

# Financial Inclusion and Pradhan Mantri Jan Dhan Yojana: An Empirical Study Conducted in the villages of Mulshi Taluka in Pune District.

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## Abstract

**Objectives:** The aim of financial Inclusion schemes is to allow the poorer sections to avail themselves various financial products and services through bank account. This study is an attempt to examine the knowledge level of Jan Dhan Yojana schemes and usage / adoption of scheme benefits by the Farmers of Mulshi Taluka of Pune District. **Methods/Statistical Analysis:** This paper carries forward the data and information collected through structured interview schedule and discussions. The general information of banking habits, awareness level and using the benefits of Pradhan Mantri Jan Dhan Yojana (PMJDY) Scheme, etc were analyzed especially the first phase of PMJDY implementation. Purposive cum referral sampling method was carried out in the villages of Marunji, Hinjiwadi, and Punawale villages. Sample size consisted of 62 farmers. The data analysis was prepared using descriptive statistics and Chi-Square Test. **Findings:** There is no major impact of the Jan Dhan Yojana schemes especially of first phase implementation on farmers. Majority of them are not aware of the benefits derived from the financial inclusion mission. Most of the people are having partial information about the scheme, which is about the insurance schemes and nothing more. The result to verify the guesses shows clearly that there is no significant difference between the demographics such as gender, age, education, marital status and monthly income of farmers and knowledge of Jan Dhan Yojana Scheme benefits. It is also viewed majority of them have opened Jan Dhan Yojana accounts in banks because it can be opened with zero balance. There is lack of financial literacy in rural areas. The findings corroborates with rest of the available studies. Creating consciousness to use the financial products and services through awareness campaign among the rural people as well as training to business correspondents is considered necessary for the success of Jan Dhan Yojana. **Improvements:** Further this paper could be enhanced by broadly discussing the other facets of financial Inclusion mission in the selected villages as well as for other talukas of the district.

**Keywords:** Banking Habits, Financial Inclusion, Financial Literacy, Mulshi Taluka, PMJDY

## 1. Introduction

The term “**Financial Inclusion**” has gained importance since early 2000s as a result of findings about financial exclusion and its direct correlation to poverty. ‘**Financial inclusion**’ refers to the delivery of financial services in a convenient manner and at an affordable cost to enormous sections of underprivileged and low income group population<sup>1</sup>.

In the year 2011, the Government of India gave a serious push to the programme by undertaking the “Swabhimaan” campaign to cover more than 74,000

villages, with population more than 2,000 (as per 2001 census), with banking facilities (campaign was launched by Smt. Sonia Gandhi, Chairperson UPA, in VigyanBhawan, New Delhi). The task was to do credit counseling and Financial Literacy hand in hand with the campaign. However, the desired benefits were not visible.

In the year 2014, Honorable Prime Minister Mr. Narendra Modi launched the Pradhan Mantri Jan Dhan Yojana based on sole motive to bring 100 percent financial inclusion in India. The Pradhan Mantri Jan Dhan Yojana (PMJDY) is a scheme that aims to provide all the citizens of India, especially the poor masses- a bank account, credit

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facility, insurance cover and debit card. The aim of this scheme is highlighted by its slogan “Mera Khata – Bhagya Vidhaata”. The scheme in the long run will also allow the poorer sections to avail themselves of subsidy and overdraft facilities through their bank accounts, which are intended to eliminate money-lenders, commission agents and corruption.

This yojana has been divided into two phases for its implementation. The first phase will range from 15th August, 2014 to 14th August, 2015 in which universal access to banking facilities, providing basic banking accounts for saving and remittance, Rupay debit card with inbuilt accidental insurance of Rs 1 Lakh and training on financial literacy will be provided. The second phase will range from 15th August, 2015 to 15th August 2018 in which an overdraft facility of up to Rs 5000/- after six months of satisfactory performance of saving / credit history, creation of Credit Guarantee Fund for coverage of defaults in overdraft A/Cs, Micro-Insurance, Unorganized sector pension schemes like Swavalamban etc will be taken care of.

It is specifically against this background that the present study is an attempt to analyze the progress of the scheme (especially of the first phase) among the farmers that is, rural customer and thus realizing financial inclusion.

Though there are many studies by researchers on financial inclusion, we find very few studies focused on PMJDY scheme in meticulous.

