

# A Sustainable Development of the Indian Economy with Special Reference to Jan Dhan Yojana and Pahal Scheme

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## Abstract

For the sustainable development of the Indian economy, the Government of India initiated the Jan Dhan Yojana and Pahal scheme. The main objective of the present paper was to study the role of the Jan Dhan Yojana and Pahal Scheme in bringing about sustainable development of the Indian society, develop a causal loop diagram and stock flow diagram of socioeconomic sustainable development, and suggest various measures for the sustainable development of the Indian society. The present study stated that these schemes are playing an important role in creating a universal platform for financial services for every Indian citizen, which is aiding in economic and social capacity building. The causal loop diagram helped to identify various positive and negative relationships between variables of socioeconomic sustainable development through Jan Dhan Yojana and Pahal scheme.

**Keywords :** financial inclusion, capacity building, vulnerability, financial stability, vicious loop, virtuous loop

**JEL Classification :** I3, I28, O2

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India is facing so many problems like illiteracy, poverty, unemployment, lack of financial awareness, and so forth. To eradicate all these social vulnerabilities and to raise the standard of living of the people, the Indian government has launched the Jan Dhan Yojana and Pahal scheme that would help in the sustainable development of the Indian economy. Sustainable development refers to building short term as well as long term social and economic capacity programmes (Arnold & Greenslade, 2011). The Indian government launched these schemes to uplift the economy and to achieve short term goals by executing the Jan Dhan Yojana that offers banking facilities to every household and later on, the Pahal DBTL scheme is linked with their respective Jan Dhan bank accounts. By availing these schemes, every household can avail the benefit of LPG subsidy that is directly transferred into their respective bank accounts (Barhate & Jagtap, 2014).

Successful implementation of the Jan Dhan Yojana and Pahal scheme would help the government to achieve long term goals by mitigating or eradicating social and economic vulnerabilities like illiteracy, poverty, unemployment, corruption, subsidy leakages, gap between rich and poor from the Indian economy (Arnold & Greenslade, 2011).

The Jan Dhan Yojana and Pahal scheme have been launched for the public welfare of the Indian society where money lenders provide financial services at very high interest rates, and the middlemen charge high commission. So, these schemes would aid in preventing exploitation of the rural people of India. The direct

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benefit transfer scheme was introduced to mitigate subsidy leakage and corruption from the Indian economy (Suryanarayana, 2013).

India is a developing nation and is fighting many challenges like illiteracy, financial illiteracy, financial instability, unemployment, and so forth. These schemes have been introduced to eradicate financial illiteracy, encourage financial inclusion, and provide access to financial services for every individual, which will aid in maintaining financial stability in the economy. The Indian government has made an attempt to expand and improve the banking facilities and banking infrastructure with the help of the Jan Dhan Yojana and Pahal scheme, which will lead to a sustainable development of the Indian economy (Kaur & Singh, 2015).

## **Pradhan Mantri Jan-Dhan Yojana and Pahal Scheme**

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is a National Mission for Financial Inclusion to ensure access to financial services, namely, banking/ savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner. An account can be opened in any bank branch or business correspondent (Bank Mitra) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria. (Pradhan Mantri Jan-Dhan Yojana (PMJDY), n.d.) (para 1 and para 2).

### **Special Benefits under the PMJDY Scheme**

- (1) Interest on deposit.
- (2) Accidental insurance cover of ₹1.00 lakhs.
- (3) No minimum balance required.
- (4) Life insurance cover of ₹ 30,000/-.
- (5) Easy transfer of money across India.
- (6) Beneficiaries of government schemes will get direct benefit transfer in these accounts.
- (7) After satisfactory operation of the account for 6 months, an overdraft facility will be permitted.
- (8) Access to pension, insurance products.
- (9) Accidental Insurance Cover, RuPay Debit Card must be used at least once in 45 days.
- (10) Overdraft facility upto ₹ 5000/- is available in only one account per household, preferably in the account of the lady of the household.

