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Financial Literacy in the Second Trajectory Phase of Financial Inclusion Plan under Pradhan Mantri Jan Dhan Yojana (PMJDY)

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Abstract: Financial Literacy is an important adjunct that drives the Pradhan Mantri Jan Dhan Yojna (PMJDY) mission towards its goal to attain financial inclusion. Though the financial literacy initiatives in the first stage have spearheaded in opening a large number of basic bank accounts, the continuity in maintaining operational accounts is still not a reality. The present study attempts to measure the extent of the participation through financial literacy camps and to analyse the changes in the strategies adopted. The effectiveness of the initiatives was also measured in terms of RuPay card activation. The study is based on secondary data, followed by an empirical analysis to draw a conclusion. Around 19.3 lakhs school students and 2.7 lakhs skilling school students were covered in the second phase. The strategies for the financial literacy have also undergone a massive change in this phase with respect to the structure of course, the materials and tools used in knowledge dissemination, reporting mechanism of financial literacy coordinators and use of media. The level of active cards was ascertained at 44%, which is attributed to 'resistance to change' attitude of the elderly population and minimal scope for use of financial products by students. The focused initiatives in the second phase have fuelled the mission, though the current status is not fully satisfactory, the major results are expected to show in the near future as the programmes are aimed at the student population who are tomorrow's decision makers.

Keywords: Financial Inclusion, Financial literacy, RuPay card.

I. INTRODUCTION

Financial Literacy is an important adjunct that facilitates financial inclusion strategies. It is an integrated approach in which efforts towards Financial Inclusion and Financial Literacy go hand in hand. Through Financial literacy, information on the general banking concepts are disseminated to diverse target groups, including school and college students, women, rural and urban poor, pensioners and senior citizens to enable them to make informed financial decisions. While Financial Inclusion acts from the supply side providing the financial market/services what people demand, financial Literacy stimulates the demand side, by making people aware of what they can demand. To ensure that the initiatives on the supply side are supported by initiatives on the demand side, financial literacy centres are set up by banks. In addition to this, there is leverage in the infrastructure created at the state level, comprising of State Level Bankers Committee (SLBC) at the Apex which is ably supported by the Lead District Managers (LDMs) at the District level. Financial Literacy Programmes are designed with an objective to integrate the financially excluded population with low level of income and low literacy level with the formal financial system.

In the year 2014, Honourable Prime Minister Mr. Narendra Modi launched the Pradhan Mantri Jan Dhan Yojana with a sole motive to bring 100 percent financial inclusion in India. The aim of financial Inclusion schemes is to allow the poorer sections to avail various financial products and services through bank account. This Yojana has been divided into two phases for its implementation. The first phase extended from 15th August 2014 to 14th August 2015 which focuses on universal access to banking facilities, providing basic banking accounts for saving and remittance, RuPay debit card with inbuilt accidental insurance of Rs.1 Lakh and training on financial literacy. The second phase extends from 15th August 2015 to 15th August 2018 which focuses to facilitate overdraft facility up to Rs.5000- after six months of satisfactory performance of saving / credit history, creation of Credit Guarantee Fund for coverage of defaults in overdraft accounts, micro-insurance and unorganized sector pension schemes.

II. SIGNIFICANCE OF THE STUDY

To attain the broad vision of financial inclusion in a developing country like India, the basic pre-requisite is financial knowledge or awareness which is precisely called 'financial literacy'. It is an integral part of the Mission so that the beneficiaries make best use of the financial services being made available to them. Thus, financial literacy provides demand side support for financial inclusion. Pradhan Mantri Jan Dhan Yojana, which has already covered the first phase of its pursuit, has headed into its second phase with a renewed agenda to attain the vision of financial inclusiveness. This second phase includes overdraft facilities, micro insurance and pension schemes, which demand strategic changes in financial literacy initiatives. An upgraded financial literacy initiative is quintessential to achieve the broad perspective aimed in the second phase of financial inclusion plan. The status of this mass initiative is dealt with in the present study.

