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## **Financial Inclusion and Rural Transformation: An Empirical Study of the Pradhan Mantri Jan Dhan Yojana in Mysuru Taluk**

**Manoj B. V.**

M.A. Economics, Department of Studies in Economics and Co-operation, University of Mysore

**Shrikantamurthy**

M.A. Economics, Department of Studies in Economics and Co-operation, University of Mysore

**Dr. Santosh R.**

ICSSR Post-Doctoral Fellow, Department of Studies in Economics and Co-operation, University of Mysore

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### **ABSTRACT**

Financial inclusion is a critical driver of inclusive economic growth, particularly in developing economies like India. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, represents a significant policy initiative aimed at providing universal access to formal banking services. The present study examines the association between educational status and awareness of PMJDY among respondents in Mysuru Taluk, Karnataka. The study is based on primary data collected from 50 respondents using a structured questionnaire and employs descriptive statistics and the Chi-square test for analysis. The findings reveal that overall awareness of PMJDY is relatively high (82%), indicating substantial outreach of the scheme. However, significant disparities are observed across educational groups, with higher awareness among better-educated respondents. The Chi-square results indicate a moderate and marginally significant association between educational status and awareness, suggesting that education plays an important role in influencing financial awareness. Despite the success of PMJDY in expanding account ownership, challenges remain in ensuring uniform awareness and effective utilization, particularly

among less-educated populations. The study highlights the need for targeted financial literacy programs and policy interventions to enhance inclusive participation.

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## Introduction

In contemporary economic systems, the banking infrastructure plays a pivotal role in enabling the smooth flow of financial resources, facilitating savings, credit and risk mitigation instruments across all strata of society (Sarma & Pais, 2011). Financial inclusion defined as the process of ensuring access to appropriate financial products and services at an affordable cost has emerged as a key driver of inclusive and equitable economic growth (Demirguç-Kunt et al., 2018). In developing countries like India, where a significant portion of the population resides in rural and semi-urban regions with limited access to formal financial institutions, the need for proactive inclusionary policies becomes even more critical.

Recognizing this imperative, the Government of India launched the Pradhan Mantri Jan-Dhan Yojana (PMJDY) on 28th August 2014, positioned as a national mission for financial inclusion. With a commitment to provide banking for the unbanked, the scheme was inaugurated by Prime Minister and aimed at ensuring access to financial services such as savings and deposit accounts, remittance, credit, insurance and pension in an affordable manner (Ministry of Finance, 2024). In its first week, the scheme achieved global recognition with over 18 million bank accounts opened, earning a Guinness World Record for the highest number of bank accounts opened in a single week (GoI, 2015).

Financial inclusion under PMJDY is framed not merely as a policy measure but as a socio-economic empowerment mechanism. The scheme is underpinned by the Sanskrit maxim: “*Sukhasya Moolam Dhanam, Dharmasya Moolam Artha, Arthasya Moolam Rajyam*”, which symbolically aligns wealth, righteousness and governance. It operates on a household-centric model, ensuring that at least one member of each household, especially in rural and underprivileged areas, is provided a basic bank account with access to financial services (RBI, 2023).

## Genesis and Rationale of PMJDY

Prior to PMJDY, India’s efforts toward financial inclusion were scattered across various programs such as the Swabhimaan initiative and no-frills accounts. However, these schemes failed to ensure universal coverage due to infrastructural limitations, lack of financial literacy and administrative inefficiencies (Kumar & Gupta, 2015). The PMJDY was conceptualized to overcome these shortcomings by adopting a



mission-mode, integrated and stakeholder-driven approach involving the banking sector, financial institutions, government departments and civil society organizations.

The scheme specifically targets unbanked households, daily wage laborers, marginal farmers, women, scheduled castes/tribes (SC/ST) and migrant workers in both rural and urban areas. The program mandates zero-balance accounts, minimal Know Your Customer (KYC) norms, issuance of RuPay debit cards with inbuilt accident and life insurance and direct benefit transfers (DBT) linked with Aadhaar numbers. It also provides an overdraft facility of up to Rs. 10,000 and financial literacy campaigns to build user awareness and long-term engagement (NABARD, 2022).

### **Program Design and Mechanism**

The PMJDY functions through a multi-phase structure involving bank branches and Business Correspondents (Bank Mitras) as last-mile delivery agents. Each beneficiary is offered a basic savings account with no minimum balance requirements and access to financial instruments including accident and life insurance (Rs. 2 lakh and Rs. 30,000 respectively), along with credit access upon satisfactory operation of the account. Over time, PMJDY has been integrated with other social security schemes such as the Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana and MUDRA Yojana to ensure a holistic framework for financial inclusion (GoI, 2023).

