Pradhan Mantri Jan Dhan Yojana (PMJDY): An Initiative towards Including the Excluded People

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Abstract: *Financial exclusion can be described as the inability of individuals, households or groups to access necessary financial services in an appropriate form. A person is considered financially excluded when they have no access to some or all of the services offered by mainstream financial institutions in their country of residence or do not make use of these services. Financial untouchability is a phenomenon that results from certain situations that prevents people to get financial services from formal financial system. In absence of formal financial system people are forced to go to local money lender who charges much interest rate from them. Financial absence also creates the problem of social discrimination. The only solution to fight with the evil of financial exclusion is promotion of financial inclusion. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008). Financial Inclusion can be achieved by ensuring access to financial products and services, affordability of these and actual utilization of financial services.*

In order to support financial inclusion, Pradhan Mantri Jan Dhan Yojana (PMJDY) is launched across the country in 2014. It is a mission mode project of Indian government with Reserve Bank of India. The scheme aims to ensure universal access to banking facilities in each and every household of country. The scheme has provision of opening zero balance with free debit card and inbuilt accidental insurance up to rs. 1 lakh. It also includes program of financial literacy, access to credit and insurance facility.

The research paper has made an attempt to study the effectiveness of PMJDY by finding effectiveness of financial literacy program and awareness towards PMJDY. The study has been carried out among the rural people in southern part of Gujarat. Data has been collected from primary and secondary sources. The primary data has been gathered in the form of open discussion held with respondents in year 2017. The secondary data has been collected from various published and non-published sources. It is concluded from the study that that still there is a long path which needs to be covered to eliminate financial exclusion in real sense from the country

Key Words: *Financial inclusion, financial exclusion, Pradhan Mantri Jan Dhan Yojan (PMJDY), Rural Development.*

1. INTRODUCTION:

Financial exclusion may be defined as inaccessibility to formal financial system. In India, there are more than 2.10 lakhs branches of different banks but still majority of people has no access to formal banking system. Different studies have shown that there is a positive correlation between poverty and financial exclusion. Also it has shown that majority of rural and semi urban people are dependent on local money lender for fulfilling their financial needs. These money lender charges high interest rate as compared to existing market price. This leads to a situation of financial non-equilibrium in the society in which rural people are not get benefited of banking services.

Banks play a very key role in the economic life of a nation. The blood of the economy is closely related to the reliability of its banking system. A list of basic financial services considered essential to daily life: a bank account to receive income; a transaction account to make payments from; a savings account to store money; and access to unsecured credit to manage temporary cash shortages and unexpected expenses. India cannot stand among the best economy of world until it fights with issue of financial exclusion. Financial inclusion is the road map to fight against the issue of financial exclusion (untouchability). Financial inclusion is the process of delivering access to financial facilities to all in apparent manner at affordable cost.

Initiative taken in past to eradicate Financial Exclusion

In past several initiatives were taken by Indian government to remove financial exclusion. Some of the steps taken by Indian government are:

1) In order to mitigate with issue of financial exclusion various initiatives were taken by Government of India (GoI) with Reserve Bank of India (RBI). Some of these are nationalization of banks (19 July 1969) , expansion of banks in rural and remote area (1960 -1999), micro financing facility, priority sector lending(14 per cent) and opening of self help group(SHGs).

2) In June2006, government of India constituted a committee on financial inclusion, under the chairmanship of Dr. C. Rangrajan (Ex-Governor of the Reserve Bank of India). The committee was asked to suggest measures including institutional changes to be undertaken by the financial sector to implement the proposed strategy of financial sector. The committee has submitted an interim report defining financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008[1]). Government decided to implement two recommendations on priority basis:

- The First is to establish a Financial Inclusion Fund (FIF) with National Bank for Agriculture and Rural Development (NABARD) for meeting the cost of developmental and promotional interventions.
- Second is to establish a Financial Inclusion Technology Fund (FITF) to meet the costs of technology adoption.

Each of these funds will have an overall corpus of Rs.500 crore, with initial funding to be contributed by Central government, NABARD, and RBI.