### **Pahal Scheme**

PaHaL or Pratyaksha Hastaantarit Laabh, formerly the Direct Benefit Transfer Scheme for LPG subsidy, is a Direct Benefit Transfer scheme for liquefied petroleum gas (LPG) subsidy in India. Under the scheme, LPG cylinders are sold at market rates and consumers receive a subsidy from the Union Government directly into their bank accounts. It replaced the previous system of selling subsidized LPG cylinders directly to consumers. It is the largest cash transfer programme in the world. (Pahal Scheme, Wikipedia, n.d.) (para 1).

## Literature Review

According to Suryanarayana (2013), “The main objectives of the direct cash transfer scheme are to create transparency, accountability, and efficiency in the Indian system. These scheme will help to mitigate misuse of government subsidies” (p.200).

Chowdhury’s (2013) “... study analyzes various positive and negative impacts of the direct cash transfer scheme. This scheme benefits every individual of the Indian society by transferring subsidies into their accounts” (p.38).

Rafiq and Premavathy’s (2014) study examined the “...Samruddhi model of financial inclusion which is implemented in Madhya Pradesh. The model states the five P’s of financial inclusion, that is, product, place, price, protection, and profit” (p.1).

According to Shaikh and Bhavsar (2014), the “direct cash transfer scheme is initiated by the Indian government for the public welfare of the society. According to The World Bank report, there is a political influence for the expansion of direct cash transfer scheme” (p.312).

According to Chowhan and Pande (2014), “The successful implementation of the Jan Dhan Yojana is dependent upon all the stakeholders of the Indian society. The main aim of PMJDY is to boost up the economy and maintain financial stability” (p.19).

According to Sapra and Khatter (2014), the main objective of the cash transfer scheme is that the administrative system should focus on the socioeconomic development which helps in the overall development of the Indian society.

According to Barhate and Jagtap (2014), “the Jan Dhan Yojana scheme focuses upon the social and economic growth of every individual of the Indian society” (p.340).

The study conducted by Patnaik and Satpathy (2015), “focused on people of lower income group of the society who were not aware about the financial and banking services” (p.31).

According to Watts (2015), “financial inclusion is a tactics to develop financial literacy and financial savings habits among the Indian society. The real success of PMJDY depends upon the technology advancement in rural areas” (p.161).

According to Kaur and Singh (2015), “the expansion and successful implementation of Jan Dhan Yojana depends upon the participation of private banks and centralized mechanism system of the Indian economy” (p.25).

## Importance of the Study

The Indian government has a vital role to play in the sustainable growth and development of the economy. The present study is helpful to understand the overview of the Jan Dhan Yojana and Pahal scheme, which have been initiated by the Government of India for the sustainable development of the Indian society. This present study aims to understand the present scenario and future opportunities of the Jan Dhan Yojana and Pahal scheme. This particular study would help to identify variables from the past studies and aims to propose a system dynamics model to create a positive and negative condition loop for the sustainable development of the Jan Dhan Yojana and Pahal scheme. This study would also help to reveal the variables which are helpful in reducing the social and economic vulnerability and also attempts to identify those variables that help in social and economic capacity building. The study also suggests various initiatives for the social and economic development of the Indian society.

## Objectives of the Study

- (1) To study the role of the Jan Dhan Yojana and Pahal scheme in bringing about sustainable development of the Indian society.
- (2) To develop a causal loop diagram and stock flow diagram of socioeconomic sustainable development through the Jan Dhan Yojana and Pahal scheme.
- (3) To suggest various initiatives to the government for the sustainable development of the Indian society.

## The Role of the Jan Dhan Yojana and Pahal Scheme for Bringing About Sustainable Development of the Indian Society

**(1) Universal Access to Financial Services:** The main aim of the Jan Dhan Yojana is that every individual should have an access to banking facilities. The main purpose of the Pahal scheme is to transfer the LPG subsidy directly into the beneficiary's account. Through these schemes, the government is trying to bring about financial stability into the lives of the poor families, and these are the initial steps for the sustainable development of the Indian society (Sapra & Khatter, 2014).

