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STATUS REVIEW OF PRADHAN MANTRI JAN DHAN YOJANA (WITH SPECIAL REFERENCE TO THE STATE OF UTTAR PRADESH)

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Abstract

The financial system has been revolutionized by recent advancements in banking and insurance, although only to a limited extent. This study investigates the current state of financial inclusion in Uttar Pradesh, as well as the government's efforts toward financial literacy and awareness programs that were implemented. People with low earnings are unable to obtain traditional financial products such as bank accounts, credit, remittances and payment services, financial advising services, and insurance coverage among others. Micro-savings are not adequately channeled into the productive sectors of the economy. This condition is harmful to a country's economy. The PMJDY is the most recent development in the Indian banking system, and it was inaugurated on August 28, 2014, with the goal of ensuring universal access to banking facilities and at least one basic banking account for every household. It was found that PMJDY has boosted the number of bank accounts for marginalized and deprived populations by diluting KYC, yet account transactions are extremely limited. A large proportion of accounts are dormant due to a lack of income or funds to be deposited. To achieve comprehensive financial inclusion inUttar Pradesh, policymakers should focus on creating work opportunities for all.

Keywords: *Micro Finance, PMJDY, Financial Inclusion, Jan-Dhan Yojana, Family Finance, Uttar Pradesh*

1. INTRODUCTION

Poverty alleviation, particularly in rural income poverty, is not a novel notion in the economics literature. It involves providing credit to the most vulnerable members of society and people living below the poverty line. This topic has been addressed by a number of national and international researches. However, the provision of microfinance/credit to the needy poor, and vulnerable people by Self-Help Groups (SHGs) and Non-Governmental Organizations (NGOs), and to some extent by banks, is a relatively new concept all over the world. This microcredit, it was suggested, contributes significantly to the alleviation of income poverty and related social problems in developing countries. Microcredit can also be claimed to have a key role in achieving financial inclusion. Financial Inclusion, Financial Literacy, and Consumer Protection are the three pillars that support an economy's financial stability. Financial inclusion, broadly defined, refers to universal access to a wide range of financial services at a fair cost by all portions of society in general, as well as vulnerable groups such as the weaker sections and low-income groups. These include not only banking goods, but also other financial services such as insurance and stock market investments. Financial inclusion begins with everyone's engagement in the formal financial services industry.

The efficient circulatory system of the economy is a well-established financial system. It enables people to use the system's many facilities more effectively and to contribute as much as possible to the system. The achievement of three steps is critical to financial inclusion's success: 1. At least one member of a household has a bank account; 2. That bank account has regular deposits and withdrawals; and 3. That bank account is utilized to pay for transactions. Furthermore, the system should address facility and security concerns so that individuals are free of all concerns regarding product pricing (interest rates on deposits and loans, transaction fees, the penalty for late payment, and so on), product availability, ease of transactions, and security at every step. Financial inclusion should aid low-income groups, weaker parts, and other vulnerable groups in increasing their incomes, acquiring capital, managing risk and working their way out of poverty.

The government has taken many initiatives throughout the years, but the problem of financial exclusion continues to loom large and is the core cause of India's continuing widespread poverty. This could be owing to the government's lopsided effort, which focuses mostly on the supply side of financial inclusion while disregarding the demand side. To achieve this, demand-side activities such as developing human and physical resource endowments, increasing productivity, reducing risk, and building market linkages are required. However, the primary focus is onenhancing both traditional and new delivery systems.

- **Global Scenario:**

The United Nations (UN) had posed the basic question of "why are so many bankable individuals unbanked" in its major study work titled "Building Inclusive Financial Sectors for Development" 1 (2006), also known as the Blue Book. An inclusive financial system, according to the Blue Book, would provide credit to all "bankable" people and businesses, insurance to all "insurable" persons and businesses, and savings and payment services to everyone. As a result, financial inclusion has become a global topic that affects everyone (under-developed, developing, and developed nations). According to the World Bank Report 2017, almost 1.7 billion adults worldwide did not have an account at a financial institution or through a mobile money provider.

