

THE STUDY OF FINANCIAL INCLUSION AND DEVELOPMENT OF BENEFICIARIES THROUGH PRADHAN MANTRI JAN DHAN YOJANA (PMJDY) IN WESTERN MAHARASHTRA: A RESEARCH PROPOSAL

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ABSTRACT

The PMJDY has been hailed as a major game-changer in the field of financial inclusion and economic development in India. The proposed research aims to understand the concept of financial inclusion and measure the awareness and reach of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra. In line with the research questions, objectives set for the study include studying and understanding the concept of financial inclusion and measure the awareness of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra, measuring the financial reach of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra, finding out the changes and upliftment in the socio-economic status of the beneficiaries in Western Maharashtra, and studying the challenges faced by Government and beneficiaries in the successful implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra. The proposed study is descriptive in nature. It will utilize both primary and secondary data. The primary data collection will be from a total of 400 beneficiaries from the five districts of Western Maharashtra. This paper presents the outline of the proposal that has been submitted to Dr.DY Patil Vidyapeeth (Deemed to be a University).

Keywords: Financial inclusion, Development of Beneficiaries, Pradhan Mantri Jan Dhan Yojana (PMJDY), Western Maharashtra

Introduction Background and context

It is important to understand the meaning of the term financial inclusion clearly. Because at times it is claimed that crores of bank accounts have been opened and this has led to an increase in financial inclusion. World Bank Group (2020) offers a comprehensive definition of financial inclusion as under:

“Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered responsibly and sustainably.”

In a span of six years from 2011 to 2017 the financial inclusion index of India has doubled from 16% to 32%. Yet India remains at one of the bottom rankers in financial inclusion when compared on an international basis. Additionally, there are issues like the difference in financial inclusion due to gender. Men in general show higher rates as compared to women.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

The PMJDY has been hailed as a major game-changer in the field of financial inclusion and economic development in India.

“Pradhan Mantri Jan-Dhan Yojana (PMJDY) under the National Mission for Financial Inclusion was launched initially for a period of 4 years (in two phases) on 28th August 2014. It envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance, and pension.

PMJDY has provided a platform for the three social security schemes viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), and Pradhan Mantri Mudra Yojana (PMMY).

The Government has decided to extend the comprehensive PMJDY program beyond 28.8.2018 with the change in focus on opening accounts from “every household” to “every adult”, with the following modification:

- Existing Over Draft (OD) limit of Rs. 5,000 revised to Rs. 10,000.
- No conditions attached for active PMJDY accounts availing OD up to Rs. 2,000.

- Age limit for availing OD facility revised from 18-60 years to 18-65 years.
- The accidental insurance cover for new RuPay card holders raised from existing Rs.1 lakh to Rs. 2 lakh to new PMJDY accounts opened after 28.8.2018.”

(Source: PMJDY, 2020)

Maharashtra Government (2020) has classified the state into five major divisions:

- Konkan - (Konkan Division)
- Paschim Maharashtra better is known as Desh - (Pune Division)
- Khandesh - (Nashik Division)
- Marathwada - (Aurangabad Division)
- Vidarbha

Out of this Paschim Maharashtra or Western, Maharashtra has five districts of Pune, Kolhapur, Satara, Sangli, and Solapur.

Research aim

The research aims to understand the concept of financial inclusion and measure the awareness and reach of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra.

Research objectives

In line with the research questions, the following objectives have been set for the study:

1. To study and understand the concept of financial inclusion and measure the awareness of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra.
2. To measure the financial reach of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra.
3. To find out the changes and upliftment in the socio-economic status of the beneficiaries in Western Maharashtra.
4. To study the challenges faced by the Government and beneficiaries in the successful implementation of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra.

Scope of the study

In terms of concept, the central topic of the study is financial inclusion. PMJDY is an instrument for achieving financial inclusion and development. The study is a measurement-

oriented study and two important aspects are measured by the study:

1. The financial reach of Pradhan Mantri Jan Dhan Yojana (PMJDY) in Western Maharashtra.
2. The changes and upliftment in the socio-economic status of the beneficiaries in Western Maharashtra

The term financial reach in the context of PMJDY means the number of beneficiaries and the benefits of the scheme. Thus, the study will measure the number of beneficiaries and financial benefits of PMJDY from Western Maharashtra. One major assumption the study makes is that changes and upliftment of SES happen because of PMJDY. It might happen because of 100s of other factors but the study has a major premise in relating it with the benefits from PMJDY.

Limitations

1. The study will have limitations in terms of geographical location since it will be conducted only concerning Western Maharashtra.
2. Moreover, the limitations of sampling will apply to the study.

