

ASSESSING INCLUSIVE GROWTH THROUGH FINANCIAL INCLUSION MODEL OF PMJDY

Varun Saini¹ & Yashika Guleria²

¹Assistant Professor, Commerce, Government College Nihri, Mandi, Himachal Pradesh, India

²Assistant Professor, Commerce, Government College Arki, Solan, Himachal Pradesh, India

Received: 05 Feb 2018

Accepted: 20 Feb 2018

Published: 24 Feb 2018

ABSTRACT

Since independence, India's policy measures have basically followed two fold objectives for its planned economic growth and development. The first one is moving ahead to a transformative and technologically advanced economy and the second one being established in a pattern of social order based on the principle of distributive justice and providing equal opportunities for growth to the masses. No doubt, economic reforms implemented over the past few decades have remained successful in enhancing India's potential on many developmental forefronts but, still it has not succeeded in alleviating the poverty. Poverty can be eradicated from its roots only when the poor starts contributing in the growth process through its productive involvement. Pradhan Mantri Jan Dhan Yojana (PMJDY) is an innovative and efficacious measure of financial inclusion, which is designed to eliminate the problem of "Financial Untouchability" by ensuring distributive justice to the poor and vulnerable sections of the society.

The paper addresses the awareness level of masses residing in Chamba district of Himachal Pradesh with respect to PMJDY and also the effectiveness of the financial institutions initiatives in this regard. The research methodology follows the multistage sampling to acquire the required data. The study concludes that although the banks are performing a satisfactory job, there is still a lot of work required to complete the knowledge of masses on various elements of the Yojana.

KEYWORDS: Inclusive Growth, Inequality Gap, Poverty Eradication, Financial Untouchability

INTRODUCTION

Let us join this mass movement towards Surajya. Realize the hopes and aspirations of the people and take India to greater heights.

Prime Minister Shri Narendra Modi

"Inclusive Growth" is not easy to measure, as it can mean many things to many people. A report *Inclusion Matters: the Foundation for Shared Prosperity* (World Bank, 2013b) defines inclusion as, "the process of improving the ability, opportunity and dignity of people disadvantaged on the basis of their identity to take part in society." The need for inclusive growth can be seen from the inequality or imbalance of wealth distribution prevailing for a long time in our country. This gap of inequality is increasing, the reason for this have been seen that while there are some segments, which are uplifted again receiving the fruit of socio-economic growth and development and on the other side of the coin there is a

portion of population which are deprived of the basic necessities even. For India, presently a developing nation, to enter in to the category of developed nations, it is essential to cover the economically lagged behind population and providing them support till the time they can stand alone and need no further assistance. This, itself, arises a need for the answer of the question that how this Inclusive Growth can be achieved?

It has been rightly quoted that “Planning without villages in India are a myth, business without village a bad bargain and service without village a mockery”(Chakrabarti, 2011). It is fortunate that our economy is accelerating its economic growth and development through different sectors, but still it is pre-dominantly occupied by the agriculture sector and its rural people. The development of Indian economy, thus, depends upon rural re-building to a great extent. Rural re-building is a strategy to improve the social and economic life of the people, comprising of small and marginal farmers, tenants, landless labourers and the poor who seek a livelihood in rural areas (Sharma, 2013). Rural development and re-building can also be defined as a constructive way to improve the quality of life of the rural poor people. The emphasis must be put on the financial institutional framework that also require to be re-engineered by identifying the dodge and then designing the strategy to extend financial services to vulnerable groups (Karmarkar, et al., 2011). The term “Financial Inclusion” was used for the first time in April 2005 in the Annual Policy Statement presented by Y. Venogopal Reddy, the then Governor, Reserve Bank of India. The report of the Internal Group to examine issues relating to Rural Credit and Microfinance in July 2005 (Khan Committee, 2005) drew strength from this announcement by Governor Y. Venugopal Reddy, wherein he had expressed deep concern on the exclusion of vast sections of the populations from the formal financial system. The former RBI Governor Raghuram Rajan outlined, in conceptual terms, what inclusion should be, “Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services and from venal politicians,” he said. Further, “In order to draw in the poor, the products should address their needs — a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender, easy to understand life and health insurance and an avenue to engage in savings for the old age. From the table 1, it is evident that if we compare from 2001 to 2011, there is a considerable increase in the percentage of people that have been covered, ranging from 35.5% in 2001 to 58.7% in 2011. But still, there is nearly 40% of the population who is out of the sphere of inclusive growth process and is deprived of their legitimate share in the country’s growth and development.

