A study of performance of public sector banks in Thane city under the Prime Minister's Jan Dhan Yojana

Swami, Madhubala

R.A.D.A.V. College, Mumbai, University of Mumbai

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A STUDY OF PERFORMANCE OF PUBLIC SECTOR BANKS IN THANE CITY UNDER THE PRIME MINISTER'S JAN DHAN YOJANA

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DR. MADHUBALA SWAMI

ASSOCIATE PROFESSOR AND HEAD OF THE DEPARTMENT OF ECONOMICS

RAMANAND ARYA D.A.V. COLLEGE

BHANDUP (E)

MUMBAI 400042

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DECLARATION

I wish to state that the work embodied in this Minor Research Project titled, "A Study of Performance of Public Sector Banks in Thane City under the Prime Minister's Jan Dhan Yojana" forms my own contribution to the research work. I declare that the form and content of the above-mentioned research project are original and have not been submitted, in part or full, or published in any form earlier. Wherever reference has been made to any previous work of others in this research project, it has been duly acknowledged as such and is included in the Bibliography.

A STUDY OF PERFORMANCE OF PUBLIC SECTOR BANKS IN THANE CITY UNDER THE PRIME MINISTER'S JAN DHAN YOJANA

CHAPTER 1

INTRODUCTION

1.1 Introduction

The Prime Minister's Jan Dhan Yojana (PMJDY) was announced on 15th August, 2014 as an integrated approach towards achieving financial inclusion by the National Democratic Alliance (NDA) government. The plan envisages universal banking facilities to all households in the country, access to credit and social security in the form of insurance cover and pension facilities. The beneficiaries of this scheme would get an indigenous Rupay card with in-built accident insurance cover of Rupees one lakh. The plan also envisages transfer of all doles/subsidies to the poor from the central, state and local bodies through direct benefits transfer (DBT) to these accounts. This will save thousands of crores spent by the government for the poor which have been hitherto siphoned off by unscrupulous middlemen.

Inclusive growth is in-built in India's ecosystem. Nationalisation of banks, priority sector lending, progressive taxation, subsidies earmarked for the disadvantaged sections of the society, setting up Regional Rural Banks (RRBs), Self-help Groups Bank Linkage Programme (SBLP), microfinance etc. are various steps taken by the government to bring the excluded masses into mainstream economy. The idea of branchless banking was first mooted by the RBI in 2005. Since the Eleventh Plan (2007-12) period onwards the approach of the government towards financial inclusion has been more focussed. The government appointed Rangarajan Committee on financial inclusion in 2008, Nachiket More Committee in 2013 to suggest measures to deepen efforts of financial inclusion.

The committee on financial inclusion under the chairmanship of Dr. C. Rangarajan (2008) defined financial inclusion as,

> "Access to finance by the poor and vulnerable groups is a prerequisite for inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low income groups. The various financial services included credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty."

The RBI defines financial inclusion as:

> "Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players."

CGAP defines financial inclusion as:

> "Financial Inclusion may be defined as the process of ensuring access to financial services and adequate credit when needed by vulnerable group such as weaker section and low income group at an affordable cost"

According to G20:

> "Financial Inclusion refers to a state in which all working age adults have effective access to credit, savings, payment, and insurance from formal service providers. "Effective access" involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, with the result that financially excluded customers use formal financial services rather than existing informal options"

1.1.1 Financial Inclusion (Exclusion)

Financial inclusion (or, alternatively, financial exclusion) has been defined in the literature in the context of a larger issue of social inclusion (or exclusion) in a society. One of the early attempts by Leyshon and Thrift (1995) defined financial exclusion as referring to those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system. According to Sinclair (2001), financial exclusion means the inability to access necessary financial services in an appropriate form.

Exclusion can come about as a result of problems with access, conditions, prices, marketing or self-exclusion in response to negative experiences or perceptions. Carbo et al. (2005) have defined financial exclusion as broadly the inability of some societal groups to access the financial system. The Government of India's Committee on Financial Inclusion in India begins its report by defining financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost. (Rangarajan Committee 2008). Thus, most definitions indicate that financial exclusion is manifestation of a much broader issue of social exclusion of certain societal groups such as the poor and the disadvantaged. Financial inclusion is defined as a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy. This definition emphasizes several dimensions of financial inclusion, viz., accessibility, availability and usage of the financial system. These dimensions together build an inclusive financial system. As banks are the gateway to the most basic forms of financial services, banking inclusion/exclusion is often used as analogous to financial inclusion/exclusion. In this paper also, we will use banking inclusion as analogous to financial inclusion.

These definitions interpret financial inclusion as: i) Provision of financial services at affordable cost and in a transparent manner to the poor and weaker sections of the society, ii) providing a range of financial services such as credit, savings, remittances and insurance to the poor at a sustainable basis.

1.1.2 Financial Inclusion Initiatives

Post-independence various measures such as nationalisation of banks, priority sector lending, Self-help Groups Bank Linkage Programme (SBLP), expansion of banks' branch network, establishment of Regional Rural Banks (RRBs) were aimed at financial inclusion. In the mid-term policy review in 2005-06, the Reserve Bank of India (RBI) had advised banks to align their policies with the government's agenda of financial inclusion. The banks were asked to open 'No-Frills' accounts for the poor people wherein they are required to keep a minimum or no balance in such accounts. Alongside other measures such as bank appointing self-help groups (SHGs), non-government organisations (NGOs), correspondents (BCs), bank facilitators (BFs) in unbanked areas in hilly terrains and rural areas have been aimed at deepening and widening financial inclusion.

As Nobel Laureate Prof. Amartya Sen has also noted, "the thrust of developmental policy in India has undergone a paradigm shift from an exclusive focus on efficiency to one on equity; from the rate and pattern of growth, and on inequalities, distribution of income and wealth to the extent to which people are deprived of the requirements for leading a fulfilling life and suffer 'capability deprivation'.

In India the banking industry has grown both horizontally and vertically. But the penetration of banks in rural areas is inadequate due to which villagers are still dependent on non-institutional sources of finance such as money lenders and commission agents. With technological advancement India provides favourable conditions to transform the financial fabric. There is a strong network of 1,15,000 bank branches, around 1,55,000 post offices, 72% mobile penetration, a robust network of computer based service providers, a world class ID system and an extensive national payment infrastructure.

1.2 Objectives

This study is conducted to achieve the following objectives:

1. To study the extent of financial inclusion achieved by the public sector banks under the Prime Minister's Jan Dhan Yojana.
2. To examine the issues related to achievement of financial inclusion targets by the PSBs with reference to PMJDY.
3. To investigate the impact of PMJDY on the profitability of PSBs.
4. To make suggestive policy recommendations based on the outcomes of the study.

1.3 Significance of the Study

There are a couple of studies on PMJDY since it was launched two years back but there are no known studies on its implementation and impact on the performance of public sector banks in Thane city. To fill this gap this study has been undertaken to add value to the literature on this all-encompassing scheme of financial inclusion. This study has covered four aspects of PMJDY i.e. Jan Dhan – opening of zero balance accounts of the financially excluded, financial literacy, Jan Suraksha – providing life and accident insurance cover to the poor and Swavalamban – providing old age pensions to the people working in the unorganised sector. This study has not taken into consideration the fifth aspect i.e. 'Mudra' scheme which entitles the poor people to seek collateral free loans for starting enterprises for self-employment. Mudra scheme has been launched recently and enough data is not available. The impact of this nascent scheme can be observed only after a few years when the enterprises have already been established. Due to these reasons 'Mudra' scheme has not been included in this study.

1.4 PMJDY

PMJDY, the flagship scheme of the NDA government on financial inclusion was announced on 15th August, 2014 and was launched on 28th August, 2014.

The scheme is rolled out in phases. In the first phase (15th August, 2014 to 14th August, 2015) the scheme aims at:

1. Providing universal access to banking facilities.
2. Providing Basic Banking Accounts for saving and remittances and Rupay debit cards with an inbuilt accident cover of Rupees one lakh.
3. Promote financial literacy.

The second phase (15th August, 2015 to 15th August, 2018) of PMJDY will incorporate:

1. An overdraft facility up to Rs.5000 to the account holder after satisfactory performance of saving and credit history for six months.
2. Creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts.
3. Provision of micro insurance.
4. Pension scheme like Swavalamban for the unorganised sector workers.

In the second phase the scheme aims at coverage of hilly, tribal and difficult areas for providing banking services.

5. The rural and semi-urban areas would be mapped into Sub Service Areas (SSAs) comprising 1000 to 1500 households with an average of three to four villages except north eastern and hilly regions.
6. Around 74000 villages with a population of 2000 which were covered under Swabhimaan campaign will be converted into brick and mortar branches with staff strength of 1+1 or 1+2 within next three to five years.

1.4.1 Strategy for Achievement of Objectives

In order to achieve objectives of the PMJDY the government will be adopting a broad collaborative strategy. The public private partnership model will be encouraged and the emphasis will be on making maximum use of inter-departmental synergies to achieve objectives. Emphasis will be laid on the existing infrastructure of post offices in rural areas and using the services of Dak Sewaks as Bank Mitr (Bank Correspondents) to reach out to the unbanked population and provide them banking services at their door step.

The PMJDY scheme envisages fine tuning of the BC model with the help of technological advancement and incorporating operational flexibility. Banks will use RBI's scheme for subsidy on rural ATMs and UIDAI's subsidy on micro ATMs to provide banking services in unbanked rural areas at affordable cost. There will be convergence of National Rural Livelihood Mission (NRLM) in the rural areas and National Urban Livelihood Mission (NULM) in the urban areas to cover each household with a bank account under this scheme.

1.5 The Mission Mode of the PMJDY

The **first pillar** of the PMJDY is expansion of bank branches network. There will be mapping of rural areas in the entire country through Sub Service Area (SSA) approach. Fully enabled online fixed point Bank Mitr or Business correspondents (BCs) will be deployed to reach out to the unbanked population. To promote efficiency and pace of coverage, public private partnership model will be adopted. Mapping of the SSAs and allocation of SSAs to different banks has already been done.

The banks would set up brick and mortar branches in around 74,351 villages with population more than 2000 with staff strength of 1+1 or 1+2 which were earlier covered by BCs in earlier campaigns in 3-5 years.

The government would monitor the progress of the scheme through a portal of the Department of Financial Services (DFS).

The **second pillar** of the scheme is opening of Basic Saving Bank Deposit Accounts (BSBDA). There are around 5.92 crore rural households and 1.5 crore urban households yet to be covered by opening of BSBDA. These accounts will be linked with the Aadhaar number of the account holder and would become a single point to receive Direct Benefit Transfer (DBT) from the Central, State and local government bodies. The banks would be compensated with a 2% commission from the government for appointing BCs but on DBT the government has not so far fixed any commission for the banks.

For opening of accounts of the uncovered population, the banks will follow camp mode. The banks will organise camps to ensure that accounts may be opened for all eligible residents in a time bound manner. Each account holder would be provided with financial literacy sessions to manage their money and credit facility sessions.

An overdraft (OD) facility of Rs.5000 will be provided to the account holder after six months of satisfactory performance of their saving and credit history. This OD facility would be covered by Credit Guarantee Fund (CGF) proposed to be created by the government.

The **Third Pillar** of this scheme is financial literacy. It is learnt from the experience of microfinance companies and SHGs that the financially excluded need to be made aware of benefits of access to financial services. Thus PMJDY will rely on financial literacy centres (FLCs) for financial literacy and credit counselling (FLCC) to reduce financial exclusion. As per the RBI 718 FLCCs have been established by the end of 2013 and 2.2 million people were made aware through camps, chaupals, seminars and workshops during 2013-14.

The **Fourth Pillar** is creation of a credit guarantee fund (CGF) with a corpus of Rs.1000 crores. It is proposed to be housed in THE National Credit Guarantee Corporation (NCGC). The provision of OD of Rs.5000 will help the poor to meet exigencies of healthcare, farming related expenses etc. and would save people from the clutches of money lenders.

The **Fifth Pillar** is provision of micro insurance to the poor people. Insurance density and insurance penetration in India is very low as compared to advanced countries. The IRDA Micro Insurance Regulations, 2005 has defined micro insurance as an insurance policy – life or general with a sum assured of Rs.50000 or less. With the notification of the IRDA (Micro Insurance) Regulations 2005 there has been steady increase in micro insurance providers. Micro insurance schemes introduced under PMJDY are – Pradhan Mantri Jeevan Bima Yojana, Pradhan Mantri Jeevan Suraksha Yojana at a very low premium of Rs.12 per annum and Rs.330 per annum respectively.

The **Sixth Pillar** of PMJDY is pension scheme 'Swavalamban' for workers in the unorganised sector. Around 400 million of the 1.23 billion (85%) Indian population is working in the unorganised sector. Out of this 120 million are women and majority of them have no access to formal old age income security scheme. Tenuous work conditions, irregular income flows, absence of safety nets and poor access to social security renders these unorganised workers vulnerable to economic shocks. Swavalamban scheme is a landmark initiative of the government of India to provide old age income protection to the unorganised/informal sector workers. The objective of this scheme is to encourage informal sector workers to save small amounts during their working period to draw pension in their old age. This scheme is open to any Indian citizen working in the unorganised sector in the age group 18-60 years. The Government of India contributes Rs.1000 per annum for a stipulated period to all eligible NPS Swavalamban accounts where the subscriber deposits a minimum of Rs.1000 to maximum of Rs.12000 p.a. The benefit of the Government of India co-contribution is presently available up to 2016-17. The scheme is regulated by Pension Fund Regulatory and Development Authority (PFRDA) which is a statutory body created by an Act of the Parliament.

The scheme has received an overwhelming response highlighting the unmet demand for such social security schemes. Aanganwadi workers, SHGs, ASHA workers and construction workers have joined this scheme in large numbers. The total number of subscribers has reached 2.7 million in the financial year 2013-14. More than 50% subscribers are below 40 years of age and more than 70% are women. Till March 2014 the government's contribution was Rs.363 crores and subscriber's contribution is Rs.564 crores.

1.6 Role of Technology in Financial Inclusion

Technology and financial inclusion work in tandem in providing low cost financial services to the excluded. In order to make financial services available across the length and breadth of the country latest technological products such as Electronic Know Your Customer (e-KYC), mobile banking services etc. can be a game changer. Under the guidance of RBI various organisations like National Payments Corporation of India (NPCI), Institute for Development & Research in Banking Technology (IDRBT) etc. are contributing significantly in bringing new technology products. A bouquet of new technology savvy products has been introduced to reach out to the unbanked people in remote and hilly regions as well as in rural areas. These are:

- Electronic Know Your Customer (e-KYC)
- Transaction through Mobile Banking
- Immediate Payment System (IMPS)
- Micro-ATMs
- National Unified USSD Platform (NUUP)
- RuPay Debit cards
- Aadhaar Enabled Payment System (AEPS)
- Aadhaar Payments Bridge System (APBS)

The success of any mega scheme depends on continuous monitoring and quick action mechanism set in place to meet any contingencies. Various social security schemes introduced earlier by the government failed to achieve objectives and targets due to poor implementation and inappropriate monitoring. The government has created a multi-layered system of reporting with State, district and village level administrative infrastructure.

1.7 Challenges Faced in Implementation of PMJDY

There are various challenges which are expected to make implementation of this scheme difficult.

1.7.1 Telecom Connectivity

In hilly and difficult terrains it is difficult to set up Bank Mitras due to poor telecom connectivity. The Department of Telecommunications (DOT) has ensured that these issues can be resolved with mutual consultations with banks. Banks are advised to use National Optical Fibre Network (NOFN) when it reaches the Panchayat level.

1.7.2 Awareness and Sensitisation

The success of this scheme depends on spreading awareness and sensitisation of the potential beneficiaries. The public needs to be aware of the presence of Bank Mitr and banking facilities provided by them such as accepting small deposits, providing RuPay cards and overdraft facility of Rs.5000. They also need to be made aware of that this overdraft is a credit to them and needs to be paid back to the bank to get fresh limits.

1.7.3 Keeping the Accounts Operational

Another problem is to keep the accounts operational. For direct benefit transfers (DBT) in case of MNREGA and LPG these accounts. At present there is a lot of duplicity of these accounts as SSA approach has not been followed.

1.7.4 Commission to Banks for DBT

For opening and maintaining accounts under PMJDY and the DBT system for LPG and MNREGA banks incur additional administrative costs. The task force on Aadhaar Enabled Unified Payment Infrastructure had recommended in its report in 2012 that a last mile transaction cost of 3.14% with a cap of Rs.20 per transaction should be budgeted through Micro-ATMs or ATMs.

1.7.5 Coverage of Difficult Terrains

There are challenges faced in terms of telecom connectivity and road infrastructure in hilly areas of North East, Himachal Pradesh, Jammu and Kashmir, Uttarakhand and 82 Left Wing Extremism (LWE) districts. Reaching out to the financially excluded in these regions is a difficult and time consuming task. Therefore it may spill over to Phase II of the scheme.

1.8 Role of Major Stake Holders

The success of PMJDY depends on mutual cooperation and co-ordination among the stake holders of the scheme.

- The Department of Financial Services will have overall ownership of the Mission Mode Project of Financial Inclusion and monitoring of the scheme.
- The Departments of Central Government will coordinate with each other for passing the benefits of 26 social welfare schemes.

1.9 Chapter Scheme

The study is presented in five chapters following the logical flow of thought and objectives of the study.

1.9.1 Introduction

Financial inclusion has been a topical issue of research in India as well as rest of the world since the beginning of nineteen century. In India, in spite of various measures undertaken by the government the stark fact is that still around 40% of the population remains outside mainstream banking services. PMJDY is a recent initiative of the present government to bring the financially excluded into the ambit of mainstream financial services. The first chapter delves into the various objectives, aspects, provisions and challenges of this mega programme of financial inclusion.

1.9.2 Review of Literature

This chapter examines various studies conducted in various parts of the country by individual researchers and by experts to study the impact of PMJDY. The findings of these studies indicate that the present state of financial inclusion in India is not commendable. The performance of north eastern states is very poor in achieving higher score of financial inclusion. There are technological stumbling blocks such as poor connectivity in reaching out to the financially excluded in the hilly and difficult terrains. There are issues regarding remuneration to the Bank Mitr and commission to the banks for opening zero balance accounts of the financially excluded population.

