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RESEARCH ARTICLE

PERFORMANCE OF SCBS IN EXTENDING REACH AND ACCESS OF PMJDY PROGRAM – A PROGRESSIVE ANALYSIS

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Abstract

Financial inclusion needs to be improved to ensure balanced and sustainable development of the economy. The banking industry plays a critical role in the spread of financial literacy and access to financial inclusion of hitherto inaccessible sections in the economy. Government India launched the PMJDY program to ensure faster and well spread-out delivery of credit services to the needy sections. The primary objective of this program is to ensure access to banking services to people who were not privy to these services. RuPay card linkage is an innovative feature of PMJDY which ensures that the majority of them are exposed to digital banking services. The success of financial inclusion is a function of the access and reach to digital banking through RuPay cards. The shortfall in providing these services results in limiting the impact of PMJDY.

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Introduction:-

Financial inclusion is emerging as a new paradigm of economic growth that plays a major role in driving away poverty from the country. Financial Inclusion refers to the delivery of banking and financial services of masses including privileged and disadvantaged people at affordable terms and conditions. Bringing rural masses into the ambit of banking services is the major challenge for any economy. Financial inclusion is an important strategy for a country for ensuring economic growth and advancements of society. It aims at reducing the gap between rich and poor. It plays a pivotal role in the balanced growth and development of the economy. Banks play a critical role in the financial inclusion process by providing access to banking services through innovative products. To overcome the limitations related to financial inclusion, the Government of India launched PMJDY in the year 2014. PMJDY is a comprehensive financial inclusion program, leading to the opening up of new accounts with insurance and pension facilities.

The National Mission of Financial Inclusion is renamed the Pradhan Mantri Jan Dhan Yojana which seeks to integrate the poorest of the poor with bank accounts. PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programs. Also, they receive a RuPay debit card, with an inbuilt accident insurance cover of Rs. 2 lakhs, and access to an overdraft facility upon

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satisfactory operation of account or credit history of six months. Further, it ensures Direct Benefit Transfer (DBT) of Social Security Schemes and subsidies to the beneficiaries through PMJDY accounts.

Review of Literature:-

Several research studies were taken up on different dimensions of PMJDY. A few of them are presented in this section.

Atkinson, A. and F. Messy, (2013) [1] Defined Financial inclusion refers to the process of promoting affordable, timely, and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches, including financial awareness and education to promote financial well-being as well as economic and social inclusion.

Shankar, S. (2013) [2] identified the importance of financial inclusion stems from various factors. First, an inability to access financial services could lead financially excluded entities to deal mostly in cash, with its attendant problems of safe-keeping. Second, the lack of access to safe and formal saving avenues could reduce their incentives to save. Third, the lack of credit products means the inability to make investments and significantly improve their livelihoods. As a result, small entrepreneurs often lack an enabling financial environment to grow. Fourth, the lack of remittance products leads to money transfers being cumbersome and high risk. Fifth, the lack of insurance products means a lack of opportunities for risk management and wealth smoothening.

Raval (2015)[3]in his research mentioned the importance of the inclusion of people of low income or deprived class in economic development. PMJDY is such an initiative in this direction by the government of India. He also studied that an initiative to cover the “excluded segment” can be successful if the government is backed with efforts of private sectors and involvement of people beyond just policy formation of the government.

Balasubramanian (2015)[4] focused on the importance of financial literacy focusing on saving habits among the poor. He has built a decision tree model indicated that the number of earning members, family size, average monthly income, and nature of employment is the deterministic independent variables that influence the regular saving behavior of the poor.

Mrunal Chetan Bhai Joshi and Vikram P. Raj Purohit (2016)[5] found that the major reason for the low level of awareness about financial inclusion schemes is a lack of understanding about the important role of banking services in financial betterment. Thus, for better outcome of financial inclusion schemes, the government need to work on making the rural customer aware of the importance of various banking services in improving their financial health.

Dr. Mini Goyal, Ms. Maninder Khera (2016) [6] revealed that the contribution of the rural sector in terms of accounts opened under PMJDY was relatively higher than the urban sector in all the banking sectors. Among the public sector banks and RRBs, the State Bank of India plays an important and leading role in the opening of the accounts under PMJDY. The state-wise scenario of PMJDY showed that the highest number of accounts were opened in Uttar Pradesh including both rural and urban sectors due to its high population rate.

Reetika Bhatt (2017) [7] identified that in the first phase of the scheme several unbanked villages were identified and covered by opening banking outlets and in the second phase, a high increase in the number of bank accounts was seen. District wise study shows high progress of the scheme. The scheme is more successful in rural areas. The majority of the accounts are opened under this scheme and of the accounts opened majority are zero balance accounts.

Neha Sharma*, Dr. Ruchi Goyal (2017)Suggested that banks should persuade policymakers and the Government to spread financial information, as those efforts are seen to directly impact their business; and Banks should also take more interest in spreading financial information. Banks are suggested to put efforts to tap low-income households in rural areas, as they are not just potential markets for banks, but catering to them is part of their social responsibility as well.

