

**Study Report on**  
**Impact of Pradhan Mantri Jan Dhan Yojana (PMJDY)**



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**&**

**College of Agricultural Banking, Pune**

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*Caveat*

The study was carried out to observe the implementation status during the first phase of PMJDY (15 August 2014 to 14 August 2015). Some findings of this study based on the information collected at that point of time may not be relevant today, since, developments that took place during the intervening period particularly in case of delivery of RuPay cards and their activation. To that extent the findings need updating. However, issues and challenges raised in the report have validity even today.

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## *Foreword*

In order to further Financial Inclusion (FI), various initiatives have been taken by the Reserve Bank of India / Government of India/ National Bank for Agriculture and Rural Development. Such initiatives include nationalization of Banks; expansion of banks' branch network, especially in the rural areas; development of cooperative banking sector; introduction of priority sector lending norms and Self Help Group-Bank Linkage Programme. The Prime Minister Jan Dhan Yojana (PMJDY) has emerged as culmination of efforts towards FI. The Yojana has drawn upon the experience of FI initiatives in the past and has sought to address both demand and supply side issues. The first phase of PMJDY commenced in August 2014 and set a target of opening of one Basic Savings Bank Deposit Account (BSBDA) per household by 26 January 2015 with embedded facilities of Ru Pay Debit Card and Accidental Insurance Cover.

The Governing Council of Bankers Institute of Rural Development (BIRD), Lucknow desired that a study be taken up by BIRD in collaboration with RBI's College of Agricultural Banking (CAB), Pune to assess the impact of PMJDY on the level of financial inclusion in general and in particular on the level of utilization of Basic Savings Bank Deposit Account, use of Ru Pay Cards, incidence of Zero Balance and functioning of Financial Literacy Centres (FLCs) at grass root level. The study was also expected to identify issues/challenges faced in the process of implementation of the PMJDY.

Accordingly, the study was undertaken by two faculty members from BIRD and one faculty member from CAB. For the purpose, three districts, one each in the states of Jharkhand, Maharashtra and Uttar Pradesh, were selected for the study. The faculty members from BIRD undertook the study in Jharkhand and Uttar Pradesh whereas the study in Maharashtra was done by faculty member from CAB, Pune. The faculty members held discussions with various players in the rural landscape, collected information from them and undertook field level surveys.

This study report contains certain grass root level realities in rural financial inclusion space post PMJDY initiatives. These relate to the level of financial inclusion, utilization of Savings Bank Deposit Accounts, RuPay Cards, incidence of Zero Balance and functioning of Financial Literacy Centres (FLCs) at grass root level. The findings of the study also provide insights into the operations of Business Correspondents (BCs) and issues & challenges in implementation of PMJDY.

We hope that the study findings are useful to the stakeholders of PMJDY.

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## **Executive Summary**

Pradhan Mantri Jan DhanYojana (PMJDY), drawing upon the experience of past Financial Inclusion efforts, has sought to address both demand and supply side issues, envisaging universal access to banking facility with Financial Literacy. The first phase commenced in August 2014 and set a target of opening of one Basic Savings Bank Deposit Account (BSBDA) per household by 26 January 2015, embedded with RuPay Debit Card and Accidental Insurance Cover. As the Yojana progressed Overdraft (OD) facility and credit guarantee to cover the default OD accounts, Micro Insurance and Pension for unorganized sector have been added in steps.

The Governing Council of Bankers Institute of Rural Development (BIRD), Lucknow desired that a study be taken up by BIRD in collaboration with RBI's College of Agricultural Banking (CAB), Pune to assess the impact of PMJDY on the level of financial inclusion in general and in particular on the level of utilization of BSBDA, use of RuPay Cards, incidence of Zero Balance and functioning of Financial Literacy Centres (FLCs) at grass root level. The study was also expected to identify issues/challenges faced in the process of implementation of the PMJDY. Accordingly, the study was conducted by two faculty members from BIRD, Lucknow and one faculty member from CAB, Pune.

Following three districts in the states of Jharkhand, Maharashtra and Uttar Pradesh were selected for the study on the basis of various socio-economic and geographic parameters: Chatra (Jharkhand), economically backward, with difficult terrain, and low level of literacy, afflicted by Left wing Extremism; Pune (Maharashtra), economically developed, a metropolitan city and an information technology hub; Unnao (Uttar Pradesh), agrarian economy and near to the state capital Lucknow.