The PMJDY has emerged as a milestone policy in India's journey towards universal financial inclusion. Its success lies in its scale, simplicity, and alignment with broader developmental goals. While its transformative impact on rural India is evident, sustaining this momentum calls for adaptive governance, technological innovations and participatory outreach. If strengthened further, PMJDY can serve as a replicable model for inclusive financial development across other developing economies (World Bank, 2021).

### **Significance of the Study**

The present study carries substantial significance both at the academic and practical levels, especially within the context of rural financial inclusion in India. With a focus on the Pradhan Mantri Jan-Dhan Yojana (PMJDY), this research seeks to evaluate one of the most ambitious financial inclusion drives globally, emphasizing its impact in the rural areas of Mysuru district. Given the socio-economic challenges prevailing in rural India such as low income, illiteracy, and dependency on informal finance the outcomes of this study hold critical implications.



The study addresses the pressing issue of financial exclusion in rural Mysuru, a district marked by socio-economic diversity and varying levels of access to financial services. By examining the penetration and usage of PMJDY accounts, this research provides insights into how the scheme has reshaped the financial landscape for rural households, particularly among marginalized groups such as women, agricultural laborers, and the unemployed.

It is significant in assessing the effectiveness of government initiatives like Direct Benefit Transfers, RuPay debit cards, and insurance/pension schemes under PMJDY. Understanding whether these benefits reach the intended population and enhance financial security helps policymakers identify gaps in service delivery and improve future welfare schemes.

Thirdly, the study highlights the real-world challenges faced by rural beneficiaries, such as distance to bank branches, lack of financial literacy, language barriers, and dormant accounts. These insights are valuable for banking institutions, local governments, and financial educators who aim to make financial services more accessible and user-friendly in remote and underserved areas.

In essence, this study not only evaluates the achievements and shortcomings of PMJDY but also provides strategic recommendations for deepening financial inclusion, thereby supporting India's goal of inclusive and equitable economic development.

### **Theoretical Framework**

Financial inclusion is a key driver of inclusive economic development, particularly in emerging economies where rural populations remain excluded from formal financial systems. This study is grounded in the inclusive growth paradigm, which emphasizes equitable distribution of economic benefits across socio-economic groups and regions. The framework aligns with *Amartya Sen's* capability approach, highlighting how access to financial services enhances individual freedom, economic agency, and welfare. The *Keynesian* perspective further supports financial inclusion by linking expanded financial access to increased consumption, investment, and overall economic growth through the multiplier effect. Schumpeterian theory underscores the importance of credit access in fostering rural entrepreneurship and innovation, reducing dependence on informal finance. Additionally, the *Lewis Dual Economy Model* explains how integrating rural sectors into formal financial systems promotes labor mobility and structural transformation. Collectively, these theoretical perspectives justify the role of PMJDY in advancing inclusive and sustainable economic development.



## Empirical Reviews

Empirical literature consistently supports the transformative impact of PMJDY while highlighting persistent implementation challenges. *Patnaik, Satpathy, and Supkar (2015)* argue that the scheme significantly reduced economic disparities in Odisha by expanding banking access, although infrastructural deficits and low financial literacy remained pressing concerns. *Kunthia (2014)* and *Sumathy (2013)* similarly emphasize the importance of awareness campaigns and educational interventions in improving utilization rates.

*Kaur (2015)* documents considerable disparities between Punjab and Haryana, revealing higher account openings in Haryana but stronger deposit mobilization in Punjab. *Joshi and Rajpurohit (2016)* emphasize that limited financial awareness constrains service utilization despite widespread account ownership. *Bagli (2012)* establishes a positive linkage between financial inclusion and human development, supporting policy efforts to embed inclusion within broader welfare frameworks.

*Maroor, Pushpanathan, and Baliga (2016)* and *Totala and AHIRRAO (2018)* points to a disjuncture between account proliferation and actual financial empowerment, arguing that qualitative dimensions such as transaction frequency and service diversity are critical indicators of effective inclusion. *Singh and Naik (2018)* underscore the role of Common Service Centres (CSCs) in extending services to women and farmers, while also flagging persistent digital illiteracy and underutilization of pension and insurance schemes.