3) To cover larger segment of poor people in the country, RBI advised banks to open 'No frill' account in zero balance scheme.

4) In 2006, RBI opened the door of private group like NGO and self help groups to help banks to achieve financial inclusion.

5) RBI also launched the idea of Business Correspondents (BCs) and Business Facilitator (BFs) to reach unreachable and remote area of the country. This idea was a great success as more than 1.4 lakh BC are functional on the behave of different banks serving different geographical area of country.

6) A lot of expansion of banking network is done in recent past. Technology is also integrated to ensure transparent and speedy financial services.

Although a number of steps have already been taken by Indian government, but still outcome of such programs is not significant in nature. Study all these it was found that there is a need of national level program to understand cause and remedy of the issue of financial exclusion. In order to ensure inclusive growth Indian government came up with a project named Pradhan Mantri Jan Dhan Yojan (PMJDY) in 2014 to ensure universal access to banking facilities with at least one bank account for every household.

2. REVIEW OF LITERATURE:

The banks need to assess their capacities and local knowledge to promote financial inclusion and literacy as financial exclusion can lead to social exclusion. Jerold (2008) supported the argument and addressed advice that banking and credit as main elements of financial inclusion. The study further concluded that financial inclusion will lead to financial development and economic development in country, which will help to accelerate economic growth. In contrast to this, Siddik et al. (2015) reported that rural population, household size, literacy rate, paved road networks, Internet, and deposit penetration as significant determinants of financial inclusion.

Dev (2006) addressed different issues and challenges to financial inclusion. Researcher focused on requirement of holistic approach which should address both demand and supply side issue of financial inclusion. Kumar and Mishra (2015) also focused on importance of focusing demand side factor along with supply side factor to implement financial inclusion. The reason for non-usage of banking facilities and types of banking interfaces at uses are discussed with the help of a primary study in selected area of Lucknow city.

Dasgupta (2009) pointed out that financial inclusion should not only serve the purpose of providing credit but it should also ensure services like saving, insurance and other facilities. This all can be made possible either by proper advice by bank officials or by promoting literacy. In a similar study, Kamath (2007) also pointed out the need to include excluded part of the society.

Chavan (2007) discussed financial inclusion in reference to dalit rural households. Study is primarily based on All India Debt and Investment Survey (AIDIS) conducted by National Sample Survey Organisation (NSSO). Study throws light on credit facility given by banks to dalits in different time spam. Further, Rao (2007) analyzed the pattern of debt of rural and urban household with the help of AIDIS. The paper discussed inclusion of commercial banks in past decades with reference of three different time phases.

[1] Rangarajan C (2008), "Report Of the Committee on Financial Inclusion".

Mehar (2014) compared financial inclusion statistics of different countries with India. Study emphasizes that there is a great need of using innovation, capital and technology for issuing challenges in achieving financial inclusion. Siddik et al. (2015) studied financial inclusion in Bangladesh for years 2009-2013 and reported that only one district (Dhaka) in Bangladesh achieved high stated financial inclusion, 5 districts achieved medium stated financial inclusion, while very low financial inclusion was observed across the remaining 58 districts out of 64 districts of Bangladesh.

Mahadeva (2009) studied financial inclusion in Sindhuvalli Grama Panchayat (SGP). The study found that current financial infrastructure is not able to serve the size of population. There was more stress given on the need of expansion of Self Help Groups (SHG). On contrary, in a study of rural areas of West Bengal, Kuri and Laha (2011) reported that despite all the efforts by government, process of financial inclusion could not be enhanced to provide them economic security. In a study after implementation of PMJDY, Srivastava and Malhotra (2015) reported that PMJDY is helping Indians to be financially included and creating a universal platform for financial services for every Indian citizen, which is aiding in economic and social capacity building.

Pradhan Mantri Jan-Dhan Yojana focus on those people who have still remained deprived of basic banking & financial systems. Kaur and Singh (2015) studied progress of financial inclusion initiatives taken before and after launch of Pradhan Mantri Jan-Dhan Yojana (PMJDY). Different initiatives taken by RBI and other Banks for achieving financial inclusion were also discussed in study.