- **Indian Scenario:**

The nationalization of banks, followed by the establishment of Priority Sector Lending Banks in 1971 and Regional Rural Banks (RRBs) in 1975 was the first important step toward financial inclusion. The establishment of the National Bank for Agricultural and Rural Development (NABARD) in 1982 attempted to increase banking penetration in rural India. In 1992, the Self Help Groups Bank Linkage Program was launched, which added to the institutional framework. In the year 2000, the Small Industries Development Bank of India Foundation for Micro Credit was established, and in 2016, the Micro unit development and refinance agency ltd. (Mudra) was established.

- **Uttar Pradesh Scenario:**

There is no universally accepted parameter to assess financial literacy till now. Therefore, every author and researcher applies his/her own parameters to measure different aspects of financial inclusion, such as the number of bank accounts per population, the number of deposit accounts per population, the credit-deposit ratio, the number of bank branches per population, and the number of credit accounts per population. In June 2013, CRISIL (Credit Rating Information Services of India Limited) launched an index to measure the status of financial inclusion in India. The CRISIL Inclusix is an analytical tool that thoroughly analyses financial inclusion based on four characteristics namely, branch penetration, credit penetration, deposit penetration, and insurance penetration, and weighs these parameters against the target level specified for each of these parameters. The CRISIL Inclusix provides data on financial inclusion by state, district, and region, which aids in tracking development in this area. It is graded on a scale of 0 to 100, with 0 being the lowest possible score and 100 being the highest. Uttar Pradesh received scores of 29.6in 2009, 31.5 in 2010, and 33.5 in 2011 showing below-average performance of the state. The most recent report of CRISIL for the year 2016 reflected that the score of our state Uttar Pradesh has also increased to 44.1 in the year 2016 from 33.5 in the year 2011 bringing the state into the below-average category.

2. REVIEW OF LITARATURE

Dilipamberkhane and et.al (2022) this study aims to assess the impact of the Prime Minister's Jan Dhan Yojana (PMJDY) in 30 Indian states and six union territories for the years 2016, 2017, and 2018; and to build a state-wide plan for geographical development of outlets to maximize the scheme's overall impact. The initiative has been found to be more effective in states with higher levels of illiteracy, which contradicts previous studies that have identified illiteracy as a barrier to financial inclusion. With the goal of optimizing the scheme's overall impact, a state-by-state strategy for geographical development of outlets is offered, along with ideas for improvement.

Ozili, and P K (2020) Ozili displays the economic standing of countries in the African, Asian, Australian, and European areas. Various financial inclusion measures, such as greater financial literacy, financial innovation, and technology, are reported to be on the rise. The most serious issue in Financial Inclusive is having an inactive account, in which consumers open accounts but the bank does not accept debit or credit cards or deposit money into their accounts.

Kumar and Gupta (2019) The author described the life cycle of Financial Inclusive in a survey of 360 farmers performed in the Prayagraj District, where the first phase is to educate the client, the second step is to open their bank account, and the third step is to provide banking and financial services. This study also found that 23.6 percent of farmers were using their bank accounts, and nearly 10% of farmers had taken out loans from financial institutions in the three months prior to the research date.

According to Irrinki, M.K., and Burlakanti, K. (2017), the PMJDY plan is well-known among the people in their study region, with 40% of individuals learning about it via bank personnel and 21% learning about it from friends and relatives. It has also been reported that 60% of those who have signed up for the plan have done so. They had savings accounts that they had opened earlier when communicating with these people. The majority of those polled have accounts with the State Bank of India.

Singh and Nisha (2014) found a link between human development and financial inclusion in their research. They also emphasized the significance of physical infrastructure for connectivity and information, as well as government policies that promote financial inclusion.

C Rangarajan (2008) stressed the need to change the credit and financial services delivery system in order to achieve broader inclusiveness in his committee report. He also emphasized that, while banks and other financial institutions can work to improve their clients' absorptive ability, it is equally necessary for the government to take action at all levels to improve the earning potential of the lower parts of society. Together, they can quickly bring about the desired shift of increased inclusiveness.

3. OBJECTIVES OF THE STUDY

- To examine the scope and progress of Pradhan Mantri Jan Dhan Yojana in financial inclusion
- To identify the major challenges in financial inclusion in India
- To compare and analyze the performances between first year of the programme i.e. 2015 with the previous and the current year of this programme i.e. 2021 and 2022

4. RESEARCH METHODOLOGY

Here in this study, we are taking up our own method of assessing financial inclusion. For that purpose, Pradhan Mantri Jan Dhan Yojana (PMJDY) has been considered as the major source of financial inclusion in the state of Uttar Pradesh. We decided to show a comparative analysis of the first year of this program and the latest years for which the data was available. The indicators that will help in reflecting the success or failure of the same are:

The no. of Accounts

The amount of deposits

The no. of RuPay cards issued or the collection of data

Authors have taken support from secondary sources like internationally published reports, data published by the Government of India, and the authors' own compilations.

