



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor (RJIF): 8.4
IJAR 2024; 10(3): 188-191
www.allresearchjournal.com
Received: 23-12-2023
Accepted: 14-01-2024

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Pradhan Mantri Jan-Dhan Yojana (PMJDY): A literature review

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Abstract

Financial Inclusion has been a major concern all over the world, because it is necessary for economic development of every country. The main aim of financial inclusion is to include all people in financial system and help them in income generation that leads to increase in savings and investment. In the year 2011, the Government of India gave a serious push to the programme by undertaking the "Swabhimaan" campaign to cover over 74,000 villages, with population more than 2,000 (as per 2001 census), with banking facilities. But Due to low success rate of earlier scheme 'Pradhan Mantri Jan-Dhan Yojana' (PMJDY) a new scheme National Mission on Financial Inclusion was announced on 15 August, 2014 to bring about complete financial inclusion of all the households in the country. This paper discusses the deep study of review of the literature on the topic Pradhan Mantri Jan-Dhan Yojana and its progress. This paper represents an exciting theoretical framework that helps in understanding the concept of Financial Inclusion and Pradhan Mantri Jan-Dhan Yojana. This paper used secondary data that was collected from around 20 research papers from various reputed research journals, official websites of govt of india, newspapers and magazines. This paper concluded that that PMJDY has created a remarkable effect in banking sector by opening large savings accounts, which help in reducing the financial untouchability in the country.

Keywords: Financial inclusion, Pradhan Mantri Jan-Dhan yojana, economic development, banking facilities, inclusive growth

Introduction

The concept of financial inclusion grew out of the microcredit movement of the 1970s and became widely used in the early 2000s. Attempts have been made by the policymakers and financial institutions to bring large portion of the rural population into the banking system having realized that financial inclusion is the necessary of viable economic growth and development in a country like India. Financial inclusion is a new concept which enables the alternative techniques to promote the banking habits and acts as enabler in reducing the poverty. In India some peoples are taking benefits of all kinds of services from savings to net banking, and other around 40% of people lack access to even basic financial services like savings, credit and insurance facilities.

The efforts to include the financially excluded segments of the society into formal financial system in India are not new. The concept was firstly used in India in 2005 and Branchless Banking through Banking Agents was started in the year 2006. In the year 2011, the Government of India gave a serious push to the programme by undertaking the "Swabhimaan" campaign to cover over 74,000 villages, with population more than 2,000 (as per 2001 census), with banking facilities.

Pradhan Mantri Jan Dhan Yojana

Due to low success rate of earlier scheme 'Pradhan Mantri Jan-Dhan Yojana' (PMJDY) was announced on 15 August, 2014. This was a National Mission on Financial Inclusion includes integrated approach to bring about complete financial inclusion of all the households in the country. This scheme was launched on 28th august 2014. The prime objective of this scheme was 60,000 camps were conducted and about 1 crore bank accounts were targeted to be opened in one day. More than targeted objective is attained in a day.

However there was another financial scheme Swavalamban launched earlier in which the main focus was only on villages but in PMJDY the focus is on both (Rural and Urban) and

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the success rate of Swavalamban scheme was very less in comparison to the PMJDY scheme. This was because of less focus of Govt and lot of limitation to open a bank account which is very little under PMJDY.

The account under this scheme can be opened with zero balance and in addition it gives facility of accidental insurance of Rs. 1.00 lakh and also regular life insurance of Rs. 30,000. The additional benefit that Govt. has announced is overdrawn facility of Rs. 5000/ applicable after 6 months of successful operating of the account. SBI, India's largest bank had opened 11,300 camps for Jan Dhan Yojana and over 30 lakhs accounts are opened so far, which include 21.16 lakh accounts in rural areas and 8.8 lakh accounts in urban areas.

Objective of the Study

1. To know the status of PMJDY account opened.
2. To critically examine the concept of PMJDY.

Review of Literature

Dwivedi and Bhadouria (2023) ^[5] conducted a study on an analysis of the uniqueness of PMJDY (Concerning selected peer scheme) to study the various features of PMJDY scheme and to differentiate it from the other previous introduced scheme. The study was conducted with the help of secondary data that was collected from published articles, various journals, and official website of PMJDY and showed that PMJDY has created a remarkable effect in banking sector by opening large savings accounts, which help in reducing the financial untouchability in the country.

