

## **Financial Inclusion And Pradhan Mantri Jan Dhan Yojana: A Comparative Study Among Indian States**

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### **Introduction**

Economic planners had always talked about equality in social and economic fields so that each and every person of the country can reap the fruits of development. Although social and economic equality in different aspects is the main concern of planning process but the result are not so satisfactory. After the economic reforms in 1991 by adopting globalization, liberalization and privatization, Indian economy has witnessed high rate of economic growth but it has also widened the inequality between rich and poor section of the society. So the fruits of development is not been equally shared between different sections of the society as large number of population remain financially excluded even after so many years of independence.

Financial Inclusion can be considered as a situation in which individuals and business will be having access to useful and affordable financial products and services that will meet their needs. It can be defined as situation where all have equal availability and opportunity to use the financial services. United Nations (2006) defined financial inclusion as the timely delivery of financial services to disadvantaged sections of society. It mainly focus on the socially and economically disadvantage section of the society. Rangarajan Committee (2008) defined financial inclusion as "a comprehensive and holistic 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". Raghuram R. (2013) defined financial inclusion as expanding access to financial services, such as payment services, savings products, insurance products, and inflation-protected pensions.

### **Pradhan Mantri Jan Dhan Yojana (PMDJY)**

Pradhan Mantri Jan Dhan Yojana is a scheme of financial inclusion which aims to bring the millions of financially excluded Indian masses in the banking network of the country. Financial inclusion is a subject of national priority for the present NDA Government led by Prime Minister Narendra Modi. It's a hard fact that in India even after 71 years of Independence and 48 years of nationalization of banks, one section of the population who are rich, educated and

from well to do families has access to almost all banking services from a saving bank account to net and mobile banking facilities. They enjoy all banking facilities everyday and all the time whereas another section of the population of underprivileged and lower income group is mostly or totally deprived of even basic financial services like having a basic bank account.

### **Six Pillars of Pradhan Mantri Jan Dhan Yojana**

The programme for financial inclusion under the PMJDY is based on six pillars:

- 1. Universal Access to Banking Facilities:** Mapping of each district into Sub Service Area (SSA) catering to 1000-1500 households in a manner that every habitation has access to banking services within a reasonable distance. Providing Basic Banking Accounts with overdraft facility and RuPay Debit card to all households in the country.
- 2. Providing Basic Banking Accounts with Overdraft Facility and Ru Pay Debit Card to all households:** Account holder would be provided a RuPay Debit Card. Facility of an overdraft to every basic banking account holder would be considered after satisfactory operation of six months.
- 3. Financial Literacy Programme:** Financial literacy would be an integral part of the Mission in order to let the beneficiaries make best use of the financial services being made available to them.
- 4. Creation of Credit Guarantee Fund:** This fund would be created to cover the defaults of beneficiaries in overdraft accounts.
- 5. Micro-Insurance:** Micro insurance will be provided to all willing and eligible persons by 14<sup>th</sup> August, 2018, and then on an ongoing basis.
- 6. Unorganized Sector Pension Schemes like Swavalamban:** Pension facilities will be provided to weaker section of the society by 14<sup>th</sup> August, 2018

### **Objective of the Study:**

A single objective is targeted to achieve under the study-

1. To examine the performance of PMJDY in various states of India

### **Methodology**

The present study considers all the 28 states of India and almost all the major banks of India. The source of the data will be purely based on Secondary Data. The data have been analyzed based on secondary sources from the year 2015 to 2019. The secondary data pertaining to number of accounts opened by different banks in each state, amount deposited in the

accounts, Rupay card issued etc. would be collected and compiled from the official website of PMJDY, RBI, UIDAI, PIB of India, Finance Department of Govt. etc. The study will be based on pan India level and try to cover all states of India as far as possible.

### **Review of Literature**

**Dr. Thyagarajan and Prof. Nair (2016)** in their study it is said that the Government of India and the Reserve bank of India have been taking various efforts to promote financial inclusion of the masses with the fundamental objective of providing financial services to the financially excluded section of the society.

**Irrinki, M.K. and Burlakanti, K. (2017)** stated that PMJDY scheme is known to most of the people in their study area, 40% of the people knew it through bank officials and is followed by friends and relatives with 21%. It is also revealed that 60% of the people have opened the accounts under the scheme. While interacting with these people they were having savings account which were opened earlier. Most of the respondents have their accounts with State bank of India.

**Awasthi, A. (2015)** stated that the main purpose of Pradhan Mantri Jan Dhan Yojana is financial inclusion but unrealistic targets and hasty numbers are making this scheme lose its purpose. Financial inclusion is a slow process and for the success of it requires dedicated efforts to spread the financial literacy. If financial literacy will increase automatically it will lead to increase in the demand for financial products.

**Hussain (2015)** viewed that the concept of financial inclusion has come to the fore front after the launch of PMJDY. Its unique features make it one of the best policies till now for achieving financial inclusion as well as inclusive growth. Ru pay card, Insurance coverage and overdraft facility are the main pillars of this scheme which is very beneficial for the poor people. But its main drawback is the lack of awareness among people about the benefits of PMJDY and its services. Much publicity is needed to generate awareness about the benefits of the scheme.

