

# Pradhan Mantri Jan Dhan Yojana (PMJDY): A Step Towards Eradicating Financial Untouchability

\* *Yogesh Verma*

\*\* *Priyanka Garg*

## Abstract

Financial untouchability is a phenomenon that results from certain situations that prevents people to access formal financial systems. In the absence of a formal financial system, people are forced to go to local money lenders who charge exorbitant interest rates from poor people. Financial untouchability also creates the problem of social discrimination. The only solution to fight with the evil of financial untouchability is promotion of financial inclusion, which 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. Financial inclusion can be achieved by ensuring access to financial services, affordability of services, and actual utilization of financial services. In order to promote financial inclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched across the country. It is a mission mode project of the Government of India. The scheme aims to ensure universal access to banking facilities in each and every household of the country. The scheme has provision of opening a zero balance account with free debit card and inbuilt accidental insurance. It also includes program of financial literacy, access to credit, and insurance facility. The present study made an attempt to study the effectiveness of PMJDY by analyzing the effectiveness of the financial literacy program and awareness towards PMJDY. The study was carried out among workers in working in Central University of Rajasthan and villagers of Bandrasindri village in Ajmer district of Rajasthan. The primary data was gathered in the form of discussions held with respondents in 2015. The secondary data were collected from various published and non-published sources. The findings of study showed that still, there is a long path which needs to be covered to eradicate financial untouchability in a real sense from our country.

**Keywords :** financial inclusion, financial untouchability, Pradhan Mantri Jan Dhan Yojana (PMJDY), economic development, financial economics, development planning and policy

**JEL Classification:** G21, O16, R51

**Paper Submission Date:** June 6, 2015 ; **Paper sent back for Revision :** December 6, 2015 ; **Paper Acceptance Date :** December 20, 2015

Financial untouchability may be defined as inaccessibility to formal financial system. In India, there are more than 1.15 lakh branches of different banks, but still, majority of the people have no access to formal banking system. Different studies have shown that there is a positive correlation between poverty and financial untouchability. Majority of rural and semi urban people are dependent on local money lender for fulfilling their financial needs. These money lender charges multiple times interest rate as compared to market price. This leads to a situation of financial non-equilibrium in the society.

Banks play a very important role in the economic life of a nation. The health of the economy is closely related to the soundness of its banking system. India cannot stand among the best economy of world until it fights with issue of financial untouchability. Financial inclusion is the road map to fight against the issue. Financial inclusion is the process of delivering access to financial facilities to all in transparent manner at affordable cost.

---

\* *Research Scholar*, School of Commerce and Management, Central University of Rajasthan, Ajmer - 305 817, Rajasthan.  
E-mail: yogeshgju40@gmail.com

\*\* *Research Scholar*, University Business School, Panjab University, Chandigarh. E-mail: priyanka7june@gmail.com

## Steps Taken in the Past to Eradicate Financial Untouchability

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

**(1)** In order to deal with issue of financial untouchability various initiatives were taken by Indian government with Reserve Bank of India (RBI). Some of these are nationalization of banks, expansion of banks in rural and remote area, micro financing facility and opening of self help group.

**(2)** In June 2006, Indian government constituted a committee on financial inclusion, under the chairmanship of Dr. C. Rangarajan. 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).

The government decided to implement two recommendations on priority basis:

**(i)** 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.

**(ii)** 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 with 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 (BC) to reach inaccessible and remote area of the country. This idea was a great success as more than 1.4 lakh BC are functional on the behalf 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. There is a need of national level program to understand cause and remedy of the issue of financial untouchability. In order to ensure inclusive growth Indian government recently (2014) has come with a project named Pradhan Mantri Jan Dhan Yojana (PMJDY) to ensure universal access to banking facilities with at least one bank account for every household.

## 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, banking and credit as main elements of financial inclusion. The study further concluded that financial inclusion will lead to financial development in our country, which will help to accelerate economic growth. In contrast to this, Siddik, Sun, and Kabiraj (2015) reported rural population, household size, literacy rate, paved road networks, Internet, and deposit penetration as significant determinants of financial inclusion.