Table 1: Position of Household Availing Banking Services

Household	As Per Census 2001			As Per Census 2011		
	Total Number of Households	No. of Household Availing Banking Services	Percent	Total Number of Household	No. of Household Availing Banking Services	Percent
RURAL	13,82,71,559	4,16,39,949	30.1	16,78,26,730	9,13,69,805	54.4
URBAN	5,36,92,376	2,65,90,693	49.5	7,88,65,937	5,34,44,983	67.8
Total	19,19,63,935	6,82,30,642	35.5	24,66,92,667	14,48,14,788	58.7

Source: Census Report 2001 and 2011

As we consider finance as the lifeblood of a modern economy, therefore, the banking system is the linchpin of any development strategy. Banking system helps to mobilize financial surpluses of an economy and transfers them to areas of financial deficit (Sahoo, 2014). It promotes saving by providing a wide variety of financial assets to the general public. Savings collected from the household sector are pooled together and allotted to various finance seeking sectors of the

economy for raising the growth level of the economy. If the allocation of credit is judicious and socially equitable, it can help achieve the twin objective of growth and social justice (Sharma, 2015). Pradhan Mantri Jan Dhan Yojana is a national mission on financial inclusion which was announced by Hon'ble Prime Minister Sh. Narendra Modi on his first Independence Day address to the nation expressing his wish to remove "Financial Untouchability" by providing a bank account for every family.

Prime Minister had referred to the ancient Sanskrit verse: "Sukhasya Moolam Dharma, Dharmasya Moolam Artha, Arthasya Moolam Rajyam" which puts the onus on the state to involve people in economic activity (GOI, 2014). The objective of PMJDY is ensuring access to various financial services like availability of basic saving bank account, access to need based credit, remittance facility, insurance and pension to the excluded sections i.e. weaker section and low income group (Singh, et.al., 2015). This deep penetration at affordable cost is possible only with the effective use of technology.

A national mission on financial inclusion initiated with the slogan of *Sab Ka Sath, Sab Ka Vikas* envisage six pillars to achieve:

- Universal access to banking facilities
- Providing Basic Saving Bank Accounts and RuPay Debit Card which has inbuilt accident insurance cover
- Organizing financial literacy and credit counseling programmes
- Credit guarantee fund
- Micro-Insurance scheme.
- Unorganized Sector Pension scheme

Table 2: Details of the Accounts Opened under PMJDY (Nov, 2017)

Sr. No.	Particulars	No. of Accounts			No. of RuPay Debit Card	Balance In Accounts (in Crores)
		Rural	Urban	Total		
1.	PUBLIC SECTOR BANKS	13.25	11.50	24.74	18.49	54991.78
2.	REGIONAL RURAL BANKS	4.17	0.76	4.93	3.62	11926.61
3.	PRIVATE BANKS	0.60	0.39	0.99	0.93	2108.33
	TOTAL	18.02	12.65	30.67	23.05	69026.72

Source: Pradhan Mantri Jan Dhan Yojana, www.pmjdy.gov.in

The present study attempts to study how much inclusive is the growth, particularly in the rural segment of the population? An attempt has also been made to check the development of rural institutional infrastructure at the rural areas and their contribution in including the excluded section of the villages in far flung areas. Various studies have been reviewed to evaluate the financial inclusion, PMJDY and its different aspects for the inclusive growth and development in India in general and Himachal Pradesh in particular. It is revealed that no scientific and systematic study has been conducted to evaluate the effects and significance of financial inclusion as well as PMJDY in Chamba district, specifically in the rural area. Therefore, the present study has been taken up for detailed empirical verification with a view to achieve the following objectives:

- To check the financial literacy among rural masses with respect to Pradhan Mantri Jan Dhan Yojana.

- To analyze the perception of villagers regarding the impact of the Pradhan Mantri Jan Dhan Yojana on the inclusive growth and development of the region.

Research Methodology

The study is primarily empirical in nature. To conduct the study Chamba district has been selected randomly, as it is one of the most backward district of Himachal Pradesh, according to the Ministry of Panchayati Raj. Both primary as well as secondary data have been used to justify the study indicators. Taking into center the research objectives, schedule was formed and accordingly data was collected from 150 respondents using multistage sampling. 5-point Likert scale has been used to form study dimensions.

RESULTS & DISCUSSIONS

Knowledge of Various Constitutes of Pradhan Mantri Jan Dhan Yojana

The questions which have been asked to check the knowledge are: extent of knowledge about no-frills saving account, Ru Pay debit card, overdraft facility as well as its conditions, provision of life insurance as well as accidental insurance and regarding the financial literacy camps organized in their respective villages. The scale which has been used here for recording the responses are (1) No knowledge (2) Below average knowledge (3) Average Knowledge (4) Good Knowledge (5) Full Knowledge, which can have a maximum mean value of 40 and minimum mean value of 8.