The available literature provides an understanding that the benefits of the scheme has helped to boost the previous schemes of financial inclusion such as micro finance, self help group for working towards positive development<sup>2,3</sup>

Under this scheme share of rural area in term of a number of accounts under public and private sector bank was higher as compared with Regional Rural Banks. The total of 19.34 crores accounts were opened with total deposits of Rs. 26,956.45 lakhs, out of which, 35 per cent accounts were opened with zero balance. The share of a number of rural debit cards was maximum in public sector bank followed by Regional Rural Banks and private sector banks.<sup>4</sup> This scheme ensured access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner to poor people in rural, semi-urban and urban areas.<sup>5,6</sup>

Few researchers analyze mainstream people are satisfied with rupay card and other benefits of JDY scheme

especially in Nilgris district of Tamil Nadu, South India. Similar observation is also made in other parts of Tamil Nadu state<sup>7</sup>.<sup>8</sup>In Uttar Pradesh majority of respondents have opened two bank accounts in order to receive government payments under NREGA scheme.<sup>9</sup>

Despite the fact, fewer studies carried out highlights large number of respondents were not aware about the PMJDY scheme.

One among the household surveys discloses that respondents, employees and business correspondents in Tamilnadu were not aware about banking and their features.<sup>10</sup> Infact eight percent of households had no account and did not even know about the programme. Whereas, in Odisha state the proportion of unawareness regarding this scheme was higher in female as compared with men.<sup>11</sup>

Interestingly, reviewing the existing literature clearly shows that there are mixed responses of the PMJDY Schemes.<sup>12-16</sup> In this context, the present study is an attempt to examine the knowledge level of Jan Dhan Yojana schemes and usage / adoption of scheme benefits by the Farmers.

This study is undertaken in villages of Marunji, Hinjiwadi and Punewale of Mulshi Taluka, Pune District, Maharashtra (Research Studies on this aspect especially of Pune district are rare in nature).

## 2. Objectives of Study

The study was undertaken with the following Objectives:

- To comprehend the socio-economic status and banking habits of farmers in the selected villages.
- To analyze the responsiveness and practice of Jan Dhan Yojana scheme executed in the first phase among the farmers.

## 3. Methodology

The research design is exploratory and descriptive in nature. Sample size consisted of 62 farmers. Purposive cum referral sampling method is used in the villages of Marunji, Hinjiwadi, and Punawale villages of Mulshi Taluka. Data and information were collected through structured interview schedule and discussions. The schedule included questions related to the general information of banking habits, awareness level and using the benefits of PMJDY Scheme, etc. Period of study is January 2016 to March 2016.

The data analysis was done by using simple percentage analysis and Chi-Square Test.

The research is limited to farmers only. Considering the limited geography and number of farmers the findings of the study may have their own limitations in their applicability to other parts of the region or state.

The following is the hypothesis formulated for the study:

- H0: There is no significant difference in the demographics and knowledge of Pradhan Mantri Jan Dhan Yojana schemes in rural areas.
- H1: There is significant difference in the demographics and knowledge of Pradhan Mantri Jan Dhan Yojana schemes in rural areas.

## 4. Analysis and Discussion

### 4.1. Profile of Farmers

**Age:** All age groups are actively involved in farming. Of the whole sample respondents, 45.2 percent and 30 percent of them are in age group of 20 -30 years and 31 to 40 years respectively. This reveals that the agricultural occupation is still dominant for the younger generation in the surveyed villages. 88.7 percent of them are married and lived in joint families.

**Income:** From the analysis 59.7 percent of the farmers earned income on an average Rs. 5000 to Rs. 10,000 per month. Very few (3.2 percent) reported monthly income to be above 15,000. Majority of them had additional type of income generating assets such as milch animals, to quote, cattle, goats, hen, etc.

**Education:** Education is crucial for income generation, savings habit and behavioral change. 50 percent of the farmers have attended only primary level school. Only few that are 8.1 percent and 3.2 percent were observed to be having gone for middle and high school respectively. On the other extent, 38.7 percent were observed to be illiterates. There is also a motivating observation, many of them have realized the importance of education and wish to educate their kids beyond higher school level.

### 4.2. Banking and Saving Habits

The study tried to understand the knowledge of banking behavior among the farmers. As per 92 percent of them have the knowledge of banking (for them banking knowledge means only dealings like cash withdrawal and cash deposits in their savings account). Majority of them

had savings account in Bank of Maharashtra followed by State Bank of India, which shows a trust in Public Sector banks.

