

FINANCIAL INCLUSION FOR INCLUSIVE GROWTH IN INDIA: A CASE OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

¹Abhishek Misra ²Rajat Sharma, ³Ananda Karmakar

¹Assistant Professor, Department of Management Studies, Graphic Era Deemed to be University, Dehradun, Uttarakhand, India,

²Student, MBA, Department of Management Studies, Graphic Era Deemed to be University, Dehradun, Uttarakhand, India

³Associate Professor, Animation & Gaming, Department of Visual arts, Graphic Era Hill University, Dehradun

ABSTRACT

Liberalisation policy accelerated economic growth in India since 1990. Income inequality has been a concern amid fast economic growth in India. Inclusiveness of growth is crucial for sustainability. Financial inclusion is associated with economic growth. This paper attempts to evaluate role of Pradhan Mantri Jan Dhan Yojana (PMJDY) for enhancing financial inclusion in India. Secondary data from website of PMJDY is used for the study. It is found that PMJDY has enhanced financial inclusion. The financial inclusion has been inclusive with the backward region of Central India getting maximum benefits under PMJDY. PMJDY has laid the foundation for inclusive growth. PMJDY can overcome regional economic imbalances in India and foster sustainable growth.

Keywords: PMJDY, India, Financial Inclusion, Inclusive Growth, Regional Imbalance

INTRODUCTION

The economic reforms of 1990 unleashed fast growth in India. But all sections of society did not benefit from growth (Chakraborty, 2010). India ranks second in the number of unbanked people in world (Demirguc-Kunt et al., 2018). Sustainable growth needs financial inclusion (Thorat 2007). Thirty five percent people have access to formal banking (Kunt and Klapper, 2012). Financial exclusion hurts weaker sections (Kempson and Whyley, 1998). Poor awareness about financial benefits is a cause of concern (Singh and Venkataramani, 2014). Banks need to think beyond compliance to make financial inclusion effective (Thapar, 2013). Rangarajan (2008) committee report highlighted that unless demand side factors are considered, supply side factors will not yield optimum results for financial inclusion.

PMJDY was a ambitious program of the central government to address financial inclusion in India after 2014 victory of Mr. Narendra Modi led NDA. The scheme provides facility to open basic savings bank deposit without any balance, debit card of Rupay, accidental insurance cover, overdraft facility of INR 5000. The second version of PMJDY enhanced the overdraft limit to INR 10,000.

Accidental insurance cover doubled from INR 1 lakh to INR 2 lakh. Age limit relaxed to include people from 18 to 65 years of age. The PMJDY scheme has got the distinction of getting into the Guinness Book of Records for opening of maximum number of bank accounts in one week. 18096130 accounts were opened between 23rd August to 29th August 2019.

Jan Dhan Darshak is a geographic information system (GIS) application on mobile to provide information about financial touch points to citizens. More than 8.42 lakh financial touch points are available in the application including 1.68 lakh branches of banks, 1.36 lakh branches of post offices, and 3.25 lakh details of banking correspondents. The PMJDY has led to a positive social impact for bottom of pyramid population. According to a study by State Bank of India, there is significant decrease in consumption of intoxicants such as tobacco and alcohol in areas with increase in number of bank accounts under PMJDY. There is a decline in crime rate also.

This study examines the role of PMJDY for enhancing financial inclusion and compares Central and Southern region for PMJDY benefits.

LITERATURE REVIEW

Financial inclusion is a process of affordable access of credit and financial services to weaker section of society (Rangarajan, 2008). Access without affordability and reasonable quality is not financial inclusion (Claessens, 2006). Financial exclusion provides a fertile environment for money lenders to flourish (Jeromi, 2007). Financial inclusion initiatives have also been examined by Arulmurugan et. al. (2013) and Misra (2010). The initiatives need political will to sustain and bring positive change.

