

Prospering Indian Economy through Expansion of Financial Inclusion Schemes: With Special Reference to Pradhan Mantri Jan Dhan Yojana

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Abstract—In present era, as India have huge population but a big section of the society including weaker section people and people living in backward areas or rural areas does not have access to the financial system of the country, even most of the people belong to this category are not aware about the services provided by banks in India. For dealing with this gap Prime Minister of India recently launched Pradhan Mantri Jan Dhan Yojana (PMJDY) with the aim to get rid of financial un-touchability, help eradicate poverty and encourage Indian households to save more. Thus, present study focuses on identifying the need of Financial Inclusion schemes, knowing the present status of PMJDY and developing a framework for cause and effect of PMJDY. The data has been collected through interaction with bank personals & individuals and reports of Canara Bank. System Dynamics Modeling has been applied. The paper will conclude with that there was a need for this scheme as most of the weaker section people were not having access to any of the financial services. This scheme created an infrastructure for easy access to banking system of the country with Zero Balance Account and at very less documentation. The results reveals that the scheme have a great impact on rural areas as most of the bank accounts opened under this scheme belongs to rural areas. Hence at the end, it has been observed that PMJDY turned to a stepping stone in the financial stability of Indian Economy.

1. INTRODUCTION

"If we want to eradicate poverty, we need to get rid of financial un-touchability" [3].

—Shri Narendra Modi

In today's time, Economies like India facing the challenges of Financial Instability, Lack of economic growth and Price rise. It has been seen that savings have played an effective role in Indian economy so there is a need to create awareness among people so that they can bring their savings to the banks. Through savings, banks can grow and people may get good returns and financial security. So, in order to meet this issue, the Prime Minister of India launched a scheme for Financial Inclusion on August 28, 2014.

The day, this scheme was launched, 1.5 crore bank accounts were opened in a single day. The number of accounts

increased to 7.5 crore across India, within three months. The scheme centred to bring into account all the low income sections of the society and render the financial access at affordable costs i.e. Zero balance account, life insurance cover of Rs. 30, 000/, access to pension schemes etc.

The PMJDY scheme of the Prime Minister lays at the essence of the government's belief of "Sab Ka Sath Sab Ka Vikas". For development of any economy it is necessary that every section of the society should contribute towards the economic system of the country. By introducing PMJDY, Prime Minister of India has shown that they want weaker section of the society also has the capability to contribute towards the financial system of the country.

The Financial Inclusion schemes improve the financial conditions and raise the living standard of the poor and the underprivileged people in the society. With the help of this scheme Government is able to render the social benefits to the individuals who do not have access to the financial services.

2. REVIEW OF LITERATURE

B.C.M. Patnaik, Ipsita Satpathy and Avinash Chandra Supkar (2015) made a study in the eastern region of the India - Odisha, the sample size was 137 and the study revealed that most of the people do not have bank accounts, they were having very little savings and they did even not know how to open an account. So banks should take a initiative to make people learn how to open an account [1].

Gitte Madhukar R. (2015) focused on the need for Financial Inclusion, analyzed the functioning of PMJDY scheme. Both primary and secondary data was used and it was concluded that PMJDY was successful in meeting all the inadequacies of the Indian economic system [6].

Harpreet Kaur and Kawal Nain Singh (2015) studied the new movements in Financial Inclusion in India with special reference to PMJDY and suggested ways to assure maximum

Financial Inclusion for the disadvantaged and unbanked areas. Secondary data was used for the study [7].

Hemant Kumar Watts (2015) concluded that PMJDY is an effective step taken for the growth of the country. Although banks are making attempts to implement the scheme but still there is a need to do more. A major part of the population of the country is not using banking services; people do not know how to use the debit cards [9].

N. Mohamed Rafiq and N. Premavathy (2014) studied the several steps taken by the government and banking institutions. Secondary data was used and it was concluded that bank branches should give banking services in a physical form [5].

Shivangi Bhatia and Seema Singh (2015) stated that financial schemes have a target that each and every individual should have access to banking facilities by the end of the year 2018. In order to achieve this target banks should work more effectively. Making the policies only would not be that much helpful, implementation should also be there of such schemes [8].

Sudhinder Singh Chowhan and J.C. Pande (2014) stated the worth of Financial Inclusion and the impact of PMJDY. It was concluded that by providing financial access to the low income groups, Financial Inclusion saves their financial wealth and other resources in insistent situations [4].

3. NEED OF THE STUDY

The Financial Inclusion schemes in India have a great impact in the development of the economy. To provide better access to financial services Government of India time to time make new policies so that they can develop weaker section people of the society as well. So present study is conducted to measure the present status of PMJDY in the society and its challenges/benefits.

4. OBJECTIVES OF THE STUDY

This study has the following objectives:

- To identify the need of financial inclusion schemes in India.
- To analyze the present status of Pradhan Mantri Jan Dhan Yojana.
- To develop a framework for cause and effect of PMJDY in India.