1.9.3 Research Methodology

The quality of research depends on the research design and methodology used in conducting sample survey and analysis of data. This chapter illustrates the research design and research methodology used in this study. The research design is mainly exploratory. There are 116 PSB branches in Thane city. A detailed questionnaire was prepared to collect data about targets achieved and difficulties faced in implementation of PMJDY by PSB branches in Thane city. Secondary sources of data such as PMJDY website, RBI website, various reports and research studies conducted on the implementation of the scheme were used for this research study.

1.9.4 Data Analysis and Findings

PMJDY was introduced and implemented in 2014. Since this scheme is in its nascent stage only past one and a half years data is available from the banks. Only 12 bank branches co-operated to fill up the questionnaire that too with a significant amount of coaxing. Bank managers of other branches which were contacted refused to provide information stating that it is internal matter of banks and the researcher needs to seek permission of the head office for any information regarding targets and problems faced in implementation of PMJDY. This chapter elucidates the data analysis techniques used and findings of the study.

1.9.5 Recommendations and Conclusion

This chapter summarises the study and makes suggestive policy recommendations based on the objectives and findings of the study.

1.9.6 Limitations of the Study

This Chapter describes the challenges faced in accessing primary data and hence limitations on accuracy of the results, though supplemented by extensive secondary data analysis.

1.9.7 Way Forward

This Chapter points to the enormous scope for further research on different aspects emerging from implementation of the scheme.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Introduction

Financial inclusion includes provision of financial services such as saving bank accounts, credit at reasonable cost and insurance (life and non-life) to those who find these services inaccessible due to poverty. The Rangarajan Committee defines financial inclusion as a process of ensuring access to financial services such as adequate and timely supply of credit to the weaker sections at an affordable cost. India, at present has a fairly vast network of banks and financial institutions. The Reserve Bank of India (RBI) has taken various steps to promote financial inclusion since 1960 with the nationalisation of 14 major commercial banks. Since the late nineties, the RBI and National Bank for Agriculture and Rural Development (NABARD) have taken several initiatives such as – SHG Bank Linkage Project (SBLP), Kissan Credit Cards (KCC), relaxed Know Your Customers (KYC) norms, introduction of Business Correspondents (BCs) and Business Facilitators (BFs) in unbanked rural areas, Direct Benefit Transfers (DBTs) and no frills banking services. The recent issuance of banking licenses to Bandhan, a microfinance institution in West Bengal, and to IDFC can also be considered as the regulator's step towards deepening financial inclusion. In spite of all these efforts a vast proportion of the population remains financially excluded. This chapter examines studies undertaken by various researchers to study and analyse various government schemes on financial inclusion.

2.1.1 Financial Inclusion Initiatives Abroad

Several countries have initiated legislative measures, for example, the Community Reinvestment Act (1997) of the United States of America requires banks to offer credit throughout their area of operation and prohibits them from targeting only the rich neighbourhoods. The French law against exclusion (Loi du 29 Juillet 1998 contre le exclusion) emphasises an individual's right to have a bank account. In the United Kingdom, a Financial

Inclusion Task Force was constituted by the government in 2005 in order to monitor the development on financial inclusion.

Among several initiatives of the banking sector in promoting financial inclusion are the German Bankers' Association's voluntary code (1996) to provide for an everyman "current banking account that facilitates basic banking transactions, introduction of "Mzansi", a low cost bank account, in 2004 for financially excluded people by the South African Banking Association and initiatives by the Reserve Bank of India (RBI) to achieve greater financial inclusion, such as facilitating no-frills accounts and General Credit Cards for low deposit and credit. Alternate financial institutions, such as microfinance institutions and Self-Help Groups, are also promoted in many countries in order to provide financial services to the excluded.

2.1.2 Feasibility of Bank Correspondent Model

P.K. Das (2009) has examined the feasibility of Business Correspondents (BC) and Business Facilitators (BF) model in Uttar Pradesh. His study reveals that 90% respondents prefer all types of door-step banking services but the transaction costs are high. Banks are not interested in utilising post offices as they believe that post offices are banks' competitors and banks can provide superior products to their clients. All heads of bank branches surveyed by the author agree that use of technology such as Point of Sale (POS) terminal deployed by the banks can minimise problems in providing door-step banking services. His study recommends that use of BCs can reduce cost of banking services by about 50% as compare to brick and mortar banking and should be used for achieving 100% financial inclusion.

Shobhana Vasudevan (2009) has studied the feasibility of BC and BF model in slums of Dharavi in Mumbai in scaling up financial inclusion. Her study reveals that BC and BF models for achieving greater financial inclusion would work better than brick and mortar branches in these slums as majority of population have little financial literacy.

A recent study by the RBI (Annual Report, 2015-16) on BC model of financial inclusion has stressed on the need for certification and training of BCs. It also brings out the need for adequate remuneration, infrastructure, imparting of technological know-how, effective cash management skills to BCs for enhancing financial inclusion. The report also highlights maintaining a registry of BCs for better supervision of their activities.

A study on efficacy of SHG-Bank Linkage model by the RBI (Annual Report, 2015-16) points out that the banks could consider appointing Bank Mitr functioning under Deendayal Antodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) as BC agents so that they can transact business for SHGs members as well as other customers of banks.

The RBI's Committee on Mid-Term Path on Financial Inclusion submitted its report in December 2015. This report affirms that PMJDY has led to substantial increase in financial products to the poor but there are significant gaps in terms of usage, 'last-mile' service delivery, exclusion of women and small and marginal farmers and a very low formal link for the micro and small enterprises.

2.1.3 Dimensions of Financial Exclusion

Financial exclusion is multi-dimensional (Sarma, 2010). It can be in the form of Access exclusion wherein the population remains excluded due to either remoteness of financial system or due to the process of risk management of financial system. It can be Condition exclusion when due to certain inappropriate conditions the population remains excluded. It is also found in the form of Price exclusion when the population remains excluded due to unaffordability of financial services. When financial exclusion occurs due to target marketing and sales it is called Marketing exclusion. It exists as Self-exclusion when due to psychological barriers or due to fear of refusal the population exclude themselves from the financial system (Kempson and Whyley, 1999a, Kempson and Whyley, 1999b).

2.1.4 Financial Inclusion Index

Sarma (2010) has attempted to construct a financial inclusion index by taking into consideration three dimensions – banking penetration (BP), availability of banking services (BS) and usage of banking system (BU). It may come handy for the government to evaluate the performance of financial inclusion measures taken from time to time.

Sadhan Kumar (2011) worked out an Index on financial inclusion (IFI) based on three variables namely penetration (number of adults having bank account), availability of banking services (number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra and Karnataka has achieved high financial inclusion (IFI >0.5), while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion (0.3 <IFI<0.5) and the remaining states have very low financial inclusion.

2.1.5 Financial Inclusion and Human Development

Bagli's study (2012) about financial inclusion has revealed that there is a positive link between financial inclusion and human development in states of India. He has pointed out that the present state of financial inclusion in India is not commendable. He asserts that financial literacy among the marginalised is necessary to enhance financial inclusion.

Acharya Debashish and Parida Tapas K. (2013) constructed an index of financial inclusion for different states. Their study reveals that north eastern states have performed poorly on financial inclusion as the value of index for these states is very low. The performance of South Indian states is better with a higher index value. Their study also tried to find a correlation between rural poverty numbers and financial inclusion index which shows that the correlation is negative. Thus better financial inclusion can lead to lowering of poverty in rural areas. They suggest that credit delivery in rural areas needs to be improved as there is significant unmet demand for formal sources of credit.

Chowhan and Pandey (2014) concluded that financial inclusion helps in mitigating exploitation of the poor by the usurious class of money lenders. It helps in protecting resources of the poor at the time of emergencies due to access to mainstream financial resources.

2.1.6 Financial Inclusion and PMJDY

Khuntia (2014) studied various financial inclusion initiatives of the government with special reference to the PMJDY.

Divyesh Kumar (2014) has attempted to study financial inclusion with reference to PMJDY scheme and infers that the success of the scheme depends on continuous reviews and checks by the government.

Patnaik, Satpathy and Supkar (2015) studied financial inclusion in Odisha. Their study shows that a very small portion of the surveyed population had a bank account due to low level of income and lack of savings. In their opinion banks can reach out to this segment of population and include them in mainstream banking services by opening their zero balance accounts.

Sonam K. Gupta (2015) has analysed the number of accounts opened and active accounts under PMJDY.

Joshi and Rajpurohit (2016) studied the impact of PMJDY in enhancing the financial inclusion in rural sector in India very recently. They conclude that this scheme has not made much progress in achieving targets as the rural folks are still not very much aware of the provisions of this scheme. They still do not have access to banking facilities. A major stumbling block in the way of financial inclusion is lack of financial literacy.

Suresh, Srinivasa and Vijay Kumar (2016) jointly studied the financial inclusion initiatives with special reference to PMJDY in India. In their opinion the scheme can meet the challenges, improve banking infrastructure and monitoring for effective financial inclusion but the real challenge can be delivery of financial services. They recommend leveraging of post office network in rural areas for achieving financial inclusion.

Kaur and Singh (2015) have attempted to analyse PMJDY and have suggested that measures such as setting up biometric ATMs for the illiterate, introduction of customised products, simplified documentation and participation by the private banks can help in achieving the targets of PMJDY.

Raval (2015) studied financial inclusion initiatives in India and opines that financial inclusion of the low income groups and the economically disadvantaged classes can achieve better results if they are backed with similar initiatives by the private sector and proactive approach of the general public.

Balasubramanian (2015) constructed a model with variables – number of earning family members, size of the family, nature of employment and average monthly income to study the saving habits of people. He concludes that these variables and financial literacy plays a crucial role in determining saving habits of people.

These studies reveal various dimensions of financial exclusion or lack of financial inclusion i.e. causes on demand and supply side, impact of various government initiatives to improve financial inclusion and the challenges faced in doing so. The impact of government's mammoth scheme PMJDY on improving financial inclusion has yet to be seen as it was started only two years back. The major challenges the government is facing are related to spreading awareness about this scheme, technological hitches and keeping the newly opened accounts alive.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Methodology

The research design of this study has been primarily exploratory. There are 116 branches of public sector banks (PSBs) in thane city. A detailed structured questionnaire was prepared and distributed to the branch heads (Branch Managers) of around 90 branches for the sample survey out of which only 20 branch managers agreed to provide data for this study. Personal interviews were conducted to collect information about implementation of PMJDY and the progress made by each of these bank branches to scale up financial inclusion. Data collected through questionnaires and personal interviews was tabulated and analysed for preparing this report.

Many banks' branches have done good field work to popularise this scheme and have opened a good number of PMJDY accounts. They have readily shared data regarding these accounts. It has been observed that bank branches that have not performed well are not ready to share details of number of accounts opened or people who have registered themselves for insurance cover under this scheme. As public sector employees, branch managers of banks do not want to be on record to voice out difficulties faced by them for implementation of this scheme. One can understand their difficulties such as the workload of existing employees has increased as the government has not increased manpower to shoulder additional workload of reaching out to the financially excluded people and opening their accounts.

Under the auspices of financial inclusion, the government has recently launched 'Mudra' scheme which aims at providing financial assistance to individuals to start micro enterprises. Banks have to provide collateral free loans to individuals under this scheme which the banks are afraid would lead to bad loans in future. Public sector banks are already having a very large amount of stress assets and 'Mudra' scheme may further add to that. However, this study has not included 'Mudra' scheme as it has been recently launched and very few banks have so far provided loans to the budding entrepreneurs. Therefore due to lack of sufficient data this scheme has not been included in this study.

Data from secondary sources such as reports published by the Reserve bank of India, Ministry of Finance, Government of India, financial dailies, journals and quarterly balance sheets of PSBs have been used to supplement primary data.

Data collected through the sample survey and supplemented by secondary data has been analysed with simple statistical methods for this report. Since the scheme was launched only two years back i.e. in August, 2014, there is lack of time series data on PMJDY. Due to this there is very little scope to treat data with advanced statistical tools. The tabulated data has been presented in tables and graphs. The study uses a simple model to examine the extent to which the financial inclusion targets set by the PMJDY scheme have been achieved by PSBs in Thane city depending on their response related to questions.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

4.1 Introduction

To study the impact of PMJDY on financial inclusion of the excluded masses in Thane city, a sample survey has been conducted from February, 2016 to the first week of June, 2016. According to the Bank of Maharashtra, the lead bank of this scheme in Thane district, there are 116 branches of public sector bank branches (PSBs) in Thane city. The Heads of around 90 PSB bank branches were contacted and a detailed questionnaire was distributed. They were requested to provide data about PMJDY implemented by their respective branch. Due to non-cooperation of some of the branch heads, data could be obtained only from 20 branches of various PSBs. To supplement the data collected by the sample survey, data from secondary sources such as progress report of the scheme from PMJDY website, RBI publications and studies conducted by other researchers has been used. Data has been tabulated, analysed using simple statistical techniques and presented in this chapter.

4.2 Achievements of PMJDY All over India

The progress of the scheme is uploaded on the PMJDY official website. In this section an analysis of the overall progress of the scheme all over India is presented.

4.2.1 Analysis of Number of Accounts Opened Under PMJDY as on 31.01.2015

The following Table 4.1 summarizes the overall position of the aggregate numbers of all kinds of accounts opened by different categories of banks under the Pradhan Mantri Jan Dhan Yojana (‘PMJDY’ or ‘the scheme’) as on 31st January, 2015.

Table: A.1: Total Numbers of Accounts Opened under PMJDY as on 31.01.2015 (Overall Summary)

Category of Banks	Rural - Urban Spread		Total A/cs# (Nos. in Crore)	Profile of Accounts				Deposit Balance In A/cs (In Rs. Crore)
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos. in Crore)	Aadhaar Seeded Accounts (Nos. in Crore)	Accounts With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs*	5.33	4.51	**9.84**	9.12	N.A.	6.55	3.29	**8,175**
RRBs**	1.85	0.33	**2.18**	1.50	N.A.	1.59	0.59	**1,599**
Pvt. Banks***	0.32	0.20	**0.52**	0.46	N.A.	0.30	0.22	**726**
G Total	**7.50**	**5.05**	**12.55**	**11.08**	N.A.	**8.45**	**4.10**	**10,500**

*** Public Sector Banks   ** Rural Regional Banks   ***Private Sector Banks   # Accounts**

Source: www.pmjdy.com

As is evident from Table A.1, of the total number of 12.55 crore accounts opened as on 31st January, 2015, predominantly, the largest number of 9.84 crore (78.5%) accounts were opened by the Public Sector Banks ('PSBs'), followed by 2.18 crore (17.4%) accounts by the Regional Rural Banks ('RRBs'), and the least number of accounts 0.52 crore (4.2%) by the Private Sector Banks ('private banks'). The same pattern (PSBs being the highest numbers, RRBs coming next in the middle, and private banks being the lowest) is seen in the absolute numbers of accounts opened in the rural areas, and in the urban areas; as well as the accounts opened with different features (i.e. with RuPay debit cards, and Zero balance), as detailed below.

As regards the rural-urban geographical spread, among the total 12.55 crore accounts opened by all banks, 7.50 crore (59.8%) were rural accounts and 5.05 crore (40.2%) were urban accounts. PSBs have led with largest numbers, followed by RRBs, and private banks respectively in the numbers of accounts opened both in the rural as well as in the urban areas. Out of PSBs total 9.84 crore accounts under the scheme, 5.33 crore (54.1%) were rural accounts, and 4.51 crore (45.9%) were urban accounts. Out of total 2.18 crore accounts of RRBs' under the scheme, 1.85 crore (84.9%) were rural accounts, and 0.33 crore (15.1%) were urban accounts. And of the total 0.52 crore accounts of private banks under the scheme, 0.32 crore (61.6%) were rural accounts, and 0.20 crore (38.4%) were urban accounts.

And features-wise, of the total 12.55 crore accounts, 11.08 crore (88.3%) were with RuPay debit cards ('RuPay cards'), and 8.45 crore (67.3%) accounts were with Zero balance amount ('Zero balance accounts'), and 4.10 crore (32.7%) accounts were with some deposit amount ('Deposit accounts'). And again true to the major pattern, the highest numbers of accounts with each of these features were by the PSBs, next significantly lower numbers, by the RRBs, and the lowest numbers by the private sector banks. Out of the PSBs' total 9.84 crore accounts opened under the scheme, 9.12 crore were issued with RuPay cards, and 6.55 crore accounts were having Zero balance. Among the RRBs' total 2.18 crore accounts, 1.50 crore were with RuPay cards, and 1.59 crore with Zero balance amount. And within the private sector banks' meagre number of just 0.52 crore accounts opened, 0.46 crore were with RuPay cards, and 0.30 crore with Zero balance.

Of the total 4.10 crore accounts having some deposit balance amount, the aggregate deposits amounted to Rs.10500 crore, of which Rs.8175 crore (77.9%) were lying with the PSBs, Rs.1599 crore (15.2%) with the RRBs and Rs.726 crore (6.9%) with the private sector banks.

4.2.2 Analysis of Percentage Composition of Share of Each Category of Banks in Different Types of Accounts Opened as on 31.01.2015

The Table A.2 below shows the overall position of the percentage composition within the respective regional spread and the type of accounts opened by different categories of banks under PMJDY as on 31st January, 2015.