Beck, Kunt and Peria (2007) evaluated financial inclusion in ninety-nine nations. It was found that demographic, geographic and ATM penetration determined usage of banking services. Demand and supply side was examined by Honohan (2005). It was recommended to focus on risk transfer and fund usage for financial inclusion. Satisfaction from a facility enhances continuous usage of the facility (Chand et al. 2020). Availability, usage and penetration for developing financial inclusion index was suggested by Sarma (2010). Arora (2010) suggested comprehensive human development index for better outcomes. Such a framework was also suggested by Nachiket Mor (2014). Gupte, Vekataramani and Gupta (2012) argued to consider cost and ease along with usage, penetration and availability to examine financial inclusion. Distance, documentation and cost was found as the barriers to financial inclusion by Kunt and Klapper (2012). The effectiveness of PMJDY was examined by Maity and Sanu (2020) and it was found that financial inclusion has increased after PMJDY. Good policies fail if the stakeholders become passive (Tiwari et al. 2020).

RESEARCH METHODOLOGY

The study is descriptive. The data used was secondary data. The data was obtained from the website of PMJDY and Press Information Bureau. Data of all the years after launch of scheme has been used for the study. The data is analysed using descriptive tools and t test. To examine the benefit derived from PMJDY two regions of the country has been selected. South region and central region. South region is most advanced in terms of literacy. Central region is the most backward with regard to literacy.

FINDINGS

The number of bank accounts opened in PMJDY has increased from 17.9 crores to 40.41 crores between 2015 and 2020. The growth trend is shown in figure 1.

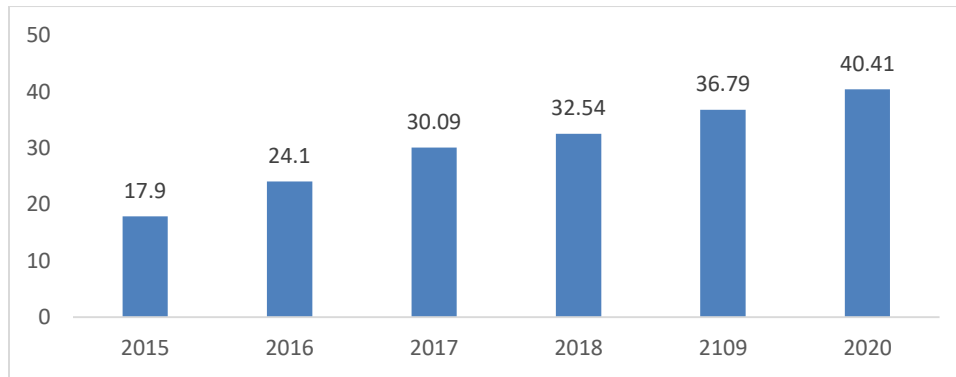


Figure 1: Trend of Accounts Opened Under PMJDY (INR Crores)

The deposits in account opened under PMJDY has increased from 22901 in 2015 to 130086 in 2020 as shown in figure 2.

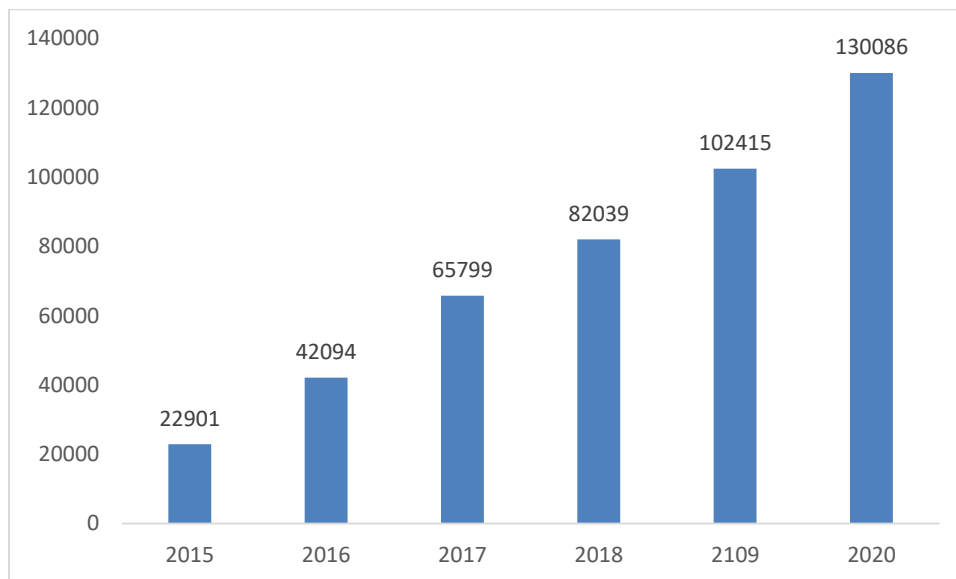


Figure 2: Deposits Under PMJDY (INR Crores)

