

# Role of Environmental Factors in Enhancing Financial Capability of Beneficiaries under Pradhanmantri Jan Dhan Yojana (PMJDY) of Assam Graminvikash Bank of Nalbari District of Assam

Tandrileem Kashyap, Ratan Borman

**Abstract:** Financial capability is the skill, knowledge, and dispositions that enable a person to make well-informed financial decisions throughout their lives. The concept of financial capability connotes both ability and opportunity. The key elements that determine financial capability are- i) knowledge, ii) skills, iii) confidence and attitudes and iv) responsible financial decision. The financial capability factors are best understood as a combination of characteristics that may act as barriers or enablers to financially capable behaviour. They split into- i) internal capability, which is influenced by- personal factors and ii) external capability which is influenced by societal factors and environmental factors. The main objective of this study is to examine the various environmental factors that influence financial capability building efforts of beneficiaries under Pradhan Mantri Jan Dhan Yojana (PMJDY). The paper is of descriptive and analytical in nature and based on primary and secondary data.

**Key Words:** Financial Capability, Environmental Factors, Financial decision.

## I. INTRODUCTION

Financial capability is about having the financial knowledge, understanding, confidence and motivation to make good financial decisions. Financial capability, defined by the World Bank as, "it is the capacity to act in one's best financial interest, given socio-economic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behavior of consumers with respect to understanding, selecting, and using financial services, and the ability to access financial services that fit their needs".<sup>1</sup>The financial behaviors of an individual are influenced by various factors. The financial capability factors are best understood as a combination of characteristics that may act as barriers or enablers to financially capable behavior and these are- personal factors, social factors and environmental factors. Among the three factors one of the most important factor which influence an individual's financial capability is environmental factors. Environmental factors are external to the individual and can have a positive or negative influence on a person's participation as a member of society, on performance of activities, or on a person's body function or structure. Many factors can be included in the category of environment factors and these factors can prevent an individual from demonstrating his/her true level of financial capability. Such

factors include barriers to access finance, financial services provision, behavior of financial firms and consumer protection legislation etc.

## II. STATEMENT OF THE PROBLEM

There are good numbers of financial institutions are operating in our country and engaged in providing various kinds of financial services to the different sections of the society, but financial capability enhancement is not known in making financial wealth of the people and unable to build their financial capability. Pradhan Mantri Jan Dhan Yojana (PMJDY) is an enormous step taken by the Government of India on 28<sup>th</sup> August, 2014 which aims to give universal access to banking facilities for all households across the country. Under the PMJDY scheme, as on 31<sup>st</sup> March, 2018, total 31,44,39,129 accounts have been opened in India and Rs. 7849399.24 (in lac) have been found to be deposited.<sup>2</sup> However though a significant number of accounts have been opened; often it is alleged that sizeable number of the accounts are dormant or with low volume of transactions. It is found that, most of the accounts opened at public sector banks under the PMJDY, only 28% are active.<sup>3</sup> Such state of affairs depicts a dismal picture on the move and spirit of PMJDY and achieving economic autonomy of the weaker and low income group population through the effort of enhancement of financial capability. Thus, there is an urgent need to examine the fact which is responsible for such state of affairs. Therefore to investigate into matter, the study is designed to focus on the financial capability building efforts through PMJDY in the Nalbari district of Assam.

## III. REVIEW OF LITERATURE:

Atkinson et al. (2006, 2007), on a survey commissioned to explicitly measure financial capability in Britain (FSA 2006b), identify five contributory domains: making ends meet, managing money, planning ahead, choosing products and staying informed. They create scores

<sup>2</sup>World Bank Group, Zambia (2007), "Enhancing Financial Capability and Inclusion in Zambia", [www.worldbank.org](http://www.worldbank.org), accessed on 15<sup>th</sup> December, 2017

<sup>3</sup><https://www.pmjdy.gov.in/BankwiseLatest>, accessed on 4<sup>th</sup> August, 2018

<sup>4</sup>Gupta, S. K. (2015), "Performance Appraisal of the Pradhan Mantra Jan Dhan Yojana" IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668, Volume 17, Issue 9, pp. 35-39 [www.iosrjournals.org](http://www.iosrjournals.org), accessed on 7<sup>th</sup> August, 2018.

