

Jan Dhan, Aadhaar & Mobile Connectivity- The Three Pillars Of Financial Inclusion Under Jam

(A Study Based on Kerala)

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Abstract - *The famous “80-20 rule” put forward by Italian economist Vilfredo Pareto, which stated that 80% of the land in Italy was owned by 20% of its population holds very true with the wealth distribution pattern among the global population. In a country like India where overpopulation is becoming a menace, the situation is not different. When the country surprised the world with 90 Indians making into the top billionaires list of Forbes, 2015, it is still among one of those countries with a majority of its total population living in slums and under extreme poverty. This is where the importance of financial inclusion comes into play. We can give a large number of definitions to the concept of “financial inclusion”. But, the crux of any financial inclusion initiative is only one thing “to bring in equality when it comes to accessibility to the economic resources of a nation”. India is a country where financial inclusion activities have been playing tremendous role and every changing government contributes in their own manner to such initiatives. But the “Modi Approach” has been a different one and has become a hot topic now. His JAM Trinity is a much sought approach to financial inclusion. Through this study, a sincere effort has been made to understand about the operational aspects of this trinity, how it is working towards the fulfilment of its objectives and how far it has been effective in meeting its ends. The study has been conducted across a sample of 300 people selectively chosen from different parts of Kerala, who are aware of or are enjoying the benefits of this scheme.*

Keywords: *Financial Inclusion, PMJDY, Aadhar updation, Mobile connectivity*

I. INTRODUCTION

India is considered a land of farmers, a country where agriculture still contributes to 1/3rd of the total country's income. But, going by the real figures, how many of these farmers or people involved in allied activities lead a comfortable and financially secured life here? Well, that is a question quite difficult to answer, especially when number of farmer suicides and poverty driven crimes are on the rise. Many a times, we citizens might wonder what is it that is making the country dwindle in such issues. If we look at the country's economic development, it is one of the fastest growing economies of the world. Infact, IMF

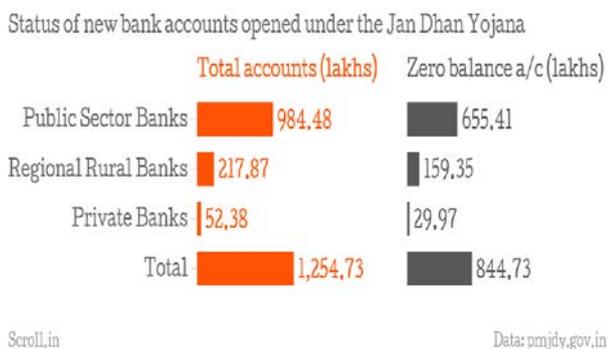
has projected a 7.6% growth for India, a pretty good projection rate for any developing country. Still, why is it that there is a wide gap between the rich and poor in the country? If one tries to answer this question saying that it is because of the fault in the system or due to lack of initiatives from the government, his/her thought needs to be reworked. Every changing government comes out with a pretty good number of schemes to reduce this rich-poor gap. But ultimately all these schemes or initiatives end up as some articles in newspaper or textbooks without reaping an actual result. A lot of reasons can be attributed to it including the corrupt system, lack of a proper regulatory system, no proper follow up patterns etc. And the ultimate result is that the country remains nowhere in its attempt to reduce poverty.

When the Narendra Modi government came into power in 2014, a lot of expectations also crept in the minds of Indian citizens. Later on, the government came with a lot of initiatives to reduce poverty, to curb corruption, to make subsidies available to the deserved people, to bring back the black money and so on.. Among all these initiatives, the JAM Trinity is something that needs a special mention in terms of its success in achieving the desired results. The trinity scheme was first announced by the PM during his Independence Day speech of August, 2014. And since then, it has been one of the pet projects of the government. We have the MGNREGA, operated through the panchayats, which pays minimum wages to rural workers. Likewise, the Centre and States supply wheat, cooking oil, pulses, sugar, rice and kerosene at heavily subsidized prices through the public distribution system like Ration shops. When large number of subsidies and benefits are passed on to the common people, it is natural that such subsidies cost the exchequer quite a bit. Yet, as they make their winding way through the hands of intermediaries, leakages, corruption and inefficiencies eat away large parts. This is where, the JAM Trinity actually tried to make a difference.