The average deposits in accounts opened under PMJDY has increased from INR 1279 in each account to INR 3219 in 2020 as shown in figure 3.

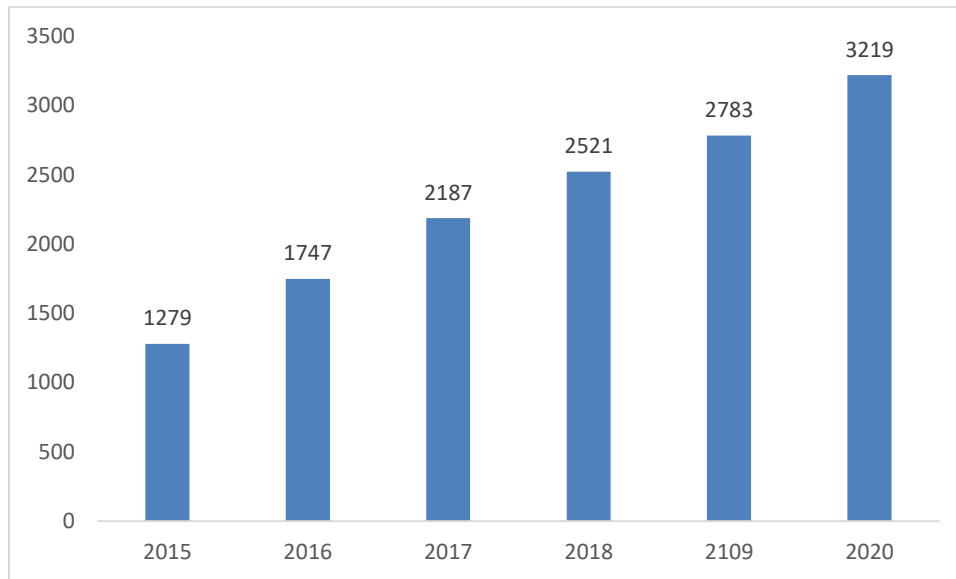


Figure 3: Average Deposits Per Account Under PMJDY (INR)

The PMJDY account provides facility of Rupay cards to each account holder. The number of Rupay cards issued under PMJDY has increased from 15.74 crores in 2015 to 29.76 crores in 2020 as shown in figure 4.

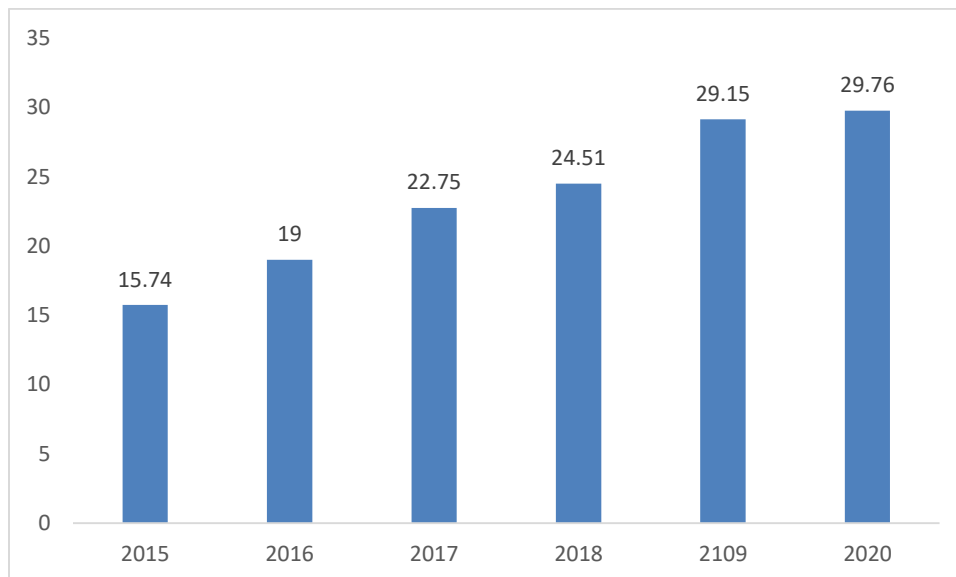


Figure 4: Number of Rupay Debit Cards Issued Under PMJDY (Crores)