It is also inferred 85.5 percent (maximum farmers) do have active saving habits. Nearly 75.8 percent of them save on monthly pattern and prefer banks as the perfect place for doing savings. Very few (14.5 percent) did monthly savings by joining Self Help Groups rather than banks or post offices. There are few families who gave prime importance to Annual LIC Installments as part of safety and future security measures.

The added observations of the samples showcased the lack of financial education as well. In case of financial need, the source of borrowing still depended on money lenders and other sources such as relatives and self help groups (the quoted reason is the long procedures, paper work, and requirement of guarantee, etc). Only 50 percent of farmers' have preference for Public banks as source of borrowing.

### 4.3. Pradhan Mantri Jan Dhan Yojana

The main focus of the study is to understand the responsiveness and practice of Jan Dhan Yojana Scheme executed in the first phase (15th August, 2014 to 14th August, 2015) among the farmers.

The phase reports a contrasting observation which is a grim apprehension.

Though 91 percent of the farmers do have bank accounts still the responsiveness and benefits of JDY schemes are not properly implied. As per the inference, only 11.3 percent do transactions in JDY account. This is also due to suggestions given by banking officials for availing the insurance benefits, etc.

The source of awareness about JDY scheme among the farmers included NGO's, SHGs, and Business Correspondents; however scheme benefits are not properly explained by them to the rural respondents.

It is inferred from Table 2 that majority of the farmers are not aware of the complete benefits provided by PMJDY Scheme.

However, 91 percent of them are aware that they are eligible for Accidental Insurance Coverage of Rs. 1.00 lac; only 34 percent are conscious that they can receive interest on their deposits and very few (6 percent) knew about the other benefits: Government schemes Direct Benefit Transfer to their account, etc. Likewise, it is also observed only 23 percent of them are aware that they can have an Overdraft facility of upto Rs. 5,000/-.

**Table 2.** Jandhan yojana responsiveness among the farmers in selected villages

Sl. No.	Characteristics	Number of Respondents	Percentage to Total
<b>I</b>	<b>KNOWLEDGE OF PMJDY</b>		
	Yes	53	85.5
	No	9	14.5
<b>II</b>	<b>SOURCE OF AWARENESS</b>		
	Bank	22	35.5
	NGO's	10	16.1
	SHG's	11	17.7
	Business Correspondents (BC)	9	14.5
	Not Aware	9	14.5
<b>III</b>	<b>OPENED NEW ACCOUNT (JDY)</b>		
	Yes	53	85.5
	No	9	14.5
<b>IV</b>	<b>If 'yes' OPENED JDY ACCOUNT in:</b>		
	Bank	44	83.0
	Post office	9	16.9
<b>V</b>	<b>DOES TRANSACTIONS</b>		
	Yes	6	11.3
	No	47	88.7
<b>Sl. No.</b>	<b>AWARENESS OF JAN DHAN YOJANA SCHEME BENEFITS (No. of Respondents)</b>		
	<b>BENEFITS</b>	<b>YES</b>	<b>NO</b>
1.	No Minimum Balance Required & Issue of Rupay Card.	53(100%)	-
2.	Interest on Deposits.	18 (34 %)	35 (66%)
3.	Accidental insurance cover of Rs.1.00 lac;	48 (91 %)	5 (9%)
4.	Life insurance cover of Rs.30,000/-	53 (100%)	-
5.	Overdraft facility upto Rs.5000/- is available after satisfactory operation of the account for 6 months.	12 (23%)	41 (77%)
6.	Other Benefits: Direct Benefit Transfer; access to pension, etc.	3 (6%)	50 (94%)

Source: Primary Data

The advance observations concluded that farmers do understand Jan Dhan Yojana as Modi Ji's bank account and have only information that there is No Minimum Balance Required and the account holders will get Life Insurance cover of Rs.30,000/- and Accidental Insurance Coverage of Rs. 1.00 lakh only. Overall the various benefits of the Schemes are not known to farmers. The knowledge of the Yojana is partial.

#### 4.4. Test Statistics

Chi-Square indicates an association between variables. The results of chi-square test taken to verify the hypothesis shows clearly that there is no significant difference between the demographics such as gender, age, education, marital status and monthly income of farmers and knowledge of Jan Dhan Yojana Scheme benefits. (In view of the fact that the calculated value is lower than the table value, and the results are not significant at 5 % level, the null hypothesis is accepted).

