

Product Awareness of Account Holders under Pradhan Mantri Jan Dhan Yojana (PMJDY)

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Abstract

Non availability of access to formal financial system acts as a critical constraint for economic development for poor and underprivileged people whose number is quite significant in this world. For a long - time, economists were looking for plausible explanations for wide spread poverty, inequality, and unsustainable growth in many parts of the world. When financial inclusion programmes started as a policy response for exclusion, the contents of the programme touched upon some basic issues such as access through an account, creation of awareness, and use of various banking products so that the excluded persons acquire the skill sets to manage money wisely and improve their financial well being. The present study was undertaken to ascertain the product awareness of account holders getting inducted to the formal financial system through one of the largest financial inclusion programmes of the world currently in operation in India under the name of Pradhan Mantri Jan Dhan Programme (PMJDY). A survey was conducted during August 2016 - May 2017 by administering a questionnaire on 453 account holders covering 18 out of 30 districts in Odisha, a state located in the eastern region of India. The findings of the study revealed that while gender influenced the awareness of account holders, general awareness levels of account holders about various basic financial products and services was found to be low, calling for suitable interventions for realizing the full benefits of the programme.

Keywords: digitalization, cashless economy, demonetization, debit cards, credit cards, mobile bank, RTGS

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Growth has to be more inclusive, and for this, finance has to be more inclusive (Lagarde, 2014). Inclusive finance is all about removing barriers in the process of getting access to financial services. Generally, access to the financial system starts with opening a bank account. Pradhan Mantri Jan Dhan Yojana (PMJDY), the mega financial inclusion programme launched in India since August 28, 2014 has created records in terms of opening accounts and providing access to more than nearly 317 million unbanked customers within a span of 3 years, which is unparalleled in the financial inclusion history. Basic financial products like savings, payments, remittances, credit, insurance, and pension are being offered under PMJDY for bringing about a perceptible change in the financial lives of the unbanked population. Basic awareness of account holders about the products and services offered under the programme is critical for success of the programme. 2008/2009 financial

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crisis taught us a great lesson. Without financial literacy, stability of the economic system in general and banking system, in particular, can be at great risk. Had the borrowers clearly understood the product features and implications of teaser rate loans, the crisis would not have turned into the biggest one after the Great Depression of the 1930s. Not only in India, the world over, policy makers are seriously engaged in the issue of finance education and financial literacy to promote inclusive growth.

Review of Literature

Better awareness about products available through formal financial system within a country is an important prerequisite for financial inclusion (Atkinson & Messy, 2013). General literacy cannot be an indicator for financial literacy nor can it represent it (Xu & Zia, 2012). Financial literacy refers to the skill sets by which a person knows how to manage his/her money wisely (Hall, 2008). According to Organization for Economic Cooperation and Development (OECD), financial literacy refers to attributes like knowledge, skills, attitude, awareness on financial matters, and behaviours which help an individual to take informed and sound financial decisions, which will lead to his/her financial well being. Financial literacy is about managing one's own finance to achieve financial well being. Financial literacy refers to the capability of individuals to manage their finance more effectively (Kiliyanni & Sivaraman, 2016). Financial literacy helps a person to succeed in his/her life and be a good citizen by taking sound financial decisions (Lusardi, 2011). Financial awareness is considered on the same footing as financial literacy by some researchers (Bucher - Koenen, Lusardi, Alessie, & Van Rooij, 2017 ; Lusardi & Mitchell, 2011). Along with knowledge about basic financial concepts (Lusardi & Mitchell, 2008), they consider the ability to do basic financial calculations as a part of the literacy framework. Higher financial literacy helps to plan better retirement life (Bucher - Koenen et al., 2017 ; Lusardi & Mitchell, 2011 ; van Rooij, Lusardi, & Alessie, 2011), enable people to possess the capacity to spend at a higher level (Klapper, Lusardi, & Panos, 2012), take part in stock market and formal financial market operations (Bucher - Koenen et al., 2017 ; Klapper et al., 2012 ; van Rooij, Lusardi, & Alessie, 2007), experience less difficulty in spending during the financial crisis, and also face macroeconomic and income shocks in a better manner (Bucher - Koenen et al., 2017 ; Klapper et al., 2012).

