

Financial Inclusion Policy In The Underdeveloped Countries - A Case Study of PMJDY In India

Urooj Afshan Jabeen¹, Syed Ali²

¹Assistant Professor of Economics, Government Degree College for Women, Nalgonda

²Retired Professor of Economics

Abstract

The objectives of study were to know the number of accounts opened, rural-urban differences in opening of accounts, gender difference of beneficiaries, deposits in accounts, Rupay debit card issued and average deposit amount per PMJDY. It is a macro study which used secondary data including the Ministry of Finance, Govt. of India, Mission office, Department of Financial Services; Reserve Bank of India. The study period was from 2015 to January 2023. The study revealed that the number of accounts opened increased by three times; the accounts in rural area increased by more than three times, where as, it was increased by two times in the urban areas, the female beneficiaries were more than the male, the issue of Rupay debit cards doubled, the deposits in accounts and the average deposit amount in the accounts also increased by three times. The study suggested that the private sector banks should see the untapped potential in the rural banking sector to increase their customer base to get profits. There was need for cooperation of all the stakeholders including Government and the Reserve Bank of India to speed up financial inclusion.

Keywords: Financial Inclusion, PMJDY, Rural-Urban differences, Gender differences, Rupay Credit Cards, Deposits, ATM, Collaborative efforts, Stake-holders.

INTRODUCTION:

World countries have recognized the importance of financial inclusion for economic growth, removal of poverty and for achieving the United Nations Sustainable Development Goals (UNSDGs). Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investment in human capital (RBI, 2020). Financial inclusion is the process of ensuring access to financial services, timely and adequate credit for vulnerable groups and low -income groups at an affordable cost. Under developed countries are implementing different policies for financial inclusion. Globally, the adoption of a formal National Financial Inclusion Strategy (NFIS) has accelerated significantly in the past decade. By mid-2018, more than 35 countries, including Brazil, China, Indonesia, Peru and Nigeria have launched a NFIS and another 25 countries are in the process of developing a strategy. Further, several countries have also updated their original NFIS (World Bank Group, 2018). India initiated many policies for this purpose since independence, such as, nationalization of banks in 1969 and 1980; nationalization of general insurance companies in 1972. The PMJDY was announced by the Hon'ble Prime Minister of India in his

Independence Day address on 15th August 2014. It is National Mission for financial inclusion to ensure access to financial services, namely banking/savings and deposit accounts, remittance, credit, insurance, pension in an affordable manner. Financial inclusion is related to connecting marginalized and the under privileged in the society to the main stream economy, by means of providing financial literacy and access to banking and financial services. It is a multi-dimensional approach that involves bringing on board various stake holders from the government and the people (Shailla Draboo, 2020). According to world bank (2017) about half of India's population is financially excluded.

The national strategy for financial inclusion aims for universal access to financial services; providing basic bouquet of financial services; access to livelihood and skill development; financial literacy and education, customer protection and grievance redress and effective co-ordination. To achieve these aims R.B.I (2020) identified certain milestones, such as, providing banking access to every village, strengthening digital financial services and ensuring that every adult has access to a financial service provider through a mobile device. Financial inclusion can be measured by three key indicators. These are: number of bank branches, adults with a saving account and grievance redress (Anurag Vaishnav, 2020).

OBJECTIVES:

The objectives of present study were to:

1. Know the number of accounts opened under PMJDY from 2015 to 2023.
2. Find out the rural-urban differences in opening of accounts during study period.
3. Ascertain the number of female beneficiaries under PMJDY
4. Focus on the bank-wise deposits in accounts of the beneficiaries
5. Know the number of Rupay Debit Cards issued to beneficiaries.
6. Find out change in the average deposit per PMJDY account during study period.