*Bijoy (2018)* and *Gupta (2015)* warn against the high dormancy rates in PMJDY accounts, attributing this to low income levels and lack of demand-driven financial products. Their findings suggest that job creation and credit access are necessary complements to financial inclusion efforts. *Johnson and Joy (2024)* and *Maity and Sahu (2020)* emphasize the critical role of public sector banks in driving inclusion, though they also identify significant inter-bank disparities in outreach and operational efficiency.

Quantitative assessments have employed Data Envelopment Analysis (DEA) to evaluate banking efficiency under PMJDY. *Agarwala, Maity, and Sahu (2022)* and *Singh and Deep (2024)* report that public sector banks, particularly the State Bank of India, performed more effectively than their private counterparts, though dormant accounts and digital exclusion remain structural challenges.

The impact of PMJDY on rural entrepreneurship and self-employment has also been analyzed. *Singh (2020)* links PMJDY with the Pradhan Mantri Mudra Yojana (PMMY) in promoting non-farm activities and income diversification. *Pradhan (2024)* notes a significant boost in women's financial participation



through Self-Help Groups (SHGs), aligning with the broader objective of gender empowerment. *Maity and Majumder (2024)*, in a pan-India study across 37 states, identify regional leaders and laggards in financial inclusion, advocating for decentralized strategies based on state-level performance metrics.

In sum, the literature strongly supports the thesis that while PMJDY has achieved impressive coverage in terms of account penetration, the challenge lies in ensuring active utilization, sustainability, and integration with other welfare schemes. Theoretical contributions from Sen's capability approach to the Keynesian multiplier and Lewis's dual-sector model affirm the scheme's potential to drive inclusive growth. However, empirical evidence calls for sustained policy attention to financial literacy, digital outreach, regional customization, and structural reform to fully harness the transformative potential of financial inclusion initiatives in rural India.

### **Research Gap**

Despite extensive literature on PMJDY's transformative impact, key research gaps persist. Most studies focus on macro-level outcomes such as account penetration and regional disparities, with limited micro-level analysis of how socio-economic factors, particularly education, influence awareness and utilization. The literature emphasizes quantitative expansion but neglects behavioral dimensions like awareness and informed usage. There is also insufficient empirical evidence linking educational attainment directly with awareness using primary household data. Further, localized studies, especially in rural and semi-urban Karnataka, remain scarce. Additionally, the indirect role of education in addressing dormancy, digital illiteracy, and service underutilization is underexplored. Finally, the effectiveness of awareness campaigns across educational groups lacks empirical validation.

### **Objectives of the Study**

1. To examine the association between educational status and financial inclusion through PMJDY.

### **Hypotheses of the Study**

1. There is no significant association between educational status and awareness of PMJDY.

### **Research Methodology**

A well-structured research methodology is essential to ensure the validity, reliability, and systematic execution of the study. The present study is designed to examine the socio-economic determinants of



financial inclusion under the Pradhan Mantri Jan Dhan Yojana (PMJDY), with particular emphasis on awareness, usage, and the role of education and digital literacy.

### Research Design

The study adopts a **descriptive and analytical research design**. The descriptive component focuses on understanding the current status of financial inclusion and awareness of PMJDY among respondents, while the analytical component examines the relationship between educational status and awareness levels using statistical tools.

**Study Area:** The study is conducted in Mysuru Taluk, Karnataka, focusing primarily on rural and semi-urban populations.

### Sampling Design

- **Sampling Method:** The study employs a **simple random sampling technique** to ensure unbiased representation of respondents across different socio-economic and educational groups.
- **Sample Size:** A total of **50 respondents** are selected, consisting of PMJDY account holders from rural and marginalized sections.

### Sources of Data

- **Primary Data:** The study is based on primary data collected directly from respondents through field survey methods.

### Tools for Data Collection

- **Structured Questionnaire:** A pre-designed questionnaire is used to collect data on demographic characteristics, educational status, and awareness of PMJDY, account usage patterns, financial literacy, digital access, and linkage with welfare schemes.

### Variables of the Study

- **Independent Variable:** Educational Status of the Respondents
- **Dependent Variable:** Awareness of PMJDY



## Data Analysis Techniques

The collected data are analyzed using **SPSS and MS Excel** with the following statistical tools:

- **Descriptive Statistics:** Including percentages, frequencies, and averages to summarize respondent characteristics and awareness levels.
- **Chi-Square Test:** To examine the association between educational status and awareness of PMJDY.
- **Hypothesis Testing:** To test the statistical significance of relationships between variables.