**(2) Infrastructure Development :** The Jan Dhan Yojana and Pahal scheme are aiding in the expansion and development of the banking infrastructure in the rural and semi urban areas by providing a mean number of bank branches in rural areas, providing mobile banking services, setting up the ATMs, and by bringing about the expansion of various means of net banking services (Shaikh & Bhavsar, 2014).

**(3) Social Development :** The social advantage of the Jan Dhan Yojana and Pahal scheme is to create financial awareness, health development, and raise standards of living that would help to eradicate social vulnerability like unemployment, poverty, and illiteracy from the society. These schemes have been launched to overcome social challenges and to create a platform for the individuals to access banking services that would help in the sustainable development and welfare of the society (Arnold & Greenslade, 2011).

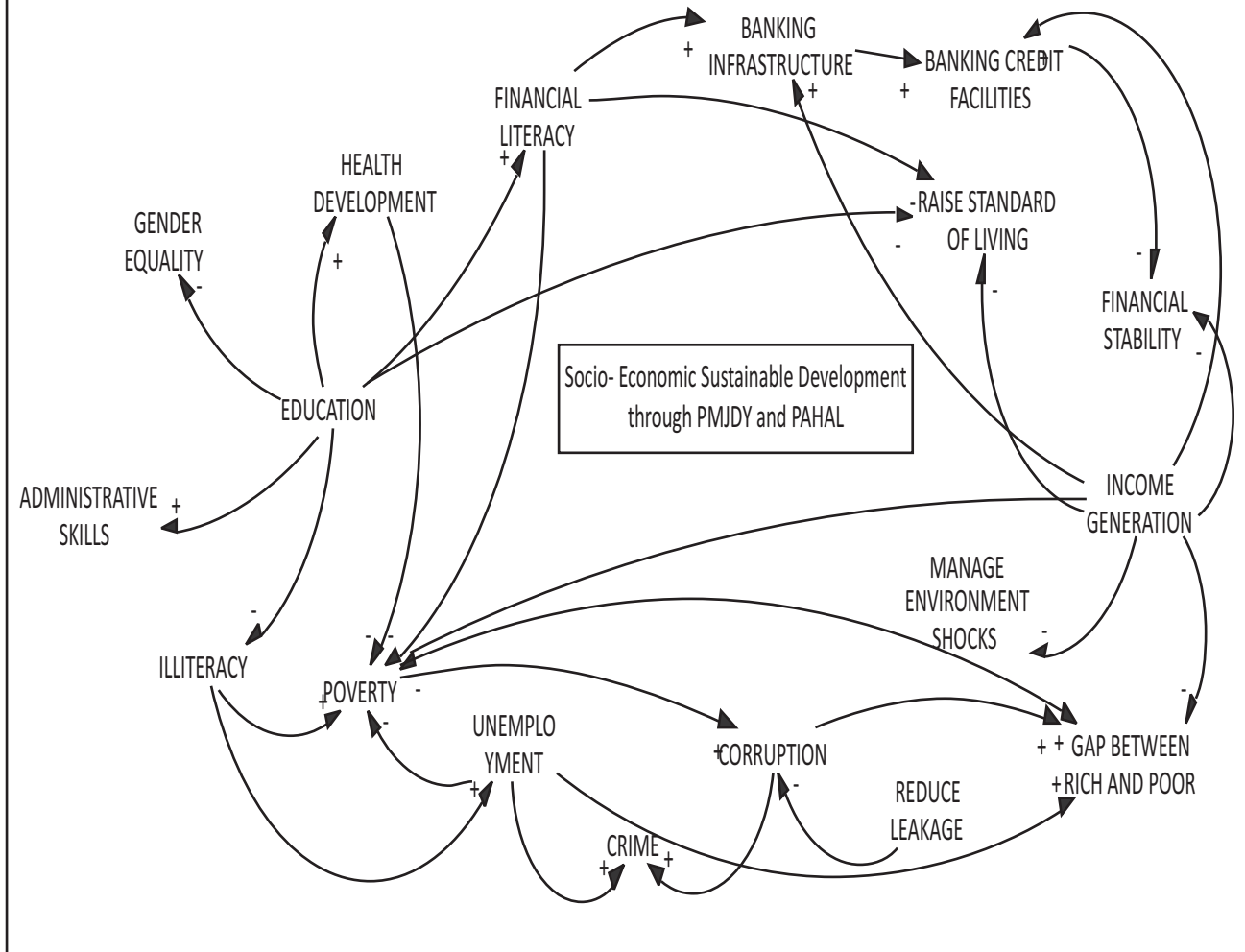
**(4) Economic Development :** The Indian government has initiated the Jan Dhan Yojana and Pahal scheme to eradicate corruption from the economy. This can be achieved by providing banking facilities to each and every individual and by transferring the LPG subsidy directly into their accounts, which would lead to stoppage of subsidy leakages, and would bring about financial stability and financial literacy (Suryanarayana, 2013).

