

# Role of Pradhan Mantri Jan Dhan Yojana in the Financial literacy of West Bengal

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## Abstract

This study shows Pradhan Mantri Jan Dhan Yojana (PMJDY) can improve financial literacy in West Bengal. The study is founded on the survey of 1000 participants, 500 of whom have PMJDY accounts and 500 participants have regular bank accounts as a control group. The research measures awareness, usage trends and financial behaviour to measure scheme effectiveness. The results demonstrate that PMJDY has made a considerable contribution to the growth in the number of bank accounts; however, it has not produced a substantial effect on enhancing financial literacy and active use of banking services. Some of the main features like overdraft and insurance benefits are unknown to a high percentage of the beneficiaries. Also, there are a number of inactive or infrequently used accounts. The paper concludes that financial inclusion efforts should focus on awareness, education and behaviour change to have significant results. The success of PMJDY in the long run should be supported by fortifying financial literacy programs.

**Keywords:** Financial Inclusion, PMJDY. Financial Literacy and Banking Behaviour.

## 1.Introduction

Financial inclusion is a common goal of developing countries, especially in countries like India where most of the population lives outside the banking system. Financial inclusion refers to providing financial products and services to those who are vulnerable (low income families, rural residents, or the underprivileged) at affordable prices. It gained ground in India when it was recognized that financial inclusion is important to poverty reduction, economic growth, and social equity (Sarma & Pais, 2010).

The government of India has undertaken several initiatives towards financial inclusion, among them the PMJDY, which was launched in August 2014, is one of the most ambitious and large-scale schemes. It aims to give people access to bank accounts, credit, insurance, and pensions; financially empower people by integrating them into the formal financial system and giving them direct benefit transfers (DBT). PMJDY has helped improve the number of bank accounts in the country and the overall financial inclusion index (Agarwala et al., 2023).

Financial inclusion, however, is not only access to banking services, but also the use of these services. In this respect, financial literacy is necessary since it allows individuals to make informed choices and learn how to use banking services and comprehend financial products. Unless people are financially literate, the schemes such as PMJDY can go to waste. The level of account penetration does not translate to full utilization of banking services because of lack of knowledge and understanding (Chakravarty et al., 2010).

West Bengal is a special case when it comes to the study of financial inclusion and literacy. Rural population in the state is enormous with a varied socio-economic framework with inequality in income, education, and access to financial services being eminent. Previous researchers which have concentrated on West Bengal have shown that despite the increased access to banking services through financial inclusion efforts, issues of low awareness, infrastructural constraints and socio-cultural impediments remain a challenge to the success of financial inclusion efforts (Chattopadhyay, 2011). In the same vein, Banerjee and Gupta (2019) noted that PMJDY has succeeded in enhancing access to banking services in the state and has not been entirely successful in promoting financial literacy and engaging in financial activities. Four years into the PMJDY, it will be of importance to take a critical look as to whether the scheme has delivered its overarching objectives as not just opening accounts. Although the scheme has been successful in swelling the ranks of bank

accounts, there is a question mark over dormant accounts, low frequency of transactions, and poor utilization of other facilities like overdraft, insurance and digital payments. The access versus usage difference underscores the role of financial literacy as a determining factor of the success of the scheme. Previous research shows that empirical evidence indicates that most beneficiaries do not know the benefits of PMJDY (or do not have the knowledge needed to take advantage of it). This ignorance limits the effectiveness of the scheme to enhance economic well-being and financial decision-making with the target population.

In addition, other social issues like gender inequality, illiteracy, and traditional financial practice also curtail the effects of financial inclusion programs. It is quite imperative to know how the PMJDY scheme is assisting people in West Bengal to become more financially literate. The state has done a fantastic job of ensuring that more banks reach people, although it remains unclear whether this has helped them to make better financial decisions. Thus, this paper would like to examine the effectiveness of PMJDY in West Bengal by examining the level of awareness of the scheme, the way people use it, and what benefits they believe it to offer.

In so doing, will be in a better position to understand how PMJDY is actually helping people to improve their financial knowledge and behaviour. It is important as being financially literate is the key to making wise choices regarding money, and it can make a significant difference in the lives of people. Another question that this research wants to answer is how individuals who have PMJDY accounts differ with those individuals who have regular bank accounts in their knowledge about money and the financial choices they make. It will then compare these two groups to find out whether PMJDY has been able to help narrow the difference between being able to access banking, and knowing how to manage your money.

