

## The Role of Jandhan Accounts in Financial Inclusiveness

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### ABSTRACT

India being one of the world's fastest growing economy. Large section of population living in rural areas, lacked access to formal banking service due to many factors such as illiteracy, geographically remoteness, socio-economically inequalities and many mores. Recognizing these challenges, The Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched in 2014, aims to enhance financial inclusion in India by providing easy access to banking services for the unbanked population in India. The scheme aimed to open at least one bank account per household, providing access to basic banking services- it offers zero-balance accounts, debit cards, insurance, pension and credit facilities. Targeting both rural and urban areas marginalized communities. As on August 2024, over 53 crore accounts have been opened, with significant participation from women and marginalized communities. The scheme has facilitated direct benefit transfers (DBT), ensuring that government assistance reaches intended beneficiaries efficiently. PMJDY plays a crucial role in integrating the economically disadvantaged into the formal financial system. The study based on secondary data provided by Indian Banks and presented in tables and charts.

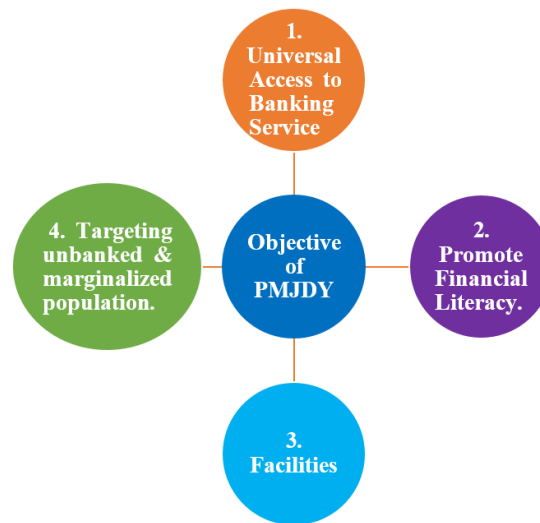
**Keywords:** Financial inclusions, PMJDY, marginalised communities, formal banking.

### 1. INTRODUCTION

Financial inclusiveness, the cornerstone of economic equity, refers to the provision of affordable financial services to all individuals particularly the underprivileged and underserved sections of society. In India, a significant milestone in this direction was the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014. With aimed at ensuring access to financial services—such as basic savings deposit accounts, remittance, credit, insurance and pensions—in an affordable manner economically disadvantaged marginalized communities. Individuals without bank accounts, can open a Basic Savings Bank Deposit (BSBD) account at any bank branch or through Business Correspondents (Bank Mitras). This ambitious initiative aimed at expanding financial access to ensure that every citizen has access to at least one basic savings bank account. This essay explores the critical role of Jan Dhan accounts in promoting financial inclusiveness in India, examining their impact on economic growth, social equity, and poverty alleviation



## 2. CHART-1 -SPEAKS ABOUT KEY FEATURES/OBJECTIVE OF PMJDY A/C



**Launched-** in 2014 to enhance financial inclusion

**Source:** secondary data- compilation by author

- **Universal Access to banking service** - Basic Savings Bank Deposit (BSBD) account is opened for a person at any bank branch or banking outlet operated by a Business Correspondent (BC). And Access to Zero-balance accounts and no charge for opening Jan Dhan accounts. The Eligible account holders can avail overdraft facility of up to Rs 10,000;
- **Financial literacy, security and supports economic growth and development** - Promoting savings, using ATMs, and mobile banking - Jan Dhan account holders are given a free RuPay debit card with an accident insurance cover of Rs 2 lakh (Rs 1 lakh for accounts opened before 28-8-2018). And more than 7 crore farmers, fish farmers, and animal rearers have Kisan Credit Cards. This has given a big boost to the rural economy of the country.
- **Facilitates** -direct benefit transfers (DBT) for government assistance
- **Targets rural and urban unbanked populations** Today more than 53 crore Jan Dhan accounts in the country have been opened by the women and marginalized communities -Out of more than 53 crore Jan Dhan accounts in the country, more than 55 percent of the accounts are in the name of women