The real financial inclusion is needed in rural areas. The Jan dhan darshak application has been launched to provide easy access to users. The financial touch points information is provided in the JDD application. The number of villages not having access to financial touch points gives an indication of financial inclusion. The number of villages not having access to financial touch points have decreased from 11278 in October 2019 to just 814 in Oct 2020 as shown in figure 4.

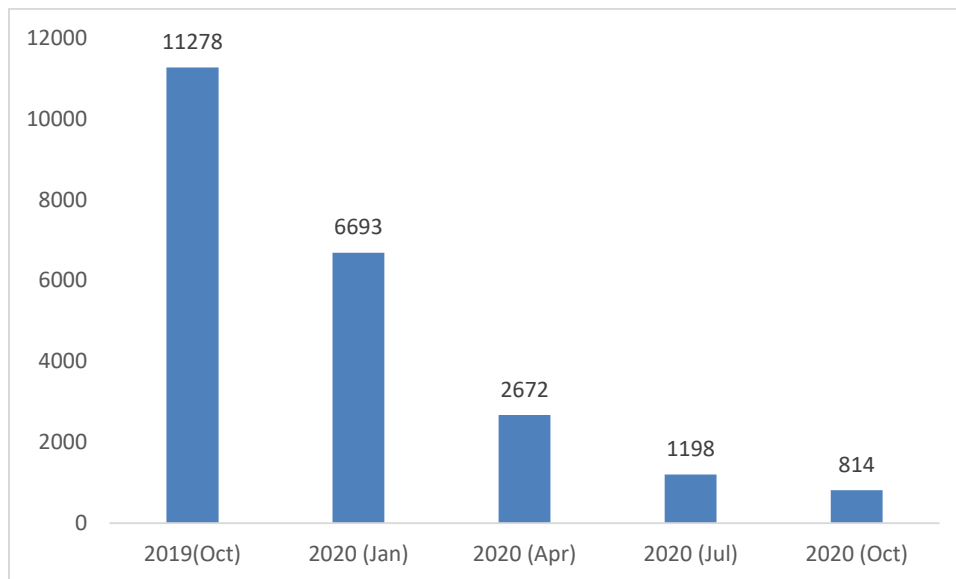


Figure 5: Number of Villages without Banking Touchpoints in 5Km of JDD App
Source: PMJDY 2020

The empowerment of women has been examined in various studies. The financial exclusion of women has led to economic deprivation in India. The PMJDY has addressed the concern of women financial exclusion. The number of accounts opened under PMJDY is more for women. Women have a share of 55% in the bank accounts opened under PMJDY as shown in figure 5.