The methodology followed was discussions with officials of Regional Offices of National Bank for Agriculture and Rural Development (NABARD) and the State Level Bankers Committee (SLBC) at the state level; the Lead District Managers (LDMs), District Development Manager of NABARD and other offices at district level; field visits to the branches and survey of 200 households in selected villages (Chatra 62, Pune 60 and Unnao 78). The information obtained from various offices and field level survey have been analyzed to meet the objectives of the study. The major findings of the study are:

The study observed that almost all the respondents could have bank accounts as a significant number of households (about 60% to 65% per cent) opened accounts under PMJDY across the three districts i.e. Chatra, Pune and Unnao. However a number of accounts had no balance and the incidence of zero balance accounts was higher in Jharkhand (35%) and Maharashtra (34%) compared to Uttar Pradesh (28%). Based on primary data, the extent of utilization of BSBDA varied from 55% (Unnao) to 100% (Pune). There was wide variation among selected districts in respect of the receipt of Rupay cards as the same was received by about 16% respondents in Chatra, 26% in Unnao and 63% in Pune. The use of Rupay card even once was even lower in Chatra (6%) and Unnao (14%). However, it was used by all respondents in Pune. There was no FLC functioning in Chatra whereas very few, only 4% (Pune) and 8% (Unnao)

respondents knew about the existence of FLC in their areas. BCs were the main source of information on PMJDY (35% respondents in Chatra, 56% in Unnao and 100% in Pune). Awareness of insurance cover under PMJDY was low in Chatra (11% respondents) compared to Unnao (69%) and Pune (93%).

Various initiatives taken by Government of India through Indian Banks Association, State Level Bankers Committee, LDMs and bank branches have helped create awareness about the Yojana in the districts. Village level camps by banks through their Business Correspondents (BCs) / Financial Literacy Centers have further supplemented these efforts. The continuous monitoring and review of the implementation of the scheme at district level and state level by the special committees set up for this purpose as also by Department of Financial Services, Government of India have ensured proper monitoring of PMJDY. However, the entire process did put pressure on the banking apparatus which was not equipped fully to cope up with requirements of PMJDY in the given time frame.

The Yojana was implemented in the identified districts mainly by the public sector commercial banks and the Regional Rural Bank of the area. Private Sector commercial banks had a very limited role in urban areas. The rural and semi urban area were organized in Sub Service Area on the basis of number of households, about 1000-1500. The responsibility was allocated in urban areas on the basis of ward. Cooperative banks were not allocated any responsibility for coverage of any Sub Service Area or ward under the Yojana. In the light of the addition of Co-operative banks (Urban and Rural) in the PMJDY, Lead Banks may relook at the reallocation of sub-service areas / wards to these banks.

The financial literacy camps organized for the purpose have created awareness among the masses regarding facility of savings provided by banks to the public at large. The literacy drive highlighted the need for a bank account for crediting various government entitlements to bank account in Unnao district of Uttar Pradesh. However, responses in Pune and Chatra districts identified the need for savings as the most important reason for opening of bank account under PMJDY.

The Rupay cards were received very late by branches generally and could not reach most of the account holders in time. These were deactivated in lots after expiry of mandatory period at branch level. The use of card, by those who received it, varied widely from one district to another as mentioned earlier. In Pune, the card holders had used their cards regularly but in other districts the use of card was not regular.

The FLC Counsellors played an important role in creating awareness in the villages through camps organised by them. However, their effectiveness may be improved by more accessible location, undertaking outdoor activities outside the area of sponsoring bank and with employees/ BCs of other than sponsoring bank.

BCs played a critical role in ensuring the success of the Yojana by motivating people and helping them fill the account opening form. However, they were not receiving adequate remuneration because of low transactions due to technological constraints and limited role assigned by banks. The inadequate and erratic power supply and poor

quality of telecom connectivity affected the operations of bank branches, Automated Teller Machine (ATM) and the BCs in rural and semi urban areas.

Only a few new branches were opened, in the wake of implementation of PMJDY, in the rural areas. Even these were located at the same place where branches of other banks were already operational, which did not help the interior villages. There was absence of ATMs in rural areas and those located at semi urban centers were functional as per branch timings because of security concerns and inadequate power and telecom connectivity.

Overall, it may be said that PMJDY has served the purpose of financial inclusion to a great extent. However, concerted efforts are needed to address the issues relating to Information and Communication Technology (ICT) in banks, BCs and FLCs so that the tempo gained thus far is sustained and the goal of total financial inclusion is reached in near future.

**Note - To download full study Report please visit <http://www.NotNul.com>**