with a range of formal financial services suited to their needs that are responsibly delivered at a cost affordable to customers and sustainable for providers.

VIII. FINTEC PROGRESS - PMJDY

The mobile phone revolution that is transforming our country could also turn into a banking revolution in terms of reach and transaction and the government should leverage this technology and improve its penetration to further financial inclusion in the country (Gupta, J. 2018) . As education is also playing a major role Raichoudhury, A. (2019) analyzed the relationship between educational level, PMJDY awareness, and financial inclusion in the district of Puri and reveals that financial awareness/ financial inclusion increases with education level. Singh, B. P., Kumari, A., Sharma, T., & Malhotra, A. (2021) Economic performance of the Indian states through PMJDY is investigated using bootstrap corrected fixed effects estimation and inference in the dynamic panel and the study observed most Indian states fall under the low or medium level of financial inclusion, dynamic panel results reveal a positive and significant association between financial inclusion and economic growth across Indian states and PMJDY scheme marginally improved the pace of economic growth but failed to improve the overall economic prosperity level across states. Poor usage of financial services and a rise in the number of dormant accounts after the PMJDY scheme's launch are the significant limitations of the PMJDY scheme's failure.

Singh, C., & Naik, G. (2018) Progress has been made in the opening of bank accounts, provision of payment services, and the ability to receive government benefits directly into one's account. Most people, however, are still unable to access credit. Less than 10% of Indians can get a loan from a bank (Chopra, Y., Prabhala, N., & Tantri, P. L. 2017) . Kumar, D. (2022) Learned a good number of new accounts have opened but the usage is very limited. So, the frequency of transactions can be made for effective reach. This scheme is mainly bought out for benefit of poor people and suggested for customized products and services to be added. Singh, C., & Naik, G. (2018) says innovative techniques of PMJDY in bringing marginalized people under the financial inclusion agenda there are many constraints and difficulties encountered in this task and how to anomalies the existing defects and difficulties in removing to make their work quickly and most easily hence the scheme is a motivated financial inclusion preparation. PMJDY and digital access and use of formal financial services by excluded and underserved populations encourage financial inclusion in our country.

IX. FINDINGS

All the literature shows that the growth in account holding, and access has been seen in India, from 35% in 2011 to 78% in 2021. which is driving toward financial inclusion. Financial Inclusion efforts were made in our country before PMJDY policy initiatives of RBI and the Government. As aids to transfer the benefit and subsidies of various welfare schemes like LPG Subsidy, MANREGA payments, Old Age Pensions, Scholarship, etc. directly in the bank account of the beneficiary supported by the National Payment Corporation of India. But our citizens did not have a basic bank account to aid this PMJDY worked magic. As More than 46.25 crore beneficiaries banked under PMJDY since inception, amounting to Rs. 1,73,954 crores. PMJDY Accounts grow 3-fold from 14.72 crores in Mar'15 to 46.25 crore as of 10-08-2022. 56% Jan-Dhan account holders

are women and 67% Jan Dhan accounts are in rural and semi-urban areas 31.94 crore RuPay cards were issued to PMJDY account holders About 5.4 crore PMJDY account holders received direct benefit transfer (DBT) from the Government under various schemes in June 2022. India has witnessed other schemes benefit from PMJDY, and now with the help of digitalization eighty million adults made their first digital merchant payment during the pandemic showing it has spurred the adoption of digital payments. Aadhar also contributes toward increasing financial inclusion.

X. CONCLUSION

The paper has accounted for academic works of literature which show financial independence and strengthen economic empowerment through PMJDY, a government workfare program that reached over one hundred million people. Initially, RBI developed many models and schemes for financial inclusion (supply side) but reaching customers through proper knowledge, and literacy of people was a major hurdle (demand side).

The authors evaluated that after PMJDY there was a major number of accounts were opened as it was a target given to the bank officials. Banks (private and public) played the leading role in opening basic accounts but then too people were given the information about the benefits, but trust issue was the main hurdle in using and depositing money in that account. The trust was developed because the government was depositing money in terms of subsidies and a COVID relief package. In the COVID era, people started using digital banking services mostly through mobile devices.

To bring up financial inclusion the barriers should be removed and Digitalizing payments, if offered in a context of reliable products and infrastructure, may increase the use of accounts by banked adults. for further research, the consideration of fintech can democratize access to finance and the world can

move closer to achieving financial inclusion. The widespread diffusion of smartphones in emerging and developing markets has inspired digital transformation, reduced the informal and undocumented volume of transactions, and increase digital financial inclusion in India.

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