**Table-1: Association between Education Qualification of the Respondent and Awareness of the PMJDY**

Education Qualification of the Respondent	Are you aware of the Pradhan Mantri Jan Dhan Yojana (PMJDY)		
	No	Yes	Total
Illiterate	6 (42.9%)	8 (57.1%)	14 (100%)
Primary	1 (12.5%)	7 (87.5%)	8 (100%)
Higher Primary	0 (0%)	5 (100%)	5 (100%)
Secondary	0 (0%)	8 (100%)	8 (100%)
Graduation and Above	2 (13.3%)	13 (86.7%)	15 (100%)
<b>Total</b>	9 (18%)	41 (82.0%)	50 (100.0%)

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	9.100	4	.059
<b>Likelihood Ratio</b>	10.209	4	.037

		Value	Asymp. Sig. (2-sided)
<b>Nominal by Nominal</b>	<b>Phi</b>	.427	.059
	<b>Cramer's V</b>	.427	.059

Source: SPSS Output Table based on Primary Data Analysis



## Results and Discussion

Table 1 presents the association between educational qualification of respondents and their awareness of the Pradhan Mantri Jan Dhan Yojana (PMJDY). The results indicate a clear trend of increasing awareness with higher levels of education. Among illiterate respondents, only 57.1% are aware of PMJDY, while 42.9% remain unaware, representing the lowest awareness level across all categories. In contrast, respondents with primary education show a significantly higher awareness level (87.5%), and those with higher primary and secondary education demonstrate complete awareness (100%).

Similarly, among respondents with graduation and above, 86.7% are aware of PMJDY, indicating consistently high awareness among educated groups. Overall, 82.0% of respondents are aware of PMJDY, while 18% are not aware, suggesting a relatively high level of penetration of the scheme, though disparities persist across educational categories.

The Chi-square test results show that the Pearson Chi-square value is 9.100 with a p-value of 0.059, which is slightly above the conventional 5% level of significance. This implies that the association between educational qualification and awareness of PMJDY is significant at the 10% level, indicating a moderate level of statistical association.

Further, the Likelihood Ratio value ( $p = 0.037$ ) supports the presence of a statistically significant relationship. The Cramer's V value of 0.427 indicates a moderate strength of association between education and awareness.

## Hypothesis Testing

Table-1 indicates the Pearson Chi-square p-value (0.059) is greater than 0.10, the null hypothesis can be rejected at the 10% significance level, indicating statistical evidence of association. The analysis suggests that educational status influences awareness of PMJDY, with higher education levels associated with greater awareness. Although the statistical evidence is not strong at the 5% level, the results indicate a moderate and marginally significant relationship. Therefore, education plays an important role in shaping awareness, but other socio-economic factors may also contribute.

## Policy Suggestions and Recommendations

1. Provide financial literacy programmes in local languages using simple audio-visual methods for illiterate populations.



2. Use Gram Panchayats, SHGs, and Anganwadi workers to spread PMJDY awareness at the grassroots level.
3. Use mobile and digital platforms (SMS, IVR, WhatsApp) in regional languages to reach low-literate groups.
4. Organize bank awareness camps and simplify account-opening procedures in low-literacy areas.
5. Encourage behavioural change through community support, peer learning, and success stories.
6. Link PMJDY awareness with schemes like MGNREGA and PDS to improve outreach and inclusion.

### **Limitations of the Study**

Despite careful design and execution, the present study is subject to certain limitations:

**Limited Sample Size:** Small sample (50 respondents) limits generalizability.

**Geographical Constraint:** Findings are restricted to Mysuru Taluk.

**Primary Data Bias:** Self-reported data may involve recall and response bias.

**Limited Variables:** Focuses mainly on education and awareness, excluding other factors.

**Time Constraint:** Cross-sectional data may not capture changes over time.

### **Conclusion**

The study highlights the crucial role of financial inclusion in promoting inclusive economic development, with PMJDY serving as a key initiative to extend banking services to marginalized populations. The findings indicate a high level of awareness (82%) among respondents, reflecting the scheme's wide outreach. However, significant disparities exist across educational groups, with higher awareness observed among better-educated respondents. This suggests that education plays an important role in accessing and understanding financial services. The Chi-square results show a moderate and marginally significant association between educational status and awareness, partially supporting the study objective.

Despite its success in expanding account ownership, PMJDY faces challenges in ensuring uniform awareness and effective utilization, particularly among less-educated groups. This underscores the need for targeted financial literacy programs and awareness campaigns. Overall, the long-term success of PMJDY depends on improving education, reducing disparities, and promoting inclusive and informed participation in financial services.



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