5. DATA ANALYSIS

Table 1.

Number of Accounts, Deposits and RuPay Card Issued under Pradhan Mantri Jan Dhan Yojana (PMJDY) in Uttar Pradesh (As on 28.10.2015)						
State	**No. of Accounts**			**Deposit (Rs. in Crore)**	**Zero Balance Accounts**	**RuPay Card Issued**
	Rural	**Urban**	**Total**			
Uttar Pradesh	17690600	11716673	29407273	393165.15	10720056	26706586
India	**115775071**	**74464462**	**190239533**	**2591355.63**	**71356613**	**163751882**

Source: Ministry of Finance, Government of India

Table 1 given above depicts the number of accounts, deposits, and RuPay cards issued under PMJDY in the U.P. as of 28th October 2015, i.e. approximately 1 year after the start of this scheme. We can see that in rural areas the no. of accounts that were opened and active was 1,76,90,600 in Uttar Pradesh. Whereas in urban areas, the no. of accounts that opened was 1,17,16,673 which is comparatively lesser than the rural areas. The question arises that why the rural population has been able to take advantage of this scheme more than the urban population.The answer is that the PMJDY scheme was targeted mainly at the population that was excludedfrom the financial benefits and services available in the country.

After further observation of the table, we can see that the money deposited in these accounts was Rs. 3,93,165.15 crores which is a considerable amount that was injected into the Indian economy.Uttar Pradesh is the highest populated state in the country has a significant contribution to the National Income and GDP of the country's economy. The no. of zero balance accounts was 1,07,20,056 out of the total 1,76,90,600 accounts. And theno. of Repay cards issued to the people of Uttar Pradesh was 2,67,06,586.

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Table 2

Number of Accounts, Deposits and RuPay Card Issued under Pradhan Mantri Jan Dhan Yojana (PMJDY) in Uttar Pradesh (As on 24.02.2021)

State	No. of Accounts			Balance in Accounts (Rs. in Crore)	No. of RuPay Card Issued
	Rural	Urban	Total		
Uttar Pradesh	50848947	20153533	71002480	26140.79	51768338
India	**275971982**	**143295465**	**419267447**	**138901.65**	**308163320**

Source: Ministry of Finance, Government of India

Table 2 given above showcases the number of accounts, deposits, and RuPay cards issued under PMJDY in the state of Uttar Pradesh under PMJDY on 24th February 2021. The data in this table reflects the financial inclusion achieved till the previous year 2021 i.e. 7 years after the implementation of this scheme. The no. of accounts held by the rural people of this state accounted for 5,08,48,947. Whereas, the urban population held 2,01,53,533 accounts. The deposits in these accounts amounted to Rs. 26,140.79 crores. Further, the no. of RuPay cards issued was 5,17,68,338.

Table 3

Number of Accounts, Deposits and RuPay Card Issued under Pradhan Mantri Jan Dhan Yojana (PMJDY) in Uttar Pradesh (As on 23.02.2022)