**(5) Capacity Building :** The Jan Dhan Yojana and Pahal scheme would be helpful in the short term as well as long term capacity building. These schemes have been launched to build short term as well as long term capacity program by providing LPG subsidies to beneficiaries and by developing banking infrastructure, which would eventually help to eradicate social vulnerabilities from the society (Arnold & Greenslade, 2011).

## Causal Loop Diagram and Stock Flow Diagram of Socioeconomic Sustainable Development Through Jan Dhan Yojana and Pahal Scheme

A causal loop diagram is a pictorial representation of the positive and negative relationships between various variables. The relationship between various variables can be positive or negative (Sterman, 2000). The Jan

**Figure 1. Causal Loop Diagram of Socioeconomic Sustainable Development Through Jan Dhan Yojana and Pahal Scheme**

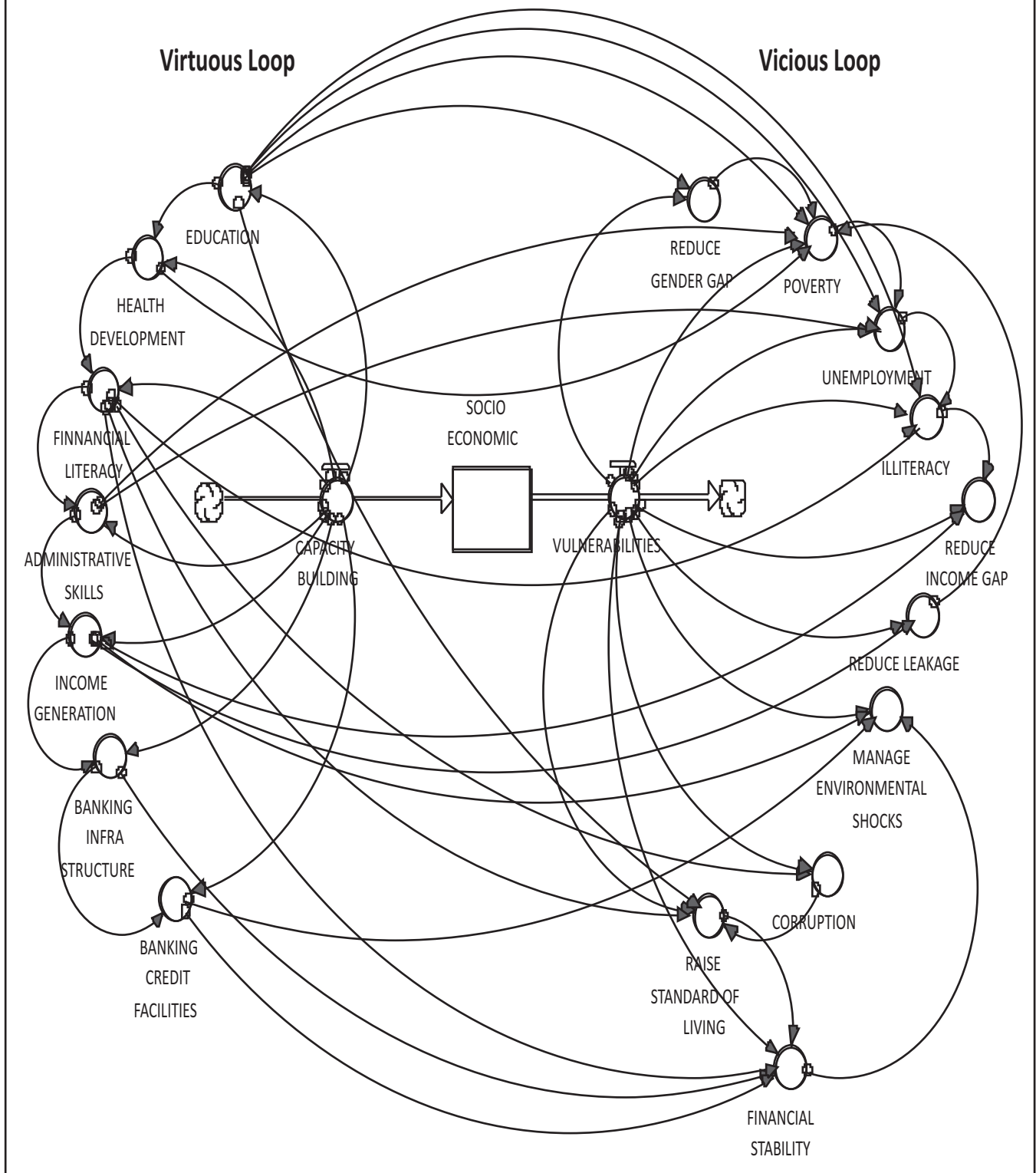


Dhan Yojana and Pahal scheme were initiated by Government of India for the sustainable development of the Indian economy. Past research has indicated the socioeconomic sustainable development that can be brought about through the PMJDY and Pahal scheme, and variables have been identified, which aids in examining the positive and negative relationships between the various variables. The Figure 1 represents a causal loop diagram of socioeconomic sustainable development through PMJDY and Pahal scheme.

## Positive Feedback

If every citizen of India becomes educated, then health development of the whole society is possible. Education also helps to develop administrative skills. If the literacy rate in India becomes 100%, then there would be substantial increment in financial literacy, and every individual of the society will have access to financial services. Financial literacy would also lead to the expansion of the banking infrastructure, and more branches of banks will be established in the rural areas. These two schemes would bring about development and expansion of banking infrastructure that includes net banking, mobile banking, ATM facilities, and so forth. Development