REVIEW OF LITERATURE:

According to Dipa and Rohit (2018) there was a tremendous increase in the number of bank accounts opened but the average balance in these accounts was low and a significant proportion of the accounts was inoperative. Financial inclusion means not just the opening of bank accounts but importantly access to credit from formal sources. The PMJDY did not increase the credit-deposit ratio and the share of small loans declined. Azeez and Akhtar (2020) assessed the gender differences in financial literacy among rural households. The study indicated that there were gender differences in different indicators of financial literacy, in which male were more knowledgeable in financial matters than female respondents. Sujlana and Kiran (2018) revealed that there is dire need to provide quality financial services in rural areas for economic growth. Rapidly developing technology played very important role in financial inclusion. More number of people started using ATMs and mobile banking. The study suggested for collaborative efforts of government, RBI and citizens of the country. Aziz and Naima (2021) revealed the relationship between digital finance and financial inclusion and identified that lack of sufficient income and lack of trust in service providers were the most important obstacles to financial inclusion. The study suggested for sufficient weight age in government policy framework and digital financing process.

Yadav. et.al (2020) examined the three essential elements of financial services accessibility, financial literacy and poverty condition of account holders as well as gender and disparities among PMJDY beneficiaries. The study found that there was a considerable gender and caste disparity and members of the scheduled castes performing the lowest. Nimbrayan., et.al (2018) provided partial reality by only

discussing the beneficiaries added and neglected the other aspects of the scheme which were related to usage of such accounts and also the infrastructural set up impediments for smoothen process of banking system in the country.

Pradhan., et.al. (2021) revealed that in the long-run there was significant impact of economic growth and financial inclusion on the ICT infrastructure and there was no causality that flows from financial inclusion and ICT to economic growth. The empirical results showed that all the three variables taken in to consideration were inter dependent in the states of India where one variable plays and effective role in the advancement of the other. World Bank study (2018) reported that 83 percent of male above 15 years of age in India held accounts at a financial institution in 2017 compared to percent female.

Kim (2014) suggested for multi-dimensional approach through which existing digital platforms, infrastructure, human resources and policy frameworks should be strengthened. According to Niranjana's study (2017) non availability of suitable financial products, lack of skills among the stakeholders to use digital services, infrastructural issues and low income consumers who are not able to afford technology required to access digital services were barriers to the digital financial inclusion.

Tarique., et.al. (2020) concluded that there exists caste-wise, but not gender-wise, differential because of motivation behind opening an account in PMJDY. Singh and Naik's study (2018) found that the PMJDY programme was widely effective in rural area as strategy for financial inclusion. Swain and Jain (2019) assessed the impact of PMJDY on poor in Odisha. The study revealed that financial awareness among the people improved and encouraged saving habits among them. This scheme reduced poverty and promoted ignorant sections of society from the clutches of money lenders.

The present study is different from the existing studies. It is a case study and a macro level study. It includes rural-urban and gender differences in opening of accounts, bank-wise deposits and deposit per PMJDY account. It also studies the number of Rupay debit cards issued to the beneficiaries.

METHODOLOGY:

The study used secondary data. The data were collected from Mission Office, Department of Financial Services, Ministry of Finance, Government of India, The World Bank, Institute for Policy Research Studies, New Delhi, Reserve Bank of India Annual Reports, International Monetary Fund Statistics. The study period was from 2015 to January 2023.

To know the number of accounts opened bank-wise information collected and the change was shown in number and percentage. The banks were categorized in to three types, i.e., Public Sector Banks, Regional Rural Banks and the Private Sector Banks.

To know the rural-urban differences in opening of accounts, data were collected from the above three types of banks in the rural and urban areas and the change was shown in number and percent.

The data on number of female account holders and the male was collected from these three types of banks and the change was shown in number and percentage. To know the number of Rupay Debit Cards issued, data were collected from above three types of banks and the change was shown both in number and percentage.