## **2. Methodology**

### **2.1 Research Design**

This paper examines the effectiveness of one such government initiative, Pradhan Mantri Jan Dhan Yojana (PMJDY), which is aimed at enhancing the knowledge about money and banking among the population in West Bengal. We would like to find out what people already know about money, how they use banks and what are financial services that they utilize. The researchers also compare individuals participating in the PMJDY program and those with usual bank accounts to determine whether the program is affecting them. Through this, we will be able to determine whether the program is actually making people more financially literate than simply having the regular bank account. We use real information of individuals to form our study and this provides us with a clear picture of how individuals actually manage their money and what they understand about banking. The research employed two-part approach in order to have a full picture of the situation. To begin with, the research that examines the present level of financial literacy and banking practices in the region. After that, the comparison of the outcomes of individuals in the PMJDY program with those who have normal bank accounts. This will assist in determining whether the program is positively influencing the financial knowledge and behaviour of people. This is to obtain an actual picture of the impact of PMJDY program on the financial lives of people. When we gather information on the ground using the individuals themselves, we will be in a position to come up with a true picture of what is working and what is not. This will assist us in knowing whether the program is actually having a difference in enhancing the financial literacy in West Bengal. In general, our research will shed light on the relevance of the PMJDY program in promoting financial literacy.

### **2.2 Area and Sample of Study.**

The study was carried out in five selected districts in West Bengal which was to represent both rural and semi-urban areas with various social economic backgrounds. The sampling was purposive and ensured that the districts were diverse in terms of literacy levels, distribution of income and the presence of banking infrastructure. The researchers sampled 1000 respondents half of whom had opened the bank accounts under PMJDY and the remaining half had regular bank accounts. The latter was the control group. In order to

ensure that there was adequate representation of different groups in terms of demographic variables such as age, gender, occupation, income and educational level, stratified random sampling technique was employed.

### **2.3 Data Collection Methods**

Two types of information are used in the research: that which we have discovered, and that which others have already found out. The research gathered the data by posing questions to people in a particular sequence, thus enabling us to learn a lot about their awareness of money and their bank usage. The questions were on such issues as whether they know what PMJDY is, how frequently they visit the bank, whether they save money or not, whether they are aware of the existence of various financial products, and how they feel about their financial situation. In this study, we gathered data individually to ensure that we deciphered everything right in case they had problem reading or comprehending things. In this manner, we would be confident that we had the correct information and it was clear. We also examined what other individuals have written about money and banks in scholarly papers, government publications and other research. This assisted us in the realization of the big picture and in the comparison of what we discovered with what other people have already discovered.

### **2.4 Variables and Measurement**

The primary aspect of financial literacy that we are studying in the research is that it determines the level of knowledge and the way in which individuals utilize financial services. Other factors that could influence financial literacy such as a type of bank account a person has, amount of money they earn, education level, occupation and whether one is a man or a woman were also considered in this study. In order to gauge financial literacy, we adopted a blend of things, among them the awareness of the people to the banking services, ability to utilize financial products and the understanding of the benefits of various schemes. We also required people to answer questions through a scale starting with strongly agree to strongly disagree, which would allow us to understand more about their ideas and perceptions. This will provide a better view of financial literacy, as opposed to simple yes or no responses. In so doing, we will be better able to understand the way people think about and use financial services.

### **2.5 Data Analysis Techniques**

It was analysed using special tools such as Microsoft Excel and SPSS to analyse data. Simple statistics such as percentages, averages, frequency distributions and the like helped us to have an idea of who the respondents were and how they responded to our questions. The experiment involved comparing the individuals who gained the advantage of PMJDY with those who did not, to understand whether there were any differences between their perceptions and the application of financial matters. Moreover, the research had to examine how the financial knowledge was correlated with other variables such as education and income and therefore we performed a correlation analysis. This study findings easy to comprehend in a clear way through the use of graphs, charts and tables. This helped us to visualise the data and to identify the patterns and trends that would otherwise have been impossible to see initially. By all these means, we might get a clear view of the information and draw great conclusions out of it. The systematic approach to the method used has limitations to the study. It has been restricted to five districts of West Bengal and this cannot be extended to the state or the country. There is also the risk of response bias given that there may be respondents who do not report their financial behaviour or level of awareness in the right way.