The JAM Trinity is a financial inclusion scheme proposed by the current government. The money that reaches the wrong hand under the various subsidy schemes is the money that is wasted and this is the binding concept behind introduction of the JAM trinity. It aims to make the subsidies available to the deserved and to ensure that it does not end up in the hands of corrupt or wealthy people. JAM is an abbreviation for Jan Dhan Yojana, Aadhaar and Mobile number. The main motto of JAM is to facilitate the Direct Benefit Transfer in the most efficient and full-fledged manner. The first variety of JAM is called the PAHAL- the scheme which was introduced to transfer the LPG subsidies via DBT- it has helped in reducing the leakages to around 24% under this scheme. And the government believes that spreading the trinity to all other subsidy offering schemes can contain the menace of leakages to a great extent.

A. Pradhan Mantri Jan Dhan Yojana (PMJDY):

This represents the first alphabet ‘J’ of the JAM Trinity. PMJDY aims at making banking accessible to the unbanked population of the country. The scheme works in two legs, the first leg includes opening the accounts with a bank or Mitr agencies and the second leg looks forward for automation of all the DBTs done under this scheme



The government, in 2015, directed all the banks to convert all the zero balance accounts opened under various schemes before the introduction of PMJDY to PMJDY accounts as a first step towards making DBTs reach the right hands. The government also announced various commission and other incentive schemes for the participating banks to motivate them further.

B. Aadhar- UIDAI (Unique Identification Authority of India)

This adds to the alphabet ‘A’ under the JAM trinity. Way back in 2009, when the “Aadhar” was introduced by GoI, the brain behind it Shri. Nandan Nilekani would not have anticipated it to become an inevitable part of any government sponsored scheme and the JAM Trinity has converted this to a reality by making Aadhar one of the main goal posts of JAM Trinity. By linking aadhar to the

PMJDY accounts, the government has been successful in plugging leakages of the DBTs to a great extent. The GoI has reported that subsidy claims to around Rs. 15,000 crore was saved in the FY 2014-15 by weeding out fake and duplicate LPG connections which was brought to the lime light when the aadhar were linked to these accounts. But still a major challenge exists in its implementation to a full-fledged scale as aadhar is not mandatory till now and moreover a large number of the citizens don’t have aadhar cards.

C. Mobile

The last and the most important leg of the trinity is ‘M’ which stands for mobile connectivity. With 600 million unique users and around 81% of tele-density, mobiles or land phones can contribute heavily in making the DBTs reach the deserved crowd. But again, the major challenge is the non-coverage which is still a major issue with many of the rural places in India.

The Zurich based global financial services company, Credit Suisse, estimates that total consumer loans will rise from USD 600 billion today to USD 3 trillion in 10 years and this huge opportunity will be shared by the savviest public and private banks, the new banks and new age non-bank finance companies. Obviously, a fivefold jump in the retail consumption indirectly points to a fivefold jump in the country’s GDP: nonetheless, a USD 10 trillion India will be a middle income country.

When, a government proposed scheme is gaining so much of prominence among the general public, it definitely makes sense to study the scope and future aspects of such a topic and that is exactly what this study aims at.

II. PREVIOUS WORK

Dr. Shettar, Rajeshwari M (2016) clearly said in the article on “Pradhan Mantri Jan Dhan Yojana (PMJDY): Issues and Challenges” that many cases have been detected where an individual has opened more than one account in various banks because KYC norms are not insisted under this program and thus duplication can’t be identified, overdraft facility needs to be properly regulated, infrastructure facility and bank correspondence should be improved and the private sector banks levy hidden charges on the account holders which may prove deterrent for the financial inclusion.

Dr. Kaur Harpeet & Singh, Kawal Nain (2015), in his article on “Pradhan Mantri Jan Dhan Yojana: A Leap towards Financial Inclusion in India” said that, for strengthening the financial inclusion in India, the government would have to focus more on private banking participation, customized products for the poor people,

composite financial services, setting of biometric ATMs in rural areas, technology enhancement, simplification of documents, better staffing policies and doorstep banking and removing the usage fee on ATMs for use of other bank ATMs.

Dr. Patnaik et al (2015), in his study on “Pradhan Mantri Jan Dhan Yojana (PMJDY) – A New Direction for Mainstreaming the Financially Excluded” observed that most of the respondents have little savings habit and are not much aware of the various financial services provided by banks. If the banks provide some financial literacy programs like external campaigning, it can be of great benefited for them. The schemes like PMJDY will help the people to get through the benefits of formal institutions and they will be in a position to contribute more positively in the economic development of the country.