### **PERFORMANCE OF PMJDY**

To find out the achievements of PMJDY and to assess its performance in financial inclusion of India various secondary data have been taken from PMJDY, Finance Commission and other websites. For this performance of various states has been examined and compared to find out the best and worst performed states and also trends of various indicators of PMJD over the years.

#### **Achievements of All the States of India in PMJDY**

All the 29 states of India are categorized on the on the basis of three indicators those are (a) Beneficiaries as percentage of total population (b) Average balance in per account in Rupees (c) Ru pay Card issued as percentage of beneficiary.

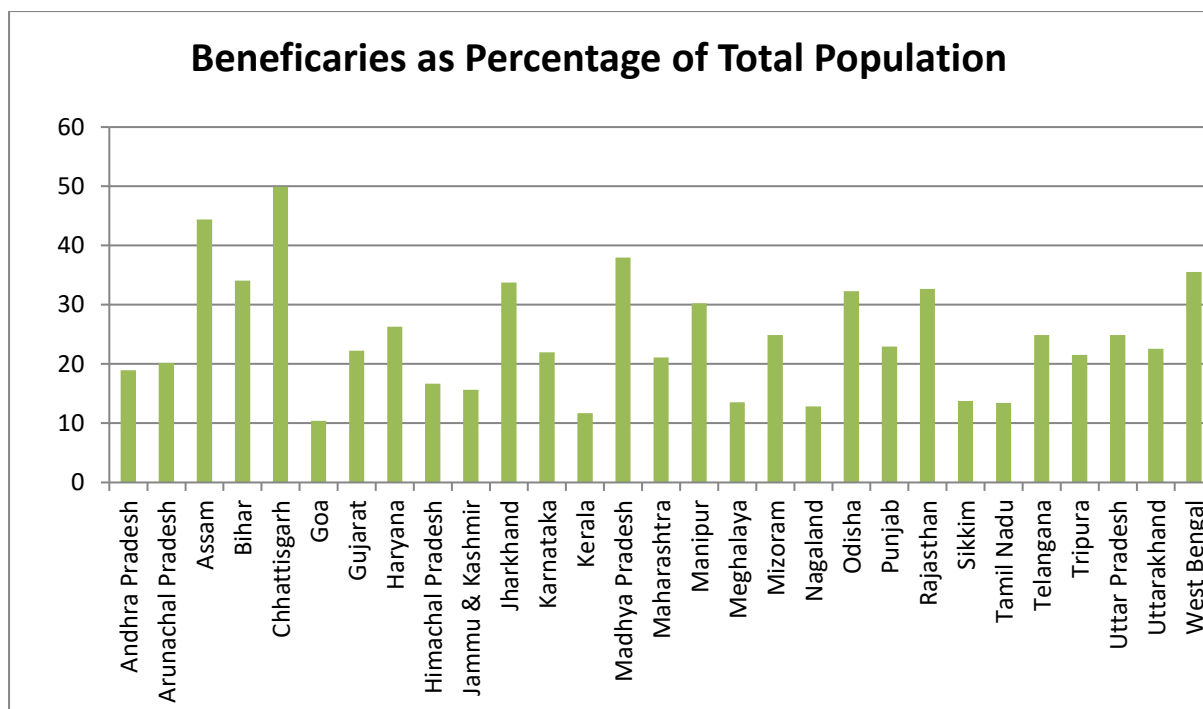
**Table 1-** List of States and Their Performance

State Name	*Expected Population of 2019	Total Beneficiaries	Beneficiaries as % of Total Population	Balance in beneficiary accounts (in crore)	Average Balance per Account (in Rs.)	No. of RuPay cards issued to beneficiaries	Ru pay Card issued as % of Beneficiary
Andhra Pradesh	53390841	101,22,142	19	1,902.98	1,880	82,26,042	81.27
Arunachal Pradesh	1548776	3,12,287	20	112.31	3,596	2,72,082	87.13
Assam	35080827	155,82,773	44	3,690.64	2,368	121,05,845	77.69
Bihar	122256981	416,31,980	34	10,593.41	2,545	340,55,496	81.80
Chhattisgarh	28989789	144,64,547	50	3,131.79	2,165	103,23,519	71.37
Goa	1564349	1,62,436	10	92.46	5,692	1,22,452	75.38
Gujarat	64801901	143,94,906	22	4,420.18	3,071	118,87,270	82.58
Haryana	27793351	73,04,333	26	3,305.34	4,525	61,50,319	84.20
Himachal Pradesh	7384022	12,31,180	17	630.38	5,120	9,85,478	80.04
Jammu & Kashmir	13748237	21,50,643	16	940.43	4,373	17,21,511	80.05
Jharkhand	37933898	127,99,644	34	3,460.75	2,704	102,17,111	79.82
Karnataka	66834193	146,91,189	22	3,672.27	2,500	102,46,901	69.75
Kerala	35461849	41,54,011	12	1,297.99	3,125	29,68,919	71.47
Madhya Pradesh	83849671	318,15,393	38	5,079.06	1,596	248,56,097	78.13
Maharashtra	121924973	257,27,486	21	6,104.25	2,373	184,21,777	71.60

