

A Study on Awareness on Pradha Mantri Jan Dhan Yojana Scheme (With Special Reference to Tiruchirapalli District)

*** Dr. T. Unnamalai**

* Assistant Professor, Dept. of Commerce, BDU College, Kurumbalur, Perambalur - 621107

Abstract

Financial inclusion is the main aim of the government as one of the poverty eradication process. For the purpose of financial inclusion on 28.8.2014 our Prime Minister launched a scheme namely Prime Minister's People Money Scheme (PMJDY). On the inauguration day itself 1.5 crore accounts were opened and the world record of Guinness certify that the most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by Banks in India from 23 to 29 August 2014". By 05 August 2015, 17.45 crore accounts were opened, with around ₹ 22032.68 crore (US\$3.4 billion) were deposited under the scheme. With this background, the study has been conducted and tries to find out that the success rate of inclusion process in Tiruchirapalli district. For the purpose of the study, both primary data and secondary data have been collected. Correlation (r) test is used for find out the relationship between the socio economic backgrounds and the financial inclusion process.

Keywords: Financial inclusion, poverty alleviation, bank account

Introduction

A sound financial system is a corner stone of economic growth, development and progress of our economy. Indian financial system comprising financial market, money market, capital market and debt market to cater the financial needs of the people. In India, well-structured banking system has functioning in a successful manner to cater to the financial needs of individuals and households' and contribute towards the progress and advancement of our nation. Even though the banks are functioning in a successful way, they meet the needs of the upper section of the society since of the civilization. Access of banking services by the poor and weaker section is very difficult. This is because of various reasons such as lack of banking facilities, unawareness about the services of the banking, lack of regular income and others so on. Because of this reason, the policy makers found that there should be an activity for including these sectors of the population. For the purpose of financial inclusion on 28.8.2014 our Prime Minister launched a scheme namely Prime Minister's People Money Scheme (PMJDY). On the inauguration day itself 1.5 crore accounts were opened and the world record of Guinness certify that the most bank accounts opened in 1 week as a part of financial inclusion campaign is 18,096,130 and was achieved by Banks in India from 23 to 29 August 2014". By 05 August 2015, 17.45 crore accounts were opened, with around ₹ 22032.68 crore (US\$3.4 billion) were deposited under the scheme. With this background the study has been conducted and tries to find out that the success rate of inclusion process in Tiruchirapalli district. For the purpose of the study both primary data and secondary data have been collected. Correlation test is used for find out the relationship between the socio economic backgrounds and the financial inclusion process.

Significance of the Study

Financial inclusion, which means availability of the banking, services those who are not having formal financial institutional support and saving them from the clutches of the money lenders. The government started Regional Rural Banks as the first step of the financial inclusion policy. RBI allows opening accounts with nil balance or low minimum balance. RBI has further relaxed KYC norms. NABARD's contribution towards the financial inclusion policy is SHG – Bank linkage programme, Kisan credit Card, micro insurance scheme, micro credit scheme and micro pension scheme. In addition to the above, all schemes Government of India introduce a new scheme on 15.8.2014 namely Prime Minister's People Money Scheme (PMJDY). The main aim of the scheme is reduction of poverty through financial inclusion. The scheme is not only limited to opening of a bank account but has other benefits with it viz. zero balance bank account with debit card, in addition to accidental insurance cover of Rs 1lakh, those who open accounts by January 26, 2015 over and above the Rs 1 lakh accident, they will be given life insurance cover of Rs 30,000, etc. With this introduction of the scheme data have been collected to analyze how the scheme effectively includes the unreached in Tiruchirapalli district.

Review of Literature

1. Gitte Madhukar R., “Pradhan Mantri Jan Dhan Yojana: a National Mission on Financial Inclusion in India” (2014) Even after 45 years of nationalization of banks in 1969, a large section of country's population and most of the rural areas still remains unbanked leading to financial instability. As the poor and lower income groups have no access to financial products and services, the issue of financial inclusion has emerged as new paradigm of economic growth in India. The main objective of financial inclusion in India is to promote sustainable development, generate employment and alleviate poverty in rural areas by supplying various financial services to the poor people. Only 6.82 crore out of the total 19.9 households have access to banking facilities and financial services like savings, credit, insurance, subsidies and other banking services. In rural areas, out of 13.83 crore households, only 4.16 crore rural households have access to basic banking services. In urban areas, only 49.52% of total households have access to banking services. It is expected to cover all the households in rural and urban areas with a bank account.
2. Vivek Singla, “Financial Inclusion- Financial Services for Everyone” International Journal of Reviews, Surveys and Research,(2014) Importance of financial inclusion is increased, because the benefits of the financial services are not provided to all the people of the society. Inclusive growth is very essential for the development of the country. Various studies examined that there is a close relationship between financial inclusion and development. However, due to the various constraints the inclusive growth is prohibited such as lack of financial literacy, poverty, lack of advanced technology etc. There is a huge need to adopt various strategies for the financial inclusion such as adaptation of advanced technology, opening up the bank branched in rural areas, introduction of new saving schemes for low-income people etc.
3. Sarath Chandran. M.C. Empowering Financial Inclusion through Financial Literacy (2014). The term ‘financial inclusion’ means availability of banking services at an affordable cost to disadvantaged and low-income groups. The banking and financial services include savings, deposits, borrowing, payment and remittance facilities. Financial inclusion mainly focuses on the poor who do not have formal financial institutional support and getting them out of the clutches of local moneylenders. As a first step towards financial inclusion policy, Regional Rural Banks were set up.