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within each domain and conclude that older people, people with higher incomes and those in couples with no dependent children have greatest financial capability while younger people, people in couples with dependent children, single people and those with lower income have least.<sup>4</sup>

According to McCormick (2009), the term financial capability is intended to include not only the concept of education but also access to financial services and institutions, arguing that knowledge alone without access to the resources and services of financial institutions, especially for those coming from under or unbanked communities will not ultimately allow people to choose a financially literate lifestyle.<sup>5</sup>

According to Dasgupta and Anklesaria (2015), the key challenges which could hinder the success of PMJDY which are infrastructural issues pertaining within India, ability to keep the accounts 'live', lack of financial and technological literacy amongst the masses, duplication of accounts, managing the ecosystem of business correspondents and the economic burden on stakeholders of keeping these accounts active. They have identified that with the development of PMJDY scheme stakeholders like RBI, central and state government, banks, local bodies, government agencies like NABARD, NPCI etc. will have to build a sustainable ecosystem to keep these accounts active.<sup>6</sup>

Gupta, S. K. (2015) highlighted on Performance of the PradhanMantri Jan DhanYojana (PMJDY) and latest trends being implemented for financial inclusion by PMJDY. It is found that, of the accounts opened at public sector banks under the Jan DhanYojana, 71% are zero balance, against 64% for private banks released by the ministry, only 28% of the accounts opened under the scheme are active, with about Rs.9,000 crores deposited in these.<sup>7</sup>

## IV. RESEARCH GAP

The matter of financial capability is most talked about and highly pertinent in the today's world. From the reviewed literature, it is evident that various studies have been conducted on financial literacy, financial education, financial capability and its relation with the individual's financial well-being. However, no specific study on environmental factors of financial capability have been accomplished particularly in geographical and segmental dimension in the district of Nalbari with reference to weaker and low income group, who are direct beneficiaries under PMJDY and more so in the context of Assam on the matter under consideration, resulting a research gap.

<sup>4</sup> Atkinson, A., McKay, S., Kempson, E. & Collard, S., (2006), "Levels of financial capability in the UK: Results from a baseline survey", FSA Consumer Research Paper 47. London: FSA.

<sup>5</sup> McCormick, M. H. (2009), "The Effectiveness of Youth Financial Education: A Review of Literature", Journal of Financial Counseling and Planning, Volume 20 (1), 70-83.

<sup>6</sup> Dasgupta, A. & Anklesaria, E. (2015), "Pradhan Mantri Jan Dhan Yojana", KPMG report.

<sup>7</sup> Gupta, S. K. (2015), "Performance Appraisal of the Pradhan Mantra Jan Dhan Yojana" IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668, Volume 17, Issue 9, pp. 35-39 [www.iosrjournals.org](http://www.iosrjournals.org), accessed on 7<sup>th</sup> August, 2018.

## V. RESEARCH OBJECTIVES

The primary objective of this paper is to analyse the role of environmental factors that influence financial capability enhancement of beneficiaries under PradhanMantri Jan DhanYojana (PMJDY) of Assam GraminVikash Bank of Nalbari, Assam.

## VI. RESEARCH METHODOLOGY

The study is descriptive and analytical in nature. For the purpose of the study 50 samples is drawn out by using convenient sampling. The study is based on both primary and secondary data. Primary data is collected through structured schedule from different PMJDY beneficiaries of Assam GraminVikash Bank of Nalbari, Assam for the purpose and interaction/observation. The relevant secondary data is collected from the data bases of Reserve Bank of India (RBI) and the concern Report of Banks, relevant books, articles from journals and newspapers. Collected data are brought under applicable and very simple and meaningful statistical treatment in order to synthesize and to categorically conclude for the better justifications. The data so collected are tabulated, analysed and presented using percentage and charts.

## VII. DISCUSSION & ANALYSIS

The data collected are tabulated and analyzed as under-

**Table: 1: Demographic and Socio-economic status of respondents**

Variable	Category	Frequency	%
Area of Residence	Rural	33	66
	Semi-urban	17	34
	Urban	0	0
Sex	Male	29	58
	Female	21	42
Age(Years)	20-30	8	16
	30-40	16	32
	40-50	17	34
	Above 50	9	18
Marital Status	Married	31	62
	Unmarried	19	38
Qualification	HSLC	19	38
	HS	13	26
	Graduate	10	20
	Others	8	16
Occupation	Daily wager	19	38
	Marginal farmer	15	30
	Business	11	22
	Households	5	10
	Others	0	0
Income per annum	Below Rs. 10000	8	16
	Rs. 10000-20000	30	60
	Rs. 20000-27000	12	24