Table A.2: Percentage Composition of Share of Each Bank Category in Different Types of A/cs as on 31.01.2015

Category Banks	Rural - Urban Spread		Total Accounts (Nos in Crore)	Profile of Accounts				Deposit Balance In Accounts (Rs. in Crore)
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos in Crore)	Aadhaar Seeded A/cs (Nos. in Crore)	Accounts With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs	71.1%	89.5%	**78.5%**	82.3%	N.A.	77.6%	80.3%	**77.9%**
RRBs	24.6%	6.5%	**17.4%**	13.5%	N.A.	18.9%	14.3%	**15.2%**
Pvt. Banks	4.3%	4.0%	**4.2%**	4.1%	N.A.	3.5%	5.5%	**6.9%**
G. Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	N.A.	**100.0%**	**100.0%**	**100.0%**

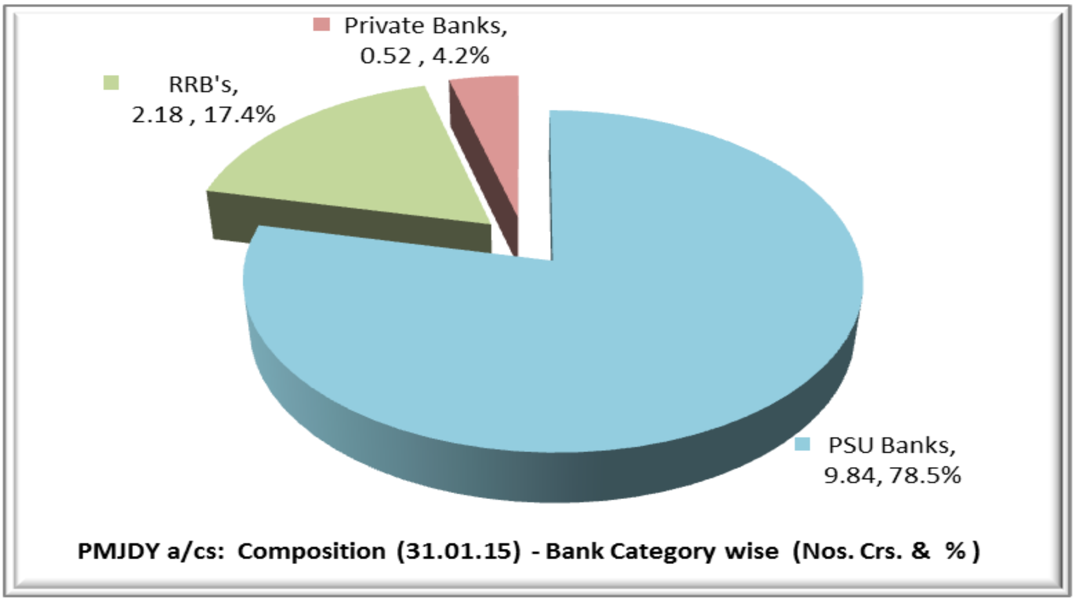
Source: PMJDY website

Of all the 12.55 crore accounts opened, the predominant share 9.84 crore (78.5%) being of PSB banks, the next significantly lower share of 2.18 crore (17.4%) of RRBs; and the least miniscule share 0.52 crore (4%) of private banks, as seen in the Table A.2.a, and Graph A.2.a below.

Table A.2.a: Percentage Share of PMJDY Accounts – Bank Category-wise (31.01.15)

	Nos. Crore.	%
PSU Banks	9.84	78.5%
RRB's	2.18	17.4%
Private Banks	0.52	4.2%
G.Total	**12.55**	**100.0%**

Graph: A.2.a



Source: PMJDY website

Similar pattern is seen within the respective composition of the accounts opened with RuPay card (PSBs 82.3%, RRBs 13.5%, private banks 4.1%), the accounts with Zero balance (PSBs 77.6%, RRBs 18.9%, private banks 3.5%), the accounts with some deposit balance (PSBs 33.4%, RRBs 26.9%, private banks 42.8%), and the amount of deposits (PSBs 77.9%, RRBs 15.2%, private banks 6.9%); as well as in the Rural accounts (PSBs 71.1%, RRBs 24.6%, private banks 4.3%), and the Urban accounts (PSBs 89.5%, RRBs 6.5%, private banks 4.0%).

However the following noteworthy points emerge from the analysis:

1. While PSBs undoubtedly lead with their predominant percentage share in both the Rural as well as the Urban accounts;
   a. Expectedly RRBs have done relatively better in Rural accounts, having opened 24.6% of the total Rural accounts, than the Urban accounts (6.5% of the total Urban accounts); and

b. PSBs have been relatively better in opening urban accounts (89.5% of total Urban accounts) than the Rural accounts (71.1% of total Rural accounts).

2. While private banks had opened 0.52 crore (4.2%) of total accounts under the scheme, their share (of Rs726 crore) in amount of total deposits is relatively better as a percentage (6.9%) than their percentage share in the number of accounts (4.2%), due to higher amount of average balance in each of their accounts.

4.2.3 Analysis of Percentage composition of Different Types of Accounts within Each Category of Banks as on 31.01.2015

Within the total accounts opened by each category of banks (i.e. PSBs, RRBs, and private banks) as on 31st January, 2015, the data is further analyzed to reflect the percentage composition of the regional spread (Rural-Urban accounts) and also the respective percentage composition of different types of accounts opened by each category of banks. This is summarized in the following Table A.3

Table A.3: Percentage Composition of Different Types of Accounts (Within Each Bank Category) as on 31.01.2015

Category of Banks	**Rural - Urban Spread**		**Total Accounts (Nos in Crore)**	**Profile of Accounts**				**Deposit Balance In A/cs (Rs. in Crore)**
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos in Crore)	Aadhaar Seeded Accounts (Nos. in Crore)	A/cs With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs	54.1%	45.9%	**100.0%**	92.7%	N.A.	66.6%	33.4%	33.4%
RRBs	84.9%	15.1%	**100.0%**	68.7%	N.A.	73.1%	26.9%	26.9%
Pvt. Banks	61.6%	38.4%	**100.0%**	87.7%	N.A.	57.2%	42.8%	42.8%
G. Total	**59.8%**	**40.2%**	**100.0%**	**88.3%**	N.A.	**67.3%**	**32.7%**	**32.7%**

Source: PMJDY website

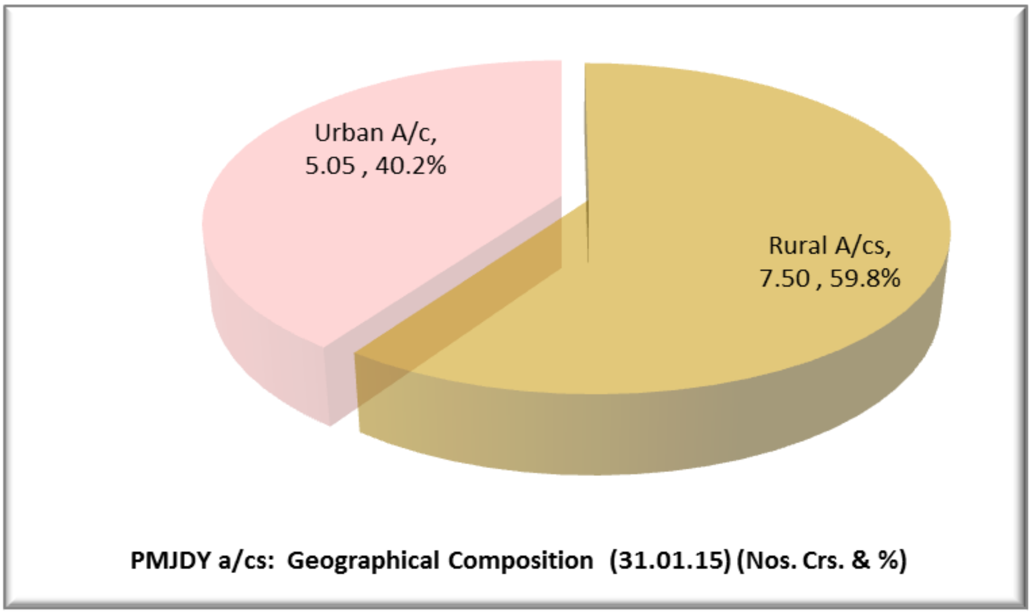
Analysis of Regional (Urban-Rural) Spread:

Broadly, out of the total 12.55 crore accounts opened under the scheme by all banks, a majority of accounts i.e. 59.8% (7.50 crore) were in Rural areas, while 40.2% (5.05 crore) were in Urban areas; as summarized in the Table A.3.a, and Graph A.3.a, here-under.

Table A.3.a

PMJDY A/Cs: Rural–Urban (Composition) (31.01.15)		
	Nos. Crore.	% Share
Rural A/Cs	7.50	59.8%
Urban A/c	5.05	40.2%
Total	12.55	100.0%

Graph A.3.a



Source: PMJDY website

A further analysis of the regional spread (Rural-Urban accounts) as seen in the main Table 4.3 above, shows that in the Rural accounts RRBs have the highest percentage share (84.9%) of total accounts opened under the scheme; and surprisingly followed by private banks with the next higher and significant percentage share (61.6%) of their total accounts opened; and PSBs show the lowest percentage share (54.1%) of their total accounts opened under the scheme.

In the Urban accounts, in percentage terms while the PSBs had the highest percentage (45.9%) of their total accounts under the scheme, the private banks came a close second (with 38.4% of their total accounts) under the scheme; and RRBs were with the lowest share (15.1%).

Features-wise Analysis of Accounts:

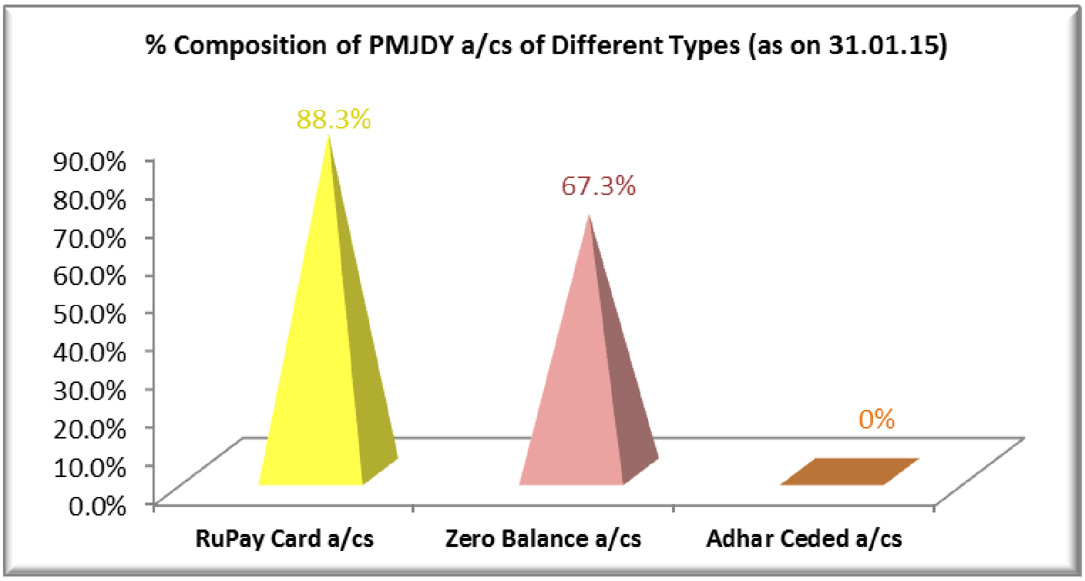
The following Table A.3.b, and Graph A.3.b show the overall position of the accounts opened with different features by all banks under the scheme as on 31st January, 2015.

This shows that of all accounts opened by all banks, 88.3% accounts were with issued with RuPay cards, and 67.3% accounts were with Zero balance.

Table A.3.b

PMJDY A/cs: Feature-wise (31.01.15)	
	% Shares
RuPay Card A/cs	88.3%
Zero Balance A/cs	67.3%
Aadhaar Seeded A/cs	N.A.

Graph A.3.b



Source: PMJDY website

And within the category of accounts with RuPay Cards, the PSU banks lead with 92.7% of their accounts opened with RuPay card (9.12 crore nos.), Private Banks come next with 87.7% (0.46 crore nos.), and RRB's with 68.7% (1.50 crore nos.).

However, within the category of accounts with Zero balance, the RRB's lead in terms of percentage share of their accounts with Zero balance with 73.1% (1.59 crore nos.), followed by PSB banks with 66.6% share (1.59 crore nos.), and Private banks being the lowest with 57.2% share (0.30 crore nos.).

Conversely, within the class of accounts with some deposit balance, the Private banks were ahead in terms of the percentage share of their total accounts with deposit being 42.8% (though with meagre 0.22 crore nos.), followed by PSBs with 33.4% share (3.29 crore nos.), and RRBs with 26.9 % share (0.59 nos.) coming as last, in percentage share. Similar pattern was evident in in terms of the percentage shares, as regards the amount of deposit in their accounts too.

4.2.4 Analysis of Number of Accounts Opened Under PMJDY as on 31.08.2016

The ensuing Table 4.4 summarizes the position of total number of accounts opened under PMJDY as on 31st August, 2016.

There has been a remarkable growth in the number of accounts opened under the scheme, both Rural and Urban, by each category of banks, RuPay cards, as well as the amounts of deposits in the said accounts as evident from the Table B.1 below.

Table B.1: Total Number of Accounts under PMJDY as on 31.08.16 (Overall Summary)								
Category of Banks	**Rural - Urban Spread**		**Total Accounts (Nos in Crore)**	**Profile of Accounts**				**Deposit Balance In Accounts (Rs. in Crore)**
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos in Crore)	Aadhaar Seeded Accounts (Nos. in Crore)	Accounts With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs	10.72	8.4	**19.12**	15.33	10.16	4.69	14.43	**33,379**
RRBs	3.55	0.58	**4.13**	2.88	1.72	0.87	3.26	**7,199**
Pvt. Banks	0.52	0.33	**0.85**	0.79	0.35	0.31	0.54	**1,517**
G. Total	**14.79**	**9.31**	**24.10**	**19.00**	**12.23**	**5.87**	**18.23**	**42,094**
Source: PMJDY website								

The total number of accounts opened under the scheme by all banks grew to 24.10 crore (92.1% growth)

Of the total 24.10 crore accounts under the scheme as on 31st August, 2016, PSBs have a lion's share of Rs.19.12 crore (79.3% of total accounts), followed by RRBs' Rs.4.13 crore (17.1%) and private sector banks with very small share of 0.85 crore (3.5%).

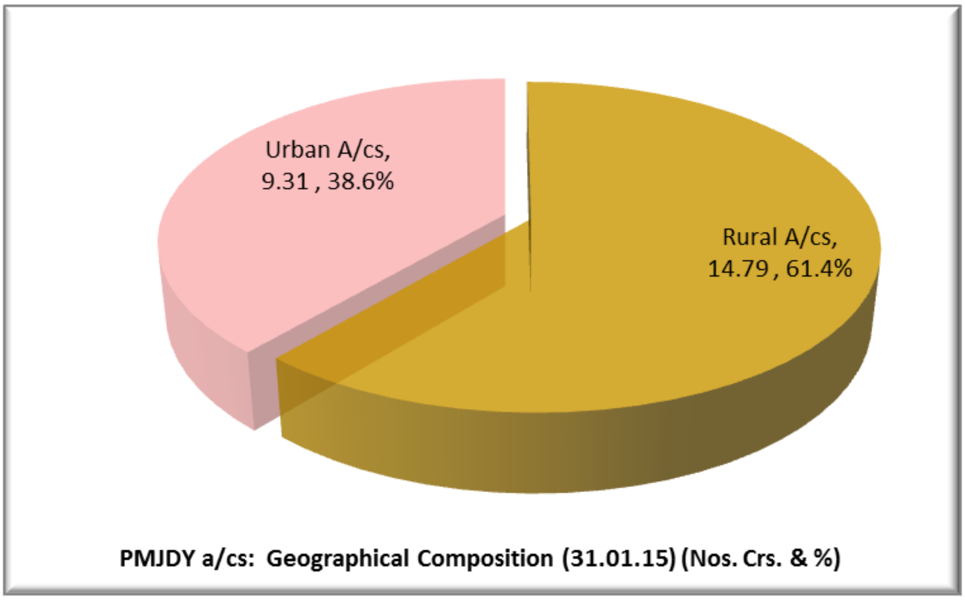
Analysis of Regional (Rural-Urban) Spread:

The following Table B.1.a and the related Graph B.1.a summarize the overall Regional (Rural-Urban) spread of the aggregate accounts opened under the scheme by all banks.

Table B.1.a

PMJDY A/cs: Geographical (Rural-Urban) Composition (31.08.16)		
	Nos. Crore.	% Share
Rural A/cs	14.79	61.4%
Urban A/cs	9.31	38.6%
Total	**24.10**	**100.0%**

Graph B.1.a



Source: PMJDY website

In the rural urban split:

- RRBs lead with the highest percentage 86% of their accounts being in rural sector (14% urban)
- Surprisingly private sector banks come second with 61.2% of their accounts in the rural sector (38.8% urban).
- PSBs being the last with 56.1% of accounts in rural segment (43.9% urban).

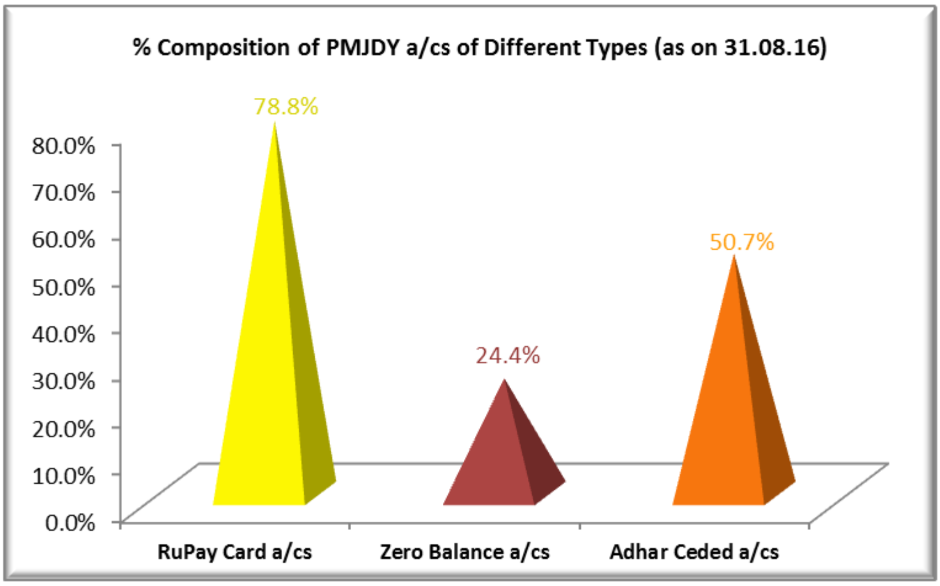
The rural urban comparison during the period broadly remains similar with marginal fluctuations in percentages.

