IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 3, Issue 1, March 2020
Impact Factor: 4.819

Impact of Jan Dhan Yojana on Rural Livelihoods and Banking Penetration: Evidence from Regional Rural Banks of Purulia District of West Bengal

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Abstract: *The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, represents India's most ambitious financial inclusion initiative, aiming to provide universal access to banking services, credit, insurance, and welfare transfers. This study examines the impact of PMJDY on rural livelihoods and banking penetration in Purulia district of West Bengal, with particular emphasis on the role of Regional Rural Banks (RRBs) such as Bangiya Gramin Vikash Bank. Drawing on secondary data, district-level indicators, and scholarly literature the analysis highlights how PMJDY transformed the financial landscape of Purulia by expanding account ownership, integrating Direct Benefit Transfers (DBTs), and promoting savings behavior among rural households.*

The findings reveal that PMJDY significantly reduced dependence on informal borrowing by facilitating access to formal credit and overdraft facilities, while DBT integration improved the efficiency of welfare delivery, especially for programs such as MGNREGA, crop insurance, and pensions. Women benefitted disproportionately, as Jan Dhan accounts became channels for wages, subsidies, and social protection, thereby enhancing financial autonomy and empowerment. Improved savings behavior contributed to consumption smoothing and resilience against livelihood shocks, while RRBs' priority sector lending supported modest diversification into micro-enterprises and allied activities.

Despite these achievements, challenges persisted in the form of high dormancy rates, low credit–deposit ratios, limited financial literacy, and infrastructural constraints in tribal belts. The evidence underscores a dual narrative: while PMJDY succeeded in expanding banking penetration and financial inclusion in Purulia, deeper integration with livelihood programs, enhanced credit delivery, and capacity-building initiatives were necessary to translate access into sustained rural economic empowerment..

Keywords*:* Pradhan Mantri Jan Dhan Yojana (PMJDY), Financial Inclusion**,** Regional Rural Banks (RRBs)**,** Purulia District**,** Banking Penetration

I. INTRODUCTION

Financial inclusion has been a central policy objective in India, particularly for rural and marginalized populations. The launch of the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** in August 2014 marked a watershed moment in this effort, aiming to provide universal access to banking facilities, credit, insurance, and pension services (Government of India, 2014). The scheme was designed to address the structural exclusion of rural households from formal financial systems, thereby enhancing livelihood security and reducing dependence on informal credit channels (Kumar & Mishra, 2016).

The continuous increase in the number of PMJDY accounts from August 2015 to August 2019—from approximately 18 crore to 37 crore—reflects a sustained and strategic expansion of financial inclusion across India's rural and underserved populations. This upward trajectory indicates not only the success of policy interventions such as zero-balance accounts, Aadhaar integration, and Direct Benefit Transfers (DBTs), but also growing public trust in formal banking systems. The rise in account ownership suggests that barriers to entry were effectively lowered, enabling millions of first-time users—especially women and marginalized groups—to access savings, subsidies, and social

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protection schemes. Moreover, the consistent year-on-year growth points to institutional efforts by Regional Rural Banks (RRBs), Business Correspondents (BCs), and digital infrastructure to deepen outreach and usage. While the increase in numbers is impressive, it also underscores the need to ensure account activity, financial literacy, and integration with livelihood-enhancing services to translate access into meaningful economic empowerment.