One of the key dimensions of financial literacy is financial knowledge (Huston, 2010). After reviewing 71 studies, money concepts, saving or investment, borrowing, and protection were identified as four main components of financial knowledge. In a similar vein, OECD INFE (2011) identified simple interest, compound interest, time value of money, impact of inflation on price levels, and impact of inflation on investment returns as basic components of financial knowledge. Higher financial knowledge helps individuals in better understanding of basic financial concepts (Agarwalla, Barua, Jacob, & Varma, 2013 ; Atkinson & Messy, 2012 ; Lusardi & Mitchell, 2011 ; Remund, 2010). Trying to find out effectiveness of use of existing resources like branch infrastructure, business correspondents, availability of various banking products, and financial literacy etc., Reddy (2016) found several shortcomings in implementation of the financial inclusion programme, which needs to be removed for making the programme more meaningful.

Today's financial markets are flooded with digital products. There is a certain degree of distrust of poor people towards electronic payments, and this is partially due to lack of financial literacy (Banka, 2015). The excluded people are not comfortable in using products like debit card, credit card, and insurance products. Though they have basic awareness about PMJDY, efforts are needed to spread financial literacy to familiarize them with various banking products (Verma & Garg, 2016). Bhanot, Bapa, and Bera (2012) conducted a study of 411 households in the state of Assam and Meghalaya to identify the factors responsible for financial inclusion in the areas of North Eastern states. They observed that spreading of financial literacy/financial education can facilitate inclusion. The authors found that one out of 411 households only seemed to have received such education from the

bank. Hence, to include people in the remote areas into the mainstream financial system, banks should put more efforts in spreading financial literacy/ awareness among people living in the hilly areas. Conducting a study to find out factors responsible for creating obstruction in the process of financial inclusion, the authors found that degree of awareness about basic banking services is one of the critical issues to be addressed for better inclusion of the unbanked people into the formal financial system (Kuri & Laha, 2011). Similarly, Sathiyam and Panda (2016) conducted a study for analyzing the pattern, progress, and determinants of financial inclusion and observed that effective implementation of financial literacy programme and leveraging of branches could facilitate better financial inclusion. In addition to opening of bank accounts, the customers need to be financially literate and start using various products to make the financial inclusion programme more effective (Tripathi, Yadav, & Shastri, 2016).

There is a severe challenge in familiarizing the excluded population with the products like smart cards, point of sale devices, mobile phones, and ATMs (Abidi, 2014). Though hundreds of financial literacy programmes are being conducted on a regular basis, no meaningful impact study has been conducted to evaluate the effectiveness of these programmes. There has been no carefully-crafted cost-benefit analysis indicating which sorts of financial education programs are most appropriate and least expensive for which kinds of people. An essential prerequisite for financial stability is financial literacy (Subbarao, 2013).

When it comes to gender, women are generally driven by the perception that men can save larger amounts because they control the money and have higher incomes (Urquiza, 2012). Also, studies found that women are more risk averse and display more conservative behaviour in their investment decisions (Faff, Mulino, & Chai, 2008; Neelakantan, 2010).

Objectives of the Study

The major objectives of the study are as under :

- (1) To ascertain the level of product awareness of the account holders inducted to the formal financial system through PMJDY.
- (2) To find out whether gender influences awareness of account holders.

