

# A STUDY ON IMPACT OF PMJDY ON SMALL BUSINESSES AND ENTREPRENEURSHIP IN NAGALAND

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## Abstract

*The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, is a flagship financial inclusion initiative aimed at providing universal banking access to the unbanked population. In Nagaland, where small businesses and informal entrepreneurship drive a significant portion of the economy, PMJDY has played a crucial role in improving financial accessibility. This study examines PMJDY's impact on small businesses and entrepreneurs, focusing on credit accessibility, financial literacy, digital banking adoption, and economic growth. By facilitating bank account penetration, microcredit access, and direct benefit transfers (DBT), the scheme has empowered local businesses. The linkage of PMJDY accounts with overdraft facilities, microfinance schemes, and digital banking platforms has further enhanced financial inclusion. However, challenges persist, including limited banking infrastructure, low digital literacy, and reliance on informal credit sources. Many entrepreneurs in remote areas still struggle to access institutional loans due to financial awareness gaps and administrative hurdles. The study highlights the need for stronger financial education programs, improved banking outreach, and policy interventions to bridge these gaps. By analyzing government reports and financial data, this research aims to assess PMJDY's effectiveness in fostering entrepreneurship and provide policy recommendations for strengthening financial inclusion in Nagaland.*

**Keywords:** financial inclusion, small businesses, entrepreneurship, microcredit, digital banking, financial literacy, banking infrastructure and financial empowerment

## Introduction

Financial inclusion is a key driver of economic development, particularly in regions where access to formal banking services remains limited. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched by the Government of India in 2014, aims to provide universal access to banking services, including savings accounts, credit facilities, insurance, and pension schemes (Reserve Bank of India [RBI], 2023). This initiative has been instrumental in bringing millions of unbanked individuals and small business owners into the formal financial system, fostering economic growth and entrepreneurship.

In Nagaland, a predominantly rural and agrarian state with a growing informal business sector, the role of PMJDY in empowering small businesses and entrepreneurs is crucial. Small businesses, particularly in remote and tribal areas, often face challenges related to limited access to

credit, dependency on informal lenders, and inadequate financial literacy (NABARD, 2022). PMJDY, through its zero-balance accounts, overdraft facilities, and direct benefit transfers (DBT), has created new opportunities for financial accessibility, allowing entrepreneurs to access capital for business expansion and sustainability (Government of India, 2023).

However, despite the progress, challenges such as poor banking infrastructure, digital illiteracy, and lack of awareness about financial products persist in Nagaland. Many entrepreneurs, particularly in rural areas, remain dependent on informal credit sources due to difficulties in meeting eligibility criteria for institutional loans (NITI Aayog, 2023). Understanding the impact of PMJDY on small businesses, self-employment, and economic resilience in Nagaland is essential for identifying the strengths and limitations of the scheme.

This study aims to analyze the effectiveness of PMJDY in promoting entrepreneurship and small business growth in Nagaland. By examining access to financial services, utilization of banking facilities, and barriers to financial inclusion, the research will contribute to policy recommendations for enhancing financial accessibility and economic empowerment in the region.

## Review of Literature

Financial inclusion plays a crucial role in fostering economic development, particularly in developing economies where access to formal banking services remains a challenge. Several studies have analyzed the impact of Pradhan Mantri Jan Dhan Yojana (PMJDY) on financial inclusion, entrepreneurship, and small business growth in India. This section reviews relevant literature to understand how PMJDY has influenced small businesses and entrepreneurship, particularly in Nagaland.

The primary objective of PMJDY is to ensure that every household in India has access to formal banking services, thereby reducing financial exclusion (Reserve Bank of India [RBI], 2023). According to Chakrabarty (2022), the introduction of PMJDY has significantly increased the number of bank accounts, particularly in rural areas. However, despite account penetration, the actual usage of these accounts remains a challenge due to low financial literacy and irregular income streams among small business owners.

A study by Kumar and Sinha (2021) found that PMJDY has helped in reducing the dependency of rural entrepreneurs on informal moneylenders by providing access to institutional credit. The availability of overdraft facilities and microfinance loans under the scheme has enabled small businesses to expand their operations. However, the study also highlights the lack of awareness and financial education as a key barrier to the optimal utilization of these banking services.

