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An Analysis of PMJDY on Marginalized Population in Atrauli Village (Lucknow)

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Abstract:

“Economic resources of the country should be utilized for the wellbeing of the poor. The change will commence from this point”. With this view, our visionary Prime Minister launched a national mission on financial inclusion on 15th August 2014. Financial accessibility is essential for the economic growth of a country. In a country like India unorganized sector play a pivotal role by accounting for 50 per cent of national product. A high proportion of socially and economically under privileged sections of society are engaged in this sector. Such marginalized people are characterized by low earning capacity, low level of skills, illiteracy and ignorance and therefore remain deprived from availing financial facilities which make financial inclusion futile. Here an attempt is made to analyze the impact of this initiative on marginal population of Atrauli village nearby Lucknow city. The proposed paper shows the outcome of a qualitative study conducted to identify the effect of PMJDY on marginalized workers in Atrauli village. The study was conducted with 120 marginalized workers engaged in different work. The findings show a mixed influence of PMJDY on marginalized people working in unorganized sector.

Keywords: PMJDY, Marginalized Workers, Financial Literacy, Lucknow

1. Introduction

Our visionary Prime Minister envision that the growth and development of our country is possible only by putting the economic resources optimally into use for the betterment of marginal population. He asserted that exclusion from banking system keep out people from availing benefits of modern financial system. With this thought he launched PMJDY- an ambitious financial inclusion program to accommodate the unmet financial needs of both rural and urban population of our country. The initial target of Jan Dhan Yojna is to cover 100 million unbanked households by 26th January, 2015. On the inaugural day, a record 15 million bank accounts were opened across the country under this initiative. Nowhere else in the world, such a large number of bank accounts have been opened on a single day. In less than a month, nearly 40 million accounts have been opened under this initiative. The banking network is all set to open bank accounts of the uncovered households in both rural and urban areas. In fact, the banking sector would be expanding itself to set up an additional 50,000 business correspondents, more than 7,000 branches and more than 20,000 new ATMs in the first phase. PMJDY has certain additional benefits over earlier approach (Swabhimaan). Previous scheme was narrow in terms of coverage (targeted to villages having population more than 2000) and reach (not focused on households). Keeping these shortfalls into consideration several new developments like coverage of all households- rural as well as urban of whole country, fixed point BCs in each sub-service area (SSA comprising of 3-4 villages on an average), opening of online accounts in CBS of the bank, integration of DBT, credit, insurance, pension through accounts, Inter-operatability through Ru-Pay debit card, AEPS, use of mobile banking, simplified procedure for opening account, improvement on BC model, structured monitoring mechanism, introduction of financial literacy cell, OD facility and grievance redressal cell etc.

The program for financial inclusion under the PMJDY is based on six pillars:

- The country will be divided into a number of sub-service areas (SSA), each with 1,000-1,500 households. One banking outlet (branch or BC) will be established within a distance of five km from every SSA by August 2015.
- One bank account will be ensured for every household by August 2015, along with a Ru-Pay debit card and an accident cover worth Rs.1, 00,000. If the credit history is satisfactory during the first six months, the account holder will become eligible for an overdraft worth Rs.5, 000.
- Financial literacy programs will be expanded by August 2015 to spread awareness about financial services.
- A Credit Guarantee Fund will be created before August 2018 to cover potential defaults in overdrafts.

- All willing and eligible persons will be provided with micro-insurance by August 2018.
- Pension payments under the Swavalamban Yojna scheme for workers in the unorganized sector will be paid through bank accounts by August 2018.

An account holder can avail following special benefits under PMJDY:

- No minimum balance required.
- Accidental insurance cover of Rs.1.00 lakh.
- Life insurance cover of Rs. 30,000/-.
- Easy Transfer of money across India.
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- Access to Pension, insurance products etc.
- Accidental Insurance Cover.
- Overdraft facility upto Rs.5000/- is available.

Although this time government of India has put maximum possible efforts to make our honorable prime ministers' vision to come true by eradicating the shortcomings of earlier scheme of financial inclusion. Despite to the fact certain challenges may arise that might restrict the success of this endeavor to certain extent. In this paper an effort has been made to analyze whether this prudently structured scheme has anticipated impact on financially excluded population especially marginalized people or not.

1.1. Objectives of Study

The objective of this paper is twofold. Firstly, to assess the impact of Pradhan Mantri Jan Dhan Yojna on marginalized people residing in village close by Lucknow city and secondly to provide inputs that can be used for the better execution of the scheme.

