

## IMPACT OF PRADHAN MANTRI JAN DHAN YOJANA ON FINANCIAL INCLUSION (WITH SPECIAL REFERENCE TO SLUM-DWELLERS OF CHANDIGARH)

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### ABSTRACT

*In order to enhance financial inclusion in the country, the Government of India came up with PradhanMantri Jan DhanYojana (PMJDY) in 2014. The success of any policy can be effectively analysed by the fact that how well it responds to the issues faced by the deprived sections of the society. The present study focuses on the impact of PMJDY in fostering financial inclusion, with special reference to the slum-dwellers of Chandigarh. The study is descriptive in nature and uses primary data collected through field survey. PMJDY has been successful to a great extent in opening bank accounts. But, most of the bank accounts opened under PMJDY are not operative. Not even a single person could avail overdraft facility under PMJDY from the sample studied. The scheme in its current form is not adequate to address the problem of financial exclusion. With consistent efforts towards improving financial infrastructure, by raising the level of financial literacy, and through sensitization of bank staff, a lot can be achieved in the direction of financial inclusion. Our research has governance implications to contribute substantially towards inclusive growth.*

**KEYWORDS:** PMJDY, Financial Inclusion, Slum-Dwellers, Chandigarh.

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### Introduction

*"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."* (Franklin D.Roosevelt)

An inclusive financial ecosystem is quintessential to the social contract. It overcomes both physical as well as psychological barriers, and helps achieve sustainable economic growth. One of the pre-requisite for the inclusive growth is to financially empower those who have been financially excluded so far. The four main pillars of financial inclusion can be stated as - Branch Access, Saving linkage, Credit Linkage and Financial Literacy.

Push and pull factors play an important role in migration to urban areas. Mechanization of agriculture and lesser employment opportunities in rural areas are some of the factors pushing labour force away from rural areas. Urban areas pull the excess labour force by offering various employment alternatives. The sprouting of slums occurs due to shortage of land for housing and the high price of land which is beyond the paying capacity of the urban poor. Growth of population puts extra pressure on the existing basic services and infrastructure such as water supply, sewerage, drainage, health facilities, educational infrastructure, electricity, etc. Various schemes have been formulated by the government for resolving the problem of slums and to rehabilitate the slum dwellers. But still, there is always a mismatch between demand and supply because migration to urban areas is a continuous process.

The urban development in our country presents a paradox of prosperous, posh colonies, middle class localities, and slums and pavement dwellers co-existing together. In order to understand the success of the various financial inclusion schemes, especially the PMJDY, it becomes imperative to look upon the extent of financial inclusion of the 'excluded' sections of the society, especially the slum-dwellers. This study is an attempt to understand the success of PMJDY in financial inclusion of the slum-dwellers of Chandigarh, and their overall development.

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**PradhanMantri Jan DhanYojana (PMJDY)** was announced as the National Mission on Financial Inclusion in Prime Minister's Independence Day address on 15th August 2014. The scheme was formally launched on August 28, 2014. PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. Accounts opened under PMJDY are being opened with Zero balance. Further, all eligible account holders can access personal accident insurance cover and life insurance cover through their bank accounts. Guaranteed minimum pension is given to subscribers under Atal PensionYojana.

### Review of Literature

Some of the relevant studies along with their major findings are presented in **reverse chronological order**:

**DipaSinha and Rohit Azad (2018)** checked regarding improvement in access to credit, especially for poorer sections since the inception of PMJDY. Based on secondary data from RBI, PMJDY website, etc., they concluded that financial inclusion has not been achieved, and still there is dependence on moneylenders. While there has been a tremendous increase in the number of bank accounts opened, data shows that the average balance in these accounts is low and a significant proportion of the accounts are inoperative.

**Reetika Bhatt (2017)** used descriptive research design in order to study the features of PMJDY. To know the level of awareness about PMJDY in district Udham Singh Nagar of Uttarakhand, primary data was collected from 280 respondents for the year 2014-15, and to study the progress of PMJDY at national, state as well as district level, secondary data was used. The rigorous efforts of banks towards the mission clearly show the success of PMJDY. However, out of total number of accounts opened, 67.32% of accounts were found to be zerobalance.