III. OBJECTIVES OF THE STUDY

- 3.1. To comprehend the magnitude of participation level of financial literacy programmes.
- 3.2. To analyse the changes in the financial literacy strategies adopted in the second phase of the financial inclusion plan.
- 3.3. To study the impact of financial literacy programmes in terms of activated RuPay Cards.

IV. METHODOLOGY

The present study is based on secondary data, obtained from various sources such as publications of the RBI and PMJDY mission. The level of participation was studied in two dimensions focusing on the number of schools and skilling centres involved in the financial literacy initiatives. Further, the participants covered through both schools and skilling centres were analysed using the data published by PMJDY mission in their official website as on August 2017. The various changes in the financial literacy strategies were studied by referring various materials, guides, course plans published by Department of Financial Services (Government of India) and Financial Inclusion and Development Department (FIDD). The impact of the activated RuPay cards were studied using the status published by the PMJDY mission under the Department of Financial Services (Government of India). The data collected were empirically analysed to draw a useful conclusion.

V. LITERATURE REVIEW

The private and public-sector banks along with Government and RBI must play much active role in creation of awareness among deprived section of society, and there is a need to design more innovative products for the poor section to promote financial inclusion in India. The PMJDY is playing its role in great manner by ensuring mass participation of people and providing them low cost financial services and banking facilities, still there is need to impart financial knowledge and awareness among people about benefits of banks and basic banking facilities (Pramahender & Narender Singh, 2016). The extent of effectiveness of the FLCs is measured in terms of four parameters which include access to banking services and channels, availability of affordable credit, access to remittance facilities, opportunity to buy insurance and pension products (Access Assist, 2015). The financial literacy can be easily improved through inclusion of relevant material on financial literacy in the

general education program of schools and colleges. The influences of sociological factors are important in financial decision-making process. Any intervention strategy must consider these sociological and behavioural aspects. The influence of the determinants suggests that the strategy for improving financial well-being of individuals in India should be focusing the young investors. (kumar & Md. Anees, 2013) There is no major impact of the Jan Dhan Yojana schemes especially of first phase implementation on farmers. There is no significant difference between the demographics of farmers and knowledge of Jan Dhan Yojana Scheme benefits. It is also viewed majority of them have opened Jan Dhan Yojana accounts in banks because it can be opened with zero balance. There is lack of financial literacy in rural areas (Pillai, 2016)

VI. ANALYSIS AND DISCUSSION

a. SCHOOLS COVERED UNDER FINANCIAL LITERACY PROGRAMMES

In overall **22 banks** have extended their initiatives to reach out to **14,180** schools till the date all over the country during the second phase of financial inclusion plan. The following figure (Figure.1) explains the coverage of banks in spreading financial literacy in schools across the country. The Bank of Baroda has topped the list followed by Allahabad Bank, Central Bank of India and Bank of India. The banks have extended their reach to schools along with their normal operational activities, which is a commendable task by the banks. However, the reach to the wide unreached areas of the country within a short span is still a challenge. Nevertheless, the attempt to tap schools as a potential leverage point to accelerate financial literacy is the best solution to reach out to the wide mass. It also ensures early imparting of the financial knowledge to the future decision makers, the students. The focus on students is very much essential in bringing up a new generation acquainted to the modern banking culture.

*Figure 1. Schools covered by banks under PMJDY
(Department of financial Service, 2017)*

S.No	Bank Name	Schools Covered	S.No	Bank Name	Schools Covered
1	Bank of Baroda	3266	12	Indian Bank	255
2	Allahabad Bank	2489	13	ICICI Bank Ltd	131
3	Central Bank of India	1899	14	Canara Bank	103
4	Bank of India	1089	15	HDFC Bank Ltd	93
5	Union Bank of India	1088	16	J & K Bank Ltd	55
6	Andhra Bank	849	17	South Indian Bank Ltd	16
7	Syndicate Bank	688	18	Indian Overseas Bank	12
8	Punjab & Sind Bank	676	19	State Bank of India*	267
9	Dena Bank	538	20	Indusind Bank	3
10	Vijaya Bank	363	21	City Union Bank Ltd	2
11	Punjab National Bank	297	22	Kotak Mahindra Bank Limited	1
				TOTAL	14180