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 forgotten sector of the society.

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.

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 span. 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.

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.

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.

Deepa (2014) discussed rural financial literacy initiative taken by HDFC bank in Kerla. HDFC Bank Ltd had launched its first rural financial literacy initiative in Palakkad Marutha Road, in Kerala. The objective of the centre is to promote financial literacy program. This setup is done under the guideline of RBI. A brief study has also been carried out on Pradhan Mantri Jan-Dhan Yojana. Chowan and Pande (2014) explained financial inclusion plan of RBI and different banks in India. It is discussed that financial inclusion can save weaker section from exploitation by the money lenders. 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.

Shahid and Singh (2015) investigated the status of the PMJDY in India. The results revealed that the contribution of rural sector in terms of accounts opened under PMJDY was relatively higher than the urban sector in all the banking sectors namely, public sector banks, regional rural banks and private banks. The results further revealed that more than 70 percent of the accounts opened under PMJDY were opened with zero balance depicting the weakness in the implementation strategy of the plan regarding easy access to banking system. The state-wise

scenario of PMJDY shows that the highest numbers of accounts were opened in Uttar Pradesh including both rural and urban sectors due to its highest population rate. Furthermore, Punjab has become the third state after Kerala and Madhya Pradesh where all households have a bank account.

Most of studies conducted after the implementation of PMJDY revealed that implementation of PMJDY has been effective in different parts of India. No researcher has studies rural area of Rajasthan. So this study has been conducted to check the effectiveness of PMJDY in Bandrasindri village in Ajmer district of Rajasthan. The study has been carried out among workers in central university of Rajasthan and villagers of Bandrasindri village.

## Objectives of the Study

The core 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:

- (1) To measure awareness towards Pradhan Mantri Jan Dhan Yojana (PMJDY).
- (2) To find out reason of non-usage/access of banking products.
- (3) To measure effectiveness of financial literacy program.

## Research Methodology

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

- (1) **Scope of the Study :** The scope of the study is limited to 210 rural labors working in central university of Rajasthan and villager of Bandrasindri village in Ajmer district of Rajasthan.
- (2) **Sample Selection :** Random sampling and judgment sampling method are used for the present study. Due to the illiteracy issue with most of the respondents, discussion method is used to collect information. Respondents are chosen among labors, people visiting Bank of Badoda and villagers of Bandrasindri village.
- (3) **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 discussion held with respondent. The survey was conducted in the year 2015. The secondary data has been collected from various published and non-published sources.

## Analysis and Results

The findings of the present study have been divided into the following sections:

**[1] Pradhan Mantri Jan Dhan Yojana (PMJDY) :** The PMJDY was announced by Prime Minister on 15<sup>th</sup> August 2014. It was launched on 28<sup>th</sup> August 2014 across the country. It is a mission mode project of Indian government. It is a joint effort 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 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. There is a provision of accident insurance cover of ₹ 1 lakh as well.

**(I) 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 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 ₹ 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 2<sup>nd</sup> phase of PMJDY.

**(II) Timeline for PMJDY Plan :** The complete action plan to achieve 100 percent financial inclusion in the country is divided into two phase as follows:

**(a) Phase-I (15 Aug, 2014 - 14 Aug, 2015) :** There are four primary objectives in phase-I. These objectives are outlined as:

**(i)** To ensure universal access to banking facilities throughout the country except areas with infrastructure and connectivity constraints.