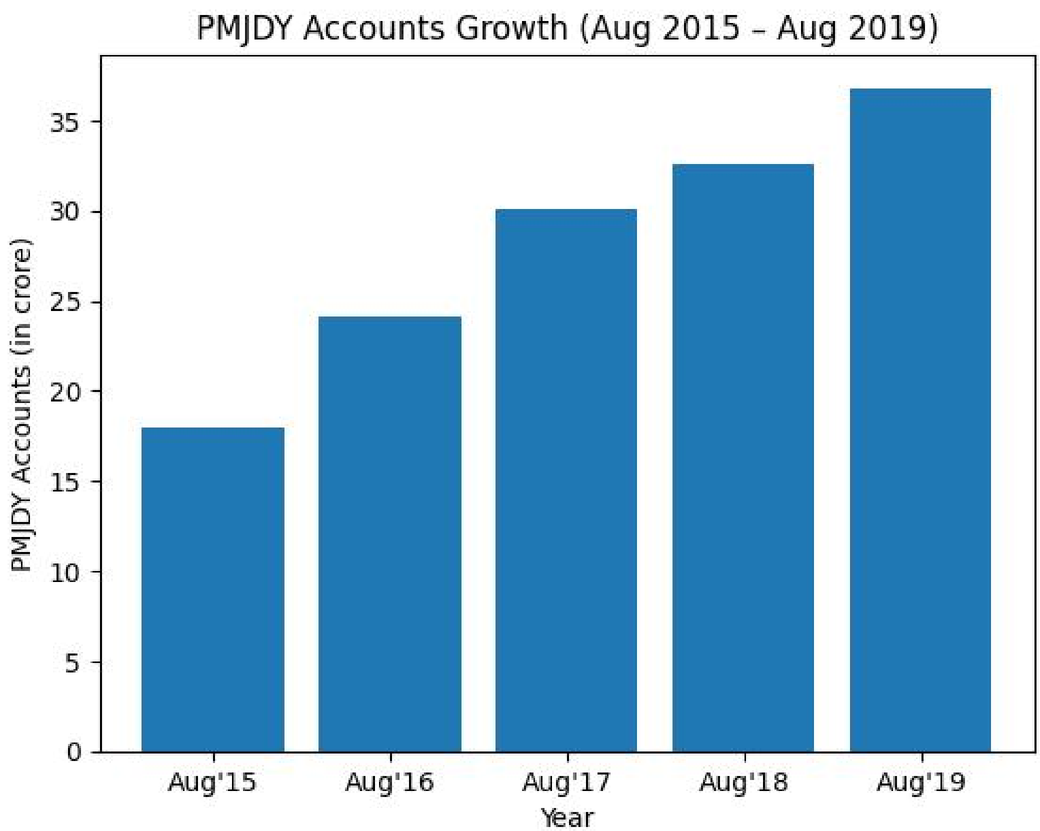

Figure 1:Number of PMJDY Accounts from August 2015 to August 2019

Purulia district in West Bengal, characterized by its agrarian economy, tribal population, and relatively low infrastructural development, provides a critical case for examining the impact of PMJDY. Regional Rural Banks (RRBs) in Purulia played a pivotal role in implementing the scheme, expanding branch networks, and deploying Business Correspondents (BCs) to reach remote villages (Chakraborty, 2017). By 2019, evidence suggested that nearly every household in Purulia had access to at least one Jan Dhan account, reflecting the success of the scheme in achieving near-universal coverage (Reserve Bank of India, 2018).

The impact of PMJDY on rural livelihoods was multifaceted. First, the introduction of **Direct Benefit Transfers (DBTs)** through Jan Dhan accounts reduced leakages in welfare schemes and improved household cash flows (Sinha & Kumar, 2018). Second, the provision of overdraft facilities and insurance coverage under PMJDY offered a safety net for vulnerable families, strengthening resilience against livelihood shocks such as crop failures or medical emergencies (Nair, 2019). Third, the scheme encouraged savings habits among rural households, thereby fostering financial discipline and long-term security (Choudhury, 2016).

However, challenges persisted. A significant proportion of accounts remained dormant, with low average balances and limited usage for productive credit (RBI, 2018). Financial literacy gaps and poor digital infrastructure in tribal belts constrained the full potential of PMJDY in transforming livelihoods (Chakraborty, 2017). Scholars argue that while PMJDY succeeded in expanding access, its integration with livelihood programs and credit delivery mechanisms was

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limited, thereby restricting its transformative impact on rural economic empowerment (Kumar & Mishra, 2016; Nair, 2019).