5. RESEARCH METHODOLOGY

This study is a descriptive research study where the primary data has been collected by interacting with bank personals and the individuals in Agra region. The secondary data has been collected using review of literature and reports of Canara Bank. Based on the review of literature and need of the study some hypothesis has been framed. For analyzing the data

appropriate statistical test has been used like t-test/ z-test, Pie charts, Bar graphs and System Dynamics Modeling through Causal Loop Diagram.

Research Hypotheses

The study has the following hypothesis:

H_{01} : There is no significant difference between number of accounts opened in urban and rural areas under PMJDY.

H_{a1} : There is a significant difference between number of accounts opened in urban and rural areas under PMJDY.

H_{02} : There is no significant difference among average account balance of different states in India under PMJDY.

H_{a2} : There is a significant difference among average account balance of different states in India under PMJDY.

6. DATA ANALYSIS & RESULTS

Firstly the primary data has been analyzed which is collected by interacting with bank personals and the individuals in Agra region to collect the data about need of such Financial Inclusion schemes in India. The result shows the following needs:

- Creating awareness among people
- Involvement in financial transactions
- To develop infrastructure for financial independency
- Financial services at low cost
- Development of weaker section people of the society
- To motivate people to save more

Present status of PMJDY

The present status of PMJDY has been analyzed using the report provided by Canara bank related to PMJDY:

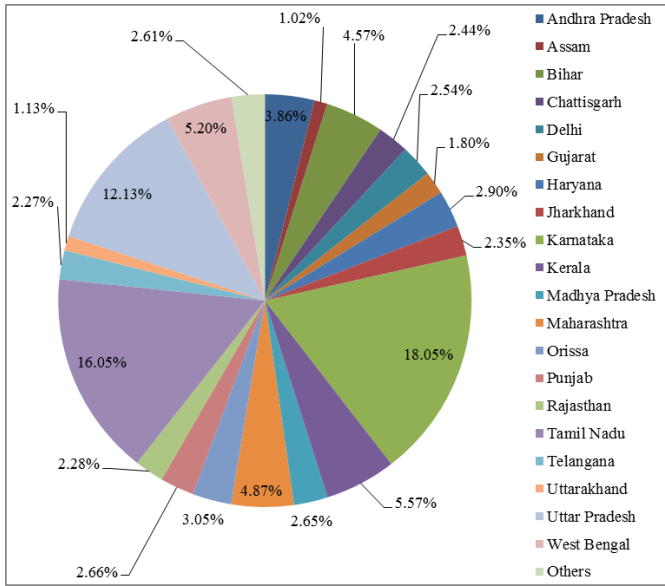


Fig. 1: State wise number of accounts opened under PMJDY

Above Fig. shows the percentage of account opened in different states out of the total account opened by Canara Bank under PMJDY. Karnataka, Tamil Nadu and Uttar Pradesh contribute most of the accounts opened under PMJDY.

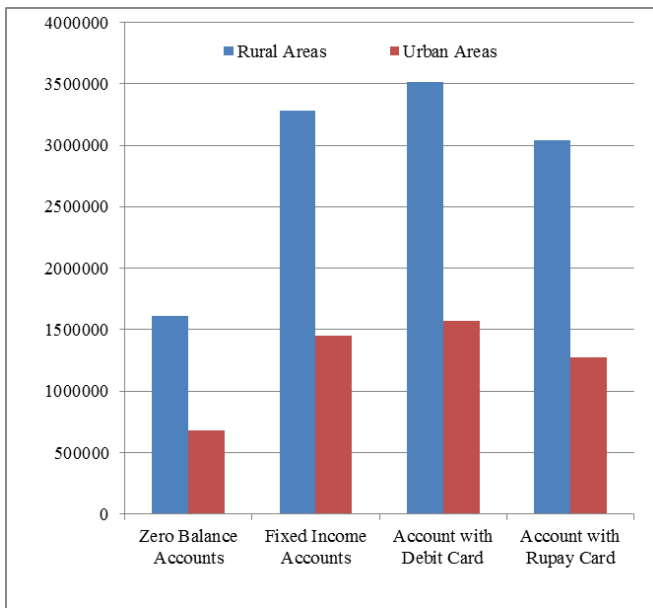


Fig. 2: Number of different types of accounts

Fig. showing the total number of different types of accounts opened by Canara Bank in urban and rural areas Under PMJDY. It is clear from the above Fig. that a major part of different types of account opened belong to rural areas.

Hypotheses Testing

H₀₁: There is no significant difference between number of accounts opened in urban and rural areas under PMJDY.

To test the above hypothesis Paired t-test has been used to measure whether the difference is statistically significant or not between the accounts open in rural areas and urban areas of different states under PMJDY.