1.2. Research Methodology

A cross sectional qualitative study design was used in this study. For this a field survey of Atrauli village close by Lucknow was conducted. This survey was conducted from 1st October 2015 to 3rd December 2015. 120 respondents engaged in domestic work, construction work, Petty trades and rickshaw pulling were selected from there for in depth interviews. Participants were selected on the basis of following three criteria's.

1. They must have opened account under this scheme till August 2015.
2. They must be working in unorganized sector for their livelihood.
3. They must be a responsive and active member of that village.

The rationale behind adopting above stated criteria was two-fold. Firstly, to ensure that interviewee has an overview of scheme and secondly, to make sure that they have spent substantial time with their accounts.

The researchers approached to the participants and interviewed them when they were alone and had leisure time. In order to get acquainted with the effects of scheme on them researchers asked open ended semi structured questions in conversational style. In order to sought information about the scheme an open ended semi-structured questionnaire comprised of parameters like accessibility to formal financial services, awareness of scheme, knowledge about scheme, financial literacy, level of difficulty in opening account, coverage, satisfaction level for scheme and financial inclusion was framed. Participants were made assure that their identity and information given by them will remain secret and exclusively be used for this study. Interviews were conducted in Hindi language (being their mother tongue) so that they can describe their views freely and confidently.

3. Results

Following inferences are made on the basis of analysis of data collected from respondents:-

3.1. Accessibility

Out of 120 respondents 46 have reported that they have accounts in different banks before the launch of PMJDY. In spite of that they also reported that they have opened their second account under this scheme keeping benefits of the scheme under consideration. Remaining 74 told that they didn't have accounts before this scheme but they have opened accounts under this scheme.

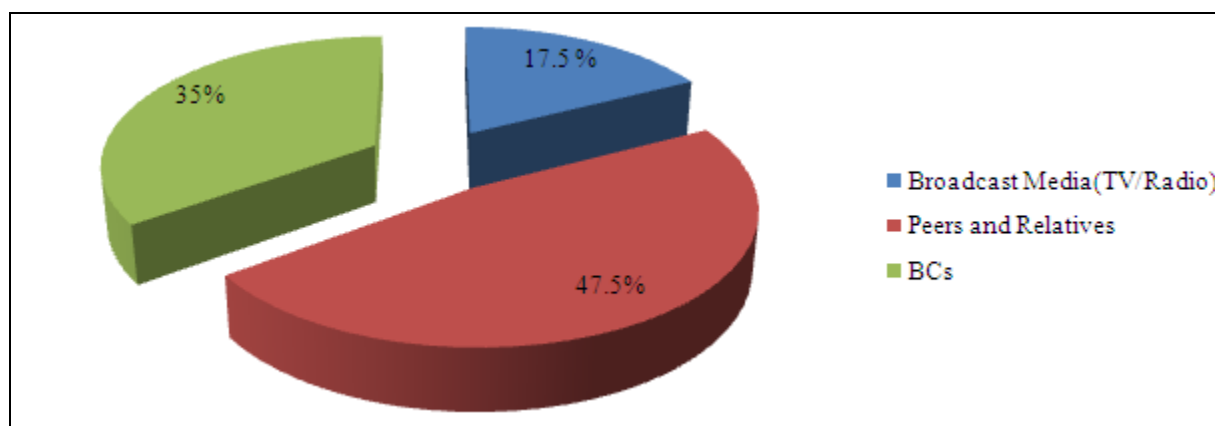


Figure 1: Source of Information
Source: Compiled from primary data.

3.2. Awareness of Scheme

Awareness level of scheme was found to be extremely high. All the respondents were fully aware about this ambitious scheme. Respondent when being asked about medium of information about the scheme around 21 reported that they have come to know about it through broadcast media (TV/Radio), 57 reported that their source of information was relatives' friends & neighbors, 42 reported that BCs approached them for opening accounts under PMJDY.

3.3. Coverage

On interviewing all the respondents we came to know that every habitat has access to banking service from this village within a distance of 5 kilometer. However most of them reported that bank employees didn't entertain their queries due to being busy in other routine banking activities.

3.4. Level of Difficulty

Respondents reported that they didn't face any difficulty in opening accounts under PMJDY. They told that they were not being asked to produce many documents for opening accounts under it. However, those who already had bank accounts and also opened under this scheme have reported that they have undergone cumbersome paper formalities in their earlier accounts.