Significance of the Study

The PMJDY has adopted the concept of Sub Service Area (SSA). It was proposed that the SSAs shall be covered through a mix of banking outlets i.e. branchless banking and branch banking (PMJDY, 2020). Progress report of the PMJDY as accessed in October 2020 shows some interesting facts about the SSA allocation in the state of Maharashtra.

The allocation of SSA's in the state of Maharashtra and Western Maharashtra as of 2020 shows that the five districts from Western Maharashtra highlighted in yellow in the table above sum up to 3753 SSA's with an average of $(3753/5)=751$. This allocation of SSA's average of Western Maharashtra is 1.50 times as compared to the entire state of Maharashtra. This makes the case interesting to look into. Why in the 1st place Western Maharashtra has a higher allocation of SSA's as compared to other districts in the state? What are the outcomes of the higher allocation of SSA's? These are some questions that raise curiosity

and hence the topic has been selected in the context of Western Maharashtra.

Review of the Literature

There are a few studies that have analyzed the relationship between financial inclusion and economic growth. Kendall et al. (2010) and Ghosh (2011) assess the part of financial access in economic growth with the data from the Indian sub-public level which demonstrates the positive effect of admittance to financial administrations and utilization of financial administrations on economic growth in India. Mihasonirina and Kangni (2011) additionally found the centrality of financial inclusion and correspondence innovation toward economic growth. Martinez et al. (2011) contended that admittance to fund is a significant strategy device utilized by governments and strategy producers to invigorate economic growth. By making account accessible and reasonable for every single economic specialist, it will influence the growth of economic exercises that will expand the output. Sarma and Pais (2011) discovered exact proof of a relationship between financial inclusion and economic growth utilizing data from 49 nations. Falahaty and Hook (2013) demonstrated that financial advancement is a critical determinant of economic growth. This discovering shows that improving the capacity of the financial sector is exceptionally essential to spike economic growth. Law, Azman-Saini, and Hui (2014) underscored that a very much created financial framework is fundamental for economic growth. Moreover, Sarma (2016) proceeded with the investigation by examining the causality relationship between different dimensions of financial inclusion and economic growth, which demonstrates that there is a two-way causality relationship between admittance to banking administrations and economic growth. As of late, Pradhan et al. (2016), Kim et al. (2018), and Raza et al. (2019) demonstrated that there is a noteworthy positive relationship between financial inclusion and economic growth.

Some recent studies are reviewed in details as under:

Maity and Sahu (2020) in their paper “Role of public sector banks towards financial inclusion during pre and post introduction of PMJDY: a

study on efficiency review” state that a comprehensive financial framework is basic to build up the nation's economy. An enormous move in financial inclusion was seen by the activity of government to incorporate financially barred into the formal financial framework by dispatching Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014. This paper intends to endeavor to look at the efficiency of public sector banks in financial inclusion during pre and post-presentation of PMJDY. The data envelopment analysis is utilized to quantify the efficiency of the banks towards financial inclusion for the periods, 2010–2011 to 2013–2014 as pre-acquaintance and 2014–2015 with 2017–2018 as a post-presentation stage. For this examination, flexibly side boundaries of financial inclusion are considered as input variables and request side boundaries as output variables. The investigation finds that general normal efficiency towards financial inclusion increments fundamentally during post-stage, however, all the public sector banks are not performing similarly. There is a huge variety of efficiency levels among them and even between the two-time frames. Further, there is a gigantic occasion to improve specialized efficiency with a similar amount of input which will assist with accomplishing the objective of financial inclusion.

Ozill (2020) explored the relationship between social inclusion and financial inclusion. Social inclusion and financial inclusion are two significant improvement strategy plans in numerous nations, and the relationship between them has gotten little consideration in the arrangement and scholastic writing. The study uncovers a positive and noteworthy relationship between social inclusion and financial inclusion for Asian nations, Middle Eastern nations, and African nations while the connection between social inclusion and financial inclusion is negative for European nations. The study likewise shows that European and Asian economies experience more significant levels of social inclusion and record possession in a formal financial foundation while African nations and Middle Eastern nations experience lower levels of social inclusion and account ownership.

Ratnawati et al., (2020) posit that as a push to accomplish a reasonable turn of events and increment individuals' government assistance, financial inclusion has become the strategy plan of numerous nations. Hence, the impact of financial inclusion on economic growth, poverty, income inequality, and financial stability in a few nations in Asia has become the objective and this is the subject of this investigation. Financial inclusion is estimated by 3 dimensions, to be specific: banking penetration, access to banking services, and use of banking services. Poverty proportion underneath the public poverty line and the Gini coefficient is utilized as pointers of poverty and income inequality. Financial stability is estimated by Bank Z-Score and bank nonperforming credits. The outcomes from the theory test show that all dimensions of financial stability at the same time have a critical impact on economic growth, poverty, income inequality, and financial stability. Then

again, the partial effect of financial inclusion measurement on economic growth, poverty lightening, income inequality, and financial stability in ten nations of Asia has not been ideal. The inferred consequences of this investigation are needed to be deciphered and considered by the Governments of every nation in creating techniques for expanding financial inclusion, with the goal that the arrangement to accomplish supportable turn of events and upgrade of individuals' government assistance can be accomplished.