Sonam Kumari Gupta (2015) in her work, “Performance of the Pradhan Mantri Jan Dhan Yojana (PMJDY)” identified the latest trends being implemented for financial inclusion by (PMJDY). Based on the analysis of the data released by the ministry of finance, it is evident that, of all the accounts opened in public sector banks under the Jan Dhan Yojana, 71% are zero balance, against 64% for private banks. Only 28% of the accounts opened under the scheme are active, with about Rs.9, 000 crores deposited in these.

According to Dr. Kumar, Vinit (2015) in his work on “Pradhan Mantri Jan Dhan Yojana (PMJDY): Financial Inclusion and Inclusive Growth in India” states that for the implementation of this scheme in large scale, requires determination and attitude towards success path and a bold step is indeed required to resist the heat of economic down surge and to fight poverty. The PMJDY is definitely a good fighting mechanism to check the poverty in India.

III. OBJECTIVES OF THE STUDY

1. To analyze the effectiveness of Pradhan Mantri Jan Dhan Yojana Scheme with special reference to Kerala region.
2. To understand the difficulties faced by the people in Kerala to get actual benefit under the scheme.
3. To know whether this scheme enables them to increase their savings habit.
4. To analyze whether the benefits of JAM Trinity is reaching the deserved people or not.

IV. RESEARCH METHODOLOGY

Sources of Data – The research was based on primary as well as secondary data.

The primary data was collected through a survey conducted across a sample of 300 people selectively chosen from different parts of Kerala, who are having a

bank account under the Pradhan Mantri Jan Dhan Yojana scheme. The secondary data was collected from some articles, PMJDY website and other GOI websites.

Tools and Techniques used

1. Questionnaire
2. Survey method

V. SCOPE OF THE STUDY

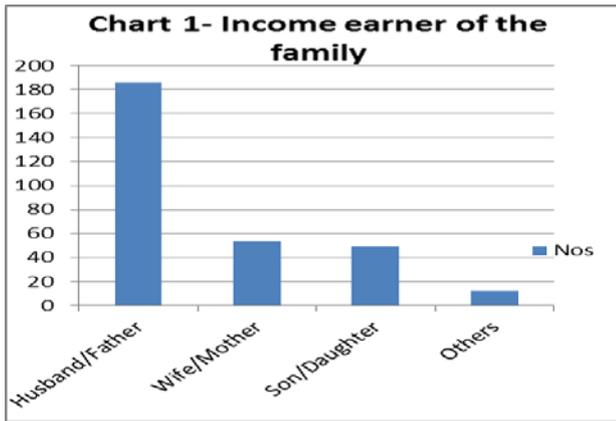
JAM trinity is an initiative taken by the Government of India to link Jan Dhan Accounts, Mobile numbers and Aadhar Cards of Indian people to control the leakages of government subsidies. PMDJY was launched in the year 2014 and 2 years journey has completed. The scope of this study expands to understanding the impact of this initiative on the lower strata of the Indian population with special reference to Kerala region. The study has been conducted across a sample of 300 people selectively chosen from different parts of Kerala, who are aware or are enjoying the benefits of this scheme.

VI. LIMITATIONS OF THE STUDY

1. A small portion of the sample have been operating the PMJDY accounts for a period of less than 1 year and hence the data collected from them were not of much use.
2. Duration of study was too short for an in depth analysis.
3. A limited number of tools alone have been used for the study purpose.

VII. DISCUSSIONS AND ANALYSIS

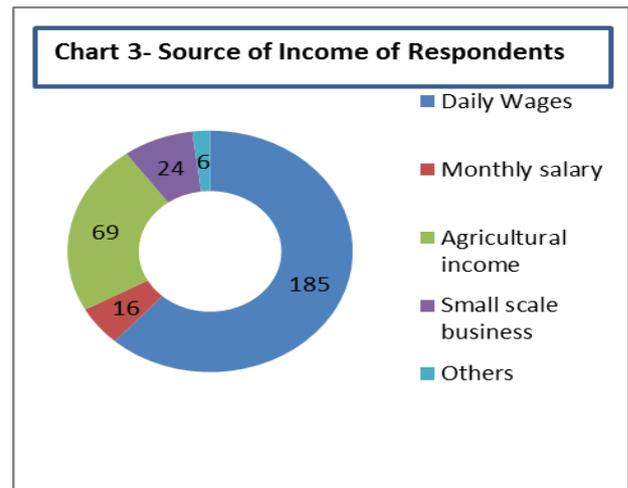
TABLE 1	
Income Earner	Nos
Husband/Father	186
Wife/Mother	53
Son/Daughter	49
Others	12



Inference:

Out of the 300 samples we have taken, more than 50% of the families had the main income earner as male counterpart. It signals towards the fact that, even now in the financially backward Indian households, it is male members who contribute to the family income where as women are held back with in the four walls of the house and that can be probably one of the reasons why these families still have financial constraints.