**YogeshVerma and PriyankaGarg (2016)** tried to study the effectiveness of PMJDY by using primary data (210 rural labourers from Rajasthan) in the form of discussion held with respondents. Secondary data is used from various published and unpublished sources. They concluded that majority of respondents have primary or basic knowledge about PMJDY. But, financial untouchability is still prevalent. Poverty and financial illiteracy are main reasons for financial exclusion.

**Rajeshwari M. Shettar (2016)** tried to study the progress made by PMJDY. The study is based on secondary sources. The paper reveals that PMJDY scheme is helpful to rural and urban area people in getting the benefits of government schemes directly, and created an impressive result in the banking sector with regard to eradication of financial untouchability in the country. There should be continuous operation of bank accounts for the real success of the scheme.

**Ahmed Hussain (2015)** tried to understand the need for financial inclusion through PMJDY in Indian context, and to identify the strategies for successful implementation of the scheme. Based on secondary sources of data, he concluded that the scheme has attracted mass population because it provides access to the bunch of financial products and services. For proper implementation, support is needed from banking and financial institutions, and responsible citizens are must.

### Objectives of the Study

- To know the level of awareness about PMJDY in slums of Chandigarh.
- To understand the role of PMJDY in financial inclusion of the slum-dwellers of Chandigarh.
- To study the role of the PMJDY in economic-empowerment of the slum-dwellers.
- To understand the general perception of the slum-dwellers regarding the performance of PMJDY.
- To find out the problems in the way of financial inclusion and to offer suggestions regarding the same.

### Research Methodology

The research is descriptive and evaluative in nature, and uses primary data collected through field survey that spans from July to October 2018. *Cross-sectional type of research design* is involved as the respondents were contacted in a single time frame. Both qualitative as well as quantitative data have been used to permit the scope for comprehensive analysis of the scheme.

A sampling unit of *100 households* was chosen to represent the entire population of slums of Chandigarh. These 100 respondents were equally divided among the 3 slum areas, i.e., Sector 25, Sector 38-West and Colony No. 4, having 33 respondents each from Sector 25 and Sector 38- West, and

34 respondents from Colony No. 4 , thereby making a total sample size of 100. It was kept in mind that an equal no. of male and female respondents should be surveyed in order to understand the impact of yojana on both the genders.

The data analysis was done using SPSS and MS-Excel. Cross-tabulation analysis, percentages, and graphical representation have been used for analyzing the data.

#### Analysis of Primary Data

Awareness is one of the key aspects for success of any scheme. Sometimes, benefits of the scheme don't reach the real beneficiaries due to lack of awareness. The real success of the scheme can be analysed by its impact on the intended beneficiaries.

- **Awareness regarding PMJDY and its features**

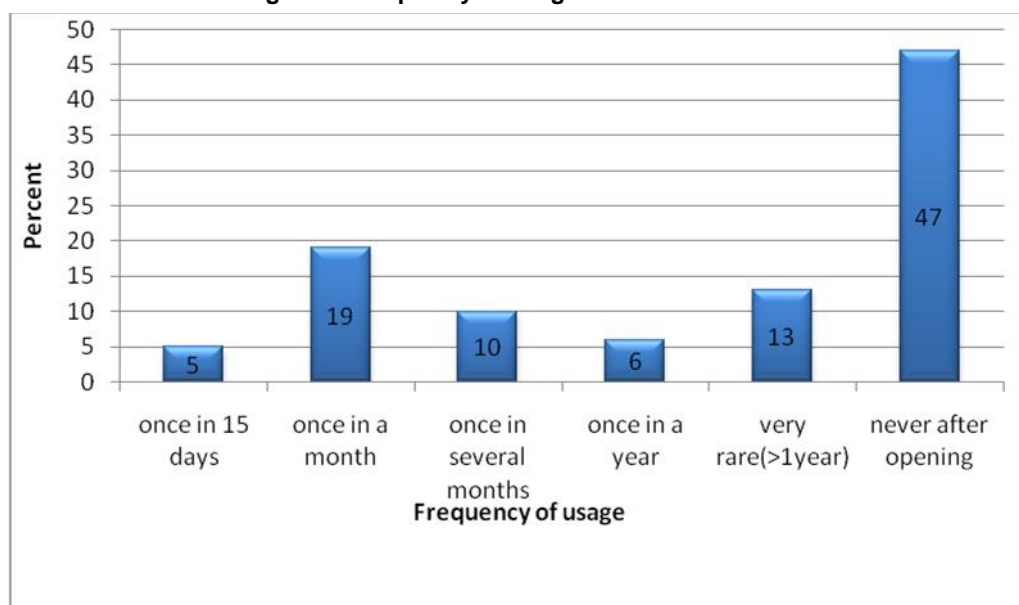
Out of the total 100 respondents taken together, 90 percent of the respondents were aware of the PMJDY. However, the slum-dwellers were not as such aware of PMJDY by this name. The scheme is known by different names in the slums - in Sector 25 slum and Colony No.4, it is known by the name of 'ModikaKhata', while in 38-West, it is widely known as 'zero balance.' The respondents could recall a handful of features of the yojana only with great insistence. It came out as a great surprise that just 1% of the respondents were aware about overdraft facility, and only 2% knew about micro pension. Around 63 percent of the PMJDY account holders were not aware of the RuPay card.