Descriptive Statistical Analysis for Knowledge of Various Constitutes of PMJDY: Level of Education Wise Distribution

The results in the table 3(a) reflects that the mean value is maximum i.e. 30.117 in the case of respondents who are Graduates followed by villagers studied up to secondary level with mean value 29.181. Thus, it clearly furnishes that villager's who are more educated have "Good Knowledge" with regard to various constitutes of the scheme PMJDY.

Table 3(a): Descriptive Statistics for Knowledge of Various Constitutes of PMJDY: Level of Education wise Distribution

LEVEL OF EDUCATION	N	MEAN	STD. DEVIATION	STD. ERROR	MIN	MAX
ILLITERATE	35	24.428	3.575	.604	18	30
PRIMARY	35	25.485	4.061	.686	18	35
HIGH SCHOOL	30	27.966	3.326	.607	23	35
SECONDARY	33	29.181	4.080	.710	22	36
GRADUATE	17	30.117	4.196	1.017	24	38
TOTAL	150	27.073	4.328	.353	18	38

Source: Data collected through schedule.

Further, the calculated values of standard deviation for different education group are as follows: illiterate 3.575, primary level 4.061, high school 3.326, secondary level 4.080 and graduate 4.196.

Table 3(b): ANOVA Results for Knowledge of Various Constitutes of PMJDY: Level of Education Wise Distribution

Knowledge of Various Constitutes of PMJDY		SUM OF SQUARE	DF	MEAN SQUARE	F	Sig
	Between group		661.239	4	165.310	11.248
Within group		2130.955	145	14.696		
Total		2792.193	149			

Table 3(b) shows ANOVA results for knowledge among villagers regarding various constitutes of PMJDY on the basis of education level. The value of the F-test is less than 0.01. Hence, it can be said that, there is a significant difference between mean values of knowledge among villagers regarding PMJDY based on their different education level.

Table 3(c): Post Hoc Results for Knowledge of Various Constitutes of PMJDY: Level of Education wise Distribution

LEVEL OF EDUCATION	ILLITERATE	PRIMARY	HIGH SCHOOL	SECONDARY
ILLITERATE				
PRIMARY	1.057			
HIGH SCHOOL	3.538**	2.480		
SECONDARY	4.753**	3.696**	1.215	
GRADUATE	5.689**	4.631**	2.150	0.935

****Implies that the mean difference is significant at 0.01 level**

Post hoc results shown in the table 3 (c) report that the mean difference is significant at 0.01 level. The mean difference is more significant in the case of illiterate when compared with those who studied up to high school, secondary and those who are graduates. Further, it is also significant in the case of those respondents who studied up to primary level when compared with those who studied up to secondary level and had graduation.

After the analysis, it can be observed that there is still a need of rigorous efforts by the policy makers in the direction of mass awareness regarding the Yojana. The focus must be on financial literacy and awareness of the individual, who usually has limited resources and skill to appreciate the complexities of financial dealings with financial intermediaries particularly in the rural area (Bihari, 2012).

Perception of Villagers regarding impact of PMJDY

To evaluate and analyze the significance of the scheme the study focused on the variables likes: effectiveness in the inclusion of the excluded section of the masses, helpful in poverty alleviation by reducing the income inequality gap, significance regarding raising the standard of living, beneficial in reducing the leakages of Govt. subsidies and benefits and significant in socio-economic development of their respective regions. The scale which is being used here ranges between (1) Strongly disagree (2) Disagree (3) Undecided (4) Agree (5) Strongly Agree, which has a maximum score of 35 and minimum score of 7.

Descriptive Statistical Analysis for Perception Of Villagers Regarding the Significance of the Scheme PMJDY: Age Wise Distribution

Table 4(a) exhibits descriptive statistical analysis of perceptions of the villager's regarding the significance of the scheme on the basis of their age. The result depicts that, the mean score is maximum that is 28.815 in the case of the villagers who belong to the age group of below 30 years, which collectively "Agree" with the significance, while rest of

the respondents have different views with this regard.

Table 4(a): Descriptive Statistics for Perception of Villagers Regarding the Significance of the Scheme: Age Wise Distribution

AGE	N	MEAN	STD. DEVIATION	STD.ERROR	MIN	MAX
BELOW 30	38	28.815	2.865	.464	22	35
30-45	51	27.588	1.981	.277	21	31
ABOVE 45	61	27.278	2.017	.258	21	32
TOTAL	150	27.773	2.320	.189	21	35

Source: Data collected through schedule.