Feature-wise Analysis of Accounts:

The ensuing Table B.1.b and the related Graph B.1.b summarize the overall position of the aggregate accounts of different features opened under the scheme by all banks.

Table B.1.b	
PMJDY A/cs Composition: Feature-wise (31.08.16)	
	% Shares
RuPay Card A/cs	78.8%
Zero Balance A/cs	24.4%
Aadhaar Seeded A/cs	50.7%

Graph B.1b



Source: PMJDY website

As regards the analysis of Regional (Rural-Urban) spread, Out of total accounts of 24.10 crore under the scheme as on 31st August, 2016, Rural accounts are 14.79 crore (61.4%), and 9.31 crore are Urban accounts (38.6%); and

- Of the total 14.79 crore Rural accounts: 10.72 crore (72.5%) are opened by PSBs, 3.55 crore (24%) by RRBs, and 0.52 crore (3.5%) by private sector banks.
- Of the total 9.31 crore Urban accounts: 8.4 crore accounts (90.2%) by PSBs, 0.58 crore (6.2%) by RRBs, and 0.33 crore (3.5%) by private sector banks.
- This shows that each category of banks has larger share of rural accounts in their respective number of accounts under the scheme.

Features-wise Analysis:

As regards the RuPay cards, of the total number of accounts of 24.10 crore under the scheme as on 31st August, 2016, 19.00 crore nos. accounts (78.8%) were issued RuPay cards [PSBs were leading with the highest number of 15.33 crore RuPay card accounts (80.7% of total RuPay accounts)], followed by RRBs with 2.88 crore RuPay card accounts (15.2%), and Private Banks were trailing with the lowest 0.79 crore RuPay card accounts (4.2%).

As far as the Aadhaar seeded accounts are concerned, a total number of 12.23 crore accounts were Linked to the Aadhaar card. Of these, PSBs had the largest numbers of 10.16 crore (83.1% of total Aadhaar seeded accounts), while the RRBs had the next but distant lower number of 1.72 crore (14.1%), and the private banks had the lowest and miniscule number of 0.35 crore (2.0%) Aadhaar linked accounts.

With regard to the total 5.87 crore accounts with Zero balance, the highest number of 4.69 crore (79.9%) were with PSBs, and next significant lower number of 0.87 crore (14.8%) with RRBs, and the lowest number of 0.31 crore (5.3%) accounts with the private banks.

Out of the total 18.23 crore number of accounts with some positive balance of deposit, in terms of numbers, the PSBs topped the list with 14.43 crore number of accounts (79.2%), followed by the RRBs with 3.26 number accounts (17.9%), and the private sector banks being at the bottom with 0.54 crore number of accounts (3.0%).

And the aggregate amount of deposits with all banks under the scheme quadrupled to Rs.42,094 crore (300.9% growth) as on 31st August, 2016. Of this, the largest amount of deposits of Rs33,379 crore (79.3% of total deposits) were with PSBs, and the RRBs coming next with sizeable amount of Rs7199 crore deposits (17.1%), and private sector being the lowest in amount of Rs1517 crore (3.6%).

4.2.5 Analysis of Percentage Composition of Share of Each Category of Banks in Different Types of Accounts as on 31st August, 2016

The Table B.2 below highlights the percentage compositions of total accounts within each type of accounts.

Table B.2: Percentage Composition of Share of Each Bank Category in Different Types of Accounts as on 31.08.2016								
Category of Banks	**Rural - Urban Spread**		**Total Accounts (Nos in Crore)**	**Profile of Accounts**				**Deposit Balance In Accounts (Rs. In Crore)**
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos in Crore)	Aadhaar Seeded Accounts (Nos. in Crore)	Accounts With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs	72.5%	90.2%	**79.3%**	80.7%	83.1%	79.9%	79.2%	**79.3%**
RRBs	24.0%	6.2%	**17.1%**	15.2%	14.1%	14.8%	17.9%	**17.1%**
Pvt. Banks	3.5%	3.5%	**3.5%**	4.2%	2.9%	5.3%	3.0%	**3.6%**
G. Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Source: PMJDY website								

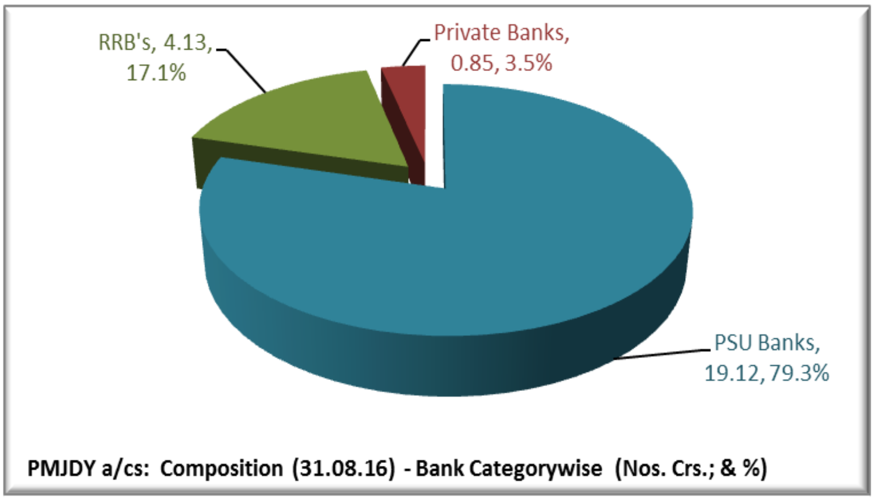
The Overall Position:

The following Table B.2.a, and Graph B.2.a provide the overall picture of the total accounts opened by each category of banks both in numbers as well as in percentage of the total number of accounts under PMJDY as on 31st August, 2016.

Table B.2.a

PMJDY A/cs: Composition – Banks Category-wise (31.08.16)		
	Nos. Crore.	% Share
PSU Banks	19.12	79.3%
RRB's	4.13	17.1%
Private Banks	0.85	3.5%
Grand Total	**24.1**	**100.0%**

Graph B.2.a



Source: PMJDY website

As on 31st August, 2016, of the total number of accounts opened, PSBs continue to dominate (with 79.3% share); RRBs still remaining the second distant players (with 17.1% share) and the private sector banks are at the bottom (with just 3.5% share). This is in line with the earlier basic major trend seen in the accounts under PMJDY as on 31st January, 2015.

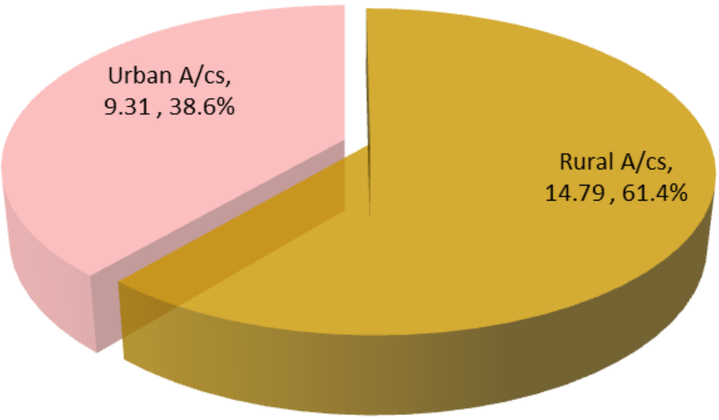
Regional (Rural-Urban) Spread Analysis as on 31st August, 2016:

As on 31st August, 2016, the overall Geographical or Regional (Rural-Urban) spread is explained in the Table B.2.b and Graph B.2.b, as under:

Out of the total 24.10 accounts under PMJDY, the Rural accounts were 14.79 crore in number (61.4% of total), and Urban accounts were 9.31 crore (38.6%).

Table B.2.b		
PMJDY A/cs: Rural-Urban Geographical Composition (31.08.16)		
	Nos. Crore	% Share
Rural A/cs	14.79	61.4%
Urban A/cs	9.31	38.6%
Total	**24.10**	**100.0%**

Graph B.2.b



PMJDY a/cs: Geographical Composition (31.01.15) (Nos. Crs. & %)

Source: PMJDY website

On analyzing further, it is seen that: the PSBs are on the forefront with the highest percentage share and with major lead, followed by the RRBs who come next, and the private banks having the lowest percentage shares of the Rural accounts as well as the Urban accounts:

- Rural accounts: PSBs 72.5%, RRBs 24%, and Private banks 3.5%
- Urban accounts: PSBs 90.2%, RRBs 6.2%, and Private banks 3.5%

A further analysis of the rural and urban account split by each category of bank, as noticed in the Table 4.5.2 reveals that even though PSBs command the highest shares (72.5% in rural accounts, 90.2% urban accounts), RRBs' accounts expectedly have significantly better relative share in rural accounts (24%) than the urban accounts (6.2%); and private sector banks share in urban accounts (3.5%) remains the same as in the rural accounts (3.5%).

Features-wise Analysis of Accounts as on 31st August, 2016

As on 31st August, 2016 also in terms of the percentage of the total accounts of the respective kind (i.e. RuPay card accounts, Zero balance accounts, and Aadhaar seeded accounts) follow more or less the similar trend, as earlier (i.e. PSBs having dominant share, followed by the RRBs being distant number two with much smaller share, and the Private banks having the smallest and miniscule percentage share), as specified below:

- Rural RuPay cards: 80.70% PSBs, 15.2% RRBs, 4.2% private sector banks.
- Aadhaar seeded accounts: 83.1% PSBs, 14.1% RRBs, 2.9% private sector banks.
- Zero balance accounts: 79.9% PSBs, 14.8% RRBs, 5.3% private sector banks.

The deposit balance composition also being on similar pattern:

- 79.3% by PSBs, 17.1% by RRBs, 3.6% by private sector banks.

4.2.6 Analysis of Percentage Composition of Different Types of Accounts within Each Category of Banks as on 31st August, 2016

The table B.3 below presents the overall position in terms of percentage shares of different types of accounts within the total accounts opened by each category of banks (i.e. PSBs, RRBs, and Private banks).

Table B.3: Composition of Different Types of Accounts under Each Category of Banks as on 31.08.16								
Category of Banks	**Rural - Urban Spread**		**Total Accounts (Nos in Crore)**	**Profile of Accounts**				**Deposit Balance In A/cs (Rs. in Crore)**
	Rural Accounts (Nos. in Crore)	Urban Accounts (Nos. in Crore)		RuPay Debit Card (Nos in Crore)	Aadhaar Seeded Accounts (Nos. in Crore)	Accounts With Zero Balance (Nos. in Crore)	Accounts With Deposit (Nos. in Crore)	
PSBs	56.1%	43.9%	**100.0%**	80.2%	53.1%	24.5%	75.5%	75.5%
RRBs	86.0%	14.0%	**100.0%**	69.7%	41.6%	21.0%	79.0%	79.0%
Pvt. Banks	61.2%	38.8%	**100.0%**	92.9%	41.2%	36.5%	63.5%	63.5%
G. Total	**61.4%**	**38.6%**	**100.0%**	**78.8%**	**50.7%**	**24.4%**	**75.6%**	**75.6%**
Source: PMJDY website								

Regional (Rural-Urban) Spread as on 31st August, 2016:

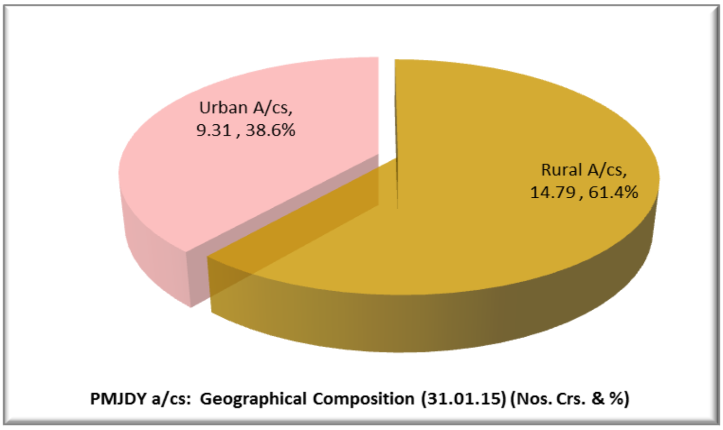
As on 31st August, 2016, the overall Geographical or Regional (Rural-Urban) spread is explained in the Table B.3.a. and Graph B.3.a, as under:

Out of total 24.10 accounts opened under PMJDY by all banks, the Rural accounts were 14.79 crore in number (61.4% of total), and Urban accounts were 9.31 crore (38.6%).

Table B.3.a

PMJDY A/cs: Rural-Urban Geographical Composition (31.08.16)		
	Nos. crore	% Share
Rural A/cs	14.79	61.4%
Urban A/cs	9.31	38.6%
Total	**24.10**	**100.0%**

Graph B.3.a



Source: PMJDY website

Within the above broad, rural-urban split, a further analysis reveals that:

- The RRBs lead with the highest percentage 86% of their accounts being in rural sector (14% urban)
- Surprisingly the private sector banks come second with 61.2% of their accounts in the rural sector (38.8% urban).
- The PSBs being the last with 56.1% of accounts in rural segment (43.9% urban).

Comparatively, the rural-urban spread during this period in percentage terms also broadly remains on similar lines as earlier, with marginal fluctuations in percentages.

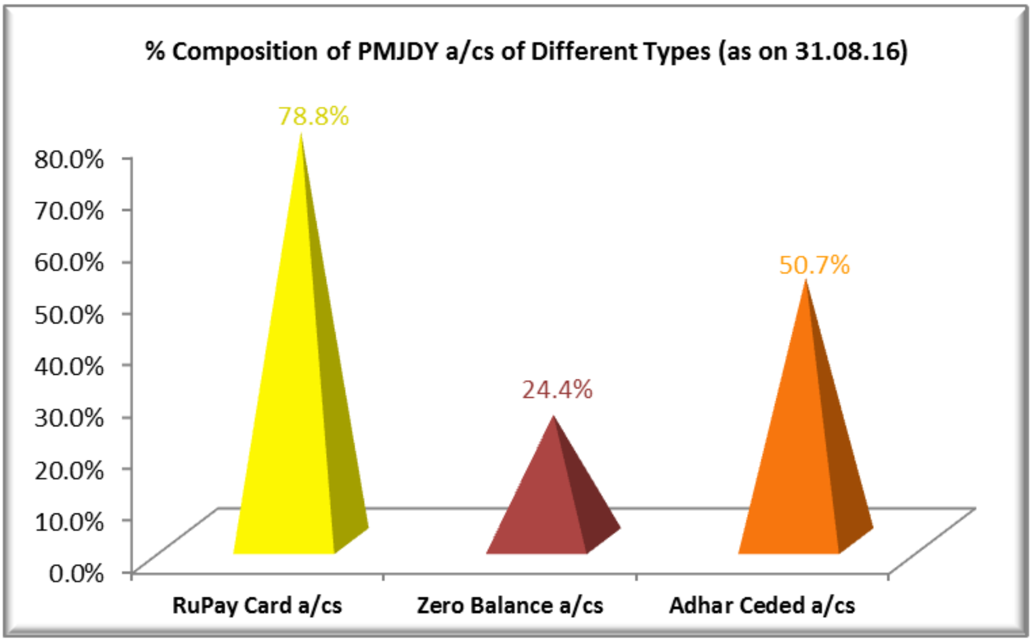
Features-wise Analysis of Accounts as on 31st August, 2016:

The following Table B.3.b and Graph B.3.b portrays the overall position of Accounts with different features opened by all banks put together.

Table B.3.b

PMJDY A/cs Composition -Feature-wise (31.08.16)	
	% Shares
RuPay Card A/Cs	78.8%
Zero Balance A/Cs	24.4%
Aadhaar Seeded A/Cs	50.7%

Graph B.3.b



Source: PMJDY website

At the overall level, of the total 24.10 crore accounts among all categories of banks put together, in the percentage terms, a maximum of 78.8% accounts (19 crore) were with the RuPay cards, followed by 50.7% accounts (12.23 crore) being the Aadhaar linked accounts, and 24.4% accounts (5.87 crore) being with Zero balance, and 75.6% accounts (18.23 crore) having some deposit balance amount.

On the next level of analysis of the total 24.10 crore accounts with different features opened by each category of banks (i.e. PSBs, RRBs, and Private banks) under the scheme as on 31st August, 2016, the following points emerge:

- *RuPay Cards:* Of the total 19 crore RuPay cards accounts, the Private sector banks account for the maximum percentage of 92.9%, followed by PSU Banks with 80.2%, and RRB's being the lowest with 69.7% of their total accounts under the scheme opened with RuPay cards.

- *Aadhaar seeded accounts:* Of the total 12.23 crore Aadhaar card linked accounts, PSBs had the highest percentage (53.1%) of their total accounts being Aadhaar-linked, followed by RRBs with 41.6% of their accounts being Aadhaar seeded, and Private sector banks having the lowest percentage (41.2%) of their accounts linked to Aadhaar card. In fact, RRBs and Private banks come quite close to PSBs, with

41.6% and 41.2% shares respectively of their accounts as Aadhaar seeded (though in absolute terms, PSUs lead hugely with 10.16 crore Aadhaar seeded accounts, followed by RRB's 1.72 crore accounts, and Private Banks with 0.35 crore accounts).

- *Zero Balance accounts:* In total 5.87 crore accounts with Zero balance, Private sector banks have the maximum percentage (36.5%) of their total accounts being with Zero balance, followed by PSBs (24.5%), and RRB's (21%)

- *Deposit Accounts:* However, out of the total 18.23 crore number of accounts with some positive balance of deposit, the private sector banks have the highest percentage (42.8%) of their total accounts under the schemes having some balance; while PSBs came next with lower percentage (33.4%) and RRBs with the least but a close figure of 26.9%.

An important observation on the position of these accounts under the scheme is the sizeable quantum of deposit balances aggregating to Rs.42,094 crore [Rs33,379 crore (79.3%) with PSBs, Rs7,199 crore (17.1%) with RRBs, and Rs1,517 crore (3.6%) with private sector banks].

4.2.7 Analysis of Percentage Growth in Accounts under the Scheme as on 31st August, 2016 vs. 31st January, 2015

The Table C.1 below shows the overall growth matrix, presenting percentage growth in each type of accounts opened under the PMJDY by each category of banks.