Vivek Tripathi, (2018). [9] His analysis shows that financial literacy is not affected by PMJDY, the reason for this result may be the multidimensional implication of the term financial literacy. But there are also seen good positive results of this yojana on the economy such as banking behavior of concerned area has been affected greatly.

Robin Brahma (2019). [10] concluded that financial inclusion remains under challenges in advancing loan to the poor section of people as they are the inability to provide security against their loan and most of the rural people are unfamiliar with ATM, internet, online and mobile banking due to low literate.

Sandhra Ashok, Swathy S. Nair, Krishna M.B (2019)[11] suggested that the Government and RBI should take adequate measures so that the accountholders may maintain a cash balance in their accounts rather than taking advantage of the facility to maintaining zero balance in their accounts. These are some of the steps that can be taken to increase the performance of the scheme.

The preceding studies focussed on the features and operational issues of PMJDY. However, none of the studies were directed towards the access and reach of PMJDY. This study is primarily aimed at the growth and development of PMJDY in terms of beneficiaries as well as access to Ru - Pay cards.

Research Objectives:-

This paper intends to analyze the progress of PMJDY since its inception. The specific objectives of this paper are:

1. To study the progress of PMJDY in terms of the Number of Beneficiary Accounts.
2. To study the progress of PMJDY in terms of Ru-pay cards issued.
3. To analyze reach and access of PMJDY through shortfall in Ru-pay cards.

Methodology:-

The research analysis primarily targets several beneficiaries, the Number of Ru-pay cards issued, and the shortfall. The implementation of the program through different segments of SCBs viz., Public Sector Banks (PSBs), Private Sector Banks (PrSBs), and Regional Rural Banks (RRBs). Since the primary focus of this paper is on SCBs, the accounts opened through the cooperative sector is not included. The data belonging to the period between 2015-2020 is taken up for analysis.

Progress of Beneficiary Accounts Under PMJDY:

This section analyses the number of zero balance accounts opened in SCBs between 2015-20. The related data is presented in Table no.1:

Table no.1:- PMJDY Number of Beneficiary Accounts in SCBs.

(Number in Lakhs)							
Year	PSBs	Proportion	Pr. SBs	Proportion	RRBs	Proportion	SCBs
2015	1117.21	78.42	58.81	4.13	248.65	17.45	1424.67
2016	1677.3	78.7	76.81	3.6	377.16	17.7	2131.27
2017	2248.11	80.24	91.11	3.25	462.52	16.51	2801.74
2018	2532.84	80.81	99.05	3.16	502.58	16.03	3134.47
2019	2790.5	79.64	120.71	3.45	592.68	16.91	3503.89
2020	3046.03	79.62	125.72	3.29	653.93	17.09	3825.68
Times Increase	2.72		2.13		2.62		2.68
CAGR	18.19		13.5		17.48		17.89

(Source: PMJDY Progress report, PMJDY.gov.in)

It can be seen that the number of beneficiary accounts in SCBs started at 1424.67 lakhs in 2015 and reached 3825.62 lakhs by 2020, indicating a growth of 2.68 times from the inception. There was a study growth in the increase in the beneficiary accounts. The subsegmental analysis indicates that PSBs dominate in the beneficiary accounts with 1117.21 lakhs accounts in 2015 and reaching 3046.03 in 2020, on an average holding a proportion approximately 80 percent of all the beneficiary accounts of SCBs. This trend is followed by RRBs with the number of beneficiary accounts starting 248.65 lakhs in 2015 and ending 653.93 lakhs with an average proportion of 17 percent in the total beneficiaries of SCBS. The least progressive is PrSBs which have the lowest proportion of beneficiary accounts. Similarly, the number of times increase in beneficiary accounts shows that PSBs are leading with 2.72 times followed by RRBs 2.62. both these segments showed a similar trend as SCBs. On the other hand, PrSBs are lagging far away from SCBs.

The Compound Annual Growth Rate indicates a similar trend with 17.89 CAGR for SCBs 18.19 for PSBs, 17.48 for RRBS, and 13.5 for PrSBs. In terms of the number of beneficiary accounts, PSBs have shown better results than SCBs.

Progress of Ru-Pay Cards under PMJDY:

The Ru-Pay Cards was introduced and issued by NPCI (National Payments Corporation of India) under the PMJDY as a part of the Financial Inclusion program in India. This card is issued as and when the PMJDY account is opened. This card is accepted at all ATMs across the country. Cardholders will be able to make all kinds of transactions using the card, starting from making cashless payments to withdrawing cash, swiping it in PoS (Point of Sale) machines at any place. The PMJDY card offers free life insurance cover and free accident cover up to Rs 30,000 and Rs 1 lakh, this limit has been raised to Rs 2.00 lac for new PMJDY accounts opened after 28.08.2018. Additionally, account holders holding a PMJDY account also an overdraft facility of Rs 5,000 this was extended to Rs. 10,000 to accounts opened after 28.08.2018.

Table no.2: -The data related to the progress of Ru-pay cards under PMJDY is presented in the table.