## 3. DESIGN OF THE STUDY

### 1.1 Objective of the study

- I To examine the impact of Jan Dhan Accounts on financial Inclusiveness
- To Study the challenges in implementing Jan Dhan Accounts
- To explore Jan Dhan Account beneficiaries from different banks

### 1.2 Source of data- Study based on secondary data from websites-RBI and Banks

**Analysis of the study/Discussion-** to understand in a better way the outcomes of the study presented in table and charts with explanations and used SPSS for testing of hypothesis -correlation (using two metric variables (No. of Accounts and Deposits from year 2015-2024 and also used chi-Square test for testing non- parametric variables (namely 2 categories-No. of accounts and Deposits)

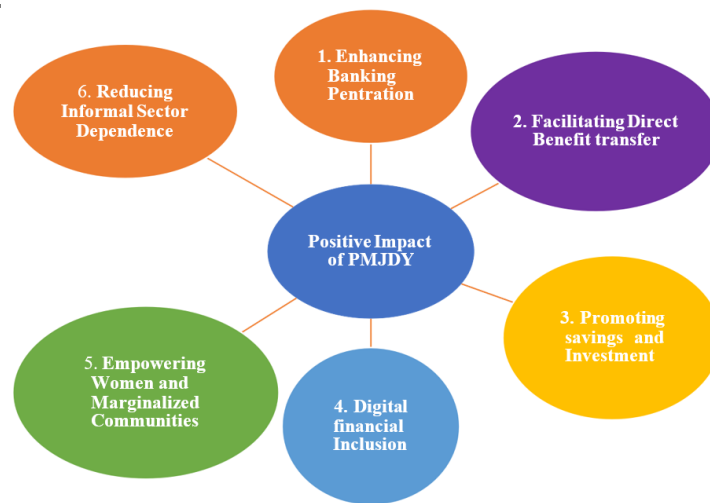
Hypothesis

- There is no significant Relationships between number of accounts opened and deposits from the year 2015-24 with different banks =Ho There is a significant Relationships between number of accounts opened and deposits from the years 2015- 24 with different banks -H1
- There is no association between number of accounts opened and deposits from the year 2015-24 with different banks =Ho There is a association between number of accounts opened and deposits from the years 2015- 24 with different banks =H1

## 4. DISCUSSION ON FIRST OBJECTIVE



**i.Chart-2 To examine the impact of Jan Dhan Accounts on financial Inclusiveness**



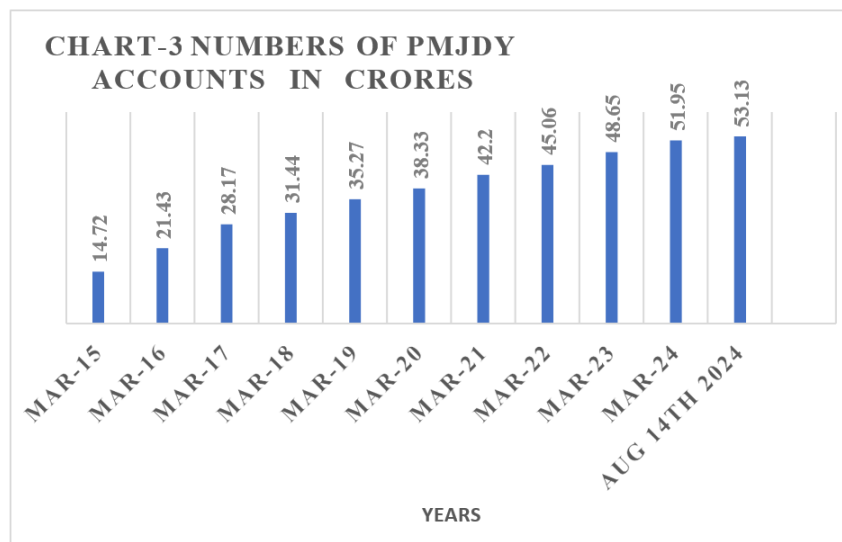
5.