Figure 2. Stock Flow Diagram of Socioeconomic Sustainable Development Through Jan Dhan Yojana and Pahal Scheme



and expansion of the banking infrastructure will further lead to banking credit facilities. When every member of the society becomes financially literate, then there would be more demand for financial services and further expansion of banking credit facilities would be possible.

Social-economic sustainable development can be brought about by the Pahal scheme in which LPG subsidies are transferred to beneficiaries' accounts, which would help in income generation, and this leads to further development and expansion of banking infrastructure and credit facilities. With the help of these schemes, the Indian government can eradicate poverty, illiteracy, unemployment, corruption, and so forth. Literacy leads to the eradication of poverty and unemployment. When unemployment and poverty decrease, these mitigate corruption and crime, which further lead to reducing the gap between the rich and the poor.

## **Negative Feedback**

If every individual of the society becomes educated about the Jan Dhan accounts and benefits of having access to financial services, then this would lead to gender equality in the society. If every member has awareness about the banking services, then it would lead to eradication of illiteracy. The main aim of the Jan Dhan Yojana is to provide universal access of financial services to the Indian people so that people become financially literate, which would mitigate poverty from the Indian society. Financial literacy and education will also raise the standards of living of the society, which would lead to more expansion and development of banking infrastructure and credit facilities. So, more and more people will have access to financial services, which would lead to financial stability in the economy.