The calculated values of standard deviation for different age group are as follow below 30 years 2.865, 30-45 years 1.981 and above 45 years 2.017. As far as standard error of mean is concerned, the calculated values are as follow 0.464, 0.277 and 0.258 for below 30, 30-45 and above 45 years respectively.

Table 4(b): ANOVA Results for Perception of Villagers Regarding Significance of the Scheme PMJDY: Age wise Distribution

Perception of Villagers Regarding Significance of PMJDY		SUM OF SQUARE	DF	MEAN SQUARE	F	Sig
	Between group		57.968	2	28.984	5.724
Within group		744.326	147	5.063		
Total		802.293	149			

Table 4(b) confirms ANOVA results for perception of villagers regarding significance of the scheme PMJDY on the basis of their age. The results reveal that the F test is less than 0.01. Therefore, it can be said that there is a significant difference in the mean perception of individuals regarding significance of the scheme PMJDY on the basis of their age.

Table 4(c): POST HOC Results for Perception of Villagers Regarding Significance of the Scheme PMJDY: Age wise Distribution

AGE	BELOW 30	30-45
BELOW 30		
30-45	1.227*	
ABOVE 45	1.537**	.309

****Implies that the mean difference is significant at the 0.01 level**

***Implies that the mean difference is significant at the 0.05 level.**

Table 4(c) shows the post hoc results for perception of the villagers regarding the significance of the scheme PMJDY on the basis of their age, in which the mean difference is significant at 0.05 level between below 30 and 30-45 years age group and the mean difference is also highly significant at 0.01 level between below 30 and above 45 years age group. On the basis of above analysis, it can be concluded that the villagers from less age group are opportunistic about PMJDY and are expecting affirmative results (Chowhan & Pande, 2014).

CONCLUSIONS

Thus, it can be concluded that, in totality, when the complete knowledge with regard to scheme PMJDY was analyzed, results depicted that there is still a portion of people who do not have complete knowledge with regard to the scheme. It is observed that their knowledge is incomplete for the overdraft facility and insurance benefits linked to the Jan

Dhan accounts. No doubt, banks are performing great job in including the excluded section and people are also appreciating their efforts, but still there is a lot of work that needs to be done. The infrastructural and technological constraints need to be dealt properly with due care to make a greater reach. People are opportunistic for all the benefits the scheme is expected to deliver and also want to contribute to their best. The need is to make the most of the opportunity to elevate the poverty and inequality. It is only by providing financial products and services to the vulnerable group at affordable cost, we can initiate the process of dealing with the problem of financial exclusion.

REFERENCES

1. Bihari, Chandra Suresh. (2012). "Financial Literacy: The key to Inclusive Growth" *Bank Quest*, Vol. 83 (1), 15-25.
2. Chakrabarti (2011) "Institutional Financing for Rural Credit in India", New Century Publications Pvt. Ltd., New Delhi.
3. Chowhan, S.S. & Pande C.J. (2014). "Pradhan Mantri Jan Dhan Yojana: A Giant Leap Towards Financial Inclusion" *International Journal of Research in Management and Business Studies*, Vol. 1(4), 19-22.
4. Department of Financial Services (2017). www.financialservices.gov.in
5. Govt. of India (2014). "Prime Minister to Launch Pradhan Mantri Jan Dhan Yojana", Press Information Bureau.
6. Karmakar, Banerjee & Mohapatra (2011). "Towards Financial Inclusion in India", Sage Publications India Pvt. Ltd., New Delhi.
7. Radhika Dixit & Munmun Ghosh, *Financial Inclusion For Inclusive Growth of India-A Study of Indian States*, *International Journal of Business Management & Research (IJBMR)*, Volume 3, Issue 1, March-April 2013, pp. 147-156
8. Sharma (2015). "Transforming Rural India Through Financial Dissemination" *International Journal of Scientific Research*, Vol.4 (5), pp 3-6.
9. Singh (2013). "Financial Inclusion to Bring Every Household in Banking Ambit" *Kurukshetra*, Vol.61(3), 47-48.
10. Singh, Dadhich & Ananth. (2015). "Financial Inclusion and Social Change" *Yojana*, Vol. 59(8), 7-11.
11. Sahoo (2014). "Roadmap to Financial Inclusion: Pradhan Mantri Jan Dhan Yojana" *Yojana*, Vol.58(SI), 30-34.
12. RBI (2005) "Report on Rural Credit and Microfinance", Retrieved from www.rbi.org.in