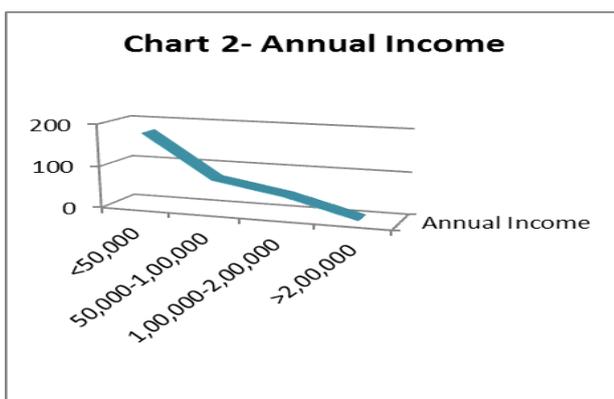
Source of income	Nos
Daily Wages	185
Monthly salary	16
Agricultural income	69
Small scale business	24
Others	6



Inference:

Around 62% of the total respondents are daily wage earners and the second major contributor to the income of the respondents is agriculture followed by small scale business, ie, cottage industries and similar units (candle making, stitching works etc). These are the class of people who don't have a regular income source and one day, if their health doesn't permit them to work, their entire families have to sacrifice their daily meals and other necessities. And hence, the benefit of a scheme like JAM is highly useful for people like them.

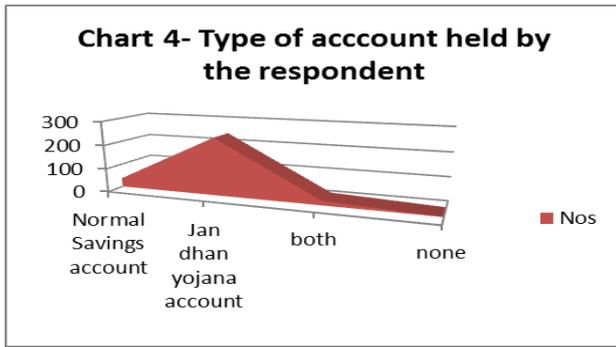
Annual Income (In Rs)	Nos
<50,000	177
50,000-1,00,000	74
1,00,000-2,00,000	46
>2,00,000	3



Inference:

Majority of the respondents are having annual income of less than 50,000 rupees. Only a very few of the respondents had an annual income of greater than 2 lac rupees, which is a positive sign and shows that the benefits of the PMJDY scheme are reaching the target audience.

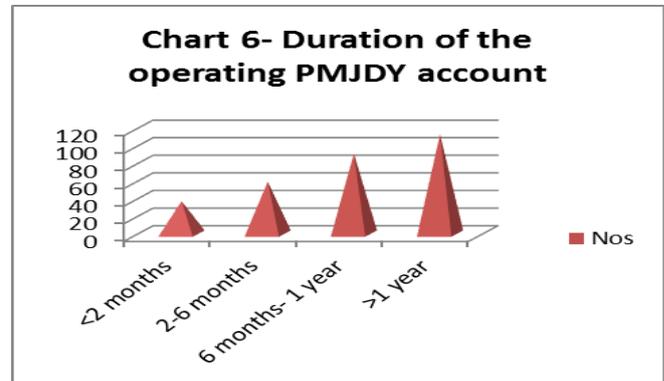
Type of account held by the respondent	Nos
Normal Savings account	38
Jan dhan yojana account	243
Both	19
None	0



Inference:

Since the study was conducted to understand the effectiveness of JAM, around 81% of the respondents were chosen in a manner that they have PMJDY accounts. A small portion of the population held only normal savings account and a small portion held both normal and PMJDY accounts. The number of respondents who held normal savings account, when asked for the reason for not opening PMJDY although they were eligible, replied that they were fooled by the bank employees stating that PMJDY account is normal savings account that needs minimum balance requirements.