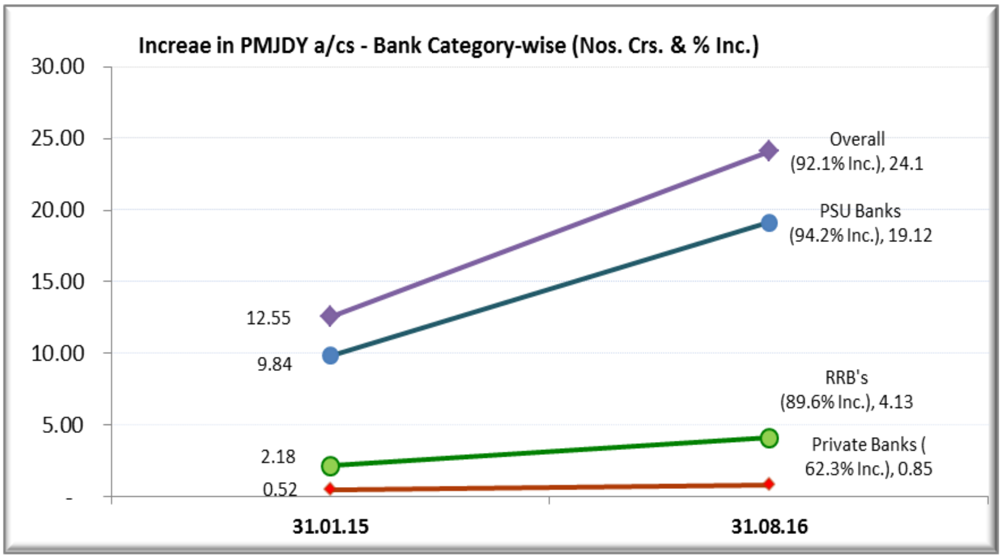
Table C.1: PMJDY A/Cs: % Growth in Aug-16 (vs. Jan-15)								
Category of Banks	**Rural - Urban Spread**		**Total Accounts (Nos)**	**Profile of Accounts**				**Deposit Balance in Accounts (Amt. Rs. Crore.)**
	Rural Accounts (Nos.)	Urban Accounts (Nos.)		RuPay Debit Card (Nos.)	Aadhaar Seeded Accounts (Nos.)	Accounts With Zero Balance (Nos.)	Accounts With Deposit (Nos.)	
PSBs	101.1%	86.1%	**94.2%**	68.0%	N.A.	-28.4%	338.5%	**308.3%**
RRBs	92.0%	75.9%	**89.6%**	92.4%	N.A.	-45.5%	457.3%	**350.1%**
Pvt. Banks	61.2%	64.0%	**62.3%**	72.0%	N.A.	3.6%	140.6%	**109.0%**
G. Total	**97.2%**	**84.5%**	**92.1%**	**71.5%**	N.A.	**-30.5%**	**344.7%**	**300.9%**
Source: PMJDY website								

The Overall Growth Scenario: The overall growths in the accounts opened by each category of banks under the scheme are reflected in the Table C.1.a and Graph C.1.a below, both in terms of the numbers and percentages.

Table C.1.a

Increase in PMJDY A/cs as on 31.08.16 (vs. 31.01.15) Bank Category-wise (Nos. Crore & Percentage Increase)			
Category of Banks	**31.01.15**	**31.08.16**	**% Increase**
PSU Banks	9.84	19.12	94.2%
RRBs	2.18	4.13	89.6%
Private Banks	0.52	0.85	62.3%
Overall	**12.55**	**24.1**	**92.1%**

Graph C.1.a



Source: PMJDY website

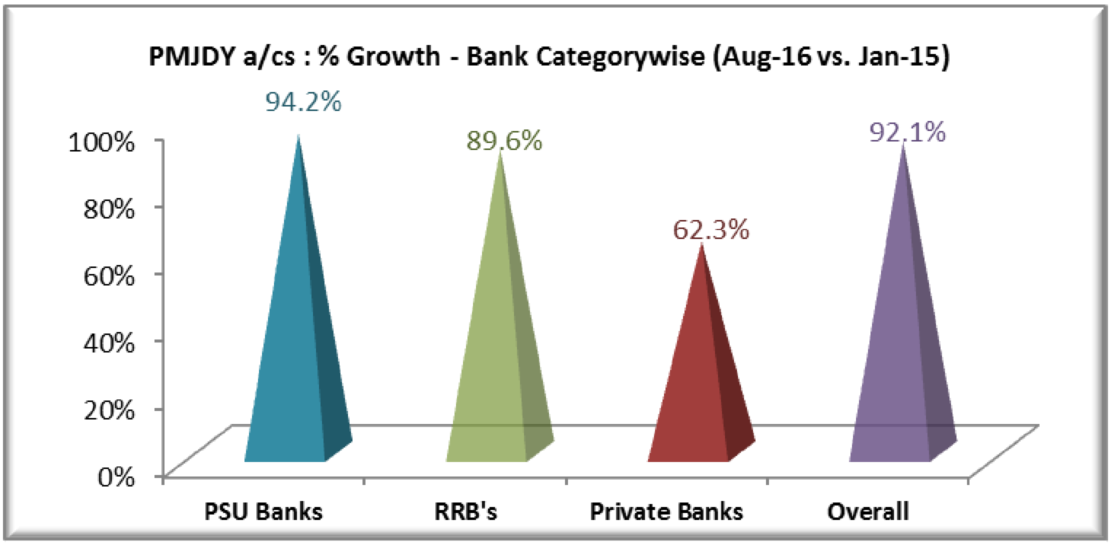
Analyzing the growth both in the numbers and percentage terms, we find that the aggregate number of all accounts under the scheme nearly doubled to 24.10 crore on 31st August, 2016 from 12.55 crore on 31st January, 2015 (with an increase of 92.1%). And within this overall growth, accounts with PSBs grew to 94.2% to 19.12 crore as on 31st August, 2016, from earlier 9.84 crore; RRBs rose by 89.6% to 4.13 crore, from 2.18 crore; and Private banks by 62.3% to 0.85 crore, from 0.52 crore.

The Table C.1.b and Graph C.1.b presented below show only the percentage increases in the total accounts under the scheme as on 31st August, 2016, compared to the position earlier as on 31st January, 2015.

Table C.1.b

PMJDY A/cs: Percentage Increase – Aug'16 (vs. Jan'15)	
	% Growth
PSU Banks	94.2%
RRB's	89.6%
Private Banks	62.3%
Overall	**92.1%**

Graph C.1.b



Source: PMJDY website

As would be seen from the Tables C.1.a and C.1.b and Graphs C.1.a and C.1.b above, the number aggregate of total accounts almost doubled to 24.10 crore on 31st August, 2016 from 12.55 crore earlier on 31st January, 2015 (with a massive increase of 92.1%); and within this overall growth,

- PSBs show the highest jump 94.2% (a steep 101% increase in rural accounts and 86.1% in urban accounts).
- RRBs also show a high rise of 89.6% (92.0% in rural accounts and 75.9% in urban accounts).
- Private sector banks also record a sizeable growth of 62.3% (61.2% in rural accounts and 64% in urban accounts).

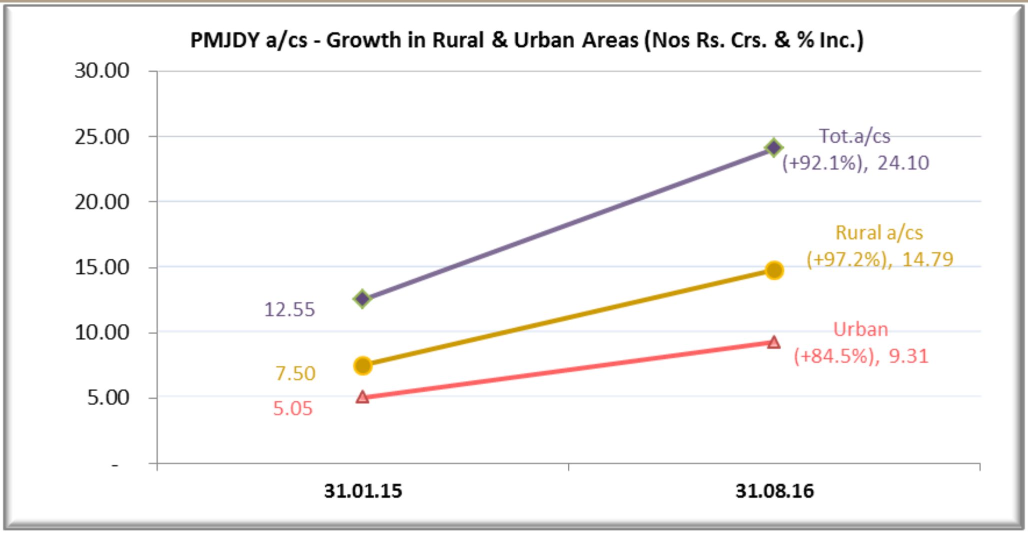
This analysis shows that all constituents have recorded substantial percentage increases in the accounts under the scheme: PSBs 94.2%, RRBs 89.6%, and Private banks 62.3% increase; and with these, the PSBs and RRBs have strengthened their respective positions further.

Growth in Rural & Urban Accounts:

Table C.1.c

PMJDY A/cs (Rural-Urban) Aug'16 vs. Jan'15 (Nos. Crore; and % Increase)			
	31.01.15	**31.08.16**	**% Increase**
Rural A/cs	7.50	14.79	97.2%
Urban A/cs	5.05	9.31	84.5%
Total A/cs	**12.55**	**24.10**	**92.1%**

Graph C.1.c



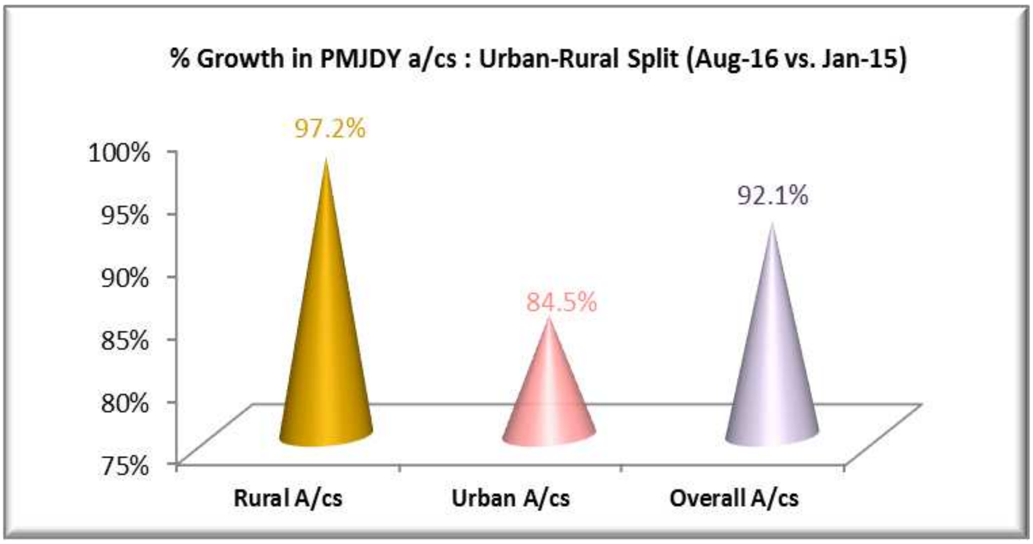
Source: PMJDY website

Both the Rural accounts and the Urban accounts have grown handsomely as on 31st August, 2016 in comparison to the position as on 31st January, 2016 - with Rural accounts increasing by 97.2% to 14.79 crore numbers, from 7.50 crore numbers; and the Urban accounts rising by 84.5% to 9.31 crore, as evident from the Table 4.7.4a, and Graph 4.7.4b below:

Purely in percentage terms, the aggregate number of all accounts grew by 92.1%, backed by 97.2% increase in Rural accounts and 84.5% rise in Urban accounts, as shown in the Table C.1.d and Graph C.1.d, below:

Table C.1.d	
PMJDY A/cs: Percentage Growth Aug-16 (vs. Jan-15)	
Regional Spread	% Growth
Rural A/cs	97.2%
Urban A/cs	84.5%
Overall A/cs	**92.1%**

Graph C.1.d



Source: PMJDY website

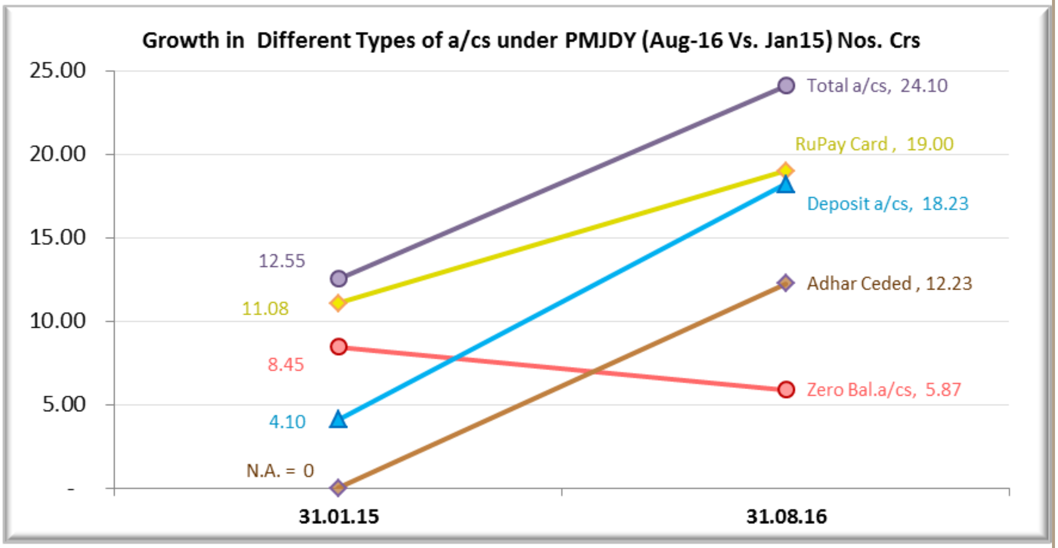
Features-wise Growth:

The Table 4.7.5a and Graph 4.7.5b below explains the position of different types of accounts with respective features (RuPay card, Zero balance, Deposits, Aadhaar-linked) on 31st August, 2016 vs. 31st January, 2015, along with percent increases.

Table C.1.e

Growth in PMJDY A/cs - Feature-wise (Aug'16 vs. Jan'15)	31.01.15	31.08.16	% Increase
RuPay Card A/cs	11.08	19.00	71.5%
Zero Bal. A/cs	8.45	5.87	-30.5%
Deposit A/cs	4.10	18.23	344.7%
Aadhaar Seeded	N.A.	12.23	N.A.
Total A/cs	**12.55**	**24.10**	**92.1%**

Graph C.1.e



Source: PMJDY website

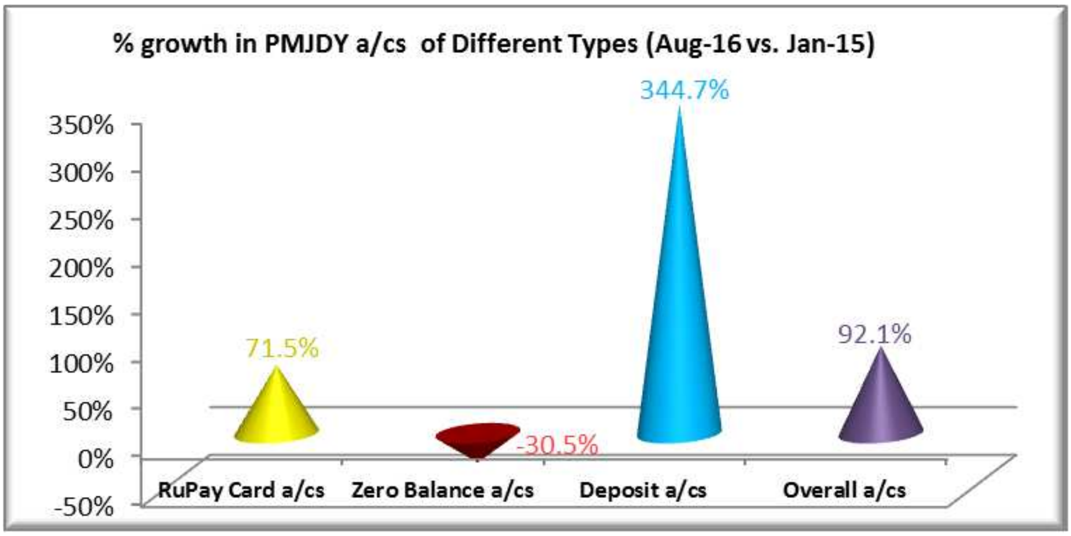
As noticed from the comparative position of number of accounts and percentage of growth on 31st August, 2016 (over 31st January, 2015) as shown in the above Table C.1.e and Graph C.i.e, the overall number of accounts of different types of features, grew by 92.1% to 24.10 crore numbers, from 12.55 crore numbers; the accounts with different features showed different pattern – some exhibiting growth and other showing drop. The RuPay card accounts increased significantly by 71.5% to 19 crore numbers, from 11.08 crore numbers; and Aadhaar-linked accounts numbered 12.23 crore (comparative past data of Aadhaar accounts as on 31st January, 2016 not being available, the percentage growth is not shown, but is considered as Nil for the graphical presentation).

The Table C.1.f and accompanying Graph C.1.f below demonstrate just the percentage change in the accounts with different features.

Table C.1.f

PMJDY A/cs of Different Types: Aug-16 (vs. Jan-15)	
Feature-wise A/cs	**% Growth**
RuPay Card A/cs	71.5%
Zero Balance A/cs	-30.5%
Deposit A/cs	344.7%
Overall A/cs	**92.1%**

Graph C.1.f



Source: PMJDY website

As reflected in the above table and graph, within the overall rise of 92.1% in all accounts, RuPay card accounts grew by a decent 71.5%, Zero balance accounts dropped significantly by 30.5%, whereas the number of accounts with some Deposit balance showed a whopping increase of 344.7%.