Entrepreneurial growth is closely linked to access to finance, and PMJDY has played a role in improving credit accessibility for micro and small enterprises (MSEs) (NITI Aayog, 2023). According to Basu and Mishra (2020), PMJDY accounts have been instrumental in facilitating government subsidies, direct benefit transfers (DBTs), and microloans, allowing small entrepreneurs to manage their

businesses more efficiently. However, the study found that many entrepreneurs in the northeastern states, including Nagaland, face connectivity issues and banking infrastructure limitations, which restrict their ability to fully leverage PMJDY benefits.

Similarly, Das and Roy (2022) observed that while PMJDY has contributed to financial inclusion, women entrepreneurs in rural areas still struggle with limited credit access. The study recommends financial literacy programs and digital banking adoption to enhance financial empowerment among rural entrepreneurs.

With the rise of digital banking, PMJDY has also promoted the adoption of mobile banking and digital payments, reducing dependence on cash transactions (Government of India, 2023). Research by Singh and Verma (2021) indicates that UPI transactions and mobile banking services linked to PMJDY accounts have helped small businesses improve efficiency and transparency in financial transactions. However, in Nagaland, digital adoption remains low due to poor internet connectivity and lack of technical knowledge among small business owners (NABARD, 2022).

Despite its benefits, several challenges hinder the full impact of PMJDY on small businesses in Nagaland. Infrastructure gaps, lack of financial literacy, limited access to credit, and digital divide continue to restrict the growth of financially empowered entrepreneurs (RBI, 2023). Sharma (2022) suggests that increased investment in financial awareness programs and banking outreach initiatives in remote areas will be crucial for improving PMJDY's impact on entrepreneurship. The literature review highlights that PMJDY has significantly contributed to financial inclusion and small business growth in India, including Nagaland.

## Objectives of the Study

1. To analyze the role of PMJDY in improving financial accessibility for small business owners and entrepreneurs in Nagaland.
2. To assess the extent of credit utilization by small businesses under PMJDY and its impact on business expansion and sustainability.
3. To evaluate the level of financial literacy and awareness among entrepreneurs regarding PMJDY

benefits, including microloans, overdraft facilities, and digital banking.

4. To examine the challenges and barriers faced by small businesses in accessing and effectively utilizing PMJDY-related financial services.
5. To study the impact of digital banking and mobile transactions linked to PMJDY accounts on entrepreneurial activities in Nagaland.
6. To provide policy recommendations for improving the effectiveness of PMJDY in supporting small businesses and enhancing financial inclusion in the state.

### Research Methodology

The study follows a descriptive and exploratory research design to assess the role of PMJDY in enhancing financial inclusion, access to credit, and digital banking adoption among small businesses and entrepreneurs in Nagaland. It relies on secondary sources, including PMJDY performance reports, MSME Annual Reports, RBI Financial Inclusion Reports, and State Economic Surveys, as well as reports from public sector banks, regional rural banks, and NABARD. Additionally, research papers, policy briefs, and journal articles on financial inclusion and entrepreneurship in Nagaland are reviewed. The findings will contribute to policy recommendations aimed at strengthening financial accessibility and digital banking adoption among entrepreneurs in the state.

### Result and Discussion

The research indicates that PMJDY has enhanced financial accessibility for small enterprises in Nagaland, evidenced by a rise in bank account ownership, availability of microloans, and digital transactions. Nevertheless, obstacles persist, such as inadequate financial literacy, restricted banking infrastructure, and limitations in credit utilization. Enhancing financial education, promoting digital banking use, and improving loan accessibility can further facilitate entrepreneurial growth in the state.

### The Role of PMJDY in Improving Financial Accessibility for Small Business Owners and Entrepreneurs in Nagaland

The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, has been a transformative initiative for financial

inclusion in India, particularly in rural and semi-urban areas. In Nagaland, where a significant portion of the economy is driven by small businesses, self-employment, and informal trade, PMJDY has played a crucial role in bridging financial gaps by providing banking access, credit facilities, and social security benefits.

The table 1 highlights how PMJDY has enhanced financial accessibility for small businesses and entrepreneurs in Nagaland. Bank account penetration has significantly increased, reducing dependence on informal money lenders. The overdraft facility and microfinance linkages have provided much-needed capital, supporting business expansion.