Manipur	3048861	9,21,721	30	198.57	2,154	7,04,527	76.44
Meghalaya	3320226	4,49,751	14	192.76	4,286	3,13,910	69.80
Mizoram	1222134	3,04,456	25	86.96	2,856	83,898	27.56
Nagaland	2218634	2,84,940	13	57.42	2,015	2,34,536	82.31
Odisha	45861035	148,04,73 5	32	4,560.99	3,081	122,78,36 1	82.94
Punjab	29875481	68,47,628	23	2,547.53	3,720	55,80,682	81.50
Rajasthan	79584255	259,98,27 0	33	7,757.58	2,984	204,23,07 2	78.56
Sikkim	680721	93,674	14	39.18	4,183	71,080	75.88
Tamil Nadu	77177540	103,78,84 9	13	1,934.32	1,864	85,34,174	82.23
Telangana	38919054	96,82,915	25	1,609.16	1,662	79,24,400	81.84
Tripura	4112223	8,85,586	22	678.44	7,661	6,85,551	77.41
Uttar Pradesh	233378519	580,37,65 4	25	18,652.38	3,214	469,19,76 5	80.84
Uttarakhand	11140566	25,12,936	23	1,157.38	4,606	19,98,960	79.55
West Bengal	98662146	350,71,13 2	36	12,422.66	3,542	288,59,85 3	82.29
Total	133176505 3	36281919 7	27	100329.57	2,765	28717358 8	79.15

Source: <https://pmjdy.gov.in/statewise-statistics> as retrieved on 14<sup>th</sup> August, 2019

\*Source: <https://uidai.gov.in/images/state-wise-aadhaar-saturation.pdf>



**Figure 1-** List of States Beneficiaries as Percentage of Total Population

In the above diagram it can be seen that Chhattisgarh has the highest number of beneficiaries as a percentage of population, i.e. 50% and then followed by Assam and Madhya Pradesh. The least performing state is Goa. It may be because of Goa's small size of population and their level of financial inclusion even before PMJDY. Other poor performing states are Kerala, Nagaland, Tamil Nadu etc.