Under the Pahal scheme, LPG subsidy is transferred directly to the beneficiary's account, which helps in income generation, which would lead to raising the standards of living. If every individual has a Jan Dhan account, then LPG subsidies would be transferred directly into their accounts, which would help to generate income and due to easy access to these financial services, it will also lead to financial stability in the economy. Due to circumstances, poor people have to suffer so many difficulties in which they have to sell their collateral security, but under the Pahal scheme, they will get a source of income generation. Under the Pahal scheme, LPG subsidies are directly transferred into the beneficiaries' accounts, which would diminish the role of middlemen and also reduces the risk of subsidy leakage, which further helps to mitigate corruption and crimes from the Indian society.

The stock flow diagram represents the inflow and outflow variables which are controlled by the stocks. (Sterman, 2000). In the Figure 2, the stocks are the socioeconomic loops of sustainable development through Jan Dhan Yojana and Pahal scheme. Inflow variables help in socioeconomic capacity building, and outflow variables help to reduce social vulnerabilities. These schemes help in the sustainable development of the economy and society, in which inflow variables are education, health development, financial literacy, income generation, administrative skills, banking infrastructure, and banking credit facilities, which help to eradicate and mitigate outflow variables, which are poverty, illiteracy, unemployment, gender equality, income gap, subsidy leakage, improve standard of living that is low, corruption, manage environmental shocks, and bring about financial stability.

## **Virtuous Loop**

In this loop, it is shown that each variable has a positive affect on other variables. There are various socioeconomic capacity building variables that help each variable to have a positive effect on other variables. If every individual of the Indian society becomes educated, then health development of the whole society is possible. If 100% of the Indian society becomes educated, then there would be substantial increment in financial literacy and this would help to develop administrative skills. Social - economic sustainable

development should be brought about through the Pahal scheme in which LPG subsidy is transferred directly into the beneficiaries' accounts, which would help in income generation and leads to more development and expansion of the banking infrastructure and banking credit facilities.

## **Vicious Loop**

It is positively reinforcing the evil effects. There are various socioeconomic vulnerabilities that positively strengthen the evil effects. If illiteracy is eradicated from the society, then the gender gap will be reduced ; it would also lead to mitigation of unemployment and would further help to eradicate poverty from the Indian economy. Reduction in illiteracy will also lead to the reduction in the income gap. The Pahal scheme helps to reduce subsidy leakages that would also help to reduce poverty. If corruption is mitigated from the society, then it would lead to an increase in the standard of living of the people. These schemes help to maintain financial stability in the economy, which helps to raise the standard of living and manage environmental shocks. If the living standard of the society is raised, then it implies that the economy is financially stable. Hence, there are certain inflow variables that help in socioeconomic capacity building, which help to reduce or eradicate social vulnerabilities from the Indian economy.

## **Suggestions**

✍ For the sustainable development of the Indian society, optimum utilization of natural resources has been imperative. India is a nation with vast resources, but due to illiteracy, the rural population is not able to fully utilize the resources. So, they have to be educated, which would help in optimum utilization of resources and mitigate unemployment and poverty from the Indian economy.

✍ Technology also plays an important role in the sustainable development of the society. In India, there is a bright future of IT in the Indian economy, where 60% of the Indian population is young and tech-savvy. So, Indians should be open to adopt new innovative technologies which would help in boosting the stability of the economy.

✍ Financial inclusion is a way through which sustainable development of the society is possible. The government should encourage financial inclusion in which emphasis should be given to the establishment of self-help groups, empowerment groups, rural welfare programs that lead to the generation of employment for the masses. Financial inclusion leads to financial stability, which helps to raise the standard of living and also boosts the economy.

✍ Expansion of the industries should be emphasized in the rural areas because it would lead to rural development. Industry expansion also helps to generate employment for the rural people and development of the rural areas due to creation of infrastructure.