RuPay Cards Accounts: While the total RuPay cards significantly rose to an overall 71.5% during this period; within this, in terms of the percentage growth, surprisingly RRBs topped with the most robust growth of 92.4% in RuPay cards issued, followed next by the Private banks that issued 72% more RuPay cards, and PSBs being the lowest in percentage terms with 68% higher number of RuPay cards issued.

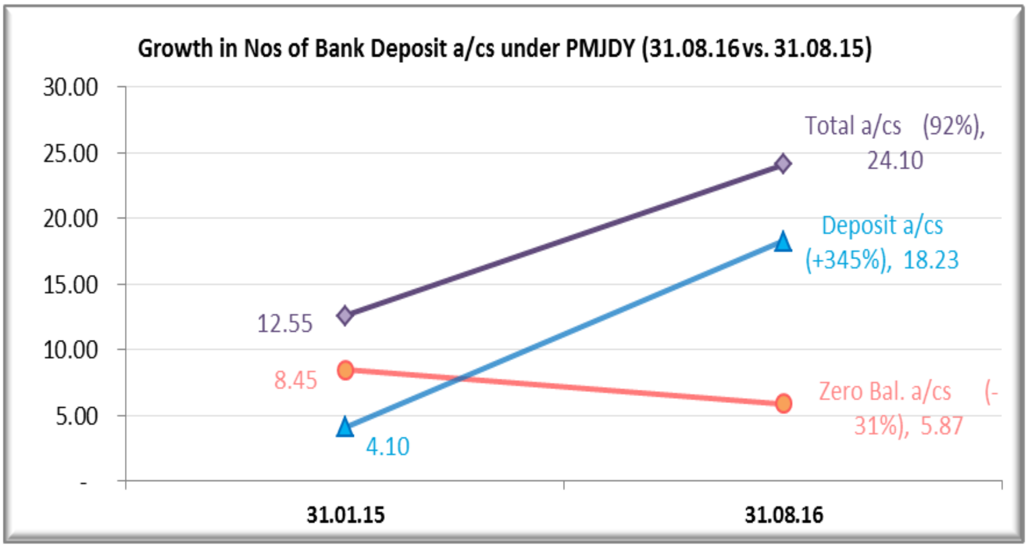
Changes in Zero Balance Accounts and Deposit Accounts:

The following Table C.1.g with accompanying Graph C.1.g highlights the pattern of fall in the Zero balance accounts and rise in the accounts with Deposits.

Table C.1.g

Growth in PMJDY A/cs – Zero Bal. A/cs & Deposit A/cs – Aug'16 vs. Jan'15			
	31.01.15	**31.08.16**	**% Increase**
Zero Bal. A/cs	8.45	5.87	-31%
Deposit A/cs	4.10	18.23	345%
Total A/cs	**12.55**	**24.10**	**92%**

Graph C.1.g



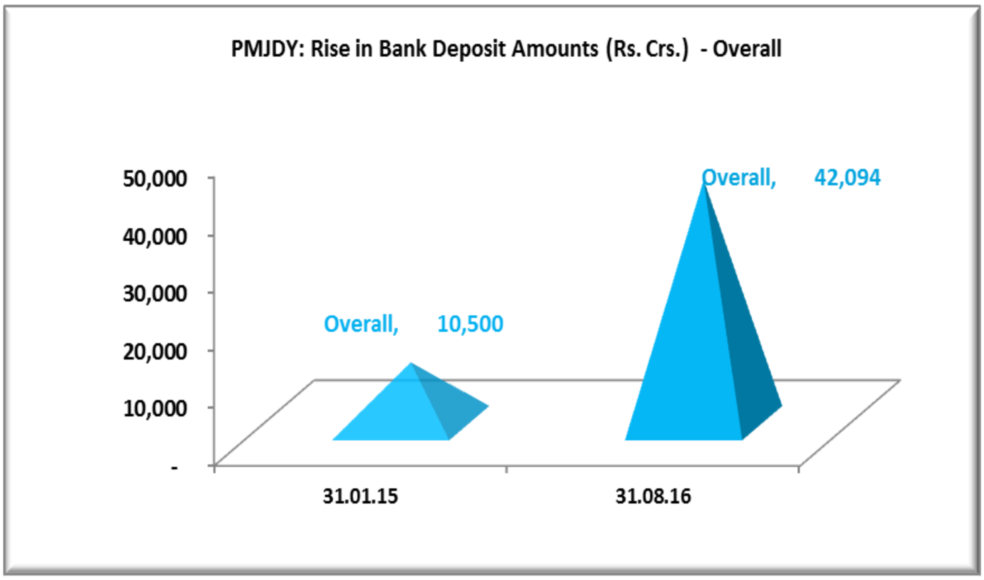
Source: PMJDY website

As reflected in the table and graph above, within the overall growth of 92% in all accounts under the scheme as on 31st August, 2016 (compared to 31st January, 2015), the number of Zero balance accounts fell by 31% (to 5.87 crore accounts from earlier 8.45 crore accounts), whereas during the same period, the number of accounts with Deposits showed a whopping jump of 344.7% (to 18.23 crore accounts from earlier mere 4.10 crore accounts).

Zero Balance Accounts: The total number of accounts with Zero balance dropped significantly by 30.5% on overall basis [with a mixed pattern - the largest decline of 45.5% in such accounts with the RRBs, and 28.4% drop with PSBs, while there was an increase of 3.6% in such accounts with the Private banks].

Table C.1.h

PMJDY A/Cs: Rise in Bank Deposit Amt.: 31.08.16 (vs. 31.01.15) (Rs.Crore)				
	31.01.15	**31.08.16**	Increase	Increase
Banks Category	Rs. Crore.	Rs. Crore.	Rs. Crore.	%
Overall	**10,500**	**42,094**	**31,594**	**300.9%**



Source: PMJDY website

Deposit Accounts:

The total number of accounts with Deposits rose sharply by 344.7% on the whole [While within this overall rise, RRBs recorded the highest increase of 457.3%, followed by the PSBs with the next higher growth of 338.5%, and Private bank with the least (but sizeable) growth of 140.6%.

Growth in Bank Deposits under PMJDY:

The following Table C.1.i. and accompanying Graph C.1.i demonstrate the rise in Bank Deposits under the scheme as on 31st August, 2016 (compared to the earlier period as on 31st January, 2015).

A startling development noticed in this analysis is that the overall amount of Deposits under PMJDY jumped by a whopping Rs31,594 Crore (by 300.9%) and quadrupled to Rs42,094 crore as on 31st August, 2016, from earlier Rs10,500 crore as on 31st January, 2015.

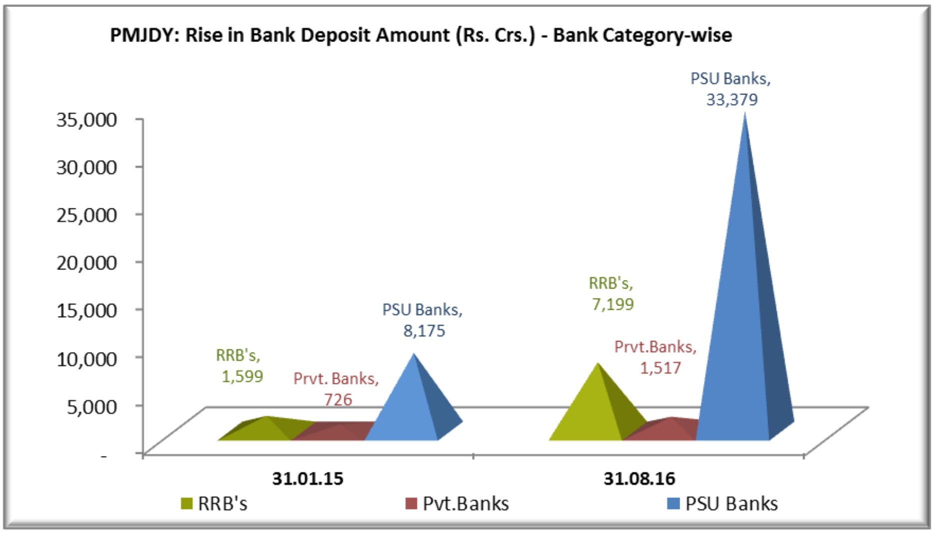
And the further analysis of the increase in the amounts of Deposits with each category of banks is provided in the following Table 4.7.9a along-with the accompanying Graph 4.7.9b.

Table C.1.i

PMJDY A/cs: Rise in Deposits – Bank Category-wise: 31.08.16 (vs. 31.01.15) (Rs. Crores)

Banks' Category	31.01.15	31.08.16	Increase	Increase
	Rs. Crore	Rs. Crore	Rs. Crore	%
PSU Banks	8,175	33,379	25,204	308.3%
RRB's	1,599	7,199	5,600	350.2%
Pvt. Banks	726	1,517	791	109.0%
Overall	**10,500**	**42,094**	**31,594**	**300.9%**

Graph C.1.i



Source: PMJDY website

Within the overall growth of Rs31,594 crore (300.9%),

- PSBs led by contributing the largest amount of growth in Deposits amounts of Rs25,204 crore (from Rs8,175 crore to Rs33,379 crore), followed next by RRBs with the rise of Rs5,600 crore (from Rs1,599 crore to Rs7,199 crore, and the least increase of Rs791 crore by Private banks (Rs726 crore to Rs1,517 crore).
- While in terms of percentage growth, RRBs led with the highest % rise of 350.2%, followed next by PSBs with 308.3%, and the Private banks being the lowest but with a sizeable 109% increase.

This proves that the opening of accounts under PMJDY by all categories of banks made good business and economic sense for them (which is reflected in the enormous rise in the amounts of deposits and fall in the number of Zero balance accounts with each of them); while bringing the unbanked population under the banking net; and serving the social purpose.

4.2.8 Comparative Analysis of Composition of Percentage Share of Each Category of Banks in Different Types of Accounts as on 31st August, 2016 vs. 31st January, 2015

The following facts emerge in comparison of two periods i.e. 31st August 2016 and 31st January, 2015 from a comparative analysis of percentage share of each type of accounts in different categories of banks.

1. *RuPay Cards:* The share of RuPay cards of RRBs (in the total) marginally improves to 15.2% (from the earlier 13.5%) but there is a dip in the PSBs share to 80.7% (from 82.3%).
2. *Zero Balance Accounts:* In the Zero balance accounts the share of PSBs improves slightly to 79.9% (from the earlier 77.6%) and of private sector banks improves to 5.3% (from 3.5%) while the share of RRBs drops to 14.8% (from 18.9%).
3. *Others:* Other compositions very marginally fluctuate in narrow bands.

4.2.9 Comparative Analysis of Percentage Composition of Different Types of Accounts within Each Category of Banks) as on 31st August, 2016 vs. 31st January, 2015:

RuPay Card Accounts: Compared to the earlier period as on 31st January, 2015 composition of the RuPay cards of the respective banks (as a percentage of the total accounts of the respective category of banks under the scheme), PSBs were the highest earlier (with 92.7%), followed by the private sector banks (87.7%) and RRBs the lowest (68.7%) of their respective total accounts with RuPay cards, as on 31st January, 2015. However, on 31st August, 2016, the pecking order has changed with now private sector banks leading with (92.9% of their accounts under the scheme being RuPay cards); while the PSBs have now being relegates to the second position in the percentage terms (80.2% of their accounts under the scheme being RuPay cards); while the RRBs remain the third (with 69.7% of their accounts under the scheme being with RuPay cards, having changed just marginally from earlier 68.7%).

Zero Balance Accounts: As on 31st August, 2016, in comparison with 31st January, 2015, the position of accounts with Zero balance (in terms of the percentage of total accounts with the respective category of banks), the analysis shows the fall in numbers of accounts with the Zero balance accounts (or conversely the rise in the accounts with positive balance or deposits):

- The steepest fall of 52.1% (from 73.1% to 21%) with RRB's;
- Followed by drop of 42.1% (from 66.6% to 24.50%) with the PSBs; and
- The least decrease of 20.7% (57.2% to 36.5%) with Private Banks.

4.3 Findings of the Sample Survey

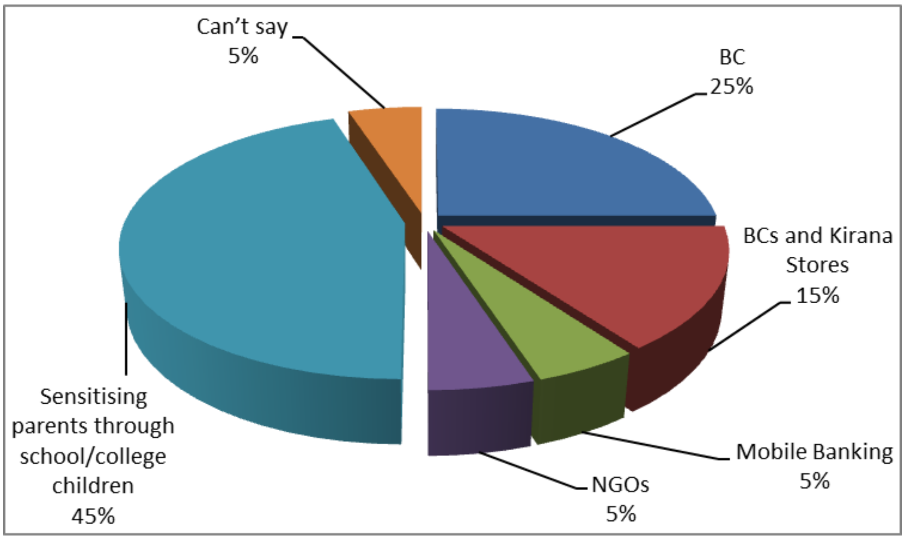
An analysis of the sample survey of PSBs conducted in Thane city to examine the impact of PMJDY on financial inclusion is presented in this section. The sample survey data shows that 20 out of 116 branches of PSBs surveyed opened 10921 accounts and mobilised savings of Rs.1,07,71721. As public sector banks, the targets of PMJDY thrust upon the banks have to be achieved. In spite of the fact that the government has not allocated any financial or physical resources to the PSBs to achieve the financial inclusion targets, they are required to periodically report to the government the progress made in opening accounts as well as provision of other products of PMJDY to the poor such as life and health insurance, micro pension scheme Atal Pension Yojana (APY) and micro loans under Mudra scheme etc.

4.3.1 Bankers' Opinion on Financial Inclusion Model for PMJDY

The survey data about bankers' opinion regarding an appropriate financial inclusion model that can assist them in achieving 100% financial inclusion is presented in table 4.1SA below. Around 58% bankers were of the opinion that BC (Bank Mitr) model is most suitable in reaching out to the financially excluded population while 16.67% believed that BCs as well as Kirana stores can serve unbanked population for opening their accounts. Only 8.33% bankers opined that mobile banking, NGOs and sensitising school children to indirectly reach out to their parents by organising camps in their schools can be channels for deepening financial inclusion.

Table D.1: Bankers' Opinion about Financial Inclusion Model	
Opinion on FI Model	**%**
BC	25%
BCs and Kirana Stores	15%
Mobile Banking	5%
NGOs	5%
Sensitising parents through school/college children	45%
Can't say	5%
Total	100%

Graph D.1



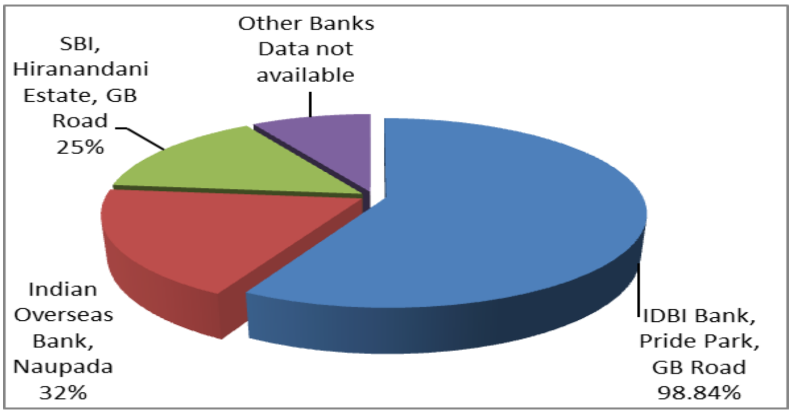
Source: Sample Survey

4.3.2 Active Accounts opened under PMJDY

The target driven PSBs opened accounts under PMJDY by organising camps in rural and urban areas. But many of these accounts are lying dormant after opening. The following table 4.2Sa and graph 4.2Sb is presented below illustrates it.

Table E.1: Active Accounts (In Percent)	
Bank Name	**Active Accounts (In %)**
IDBI Bank, Pride Park, GB Road	98.84%
Indian Overseas Bank, Naupada	32%
SBI, Hiranandani Estate, GB Road	25%
Other Banks	Data not available

Graph E.1



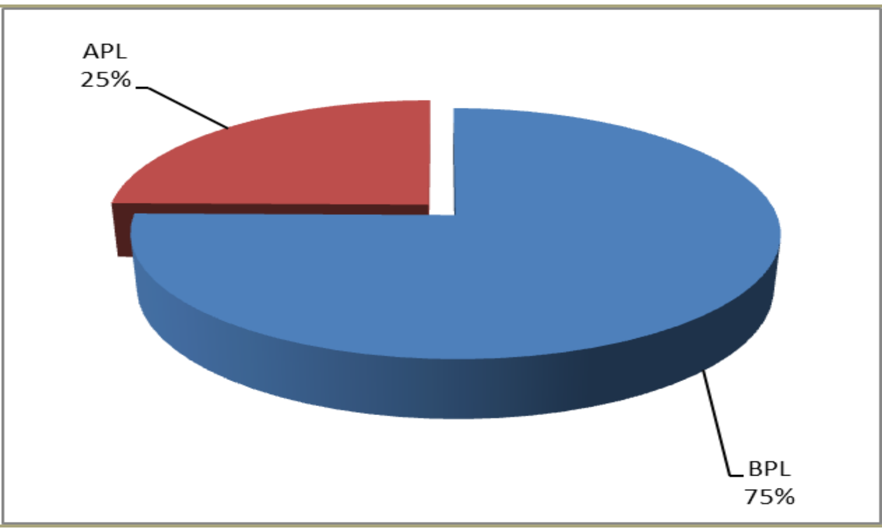
Source: Sample Survey

4.3.3 Percentage Share of BPL and APL Account Holders

The sample survey examines the share of PMJDY accounts opened by the banks from two different economic categories of financially excluded population i.e. BPL and APL households. The survey data reveals that 75.20% account holders are from BPL households and 24.80 account holders are from APL households. The details are presented below in Table 4.3Sa and Figure 4.3Sb. This shows that PMJDY is a very good channel to transfer doles for the poor directly to the bank accounts of the poor without any pilferage.

