



Pradhan Mantri Jan Dhan Yojana: A Catalyst for Financial Access

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Abstract:

The research aims at the progress of Pradhan Mantri Jandhan Yojana and the financial inclusion the PMJDY has made the world record of opening the highest number of bank accounts through any government scheme. The scheme enables the beneficiaries to open zero balance account along with a Rupay Debit card, overdraft facility and insurance facility that improves the financial inclusion in banking and insurance sectors of the economy.

Reserve Bank of India have developed an index that have 3 parameters that are Access to financial services, quality of the services and usage of the financial services provided by the banks in different areas of the countries.

Thus, the research aims at the studying the impact of Pradhan Mantri Jandhan Yojana and its impact on the Financial Inclusion Index i.e. FI-Index. For doing this the researcher has used the secondary data gathered from the RBI's annual reports and some other reports indicating the from the official sites of the Ministry of Economic Affairs. For the research purpose researcher has studied the data of 5 years that are 2019 to 2023.

In order to prove the impact of the scheme on the FI-Index researcher has used the regression analysis and some other relevant statistical tools. the summary of the tests have proved the alternative hypothesis of the research and all the objectives have been fulfilled. The p-value of the statistical analysis have been calculated to 0.003 and the value of co-efficient have proved that with every additional beneficiary the FI-Index increases. And hence prove the very strong positive relation between number of beneficiaries of PMJDY and FI-Index.

Keywords: PMJDY, Financial Inclusion, FI Index, Rupay debit card, zero balance account, JAM, DBT.

Introduction:

In the last decade, India has progressed immensely in promoting financial inclusion, a vision that seeks to provide every citizen, irrespective of their financial status, access to basic financial services. One of the most high-profile efforts that have made this vision possible is the Pradhan Mantri Jan Dhan Yojana (PMJDY), which was initiated in 2014 by the Government of India. The program is aimed at offering basic banking services to all Indian households, especially focusing on the rural and unbanked communities. By promoting the opening of bank accounts, easing access to credit, insurance, and pension facilities, and enhancing digital payments, PMJDY has been instrumental in mainstreaming millions of erstwhile underserved citizens into the formal financial system.

Financial inclusion is more than just giving access to financial products and services; it seeks to provide individuals with not just the access but actual usage of financial services for financial betterment. This includes the access to saving accounts, credit, insurance, pension

schemes, and a plethora of other financial products, contributing to overall economic resilience and empowerment of the individual. The Reserve Bank of India (RBI) has created the Financial Inclusion (FI) Index, which is a major instrument to monitor the nation's advancement in financial inclusion. The FI Index is founded on three important dimensions: the access to financial services, the usage intensity, and the quality of the services. By measuring these dimensions, the index gets a sharp perception of the degree to which financial services are reaching and impacting the people.

Through schemes such as PMJDY and instruments like the FI Index, India has progressed considerably in facilitating financial inclusion. These initiatives are crucial for enhancing economic growth, empowering citizens, and making sure that all citizens are part of the formal economy, ultimately leading to a more inclusive and stable financial system.

Literature Review:

Peterson K. Ozili published an article titled as *“financial inclusion research around the world: A review”* in Forum of Social Economics volume 50, 2021, published on 25th Jan 2020 <https://doi.org/10.1080/07360932.2020.1715238> This paper presents an extensive analysis of the recent body of work in financial inclusion based on data from various global regions. This review has the specific focus on mapping out newer themes and lingering debates in the study of financial inclusion, as well as particular emphasis on divisive policy debates. Key concerns raised are the idea of optimal as opposed to extreme financial inclusion, the ability of financial inclusion to pass on systemic risks to the formal financial system, and the possible pro-cyclical tendency of financial inclusion and exclusion with respect to business cycles. The literature reviewed confirms that financial inclusion is affected by and also influences a number of factors such as financial innovation, poverty, financial sector stability, economic conditions, financial literacy, and regulatory standards, with very high differences in countries. In conclusion, the review recommends various key research paths for future exploration, based on the evidence described in the course of this paper.

Dr. Rajeshwari M. Shettar, in her article, “Pradhan Mantri Jan Dhan Yojana: Issues and Challenges” published in IOSR Journal of Business and Management, volume 18, Issue 2, PP 17-24 have mentioned the challenges and issues regarding to the PMJDY. Researcher has done descriptive type of research and used the secondary data. In this research the researcher have mentioned that there are almost 30.99% of the accounts opened under this scheme are zero balance accounts. The challenges that the researcher mentioned in research paper are overdraft facility, insurance facility, bank correspondence, business correspondence and etc.