II. THE OBJECTIVES OF THE STUDY

The objectives of this study are to critically examine the **policy objectives of the Pradhan Mantri Jan Dhan Yojana (PMJDY)** as a national financial inclusion initiative, and to analyze the **role of Regional Rural Banks (RRBs) in rural credit delivery** with a focus on Purulia District of West Bengal. It seeks to assess the **extent of banking penetration in Purulia post-PMJDY**, highlighting changes in account ownership, deposit mobilization, and digital adoption. The study further aims to evaluate the **gender distribution of accounts and women's financial empowerment**, particularly through SHG linkages and welfare transfers, and to investigate the **impact on rural livelihoods**, including access to formal credit, reduction in informal borrowing, improved savings behavior, and livelihood diversification. Together, these objectives frame a comprehensive inquiry into how PMJDY and RRBs have reshaped the financial landscape and socio-economic resilience of rural households in Purulia.

III. THE METHODOLOGY OF THE STUDY

The study adopts secondary data analysis with primary field surveys in Purulia District. The household data and official PMJDY statistics from the Ministry of Finance provide the baseline for banking penetration and welfare coverage. It seeks to measure the extent of banking penetration and assess the impact of Jan Dhan Yojana (PMJDY) on rural livelihoods in Purulia district.

IV. POLICY OBJECTIVES OF JAN DHAN YOJANA

The **Pradhan Mantri Jan Dhan Yojana (PMJDY)**, launched on 28 August 2014, was envisioned as a national mission to promote financial inclusion by providing affordable access to banking services for all households in India (Government of India, 2014). The scheme was designed to address the structural exclusion of rural and marginalized populations from formal financial systems, thereby reducing dependence on informal moneylenders and enhancing livelihood security. The policy objectives of PMJDY were framed around four pillars: **universal access to banking facilities, financial literacy, access to credit, and social security integration** (Reserve Bank of India, 2015).

One of the primary objectives was to ensure **universal banking coverage** by opening at least one basic savings account for every household. This was supported by the deployment of **Business Correspondents (BCs)** in rural and remote areas, thereby extending the reach of Regional Rural Banks (RRBs) and commercial banks (Choudhury, 2016). By 2019, this objective had largely been achieved, with millions of accounts opened across rural India, including Purulia district of West Bengal, which historically suffered from low banking penetration (RBI, 2018).

Another critical policy objective was to promote **financial literacy and savings habits** among rural households. PMJDY accounts were designed to encourage small savings, provide overdraft facilities, and integrate with RuPay debit cards to foster digital transactions (Kumar & Mishra, 2016). This objective aimed to instill financial discipline and reduce vulnerability to livelihood shocks.

The scheme also sought to **enable access to credit** by linking Jan Dhan accounts with overdraft facilities and micro-credit schemes. This was particularly important for rural households engaged in agriculture and informal labour, where access to institutional credit remained limited (Chakraborty, 2017). However, evidence up to 2019 suggested that while account ownership expanded, actual credit usage remained modest due to risk aversion and lack of awareness (Nair, 2019).

