

A STUDY ON THE EFFECTIVENESS OF PRADHAN MANTRI JAN DHAN YOJANA IN IMPROVING ACCESS TO BANKING SERVICES

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ABSTRACT

Financial inclusion constitutes one of the most strategically significant pillars of India's developmental agenda, given the historical exclusion of large rural and economically marginalized populations from the formal banking ecosystem. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in August 2014, represents the Government of India's most ambitious initiative to operationalize universal financial access. This study examines the effectiveness of PMJDY in improving banking penetration, savings behavior, and beneficiary awareness, with emphasis on qualitative dimensions that aggregate policy metrics often overlook. Drawing on primary data from 46 respondents and secondary sources, the research evaluates account ownership, usage intensity, and beneficiary-reported challenges. Findings indicate an affirmative trend in banking inclusion, with 62% of respondents holding Jan Dhan accounts and 74% affirming the scheme's positive impact. However, persistent structural frictions—inactive accounts, low digital adoption, and incomplete financial literacy—continue to constrain its transformative potential. The study concludes that while PMJDY has successfully catalyzed first-generation financial inclusion, sustained policy intervention in literacy, digital infrastructure, and account activation is necessary to deepen its impact.

KEYWORDS

Financial Inclusion, Jan Dhan Yojana, PMJDY, Banking Access, Direct Benefit Transfer, Rural Banking, Financial Literacy, Digital Financial Services, Government Policy, Inclusive Growth.

INTRODUCTION

1.1 The Structural Imperative of Financial Inclusion

In the contemporary macroeconomic discourse, financial inclusion has transcended its status as a welfare metric to become a foundational determinant of sustainable economic growth. India's pre-2014 banking landscape was defined by a structural paradox: an increasingly sophisticated financial sector coexisting with vast unbanked populations, particularly in rural districts and among socioeconomically marginalized communities. The World Bank's Global Findex database consistently identified India as home to one of the world's largest unbanked adult populations—a condition that systemically suppressed household savings rates, denied credit access to small entrepreneurs, and created significant leakages in the welfare delivery architecture.

1.2 PMJDY as a Policy Architecture for Universal Banking

The Pradhan Mantri Jan Dhan Yojana was not merely a financial product initiative but a comprehensive policy architecture designed to restructure the interface between the Indian state and its most economically vulnerable citizens. By mandating zero-balance savings accounts, issuing RuPay debit cards with built-in accidental insurance coverage of ₹ 1 lakh, providing overdraft facilities of up to ₹ 10,000, and integrating accounts into the Direct Benefit Transfer (DBT) framework, PMJDY engineered a multi-layered inclusion model. The

DBT linkage was particularly consequential: it enabled the direct crediting of government subsidies—covering LPG, MGNREGS wages, and farmer support payments—into beneficiaries' accounts, thereby eliminating intermediary leakages that had historically drained public welfare expenditure.

1.3 The Digital Augmentation Dimension

The contemporaneous expansion of India's digital payment infrastructure—catalyzed by JAM (Jan Dhan-Aadhaar-Mobile) integration—amplified PMJDY's potential by providing a transactional layer atop the account ownership base. Aadhaar-enabled payment systems, UPI-based transactions, and mobile banking have progressively reduced the physical branch-dependency that historically constrained banking access in geographically remote areas. However, the translation of account ownership into active digital participation remains incomplete, as adoption patterns reveal persistent divides along dimensions of financial literacy, technological infrastructure, and digital confidence among rural beneficiaries.

1.4 The Persistent Problem of Account Dormancy

Despite the scheme's quantitative success in expanding account coverage, a critical qualitative concern has emerged in academic and policy literature: the phenomenon of dormant or minimally-used accounts. Opening a bank account is a necessary but insufficient condition for functional financial inclusion. When accounts are used exclusively for DBT receipt and immediate cash withdrawal—without engaging savings, insurance, credit, or digital payment functionalities—the broader objectives of the scheme remain unrealized. This study positions this tension as its central analytical focus.