With the directive of Reserve Bank of India (RBI), Banks allow low-income groups to open 'no frills accounts'. These accounts have either a low minimum or nil balance with some restriction in transactions. RBI has further relaxed KYC norms and restrictions on mobile banking. NABARD has also contributed significantly by introducing SHG- Bank linkage programme, Kisan Credit Card (KCC) Scheme and has sanctioned Trainers' training programme on financial literacy, farmers' service, village knowledge, mobile credit counseling centres and promotion of farmer education. It also includes providing facilities of micro insurance and micro pension. Financial inclusion is a great step to alleviate poverty in India. However, to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and still make a profit.

4. Dr.G.H.Barhate & Ms V.R.Jagtap, " Pradhan Mantri Jan Dhan Yojana: National Mission" (2014)'Pradhan Mantri Jan-Dhan Yojana' was announced by Honorable Prime Minister, 'Mr. Narendra Modi', in his first Independence Day address on 15 August, 2014. This is a National Mission on Financial Inclusion includes integrated approach to bring about complete financial inclusion of all the households in the country. This scheme is launched on 28th august 2014.The logo of this scheme is designed by Priya Sharma. The name Jan Dhan was chosen through an online competition on the MyGov Platform. Slogan of this scheme is "Mera Khata – Bhagya Vidhata." 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. On the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme across the country, the largest such exercise on a single day possibly anywhere in the world. By September 2014, 3.02 crore accounts were opened, with an amount of around 1500 crore (US\$240 million) was deposited under the scheme. 74 % accounts opened are No frill account under this scheme. The scheme has an option for opening new bank account 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.

5. VAIBHAV PATIL & SUSHIL MAVALE, "A study of Pradhanmantri JAN-DHAN-YOJANA with respect to current situation of financial inclusion in India" (2014). A substantial part 35-40% of the rural populations does not have bank accounts so benefits and government schemes are not reaching them so opening bank account should be top priority. Effective implementation of JAN-DHAN-YOJANA will drastically reduce the poverty, solving most of the financial problems of people. Benefits of financial inclusion schemes should be properly communicated to all rural areas of the country. Government should first define the financial inclusion regulations/acts for the country. All the Financial institutions should make participate and include for effective implementation of financial inclusion.

6. Anuradha C. Hastak & Arun Gaikwad, "Issues relating to financial inclusion and banking sector in India"(2015) The banking industry has shown tremendous growth in volume of operations, efficiency and use of technology to provide financial services during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Financial Inclusion is considered to be the core objective of many developing nations from last decade as many research findings correlate the direct link between the financial exclusion and the poverty prevailing

in developing nations. . There have been many formidable challenges in financial inclusion area such as bridging the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improvise the financial economic growth. The Central Bank of the country, Reserve Bank of India (RBI) and Government of India are working towards improving Financial Inclusion (FI), in India since 1969. As compared to other developing countries (considering, the financial inclusion indicators), India ranks second after China in financial exclusion. The paper highlights the need and importance of financial inclusion for the social and economic development of India. The paper will also review the current scenario as well as current and future plans of RBI for Financial Inclusion. After analyzing the facts and figures it is concluded the, though, various steps are taken by RBI and Government of India to improve financial inclusion there is a long way to achieve the total financial inclusion.

