



Review Article

An Analytical Study of the Prime Minister Jan-Dhan Yojana and Its Impact on Rural Development: A Special Focus on Bihar

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Abstract

The Pradhan Mantri Jan-Dhan Yojana (PMJDY), launched in 2014, is one of the largest financial inclusion initiatives globally, aiming to provide universal access to banking services for all, particularly in rural and economically backward areas. This analytical study explores the implementation and impact of PMJDY on rural development in India, with a special focus on Bihar, one of the most socio-economically challenged states. The scheme's core features—zero-balance bank accounts, RuPay debit cards, insurance coverage, overdraft facility, and direct benefit transfer (DBT)—have played a critical role in integrating rural populations into the formal financial system.

The study assesses how the scheme has affected rural livelihoods, financial behavior, access to welfare schemes, and women's financial empowerment in Bihar. Using secondary data from government sources, reports, and academic literature, along with comparative analysis, the paper highlights that Bihar has seen significant growth in account openings and DBT penetration. However, challenges such as account dormancy, limited ATM infrastructure, low digital literacy, and inadequate banking accessibility in remote areas remain persistent. The research underlines the importance of financial literacy programs, improved rural banking infrastructure, and enhanced monitoring to ensure that the benefits of PMJDY are fully realized.

This study concludes that while PMJDY has positively influenced rural financial inclusion and social welfare in Bihar, sustained policy support and localized solutions are crucial to overcoming the structural and behavioral challenges hindering its complete success.

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1. INTRODUCTION

Financial inclusion is a critical pillar of inclusive and sustainable economic growth. The absence of accessible and affordable financial services, particularly in rural areas, perpetuates poverty and economic disparity. In response to this longstanding challenge, the Government of India launched the Pradhan Mantri Jan-Dhan Yojana (PMJDY) on August 28, 2014, to provide

universal banking access, especially to the unbanked and underprivileged segments of society. PMJDY is widely regarded as one of the world's most ambitious financial inclusion programs, seeking to extend banking services to every household in India, primarily through zero-balance accounts, RuPay debit cards, accidental insurance, life insurance, and direct benefit transfer (DBT) mechanisms.

India, despite being one of the fastest-growing economies globally, has historically faced deep-rooted challenges in financial inclusion. According to the World Bank Global Findex Database (2014), before PMJDY, nearly 53% of Indian adults did not have access to a bank account, with the disparity being more pronounced in rural areas and among women. Bihar, in particular, ranked among the states with the lowest financial inclusion indices, largely due to its socio-economic structure, poor infrastructure, and literacy gaps.

PMJDY was conceived to address these gaps by bringing every household into the fold of the formal financial system. This move was not only intended to promote savings habits but also to make government subsidies and welfare schemes more efficient and transparent through DBT. Under this initiative, beneficiaries receive a Basic Savings Bank Deposit Account (BSBDA) with features like no minimum balance, a RuPay card, an overdraft facility, and access to insurance and pension schemes.

The relevance of PMJDY becomes particularly important in a state like Bihar, which is predominantly rural and faces multiple developmental bottlenecks. With over 88% of its population living in villages, Bihar has long struggled with financial exclusion, leading to a reliance on informal sources of credit such as moneylenders, who often impose exploitative terms. The introduction of PMJDY has brought significant improvements in access to formal financial services, thus contributing to poverty alleviation, empowerment, especially of women, and improved access to various government schemes.

2. LITERATURE REVIEW

Various scholars and policy institutions have analyzed the evolution and impact of PMJDY. According to Chattopadhyay (2015), the implementation of PMJDY marked a shift from a charity-based to a rights-based model of financial inclusion, aiming for structural change in the delivery of welfare services. Dev (2016) argued that PMJDY not only facilitates access to financial services but also fosters inclusive growth by integrating marginalized populations into the economic mainstream.

The Reserve Bank of India (RBI, 2019) highlighted that more than 80% of Indian adults had access to bank accounts by 2018, largely attributing this success to PMJDY. However, the same report flagged concerns around dormant accounts and inadequate utilization of banking services.

In the context of Bihar, Faizi and Gupta (2019) pointed out that PMJDY played a transformative role in empowering rural women by providing them with direct access to financial resources and increasing their participation in economic decision-making. Furthermore, Singh and Yadav (2021) found that while PMJDY improved financial access in Bihar, persistent issues such as poor infrastructure, limited digital literacy, and account inactivity constrained the program's full potential.