Most of studies conducted after the implementation of PMJDY revealed that implementation of PMJDY have been effective in different parts of India. No researchers check effectiveness of PMJDY in southern part of Gujarat state. The study has been carried out among rural household in southern part of Gujarat.

3. OBJECTIVES OF THE STUDY:

The objective of the present study is to examine the Pradhan Mantri Jan Dhan Yojana (PMJDY).The study aims to fulfill some additional objectives which are as follows:

a) To measure awareness towards Pradhan Mantri Jan Dhan Yojana (PMJDY)
b) To find out reason of non-usage/access of banking products (Demand and supply side)
c) To measure effectiveness of financial literacy program

4. RESEARCH METHODOLOGY:

Following methodology has been used to fulfill the objectives of the present study:

Scope of the Study

The scope of the study is limited to 200 rural household from southern part of Gujarat.

Sample Selection

Random sampling method is used for the study. Due to the illiteracy issue with most of the respondents, open discussion method is used to collect information.

Data Collection for the Study

The data for the study has been collected through primary as well as secondary sources. The primary data has been gathered in the form of questionnaire. The study was conducted in the year of 2017. The secondary data has been collected from various published and non-published sources such as journals, articles, newspapers etc.

6. ANALYSIS OF FINDINGS OF THE STUDY:

Findings of the study have been divided as discussed in objectives into the following sections:

Pradhan Mantri Jan Dhan Yojana
Awareness towards Pradhan Mantri Jan Dhan Yojana
Reason of non-usage/access of banking product
Effectiveness of financial literacy program

Pradhan Mantri Jan Dhan Yojana (PMJDY)

PMJDY was announced by Prime Minister on 15th August 2014. It was launched on 28th August 2014 across the country. It is a mission mode project of Indian government .It is a joint afford of different ministries and public private bodies like Ministry of State for Finance, Ministry of Information and Broadcasting, Department of Telecom (DoT), RBI, Indian Banks Association (IBA) and various public private banks. The scheme covers universal access to banking facilities with at least one bank account to each and every Indian household of country. It also includes program of financial literacy, access to credit, pension and insurance facility. There is a facility to open zero balance account under PMJDY. The entire account holder will get RuPay debit card which can be used for money withdrawal from ATM and for shopping purpose. Along with this there is a provision of accident insurance cover of Rs one lakh as well[2].

[2] http://www.pmjdy.gov.in

Objective of PMJDY

PMJDY has six main objectives out of which first three will be fulfilled in first year of launching of scheme. It comprises of the following six pillars:-

a. Universal access to banking facilities: In order to ensure in depth penetration of banking facilities each district is divided into Sub Service Area (SSA) so as to confirm access to banking facilities within 5km range by 14 August 2015. Some of the country which has accessibility and connectivity problem will be covered in phase-II of the program.

b. Banking accounts with RuPay debit card with provision of overdraft facility: The primary aim is to open a basic account of each household in country. A RuPay debit card is also provided with each account. In future there will be provision of over drafting up to Rs 5000 after successful operating debit card for a period of 6 months. There will be nominal interest rate on overdraft money. It will also act as micro finance scheme.

c. Financial literacy programme: Being majority of villagers are illiterate there is a need to run financial literacy programme. The main aim of such program is to make people aware and capable of using financial services provided by banks.

d. Creation of credit guarantee fund: In future government has planned to create a credit guarantee fund that would be used to cover the defaults in overdrafts accounts.

e. Micro finance: Government will provide micro- insurance to all willing and eligible persons. This objective will be fulfilled in 2nd phase of PMJDY.