Research Methodology

The present study has exclusively focused on assessing the awareness of account holders about various vanilla financial products offered to them by banks under the PMJDY scheme. A survey was conducted, and data were collected from 453 account holders spread over 18 out of total 30 districts in Odisha, a state located in the eastern region of India. As per number and percentage of population below the poverty line by states 2011-12 (Tendulkar methodology), 35.69% of rural and 17.29% of urban population (combined percentage 32.59%) were living below the poverty line (Government of India, Planning Commission, 2013). Hence, Odisha, as one of the seven poorest states in India, provides a fertile platform to undertake any study on financial inclusion.

Sampled districts covered under the survey have been depicted in the Figure 1. The questionnaire on banking awareness (BA) contained 22 questions (marked as BA1 to BA 22). Cronbach's alpha was computed to test the reliability of the questionnaire, and the results obtained are presented in the Table 1.

Twenty two questions on awareness used Likert scale as follows: *Not at all aware (NA)*, *slightly aware (SA)*, *somewhat aware (SWA)*, *moderately aware (MA)*, and *fully aware (FA)*. Questions covered all the pillars of PMJDY, that is, savings, remittance, credit, insurance and pension, use of technology, and other services offered

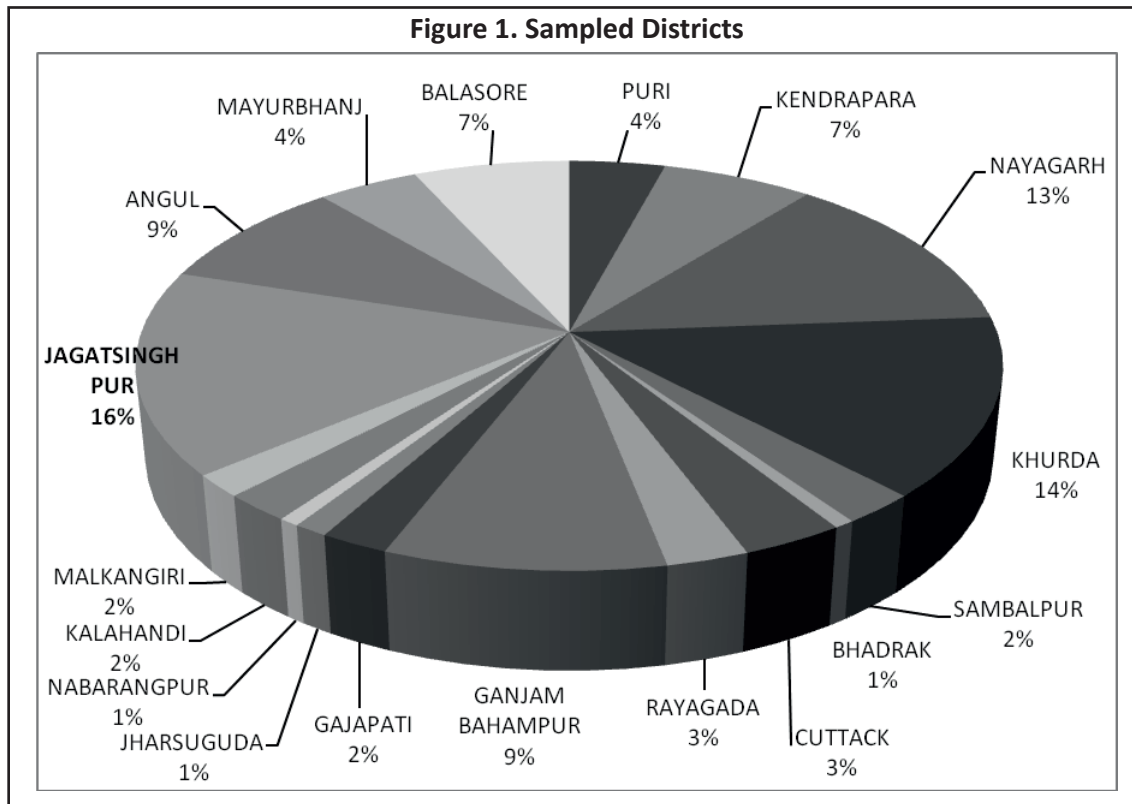


Table 1. Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.953	22

by banks. Since the sampled population was defined as those opening a savings account under PMJDY, other two basic products offered by banks for savings purpose were included in the questionnaire, that is, fixed deposit and recurring deposit (BA 1 & 2) to gauge their awareness about products available for savings purpose. Remittance products included draft, RTGS, NEFT, and ECS (BA 3, 4, & 5). Though overdraft of ₹ 5000 is included in PMJDY package as the only credit product, other credit products like housing loan, education loan, vehicle loan were added (BA 10, 12, 13, & 14) as they have become vanilla credit products available to all sections of society and the poor need these products like any other section of society. Since the majority of financial inclusion customers live in rural areas, depending on agriculture as their main occupation, a question was asked about crop loan (BA 11), which every farmer intends to avail.

Insurance and pension products are specially included in the package for providing social security benefits and accordingly, questions were put on the following insurance products offered to PMJDY customers namely, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMJSBY) (BA 15 & 17), and one pension product known as Atal Pension Yojana (APY)(BA 16). Since crop loan was covered, one question on the related insurance scheme, that is, Krishi Bima Yojana (BA 19) was also a part of the questionnaire. For financial literacy, basic questions like awareness about safe deposit locker, mutual fund, rate of interest on deposit (BA 9, 21, & 22) were posed to the respondents to have a comprehensive idea about their awareness to