The data on change in bank deposits were collected from the above three types of banks and the change was reported in both number and percentage. The average deposit amount per PMJDY account for the years 2015 and January 2023 was calculated by dividing the total deposit amount under PMJDY with the number of total accounts in this period and the change was shown in both rupees and percentage. Bank-

wise deposit per PMJDY account was calculated by dividing the deposits in accounts by number of accounts

DATA ANALYSIS AND RESULTS:

1. Bank-wise Accounts Opened Under PMJDY from 2015 to January 2023:

The Table (1) shows Bank-wise accounts opened under PMJDY during 2015 and January 2023.

Table (1): Bank-wise Accounts opened under PMJDY from 2015 to January 2023.

(In Millions)

Bank Name/Type	No. of total Accounts		Change (Millions)	Percentage Increase
	2015	Jan. 2023		
Public Sector Banks	98.44	377.70	279.70	28.54
Regional Rural Banks	21.70	89.00	67.30	30.89
Private Sector Banks	5.23	13.40	12.88	24.62
Grand Total	125.47	480.20	354.73	282.70

Source: Ministry of Finance, Government of India (January, 2023)

Table (1) shows that the total number of accounts under PMJDY increased from 125.47 million in 2015 to 480.20 millions in January 2023, an increase of 354.73 million, i.e., an increase of 282.7 percent. The PMJDY had positive impact on opening of account. These results are in line with Sujlana and Kiran (2018), Yadav., et.al.,(2020), Nimbrayan, et.al. (2018), Singh & Naik (2018), Swain ;and Jain (2019).

The bank-wise data shows that the PMJDY accounts increased in all the types of banks. The increase in public sector and regional rural banks is more than in the private sector banks.

2. Rural-Urban Differences in Opening of Accounts:

Table (2) shows the rural-urban differences in opening of accounts/beneficiaries.

Table: (2): Rural –Urban Differences in Opening of Account

(In Millions)

Bank Name/Type	Rural			Urban		
	2015	Jan.2023	Change	2015	Jan. 2023	Change
Public Sector Banks	53.30	236.70	183.4 (344.09)	45.1	141.1	96 (212)
Regional Rural Banks	18.5	76.7	58.2 (314)	3.2	12.4	9.2 (287.5)
Private Sector Banks	3.2	6.9	3.7 (115.6)	2.0	6.5	4.5 (225)
Grand Total	75.0	320.3	245.3 (327)	50.3	160	109.6 (217.9)

Source: As in table (1). The figures in the parentheses are percentages calculated by researcher.

Table (2) shows that the PMJDY beneficiaries in the rural areas increased from 75 millions in 2015 to 245.3 million in January 2023, i.e., an increase of 327 percent. The beneficiaries in the urban area increased from 50.3 million in 2015 to 160 million in January,2023 i.e., an increase of 217.9 percent, which is less than the rural areas. The increase in public sector and Regional rural banks sector beneficiaries in the rural areas is higher than in the urban areas during the study period. Where as in the private sector banks the urban beneficiaries are higher than the rural area.

3. Gender Differences in Opening of Accounts:

Table (3) shows bank-wise gender differences in opening of accounts/beneficiaries as on 25th January 2023 .

Table (3): Bank-wise Gender Differences in Opening of Accounts/Beneficiaries as on 25th January, 2023. (In Millions)

Bank Name/Type	Female beneficiaries	Male beneficiaries	Total
Public Sector Banks	207.9 (55.04)	16.98 (44.96)	377.7 (100)
Regional Rural Banks	51.3(57.64)	37.70(42.36)	89.0 (100)
Private Sector Banks	7.3(53.73)	6.20(46.26)	13.4 (100)
Grand Total	266.4 (55.47)	213.7 (44.53)	480.1 (100)

Source:; As in table (2). Figures in the parentheses are percentages calculated by the researcher

Table (3) shows that the total number of accounts opened/beneficiaries as on January, 2023 were 480.1 millions. Out of which the female beneficiaries were 266.4 million (55.47 percent) and male beneficiaries were 213.7 million, (44.53 percent). The female beneficiaries are higher than the male in all types of banks. These results did not confirm the outcome of the studies by Azeez and Akhtar (2020) and the World Bank (2018).