OBJECTIVES OF THE STUDY

1. To examine the macro-level impact of PMJDY on banking penetration and financial inclusion in India.
2. To assess the level of beneficiary awareness regarding the full spectrum of scheme benefits, including insurance and overdraft facilities.
3. To analyze account usage patterns and identify the primary transactional purposes for which Jan Dhan accounts are employed.
4. To evaluate beneficiary satisfaction with PMJDY services and their perception of the scheme's effectiveness.
5. To identify the structural and behavioral challenges impeding optimal account utilization.
6. To recommend evidence-based policy measures for deepening the qualitative impact of the scheme.

LITERATURE REVIEW

C. Rangarajan Committee (2008)

The Committee's landmark report established the conceptual framework within which PMJDY was subsequently designed. It defined financial inclusion as the process of ensuring access to financial services and adequate credit for vulnerable groups, arguing that inclusion is a prerequisite for poverty reduction and equitable growth.

Reserve Bank of India (2017)

The RBI's research on digital financial inclusion demonstrated that the convergence of mobile technology and Aadhaar biometrics creates a scalable delivery channel for formal banking services in geographically underserved regions. The study identified digital infrastructure as the critical enabler for translating account ownership into transactional activity.

Kaur & Singh (2018)

Using survey-based field research across rural Punjab, Kaur and Singh established that financial literacy constitutes the most significant determinant of active account usage, surpassing physical proximity to banking infrastructure. Their findings carry direct implications for the activation challenge observed under PMJDY.

Sharma & Verma (2020)

This study empirically demonstrated that access to formal banking accounts under inclusion schemes significantly improves household savings propensity and reduces reliance on informal moneylenders. The research established a causal mechanism between PMJDY-type interventions and formal savings behavior.

Gupta (2021)

Focusing on gender-disaggregated outcomes, Gupta's research found that PMJDY disproportionately benefited women beneficiaries by providing a financially independent instrument—a bank account in their own name—that created both economic agency and social leverage within households.

Mishra (2022)

Mishra's comparative analysis of rural districts across Madhya Pradesh and Maharashtra revealed persistent last-mile delivery gaps, attributing account dormancy primarily to inadequate Business Correspondent (BC) network density and infrequent customer engagement by bank branches in rural areas.

NABARD (2023)

NABARD's national-level assessment reaffirmed that financial literacy programming, when delivered through self-help groups and community organizations, produces significantly higher account activation rates than mass media campaigns, suggesting a need for community-embedded inclusion strategies.

RESEARCH METHODOLOGY

1. Research Design

The study adopts a descriptive research design, appropriate for investigating awareness levels, usage patterns, and attitudinal dispositions of beneficiaries toward PMJDY. Descriptive design facilitates systematic documentation of the current state of scheme implementation without manipulating variables, making it suitable for policy-evaluation research.

2. Sampling

Convenience sampling was employed to select 46 respondents from a cross-section of students, working professionals, and self-employed individuals. While this non-probability

method limits generalizability, the demographic diversity of the sample surfaces meaningful patterns in awareness, usage, and perception.

3. Data Collection

Primary data was collected via a structured questionnaire administered through Google Forms, comprising 15 multiple-choice questions spanning account ownership, awareness levels, usage frequency, purpose of account usage, challenges encountered, and overall satisfaction. Secondary data was drawn from government progress reports, RBI publications, NABARD assessments, and peer-reviewed academic literature.

4. Data Analysis

Collected data was analyzed using percentage-based statistical interpretation. Responses were categorized thematically to identify patterns across awareness, usage behavior, and perceived effectiveness, enabling a structured qualitative interpretation grounded in primary evidence.

5. Limitations of the Study

- The convenience sampling methodology constrains the generalizability of findings to the broader national population.
- A sample size of 46 respondents, while adequate for exploratory analysis, limits statistical inference.
- Responses reflect individual perceptions and self-reported behavior, which may be subject to social desirability bias.

DATA ANALYSIS AND INTERPRETATION

Respondent Profile and Account Ownership

The respondent cohort skewed toward the economically active younger demographic, with 36% in the 21–25 age bracket and equal representation (22% each) in the below-20 and 26–40 categories. Occupationally, 38% were working professionals, 28% students, and 20% self-employed, offering a reasonably diverse analytical base. A majority—62% of respondents—confirmed ownership of a Jan Dhan account, broadly consistent with national account penetration data and validating the scheme’s reach across socioeconomic strata.