Source: Compiled from primary data

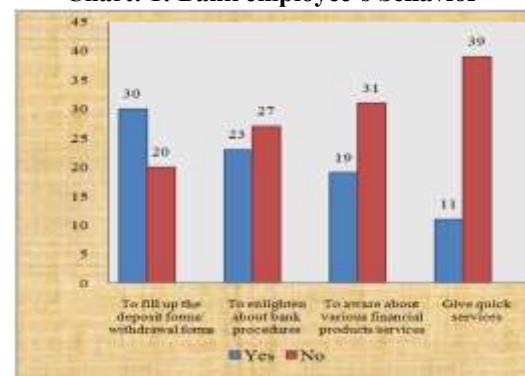
The demographic characteristic of the respondents reveals in Table: 1, that majority of the respondents are i.e. 66% of the respondent belongs to rural area and 34% belongs to semi-rural area and there was no respondent from urban area. 58% of respondents were male and 42% respondents were female, 16% belong to the age category of 20-30 years, 32% of the respondents belong to the age category of 30-40 years, 34% belong to the age category of 40-50 years, 18% belong to the age category of above 50 years. It has also observed that 62% of the sample household persons were married and 38% were unmarried. Out of 50, respondents surveyed 38% have completed their High School Leaving exam, 26% have completed their Higher Secondary Level exam, 20% have completed their Graduation and 16% responded that they have left their studies in their early age. It has been found that 38% of the respondents were daily wage earner, 30% were marginal farmers, 22% were engaged in some business, 10% were households and there was no respondent with other occupation. It has been also identified that, 16% respondent's yearly earning is below Rs. 10000, 60% of the sample respondent's yearly earning ranges between Rs. 1000-20000, 24% of the sample respondent's yearly earning ranges between Rs. 20000-27000.

3	Lack of proper documentation	37	74	1
4	Inadequate financial product/services	8	16	6
5	Non-availability of ATM services	3	6	7
6	Unavailability of bank mitras	16	32	4
7	Bank's poor attention towards customer	22	44	3
8	None of the above	0	0	8

Source: Compiled from primary data

The respondents were asked to give their opinion relating to the bank employees behavior or services provided towards its customers like, filling up of deposit forms/withdrawal forms, enlighten about bank procedures, aware about various financial products/services and giving quick services and responses are analyzed using the below diagram-

Chart: 1: Bank employee's behavior



Source: Compiled from primary data

Out of the 50 respondents, 4% opinioned that the attitude of bank employees are highly supportive, 16% opinioned the attitude of bank employees are supportive,

34% opinioned the attitude of bank employees are moderately supportive and 46% opinioned the attitude of bank employees are non-supportive. The collected data are presented with a pie chart below-

Chart: 2: Responses relating to attitudes of employees of banking institutions

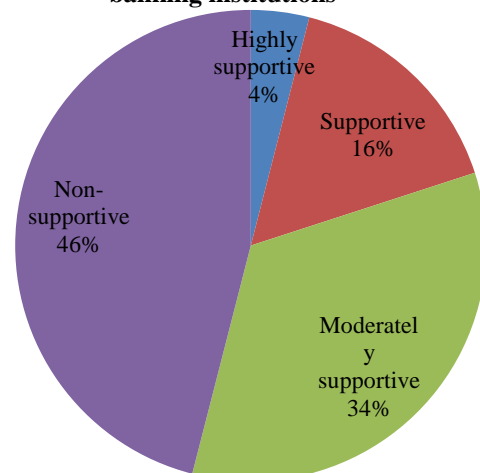


Table: 2: Nature of financial product/service purchased by sample respondents

Sl. No	Product/Service	No. of Respond <sup>t</sup>	Total Respond <sup>t</sup>	Proportionate %
1	Saving Accounts	50	50	100
2	Bank Fixed Deposits	12	50	24
3	National Saving Certificates	9	50	18
4	Post Office Savings	11	50	22
5	Loan/mortgage	19	50	38
6	Life Insurance	8	50	16
7	Others	0	50	0

Source: Compiled from primary data

From the proportionate percentage of Table:2, it is seen that all the respondents have savings bank account and very less respondents have purchased bank fixed deposit, National Saving Certificates, Post Office Savings, Loan/mortgage, Life Insurance etc. The sample respondents have not purchased any other financial products/services yet. Accordingly the respondents were asked to give their opinion in the rank wise of the likely factors/challenges which may act as a barrier while accessing finance from any financial institutions. The summary of the table depicts the rank of the factors/challenges on the basis of the opinion of the respondents.