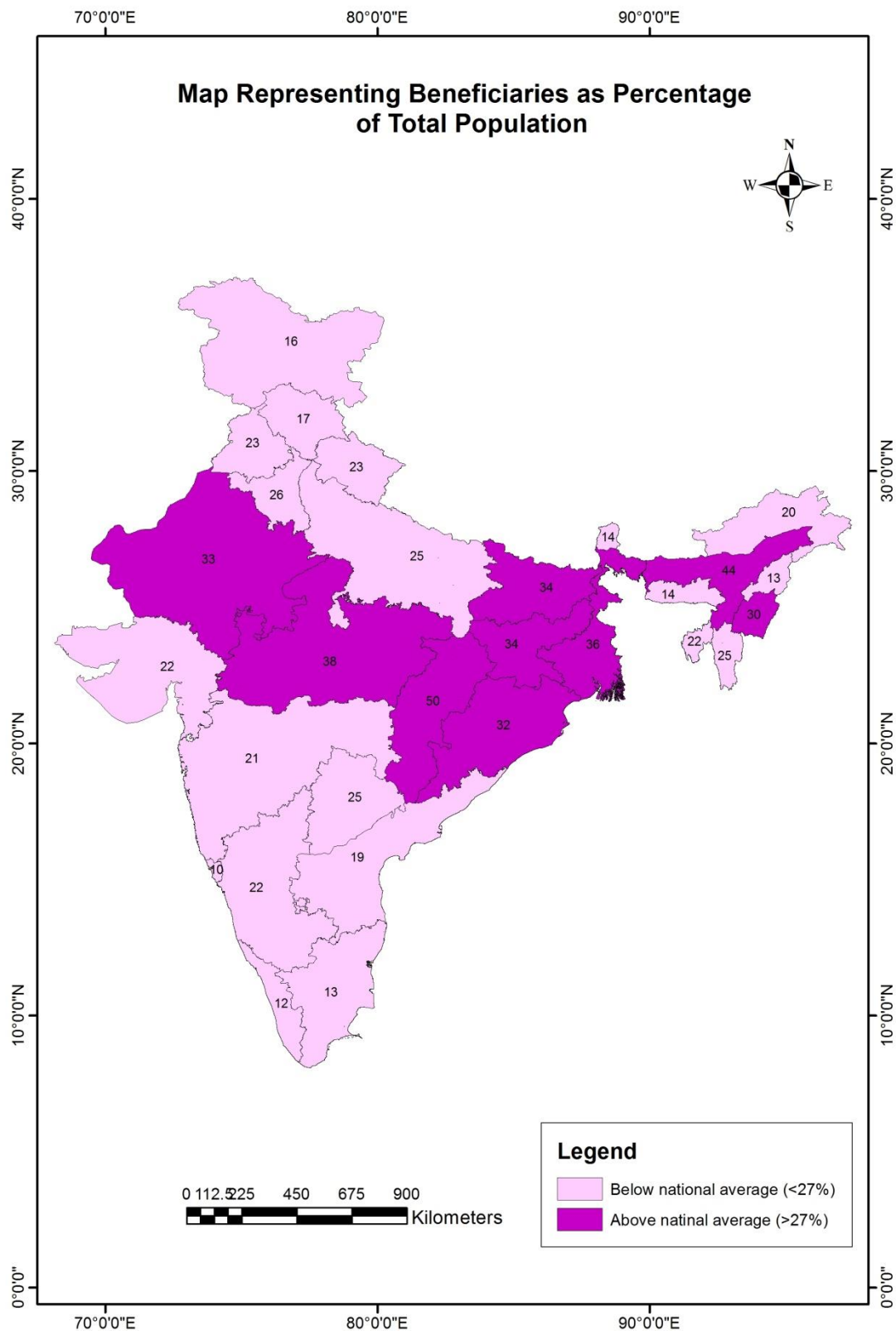
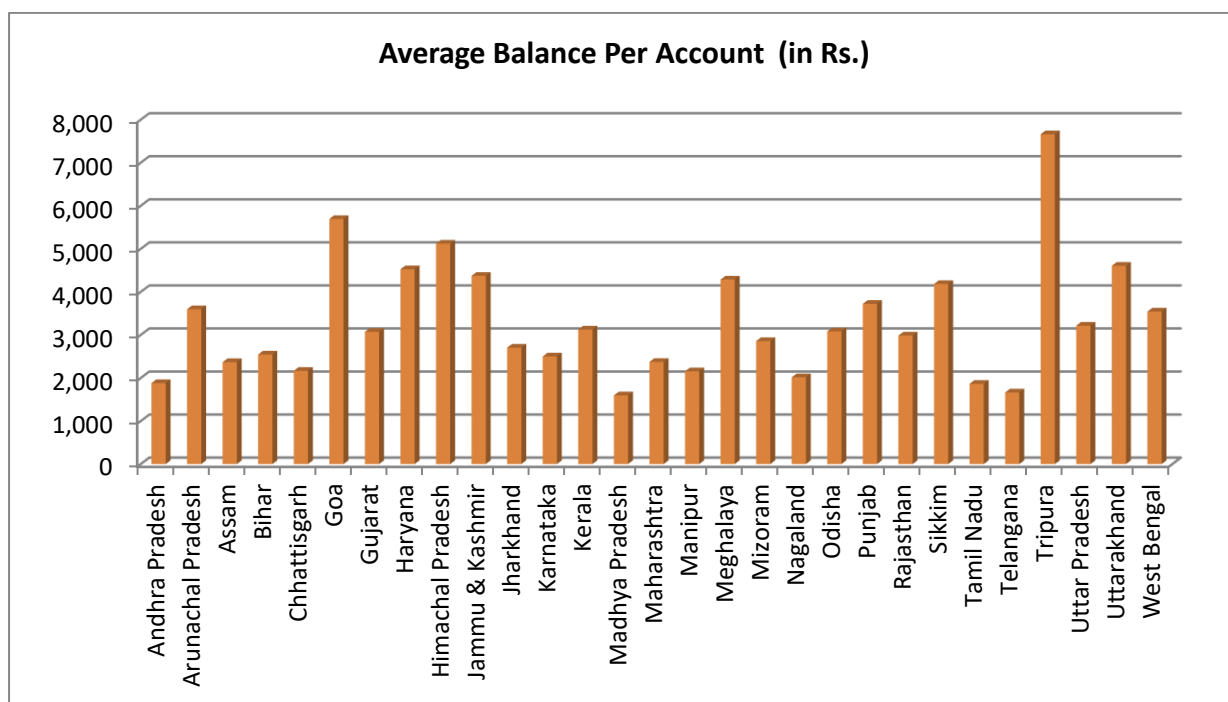


Figure 2: Map of India Showing Two Categories of States

In the map of India the deep pink colour is representing the nine states with above national average of beneficiary and light pink showing 20 states with below national average that is 27.