Nimbrayan Parveen Kumar, Tanwar Nitin & Tripathi Ramesh Kumar; in their article published in Economic Affairs volume 63, PP 583-590 titled as “Pradhan mantri jan dhan yojana (PMJDY): The biggest financial inclusion initiative in the world” This researcher examines the status of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and its contribution to financial inclusion in India. PMJDY was launched on August 28, 2014, and has facilitated financial empowerment, alleviating poverty by providing access to banking. As of February 7, 2018, more than 31 crore accounts were opened with deposits of ₹ 74,534.79 crore. The scheme covered 100% households in Haryana and the majority of northern states, showing its far-reaching impact in offering universal financial services in India. <https://www.indianjournals.com/ijor.aspx?target=ijor:eaj&volume=63&issue=2&article=038>

Statement of the Problem:

This research study will try to study the impact of Pradhan Mantri Jan Dhan Yojana on the Financial Inclusion.

Objectives:

The research is based on the following objectives:

1. To study the progress of Pradhan Mantri Jan Dhan Yojana.
2. To study the impact of Pradhan Mantri Jan Dhan Yojana on the financial inclusion in India.

Hypothesis:

H0: Financial inclusion has not increased since the implementation of the Pradhan Mantri Jan Dhan Yojana

H1: Financial inclusion has increased since the implementation of the Pradhan Mantri Jan Dhan Yojana

Limitations:

The research is based on the secondary data only. The research is done for the year 2019-2023 only.

Research Methodology:

This study is descriptive type of study. The researcher has used majorly the secondary data collected from annual reports of the Reserve Bank of India, reports published on the official websites of the financial inclusion have not increased since the implementation of the Pradhan Mantri Jan Dhan Yojana scheme's official websites and some other reports. Regression was the main statistical technique that researcher have used alongside of other measures of central tendencies including mean, mode, median, standard deviation, correlation regression coefficient, ANOVA etc.

Tools of Analysis:

Regression was the main statistical technique that researcher have used alongside of other measures of central tendencies including mean, mode, median, standard deviation, correlation regression coefficient, ANOVA etc.

Financial Inclusion Index (FI Index):

The Reserve Bank of India (RBI)-calculated Financial Inclusion (FI) Index gauges the level of financial inclusion in the country. The index is a composite measure designed to gauge access and availability of financial services, usage of the services, as well as overall quality of services offered. It is a weighted composite score and has three overarching dimensions: Access to Financial Services, Usage of Financial Services, and Quality of Financial Services. Each of the dimensions has an assigned weight.

The first factor, Access to Financial Services, contributes 35% to the overall index score. It emphasizes the presence of banking infrastructure, including the number of bank branches, ATMs, and banking outlets, particularly in rural and under-served regions. It also takes into account the penetration of services such as mobile banking and digital payment systems. The Usage of Financial Services component, which holds the largest importance of 45%, assesses how extensively individuals make use of these services. This involves the number of active deposit accounts, the degree of credit utilization, utilization of electronic transactions, and other financial items like insurance. Finally, the Quality of Financial Services dimension, which accounts for 20% of the index, looks at issues such as financial literacy, the affordability and sustainability of financial products, and customer satisfaction.

The FI Index is calculated by adding up the individual scores of these three dimensions using their respective weights. The outcomes are normalized on a scale ranging from 0 to 100 with 0 representing the minimum degree of financial inclusion and 100 representing the maximum. This index offers an important instrument for measuring the development of financial inclusion in India, which enables us to compare across regions and demographic segments. The RBI regularly revises the FI Index, reflecting on the increased accessibility and use of financial services in the country.

Data & Discussions:

Table 1: Yearly Growth in number of beneficiaries.

Year	Number of Total Beneficiaries	Yearly Growth Rate	Growth Rate Since 2019
2019	280361546		
2020	305187880	8.85	8.85
2021	333898230	9.41	19.14
2022	355046743	6.33	26.64
2023	382164230	7.64	36.3

(Source: <https://pmjdy.gov.in/account>)

The table presents data on the number of beneficiaries of the Pradhan Mantri Jan Dhan Yojana (PMJDY) from 2019 to 2023, along with the yearly growth rates and cumulative growth since 2019.

In 2019, the program had a total of around 280.36 million beneficiaries, which was the beginning point of the analysis. In 2020, the beneficiaries reached 305.19 million, showing an annual growth rate of 8.85%. The rise shows that PMJDY was effectively reaching more individuals in its initial years, especially since the government kept on increasing the availability of banking services, mainly in unpenetrated and rural regions.