Table: 3: Factors/challenges which may act as barrier while accessing finance

Sl. No	Factors	No. of Respond <sup>t</sup>	Proportionate %	Rank
1	Far distance to bank institutions	14	28	5
2	Time consuming banking procedure	29	58	2



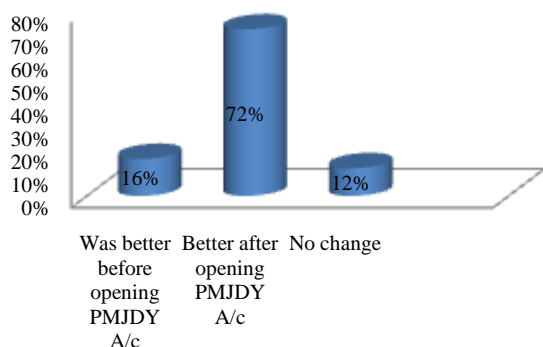
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Source: Compiled from primary data

When the samples were asked about the grievance redressal mechanism of banking institutions under Banking Ombudsman and Consumer Forum, it was found that no respondents were aware about these mechanisms. Among the 50 respondents 35% have faced various problems and lodged complaints regarding any financial products/services they are dealing with and their complaint has been settled within 1-2 months. The nature of complaint lodged were regarding incorrect bank balance, loan disbursement, updates relating to matured Fixed Deposits and various ATM issues.

According to the 16% of the sample respondents, their financial condition was better before opening PMJDY account. Accordingly 72% responded that their financial condition become better after opening PMJDY account and 12% responded that there is no change in their financial condition. The data are presented using a chart below-

**Chart: 3: Opinion regarding financial condition**



Source: Compiled from primary data

Finally the respondents were examined whether their financial capability enhanced or not after coming under the PMJDY scheme and for that purpose some financial capability determinants were identified and data were collected accordingly. It was inferred that the various financial capability determinants of sample respondents like, living within one's means, monitoring expenses, planning for unexpected expenses, saving capacity, planning for old age expenses, responsible behavior, choosing financial products/services and attitude towards the future have increased as the weighted mean 2.34, 2.38, 2.54, 2.12, 2.74, 2.02, 2.22 and 2.7 accordingly is found above par value i.e. 2. But the sample respondents were found to be lagging behind in controlled budgeting and using of financial information as the weighted mean was 1.94 and 1.92. It can be observed that the overall financial capability of the respondents have enhanced through the PMJDY scheme.

**Table: 4: Extent of enhancement of various financial capability determinants**

Sl. No.	Variable	Fully (3)	Partially (2)	Not at all (1)	No. of Respondt	Wg.hte Mean
1	Controlled Budgeting	11	25	14	50	1.94
2	Living within one's means	20	27	3	50	2.34
3	Monitoring expenses	19	31	0	50	2.38
4	Planning for unexpected expenses	27	23	0	50	2.54
5	Saving Capacity	13	30	7	50	2.12
6	Planning for old age expenses	37	13	0	50	2.74

7	Using Financial information	9	28	13	50	1.92
8	Responsible Behavior	9	33	8	50	2.02
9	Choosing Financial products/services	15	31	4	50	2.22
10	Attitude towards the future	35	15	0	50	2.7

## VIII. CONCLUSION

This study empirically investigates a positive role of various environmental factors in enhancing financial capability of beneficiaries under Pradhan Mantri Jan Dhan Yojana (PMJDY). It is seen that it can act as barrier as well as enabler in building an individual's financial capability as environmental factors are the most vital factors among all the factors of financial capability. Financial capability not only includes financial concepts but also includes behavioral factors, emotions, social influences and individual access to financial products and services. The policymakers should improve all the environmental factors so that they can play a positive and strong role in building one's financial capability.

Moreover they should give importance in spreading the awareness about the various financial product/services to make them more financially capable. The banking procedures should be made easy and the customers need to make aware about the various grievance redressal mechanism so that they can feel secure in investing in banking institutions. With the help of PMJDY account people are getting the various benefits of Government schemes like Ujjala Yojana, Pradhan Mantri Kisan Pension Yojana, Suknya Samridhhi Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Surakshya Bima Yojana, Kisan Samman Nidhi, Ayushman Bharat Yojana directly in their bank account. It is a great step towards making the people of the society financially stable and strong. Though the possibility of the financial capability approach is quite vast, it considers all probable features—personal, economic, social, political, or environmental that can possibly influence human capabilities which dictate the real well-being of people.

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