This study, therefore, seeks to analytically evaluate the reach, utilization, and developmental outcomes of PMJDY in rural Bihar. It addresses critical questions: How effectively has the scheme been implemented in the state? What impact has it had on rural livelihoods and financial behavior? What structural or policy barriers still exist?

Through a synthesis of secondary data, academic literature, and policy documents, the paper presents a comprehensive view of the scheme's role in catalyzing rural development in Bihar and provides recommendations for enhancing its impact in the future.

3. OBJECTIVES

The primary objectives of this study are:

- To examine the various schemes integrated under PMJDY and their implementation in rural Bihar.
- To assess the impact of PMJDY on financial inclusion and rural development in Bihar.
- To identify challenges in the execution of PMJDY-related services in the state.
- To propose policy recommendations for enhancing the effectiveness of PMJDY in rural Bihar.

4. Schemes Under PMJDY Framework

PMJDY is not a standalone initiative but a comprehensive framework integrating multiple schemes aimed at holistic financial inclusion. The key components include:

4.1. Basic Savings Bank Deposit Account (BSBDA)

Under PMJDY, individuals can open a BSBDA with zero balance, facilitating access to banking services without the burden of maintaining a minimum balance. Account holders receive a RuPay debit card, enabling digital transactions and ATM withdrawals.

4.2. Overdraft Facility

Eligible account holders are provided an overdraft facility of up to ₹10,000, offering a safety net for emergency financial needs. This feature encourages account usage and instills a sense of financial security among the rural populace.

4.3. Accidental and Life Insurance

PMJDY account holders are entitled to:

- Accidental Insurance Cover: ₹2 lakh for RuPay cardholders who have performed at least one successful financial or non-financial transaction within 90 days prior to the date of the accident.
- Life Insurance Cover: ₹30,000 for accounts opened between August 15, 2014, and January 26, 2015.

4.4. Integration with Other Schemes

One of the defining features of the Pradhan Mantri Jan-Dhan Yojana (PMJDY) is its ability to function not just as a standalone financial inclusion initiative but as a foundational platform for the integration of other major government welfare schemes. This interlinkage enhances the efficiency, transparency, and accessibility of various social security programs, particularly for the rural and economically vulnerable population.

PMJDY accounts act as a gateway to financial security and social protection, as they are directly linked with several flagship schemes, each serving a specific socio-economic objective. Below is an in-depth look at some of the key schemes integrated with PMJDY:

4.4.1. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
Launched in 2015, PMJJBY is a government-backed **life insurance scheme** for individuals between the ages of 18 and 50 who hold a bank account under PMJDY.

- **Coverage:** ₹2 lakh in the event of death due to any cause.
- **Premium:** ₹330 per annum, auto-debited from the Jan Dhan account.
- **Objective:** To provide low-cost life insurance to the economically weaker sections, especially those without any prior coverage.

This scheme has helped bring social insurance into rural households, offering a basic safety net against unforeseen life events.

4.4.2. Pradhan Mantri Suraksha Bima Yojana (PMSBY)
PMSBY is another **accident insurance scheme** tied to Jan Dhan accounts, targeting people aged 18 to 70.

- **Coverage:** ₹2 lakh for accidental death or full disability, and ₹1 lakh for partial disability.
- **Premium:** ₹12 per annum.
- **Enrollment:** Auto-debited through PMJDY-linked accounts.

This scheme is particularly relevant in rural areas where labor-intensive work and commuting risks make accidental coverage essential.

4.4.3. Atal Pension Yojana (APY)
APY offers a **retirement pension scheme** aimed at unorganized sector workers, such as farmers, laborers, and domestic help.

- **Eligibility:** For those aged 18–40 with a PMJDY account.
- **Pension:** Between ₹1,000 and ₹5,000 per month after the age of 60, based on contribution.
- **Contribution:** Periodic payments from the Jan Dhan account, subsidized for some low-income groups.

APY promotes long-term financial planning and provides retirement security, which is often lacking in rural India.

4.4.4. Direct Benefit Transfer (DBT) of Subsidies
One of the most powerful integrations is the use of PMJDY accounts for DBT, through which beneficiaries receive funds directly into their bank accounts, eliminating middlemen and leakages.