Timeline for PMJDY plan

The complete action plan to achieve 100 percent financial inclusion in the country is divided into two phase as follows:

Phase-I (15 Aug, 2014 - 14 Aug, 2015):

There are four primary objectives in phase-I. These objectives are outlined as:

1) To ensure universal access to banking facilities throughout the country except areas with infrastructure and connectivity constrains
2) To provide basic banking accounts and RuPay debit card.
3) To facility each account holder accident insurance cover of Rs one lakh.
4) To implement Financial Literacy Programme

Phase-II (15 Aug, 2015 - 14 Aug, 2018):

The objectives for Phase-II are listed below:

1) To ensure overdraft facility up to 5000/- after six months of satisfactory operation of account.
2) To creation credit guarantee fund for coverage of defaults in overdraft account.
3) To promote micro finance scheme.
4) To cover geographical areas left in phase1 due to infrastructure and connectivity problem.
5) To promote financial inclusion program up to individual level covering adults and students of each households.

In order to fulfill the objectives government has plan to promote public private partnerships (PPP) model. Time bound responsibilities have already been allotted to different public sector agencies like banks, post office and BSNL. Department of Telecom (DOT) will ensure to resolve connectivity problem in remote areas. A special drive is already set up by telecom department to cover north east area which is still not connected to rest of country. Government has also plans to expand Business Correspondent (BC) and Business facilitator (BF) model to ensure deeper penetration in rural area. RBI will provide subsidy for promoting rural banking in country.

Current status of PMJDY

Pradhan Mantri Jan-Dhan Yojna is an ambitious programme on financial inclusion to cover about 7.5 crore unbanked households in the country. It was launched by Prime Minister on Aug 28, 2014. Preparatory work was started well in advance from Aug 16, 2014. Over one crore accounts have been opened on Aug 28, 2014 which is a world record of opening such large account in banking sector in a single day. Banks were also instructed to organize mega account opening camps on the day of the launch and to carry such camps in later stages at each rural and urban branch in the district. The current status as on Feb 14, 2018 is shown in Table 1.

Table 1: Current Status of Beneficiaries as on 14/02/2018

Bank Name / Type	Number of Beneficiaries at rural/semi urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No Of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	13.49	11.63	13.16	25.12	59806.80	18.91

Regional Rural Banks	4.22	0.78	2.73	5.00	12653.63	3.65
Private Sector Banks	0.60	0.39	0.52	0.99	2190.15	0.92
Grand Total	**18.31**	**12.80**	**16.42**	**31.11**	**74650.57**	**23.48**

Source: PMJDY website http://www.pmjdy.gov.in

Awareness towards Pradhan Mantri Jan Dhan Yojana

Government has focused on awareness of PMJDY. Government has proposed a common fund for publicity of this scheme in rural India. There is a structured 3-tier scheme for publicity of scheme dealing at centre level, state level and district level. Authorities have issued special instruction are for using publicity material in local language. 172 out of 200 (86 per cent) respondent have aware of PMJDY, but information available is very primary in nature. Most of the respondents were not aware of using debit card and insurance scheme. More than 60 per cent respondent still doesn't have bank account.

Reason of Non-Usage/Access of Banking Product

One of the major reasons for not having bank account is that they do not have regular source of income. It has also recorded that people don't have money to deposit and that is reasons for not using banking facilities. Most of the respondents are daily laborer who only earn for fulfilling their daily needs. Illiteracy is also found main hurdle to approach banks.

Measurement of Effectiveness of Financial Literacy Program

In order to reach under reached section of society special focus is given on financial literacy program. Financial literacy centers have been setup to promote awareness towards banking product. Different platforms like seminars, lectures, choupal meeting and personal meetings are used by banking officials and different authorities to improve level of awareness among citizen of country. But sample study reveals that on ground these programs do not have significant impact as nearly all respondents confirmed that there was not financial literacy program conducted in recent in their villages. It is suggested that government should take ensure proper implementation of such program by having proper monitoring systems.

Key Barriers to Financial Inclusion

There are many hurdles on the path of financial inclusion. Strong will power and efficient institutional setup is the need of hour to fulfill the objective. Following are the different challenges and barriers to achieve financial inclusion

1) Human Barriers: One of the biggest hurdles of the road to achieve financial inclusion is lack of financial literacy. People are still not aware about banks has given less interest rate on credit compare to local money lenders. Until people are made aware of financial literacy, instead of helping poor's, financial inclusion may put them in more trouble. Lack of proper documents and poor financial status are also main reasons for not availing credit facility from formal banking system.