Research Gap

Not many studies are seen concerning the PMJDY and its outcomes and especially with a sectorial focus on Western Maharashtra.

Research Methodology Research model

The research model for the study is shown as under:

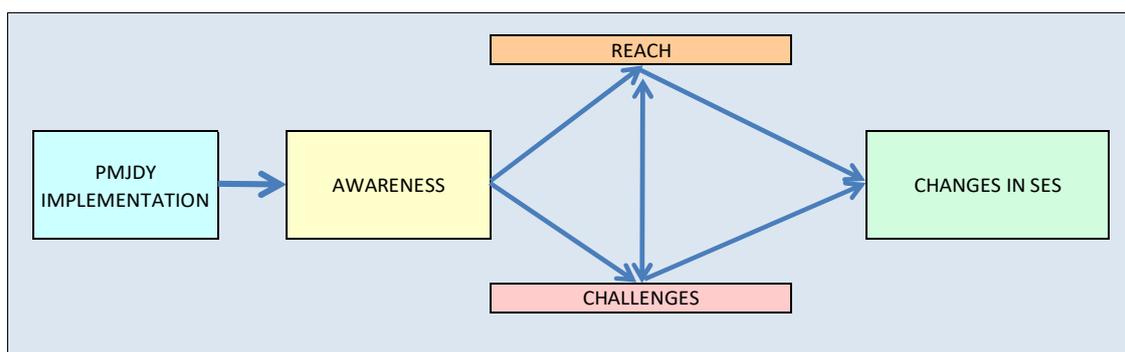


Figure 1: Conceptual model for the study

Variables – Dependent variables – Reach, Changes in SES, Challenges
Independent Variables – PMJDY Implementation, Awareness, Challenges

Hypotheses

Following hypotheses have been set for the study:

Ho1: The awareness about the PMJDY scheme is not significantly different than it is reasonably expected to be

Ha1: The awareness about the PMJDY scheme is significantly higher than it is reasonably expected to be

Ho2: Financial reach of PMJDY scheme in Western Maharashtra is at the same level as else were in Maharashtra

Ha2: Financial reach of PMJDY scheme in Western Maharashtra is at a higher level as compared to other parts of Maharashtra

Ho3: There is no change in SES (including development) due to PMJDY

Ha3: There is a positive change in SES (including development) due to PMJDY

Ho4: There are no significant challenges in the implementation of PMJDY

Ha4: There are no significant challenges in the implementation of PMJDY

Ho5: Factors like awareness, reach and challenges have not affected changes in SES and the development of beneficiaries

Ha5: Factors like awareness, reach and challenges have affected changes in SES and the development of beneficiaries

Hypotheses testing

These hypotheses would be tested based on the primary data to be collected by way of a questionnaire and also based on secondary data. The sample means would be compared with a hypothesized population mean of 50% connoting the happening of an event as a matter of chance. Since the standard deviation of the population is not known, as is a common practice, a t-test would be used to test the statistical significance. Multiple regression analysis will be used to measure the combined effects of the variables.

Data collection

Structured close-ended questionnaires will be used as the research instrument.

Sampling method

The convenience sampling method will be used. Information about the beneficiaries of the scheme would be sourced from banks.

Data Analysis

The responses would be statistically processed for descriptive and inferential analysis (testing of hypotheses) using spreadsheet software.

Type of study

This study is descriptive in nature. It will utilize both primary and secondary data. The

primary data collection will be from a total of 400 beneficiaries from the five districts of Western Maharashtra.

Population and sample

As per standard sample size tables like Krejcie and Morgan (1970) for a large population of 20,000, the sample size is 377; the same will be rounded off to 400. It can be easily estimated that for the five districts together the population of the beneficiaries would be more than 20,000.

Conclusion and Expected Outcome

The allocation of SSA's in the state of Maharashtra and Western Maharashtra as of 2020 shows that the five districts from Western Maharashtra sum up to 3753 SSA's with an average of $(3753/5)=751$. This allocation of SSA's average of Western Maharashtra is 1.50 times as compared to the entire state of Maharashtra. This makes the case interesting to look into. Why in the 1st place Western Maharashtra has a higher allocation of SSA's as compared to other districts in the state? What are the outcomes of the higher allocation of SSA's? This study is expected to provide answers to these questions. The outcome is expected to benefit academia and policy-makers.

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