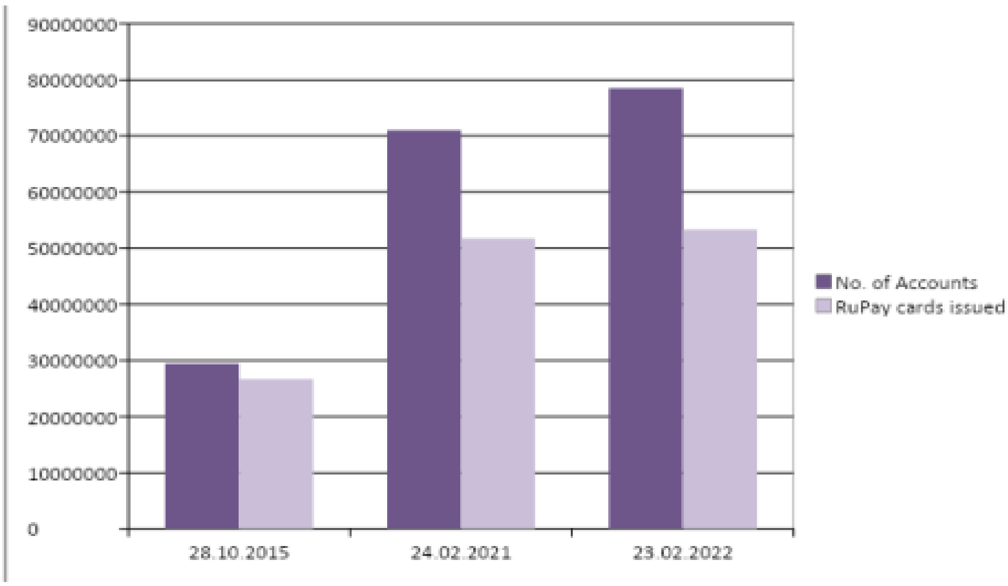
State	No. of Accounts			Balance in Accounts (Rs. in Crore)	No. of RuPay Card Issued
	Rural	Urban	Total		
Uttar Pradesh	56685160	21836134	78521294	32892.96	53350876
India	**298782812**	**148838146**	**447620958**	**159933.62**	**314493949**

Source: Ministry of Finance, Government of India

Table 3 shown above reflects the no. of accounts, deposits, and the no. of RuPay cards issued under PMJDY in the state of Uttar Pradesh till the 23rd of February 2022. This table shows the remarkable difference in the financial inclusion of people from Uttar Pradesh and also from all over India. The study is in special reference to Uttar Pradesh and focuses on the information provided about the state only.

We can clearly see the increase in the no. of accounts held together by rural and urban populations in the U.P. in comparison with the first year of this scheme. A total of 7,85,21,294 accounts are currently operational with deposits amounting to Rs. 32,892.96 crores. Whereas the no. of RuPay cards issued to the citizens to date is 5,33,50,876.

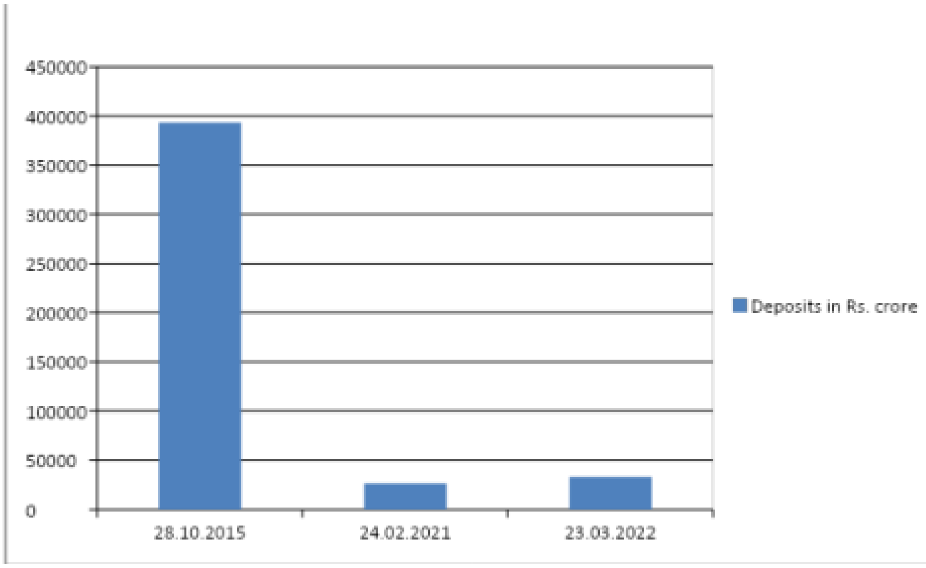
Fig. 1: No. of Accounts and the no. of RuPay cards issued in the years 2015, 2021 and 2022.



Source: Authors' compilation

In Fig.1 given above, it can be observed that the no. of accounts held has significantly risen. In the year 2015 total no. of accounts held was 2,94,07,273 and in the year 2021, they were 7,10,02,480 and are still rising according to the data for the year 2022 i.e. 7,85,21,294. A clear increase of 4,91,14,021 accounts can be seen from the year 2015 to 2022. Financial Inclusion is an ongoing process. Hence, it will certainly take time to reach out to the majority population of India. As for the no. of RuPay cards issued, there has been a significant increase of 2.66,44,290 cards from the year 2015 to 2022.