2) Institutional Barriers: It is found that lack of proper coordination with various stakeholders is the main gap for working in the field of financial inclusion. There is conflict among goals of different organizations. Inadequate framework on rules and regulations is also a major challenge which needs to be handled. There is also need to expand number of bank branches in rural areas in order to reach the left out people.

3) Telecom connectivity: In India still 50000 villages (nearly 09 per cent) are not connected with telecom connectivity. It is nearly impossible to provide banking facilities in these areas. Due to demographic constraints it will take long time to ensure connectivity in such areas.

4) Issue of keeping accounts functional: This is a great challenge to ensure proper functioning of accounts. It takes a lot of effort to convince and open a bank account of new customer, but if the account becomes dead means no transition takes place then there is no outcome of the project. The issue of not operating banking account is irregular flow of income which is hard reality of rural India till time. Until people feel the importance of saving and banking product it is very difficult to keep accounts live. Lack of transaction banking services runs parallel with social exclusion, as people are not able to receive salaries or remittances, pay bills by direct debit or use safe means of payment such as cheques or cards.

7. CONCLUSION:

It is important to acknowledge that financial exclusion is not an absolute concept (excluded or not), but a relative one, rather like poverty, with degrees of exclusion. It is, therefore, useful to use the term 'financially excluded' for those who lack all products and 'marginally' excluded for those who have limited access. The following conclusions can be drawn from the research findings:

1) Majority of respondent have primary or basic knowledge about PMJDY.

2) Lack of money, irregular flow of income and financial illiteracy are the primary reasons for financial exclusion.

3) Government needs to ensure proper delivery of financial literacy program as nearly all respondents have not attended any such program.

Overall, finding of the study shows that rural people have comparatively less level of awareness on financial and banking services which matches with general perception. Different survey and study indicates that poverty and illiteracy level are also high in villages which is also reflected by this study. In real life situation villagers do not feel comfortable in using various banking services like debit card, credit card and insurance services etc. The study also confirms that most of respondents have never used banking services. It can clearly be said that the results of the study are refection of real life situation regarding financial and banking awareness in India.

8. RESEARCH IMPLICATIONS:

Researcher tried to find out the awareness level towards PMJDY in rural part of country with the help of selected samples in the state of Gujarat. Results of the study are alarming in nature, as it is found that most of the respondents still have no access to financial services. Here it is to be noted that only having a bank account does not fulfill the condition of eradicating financial exclusion. Poverty and illiteracy are found two main reasons for non usage of banking services. Government need to empower the common people of country so that they can use banking services in true sense.

Findings of the study can be used by policy makers to redesign the financial literacy program in the country. There are few suggestions for implementation of effective financial inclusion in the country as follows:

1) Government need to think beyond opening 'No Frill' accounts.
2) Proper coordination among different public and private organization/stakeholders should be ensured.
3) Time bound action should be taken to break infrastructural barriers like issue of connectivity in remote areas.
4) Roles of major stakeholders should be clearly defined which will ensure proper execution of different schemes and policies to achieve financial inclusion.
5) Initiatives to produce easily understandable, honest and comprehensive advertising and promotional material and to work with trusted intermediaries to promote take-up among potential clients should be promoted by financial providers.
6) In order to uplift demand side of financial inclusion, there is a strong need to promote financial literacy program in effective manner.
7) Government should enforce strong and effective monitoring mechanism to ensure timely result of the program.

9. AND DIRECTIONS FOR FUTURE RESEARCH

Despite its valuable findings and implications, this study contains some limitations as discussed below:

1) The study is limited to only 200 villager respondent of southern part of Gujarat. Therefore, researchers should be wary while generalizing the findings of study.
2) Future studies can be conducted taking larger sample size. Also, a study can be conducted for cross-cultural and targeting different geographical area.

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