4. Bank-wise Number of Rupay Debit Cards issued to Account Holders:

Table (4) shows bank-wise number of Rupay Debit Cards issued to the Account holders

Table (4): Bank-wise Number of Rupay Debit Cards Issued to Account Holders

(In Millions)

Bank Name/Type	2015	January, 2023	Change
Public Sector Banks	91.2	283.0	191.8 (210.3)
Regional Rural Banks	14.9	34.4	19.5 (130.8)
Private Sector Banks	4.5	11.1	6.6 (146.6)
Grand Total	110.6	328.5	217.9 (197.0)

Source: As in table (2). Figures in the parentheses are percentages calculated by researcher.

Table (4) shows that the number of Rupay Credit cards issued to the beneficiaries increased from 110.6 million in 2015 to 328.5 million in January 2023, an increase of 197 percent. The public sector banks issued more Rupay credit cards than Regional Rural Banks and the private sector banks.

5. Bank-wise Deposits in Accounts of Beneficiaries:

Table (5) shows bank-wise deposits in accounts of beneficiaries.

Table (5) Bank-wise Deposits in Accounts of Beneficiaries of PMJDY

(In Million Rupees)

Bank Name/Type	2015	2023	Change
Public Sector Banks	81746.3	1439393.7	1357647.4 (1660 percent)
Regional Rural Banks	15994.8	363385.6	347390.8 (2171.9 percent)
Private Sector Banks	7255.1	51685.7	44430.6 (612.4 percent)
Grand Total	104996.2	1854465.1	1749468.9 (1666.2 (percent)

Source: As per table (4). Figures in the parentheses are percentages calculated by researcher.

Table (5) shows that total deposits under PMJDY have increased by 1666.2 percent from 2015 to January 2023. The deposits of the Regional Rural Banks increased more than in Public sector banks. It is the lowest in the private sector banks. This shows that the deposits in the rural areas have increased under PMJDY scheme.

6. Change in the Average Deposits per PMJDY Account:

Table (6) shows change in the average deposits per PMJDY Account

Table (6) Change in the Average Deposits per PMJDY Account.

(In Rupees)

Bank Type	2015	2023	Change	Percentage
Public Sector Banks	830.4	3810.9	2980.5	358.9
Regional Rural Banks	737.0	4082.0	3345.0	453.8
Private Sector Banks	1387.2	3857.1	2469.9	64
Grand Total	836.8	3861.8	3025	361.5

Source: Calculated by the researcher

Table (6) shows that the average deposits per PMJDY account increased from 836.8 rupees in 2015 to 3861.8 rupees in 2023, i.e, 361.5 percent .. Bank-wise, the increase in average amount per Account is the highest in Regional Rural Banks, i.e.453.8 percent and it is the lowest in the private sector banks i.e., 64 percent only.

CONCLUSION AND SUGGESTION :

On the basis of the data analysis the following conclusions are drawn and suggestions are given to improve the progress of achieving financial inclusion in India. Firstly, the number of accounts /beneficiaries under PMJDY have increased by three times. To maintain this growth rate Reserve Bank of India should introduce new policies to all types of banks for financial inclusion. Secondly, there exists rural-urban differences in opening of accounts. It is observed that the private sector banks are not interested in serving rural areas as their main purpose is profit. The private banks should see the untapped potential in rural banking sector to increase their customer base to get profits. Thirdly, the percentage of women account holders/beneficiaries is higher than men account holders. Fourthly, the number of Rupay Debit Cards issued to the PMJDY beneficiaries has increased by more than two hundred percent. Fifthly, manifold increase in the bank deposit amount is observed. and the average deposit amount per account also increased. It is suggested that to speed up financial inclusion there is need for collaborative efforts of all the stake-holders including Government and Reserve Bank of India.