maximize returns from their hard earned savings. A unique tool is given in the hands of PMJDY customers known as RuPay card, which functions in the same way as other two variants of debit card, that is, Master and Visa with added benefit of free accident insurance cover. A specific question was included on the said RuPay card (BA 18). Since the business correspondents (Bank Mitras) are engaged by banks to deliver door step banking services just like tellers at the bank counters, a question was asked to assess their awareness about Bank Mitra (BA20). Lastly, every bank in India now aggressively promotes alternate delivery channels like ATMs, mobile banking for their maximum reach, which takes care of the supply side issue of exclusion. So, in addition to questions on ATM & mobile banking, a question was included to ascertain the account holder's awareness about balance enquiry facility available through ATMs (BA 6, 7, & 8).

Factor analysis and descriptive statistics were used to analyze the data. To find out gender differences between the two groups (male and female) in relation to product awareness, the *t* - test was conducted.

Empirical Analysis and Results

(1) Factor Analysis of Banking Awareness : Banking awareness related questions had 22 items, so the factorability of these items was examined. It was observed that many pairs exhibited Pearson's coefficient of correlation of at least 0.3 ($p < .05$). It suggested a reasonable factorability. Further, the Kaiser - Meyer - Olkin test to measure sampling adequacy indicated KMO = 0.930 ; whereas, commonly accepted value is 0.6. Bartlett's test of sphericity was conducted to justify the significance of study and to show that validity and suitability of the responses collected to ascertain the awareness of account holders can be addressed through this study. It was conducted to test that the off diagonal elements of the correlation matrix is an identity matrix (diagonal elements = 1, and other elements = 0) and hence off diagonal variables are not correlated. The hypothesis being (H1) that the population matrix is an identity matrix, Bartlett's test of sphericity was found to be significant $\chi^2 = 7701.9$, $df = 231$, $p < .001$. Hence, the hypothesis is rejected. The communalities of each variable were all above .3. It was observed that each item shared some common variance with other variables. Taking these above considerations, factor analysis was found to be suitable for these items.

Principal component analysis was used because the primary purpose was to identify factors for a short version for banking awareness as product or service category as perceived by the respondents. Initial Eigen values indicated that four factors out of 22 explained 20.8%, 18.8%, 16.5%, and 16.0% of variances, respectively. Rotation sum squared loadings indicated that the four identified factors explain 72.1% of the variance.