### 3.Results and discussion

**Table 1: Account Usage Pattern**

Usage Category	PMJDY Beneficiaries (%)	Control Group (%)
Regular Usage	32	58
Occasional Usage	38	27
Rare/No Usage	30	15

Table.1, shows that there is a substantial difference between PMJDY beneficiaries and the control group in terms of account usage. Although the scheme has been effective in ensuring ownership of accounts, 32% of those who are beneficiaries actively use their accounts as opposed to 58% in the control group. A significant percentage of PMJDY accounts are not used regularly or actively. This implies that financial inclusion by PMJDY is still rather superficial because access has not been converted to a habitual practice of banking. The reason behind the low utilization could be due to ignorance, inconsistent income, as well as insufficient knowledge about banking activities.

**Table 2: Awareness of PMJDY Features**

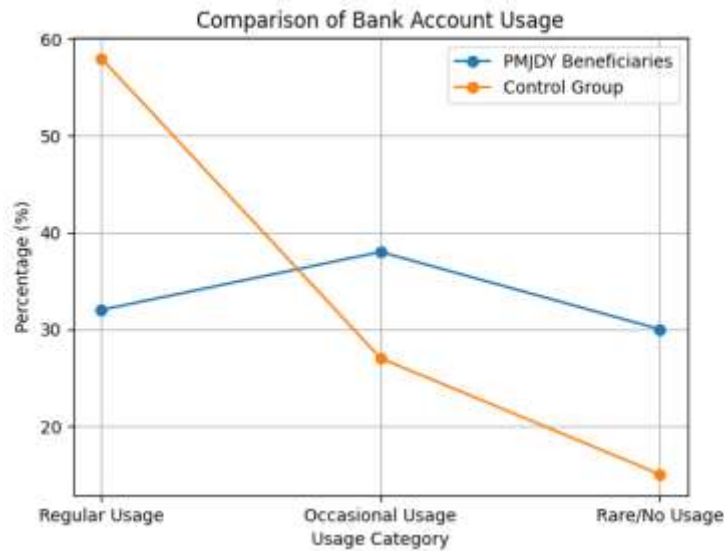
Feature	Aware (%)	Not Aware (%)
Savings Account	85	15
RuPay Card	48	52
Insurance Benefits	35	65
Overdraft Facility	28	72

Table.2, clearly demonstrates that awareness is focused in basic banking services and knowledge of other benefits is still low. In spite of the fact that overdraft (28%) and insurance (35) have the lowest awareness rates, 85% of the respondents are aware of simple savings accounts. This shows that PMJDY has failed to inform the beneficiaries about the entire scope of benefits. The unawareness has a direct impact on utilization, which restricts the effectiveness of the scheme in achieving financial literacy and economic empowerment.

**Table 3: Financial Literacy Levels**

Literacy Level	PMJDY Beneficiaries (%)	Control Group (%)
High	18	30
Moderate	40	45
Low	42	25

The level of financial literacy comparison indicates that the PMJDY beneficiaries are lower than the control group (Table.3). The proportion of the beneficiaries in the low literacy category is higher (42 percent) as compared to the control group (only 25 percent). This implies that PMJDY has not played a major role in enhancing financial literacy and decision making skills. The results underscore the fact that financial inclusion cannot deliver its desired results without proper education and awareness initiatives.



**Fig.1 Comparison of bank account usage**

Fig.1, a graphic example of the difference between PMJDY beneficiaries and control group in terms of variation in account usage pattern has been provided. It indicates that the frequency of regular usage is much lower in PMJDY account holders (32) than it is in the control group (58). On the other hand, the occasional and inactive use is greater among the beneficiaries of PMJDY, meaning that they have little experience in using banking services. The trend suggests that PMJDY has led to a situation whereby status of increased access levels to financial services has not been translated into frequent utilisation behaviour.

#### 4. Conclusion

The paper has found that PMJDY has achieved its goal of bank the unbanked in West Bengal. However, promoting financial literacy or active use of financial services has proved to be more successful than the scheme. Results indicate a broad gap in regards to access and use largely due to lack of awareness, low level of education and low knowledge on financial products. A second similarity between the PMJDY beneficiaries and regular account holders observed in the comparative analysis is that, the former are not as financially literate and financially behaved as their counterparts. The opening of accounts is not therefore a good indicator of financial inclusion. In order to make PMJDY even more effective, specific financial literacy training and simplified bank procedures along with more awareness campaigns are needed. A more comprehensive approach including access alongside education will help to maintain financial inclusion and improve the economic condition of individuals.

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