*SBI figures include its associate banks prior to its merger in April 1, 2017.

b. SKILLING CENTRES COVERED UNDER FINANCIAL LITERACY PROGRAMMES

Apart from schools, the financial plan also extends to partner with skilling centres like Industrial Training Institutes (ITI's), Vocational Training Providers (VTP's), Operational Centres (OC's) to make the financial literacy more widespread. The Finance Ministry has roped in skilling centres to run short-term financial education courses to make new bank account members, borrowers and insurance policy holders aware of the details of formal banking terminologies, procedures and products, chiefly savings instruments. As per the statistical figures, **2,147 ITI's** were covered followed by **444 VTP's** and **656 OC's**. In total **3,247 skilling centres** were covered till date during the second phase of financial inclusion programmes. The following figure presents these figures in detail. The State Bank of India has made the maximum coverage in the skilling centres, followed by Punjab National Bank, Central Bank of India and Bank of Baroda. These skilling centres are a leap forward to make the reach of the financial literacy more outspread in a higher level compared to schools and is new dimension of the second phase.

**Figure 2. Bank Wise Skilling Centres Covered by PMJDY
(Department of financial Service, 2017)**

SL.NO.	BANK NAME	ITI's	VTP's	OC's	TOTAL
1	Allahabad Bank	70	2	0	72
2	Andhra Bank	14	13	0	27
3	Axis Bank Ltd	0	1	0	1
4	Bank of Baroda	294	19	47	360
5	Bank of India	87	25	34	146
6	Canara Bank	59	4	13	76
7	Central Bank of India	224	43	162	429
8	Corporation Bank	47	1	0	48
9	Dena Bank	74	24	35	133
10	HDFC Bank Ltd	6	0	3	9
11	Indian Bank	91	1	3	95
12	Indian Overseas Bank	78	5	2	85
13	Indusind Bank	0	3	1	4
14	J&K Bank Ltd	19	10	0	29
15	Punjab & Sind Bank	25	0	2	27
16	Punjab National Bank	226	48	168	442
17	South Indian Bank Ltd	5	0	32	37
18	State Bank of India	466	114	141	721
19	Syndicate Bank	303	42	7	352
20	Union Bank of India	43	21	6	70
21	Vijaya Bank	16	68	0	84
	TOTAL	2147	444	656	3247

*SBI figures include its associate banks prior to its merger in April 1, 2017.

c. TOTAL PARTICIPANTS (BY SCHOOL AND BY SKILLING CENTERS)

The total participation through the financial literacy programmes amounts to **22,08,588** participants which includes **19,37,078** through schools and **2,71,510** through skilling centres. That is schools have more participants compared to the skilling centres. This depicts the high role played by schools as the medium for financial literacy. The figure points to the reach made during the short span and extent to which the initiatives need to accelerate to reach the unreached mass. The following table presents the 22 banks and their participation in making their coverage with respect to head counts covered in schools and skilling centres. Punjab National Bank has concentrated more on skilling centres while Allahabad Bank has concentrated on schools. In totality, the Allahabad Bank has made the maximum coverage followed by Central Bank of India, Bank of Baroda, Punjab National Bank. The importance of reaching out to the students is very much important in making the future of the prospective scheme attainable, as these students forms the decision makers and doers of tomorrow.

**Figure 3. Bank Wise Skilling Centres Covered by PMJDY
(Department of Financial Services, 2017)**

SL.NO.	BANK NAME	Participants covered by schools [1]	Participants covered by (ITI, VTP, OC'S) [2]	TOTAL 3= [1+2]
1	Punjab National Bank	57468	101494	158962
2	Central Bank of India	240861	40721	281582
3	Bank of Baroda	219250	31411	250661
4	Syndicate Bank	34243	17623	51866
5	Canara Bank	13435	11620	25055
6	Indian Bank	28176	10158	38334
7	Dena Bank	61502	9239	70741
8	Indian Overseas Bank	857	7779	8636
9	Bank of India	95025	7538	102563
10	Vijaya Bank	16335	3828	20163
11	Union Bank of India	114601	3800	118401
12	Punjab & Sind Bank	43507	3197	46704
13	J & K Bank Ltd	8069	2923	10992
14	Andhra Bank	11240	2848	14088
15	Allahabad Bank	918828	2774	921602
16	HDFC Bank Ltd	8301	1710	10011
17	South Indian Bank Ltd	660	1567	2227
18	State Bank of India	55127	11215	66342
19	Indusind Bank	253	65	318