(2) Factors Extracted: Four factors were extracted in the factor analysis, which can be classified as below :

(i) Products Related to Credit : This factor includes products such as education loans, crop loans, housing loans, vehicle loans, Krishi Bima Yojana, and interest rate on deposits.

(ii) Remittance Products and Other Financial Services : Sending money through drafts, sending money through RTGS/NEFT, ECS payment, mobile banking, overdraft facility, and safe deposit locker.

(iii) Products Associated with Technology : Knowledge about fixed deposit, knowledge about recurring deposit, withdrawal of money through ATM, balance enquiry through ATM.

(iv) Insurance and Pension Products: Suraksha Bima Yojana, Atal Pension Yojana, Jeevan Jyoti Bima Yojana, RuPay Card, Bank Mitra.

Table 2. Descriptive Analysis of Banking Awareness (N = 453)

Sl. No	Banking Awareness (Fully Aware) (FA)	Frequency	%
1	Knowledge about fixed deposit	107	23.6
2	Knowledge about recurring deposit	105	23.1
3	Sending money through drafts	58	12.8
4	Sending money through RTGS/NEFT	55	12.1
5	ECS payment	5	1.1
6	Withdrawal of money through ATM	152	33.5
7	Mobile banking	55	12.1
8	Balance enquiry through ATM	142	31.3
9	Safe deposit locker	29	6.4
10	Education loans	38	8.3
11	Crop loans	94	20.7
12	Housing loans	112	24.7
13	Vehicle loans	151	33.3
14	Over draft facility	28	6.1
15	Suraksha Bima Yojana	102	22.5
16	Atal Pension Yojana	102	22.5
17	Jeevan Jyoti Bima Yojana	119	26.2
18	RuPay Card	125	27.5
19	Krishi Bima Yojana	60	13.2
20	Bank Mitra	87	19.2
21	Mutual fund	22	4.8
22	Interest rate on deposits	76	16.7

Figure 2. Graphical Representation of Frequency Analysis of Banking Awareness

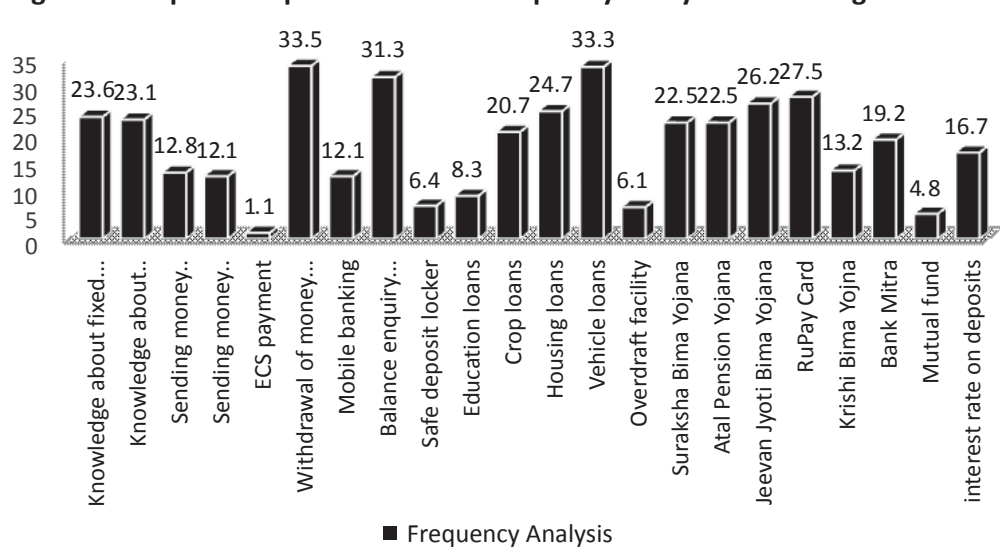
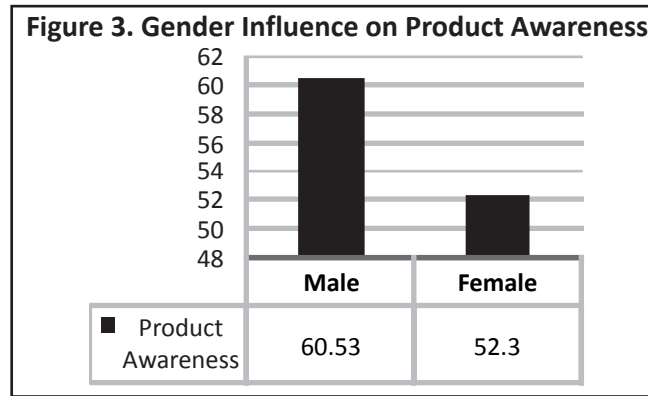