Table 1. Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Rural Accounts	163680.77	27	224543.98	43213.50
Urban Accounts	75617.77	27	87325.65	16805.82

Table 2. Paired Samples Correlations

	N	Correlation	Sig.
Rural Accounts & Urban Accounts	27	0.828	.000

Table 3. Paired t-test Statistics

	Paired Differences			t	df	Sig. 2-tailed
	Mean	Std. Deviation	Std. Error Mean			
Rural & Urban Accounts	88063	159859	30764	2.86	26	0.008

The above tables showing that there is a high correlation (0.828) between the accounts opened in rural and urban areas in different states.

The t-statistics is significant at 5% level of significance so the null hypothesis is rejected and can conclude that there is a significant difference between number of accounts opened in rural and urban areas under PMJDY.

H₀₂: There is no significant difference among average account balance of different states in India under PMJDY.

To test this hypothesis one sample z-test has been used to measure the significant difference among average account balance of different states in India which is opened under PMJDY.

Table 4. One Sample Statistics

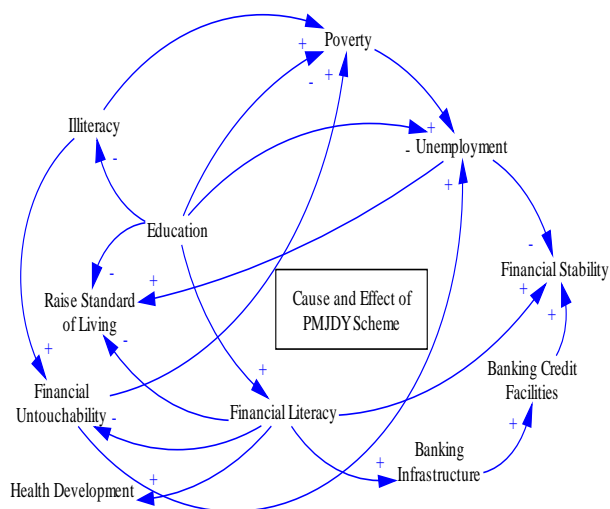
	N	Mean	Std. Deviation	Std. Error Mean
Rural Areas	35	1328.44	492.28	83.21
Urban Areas	35	1599.12	555.76	93.94

Table 5. One Sample z-test Statistics

	Mean Difference	t	df	Sig. (2-tailed)
Rural Areas	1328.44	15.96	34	.000
Urban Areas	1599.11	17.02	34	.000

The above tables indicate the z-test statistics for significant difference among average account balance. Talking about Rural areas (15.96), the difference between average account balance of different states is significant and in urban areas (17.02), there is also a significant difference. So null hypothesis is rejected and concluded that there is a significant difference among average account balance of different states in India under PMJDY.

Fig. 3. Causal Loop Diagram of Cause & Effects of PMJDY



In the above figure, variable like Illiteracy, unemployment, poverty, financial untouchability, etc. are the causes which gave a reason for implementation of PMJDY. The effects of implementing PMJDY are in the form of health development, financial literacy, financial stability, raised standard of living, etc.

It can be observed that with the help of PMJDY financial literacy will increase, which will decrease the financial untouchability, and will help in improving financial stability.

Financial stability can be achieved by increasing credit facilities, by literate the people financially or by reducing the unemployment in the society.

If financial stability will be there, more people will get employment; it will reduce poverty and will raise the standard of living.

The scheme helped in providing financial access to all weaker sections of the society, which is resulting in increased banking infrastructure and credit facilities.

When banking infrastructure will developed then there will be a better access to financial services and will increase the financial stability in the country and the standard of living for the weaker section people of the society.

7. Findings

After conducting the analysis of data the following findings can be noticed:

- There is a high need of Financial Inclusion schemes in India because it creates awareness among weaker section people and help in improving their standard of living.
- The number of accounts opened under PMJDY in rural areas is far more than the accounts opened in urban areas.
- The average account balance maintained by urban people is higher than the balance maintained by rural people due to their living standard effect.
- PMJDY have more impact on rural areas people because this scheme provides access to banking services to the people belong to weaker section of the society at very low cost and documentation.
- Causes which gave a reason for implementation of PMJDY include unemployment, poverty, illiteracy, financial untouchability etc.
- The effects came out after implementation of PMJDY is financial stability, financial literacy, health development and increase in living standard.

7. CONCLUSION

Financial Inclusion schemes like PMJDY have great impact on the society. Such type of schemes is providing the services to the market which is not penetrated till now. Many of the weaker section people are accessing the banking services after the launch of PMJDY but still there is a large untapped market which needs to be cover. There are so many benefits which are associated with this scheme but this scheme is facing certain challenges as well like developing banking infrastructure, illiteracy of people etc. At the end it has been observed that PMJDY turned to a stepping stone in the financial stability of the Indian economy.

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