Table F.1: Share of BPL/APL Accounts (In percent)	
BPL / APL Percentage	
BPL	APL
75.20%	24.80%

Graph F.1



Source: Sample Survey

4.3.4 Number of Insurance Claims

The survey data shows that only five insurance claims have been received by the PSBs so far since the inception of the scheme. There are 469 subscribers for Atal Pension Yojana (APY) insurance scheme with the PSBs. This shows that there is need to popularise the benefits of this scheme to scale up the number of its subscribers. The IDBI bank branch in Pride park complex on Ghodbunder Road received a contribution of Rs.155420 towards APY. Other banks did not provide data on subscribers of APY. It may be due to the fact that they have not campaigned for this scheme appropriately and the account holders are not aware of the benefits of this scheme.

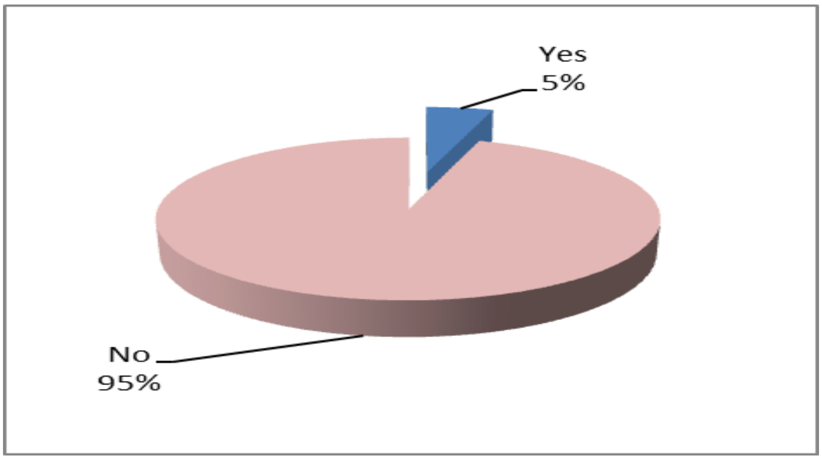
4.3.5 Incremental Cost to Banks and Impact on Profitability

To examine whether PMJDY is adding further to the already stressed assets of PSBs, the survey data seeks information about the incremental cost banks have to incur for implementation of this scheme. However, the respondent banks report that there is not much effect of PMJDY on the profitability of banks. The banks have to incur additional costs of organising camps, print brochures and other campaign material and pass books for the account holders. Yet the survey data shows that banks are ready to incur these costs as they believe that it is their social responsibility to bring the unbanked population into mainstream banking system. So far the PSB banks surveyed for this study have not yet provided overdraft facility of Rs.5000 to account holders under PMJDY scheme. The bank managers are of the opinion that once the overdraft facility is started, it may make a dent into their profitability. However, they expressed the need for additional staff for handling the additional workload related to this scheme.

The overall opinion of the bankers about this scheme is that it is a good scheme to scale up financial inclusion in India. The Bankers believe that it makes good economic sense also as small savings in these accounts have increased over a period of time. As is already shown above there is around 300% increase in deposit accounts and a fall in zero balance account over a period of one year of implementation of this scheme.

Table G.1: Bankers' Opinion about Impact of PMJDY on Profitability of PSBs	
Incremental Cost to Banks	**Response (%)**
Yes	95%
Can't Say	5%

Graph G.1



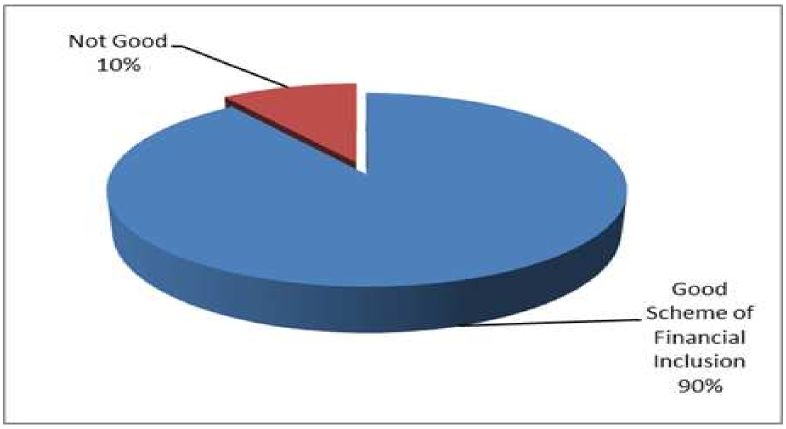
Source: Survey Data

4.3.6 Bankers' Opinion about PMJDY

Majority of the banks surveyed (90%) are of the opinion that this scheme is a good scheme of financial inclusion. Only few bankers (10%) opine that this scheme of financial inclusion is not welcomed by banks as the government is not making any provision for additional physical and financial infrastructure. Banks are already burdened with routine work and the existing manpower is unable to bear further burden of PMJDY workload. This is presented below in table 4.6Sa and graph 4.6Sb.

Table H.1: Bankers' Opinion about PMJDY	
Opinion about scheme	**Response (%)**
Good Scheme of Financial Inclusion	90%
Not Good	10%

Graph H.1



Source: Sample Survey

Regarding the impact of PMJDY on their profitability, majority of bankers believe that there is no significant impact of this scheme on Banks' profitability. There is one-time increase in costs which is incurred on publicising this scheme such as cost of banners, brochures, organising camps in schools, colleges, societies and localities and printing new passbooks etc. However, they believe that the scheme has not been publicised in a right manner by the government as people perceive that through this scheme they will receive Rs.5000 from the bank which the government has contributed for PMJDY.

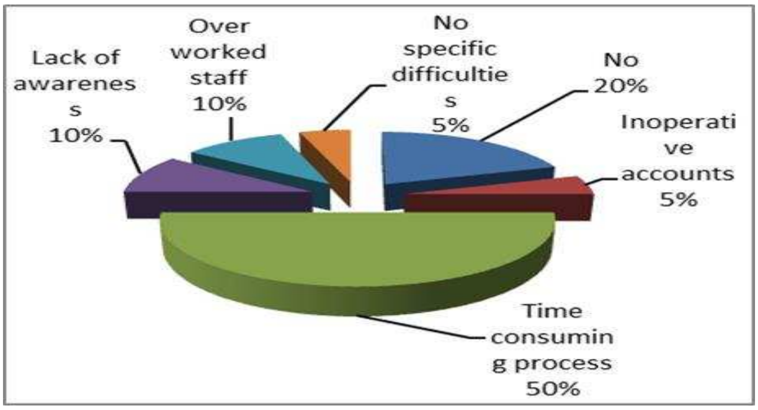
4.3.7 Difficulties Faced by Bankers in Achieving PMJDY Targets

In spite of various schemes of financial inclusion introduced by the governments in power over a period of time a large proportion of the population still remains out of the mainstream financial system. This is why PMJDY has been very aggressive in thrusting time bound targets upon the banks in the financial system which they are required to achieve. Due to various constraints the banks are facing a number of stumbling blocks which have been presented below in the table and graph.

Table I.1: Difficulties Faced by Bankers in Achieving PMJDY Targets

Difficulties faced by Banks	Response (%)
No	4%
Inoperative accounts	1%
Time consuming process	10%
Lack of awareness	2%
Over worked staff	2%
No specific difficulties	1%
Total	**20%**

Graph I.1



Source: Sample Survey

Many banks' branches have done good field work to popularise this scheme and have opened a good number of PMJDY accounts. They have readily shared data regarding these accounts. It has been observed that the bank branches that have not performed well are not ready to share details of number of accounts opened or people who have registered themselves for insurance cover under this scheme. As public sector employees, branch managers of banks do not want to be on record to voice out difficulties faced by them for implementation of this scheme. Main difficulties are that the workload of existing employees has increased as the government has not increased manpower to shoulder additional workload of reaching out to the financially excluded people and opening their accounts. Some of the bankers are of the opinion that Payment Banks and Bank correspondents can be involved to achieve financial inclusion targets under PMJDY. But there are issues regarding remuneration to the BCs, infrastructural and technological problems.

The PMJDY is including more schemes in phases for increasing self-employment opportunities along with various poverty alleviation programmes. The recently launched 'Mudra' scheme aims at providing financial assistance to individuals to start micro enterprises. Banks have to provide collateral free loans to individuals under this scheme which the banks are afraid would lead to bad loans in future. Public sector banks are already having a very large amount of stress assets and 'Mudra' scheme may further add to that. However, this study has not included 'Mudra' scheme as sufficient data is not available for analysis.

It has been noticed that most of the accounts opened under the PMJDY are inoperative. These accounts have been opened using e-KYC and the account holders have been informed that after they obtain valid documents their accounts will be linked to Aadhaar card. But due to non-submission of KYC documents, many of these accounts have not yet been Aadhaar seeded due to which the direct benefit transfer (DBT) of subsidies by the government cannot be linked to these accounts, thus defeating the efforts of the government for scaling up financial inclusion.

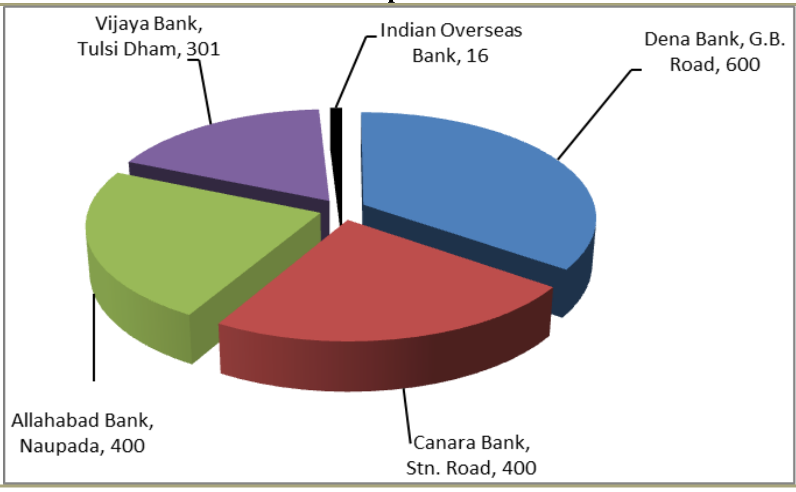
4.3.8 Life Covers Offered under PMJDY

In India both insurance density (ratio of premium to total population) and insurance penetration (percentage of insurance premium underwritten in a given year to Gross Domestic Product) are very low as compared to many developing economies. The poor are the most vulnerable to sickness and accident hazards due to their living conditions but they hardly have any money to buy insurance cover. There is very little awareness among the poor about safety nets available to them at very low price to protect themselves against catastrophic and health hazards such as chronic sickness or accidental death of a family member. The PMJDY aims at providing various insurance products at affordable premium to the poor. In spite of the awareness drives organised by the banks through banners and by the central government through their websites and media the table 4.8Sa and graph 4.8Sb presented below shows very low subscription to the scheme.

Table J.1: Life Cover Seekers Record with the Banks

Name of Bank Branch	Number of Life Cover seekers
Dena Bank, G.B. Road	600
Canara Bank, Stn. Road	400
Allahabad Bank, Naupada	400
Vijaya Bank, Tulsi Dham	301
Indian Overseas Bank	16
Other Banks	Data Unavailable

Graph J.1



Source: Sample Survey

4.3.9 Claimants of Accident Cover Offered under PMJDY

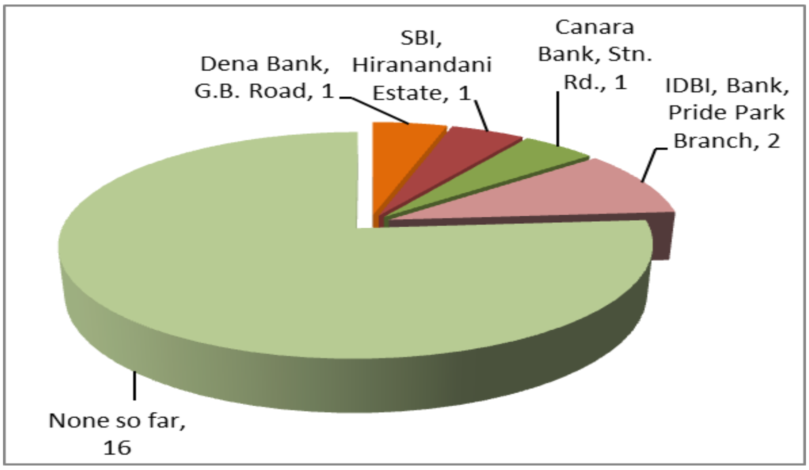
There is an in-built accident cover provided to the Rupay card holders to the tune of Rs.1,00,000. The following table 4.9Sa and graph 4.9Sb shows the claims filed for accidents under the PMJDY. Since the risk cover sought by the poor under this scheme is very low, the number of claims are also very less.

Table K.1: Branch wise Claimants of Accident Cover

Accident cover submitted to PSB	Number of claimants
Dena Bank, G.B. Road	1
SBI, Hiranandani Estate	1
Canara Bank, Stn. Rd.	1

IDBI, Bank, Pride Park Branch	2
None so far	16

Graph K.1



Source: Sample Survey

4.3.10 Subscribers to Pension Scheme 'Swavalamban' or APY

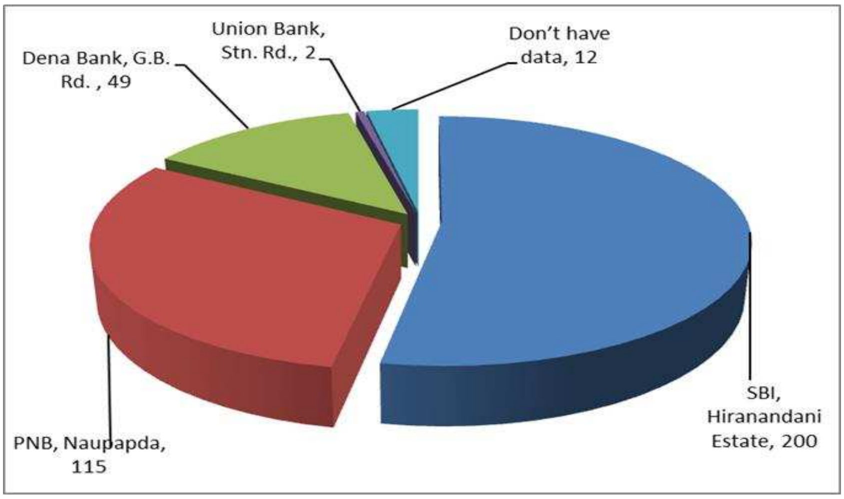
In India a vast segment (85%) of the workforce is employed in the unorganised sector. There has been an increase in the employment opportunities in the unorganised sector post liberalisation period. The workforce employed in the informal or unorganised sector do not have any social security such as old age pensions. Poverty and absence of social security measures in their old age lands them in destitution. Swavalamban scheme is a landmark initiative of the government of India to provide old age income protection to the unorganised/informal sector workers. The PMJDY provides a safety net in the form of Atal Pension Yojana (APY) at a very low premium to the poor who can have a regular flow of income of a small amount in their old age by contributing a very small amount monthly till the age of 60 years. There is a significant amount of flexibility regarding the contribution and the duration up to which they would like to have pension in their old age. The sample survey data presented in table 4.10Sa and Graph 4.10b shows the progress of this scheme in Thane city.

Table L.1: Subscribers to Pension Scheme APY

Subscribers of APY	Nos. of Respondents
SBI, Hiranandani Estate	200
PNB, Naupapda	115

Dena Bank, G.B. Rd.	49
IDBI Bank, Pride Park	45
Allahabad, Naupada	28
Vijaya Bank, Tulsi Dham	28
Indian Overseas Bank	2
Union Bank, Stn. Rd.	2
Don't have data	12

Graph L.1



Source: Survey Data

4.3.11 Methodology Adopted for Creating Awareness of PMJDY

To create awareness about PMJDY the PSBs organised camps in schools, Panchayat premises in villages, displayed banners in regional languages at strategic places such as the bank offices, market place and the place where camps are organised. The bank staff has been involved in field work to contact people who did not have a bank account so far due to lack of address proof and other documents required for opening a bank account.

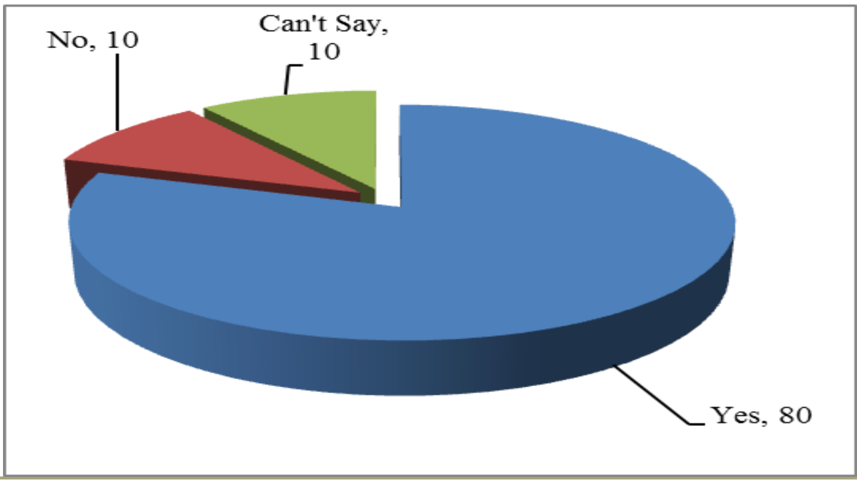
4.3.12 Impact of PMJDY on Profitability of PSBs

Although the banks have not been able to provide data about whether this scheme has made a dent into their profits, secondary data obtained from a consulting firm Mckinsey report which was presented at a recent bankers' retreat at NIBM, Pune, has been used to examine this issue. This report reveals that Indian banks made good progress in improving access to banking services and maintaining stability in the preceding decade from 2004 to 2014. The number of financially excluded households decreased from 41% to 35%. The ratio of loans to GDP went up from 0.3% in 2004 to 0.5% in 2014. Net NPAs to loans was also down from 2.9% in 2004 to 2.2% in 2014. But the profitability of banks has declined as the compound annual growth rate of profits declined from 46% in 2004 to 5% in 2014. The return on equity in this period halved from 19.8% to 9.6%. The net NPAs-to-loans ratio doubled from 1.1% in 2011 to 2.2% in 2014 which does not include restructuring of loans that has gone up from 3.5% of all loans in 2011 to 8% in 2014. To top it all the credit growth rate has been slow which can be due to high cost.