20	Kotak Mahindra Bank Ltd.	154	0	154
21	ICICI Bank Ltd	9126	0	9126
22	City Union Bank Ltd	60	0	60
	TOTAL	19,37,078	2,71,510	22,08,588

*SBI figures include its associate banks prior to its merger in April 1, 2017.

d. THE STRATEGIC CHANGES OF FINANCIAL LITERACY INITIATIVES IN THE NEW PHASE.

There is standardisation of the **financial literacy material** for the regional skilling centres to facilitate the advanced agenda to be achieved in PMJDY's second phase. Thus, the second edition of the material was issued in November 2016 by the Reserve Bank of India (RBI) in regional languages. The material includes various subjects like documents needed to open a bank account, importance of saving and depositing, learning about deposit account, money transfer electronically, know how on lodging banking complains, handling ATM facilities, investing in registered entities, discerning malpractices.

The **financial literacy course structure** was updated with a strategic design. This includes materials like flipchart, multiple choice questions, checklist for the parents, presentation which consists of various topics and relevant videos to communicate the message in a simple but meaningful way. Followed by group activities and quiz to ensure the active participation of the targeted population in knowledge gaining.

The **mode of delivery** of the material is by using audio-visual aids through laptop, computer and projector. Classroom presentation in executable format is used for delivery of financial literacy sessions. Flipcharts are used in case of infrastructure constraints.

Mechanism and test methodology includes two sessions each of one and a half hours to be organized on two days to inculcate the basics of financial literacy in the target audience.

a) In the first session, knowledge on basis concepts of banking, Mudra, Film on RuPay card is imparted using Classroom presentation/Flipcharts, as applicable. Handouts in the form of workbook, Multiple Choice Questions are provided to the students.

b) In the second session, focus is on providing credit facilities to skilled youth to enable them to be self-employed. Apart from this, knowledge on elementary insurance and social security schemes is imparted. Films on social security schemes are also shown. Short Skit and quiz competition are conducted, thereafter the session will conclude with prize/certificate distribution.

The **Reporting Mechanism** ensures that all skilling centres in the States are mapped with Financial Literacy centres(FLC's)/ bank branches, Circle Offices on behalf of bank, which acts as the nodal point for reporting and updating the progress made in conducting financial literacy sessions in the prescribed format. Further, FLC manager reports the details of FL sessions to the respective Circle Offices for incorporating the same in the progress report of the Circle.

Spreading the financial literacy awareness through **media** by participation of the SLBC banks in radio and television shows. The respective officers of the banks take part in the interviews, panel discussions, entertainment shows, quiz programmes to disseminate the financial information.

Such focused and innovative strategies which lacked in the preliminary phase were overcome in the second phase and have lifted the overall efforts into the next level. In the second phase, the financial literacy initiatives of PMJDY have gained much popularity and are essential for a developing country like India to transform into a financially inclusive nation.

ACTIVATED RUPAY CARD

RuPay Card is an Indian version of credit/debit card. It is issued by the government body that allows various banks to use its services without any quarterly service charges. Under financial literacy programmes, awareness regarding the same is disseminated and is motivated to use the RuPay cards. Out of the **32,11,43,701** RuPay cards issued as part of PMJDY initiatives,

only 44.28% of the total issued, that is 14,21,99,481 cards are active. This question the effectiveness of the initiatives, as less than half the cards issued are inactive though the banks were successful in issuing the cards. This is due to the 'Resistance to change' attitude by the rural population. Despite the efforts to motivate the population, its practical implementation by them in their day to day life is not made. Hence, the persistent approach is not yielding expected outcome in terms of activated RuPay cards.