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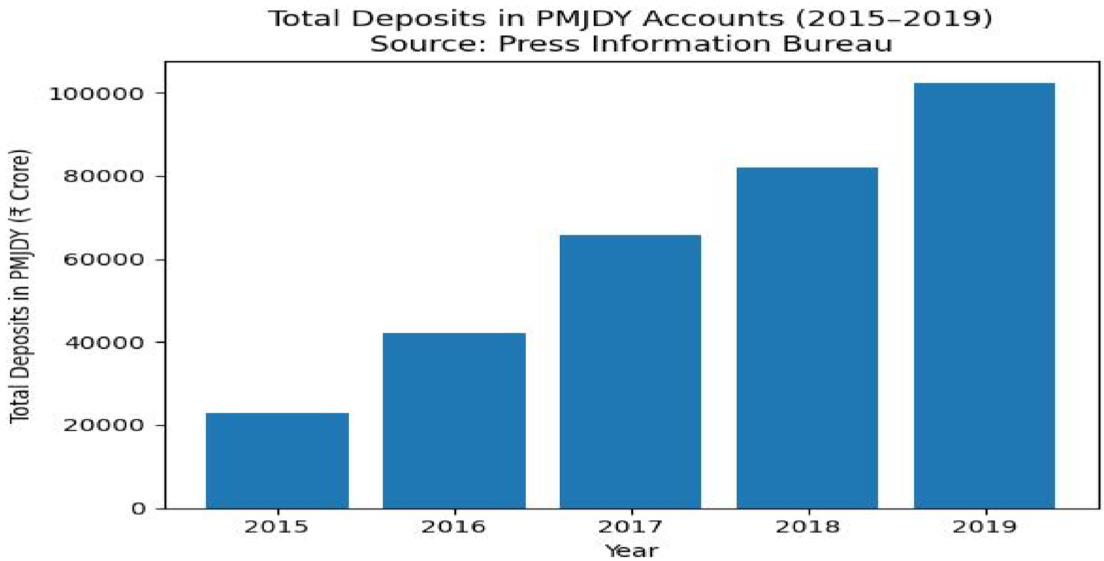

Figure 2: Total Deposits in Pradhan Mantri Jan Dhan Yojana (PMJDY) Accounts from 2015 to 2019

The graphical trend of total deposits in Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts from 2015 to 2019 reveals a consistent and sharp increase, rising from ₹22,901 crore in 2015 to ₹1,02,415 crore in 2019, as reported by the Press Information Bureau. This sustained growth indicates not only a rapid expansion in account coverage but also a gradual deepening of account usage among beneficiaries. The increasing volume of deposits reflects growing confidence of rural and economically weaker sections in the formal banking system, supported by the integration of Direct Benefit Transfers, wage payments under MGNREGA, and social security benefits directly into bank accounts. The upward trend further suggests improved savings behaviour and reduced cash dependency, enabling households to manage income flows more effectively and smooth consumption over time. Overall, the steady rise in PMJDY deposits up to 2019 underscores the scheme's role in strengthening financial inclusion, enhancing liquidity at the household level, and contributing positively to rural livelihood security.

Finally, PMJDY aimed to integrate **social security schemes** such as insurance and pension programs with Jan Dhan accounts. The inclusion of accidental insurance and life cover provided a safety net for vulnerable families, while direct benefit transfers (DBTs) ensured efficient delivery of welfare subsidies (Sinha & Kumar, 2018). This objective reflected the government's broader vision of linking financial inclusion with social protection.

V. ROLE OF RRBS IN RURAL CREDIT DELIVERY

The establishment of **Regional Rural Banks (RRBs)** under the Regional Rural Banks Act of 1975 was a landmark initiative to strengthen rural credit delivery in India. Their mandate was to provide affordable and accessible credit to small and marginal farmers, rural artisans, and weaker sections of society (Government of India, 1975). By 2019, RRBs had become a critical component of India's rural financial architecture, particularly in socio-economically backward districts such as **Purulia in West Bengal**, where dependence on informal moneylenders historically dominated rural credit markets (Chakraborty, 2017).

RRBs played a dual role: mobilizing rural savings and channelling them into productive investments. They prioritized **priority sector lending**, including agriculture, small-scale industries, and self-employment schemes, thereby supporting livelihood diversification in rural areas (Pal &Mitra, 2019). In Purulia, RRBs were instrumental in implementing schemes such as the **Kisan Credit Card (KCC)**, crop loans, and microfinance initiatives, which provided seasonal liquidity to farmers and reduced vulnerability to exploitative credit practices (Nandy & Das, 2019).

The integration of RRBs with government programs like the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** and **Direct Benefit Transfers (DBTs)** further enhanced their role in financial inclusion. By linking Jan Dhan accounts with overdraft facilities and insurance, RRBs contributed to livelihood security and resilience against shocks such as crop failures or medical emergencies (Reserve Bank of India, 2018).