✍ Several companies and NGOs can also play an important role in motivating the rural people to educate their children and developing skills which help to eradicate illiteracy from the society. Companies and NGOs must spread awareness among the rural population that there is no difference between girls and boys in today's era. Gender equality needs to be emphasized, and initiatives need to be taken for the education and employment opportunities for the girl child.

⇒ For a sustainable development of the society, the Indian government should initiate such policies which would motivate the foreign investors to invest their money in different sectors like agriculture, MSMEs, transportation, and so forth of the rural areas of India. FDI/FII should be emphasized in the urban sector as well as in the rural sector which leads to an increment in the quality of goods and services. These initiatives would help to develop and maintain stability in the Indian economy.

## Policy Implications

The Jan Dhan Yojana and Pahal scheme were launched for the purpose of social and economic development of India. Creating the architecture of financial inclusion is of course necessary. But financial inclusion would ultimately occur only when more and more people are able to get gainful employment in the economy; only that would ensure that moneys begin to flow into the Jan Dhan accounts. There is widespread hope that the Modi Government would indeed create such employment opportunities for large numbers.

According to Chowhan and Singh (2015),

Financial inclusion broadens the resource base of the financial system by developing a culture of savings among a large segment of the rural population and plays its own role in the process of economic development. Furthermore, by bringing low-income groups within the perimeter of the formal banking sector, financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. To mitigate such sufferings, the Pradhan Mantri Jan Dhan Yojna lies at the core of Govt of India's development philosophy of *Sabka Saath, Sabka Vikas*. The focus of these two schemes discussed in this paper remains at rapid move forward for those people who have still remained deprived of basic banking & financial systems in this knowledge era with modern banking. (pp. 21 -22)

Financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support, and dogged persuasion by RBI. It is expected to unleash the hugely untapped potential of the bottom of the pyramid section of the Indian economy. Due to the tremor of awakening this PMJDY has generated, the subject masses have started referring to it by the name - "*Modi Account*". Its huge success will enable the bank managers to understand and utilize the opportunity provided by financial inclusion to their advantage by participating in the government's poverty alleviation programmes for weaker sections, improving their CASA base, raising their deposit base through direct fund transfer scheme of the government, and so forth. The widely acknowledged & successful launch of these schemes also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trust, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of any Mission. (pp. 21-22)

In an era of duplicates, ghosts, and leakages, the Pahal scheme would streamline the targeting process and hence reduce public expenditures. It should improve the delivery mechanism of safety nets and reduce fiscal deficit (Suryanarayana, 2013, para 11).

## Conclusion

The Indian government is playing a vital role for the sustainable growth and development of the economy. India is struggling with various social and economic vulnerabilities like poverty, unemployment, illiteracy, corruption, and so forth. So, to eradicate these social and economic vulnerabilities, the Indian government has introduced the Jan Dhan Yojana and Pahal scheme for the sustainable development of the Indian economy.

Jan Dhan Yojana and Pahal scheme are aiding in the expansion and development of the banking infrastructure in the rural and semi-urban areas. These schemes are assisting the Indian government to maintain financial stability in the Indian economy. There are various variables that help in socioeconomic capacity building, which help to reduce or eradicate social vulnerabilities from an economy. These schemes were launched to overcome the social challenges and to create a platform for the individuals to access banking services that would help in the sustainable development and welfare of the society.

## Limitations of the Study and Scope for Further Research

The present study only considered two schemes which are the Jan Dhan Yojana and Pahal Scheme launched by the Government of India. The present study covers only a few dimensions of the Jan Dhan Yojana and Pahal Scheme.

The Jan Dhan Yojana and Pahal scheme were launched recently by the Indian government for the welfare of the society. There are several schemes that have been recently launched by the Modi Government for the uplift of the Indian economy. Future studies can cover several social and economic dimensions of the Jan Dhan Yojana and Pahal scheme. Future studies can conduct a quantitative analysis to gauge the opinion of the customers, banks, and other stakeholders regarding the Jan Dhan Yojana and Pahal scheme. The present study is based on the system dynamics modeling. Further studies can be conducted by using various analytical tools.

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