REFERENCES:

1. Abdul Aziz and Jawed Akhtar (2020): Gender Differences in Financial Literacy: Evidence from India. *Saudi Journal of Economics and Finance*. Open access, pp 521-528.
2. Anurag Vaishnav (2020): National Strategy for Financial Inclusion. *Institute for policy research studies, January 30, 2020, Report summary*.
3. Aziz, A.and Naima, U. (2021): Re-thinking Digital Financial Inclusion: Evidence from Bangladesh. *Technology in Society*, 64.
4. Kim, Jim Yong. (2014): Digital Financial Inclusion. *The World Bank, EPW (Engage), Vol. 55, issue No. 17, April 25, 2020*.
5. Ministry of Finance (2020): Pradhan Mantri Jan Dhan Yojana: Progress Report. *EPW (Engage) Vol. 55, Issue No. 17, 25 April, 2020*.
6. (January, 2023): Ministry of Finance, Government of India, *Mission Office, Department of Financial Services, 25th January, 2023*.

7. Md. Tarique; Nisar Ahmed Khan Dr. Maria Khan; Md. Abdu Saad, Dr. Musab Mubarak Ilmi Quadri (2020): “An Evaluation of Pradhan Mantri Jan Dhan Yojana: A Case Study of Aligarh District” *Saudi Journal of Economics and Finance, published by Scholars Middle East Publishers, Dubai, UAE.*
8. Nimbrayan, P.K., Tanwar, N., and Tripathi, R.K. (2018): PMJDY: The Biggest Financial Inclusion Initiative in the world. *Economic Affairs* 63(2), 583-590.
9. Niranjana, J.N. (2017): “ A Case Study of Barriers to Digital Financial Inclusion of Auto Rickshaw Drivers in Viman Nagar, Pune, Maharashtra”. *Journal of Political Sciences and Public Affairs, Vol. 5, No.3,*
10. Pradhan, R.P., Arvin, M., B., Nair. M.S; Hall, J.H and Bennett, S.E (2021): Sustainable Economic Development in India: The dynamics between Financial Inclusion, ICT Development and Economic Growth. *Technological Forecasting and Social Change* (169).
11. Rupa Sinha and Rohit Azad (2018): Can Jan Dhan Yojana Achieve Financial Inclusion? *EPW, Vol. 53, Issue No. 13, 31st March 2018.*
12. Shailla Draboo. (2020): Financial Inclusion and Digital India: A critical Assessment, *EPE (Engage) Vo. 55, Issue No. 17, 2020.*
13. Singh and Naik (2018): Financial Inclusion After PMJDY: A Case Study of Gubbi Taluk, Tumkur, *Working paper No. 568, IIMB-WP No. 568.*
14. Sujana Paramjit and Kiran Chhavi (2018): A Study on Status of Financial Inclusion in India. *International Journal of Management Studies, Vol-V, Issue 2 (3), April 2018, pp.96-104.*
15. Swan, N. and Jain, A. (2019): Impact o Public Intervention on Poor in Odisha ; Special Focus on PMJDY, *International Journal of Innovative Technology and Exploring Engineering (IJITEE), 8 (1152).*
16. World Bank (2018):” India Digital Financial Inclusion of Informal Sector”, Project Information Document, Washington, *The World Bank: P167886. EPW (Engage), Vol. 55 Issue 17, April, 2020.*
17. (2018): Developing and Operationalizing a National Financial Inclusion Strategy. *Washington, D.C: World Bank Group*
18. (2017): “Global Findex Report”., Paris: World Bank, *EPW (Engage), Vol. 55, Issue No. 17.*
19. Yadav, V., Singh, S.K., Velan, N., Aftab, M.A. (2020): *Impact Assessment of PMJDY in Augmenting Financial Inclusion in India – A District level Analysis, Munich .*