7. Ahmed Hussain, “ Pradhan Mantri Jan Dhan Yojana: A SWOT Analysis”, (2015) Financial inclusion is an innovative concept which enables the alternative techniques to promote the banking habits and the launch of PMJDY by Government of India is in that direction. The SWOT analysis shows that weaknesses exist, particularly with certain limitations in areas of infrastructure and financial literacy program along with information and communication technology as far as rural India is concerned but do not threaten the viability of the scheme in light of strategies considered for effective implication and expected opportunities in the form financial inclusions and reduction of financial un-touchability, thus bringing major favourable changes in the economy in the long run. The SWOT analysis further indicates that financial inclusion through PMJDY requires sustained efforts over many years and emphasis on quality rather than quantity should be the priority. Under PMJDY, a bank account is not a mere bank account, but a bunch of gifts of financial product and services. It is worth of mentioning that Successful implementation would not only reduce poverty but also puts a check on corruption, the burning issue faced by our country. It can be said that accountable and transparent organizational structure for implementing PMJDY will be essential for achieving the desired societal outcomes. Financial inclusion which was taken off in India in 2005 is gaining a lot of momentum, especially after announcement of PMJDY. India may set in a time frame to address poverty in case poverty is arrested by 2026, India may emerge as a superpower by 2030.

8. UNNAMALAIT, “ROLE OF INDIAN BANK’S IN FINANCIAL INCLUSION POLICY THROUGH PRADHAN MANTI JAN DHAN YOJANA (PMDJY)(2015 Dec) Since Independence a lot of schemes were introduced by our Government along with the RBI for the financial inclusion policy. PMJDY scheme attracts more customers and it mobilizes deposits to the tune of Rs.2693960.48 lakh. during the study period. This scheme is more beneficial one to its customers whether they are in rural, semi urban or in urban area. This study reveals that the performance of public sector banks is better than the other banks (private banks and regional rural banks). It concludes that the people can easily assess the bank for their financial needs through this scheme and this scheme will be the milestone and it may be relived them from the hands of the moneylenders. This scheme may help to eradicate poverty. This scheme is a major catalyst in achieving the goal of inclusive growth and it may attracts more customers with savings ultimately it will contribute to our country’s economic growth. There is no doubt the progress of the scheme will attract remaining population those who are not having bank account in our country, defiantly PMJDY scheme may become a corner stone of our economic growth, development and progress of our economy.

Objectives of the Study

- To know the salient features of PMJDY
- To know the progress of the PMJDY
- To know the socio economic background of the customers of the scheme of PMJDY
- To know the awareness of the scheme among the people and their socio economic backgrounds of the people
- To offer some suggestions for smooth functioning of this scheme

Methodology of the Study

Both primary data and secondary data have been collected for the study. Primary data have been collected from rural area of Tiruchirapalli district. Secondary data have been collected from the journals and websites.

Hypothesis

- There is no relationship between the opening of accounts and education of the deposit holders
- There is no relationship between awareness of the schemes and education of the deposit holders
- There is no relationship between awareness of the scheme and occupation of the deposit holders.
- There is no relationship between awareness of the scheme and age of the deposit holders.
- There is no relationship between awareness of the scheme and sex of the deposit holders

Limitations of the Study

The primary data have been collected on convenient random sampling technique. Data have been collected for one month (August 2015) only. Data have been collected from various parts of rural of Tiruchirapalli district and only 100 respondents have been selected due to cost of money and time constraint. Because of this reason the results may not be justify.

Analysis of Secondary Data

Action Plan for Implementing PMJDY

There are two phases of this scheme in which the objective of financial inclusion of the poor people is to be achieved.

Phase-I of PMJDY

The first phase of this scheme starts from August 15, 2014 to August 14, 2015, which envisages the following:

- (a) All households across the country have access to banking facilities with at least one Basic Bank Accounts with a bank branch or a fixed point Business Correspondent (BC).
- (b) All households have RuPay Debit Card with Rs. 1 lakh inbuilt accident insurance cover.
- (c) If bank account is operated satisfactorily for 6 months, Rs. 5000 overdraft facility will be granted to only Adhaar enabled accounts.

(d) Direct Benefit Transfer facility of various government schemes will be provided through bank accounts to the beneficiaries.

(e) The existing Kisan Credit Card is proposed to be issued as RuPay Kisan Card to the farmers.

(f) Financial literacy programme under the scheme will be implemented up to village level.

Phase-II of PMJDY

The period of Phase II is August 15, 2015 to August 14, 2018 which focuses on the following:

(a) Micro insurance will be provided to the people.

(b) Swavlamban-an unorganised sector pension scheme is to be proposed through the Business Correspondents.

(c) Households in hilly, tribal and difficult areas will be covered in this phase.

(d) This phase would also cover the remaining adults and students in households.

Progress of PMJDY

About 4.18 crore-bank accounts were opened up to September 2014. Total accounts opened under this scheme have increased to 12.54 crore till January 2015. Total RuPay debit card issued under the scheme are over 11.07 crore. Further, total amount of deposits collected is 10.49 thousand crore. In this way, India is moving towards a cashless economy thereby strengthening the e governance policy of the government.