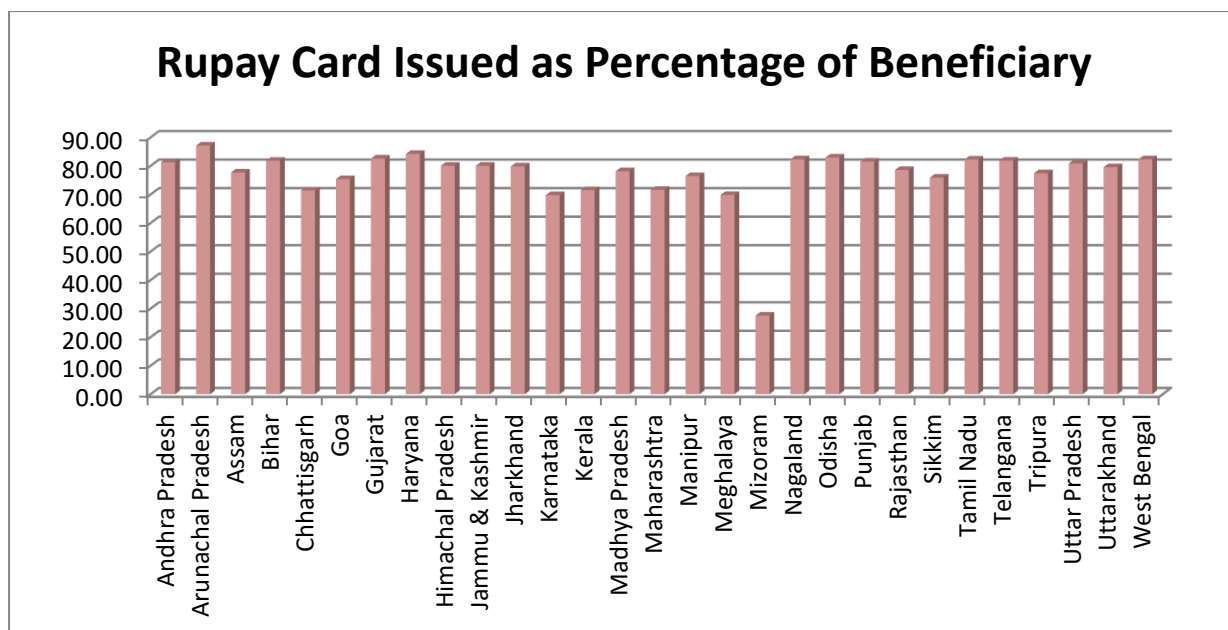
In the above Table 5.2 and from the map it is clearly evident that Below National Average States (<27%) are in majority as far as 20 states falls in this category. Goa, Kerala, Nagaland has the lowest coverage of PMJDY may be because most of their population already has bank accounts before PMJDY. The highest beneficiary states are only nine which are Chhattisgarh, Assam, Madhya Pradesh etc. This may also suggest that these states maximum people don't have accounts earlier so the scheme has showed high success in these states.



**Figure 3-** List of States as Average Balance Per Account

From the above figure it can be seen that Tripura has the highest number of money deposited in per account which is followed by Goa and Himachal Pradesh. State which has the lowest average balance per account is Madhya Pradesh followed by Telangana, Tamil Nadu etc.





**Figure 4:** List of States as Ru pay Card Issued as Percentage of Beneficiary

From the above figure it is seen that all the account holders of PMJDY didn't get a Ru pay card. Out of 100 people 87 got Ru pay card in Arunachal Pradesh which is highest in India followed by Haryana and Odisha. Mizoram has the lowest Ru pay card issued as percentage of total beneficiary that is only to 28 per 100 person followed by Meghalaya and Karnataka.

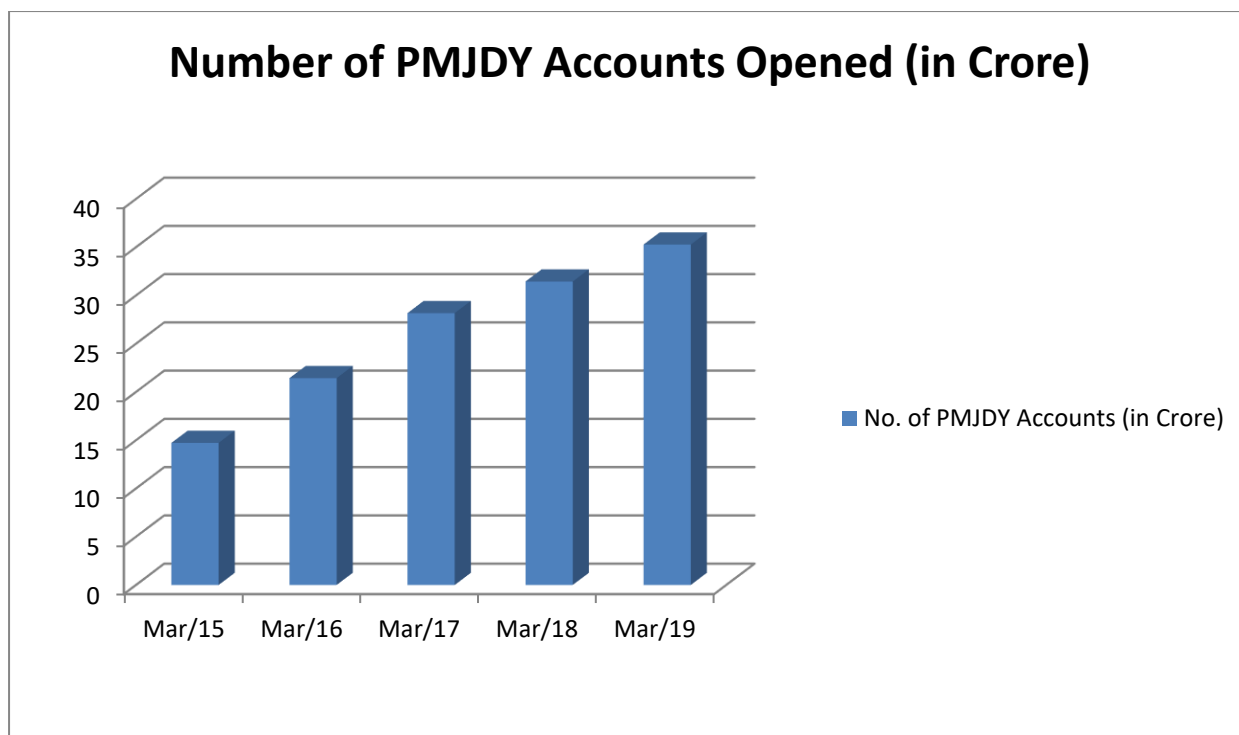
**Performance of PMJDY Over the Years**

The performance of PMJDY over the years in terms of accounts opened, deposit balance and average deposit balance over the years from 2015 to 2019 is tabulated as under:

**Table 2:** Number of PMJDY Accounts Opened over the years

Item	March- 2015	March-16	March-17	March-18	March-19
No. of PMJDY Accounts (in Crore)	14.72	21.43	28.17	31.44	35.27

Source: <https://financialservices.gov.in/>



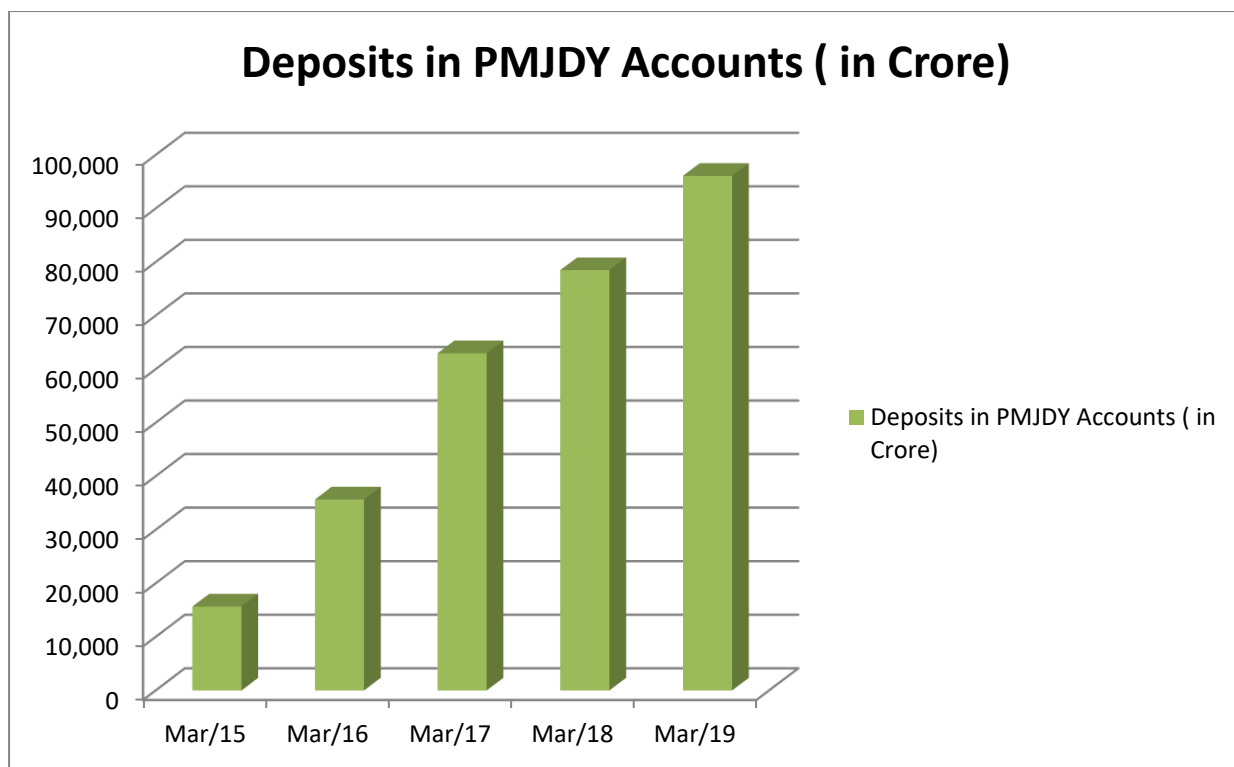
**Figure 5:** Number of PMJDY Accounts Opened over the years

From the above figure it is seen that the opening of PMJDY accounts has shown huge increase from 2015 to 2019 but the rate of growth is declining over the years. It may be because of the fact that not much people are left to open new accounts anymore.

**Table 3:** Deposits in PMJDY Accounts over the years

Item	March- 2015	March-16	March-17	March-18	March-19
Deposits in PMJDY Accounts ( in Crores)	15,670	35,672	62,972	78,494	96,107