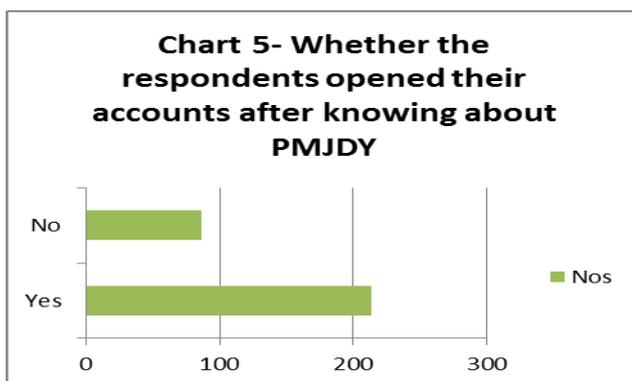
Duration of the operating PMJDY account	Nos
<2 months	37
2-6 months	59
6 months- 1 year	91
>1 year	113



Inference:

Around 38% of the total sample had been operating their PMJDY accounts for a period of more than 1 year. A very small portion were very new to this scheme (period<2 months) and hence the data collected from them were not that reliable.

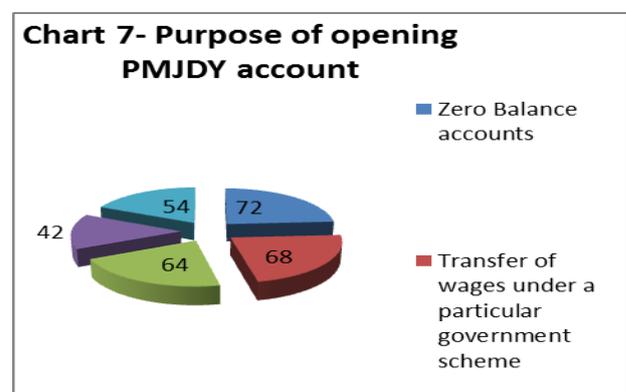
Whether the respondents opened their accounts after knowing about PMJDY	Nos
Yes	214
No	86



Inference:

Majority of the respondents opened their PMJDY accounts after knowing about these accounts, whereas a minority portion opened it without a proper understanding of the scheme benefits.

Purpose of opening PMJDY account	Nos
Zero Balance accounts	72
Transfer of wages under a particular government scheme	68
Automation of subsidy and other payments	64
No leakages of incentives	42
Others	54

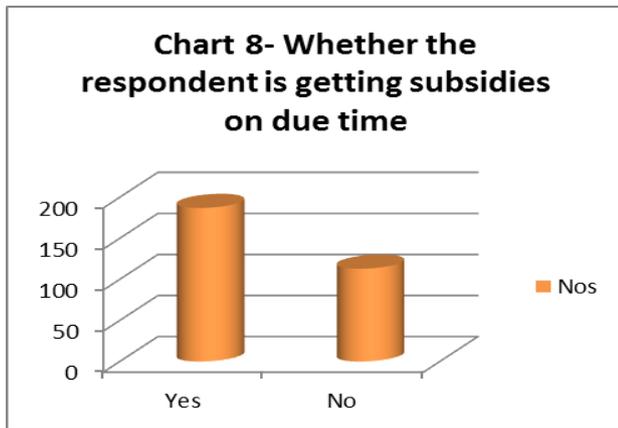


Inference:

When asked about the one main reason why the respondents were attracted towards this scheme, there was not a consensus. A lot of reasons emerged up with equal priorities like zero balance accounts, ease of transferring

wages and subsidies, prevention of subsidy leakages and lot more other reasons.

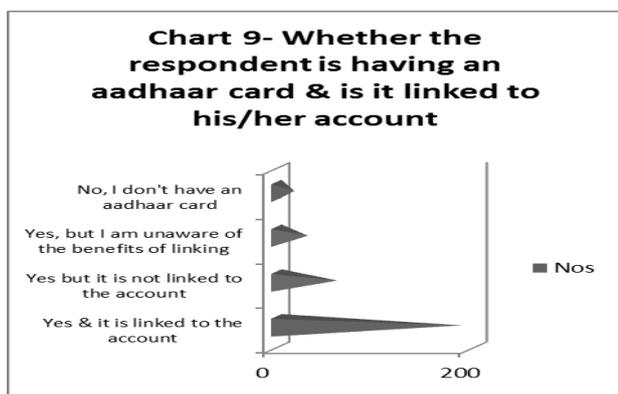
Whether the respondent is getting subsidies on due time	Nos
Yes	187
No	113



Inference:

When asked whether they were receiving subsidies on the due time, there was a mixed response. While a slight majority voted for the receipt of subsidies on due time, remaining complained of not receiving it on the right time.