Source: secondary data- compilation by author

### ***Positive impact of Jan Dhan Accounts***

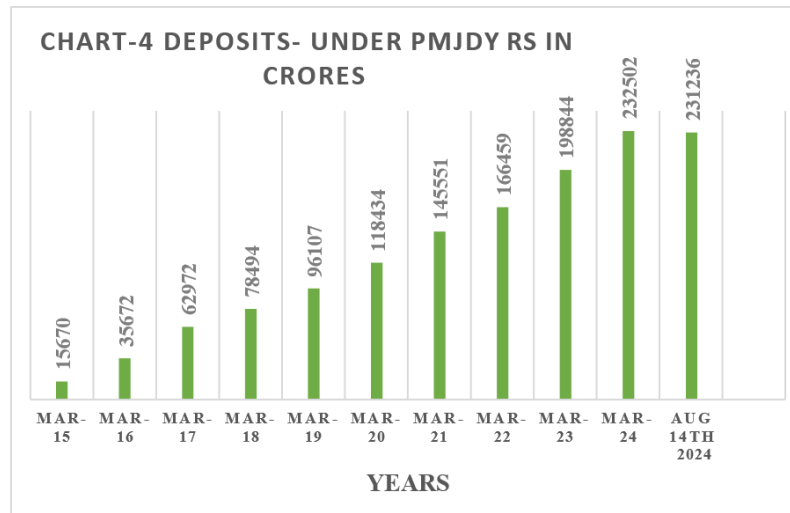
#### ***1.Enhancing Banking Penetration***

- **PMJDY Accounts**-PMJDY Accounts has significantly increased, the below chart shows PMJDY accounts have increased about 3.6 times from 2015-2024. It indicates that the number of rural and urban individuals with access to formal banking services over 53.13 crore



Source: secondary data- compilation by author

- **PMJDY Deposit**- Total deposit have increased about 15 times from 2015- 2024 under PMJDY accounts



Source: secondary data- compilation by author

### Hypothesis

- There is no significant relationship between number of accounts opened and deposits from the year 2015-24 with different banks =H<sub>0</sub>
- There is a significant relationship between number of accounts opened and deposits from the year 2015- 2024 with different banks =H<sub>1</sub>

Correlations

|              |                     | Year   | No-account's | Deposit |
|--------------|---------------------|--------|--------------|---------|
| Year         | Pearson Correlation | 1      | .990**       | .995**  |
|              | Sig. (2-tailed)     |        | .000         | .000    |
|              | N                   | 10     | 10           | 10      |
| No. Accounts | Pearson Correlation | .990** | 1            | .980**  |
|              | Sig. (2-tailed)     | .000   |              | .000    |
|              | N                   | 10     | 10           | 10      |
| Deposit      | Pearson Correlation | .995** | .980**       | 1       |
|              | Sig. (2-tailed)     | .000   | .000         |         |
|              | N                   | 10     | 10           | 10      |

Correlation is significant at the 0.01 level (2-tailed).

The above correlation table reveals that High degree (+ve) Positive correlation between Number of accounts opened and deposits under PMJDY during the year 2015-2024. Both the variables are moving the increasing direction. Numbers of accounts increase (shown in the chart-3) and the deposit also increase significantly during the period (Shown in chart-4). The Calculated (statistical) P value .000 reported in correlation table which is less than table value (standard) 005. It indicates that there is significantly difference between number of accounts opened and the amount deposits in the PMJDY accounts during the said periods. It proved that PMJDY accounts significantly contributes financial inclusive in India.