Source: <https://financialservices.gov.in/>



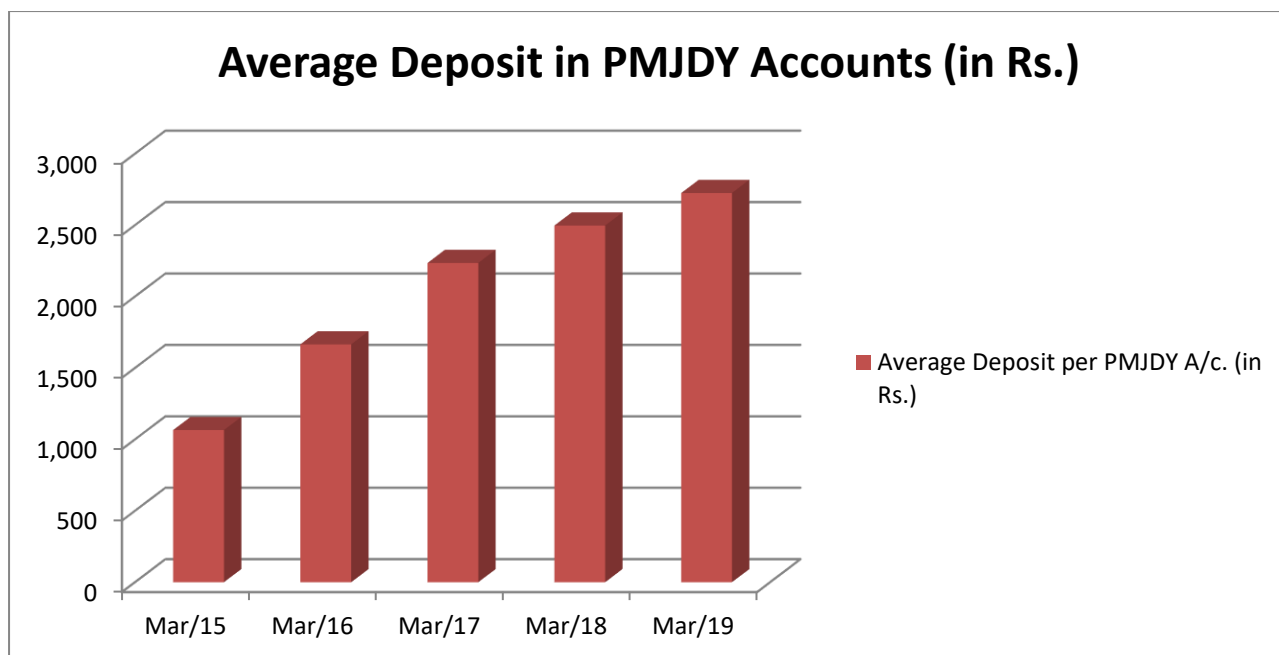
**Figure 6:** Deposits in PMJDY Accounts over the years

In the above figure it can be seen that from 2015 to 2016 deposits in PMJDY accounts has more than doubled and registered a growth rate of more than 100% and from 2016 to 2017 also it has increased from 35,672 crore to 62,972 crore which may be an effect of demonetisation which was held on November, 2016. After that its rate of growth has gradually declined.

**Table 4:** Average Deposits in PMJDY Accounts over the years

Item	March- 2015	March-16	March-17	March-18	March-19
Average Deposit per PMJDY A/c. (in Rs.)	1,065	1,665	2,235	2497	2,725

Source: <https://financialservices.gov.in/>



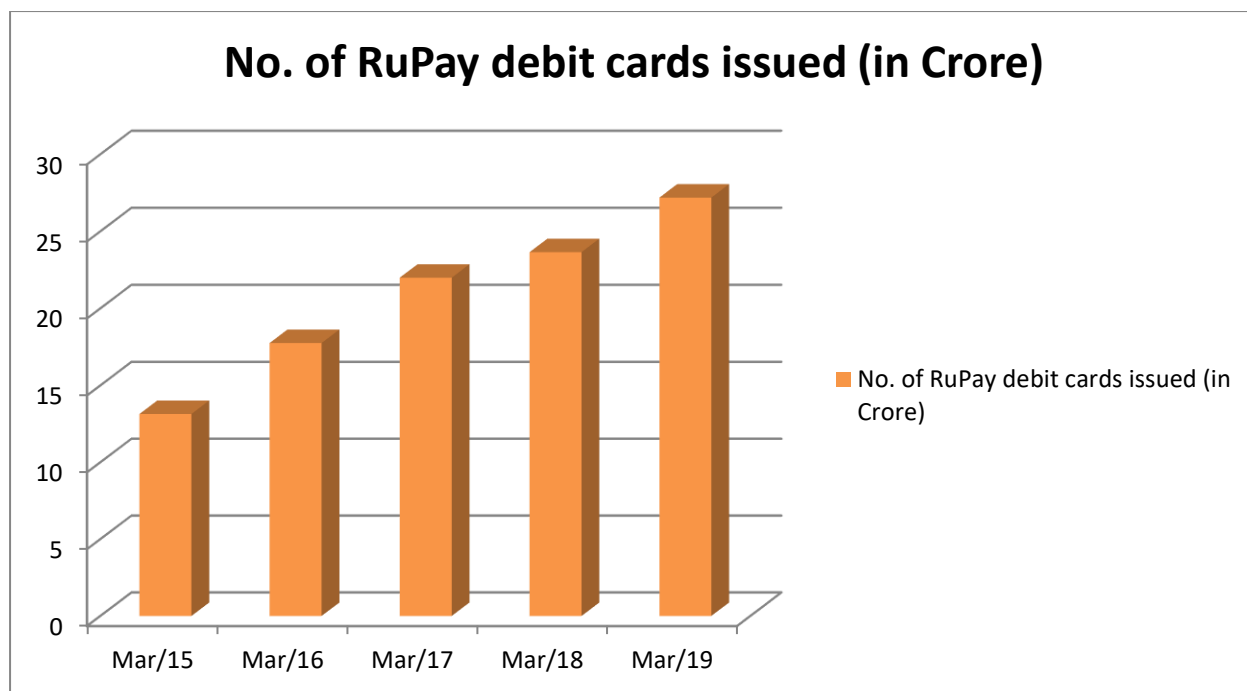
**Figure 7:** Average Deposits in PMJDY Accounts over the years