Table – 1 Pradhan Mantri Jan - Dhan Yojana (Accounts Opened As on 05.08.2015)

(All Figures in Crores)

S. No		No Of Accounts			No. of Rupay Debit Cards	Balance In Accounts	% of Zero Balance Accounts
		Rural	Urban	Total			
1	Public Sector Banks	7.48	6.16	13.64	12.54	17273.12	45.75
2	Regional Rural Banks	2.65	0.46	3.11	2.27	3684.56	48.55
3	Private Banks	0.41	0.28	0.7	0.62	1075.01	45.71
	Total	10.55	6.9	17.45	15.43	₹22032.68 crore (US\$3.4 billion)	46.25

Sources: en.wikipedia.org/wiki/ Pradhan_Mantri_Jan_Dhan_Yojana

Analysis of Primary Data

Socio – Economic Background of the Respondents

Sex Wise Classification of the Respondent: The data have been collected from 100 respondents. Of which 42 are female and 58 are male. This shows that the male are very much interested to opening a bank account for various reasons than the females.

Age wise Classification of the Respondent: It is observed that 42 per cent of the respondent from the age group of 15-25, 13 per cent of them from the age group of 25-35, 17 per cent of them from 35-45, 12 percent of them from the age group of above 45-55 and 16 percent of them are more than 55. This shows that the majority of the investors are in the age group of 15-25. This shows that the younger population are interested to open a bank account due to the reason of getting their scholarship through their bank account directly.

Education Qualification of the Investors: It is observed that 28 per cent of the deposit holders completed at their HSC. Level, 12 percent of them completed their graduation, 46 per cent of the investors finished their post graduations and 14 percent of them completed their certificate course, I.T.I, poly technique etc. With the above analysis, it is observed that majority of them completed their post graduation and they are defiantly having to some extent of knowledge in the financial inclusion process.

Income of Their Family: It is observed that majority of customers(42%) earning between Rs.15000-20000, 39% of the respondents are having 10000-15000 as their family income, 42 of them are getting up to Rs.15,000 -20000, 15 of them having 20,000- 25,000 and Only 4 of them are getting more than Rs.25, 000 per month.

Occupation of the Investors: It is observed that majority 58% of them are working in the private sector industries, 18% of them working in public sectors such as BSNL, University, Colleges, BHEL, and Banks and 24 of them are getting income from agriculture and allied activities.

Amount of Savings It is observed that the family members save nearly 5% of their income. They are saving in the form of house loan, investing in shares, mutual funds, post office savings and bank deposits. Now a day the new schemes like deposits with insurance and pension schemes attract more customers. It shows that the financial inclusion process of Pradhan Mantri Jan - Dhan Yojana.

Period of Account Holdings: 18% of them start account with banks within one year. 42% of them about 1-5 years, 27% of them are having about 5-10 years and 13% is about more than 10 years. Majority of them are having savings in banks for less than five years.

Test of Hypotheses

- There is no relationship between opening of accounts and education of deposit holders.
- There is no relationship between awareness of the scheme and education of the deposit holders.
- There is no relationship between awareness of the scheme and occupation of the deposit holders
- There is no relationship between awareness of the scheme and age of the deposit holders.
- There is no relationship between awareness of the scheme and sex of the deposit holders

Factors		Method	Correlation	Result
Opening of accounts	Education of the deposit holders	$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$	0.64	Accepted (correlated)
Awareness of schemes	Education of the deposit holders	$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$	0.84	Accepted (Correlated)
Awareness of schemes	Occupation of the deposit holders	$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$	0.76	Accepted (correlated)
Awareness of schemes	Age of the deposit holders	$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$	0.74	Accepted (Correlated)
Awareness of schemes	Sex of the deposit holders	$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$	0.67	Accepted (correlated)

The null hypotheses are accepted. There is no relationship between of awareness of the scheme and education of deposit holders, and irrespective of the age, sex, income and education of the respondent and the awareness of the scheme namely Prime Minister's People Money Scheme (PMJDY).

Suggestion

The Government encourages the people to open the bank account by way of getting more benefits through opening of new accounts. There is no clarity about the benefits of insurances for the existing deposit holders. The deposit holders can avail 5000 as overdraft and there is no clarity about the non-recovery of overdraft and the cost of over drafts. It may yield a huge loss to the bankers. So, the Government should briefly explain about the recovery and the cost of overdraft.

Conclusion

The new scheme attracts more number of beneficiaries. Nearly 10 percent of the deposit holders increased due to this scheme. Financial inclusion process through Prime Minister's People Money Scheme (PMJDY) made a Guinness record of increasing the deposit holders and the deposit has also been increased. In order to access the banking facility, it requires more infrastructures such as branches of the banks, ATM facilities etc. Irrespective of rural and urban, sex, education, income of the population the scheme attracts more customers. If the Government provides infrastructure facility like network of institutions, the dream of financial services for all can be achieved near future.

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