3.5. Knowledge on Scheme

Information asymmetry on this scheme has been found among respondents. It has been found that they are in wrong notion that mere by opening accounts they can avail benefits like OD of Rs. 5000, accident cover of Rs. 100000, life insurance cover of Rs. 30000 without exactly knowing the terms and conditions of availing such benefits. On interviewing them we also came to know that they perceived that in case of an accident or death they will get stated amount from the government because they belong to poor population. None of the respondents was found to be aware about the repayment of OD amount. Moreover, they are also not aware that they can avail the benefits of this scheme only after active operation and making frequent transactions for 6 months' period. They were also found to be ignorant about the 41 paisa per transaction charges on usage of Ru-pay Debit card. They were also not being told that Adhar card linkage is mandatory for availing benefits under this scheme. They were not being informed by BCs that only one person per household preferably a woman would be eligible to avail OD facility. They were not informed that to avail accidental insurance Ru-pay Debit card must be used once in 45 days.

3.6. Financial Literacy

None of the respondents attended any financial literacy program till the date of interview. They were found to be un-informed about the merits of accessing formal financial system. It has been inferred from the responses obtained after interviewing the respondents that they are not being informed about the importance and usefulness of savings in their accounts. They were also found to be uninformed about the other important banking services such as credit facilities, insurance etc. They didn't get any advice and education on managing money as well as debt counseling by BCs or bank itself. However, bank employees as well as BCs helped them in filling account opening forms and collecting and processing of forms for deposits.

3.7. Financial Inclusion

Financial inclusion aims at providing financial service to weaker section of society (marginal Population) at an affordable cost. PMJDY is primarily launched with the motive of financial inclusion so that marginal population could connect with modern financial system. PMJDY got huge success in its objective because all the respondents told that their accounts get opened under it though they didn't have access before it. However, financial inclusion also aims at continuous operations in the already opened bank accounts. But on interviewing all the respondents we came to know that 118 respondents didn't make any transactions in their accounts. They reported that even after opening accounts they availed loan from unorganized financial system. Local availability, flexible repayment

and ability to borrow very small sums without security at untimely hour were the main reasons cited by them for their dependence on unorganized system. This reflects that PMJDY is also not contributing in its objective of financial inclusion.

3.8. Satisfaction

All the respondents were found to be happy and satisfied with the launch of the scheme. They cited that opening of zero balance account, hassle free documentation facilities and benefits associated with the scheme as prime reasons for their satisfaction.

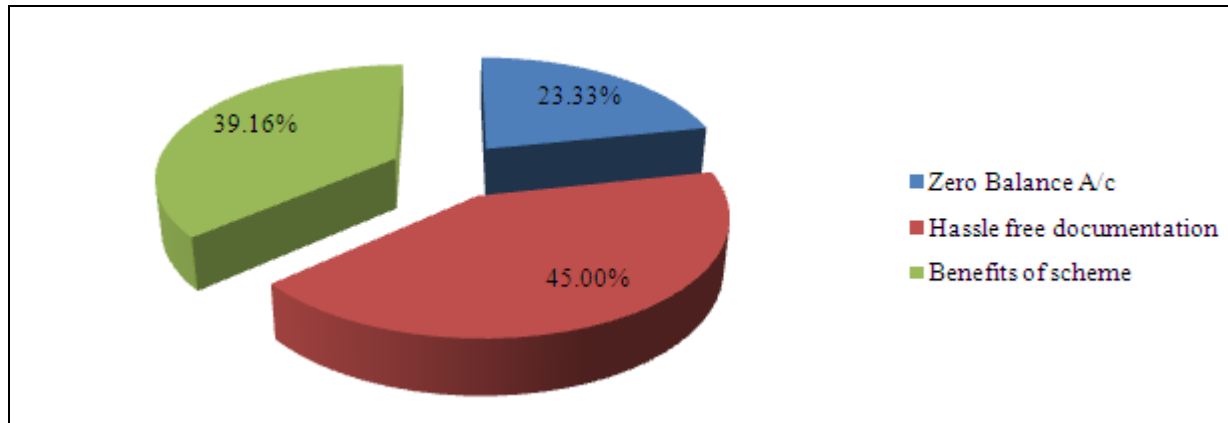


Figure 2: Satisfaction Level
Source: Compiled from primary data.

3.9. Recommendations

On the basis of above stated outcomes there are certain suggestions which government need to take into consideration:

1. Government should aim at improving the level of financial literacy among marginal population which will help them not only availing the benefits of this scheme but also the responsibilities attached with it.
2. In order to realize the objective of PMJDY in its true sense government should request bank to create a separate cell where account holders of PMJDY are being counseled and encouraged to operate their accounts and availing financial services from formal system rather than leaving their accounts dormant and connecting with informal financial system.
3. Banks should take this initiative of financial inclusion as a business prospect rather than burden and utilize it as a way to expand the resource base of country's financial system.
4. Government should provide a structured format to BCs for educating people about advantages of formal financial system and their obligations for claiming the benefits under the scheme so that BCs would not skip significant information in rush.

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