Table 3. Gender Difference in Relation to Product Awareness

	Male			Female			<i>t</i>
	<i>M</i>	<i>SD</i>	<i>N</i>	<i>M</i>	<i>SD</i>	<i>N</i>	
Product Awareness	60.53	22.379	274	52.30	19.253	179	4.040**

Note: (** $p < .01$.)



The descriptive analysis of banking awareness is presented in Table 2 and Figure 2. Trying to find out whether gender influences the awareness level of account holders, *t* - test was conducted and data analysis is presented in the Table 3 and Figure 3.

In product awareness, the mean and standard deviation values for males are : $M = 60.53$, $SD = 22.379$, respectively which is higher than the mean value of females $M = 52.30$, $SD = 19.253$. The *t* - value for product awareness is 4.040, which is significant at the .009 level ($p < .01$). This indicates that there is gender difference with regard to product awareness, thereby confirming that gender influences product awareness.

Discussion

The Table 2 describes the percentage of account holders having full awareness about banking products offered under the Pradhan Mantri Jan Dhan Yojana (PMJDY). The Table 2 indicates that overall banking awareness among the respondents was low so far as their knowledge about basic banking products is concerned. The detailed analysis is as under :

(1) Awareness About Loan/ Credit Products : Among the credit products, awareness about vehicle loans, housing loans, and crop loans is found to be relatively high in comparison to other products. Vehicle loans and housing loans are vanilla credit products offered by banks, and products are customized targeting each segment of the population. Crop loans are life line for farmers as it is the basic agricultural loan product offered by banks. Relatively higher awareness about these products speaks about account holders' familiarity with these traditional products. Krishi Bima Yojana is related to crop loans, thereby showing a higher level of awareness, though proportionately much low in comparison to crop loans. Ignorance about this product runs the risk of forgoing insurance claim in the event of crop failure. Awareness about education loan at 8.3% is a cause of concern, signalling apathy towards education and probable loss of opportunity in providing better education to the children by availing various educational loan facilities provided by banks.

Though overdraft as a credit product should have ideally appeared as a variable on this factor, it has come under the second factor, that is, grouped other services. However, the most disturbing finding has been in respect of awareness about overdraft product, highlighting the weakness of the programme in ensuring provision of this unique facility to poor and low income households. Poor need credit more than any other financial product because of their financial vulnerability. Over draft as an in built specific product designed under PMJDY aims at providing hassle-free credit facility to the account holders on satisfactory conduct of the savings account for 6 months. Also, it has a greater objective of freeing the vulnerable people from the clutches of informal creditors like money lenders who have exploited them for a long time. Out of the surveyed population, only 6.1 % account holders were fully aware about this product.

Low level of awareness about the overdraft product may be due to : (a) unsatisfactory conduct of the account for first 6 months, making them ineligible to get overdraft facility ; (b) service providers not interested to sell the product, apprehending about possible default in the repayment ; (c) account holders not interested to avail the product because of lengthy and cumbersome procedures in banks ; (d) The amount of ₹ 5000 (overdraft limit prescribed under the scheme) did not motivate them to avail it after undergoing procedural complexities.