**(ii)** To provide basic banking accounts and RuPay debit card.

**(iii)** To facility each account holder accident insurance cover of ₹ 1 lakh.

**(iv)** To implement Financial Literacy Programme.

**(b) Phase-II (15 Aug, 2015 - 14 Aug, 2018):** The objectives for Phase-II are listed below:

**(i)** To ensure overdraft facility up to 5000/- after six months of satisfactory operation of account.

**(ii)** To creation credit guarantee fund for coverage of defaults in overdraft account.

**(iii)** To promote micro finance scheme.

**(iv)** To cover geographical areas left in phase1 due to infrastructure and connectivity problem.

**(v)** To promote financial inclusion program up to individual level covering adults and students of each households.

**Table 1. Current Status of Number of Accounts Opened under PMJDY**

Sr. No.	Banks	No of Accounts (in Lacs)			No of RuPay Debit Cards(in Lacs)	Balance in Accounts (in Lacs)	No of Accounts With Zero Balance (in Lacs)
		Rural	Urban	Total			
1.	Public Sector Banks	580.06	492.92	1072.98	1000.92	993720.98	663.68
2.	Regional Rural Banks	202.27	35.77	238.04	166.79	196174.44	163.09
3.	Private Banks	34.17	22.85	57.02	51.17	79492.07	32.4
	Total	816.50	551.54	1368.04	1218.88	1269387.49	859.17

Source: <http://www.pmjdy.gov.in/account-statistics-country.aspx>

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs

In order to fulfill the objectives government has plan to promote public private partnerships. Time bound responsibilities have already been allotted to different public sector agencies like banks, post office and BSNL. DOT (Department of Telecom) 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 BC (Business Correspondent) model to ensure deeper penetration in rural area. RBI will provide subsidy for promoting rural banking in country.

**(III) 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. Banks are organizing camps for account opening on every saturday with a mega camp on first saturday of the month. The current status as on Feb 28, 2015 is shown in Table 1.

**[2] Awareness Towards Pradhan Mantri Jan Dhan Yojana :** Government has focused well on awareness issue of PMJDY. Government has proposed a common fund for publicity activities. 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. 180 out of 210 (86%) respondent have heard 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 70 % respondent still doesn't have bank account.

**[3] Reason for Non-Usage/Access of Banking Products :** One of the main reasons for not using banking facilities is that people don't have money to deposit. Most of the respondents are daily laborer who only earn for fulfilling their daily needs. Illiteracy is also found main hurdle to approach banks. Timing of banks is also not suitable for villagers as they are engaged in work during banks working hours.

**[4] Measurement of Effectiveness of the 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 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 village. 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 of less interest rate on credit given by banks, use of debit card and online transactions. Until people are made aware of financial literacy, instead of helping poor's, financial inclusion may put them in more trouble. Lack of proper identity card and poor financial status are also main reasons that avoid people to attract towards banking system.

**(2) Institutional Barriers:** There are many public private ventures along with different ministries which are working in the field of financial inclusion, but due to lack of proper coordination outcome of such programs is not significant. 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 order to reach the left out people.

**(3) Telecom Connectivity :** In India still 55000 villages (nearly 10%) are not connected with telecom connectivity. It is nearly impossible to provide banking facilities in these area. Most of the left out part are of Himachal Pardesh, Jaamu and Kasmir and 82 LWE (Left Wing Extremism). 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. Until people feel the importance of saving and banking product it is very difficult to keep accounts live.

## Research Implications

We tried to find out the awareness level towards PMJDY in rural part of country with the help of selected samples in the state of Rajasthan. 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 untouchability. 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.

The 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:

(i) Government needs to think beyond opening 'No Frill' accounts.

- (ii) Proper coordination among different public and private organization should be ensured.
- (iii) Time bound action should be taken to break infrastructural barriers like issue of connectivity in remote areas.
- (iv) Roles of major stakeholders should be clearly defined which will ensure proper execution of different schemes and policies to achieve financial inclusion.
- (v) In order to uplift demand side of financial inclusion, there is a strong need to promote financial literacy program in effective manner.
- (vi) Government should enforce strong and effective monitoring mechanism to ensure timely result of the program.

## Conclusion

The following conclusions can be drawn from the research findings:

- (i) Majority of respondent have primary or basic knowledge about PMJDY.
- (ii) Lack of money and financial illiteracy are the primary reason for financial exclusion.
- (iii) 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 matches the general perception that rural people have comparatively less level of awareness on financial and banking services. Different survey and study indicates that poverty and illiteracy level are also high in villages which is also reflected by the under taken 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 result of study also confirms that most of the respondents have never used banking services. It can clearly be said that the results of the under taken study are reflection of real life situation regarding financial and banking awareness in the country.