Gupta (2023) ^[6] conducted a study on the history and present impact of Pradhan Mantri Jan Dhan Yojana to analyze the benefit and progress since beginning till April 2023 with the help of secondary data and concluded that PMJDY is an important tool of financial inclusion as well as a step to remove poverty in India and it has led financial inclusion towards in a positive direction. Further it enable the direct benefit transfer facility, reducing leakages and pilferages in social welfare schemes and also helps to reduce corruption.

Dwivedi (2022) conducted a study on Pradhan Mantri Jan-Dhan Yojana (PMJDY): A Step towards Financial Inclusion in India with an objective to give an overview of PMJDY, analyze its progress till October 2022 and discuss various related issues. The performance of Public Sector Banks (PSBs) was at the top with more than 80% contribution in PMJDY, followed by Regional Rural Banks (RRBs) and Private Banks (PBs) with 17% and 3%, respectively. It also showed that zero-balance account has decreased continuously.

Pradhan *et al.* (2021) ^[8] revealed that in the long-run there was significant impact of economic growth and financial inclusion on the ICT infrastructure and there was no causality that flows from financial inclusion and ICT to economic growth. The empirical results showed that all the three variables taken in to consideration were inter dependent in the states of India where one variable plays and effective role in the advancement of the other. According to World Bank study (2018) reported that 83 percent of male above 15 years of age in India held accounts at a financial institution in 2017 compared to percent female.

objective of the study is to measure the satisfaction level of the PMJDY account holders of Assam

Gramin Vikash Bank in Cachar District

Yadav *et al.* (2020) ^[17] discussed the impact of PMJDY and found the difference between this scheme and the low-income and unbanked populations. It examined the three essential elements of financial services accessibility, financial literacy and poverty condition of account holders as well as gender and disparities among PMJDY beneficiaries and showed that there is a remarkable increment in financial Inclusion in past years in India after the introduction of this scheme per the financial Inclusion index. The study further found that there was a considerable gender and caste disparity and members of the scheduled castes performing the lowest.

Ashok *et al.* (2019) ^[14] studied the impact on financial Inclusion after introducing PMJDY. In this study, the comparison between the increment of Financial Inclusion in various years and found that the Inclusion rate has increased after the introduction of PMJDY. It was concluded the effect of PMJDY on economic growth by incrementing Financial Inclusion. It considered that PMJDY could enhance merely the arithmetic bank account ownership. The real objectives like overdraft-enabled small entrepreneurship or more insurance benefits could hardly be achieved.

Sahu (2018) ^[12] said that PMJDY is a very important scheme of Government of India for Financial inclusion. It has been a successful scheme but still people of rural areas not fully aware about the benefit of banking. The level of financial inclusion varied among different categories in the factors. For e.g. the level of financial inclusion varies between male and female and/or between a literate and an illiterate person.

Sujlana and Kiran (2018) ^[16] conducted a study on status of financial inclusion in India and revealed that there is a direct need to provide quality financial services in rural areas for economic growth. In this study an attempt was made to provide an overview on status of financial inclusion in India in past few years. On the basis of analysis conducted, it is stated that the financial inclusion is in progressive stage in India in terms of branch penetration. But certain efforts towards inclusive growth are still in nascent stage and needs to be given a concrete shape with the collaborative effort of Government of India along with citizens of the nation.

Khandelwal (2017) ^[7] study revealed that most of the people are aware about PMJDY. The effort of the government to spread awareness among the general public of India turned out to be a success. The introduction of this scheme in India encourages the habits of savings among the masses. This scheme will be beneficial for increasing the economic development of the nation and reducing poverty. Policymakers in the developing countries believe that financial inclusion helps in boosting economic development in many ways such as economic growth, financial efficiency, financial stability and social welfare.