Other than the above, more serious concern is to ascertain whether the account holders are still depending upon the informal sector for meeting their emergency financial needs or the programme has not been able to free them from the clutches of money lenders. Further study on low level of awareness about education loans and overdraft product can throw more light on the credit seeking behaviour of recently inducted customers.

(2) Awareness About Remittance Products and Other Financial Services : One of the basic objectives of the programme is to ensure easy, convenient, and timely remittance facility to migrant and poor people. Responses to the questions on awareness about products like drafts (12.8%) and RTGS/NEFT (12.1%) indicate low awareness about these products. Besides other utilities, transferring money through mobile has been offered by banks as a remittance facility under mobile banking. Awareness about mobile banking is found to be low (12.1%) looking at the mobile penetration in India. This could indicate low awareness about mobile apps or lack of comfort feel among its users for carrying out banking transactions through mobile phones. Low awareness about other services, that is, locker (6.4%), ECS for payment of utility bills (1.1%), and mutual fund (4.8%) reflects their low level of financial literacy, which is likely to result in low use of these products, depriving them of the potential benefits of these products.

(3) Products Associated with Technology : ATM usage (withdrawing money through ATM and balance enquiry) has highest level of awareness which augurs well when the Digital India drive is on. So far, as cost savings is concerned, this is a win - win situation for both banks and account holders. Greater use of ATM will also familiarize the newly inducted bank customers with various technological products that the banks are aggressively promoting. As fixed and recurring deposits are connected to account holders' savings account, and savings account transactions have facilitated their familiarization with technology, these two products have appeared under the factor of technology related products. Awareness about fixed deposit and recurring deposit at a relatively higher level (23.1%) highlights the contribution of the programme in strengthening the savings habit of the account holders.

Though the government website does not throw light on bifurcation of the total deposit amount into different product segments, the programme has certainly been able to create a savings habit in the unbanked people who have been able to acquire knowledge about three most popular savings instruments offered by banks, that is, savings, fixed deposit, and recurring deposit. In the long run, besides ensuring account holders' financial security and stability, this will accelerate growth of capital formation at the macro level.

(4) Awareness About Insurance, Pension Products, RuPay Card, and Bank Mitra : Looking at the responses about account holders' awareness about insurance and pension products, one gets an encouraging trend that higher awareness about these products will certainly help in building a strong foundation for social security system in India. Also, the greater awareness about insurance products will help in accelerating the insurance penetration in the country which India is seriously lacking in comparison to international standards. The RuPay card, besides having the functionality of debit card, also provides accidental insurance cover and awareness at a higher level (27.5%), which speaks about the popularity of indigenous debit card, which has been associated with the Jan Dhan programme.

Bank Mitra has been a critical pillar in the PMJDY programme in ensuring delivery of financial services at the door step of account holders. They are the primary agents of banks in familiarizing the benefit of these products. However, awareness about Bank Mitra at 19.2% is not at the desired level looking at their critical role in the entire programme. This may indicate respondents' continued habit of doing transactions at bank branches or ATMs rather than taking advantage of this institutional mechanism designed for their convenience and cost saving. This may also indicate their low level of trust with Bank Mitra where the account holders' trust is predominantly influenced by the confidentiality and sensitive nature of financial transactions. Since the Bank Mitra is generally a resident of the local area, the account holders may have reservations in sharing sensitive information like total amount of deposit, number of bank accounts held in the name of family members, total borrowing of the family, etc. This may also be due to ineffectiveness of the Bank Mitra, inability of the account holder to correctly comprehend the clarification given by the Bank Mitra, or perceptual belief of the account holder about Bank Mitra as an outsider whose financial advice may be taken by him/her on the face value only. Further study on this aspect can throw more light.