Regional Rural Banks (RRBs), particularly **Bangiya Gramin Vikash Bank**, played a pivotal role in extending the reach of PMJDY by aligning credit portfolios to local cash flow needs and ensuring that financial services were accessible to marginalized households (Pal & Mittra, 2019).

Lowering Entry Barriers

PMJDY introduced **zero-balance accounts**, Aadhaar seeding, and integration with **Direct Benefit Transfers (DBTs)**, which made accounts economically meaningful for rural households. This eliminated traditional barriers such as minimum balance requirements and cumbersome documentation, thereby enabling universal account ownership (Government of India, 2014).

Strengthening Usage

RRBs facilitated the distribution of **RuPay debit cards**, which allowed beneficiaries to access cash, make digital payments, and receive subsidies directly. The deployment of **Business Correspondents (BCs)** in remote villages further improved accessibility, while literacy outreach programs encouraged account usage, particularly among women (Choudhury, 2016). As a result, Jan Dhan accounts became active channels for receiving **wages, pensions, and subsidies**, integrating households into the formal financial system (Reserve Bank of India, 2018).

Impact on Women and Marginalized Groups

Evidence suggests that women benefitted disproportionately from PMJDY in Purulia, as accounts provided them with direct control over welfare transfers and household savings. This not only enhanced financial autonomy but also contributed to livelihood security and empowerment (Nair, 2019).

VI. GENDER DISTRIBUTION AND WOMEN’S FINANCIAL EMPOWERMENT

Despite these achievements, challenges persisted. A significant proportion of women’s accounts remained dormant, with low balances and limited credit usage. Financial literacy gaps, cultural constraints, and infrastructural limitations restricted the full realization of empowerment objectives (RBI, 2018). Scholars argue that while PMJDY succeeded in expanding access, deeper integration with livelihood programs, microfinance initiatives, and skill development schemes was necessary to translate account ownership into sustained empowerment (Choudhury, 2016; Nair, 2019).

VII. IMPACT ON RURAL LIVELIHOODS

Access to formal credit and reduction in informal borrowing

The expansion of basic savings bank deposit accounts under PMJDY reduced documentation and cost barriers, enabling first-time account holders to interface with Regional Rural Banks (RRBs) and public-sector banks for small-ticket credit, overdrafts, and agricultural loans. These changes strengthened linkages to formal instruments such as Kisan Credit Cards (KCCs), seasonal crop loans, and self-employment credit, gradually displacing reliance on high-cost informal moneylenders in many rural regions (Government of India, 2014). Evidence through 2019 indicates that the presence of an active bank account is correlated with higher usage of institutional credit, improved repayment discipline, and a modest decline in informal borrowing, although uptake remained uneven due to awareness gaps, collateral constraints, and risk aversion among low-income households (Kumar & Mishra, 2016; Chakraborty, 2017). RRBs’ priority sector focus further nudged formalization in credit markets, but district-level credit–deposit ratios and documentation frictions limited deeper penetration of productive credit (Reserve Bank of India, 2018; Nandy & Das, 2019).

Welfare transfers and DBT integration

The Jan Dhan–Aadhaar–Mobile (JAM) architecture made welfare transfers more predictable and diversion-resistant by routing benefits directly into beneficiaries’ accounts. With zero-balance accounts, Aadhaar seeding, and RuPay cards, households experienced lower transaction costs and reduced dependence on intermediaries, which improved timeliness and certainty of income flows from schemes and subsidies (Government of India, 2014). Studies up to 2019 document that Direct Benefit Transfers (DBTs) increased program fidelity, strengthened transparency, and enhanced household budgeting capacity, particularly for women account holders who saw greater control over cash inflows (Sinha & Kumar, 2018; Nair, 2019). RRBs and Business Correspondents (BCs) extended last-mile access, converting accounts into functional conduits for pensions, social insurance payouts, and wage payments, though connectivity issues and occasional authentication failures constrained universal effectiveness (Reserve Bank of India, 2018).