It can be seen from the above table and figure that as against an average balance of Rs. 1,065 in accounts opened under PMJDY in March 2015, the average balance has grown to Rs. 2,725 as on March, 2019. The growth rate is highest from 2016 to 2017 which may be an effect of demonetisation which happened in November, 2016.

**Table 5:** Number of Ru Pay Debit Cards Issued Over the Years

Item	March- 2015	March-16	March-17	March-18	March-19
No. of Ru Pay debit cards issued (in Crores)	13.14	17.75	21.99	23.65	27.19

Source: <https://financialservices.gov.in/>



**Figure 8:** Number of Ru Pay Debit Cards Issued Over the Years

A total of 27.19 crore Ru Pay debit cards have been issued till 30.03.2019 to PMJDY account-holders. Apart from banking convenience, these cards come with an inbuilt accident insurance cover of Rs 2 lakh.

From the above analysis it can be said that mostly those states performed well mainly in case of new accounts opened in PMJDY which generally have low Per Capita Income (PCI) or maximum number of financially excluded people for example Madhya Pradesh, Chhattisgarh, Assam, West Bengal etc. But the states with high or average PCI and low rate of population growth performed poor for example Kerala, Goa, Nagaland etc. which may be because they already has a larger section of people under formal banking sector even before the launch of PMJDY so there is less people left to avail this scheme. Again from the benefits and achievements of PMJDY scheme it can be said that it one of the most important and impactful scheme of financial inclusion in the financial history of India. If properly implemented Pradhan Mantri Jan Dhan Yojana can change the life of millions of people who are living in poverty and distress by bringing them out of poverty and giving them a quality life which is a basic right for every human being.

### Main Findings of the Study

- It can be seen from the study that Chhattisgarh has the highest number of beneficiary as percentage of population, i.e. 50%.
- Goa is the worst performer in case of opening new accounts as percentage of population.
- Nine states had more percentage of population with Jan Dhan account than national average of 27% of total population.

- Below National Average States (<27%) are in majority as far as 20 states falls in this category e.g. Goa, Kerala, Nagaland etc.
- From the study it is found that Tripura has the highest number of money deposited in per account which is a quite strange fact.
- State which has the lowest average balance per account is Madhya Pradesh followed by Telangana, Tamil Nadu etc.
- Out of 100 people 87 get Ru pay debit card in Arunachal Pradesh which is highest among Indian states.
- Mizoram has the lowest Ru pay card issued as percentage of total beneficiary that is only to 28 per 100 people followed by Meghalaya and Karnataka. It is found that PMJDY accounts have shown a huge increase from 2015 to 2019 but the rate of growth is declining over the years.
- From 2015 to 2016 deposits in PMJDY accounts has more than doubled and registered a growth rate of more than 100%.
- The average balance per account has seen highest growth rate from 2016 to 2017 which may be an effect of demonetisation which happened in November, 2016

## **SUGGESTIONS**

For the improvement of PMJDY scheme and for its better implementation these following suggestions can be considered-

- Benefits of the scheme should be clearly explained to each and every person in the country.
- Network speed is very slow in remote, rural and tribal hill areas; government should take immediate measures to solve connectivity problem or server problem through service provider in rural, remote and hilly regions.
- Millions of people in India still don't have any account they should be taken under banking network as soon as possible. So, govt. should try for 100% financial inclusion in India.
- To make banking habit popular rate of interest on deposit should be increased gradually and interest rates on loans should be decreased gradually for Jan Dhan accounts holders.
- Govt. should be aware of the fact that the additional pressure on banks regarding Zero balance accounts should not hamper banks performance.

## **CONCLUSION**

Financial inclusion increases the resource base of the financial system of the country by developing a habit of savings and investment among large segment of rural population and mainly among unprivileged section of the society. It plays a vital role in the process of economic development by its own way. Bringing low income groups within the range of

formal banking sector helps to protect account holders financial wealth and other resources in difficult situations. Financial inclusion helps the poor people to come out of the clutches of money lenders by facilitating easy access to formal credit. To solve these problems, the Pradhan Mantri Jan Dhan Yojana lies at the core of Govt. of India's development philosophy of "Sab Ka Saath, Sab Ka Vikas". PMJDY mainly focuses on the people who are excluded from basic banking and financial systems, even in this era of modern science and technology with mobile and internet banking. It is true that PMJDY scheme will uplift the condition of poor people and will provide social security to each and households of the country. People will now able to get subsidies easily from the government in their bank accounts which are meant for them. This schemes success requires political will, bureaucratic support and monitoring and supervision by RBI. PMJDY expected to release the hugely untapped potential of the lower level of the pyramid section of Indian economy.

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