(5) Role of Gender in Influencing Financial Awareness : Regarding the role of gender in influencing the awareness level of account holders, research studies found that women in general have lesser financial awareness than men. Also, studies found that women are more risk averse and display more conservative behaviour in their investment decisions. *t* - test was conducted to find out gender difference in banking awareness. The study results reveal that financial awareness level of men was higher than that of women. In real lives, women have lesser time to devote to banking (shouldering many fold responsibilities) for which they lack sufficient time to understand and appreciate benefit of all the basic financial products offered to them in financial inclusion programmes and more specifically, under PMJDY. Although women's access to formal financial institutions have dramatically improved in recent years, specially in rural areas, they are yet to realize the full benefit of this access and gender still plays a role in this regard.

Women are good at managing household expenses and budgeting, but for taking decisions having little higher financial implications, they shift this responsibility to male members like spouse, father, brother, etc. For leading their lives according to their choices and taking financial decisions independently, they need to have minimum basic level of financial education. Since women contribute immensely towards growth and prosperity of the family and the society, their financial independence can empower them to contribute more to the economic development of the country by developing their savings as well as banking habits. For this to happen, their awareness level about financial products needs to be improved, otherwise bank passbooks will remain as symbolic possessions of their empowerment.

Conclusion

Financial awareness is a critical pillar in the entire edifice of financial literacy. Clearly, to choose wisely from the

variety of products and services available, consumers must have the financial knowledge to navigate today's increasingly complex financial services marketplace. Consumers with the necessary skills to make informed financial decisions about purchasing a home, financing an education or their retirement, or starting a business will almost certainly be economically better off than those lacking these vital skills (Bernanke, 2006). Financial literacy and financial inclusion are complementary to each other. Without financial literacy, inclusion remains confined to opening of accounts only. In fact, inclusion with financial literacy promotes inclusive growth. Going beyond account opening, creating awareness about banking products should attract qualitative attention of policy makers.

Though thousands and thousands of financial literacy camps have been organized, and massive financial awareness campaigns have been launched by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), National Bank for Rural and Agricultural Development (NABARD), commercial banks, non-banking finance companies (NBFCs), non-governmental organizations (NGOs) and other stakeholders, the awareness level at the ground level has been low. Enough of reading/ learning materials are available on financial education in different forms, including printed materials and materials displayed through websites. However, the desired impact is still lacking at the ground level. To realize the full benefits of PMJDY and for successful integration of unbanked customers to the main-stream financial system, much more efforts are needed to enhance the product awareness of account holders.

Research Implications

The study is expected to provide useful insight to researchers, financial analysts, RBI and other regulators, policy makers, and other stakeholders to make appropriate interventions for enhancing product awareness of account holders to harness full potential of the programme. Specially, service providers in general and bankers in particular have to shoulder the responsibility of spreading the awareness as better awareness about product and services available through the formal financial system is a necessary condition for financial inclusion. Unless customers become financially literate at an early stage of their financial journey, mere opening of accounts will not bring the desired changes in the financial lives of unbanked people who are being inducted to the formal financial system through a financial inclusion programme.

Limitations of the Study and Scope for Further Research

Banking awareness of urban customers is generally high. Since the questionnaire did not have the rural - urban divide, the awareness level of rural account holders could not be separately ascertained. Improper understanding of the questionnaire and biased responses cannot be ruled out. Financial inclusion is a developmental challenge in different countries, including India. The process of financial inclusion is dependent on demographic, socio-economic, technological, and psychographic context, and it also has a temporal dimension. Thus, a best fit model, though desirable, may be elusive. However, the study points out at the following areas where further research can be taken up :

(i) A study on credit seeking behaviour of account holders can demystify the poor response to overdraft product, which was dovetailed into the scheme for freeing them from the clutches of informal agencies like money lenders. More specifically, the study should highlight the influence of informal agencies on the account holders after their introduction to the formal banking system through PMJDY.

(ii) Further investigation into the findings of lower level of awareness about Bank Mitra can shed light on the weak links of this institutional mechanism, thereby guiding for further course of action.

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