So, H<sub>0</sub>= null hypothesis rejected and H<sub>1</sub>= alternative hypothesis is accepted

### Hypothesis

There is no association between number of accounts opened and deposits from the year 2015-24 with different banks =H<sub>0</sub>



There is an association between number of accounts opened and deposits from the years 2015- 24 with different banks =H1

Test Statistics

|             | No. Accounts      | Deposits          | Year              |
|-------------|-------------------|-------------------|-------------------|
| Chi-Square  | .000 <sup>a</sup> | .000 <sup>a</sup> | .000 <sup>a</sup> |
| Df          | 9                 | 9                 | 9                 |
| Asymp. Sig. | 1.000             | 1.000             | 1.000             |

- 10 cells (100.0%) have expected frequencies less than 5.
- The minimum expected cell frequency is 1.0.

The above chi-square table reveals that there is an association between Number of accounts opened and deposits under PMJDY during the year 2015-2024. Numbers of accounts increase (shown in the chart-3) and the deposit also increase significantly during the period (Shown in chart-4). The Calculated (statistical) P value .000 reported in the table which is less than table value (standard) .005. It indicates that there is significantly homogeneity between number of accounts opened and the amount deposits in the PMJDY accounts during the said periods. It proved that PMJDY accounts significantly contributes financial inclusive in India.

So, Ho= null hypothesis rejected and H1= alternative hypothesis is accepted

### ***Social Security-Facilitating Direct Benefit Transfers (DBTs)***

Jan Dhan accounts have transformed the delivery of government subsidies and welfare payments. DBTs through these accounts ensure that funds reach the intended beneficiaries without intermediaries, curbing corruption and inefficiencies. For instance, schemes like LPG subsidies and MGNREGA wages are directly credited to beneficiaries' Jan Dhan accounts, empowering them financially.

### ***Promoting Savings and Investments among women and marginalized communities***

By inculcating a culture of savings, Jan Dhan accounts have encouraged financial discipline among previously unbanked populations. The aggregated balances in these accounts serve as a significant resource for banks, enabling them to channel funds into productive investments.

### ***Fostering Digital Financial Inclusion***

The integration of RuPay cards and mobile banking with Jan Dhan accounts has facilitated digital payments, aligning with India's vision of a cashless economy. During the COVID-19 pandemic -crises management-these accounts played a pivotal role in delivering emergency financial assistance

### ***Empowering Women and Marginalized Communities***

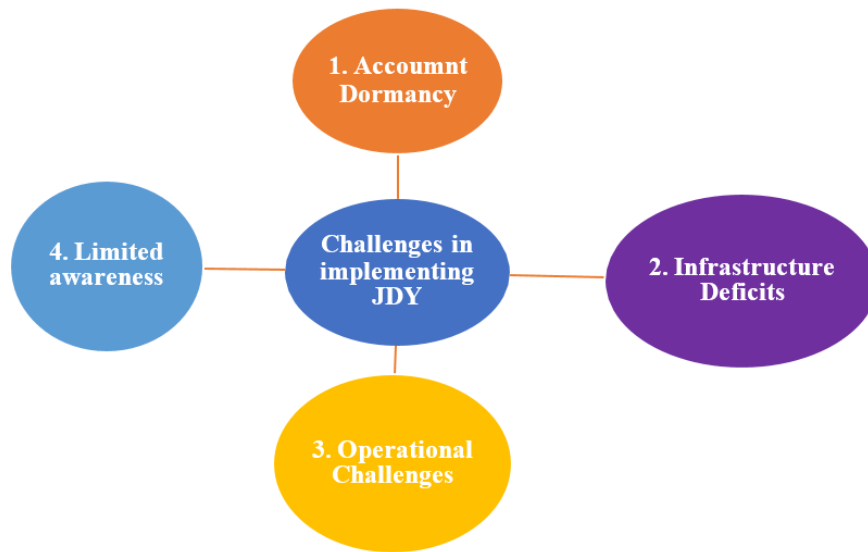
A notable proportion of Jan Dhan accounts are held by women, contributing to their economic empowerment. Access to formal banking has enabled women to manage finances independently, invest in small businesses, and participate in household decision-making processes.

### ***Reducing Informal Sector Dependence***

Prior to PMJDY, the economically disadvantaged relied heavily on informal credit sources, often at exorbitant interest rates. Access to overdraft facilities and microloans through Jan Dhan accounts has alleviated this dependency, mitigating exploitation by informal lenders.