Despite the fact that no service charges were to be given for opening of PMJDY account, around 18 percent of the PMJDY account holders were charged Rs.100 each while opening PMJDY account; neither did this amount come into their accounts. Out of those who paid service charges, 75 percent were women. This indicates clear misconduct on part of officials opening accounts.

- **Frequency of usage of PMJDY account**

The actual impact of PMJDY in financial inclusion of the slum dwellers can be better understood by taking into consideration the frequency of usage of PMJDY account by the slum-dwellers.

**Figure 1: Frequency of usage of PMJDY Account**



Source: Field Survey

**Figure 1** shows that only 5% of the slum-dwellers use PMJDY account once in 15 days, while 47% of the respondents have never used their PMJDY account since they opened. Maximum of the respondents (58.93%) stated low income as the most obvious reason for low usage of PMJDY accounts. It must be noted that **around 40 percent of the PMJDY accounts** turned out to be **zero balance accounts** and hence, were never used since they were opened. Lack of knowledge was cited as a major reason in this context by a quarter of the respondents.

• **Benefits of PMJDY: Expected v/s Availed**

In the initial phase after the launch of the scheme, there was great vigour and enthusiasm among the poor strata of the society regarding the opening of PMJDY accounts. The most significant benefit that slum-dwellers of Chandigarh *expected* was a false perception that a ‘good amount of money’ would be deposited in these accounts by the government. Loans and Direct Benefit Transfer (DBT) as reasons for opening these accounts were cited by a very low proportion of the respondents.

However, majority of the respondents (around 66%) seemed highly dissatisfied when asked about the benefits availed from the PMJDY in reality. Some of them, with huge disappointment went upto the extent of saying that instead of having any benefit, the PMJDY has just added to their existing pile of ‘waste-papers’ in the form of documents related to theyojana.

Just around 18 percent of the PMJDY account holders agree that they managed to avail saving facility because of PMJDY, thereby contributing towards the utilization of their income in a better way. Around 16 percent of the respondents stated DBT as one of the benefits availed because of PMJDY.

• **Impact of PMJDY on Economic Empowerment of the Beneficiaries**

Economic empowerment is one of the most important parameters of the overall empowerment. It emphasizes on breaking of the vicious circle of poverty, reduction in vulnerability, enhancement in resources available for utilization and diversification towards higher income activities (Bhaskar, 2017).

An attempt has been made through this study to understand the impact of the PMJDY on the economic empowerment of the beneficiaries. Maximum number of the account holders ‘strongly disagree’ with the view that their confidence has increased with the banking services since the inception of PMJDY, while not even a single respondent ‘strongly agrees’ with this view. The response of majority of the account holders is not positive regarding proper resolving of their credit needs. It is evident from the fact that *not even a single PMJDY account holder could manage to avail the overdraft facility*. It is only in case of the view that banking services provide more comfort for withdrawals, that majority of the respondents agree (11.8% ‘strongly agree’, while 54.4% ‘agree’).

Micro insurance and pension are among the key ways to achieve economic empowerment. However, as revealed by the findings of the survey, a dismally low proportion of the respondents were aware of the major insurance and pension schemes like PradhanMantriJeevanJyotiBimaYojana (PMJJBY) and Atal Pension Yojana (APY).