Improved savings Behaviour and Consumption smoothing

Formal access to safe savings instruments reshaped household financial behavior by encouraging small, regular deposits and creating buffers against idiosyncratic shocks such as illness, crop failure, or employment volatility. RuPay-enabled access and branch/BC presence reduced the friction of depositing and withdrawing small sums, supporting accumulation even when incomes were irregular (Choudhury, 2016). By 2019, studies associate Jan Dhan accounts with increased propensity to save formally, lower distress borrowing, and better consumption smoothing across lean agricultural seasons, with measurable improvements in resilience and reduced exposure to predatory lending (Kumar & Mishra, 2016; Nair, 2019). Nonetheless, dormancy rates and low average balances remained salient, highlighting the need for livelihood linkages and literacy to convert “access” into sustained savings behavior (Reserve Bank of India, 2018).

Participation in welfare schemes (MGNREGA, crop insurance, pensions)

Bank account integration strengthened participation and payment reliability across flagship rural programs. In MGNREGA, digitized wage payments through bank accounts reduced leakages and enhanced transparency, while regular inflows built familiarity with formal channels and supported basic financial literacy—effects that were especially pronounced among women (Choudhury, 2016; Sinha & Kumar, 2018). Linkages to agricultural risk instruments (e.g., PMFBY crop insurance) and PMJDY’s bundled insurance covers increased protective capacity against shocks, complemented by pensions routed via DBT that provided elderly and vulnerable groups with reliable income streams (Reserve Bank of India, 2018; Nair, 2019). Program participation improved where BCs and RRB branches were accessible, but claim processes and awareness constraints tempered the full protective potential of insurance-based interventions (Chakraborty, 2017).

Livelihood diversification and entrepreneurial activity

Easier account opening, payments infrastructure, and modest overdraft facilities lowered transaction frictions for micro-enterprises and self-employment, supporting diversification beyond primary agriculture. RRBs channelled priority sector lending to allied activities, petty trade, services, and home-based production, enabling households to stitch together multiple income sources and reduce vulnerability to seasonal shocks (Pal & Mittra, 2019; Chakraborty, 2017). By 2019, the ecosystem—accounts, DBT inflows, digital payments, and targeted credit—contributed to nascent entrepreneurial activity and SHG-linked microfinance participation, though scale and sustainability were constrained by low credit–deposit ratios, thin collateral bases, and limited business training (Reserve Bank of India, 2018; Nandy & Das, 2019). Strengthening credit design, market linkages, and financial capability emerged as prerequisites for translating inclusion into durable enterprise growth.

Major Findings of the Study

The evidence from **Purulia district of West Bengal** up to 2019 demonstrates that the **Pradhan Mantri Jan Dhan Yojana (PMJDY)**, implemented through **Regional Rural Banks (RRBs)** such as Bangiya Gramin Vikash Bank, significantly reshaped the financial landscape of rural households.

- **Banking Penetration:** PMJDY achieved near-universal account ownership in Purulia, lowering entry barriers through zero-balance accounts, Aadhaar seeding, and simplified KYC norms. RRBs expanded outreach via branch networks and Business Correspondents, ensuring that even remote tribal villages were connected to formal banking.

- **Livelihood Security:** Direct Benefit Transfers (DBTs) routed through Jan Dhan accounts improved the efficiency of welfare delivery, reducing leakages and enhancing household cash flows. This integration made accounts economically meaningful, especially for women, who gained direct access to wages, pensions, and subsidies.
- **Savings and Consumption:** Access to safe savings instruments encouraged small deposits and improved consumption smoothing, reducing reliance on informal borrowing and strengthening resilience against shocks such as crop failures or medical emergencies.
- **Credit and Diversification:** RRBs facilitated access to crop loans, overdraft facilities, and microfinance initiatives, supporting livelihood diversification and small-scale entrepreneurial activity. However, low credit–deposit ratios and account dormancy highlighted structural challenges in deepening productive credit use.
- **Women's Empowerment:** Women's participation in financial systems increased substantially, with Jan Dhan accounts becoming channels for welfare transfers and self-help group activities, thereby enhancing autonomy and decision-making power within households.

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