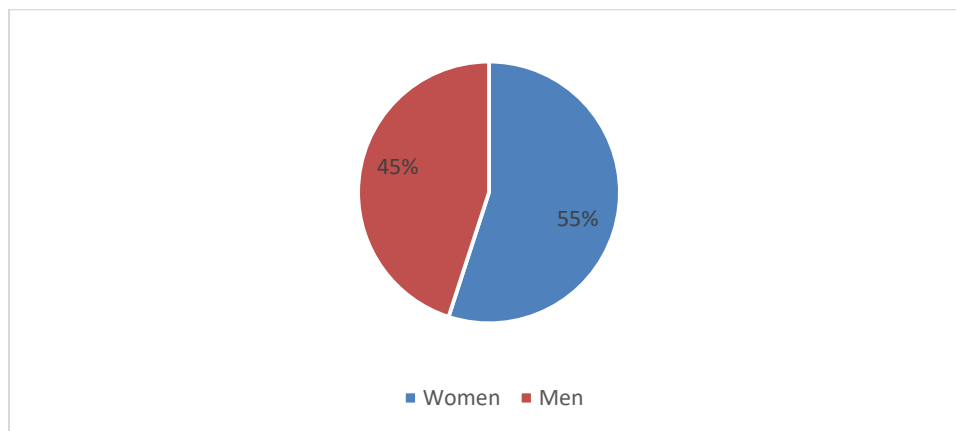


Figure 6: Gender Distribution of PMJDY Accounts
Source: PMJDY, 2020

The rural urban divide in financial inclusion has been a cause of concern. The PMJDY has provided the opportunity to bridge the divide between rural and urban areas. More accounts have been opened in semi-urban and rural areas is two times the account opened in urban areas. The share of accounts opened in semi urban and rural areas is 67% as shown in figure 6.

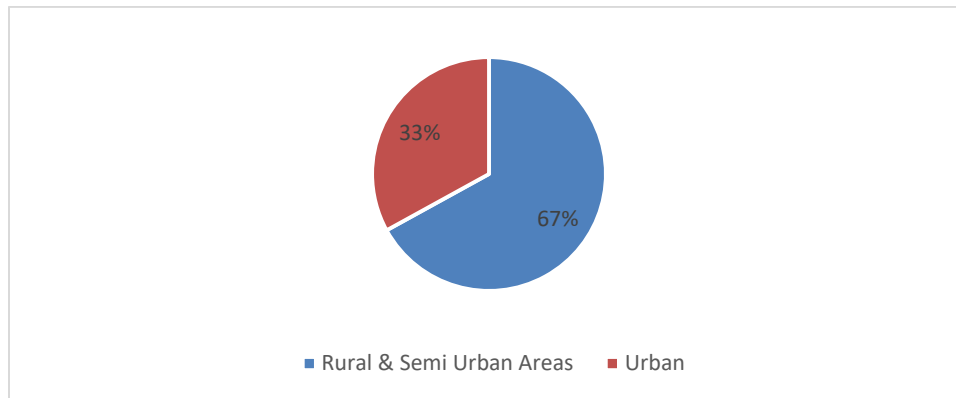


Figure 7: Share of Rural & Semi Urban Areas in PMJDY
 Source: PMJDY, 2020

Table 1: Region-wise Beneficiaries under PMJDY (per lakh population)

States	N	Mean	Std. Deviation	Std. Error	F	Sig.
North	8	29623	6216.31	2197.797	17.253	0.000
South	9	18268	6723.722	2241.241		
East	4	52597	9193.537	4596.768		
West	5	35188	11000.89	4919.748		
Central	3	53718	8460.749	4884.816		
North East	7	24234	7402.972	2798.06		
Total	36	31070	14280.6	2380.101		

Source: Compiled from PMJDY, 2020

Central region got maximum PMJDY beneficiaries per lakh population. Central region had 53718 beneficiaries per lakh, followed by East region with 52597 beneficiaries as shown in figure 2. Southern region had the lowest PMJDY beneficiaries. A Significant difference (P=0.000) was found in the number of beneficiaries per lakh population among different regions of India. PMJDY has enhanced the financial inclusion of central region which has been economically backward region of the country.

CONCLUSION

financial inclusion has increased after launch of Pradhan Mantri Jan Dhan Yojana (PMJDY). There is a consistent rise in the accounts opened under PMJDY. Average deposits in each account have also increased consistently. The PMJDY scheme has enhanced financial inclusion for women in India. The rural and semi urban areas have got more benefit from PMJDY as compared to urban areas. Central region has got maximum benefit from PMJDY. The PMJDY scheme has contributed in reducing the regional economic disparity in India. The PMJDY has shown that political will is needed to enhance financial inclusion. Financial inclusion for women, rural, semi urban areas and backward areas has increased after PMJDY. PMJDY has laid the foundation for inclusive growth. Inclusive growth with reduced income disparity lays the foundation for sustainable growth. The competitive federal structure is a barrier to inclusive growth. Different states are ruled by political

parties with different political ideologies. The schemes of central government for financial inclusion like PMJDY and crop insurance have been opposed by state governments so that people should not get any benefit of any scheme launched by politically opponent central government. Poor will remain poor, just because the ego of state governments is more prominent than welfare of poor people of their own state. Though PMJDY has yielded desired results for poor people, egoistic political hegemony has to be ignored to make financial inclusion and growth inclusive and sustainable. Financial inclusion is the need of the hour to reap the benefits of demographic dividend for India.