## **6. DISCUSSION ON SECOND OBJECTIVE**

### ***Challenges in Implementing Jan Dhan Yojana -Chart-5***



**Source:** secondary data- compilation by author

#### ***Dormancy Account***

Despite the impressive number of accounts opened, a significant proportion of accounts remain dormant due to Lack of awareness, inadequate income, and limited financial literacy etc are the primary contributors to account inactivity

#### ***inadequate banking Infrastructure***

The availability of banking infrastructure, such as branches, ATMs, and internet connectivity, remains uneven, particularly in remote areas. This limits the accessibility and usability of Jan Dhan accounts is one of the challenges

#### ***Operational Challenges for Banking institutions***

Banking institutions face logistical challenges, such as the high cost of servicing low-value accounts and managing large volumes of DBT transactions. Ensuring last-mile delivery of services is often resource-intensive.

#### ***Lack of Awareness***

Many beneficiaries lack a comprehensive understanding of the services and benefits associated with the Jan Dhan accounts. This underscores the need for robust financial literacy initiatives.

#### **Discussion on third objective -PMJDY Account beneficiaries from different banks - Chart-6**

| Pradhan Mantri Jan - Dhan Yojana -Beneficiaries as on 06/11/2024 (All figures in Crore) |   |   |  |                               |                                 |   |
|---|---|---|--|-------------------------------|---------------------------------|---|
| Bank Name / Type  | Number of Beneficiaries at rural/semiurban centre bank branches | Number of Beneficiaries at urban metro centre bank branches | No Of Rural-Urban Female Beneficiaries | Number of Total Beneficiaries | Deposits in Accounts (In Crore) | Number of Rupay Debit Cards issued to beneficiaries |
| Public Sector Banks   | 26.37   | 15.66   | 23.16                                  | 42.02                         | 185431.77                       | 31.82   |
| Regional Rural Banks  | 8.63  | 1.45  | 5.86                                   | 10.08                         | 46018.38                        | 3.65  |
| Private Sector Banks  | 0.74  | 0.93  | 0.90                                   | 1.66                          | 7012.78                         | 1.38  |



|                         |       |       |       |       |           |       |
|-------------------------|-------|-------|-------|-------|-----------|-------|
| Rural Cooperative Banks | 0.19  | 0.00  | 0.10  | 0.19  | 0.01      | 0.00  |
| Grand Total             | 35.93 | 18.03 | 30.02 | 53.95 | 238462.94 | 36.85 |

**Source:** secondary data- compilation by author

From the above Table clearly reveals that the success stories of PMJDY

**A. The Number of beneficiaries at rural bank branches 35.93 (Cr) from different banks are**

- public sector Banks-26.37(Cr) ,
- Regional rural Banks 8.63 (Cr)
- Private Banks 0.74 (cr)
- Rural cooperative banks 0.19

**B. the number of beneficiaries at urban bank branches 18.04 (cr) from different banks are-**

- public sector Banks-15.66 (Cr) ,
- Regional rural Banks 1.45 (Cr)
- Private Banks 0.93 (cr)

**C. the number of women beneficiaries at different bank branches 30.02 (cr) are**

- public sector Banks-23.16(Cr) ,
- Regional rural Banks 5.86 (Cr)
- Private Banks 0.90 (cr)
- Rural cooperative banks 0.10

## 7. CONCLUSION

PMJDY accounts has significantly contributed to financial inclusiveness in India, expanding banking services to the unbanked population and provides access banking services such as savings, credit and social security, Jan Dhan accounts have empowered millions of individuals, particularly women and marginalized communities, to participate in the formal economy. However, addressing challenges such as account dormancy, infrastructure deficits, and limited awareness is crucial to realizing the full potential of this transformative initiative. As India continues its journey toward equitable growth, Jan Dhan accounts remain a cornerstone of its vision for an inclusive and prosperous society.

## 8. DECLARATION

I, hereby declare that no conflict of interest

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