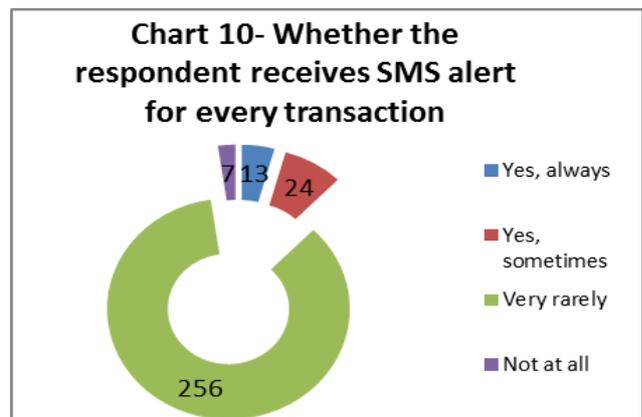
Whether the respondent is having an aadhaar card & is it linked to his/her account	Nos
Yes & it is linked to the account	188
Yes but it is not linked to the account	62
Yes, but I am unaware of the benefits of linking	32
No, I don't have an aadhaar card	18



Inference:

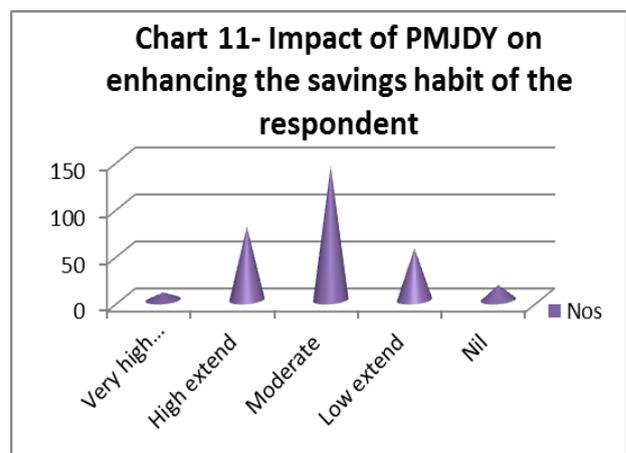
Majority of the respondents were having aadhaar card and it is linked to their account. But a reason to worry is that, there is still a part of respondents who didn't had aadhaar cards at all (when such cases are there in this small sample of 300 chosen from just one state of India, the situation of the entire country needs to be paid attention).

Response	Nos
Yes, always	13
Yes, sometimes	24
Very rarely	256
Not at all	7



Inference:

More than 80% of the respondents complained of having issues with the receipt of SMS alerts for the transactions under this PMJDY scheme especially when the subsidies gets credited and they also complained of the unhelpful attitude of the bankers when called up for inquiring on the status of the subsidy receipts.



Inferences:

More than 70% of the total number of respondents agreed to the fact that the scheme has enabled them to enhance their savings habit to a moderate to very high extend and appreciated the government for this effort.

TABLE 11- Impact of PMJDY on enhancing the savings habit of the respondent	Nos
Very high extend	8
High extend	78
Moderate	143
Low extend	55
Nil	16

VIII. SUGGESTIONS AND CONCLUSIONS

- Most of the beneficiaries of the scheme fall under the BPL category, ie, with less than Rs. 50,000 income per annum. It was observed that the main reason of lower income of such families was because only one family member (mostly men) was the bread winners. Hence, a proper awareness created among them to promote women counterparts to work can improve their financial conditions to a great extent.
- A portion of the respondents had opened this account without having a proper knowledge of it. Hence, if a good level of awareness is created among the people (through financial literacy programs or campaigns by government employees and NGO volunteers) regarding the positive aspects of this scheme, it can attract a large number of the excluded population and can contribute a lot towards its financial inclusion objectives.
- It was observed that most of the respondents had opened this account because of its “zero balance account” feature. Most of them were not aware of the “subsidy leakage prevention” facility attached to this scheme. A proper education on all these benefits and ensuring that the subsidies reach the customer account in the right time can make a lot of difference and will attract a lot of new customers.
- Many of the respondents, although having PMJDY account, do not have their aadhar card linked to it or do not have an aadhaar card at all. The aadhaar card has to be made the mandatory id proof in the country so that every citizen have it and subsidies has to be routed through aadhaar linked accounts and it has to be communicated to the citizens so that they understand the importance of aadhaar card linkage to avail subsidies.
- To solve the issue of poor network coverage due to which most of the respondents don't receive SMS alerts, the government can get into a tie up with top 2-3 mobile network providers in India and ask the PMJDY account openers to go for

taking the network services of these operators so that government will have a direct control on the network providers' service and issues of network can be resolved at the centralized level.

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