• **Perception of Slum-Dwellers regarding PMJDY**

Sufficient amount of time has passed since the launch of PMJDY for people to know regarding the benefits of the yojanaat ground level. It must be noted that out of total 100 respondents, only 68 respondents opened account under PMJDY, and hence, were eligible to answer this question. As shown in **Table 1**, *more than half* of the PMJDY account holders belonging to the slum areas of Chandigarh believe that the yojanahas turned out to be *complete failure*. It is surprising to note that just 1 respondent is of the view that PMJDY has been completely successful, and he belonged to Colony No.4.

**Table 1 : Location and General Perception Regarding PMJDY**

		General perception of PMJDY				Total
		complete failure	very low success	average success	very high/complete success	
Location	Sector 25	10	2	11	0	23
		43.5%	8.7%	47.8%	.0%	100.0%
	Sector 38 west	16	3	2	0	21
		76.2%	14.3%	9.5%	.0%	100.0%
Colony No. 4	10	4	9	1	24	
	41.7%	16.7%	37.5%	4.2%	100.0%	
Total		36	9	22	1	68
		52.9%	13.2%	32.4%	1.5%	100.0%

Source: Field Survey

Behaviour of the bank officials towards the customers has a great impact on the customers using the formal banking services. There is a mixed opinion with regards to the question of help desk spending time to provide manual assistance to the account holders in availing various services. Only around 10 percent of the respondents were actually satisfied with the role played by the Business Correspondents (BCs). The maximum dissatisfaction rate was in Sector 38-West, where 81% of the respondents were not satisfied with the role played by the BCs. Information asymmetry on part of BCs was cited as major reason for dissatisfaction.

- **Problems in the way of Financial Inclusion**

In views of the slum-dwellers, lack of awareness is the most significant problem in the way of promoting financial inclusion. Around 20 percent of the respondents stated illiteracy as a hurdle, as the illiterate people can easily be misguided by anybody. Conservative mindset of the people regarding more reliance on informal sources of credit, rude behaviour of the bank officials, and lack of adequate income to use formal banking services were also stated as some of the problems in the way of financial inclusion of the marginalized and downtrodden sections of the society.

### **Conclusion**

Financial inclusion is an essential ingredient of economic development and poverty reduction. It can also be a way of preventing social exclusion. However, it must be understood that financial inclusion is not just about having a bank account, but more importantly, includes the ability to access credit at affordable rates from formal institutions during times of need. It can be concluded from the present study that the scheme in its current form is not fully adequate to address the problems of financial exclusion. The poor slum-dwellers, with lack of enough job opportunities and low level of income don't have enough money to be deposited in the bank account. What they require is access to affordable credit to help them smoothen consumption as well as make small investments in order to enhance their incomes.

According to **World Bank's Financial Inclusion Insights (FI) 2017 survey**, only 40% of Indian bank account holders are "active" account users (used the account in the last 90 days). This figure somehow points towards the fact that Jan Dhan accounts have just been opened for the sake of completing the target. However, it must not be neglected that bringing the poor and marginalized sections of the society under the formal financial net itself is a great achievement. Thus, it can be concluded that with PMJDY, the basic foundation of financial inclusion has been laid, but we have a long way to go in order to achieve financial inclusion in true sense of the word.

### **Suggestions and Policy Recommendations**

The appropriate suggestions and policy recommendations to make the yojana bear fruits for the poor strata of the society include organizing financial literacy programmes, awareness camps, street dramas and door-to-door interactions with slum dwellers in local language. It should be made mandatory to distribute Financial Literacy materials provided by RBI in the educational institutions so that the children can learn from a young age, and can educate their parents as well regarding benefits of financial inclusion. Bank branches must be located in a way so that people can have cost free access to banking facilities. Private sector banks have hitherto played a miniscule role in PMJDY, even in urban financial inclusion. A study reveals that many branch managers felt that a token amount should be reimbursed by the Reserve Bank of India for each 'zero-balance' account opened by a branch. It would prove to be an encouragement for the bank as a whole to work further in the direction of financial inclusion. Bank officials should be sensitized and proper assistance should be given to the poor and illiterate people for operating accounts so that they do not feel hesitant to visit bank branches. Thus, it can be stated that after successfully meeting the target of opening accounts, the real challenges that lie ahead could be met only through devotion and dedication of the concerned officials. Overcoming the socio-demographic limitations of illiteracy, poverty, gender and caste is necessary pre-requisite for the success of the yojana in promoting financial inclusion.

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