Examples of DBT-linked schemes include:

- **PM-KISAN:** ₹6,000 per year paid in installments to small and marginal farmers.
- **MGNREGA Wages:** Daily wages credited to laborers for rural employment.
- **Ujjwala Yojana Subsidies:** LPG subsidies are transferred directly to account holders.
- **Scholarships and pensions:** For students, the elderly, and differently-abled citizens.

This integration ensures that social welfare benefits are delivered efficiently, securely, and transparently.

4.4.5. Financial Literacy and Banking Correspondents
To support these integrations, PMJDY also promotes financial literacy programs and employs banking correspondents (BCs) in rural areas to guide beneficiaries through account usage, scheme enrollment, and digital transactions.

5. Implementation in Bihar

Bihar's socio-economic landscape, marked by high poverty rates and limited financial infrastructure, presented unique challenges and opportunities for PMJDY's implementation.

5.1. Account Penetration

As of 2024, Bihar has witnessed the opening of over **5 crore** PMJDY accounts, with more than 3.67 crore in rural areas. This surge reflects the scheme's extensive reach and acceptance among the rural populace.

5.2. RuPay Card Distribution

Since 2015, over 3.8 crore RuPay debit cards have been issued in Bihar, facilitating digital transactions and promoting a cashless economy.

5.3. Women's Financial Empowerment

PMJDY has significantly contributed to women's financial inclusion in Bihar. Approximately **55.6%** of Jan Dhan account holders are women, indicating a positive trend towards gender-inclusive financial services.

5.4. Integration with Welfare Schemes

The linkage of PMJDY accounts with welfare schemes like PM-KISAN, MGNREGA, and Ujjwala Yojana has streamlined benefit transfers, ensuring timely and direct payments to beneficiaries.

6. Impact on Rural Development

PMJDY's multifaceted approach has yielded several positive outcomes in Bihar's rural development:

6.1. Enhanced Financial Inclusion

The scheme has brought a significant portion of the rural population into the formal banking system, fostering a culture of savings and financial planning.

6.2. Reduction in Informal Lending

Access to formal credit and overdraft facilities has reduced dependence on informal moneylenders, mitigating exploitative lending practices.

6.3. Improved Welfare Delivery

DBT through PMJDY accounts has enhanced the efficiency and transparency of welfare scheme implementations, ensuring benefits reach the intended recipients.

6.4. Promotion of Digital Transactions

The widespread issuance of RuPay cards and the promotion of digital banking have encouraged cashless transactions, aligning with the broader goal of a digital economy.

7. Challenges in Bihar

Despite notable achievements, several challenges impede the full realization of PMJDY's objectives in Bihar:

7.1. Account Dormancy

A significant number of accounts remain inactive due to limited awareness and financial literacy among account holders.

7.2. Infrastructure Deficits

Inadequate banking infrastructure, including limited ATM availability and poor internet connectivity, hampers access to banking services in remote areas.

7.3. Low Financial Literacy

A lack of understanding regarding banking operations and digital transactions restricts the optimal utilization of PMJDY accounts.

7.4. Technological Barriers

The digital divide, characterized by limited access to smartphones and the internet, poses a significant barrier to digital financial inclusion.

8. Suggestions

To enhance the effectiveness of PMJDY in Bihar, the following measures are recommended:

8.1. Financial Literacy Campaigns

Implement targeted financial literacy programs to educate rural populations about banking services, digital transactions, and the benefits of PMJDY.

8.2. Infrastructure Development

Invest in expanding banking infrastructure, including the establishment of more bank branches, ATMs, and the deployment of banking correspondents in underserved areas.

8.3. Technological Integration

Promote the use of mobile banking and digital platforms by providing affordable smartphones and improving internet connectivity in rural regions.

8.4. Monitoring and Evaluation

Establish robust monitoring mechanisms to track account activity and ensure the timely delivery of benefits, thereby reducing account dormancy.

8.5. Customized Financial Products

Develop financial products tailored to the needs of rural populations, considering their income patterns and financial behaviors.

9. CONCLUSION

The Pradhan Mantri Jan-Dhan Yojana has been instrumental in advancing financial inclusion and fostering rural development in Bihar. By integrating various schemes and promoting digital banking, PMJDY has empowered rural populations, particularly women, and streamlined welfare delivery mechanisms. However, to sustain and amplify these gains, concerted efforts are required to address infrastructural deficits, enhance financial literacy, and bridge the digital divide. With targeted interventions and continuous monitoring, PMJDY can catalyze inclusive and sustainable rural development in Bihar.

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