The survey data shows that 80% of the banks do not feel that their profitability is affected due to PMJDY. It is true that they have to incur cost on organising awareness camps, spend money on printing of brochures, banners, pass-books and other display material but they get small amount of deposits also. Even the secondary data analysed earlier in this chapter shows that there is surge in the deposits of all category of banks. Only 10% banks believe that their profitability is affected and 10% can't say whether this scheme has affected their profitability. This data has been presented in the following table 4.12Sa and graph 4.12Sb below:

Table M.1: Impact of PMJDY on Profitability of PSBs	
Impact of PMJDY on Profitability	**Response (%)**
Yes	80%
No	10%
Can't Say	10%

Graph M.1



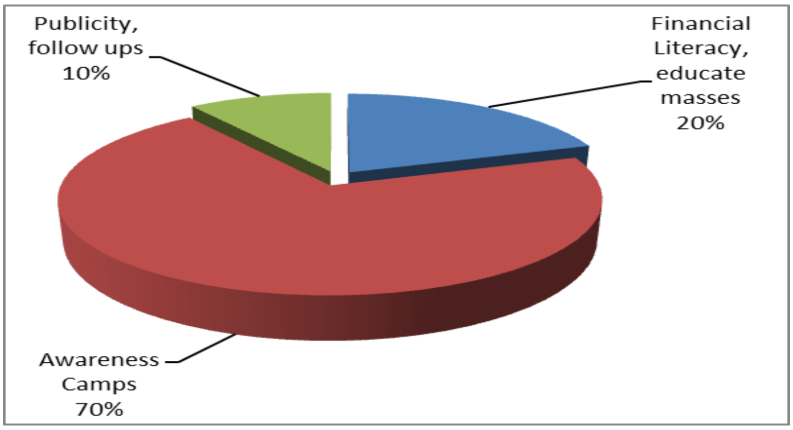
Source: Survey Data

4.3.13 Suggestions by PSBs to Scale up Financial Inclusion

Majority of the officials of PSBs surveyed are of the opinion that PMJDY is a good scheme aimed at achieving 100% financial inclusion. To further expedite and scale up financial inclusion, the emphasis has to be laid on creating awareness by targeting the unbanked population through organising camps more frequently, through financial literacy campaigns by using audio visual techniques, continuously following up the people to open their bank accounts and by removing infrastructural and technological bottlenecks. The sample survey data presented in table 4.12Sa and graph 4.12Sb illustrates the opinion of bankers about suggestive policy.

Table N.1: Suggestions by PSB to Scale up Financial Inclusion	
Suggestions to Improve Financial Inclusion	**Response (%)**
Financial Literacy, educate masses	20%
Awareness Camps	70%
Publicity, follow ups, engage BCs	10%

Graph 4.12Sb



Source: Sample Survey Data

4.3.14 Summary and Conclusion

Most accounts under the scheme were opened in Rural areas (61.4% of total) as on 31st August, 2016.

Large proportion of total accounts being with Rupay cards (78.8%) as on 31st August, 2016.

PSU Banks with predominant share of absolute numbers as well as in terms of percentage composition of each type of accounts with different features both in rural as well as urban area:

- RRBs come a distant second – being roughly 1/3rd to 1/5th of PSB's accounts
- Private banks have very small /miniscule share – 1/4th to 1/6th of the RRB's (and very small fraction of PSBs)
- PSBs lead even in the Rural accounts in terms of absolute numbers. But in terms of percentage share of their respective accounts, RRBs have significantly lead followed by Private Bank, and PSBs being the last.
- The Banks hierarchy order changes dramatically when it comes to the average amount of deposits per account: with the Private banks being on the top with Rs3237/-, the PSBs coming next with Rs2733/-, and the RRBs coming the last with Rs2484/- with average deposits per account as on 31st January, 2015. And the order completely reverses from the original as on 31st August, 2016, to: the Private Banks being the highest with

Rs2811/-, the RRBs in the middle with Rs2313/-, and the PSBs at the bottom with Rs2207/- average deposit balance per account as on 31st August, 2016.

- Though initially a large proportion nearly 2/3rd (67.3%) accounts (8.45 crore nos.) were with Zero balance as on 31st January, 2015; however, the Zero balance accounts came down sharply to 24% (5.87 crore nos.) despite almost doubling of the accounts (from 12.55 crore nos. to 24.10 crore nos.) during this period.
- All categories have benefitted with massive rise of Rs31,595 crores in the amounts of deposits in the accounts under PMJDY from 31st January, 2015 to 31st August, 2016, as explained below.

4.3.14.1 Analysis of Growth in Amount of Deposits with Banks under PMJDY

- The average amount of deposit per account went down with all categories of banks as on 31st August, 2016 compared to 31st January, 2015.

- There seems to be a strong linkage/correlation between the lowest average amount of deposit and the highest percentage increase in deposit. This shows the strategy of keeping the lowest deposit amount per account by RRBs has paid off with the highest percentage increase in their total deposit amounts, as reflected in the analysis in the following two tables:

Table O.1: Analysis of Growth in Amount of Deposits with Banks under PMJDY								
Category of Banks	**Total Deposit Amounts (Rs. Crore)**				**Average Deposit Amount Per Account (Rs.)**			
	31.01.15	31.08.16	Increase in Deposits Amt.	Percent Increase in Deposits Amount	31.01.15	31.01.16	Increase/ (Decrease)	% Increase./ (Decrease)
	Rs. Crs.	Rs. Crs.	Rs. Crs.		Rs.	Rs.	Rs.	
PSBs	8,175	33,379	25,204	308.3%	2,484	2,313	(171)	(6.9%)
RRBs	1,599	7,199	5,600	350.1%	2,733	2,207	(526)	(19.2%)
Private Banks	726	1,517	791	109.0%	3,237	2,811	(425)	(13.1%)
Overall Total	**10,500**	**42,094**	**31,595**	**300.9%**	**2,561**	**2,309**	**(252)**	**(9.8%)**
Source: Author's analysis of secondary data								

Table O.2: Linkage in Amount of Lowest Average Deposit With Highest % Growth in Total Deposits					
Category of Banks	**Average Deposit Amount Per Account**			**% Increase in Total Deposit Amounts (31st Aug'16 vs. 31st Jan'15)**	
	31.01.15	31.08.16	Ranking Order	% Increase	Ranking Order
	Rs.	Rs.			
RRBs	2,733	2,207	**Lowest**	350.1%	**Highest**
PSBs	2,484	2,313	Middle	308.3%	Middle
Private Banks	3,237	2,811	**Highest**	109.0%	**Lowest**
Overall Total	**2,561**	**2,309**		**300.9%**	
Source: Author's analysis of secondary data					

This initiative of the Government of India (GOI) for financial inclusion in the form of PMIDY has apparently been a good success thanks to the enormous push by the Government at the highest level, with the target based approach adopted for the banks and all concerned, with accountability fixed, and strict monitoring on regular basis and appropriate actions where needed. The progress in the last about two years of the launch of the PMJDY is commendable having brought roughly 19.2% of India's total population of nearly 125.4 crore [Source: India's population 1254 million in 2015 as per www.tradingeconomics.com]. But India still needs to take big strides to bring the remaining large number of unbanked population in the banking net.

While the PSBs (with their predominant share of 79.3 %), and the RRBs (with their sizeable share of 17.1% as on 31st August, 2016) have played a major role; the Private Banks have been laggards (with a meagre 3.5% of total accounts opened). The government's implementing agencies need to devise ways to persuade and incentivize Private Banks to leverage their large network of branches and whole heartedly participate in the scheme; and substantially raise their share of total accounts under PMJDY.

It is true that the PSBs have done commendable work with their dominant share of 79.3% in total accounts under the scheme; the contribution of 17.1% accounts by RRBs is no small feat, and needs to be acknowledged and appreciated, given their limited reach. It is observed that further expansion of RRBs branches network in the strategic rural pockets of the country with mass unbanked/under-banked population, would be useful for bringing the unbanked/underbanked rural people in the banking net.

Yet another point that emerges from this analysis is that it is a good strategy for the banks to offer Zero balance accounts to the unbanked people (or reduce the amount of average deposit requirement); as the analysis shows that the RRBs with the lowest average amount of deposit per account (Rs2207/- as on 31st August, 2016) showed the highest percentage growth rate (350.01%) in the amounts of their deposits under the scheme compared to 31st January, 2015. This would eventually help the banks' business in the long run.

Another related observation that comes out of the above analysis is that, though a large number of the new account holders under the scheme (8.45 crore as on 31st January, 2015) started with Zero balance (and some with very low token balance), started depositing money in their accounts as they became familiar with banking transactions. This is evident from the massive drop in the number of accounts with Zero balance from 8.45 crore to 5.87 crore.
Even though the aggregate number of accounts under the scheme nearly doubled to 24.10 crore from 12.55 crore during the comparison period (31st August 2016 vs. 31st January 2015); the amount of deposit balances leap frogged and quadrupled to Rs.42094 crore (from Rs.10,500 crore) during the same period.

Yet another important fact that emerges from this study is contrary to the common misconception that the opening of bank accounts under PMJDY is just a burden of charitable nature for the banks. In fact, the vast amounts of deposits (~ Rs42,094 crore) mobilized by all categories of banks, makes good business and economic sense for the banks, as they are expected to benefit by earning an additional annual income upwards of roughly Rs2,950 crore p.a. on the accounts opened under this scheme with the interest spread of ~7% p.a. (assuming the weighted average lending interest rate of ~11% p.a. and savings account interest rate of ~3% to 4% p.a.). This large incremental net interest income is expected to offset the cost of servicing the PMJDY accounts. And the cost of servicing are expected to get consistently lower and lower with the application of continuously improving banking technology.

Though it may sound too simplistic, as it may be argued that banks are expected to maintain low (or no interest) bearing reserves with the Reserve Bank of India (RBI); and also they have priority sector lending obligations, with very low interest rates. However, applying the marginal cost principle, the author would like to counter-argue that on such deposits (which are expected to keep increasing in future, with the rising income levels and improvement in the banking habits of the account holders) the net interest income would be expected to rise; while the cost of servicing the accounts would tend to get lower and lower with the new banking technology. Also in the course of time, these account holders would start using other banking services (e.g. funds remittances/ money transfers, etc.), which would bring additional resources for the banks. The cost of acquisition of such accounts on mass scale under the scheme tends to be lower compared to acquiring new accounts while competing with other banks in the normal course. Thus such accounts under the PMJDY would eventually turn out to be profitable business in due course.

The PMJDY has been a path breaking initiative, being pursued with remarkable alacrity. While this is serving an important social cause of financial inclusion of the unbanked poor people; at the same time it makes good business and ecommerce sense for the banks. It is a blue ocean for the banks, as it helps expand their customer base from the earlier untapped segment of population; and would keep banks in growing their business and popularity in the long run.

Despite criticism from certain quarters about the aggressive means and methods adopted; the results show that the PMJDY has been a resounding success. And the government should continue pursuing it vigorously on an ongoing basis without any let up.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

PMJDY is an ambitious project of the government for cent percent financial inclusion. It aims at poverty alleviation with a multi-pronged strategy of opening bank accounts of the financially excluded, providing social security benefits such as old age pension, life and health insurance, developing entrepreneurship with small loans under 'Mudra' scheme and transferring subsidies directly to the poor through their bank accounts without any leakages. The scheme has made good progress since its implementation in mid-August, 2014 by opening 22.29 crore accounts both in rural and urban areas by 29^{th} June, 2016.

In spite of a well-planned roll out of the scheme, it has not yet achieved the expected success due to some stumbling blocks. While literacy rate is around 70%, financial literacy rate is still abysmally low in India. This is becoming a major hurdle in spreading awareness among the poor and financially excluded people. The government's campaigns in print media are rendered totally ineffective due to high rate of illiteracy among the poor. Only way to reach out to them is through personal contact by organising camps which is a time consuming and expensive medium. Along with the existing workload the bank staff feels over burdened with additional workload of organising camps, creating awareness, opening additional accounts and providing information about various products of PMJDY to the public. To make this scheme successful the government needs to devise a fool proof strategy to achieve the maximum outcome of the scheme.

5.2 Suggestive Measures

- The present strategy of the government on financial inclusion using print and visual media needs to be tweaked. Instead, door to door financial literacy campaigns providing detailed understanding and future benefits of the scheme would have better impact.

- Banks may not be able to carry out such campaigns with their existing manpower. Since the government is saving a considerable amount of money by better targeting of subsidies, it can be utilised for such campaigns by involving unemployed educated youth, self-help groups and educated unemployed housewives.

- Many of the government's well intended schemes lose out due to lack of monitoring. For scaling up financial inclusion, the government should monitor this scheme on a continuous basis. The government has to find out innovative ways to make newly opened accounts under the scheme Aadhaar seeded so that these people are able to get subsidies in their accounts and their accounts remain active.

- Banks can be incentivised for implementing this scheme. This will encourage them to scale up financial inclusion. The government should share cost of appointing BCs with the banks so that banks can use services of BCs to scale up financial inclusion.

- Many banks fear that due to new accounts, foot falls may increase in bank branches and the existing staff may not be able to manage the additional workload. The government can resolve this issue by increasing manpower with new recruitments and upgradation of technology.

- If banks can cater to small transactions of deposits or withdrawals of customers by outsourcing them to kirana stores or Paan kiosks which can be linked with technology such as point of sale (POS) instruments, this problem can be dealt with efficiently.

- Financial inclusion and literacy are very closely correlated. A literate person understands the benefits of opening an account and becomes aware of various government schemes aimed at removal of poverty through print and audio media. The government should aim at cent per cent literacy along with cent per cent financial inclusion.

- Banks should be encouraged to use the vast network of existing post-offices to reach out to the unbanked population. Post offices can be used as bank correspondents or agents. This can be a path breaking step for amplifying financial inclusion.

- In some of the sub-Saharan South African countries, the governments have been able to increase financial inclusion by increasing mobile density. Cheaper mobile instruments which can have texts in regional languages, affordable internet connection and mobile banking facilities can help in scaling up financial inclusion to a large extent. It is heartening to mention that the government has already taken up the task of making India a digital nation.

5.3 Limitations of the Study

The PMJDY was launched on 28th August, 2014. The scheme has completed two years and has made commendable progress in bringing financially excluded masses into mainstream financial system. With a multi-pronged strategy, it aims at providing social security to the poor through pension scheme, life and accident insurance cover. In the initial stage, the emphasis has been on opening banks accounts of the unbanked population followed by offering a bouquet of services to the poor through this scheme in phases – such as micro loans for entrepreneurial initiatives for self-employment and for education.

The scope of this study is limited to examine the performance of public sector banks in Thane city in achieving financial inclusion targets of PMJDY since its implementation over a period of two years. It covers the targets achieved by PSBs in bringing unbanked population of Thane city into mainstream banking system, difficulties faced by them in the course of financial inclusion drive and their opinion about the financial inclusion model that can help in speedy achievement of cent percent financial inclusion.

Availability of sufficient primary research data has been a major limiting factor for this study. Out of total 116 branches of PSBs in Thane city, though the questionnaire was distributed to 90 PSB branch heads; the sample survey data could be obtained only from 20 branches despite follow-up. Due to non-cooperation by most of the branch heads of PSBs, and the limited short time available for completion of this this study, an extensive analysis of primary data has not been feasible. This limits the scope of this study and the small size of the sample may affect accuracy of the results.

To overcome this limitation of a small sample, secondary data about this scheme from the PMJDY website has been supplemented to examine the performance of PSBs in achieving financial inclusion targets all over India. Since data about all types of banks i.e. public sector banks, private sector banks and regional rural banks is also available from the PMJDY website, it has been possible to analyse comparatively the performance of PSBs vis-a-vis other types of banks. The comparative study highlights the fact that PSBs have done well and played a predominant role in achieving financial inclusion targets.

The survey data results are also broadly in line with the pattern of performance of PSBs all over India.

5.4 The Way Forward

This study is a starting point, and has an enormous scope of further analysing the problem of financial inclusion. With sufficient financial resources and time availability, this study can be extended to pan India and can cover other aspects, including the bouquet of financial services available under the scheme. A survey of beneficiaries who have been recently added into mainstream financial system to examine the impact of this scheme will add another dimension to the investigation which will provide useful insights to design various financial products for the poor.

An effort has been made to study the impact of a few of the financial services; though majorly opening of bank accounts for the unbanked people, which is the Launchpad for all other products. This study provides a springboard to study the performance as well as the impact of various other financial products under the PMJDY. The ball has been set rolling; and the researchers can use their analytical skills and imagination to explore further. The scope is tremendous.

5.5 Conclusion

The analysis of performance of PSBs under PMJDY shows that this scheme has achieved tremendous success in scaling up financial inclusion of the unbanked population in India. In just a period of two years there has been remarkable growth in bank accounts of the poor people who were earlier out of the mainstream financial system. The challenge for the banks as well as the government is to keep these bank accounts active and linked to proper identity of the account holds such as Aadhaar card. Once this has been achieved, the government will be able to transfer its poverty alleviation benefits to the target population without any pilferages. With a vast segment of the population still under poverty line, illiteracy and corruption the task of financial inclusion and poverty alleviation is arduous. But a beginning has been made in the right direction with precise focus and policy tools and the success is sure in near very future.

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