Awareness Architecture: Depth vs. Breadth

General scheme awareness was relatively robust: 30% of respondents identified as highly aware and 36% as moderately aware, yielding a combined 66% meaningful awareness rate. Banks emerged as the primary awareness channel (40%), followed by government campaigns (26%) and media (20%). However, awareness of specific scheme benefits—insurance coverage and overdraft facilities—revealed a markedly different pattern. Only 26% were fully aware of these benefits, while 32% were only partially aware and 42% remained uninformed or uncertain. This divergence between general awareness and benefit-specific knowledge represents a significant implementation gap with direct consequences for scheme utilization.

Usage Intensity and Transactional Purpose

Account usage data reveals the operationally critical challenge of shallow engagement. Only 26% of account holders reported regular use, while 32% used accounts occasionally, 22% rarely, and 20% never—meaning 42% of account holders demonstrate effectively dormant engagement. The primary transactional purpose reinforces this pattern: 38% use accounts

exclusively for DBT receipt, 24% for savings, and 20% for withdrawals. The dominance of DBT-driven usage suggests that for a significant portion of beneficiaries, the Jan Dhan account functions as a conduit for government transfers rather than as an active financial management tool—a functionally constrained form of inclusion that does not fully realise the scheme's stated objectives.

Digital Banking Adoption and Structural Barriers

Digital banking adoption, a critical metric for assessing long-term sustainability, showed mixed results. While 30% of respondents reported regular digital banking usage and 28% used it occasionally, the combined 42% of rarely or never users signals the digital transition remains incomplete. The challenge profile corroborates this: 34% cited lack of awareness as their primary barrier, 26% reported digital banking difficulties, and 22% encountered poor service quality. These barriers collectively point to systemic gaps in both supply-side infrastructure and demand-side financial capacity.

Perception of Effectiveness and Scheme Impact

Despite the utilisation gaps, beneficiary perception of the scheme's impact remains strongly positive. An aggregate 74% of respondents agreed or strongly agreed that PMJDY has improved banking access, and 64% rated the scheme as effective or very effective in promoting financial inclusion. The impact on savings behaviour was similarly affirmative, with 72% reporting high or moderate improvement in saving habits attributable to account access. Satisfaction levels reinforced this trend, with 64% of respondents reporting satisfaction or high satisfaction with PMJDY services. These attitudinal findings indicate that the scheme enjoys strong legitimacy and perceived value among beneficiaries, providing a favourable foundation for deepened engagement.

CONCLUSION

The Pradhan Mantri Jan Dhan Yojana represents one of the most operationally ambitious financial inclusion interventions in modern developmental policy, and the evidence from this study affirms its substantial macro-level success in extending formal banking access to previously excluded populations. The scheme has demonstrably improved account penetration, facilitated transparent welfare delivery through DBT integration, and generated positive attitudinal shifts toward formal financial participation among beneficiaries. These are non-trivial achievements that have materially improved the financial security architecture available to India's economically marginalized populations.

However, the research underscores that account ownership and financial inclusion are not coextensive. The prevalence of dormant accounts, shallow transactional engagement, incomplete awareness of scheme benefits, and incomplete digital adoption indicate that PMJDY has successfully completed the first phase of inclusion—universal account access—but the second and more consequential phase of deepened, active participation remains a policy work-in-progress. The scheme's transformative potential can only be fully realized when beneficiaries engage with its full product suite: savings, insurance, credit, and digital payments.

Evidence-based policy recommendations emerging from this study include: (i) community-embedded financial literacy programs delivered through self-help groups and local institutions rather than mass media campaigns; (ii) targeted Business Correspondent network strengthening in areas with high dormant account concentrations; (iii) behavioral nudge interventions—such as SMS-based transactional reminders and milestone-based reward

structures—to stimulate account activation; and (iv) digital skilling initiatives co-delivered with banking infrastructure expansion to ensure supply-demand alignment in the digital transition. With sustained policy commitment to these second-generation inclusion measures, PMJDY can fulfil its foundational promise: not merely banking the unbanked but meaningfully integrating them into India's formal financial economy.

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