REFERENCES

1. Arora, R. (2010). Measuring Financial Access. Discussion Papers Economics. Queensland: Griffith Business School, Griffith University
2. Beck, T., A. Demirguc-Kunt, and M.S. Martinez Peria. (2007). Reaching Out: Access to and Use of Banking Services across Countries. *Journal of Financial Economics*, 85 (1), 234–66.
3. Census (2011). State Census Data, available <https://www.census2011.co.in/states.php>
4. Chakraborty, K.C. (2010). Inclusive Growth—Role of Financial Sector, Address delivered at the National Finance Conclave 2010 organized by KIIT University on 27 November, Bhubaneswar, available <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/DGKCCS291110.pdf>
5. Claessens, S. (2006). Access to Financial Services: A Review of the Issues and Public Policy Objectives. *The World Bank Research Observer*, 21 (2), 207–40.
6. Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S. and Hess, J. (2018). The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution, The World Bank.
7. Gupte, R., Venkataramani, B., & Gupta, D., (2012). Computation of Financial Inclusion Index for India. *Procedia Social and Behavioral Sciences*, 37, 33–49.
8. Honohan, P. (2005). Measuring Micro Finance Access: Building Cross Country Data. World Bank Policy Paper 3606. Washington, DC: World Bank
9. Jeromi, P. D. (2007). Impact of agricultural trade liberalisation: farmers' indebtedness and suicides in Kerala. *Indian Journal of Agricultural Economics*, 62.
10. Kempson, H. E., & Whyley, C. M. (1998). *Access to current accounts*.
11. Kunt, Demirguc A., and Klapper. L. (2012). Measuring Financial Inclusion: The Global Findex Database. Policy Research Working Paper 6025. Washington, DC: World Bank
12. Maity, S., & Sahu, T. N. (2020). Role of public sector banks towards financial inclusion during pre and post introduction of PMJDY: a study on efficiency review. *Rajagiri Management Journal*.
13. Misra, B. S. (2010). Credit cooperatives in India: Past, present and future. Routledge.
14. Nachiket Mor Committee. (2014). Committee on Comprehensive Financial Services for Small Businesses and Low Income Households Report.
15. Pradhan Mantri Jan Dhan Yojana (PMJDY) (2020). Progress Report, available <https://pmjdy.gov.in/>
16. Rangarajan, C. (2008). Report of the Technical Group on Population Projections Constituted by the National Commission on Population, 2006. Population Projections for India and States: 2001–2026. Government of India available www.educationforallinindia.com/Population Projection Report 2006.pdf.

17. Sarma, M. (2010). Index of Financial Inclusion. Discussion Paper 10-05. New Delhi: Centre for International Trade and Development, School of International Studies, Jawaharlal Nehru University.
18. Singh, A. & Venkataramni B. (2014). Financial Education: Institutes of Higher Education as Delivery Channels. *International Journal of Business and Globalisation*, 12 (4), 401–12
19. Singh, R. & Nisha, (2014). Financial Inclusion and Economic Growth in India – A Theoretical Framework, *International Research Journal of Management Sociology and Humanity*, 5(5), 131-138.
20. Thorat, U. (2007). Financial Inclusion—The Indian Experience. Speech by Usha Thorat, Deputy Governor, Reserve Bank of India at the HMT-DFID Financial Inclusion Conference on 19 June 2007, Whitehall Place, London, UK, available <http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/78142.pdf>
21. Tiwari R, Chand K, Anjum B. (2020). Crop Insurance in India: A Review of Pradhan Mantri Fasal Bima Yojana (PMFBY). *FIIIB Business Review*. 9(4), 249-255. doi:10.1177/2319714520966084