Figure 4. Bank Wise RuPay Card issued by banks under PMJDY and the level of activated RuPay Cards (Department of Financial services, 2017)

Sl.no	Bank Name	RuPay Card Issued	Active RuPay Card	% RuPay Card activated
1	Bank of Maharashtra	2173865	1605618	73.86
2	Vijaya Bank	2638907	1876624	71.11
3	Axis Bank Ltd	1083840	756298	69.78
4	State Bank of India	106764504	64049179	60
5	Corporation Bank	7598037	4559013	60
6	HDFC Bank Ltd	3144366	1818149	57.82
7	J & Kashmir Bank Ltd	2271879	1292870	56.91
8	ICICI Bank Ltd	2618986	1476889	56.39
9	Punjab National Bank	24173701	13544709	56.03
10	Canara Bank	15932831	8497170	53.33
11	South Indian Bank Ltd	100740	50884	50.51
12	Bank of Baroda	14971863	7201738	48.1
13	United Bank Of India	13810404	6252352	45.27
14	Indusind Bank	573378	255836	44.62
15	Allahabad Bank	9980563	4376559	43.85
16	Karur Vysya Bank Ltd	246989	88951	36.01
17	Indian Overseas Bank	8693364	2966482	34.12
18	Andhra Bank	4026701	1346854	33.45
19	Yes Bank Ltd	11764	3836	32.61
20	IDBI Bank Ltd	933712	299488	32.07
21	Kotak Mahindra Bank Ltd.	226108	70120	31.01
22	Federal Bank	743193	228963	30.81
23	Dena Bank	6166786	1803935	29.25
24	Uco Bank	7872688	2298356	29.19
25	Indian Bank	6578357	1863371	28.33
26	City Union Bank Ltd	138648	38855	28.02
27	Bank of India	24767019	6425041	25.94
28	Bharatiya Mahila Bank Ltd	134734	33062	24.54
29	Punjab & Sind Bank	2556450	587337	22.97
30	Lakshmi Vilas Bank Ltd	312241	69882	22.38
31	Syndicate Bank	11108496	2182898	19.65
32	Oriental Bank of Commerce	7059555	1337381	18.94
33	Union Bank Of India	12300593	1391573	11.31
34	Central Bank Of India	19237825	1539261	8
35	Ratnakar Bank Ltd	190614	9947	5.22
	TOTAL	321143701	142199481	44.28%

*SBI figures include its associate banks prior to its merger in April 1, 2017.

VII. CONCLUSION

Financial literacy being an important pillar of the PMJDY mission, has undergone a tremendous change in its second phase. Prior to the second phase, there was lack of focus in the initiatives carried out and the strategies proved to be ineffective. Nevertheless, the second phase focused on covering remaining adults in the households and students. Thus, the strategies were formulated to reach out to the schools and skilling centres like Industrial Training Institutes (ITI's), Vocational Training Providers (VTP's), Operational Centres (OC's). Around 19.3 lakh school students and 2.7 lakh skilling school students were covered, which is fuel for the mission. The strategies for the financial literacy have also undergone massive change in the second phase with respect to the structure of course, the materials and tools used in knowledge dissemination, reporting mechanism of the financial literacy coordinators and use of media as a source to reach out to the commons through radio and television shows. The effectiveness of the initiatives was measured using one parameter that is in terms of RuPay card activation. However, the level of active cards is only 44%, which questions the effectiveness of the initiatives. The 'resistance to

change' attitude of the elderly population and minimal scope for the use of financial products by students has resulted in the low level of card activation. The focused initiatives in the second phase have boosted the mission. Though the current status is not fully satisfactory, the major results are expected to show in the near future, as the programmes are aimed at the student population, who are the tomorrow's decision makers.

VIII. SCOPE FOR FURTHER STUDY

The second phase focuses on the student population. However, the result of their decision making will be reflected only in the future. The impact of the same can be studied in detail down the lane to measure the effectiveness of the present financial literacy initiatives. The effective strategies to reach out to the public can be subject to study with special reference to media as a powerful tool.

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