Fig. 2: Amount of deposits in the existing bank accounts during the years 2015, 2021, and2022



Source: Authors' compilation

The amount of deposits in the first year i.e. 2015 was Rs. 393165.15 crores. Later in the succeeding years, it was observed that the deposited amount started falling which led to a balance of only 26140.79 crores in the year 2021. But eventually, the deposits again started increasing ata slow rate and in the year 2022, the amount of deposits was Rs. 32892.96.

The Government of India started the Pradhan Mantri Jan Dhan Yojana as a scheme for financialinclusion. Therefore, it can be said that it was solely a welfare scheme for the financially excluded population of the country. The decreasing amount of deposits in the bank accountsmight be an indicator of the fall in income due to unemployment or lack of work opportunities or lack of financial literacy But on the other hand, the fall in deposits also shows that the peoplehave started making transactions through their accounts which means that they are able to access the basic financial services provided by the banks. Moreover, the growth in the no. of accounts is the main indicator of financial inclusion here.

The Government of India has various schemes for spreading financial literacy among the people like:

- Pradhan Mantri Jan Dhan Yojana

- Pradhan Mantri Suraksha BimaYojana
- Pradhan Mantri Jeevan Jyoti BeemaYojana
- Pradhan Mantri Suraksha BimaYojana
- Atal Pension Yojana
- Pradhan Mantri Mudra Yojana
- StandUp India Scheme

All the above schemes are aimed at making people financially aware about the saving opportunities, investing opportunities, and self-employment opportunities.

- Challenges in Financial Inclusion

The rural population is mostly poor and uneducated. Therefore, they find it too expensive to access financial services from the banks, and also they have a fear in their minds that the banks will commit frauds, fool them and take their money.

Financial illiteracy is one of the major challenges of financial inclusion. The government might launch various schemes but every effort goes in vain because of the lack of awareness among the people.

Only a small portion of the population uses financial services; those who are excluded are those who live in rural, destitute areas where it is difficult to supply these services, and who rely on the informal sector (moneylenders, etc.) for financing at excessive rates. The fundamental issue of financial inclusion is to reach out to rural and low-income populations. Financial services require a lot of documentation which makes it difficult for the uneducated to fulfill. Therefore, they prefer to stay away from banks and financial institutions. Many people who lack basic knowledge and education are unaware of the relevance of financial products such as insurance, financing, bank accounts, and check facilities, which is a barrier to financial inclusion.

6. CONCLUSION

After studying the whole scenario of Pradhan Mantri Jan Dhan Yojana, it can be concluded that the Government of India succeeded in financially including the people who were still not able to avail the facilities of the government. Most of the people covered under this scheme belonged to the rural areas. In the first year of the programme, the no. of accounts were found to be 2,94,07,273, while in the year 2021 and 2022, the no. of accounts rose to 7,10,02,480 and 7,85,21,294 which is approximately 2.5 times of what we could see in the first year 2015. On the other hand, the amount of deposits was found to be decreasing after 2015. This indicates a lack of savings due to low income of the people. Furthermore, the reason behind the low income of people is the low rate of employment. The coronavirus has also left its impact on the people and the country on a financial note.

Lastly, the government has not been able to cover the entire rural population in the purview of financial inclusion through this scheme. People in very remote areas are still not able to access the financial services due to lack of bank branches and also due to financial illiteracy.

7. RECOMMENDATIONS AND SUGGESTIONS

The government still has to go a long way in promoting this scheme in remote areas by opening branches and providing digital access facilities to the people. For that purpose, the government will have to reach out to the remote area communities and make them aware and educated enough to understand the need of this scheme. This can be done by proper campaigning and advertising.

Also the government will have to provide employment opportunities to the people so that their income can increase which will lead to savings and investment. Eventually, it will increase the amount of deposits in the accounts that come under this scheme.

Though there are schemes for self-employment like Mudra Yojana and StandUp India, still they need to be promoted by the government so that more and more people avail the benefit of microcredit under these schemes and are able to provide employment to others also.

Financial Inclusion, Financial Literacy, and Consumer Protection are the three pillars that support an economy's financial stability. Hence, the government also needs to reassure the poor people that they will get the benefits as promised under the schemes.

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