## Limitations of the Study and Directions for Future Research

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

- (1) Due to time constraints, the research could not be made extensively. The study is limited to only 210 villager respondents of Bandrasindri village in Rajasthan. Therefore, researchers should be cautious while generalizing the findings of study.
- (2) A more typical approach of using questionnaire may have provided a broader measure about actual status of financial untouchability. Such a method is not used in study because it was difficult to approach illiterate respondent asking daily measure about the use of online shopping habits.
- (3) Future studies can be conducted taking larger sample size. Also, a study can be conducted for cross-cultural and targeting different geographical area



## References

- Chavan, P. (2007). Access to bank credit: Implications for Dalit Rural Households. *Economic and Political Weekly*, 42(31), 3219-3224.
- Chowhan, S. S., & Pande, J. C. (2014). Pradhan Mantri Jan Dhan Yojana: A giant leap towards financial inclusion. *International Journal of Research in Management & Business Studies*, 1(4), 19-22.
- Dasgupta, R. (2009). Two approaches to financial inclusion. *Economic and Political Weekly*, 44(26/27), 41-44.
- Deepa, V. (2014). Spreading financial literacy in rural India: An overview of HDFC Bank's Initiative in Kerala. *European Journal of Applied Social Sciences Research*, 1(2), 101-105.
- Dev, S. M. (2006). Financial inclusion: Issues and challenges. *Economic and Political Weekly*, 41(41), 4310-4313.
- Goel, J., & Goel, R. (2015). Pradhan Mantri Jan Dhan Yojana (PMJDY): An innovative scheme for financial inclusion in India. *Research Journal of Social Science and Management*, 4(9), 311-317.
- Jerold, V. A. (2008). Financial inclusion and literacy in India - A critical study. *Indian Journal of Finance*, 2 (4), 25-33. doi:10.17010/ijf/2008/v2i4/71663
- Kamath, R. (2007). Financial inclusion vis-à-vis social banking. *Economic and Political Weekly*, 42(15), 1334-1335.
- Kaur, H., & Singh, K. N. (2015). Pradhan Mantri Jan Dhan Yojana (PMJDY): a leap towards financial inclusion in India. *International Journal of Emerging Research in Management & Technology*, 4 (1), 25-29.
- Kumar, M., & Mishra, K. (2015). Dwindling levels of financial inclusion: An exploratory study in Lucknow, India. *Journal of Business Management & Social Science Research*, 4(1), 39-44.
- Kuri, P. K., & Laha, A. (2011). Determinants of financial inclusion: A study of some selected Districts of West Bengal, India. *Indian Journal of Finance*, 5(8), 29-36. doi:10.17010/ijf/2011/v5i8/72491
- Mahadeva, M. (2009). Understanding financial abandoning from a micro perspective: Policy responses to promote inclusion in India. *Saving and Development*, 33 (4), 405-30.
- Mehar, L. (2014). Financial inclusion in India. *Innovative Journal of Business and Management*, 3(4), 42-46.
- Rao, K. G. K. S. (2007). Financial inclusion: An introspection. *Economic and Political Weekly*, 42 (5), 355-360.
- Shahid, A., & Singh, T. (2015). Pradhan Mantri Jan Dhan Yojana: A vehicle for financial inclusion. *Indian Journal of Economic Development*, 11 (2), 499-508.
- Siddik, M. N. A., Sun, G., & Kabiraj, S. (2015). Financial inclusion and its determinants: A Study of Bangladesh. *Indian Journal of Finance*, 9 (6), 7-29. doi:10.17010//2015/v9i6/70988
- Srivastava, S., & Malhotra, S. (2015). A sustainable development of the Indian economy with special reference to Jan Dhan Yojana and Pahal Scheme. *Prabandhan: Indian Journal of Management*, 8 (9), 24-34. DOI: 10.17010/pijom/2015/v8i9/77190
- Verma, Y., & Priyanka. (2013). Financial inclusion in rural areas of District Hisar. *CGC Management Review*, 2 (2), 22-41.