Ramasetu (2016) ^[11] study revealed the importance of financial inclusion through PMJDY in economy with the help of secondary data that was collected from the govt. Websites, RBI reports, NABARD reports, Journals, etc. The study showed that PMJDY has played a very important role to make the economy cashless and to increase the level of financial inclusion especially for the lower and weaker section of the society explained the role of public sector banks in financial inclusion. This study discussed about the "Pradhan Mantri Jan Dhan Yojna" which aims to provide financial services to each and every part of country and also

about the various initiatives taken by R.B.I and various banks for encouraging financial inclusion services to achieve rural and growth. Further, results showed that PMJDY scheme marginally improved the pace of economic growth but failed to improve the overall economic prosperity level across states.

Singh (2015) ^[15] study includes the recent trends in financial inclusion in India with special reference to PMJDY highlighting its key areas and suggests strategies to ensure maximum financial inclusion for the unbanked areas and found that financial inclusion has not yielded the desired results and there is a long road ahead but no doubt it is playing a significant role and is working on the positive side found that PMJDY is an ambitious scheme for comprehensive financial inclusion with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and Rupay Debit Card with inbuilt accident insurance cover of Rs.1Lakh and Rupay Kisan Card. It was found that financial inclusion has not yielded the desired results and there is a long road ahead but no doubt it is playing a significant role and is working on the positive side.

Raihanath (2014) ^[9] conducted a study on the role of commercial banks in the financial inclusion programme and stated that loans given to self-help group by the banks declined between 2009 and 2011 in rural areas, while the savings with the banks increased. Similarly, the key issues in microfinance include low outreach, loan default, high-interest rate, frauds, etc. The study focused on the role of

commercial banks to be performed as part of financial inclusion programme in which the Financial literacy, Credit counselling, BC/BF model, KYC norms, KCC/GCC, No-frill accounts, Branch expansion and Mobile banking was discussed.

Chauhan (2013) ^[2] highlighted the challenges faced by India for strengthen financial inclusion. For this, the data has been gathered through secondary sources including report of RBI, books on financial inclusion, and articles. It was found that India is at moderate level regarding financial inclusion as compared to other countries regarding number of branches, ATMs, bank credit and bank deposits. RBI have adopted various strategies such as no-frill account, use of regional languages, simple KYC norms etc to strengthen financial inclusion.

Sharma (2013) ^[3] studied the need and significance of financial inclusion for economic and social development of society with the objective to analyze the current status of financial inclusion in Indian economy. The study's finding suggests that most Indian states fall under the low or medium level of financial inclusion. The study also explained the Forthcoming Plan of Banks for Financial Inclusion.

Research Methodology

The research methodology is descriptive cum analytical in nature. In the present study, for drawing the conclusions, secondary data is used. Secondary data has been collected from central government official websites, journals, newspapers and related studies.

Table 1: Current Status of Pradhan Mantri Jan - Dhan Yojana Pradhan Mantri Jan - Dhan Yojana (All figures in Crore) Beneficiaries as on 27/12/2023

Bank Name / Type	Number of Beneficiaries at rural/semi-urban center 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	25.14	14.93	22.05	40.06	164419.32	30.21
Regional Rural Banks	8.24	1.35	5.55	9.59	40759.09	3.47
Private Sector Banks	0.73	0.76	0.78	1.48	6111.88	1.18
Grand Total	34.11	17.04	28.38	51.13	211290.29	34.86

Source: <http://pmjdy.gov.in>

Major Findings

1. PMJDY is an important tool of financial inclusion as well as a step to remove poverty in India.
2. PMJDY has led financial inclusion towards in a positive direction.
3. PMJDY has enabled the direct benefit transfer facility, reducing leakages and pilferages in social welfare schemes and also helps to reduce corruption.
4. The banking sector has played a crucial role in promoting financial inclusion.
5. To cope up with the challenges to spread financial inclusion, there is a need of viable and sustainable business models that ensure financial inclusion.
6. 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.

Conclusion

The desired objectives of PMJDY can be achieved only when we are able to generate equal responses from the villages. In order to invoke responses amongst villagers, there is a need to educate them on various banking facilities and its benefits to them. Moreover, it was argued that financial inclusion is possible only through proper mechanism and governance of banking sector. It also helped the people to increase the habit of saving and to provide the financial benefits to poor people or financial excluded people at an affordable cost. The study suggested that the financial literacy program and centre should be established in rural area so that the level of financial awareness and literacy can be increased.

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