## 5. Observation and Findings

- There is no major impact of the Jan Dhan Yojana schemes especially of first phase implementation on farmers. Majority of them are not aware of the benefits derived from the financial inclusion mission. To a larger extent, respondents were considering Jan Dhan Yojana account and normal savings account the same when they were inquired about PMJDY.
- Most of the people are having partial information about the scheme, which is about the insurance schemes and nothing more. The young natives are more but limited knowledge about the scheme. The household women are not properly made clear about the scheme and the advantages.
- From the survey, it is also viewed majority of them have opened JDY accounts in banks because it can be opened with zero balance. Due to this, they always kept their account with zero balance. (In fact, the

rural people even if had hard cash at home, they do not want to deposit those money in banks)

- There is lack of financial literacy in rural areas; hence more awareness should be created. NGO's, SHGs, and Business Correspondents have not provided the complete information. Implementation of the government schemes and benefits has not reached up to the mark in rural areas as compared to urban places.

## 6. Conclusion

Financial inclusion is one of the foundation pillars on which India's development rests. Pradhan Mantri Jan Dhan Yojana based on sole motive to bring 100 percent financial inclusion in India has created an impressive result in the banking sector with regards to eradication of poverty; it is still in initial stages.

The whole analysis exposes that the PMJDY Scheme benefits are not fully exploited. Although respondents have full access to their bank accounts, empirical evidence showcases the partial knowledge of the scheme benefits among the farmers. Rural areas are still to come out of the grip of money lenders, manage emerging financial needs and get benefits from a range of financial services offered under PMJDY schemes. Mere opening of bank accounts may not fulfill the aim of the scheme; there should be continuous operation of bank accounts to give the real success of the scheme.

Creating consciousness to use the financial products and services through awareness campaign among the rural people as well as training to business correspondents is considered necessary for the success of Jan Dhan Yojana and this will contribute for further positive outcomes and it will be the factual inclusive growth in society.

There is further scope for investigating the other facets of Financial Inclusion Mission in the selected villages.

**Table 1.** Profile of farmers in selected villages

Sl. No.	Characteristics	Number of Respondents	Percentage to Total
<b>I</b>	<b>GENDER</b>		
	Male	49	79.0
	Female	13	21.0
<b>II</b>	<b>AGE</b>		
	20 to 30 years	28	45.2
	31 to 40 years	19	30.6
	41 to 50 years	7	11.3
	> 50 years	8	12.9
<b>III</b>	<b>EDUCATION</b>		
	Primary School level	31	50.0
	Middle School Level	5	8.1
	High School level	2	3.2
	Illiterate	24	38.7
<b>IV</b>	<b>MARITAL STATUS</b>		
	Married	55	88.7
	Single/Divorced	3	4.8
	Widow	4	6.5
<b>V</b>	<b>INCOME (Monthly Average).</b>		
	Rs. 2000- Rs. 5000	13	21.0
	Rs. 5000 – Rs. 10000	37	59.7
	Rs. 10000 – Rs. 15000	10	16.1
	Rs. 15000	2	3.2
<b>VI</b>	<b>SAVING HABITS</b>		
	Yes	53	85.5
	No	9	14.5
<b>VII</b>	<b>SAVINGS PATTERN</b>		
	Annually	6	9.7
	Monthly	47	75.8
	Very Rare	9	14.5
<b>VIII</b>	<b>BANK ACCOUNTS&amp; DEPOSITS</b>		
	Yes	57	91.9
	No	5	8.1
<b>IX</b>	<b>SOURCE OF BORROWINGS:</b>		
	Bank	32	51.6
	Money Lenders	17	27.4
	Other Sources	13	21.0

Source: Primary Data

**Table 3.** Chi-square test- relationship between demographics of the respondents and knowledge of Jan dhan yojana schemes

DEMOGRAPHICS	VALUE	df	TABLE VALUE	SIG @ 5 % LEVEL	RESULT
Gender	0.010	1	3.84	.920	Not Significant
Age	3.650	3	7.81	.302	Not Significant
Education	1.818	3	7.81	.611	Not Significant
Marital Status	1.340	2	5.99	.512	Not Significant
Monthly Income	4.574	3	7.81	.206	Not Significant

Source: Primary Data



Null Hypothesis: There is no significant difference between demographics and Knowledge of JDY Schemes and benefits.

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### Website Source

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