Table no. 2: Number of Ru-pay Cards issued under PMJDY by SCBs							
(Number of cards in Lakhs)							
Year	PSB	Proportion	Pr. SBs	Proportion	RRBs	Proportion	SCBs
2015	1045.27	82.03	53.68	4.21	175.3	13.76	1274.25
2016	1422.88	80.72	72.33	4.1	267.46	15.17	1762.66
2017	1754.59	80.12	84.3	3.85	351.14	16.03	2190.03
2018	1902.78	80.56	91.99	3.89	367.06	15.54	2361.83
2019	2282.08	82.18	110.93	3.99	383.92	13.83	2776.93
2020	2449.22	83.8	115.28	3.94	358.05	12.25	2922.55
Times Increase	2.34		2.15		2.04		2.29
CAGR	15.25		13.58		12.64		14.83

(Source: PMJDY Progress report, PMJDY.gov.in)

It can be seen that the number of Ru-pay cards issued by SCBs was 1274.25 lakhs in 2015 and reached 2922.55 lakhs by 2020, indicating a growth rate of 2.29 times from the inception. the subsegmental analysis explains that PSBs dominate in the issue of Ru-pay cards with 1045.27 lakhs in 2015 to 2449.22 lakhs in 2020, on an average holding proportion to 82 percentage of the number of cards issued by SCBs. This trend is followed by RRBs, the number of Ru-pay cards issued was 175.3 lakhs and reached 358.05 by 2020 with an average proportion of 15 percentage in the total number of Ru-pay cards issued by SCBs. The least progressive is PrSBs issued number Ru-pay cards 53.68 lakhs in 2015 and ending 115.28 by 2020 with an average proportion of 3.8 percent. Similarly, the number of times increase in the number of Ru-pay cards issued shows that PSBs are leading with 15.25 times followed by PrSBs and RRBs. All these segments showed a similar trend as SCBs. On the other hand, RRBs are lagging behind SCBs.

The Compound Annual Growth Rate indicates a similar trend with 14.83CAGR for SCBs 15.25 for PSBs, 13.58 for PrSBs, and 12.64 for RRBs. In terms of the number of beneficiary accounts, PSBs have shown better than SCBs.

The shortfall in the issue of Ru-pay cards: To understand the financial inclusion through digital mode government of India has made it mandatory to issue Ru-pay debit cards along with Jan-dan accounts however the data collected on Ru-pay issuance indicates there is a shortfall. The shortfall ratio is calculated by taking the difference between the number of beneficiaries of PMJDY and the number of Ru-pay cards issued which is the shortfall amount and this shortfall amount is divided by the number of beneficiaries to get the ratio.

Table no.3: -Ru-pay shortfall ratio of SCBs is presented in the table.

Table no. 3: -Shortfall Ratio of SCBs.				
Year	PSBs	Pr. SBs	RRBs	SCBs
2015	6.44	8.72	29.5	10.56
2016	15.17	5.83	29.09	17.3
2017	21.95	7.47	24.08	21.83
2018	24.88	7.13	26.96	24.65

2019	18.22	8.1	35.22	20.75
2020	19.59	8.3	45.25	23.61
Average	17.71	7.59	31.68	19.78

The data indicates that the gap between the number of Jan-Dhan account holders and Ru-Pay debit cards continues to widen, highlighting the slowing growth of the Ru-pay card network. The shortfall ratio for SCBs was 10.56 in 2015 and has grown upto 23.61 in 2020 with an average shortfall of 19.78. all the segments of the banks have shown a similar trend except the PSBs. The shortfall is highest in RRBs starting at 29.50 in 2015 and increasing to 45.25 in 2020 with an average of 31.68, followed by PSBs. The average shortfall for the period is around 20 percent indicating that only 80 percent of Jan-Dhan account holders have access to Ru-pay cards. Further, the Data from the PMJDY website showed that as of 4 November 2020, there were only 302 million Ru-Pay cards against 412 million Jan-Dhan accounts. That means 110 million account holders without Ru-Pay cards, up from 79.5 million on 4 December 2019. The falling adoption means only 73.3% of Jan-Dan account holders now have a Ru-Pay card, slipping further from the December 2019 figure of 78.8%. The major segments contributing to the Ru-pay card shortfall are RRBs and PSBs. Interestingly, these are the segments that have widespread coverage of rural areas. The shortfall in the debit cards indicates that these banks did not play well in spreading digital banking in rural areas.

Conclusion:-

PMJDY is a landmark strategy in the Government's effort for spreading financial inclusion, especially in the economically weaker sections and rural areas. The study showed that PSBs are at the forefront in the opening up of PMJDY accounts and issue of RuPay cards. However, Private Sector banks showed better performance in the shortfall in the issue of RuPay cards. RRBs have been the least performers in this area. While the Government is keen on improving financial inclusion, the PSBs and RRBs have not lived up to the expectations. Though, Private sector banks have better performance in the shortfall in RuPay cards, their spread in the rural areas is very less. The overall access and reach are limited. Policymakers need to improve financial literacy and motivate the bankers to play a positive role in improving financial inclusion in the problem areas.

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