The expansion continued in 2021, with the number of beneficiaries expanding to 333.89 million. This is a 9.41% increase from last year and a 19.14% compound growth since 2019. The expansion in 2021 indicates that the program was gaining momentum, with more citizens joining and starting to use banking services.

But in 2022, the rate of growth slowed to some extent to 6.33%, with the number of beneficiaries increasing to 355.05 million. Though the annual growth rate slowed, the cumulative growth from 2019 increased to 26.64%, showing that the overall trend of the program was still positive, though the rate of growth had decelerated.

By 2023, the number of beneficiaries increased to 382.16 million, showing a growth of 7.64% in the current year. Cumulative growth over five years, from 2019, amounted to 36.3%, reflecting that irrespective of fluctuations in annual growth, the reach of PMJDY only continued to increase considerably for five consecutive years.

In general, the statistics show a steady upward trajectory in the number of beneficiaries, demonstrating the effectiveness of the Pradhan Mantri Jan Dhan Yojana in enhancing financial inclusion in India. Though the annual growth rates were volatile, the overall growth of the program across the years is evidence of its effectiveness in incorporating millions of people who were once not banked into the formal financial sector.

Table 2: Progress of FI-Index

Year	FI-Access	FI-Usage	FI-Quality	FI-Index
2019	68	38	52	49.9
2020	71	41	53	53.1
2021	72	42	50	53.9
2022	75	43	53	56.4
2023	78	46	61	60.1

(Source: RBI Annual Report 2022-23)

The above table illustrates the progress of India in financial inclusion during the years 2019-23. The FI-index is the index developed by RBI. It is a weighted index including 3 major dimensions as mentioned earlier. The table shows that the figures from 2019 to 2023 for four indicators: FI-access, FI-Usage, FI-Quality, and the FI-Index. FI-access, referring to the presence of the service, gradually goes up from 68 in 2019 to 78 in 2023. FI-Usage, revealing the degree of utilization of the service, also goes up, from 38 in 2019 to 46 in 2023. FI-Quality, which indicates the quality of the service, also increases, from 52 in 2019 to 61 in 2023. The FI-Index, an aggregated measure, rises consistently every year, from 49.9 in 2019 to 60.1 in 2023, an indication of improvement across all fields.

Hypothesis Testing:

As mentioned earlier the researcher have used the regression analysis for the hypothesis testing. The results of the test are shown in the following table.

Table 3: Regression Analysis

<i>Regression Statistics</i>	
Multiple R	0.978500324
R Square	0.957462884
Adjusted R Square	0.943283846
Standard Error	0.909102746
Observations	5

The regression analysis of the data shows that the Multiple R is 0.978 which indicates that there is a very strong positive relationship between the variables that is Beneficiaries and FI-Index. R-Square of 0.9575 replicates the 95.75% of the variability in the FI-Index. This is a very good fit.

Table 4: Summary of the Hypothesis testing

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	23.82256641	3.77705123	6.307186469	0.008053678	11.80230368	35.84282914	11.80230368	35.84282914
Number of Total Beneficiaries	9.31315E-08	1.13334E-08	8.217459668	0.003772039	5.70637E-08	1.29199E-07	5.70637E-08	1.29199E-07

The co-efficient is 9.31315E-08. This means that each additional beneficiary the FI-Index increases by 0.00000009313 units. The p-value of the data stands 0.0038 which is less than 0.05 hence we can state that the beneficiaries does have the impact on the FI-Index. Thus, the H0 is rejected and H1 stands accepted for the above research.

Finding: the research findings are as follows:

1. The average deviation stands around 0.9091 which is fairly close to the actual data points.

2. The value of Adjusted R square of 0.9433 indicates that the model still explains most of the variation in the fi-index even after adjusting for the number of observations or predictors.
3. Each additional beneficiary shows its positive impact on the FI-Index.

Suggestions:

1. The quality of the bank's financial services should be improved.
2. The number of debit cards distributed by the banks does not reflect their utility in remote areas as well as to the elderly people.
3. Banks are showing the data of the available ATM machines only; they must release the data of working and closed or inoperative ATM machines on the regular basis.

Research gap: this research contains the following research gaps:

1. The research is based on the data of 2018-2023 only.
2. The researcher has only used the data of beneficiaries while excluded the data of the rupya debit cards, financial accessibility etc.

Conclusion:

Pradhan Mantri Jan Dhan Yojana is the scheme that the government of India had announced in order to speed up the financial inclusion in the rural and sub urban areas and for the financially excluded personnel. The scheme so far has proved its significance in the financial inclusion. The scheme along with the JAM initiative i.e. Jandhan-Aadhar-Mobile has proved the significance in the Direct Benefit Transfer (DBT) to the beneficiaries of the various schemes.

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