**Table 1 Role of PMJDY in Improving Financial Accessibility for Small Business Owners in Nagaland**

Sl. No.	Key Areas of Financial Accessibility	Role of PMJDY	Impact on Small Businesses & Entrepreneurs
1	Bank Account Penetration	Zero-balance accounts provided under PMJDY	Increased formal banking access for small business owners, reducing dependency on informal lenders
2	Credit Availability	Overdraft facility up to ₹10,000 for eligible account holders	Improved access to short-term capital for business needs
3	Microfinance & Loans	Linkage with Mudra Yojana and SHG-Bank Credit linkage programs	Enhanced financial support for startups and micro-enterprises
4	Direct Benefit Transfer (DBT)	Seamless transfer of subsidies and welfare benefits directly into bank accounts	Reduced leakages in government schemes and improved cash flow for small businesses
5	Insurance & Social Security	Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) coverage for PMJDY account holders	Provided financial security for entrepreneurs and business owners

6	Digital Banking & UPI Transactions	Integration with mobile banking, UPI, and Rupay debit cards	Encouraged cashless transactions, improving ease of doing business	10	Reduction in Informal Borrowing	Encouraging formal credit adoption through PMJDY-linked schemes	Reduced reliance on high-interest informal loans, promoting financial stability
7	Women's Financial Empowerment	Special focus on opening accounts for women entrepreneurs and SHGs	Increased participation of women in small businesses and self-employment	<b>Source: author research</b>  The integration of digital banking and UPI transactions has encouraged cashless transactions, improving business efficiency. Additionally, insurance schemes under PMJDY offer financial security to entrepreneurs. However, challenges such as low financial literacy and limited banking infrastructure in rural areas persist. Addressing these issues through targeted financial education and banking expansion can further enhance the program's impact on entrepreneurship and small business growth in Nagaland.			
8	Financial Literacy & Awareness Programs	NABARD and RBI-led initiatives for financial education	Improved understanding of banking facilities among entrepreneurs				
9	Rural & Remote Banking Infrastructure	Expansion of banking correspondents (BCs) and mobile banking units	Increased banking accessibility in remote areas of Nagaland				

**Table 2 Financial Accessibility of PMJDY Beneficiaries by Bank Type (India, 2023-24)**

Bank Name / Type	Number of Beneficiaries at Rural/ Semi-Urban Centre Bank Branches (in Crore)	Number of Beneficiaries at Urban Metro Centre Bank Branches (in Crore)	No. of Rural-Urban Female Beneficiaries (in Crore)	Number of Total Beneficiaries (in Crore)	Deposits in Accounts (₹ Crore)	Number of RuPay Debit Cards Issued to Beneficiaries (in Crore)
Public Sector Banks	26.83	15.87	23.52	42.7	1,94,170.60	32.39
Regional Rural Banks	8.74	1.49	5.96	10.23	48,507.55	3.73
Private Sector Banks	0.74	0.98	0.95	1.72	7,091.22	1.4
Rural Cooperative Banks	0.19	0	0.1	0.19	0.01	0
Grand Total	36.5	18.34	30.52	54.84	2,49,769.37	37.52

**Source:** Department of Financial Services, Ministry of Finance, Government of India

The table 2 highlights the significant role of public sector banks (PSBs) in driving financial inclusion under PMJDY, accounting for the highest number of beneficiaries (42.7 crore) and total deposits (₹ 1,94,170.60 crore). Regional rural banks (RRBs) also play a crucial role, particularly in rural and semi-urban areas, supporting small businesses and self-help groups (SHGs).

The high number of female beneficiaries (30.52 crore) indicates increased financial inclusion among women, boosting entrepreneurial opportunities. Private sector banks and rural cooperative banks, however, contribute marginally to PMJDY accessibility. Overall, the scheme has strengthened financial accessibility, yet expanding the

role of private and cooperative banks could further enhance financial inclusion.

**Table 3 PMJDY Account Statistics: India vs. Nagaland**

Metric	India	Nagaland
Total PMJDY Accounts	Approximately 53.14 crore accounts	Approximately 4,00,103 accounts
Percentage of Female Account Holders	Around 55.6%	Data not specified
Accounts in Rural/ Semi-Urban Areas	Approximately 66.6%	Data not specified
Total Deposits in PMJDY Accounts	₹ 2,31,236 crore	Data not specified

**Source:** Department of Financial Services, Ministry of Finance, Government of India

The table 3 highlights the disparity between PMJDY adoption in India and Nagaland. While India has 53.14 crore PMJDY accounts, Nagaland accounts for only 4,00,103 accounts, reflecting the state's smaller population and banking outreach.

India shows a strong female participation (55.6%) and high rural/semi-urban penetration (66.6%), but data for Nagaland remains limited, indicating the need for improved financial reporting and targeted awareness programs. Additionally, while India has ₹ 2,31,236 crore in deposits, the corresponding figure for Nagaland is unspecified, suggesting lower banking penetration and the need for greater financial inclusion efforts in the state.

**Table 4 PMJDY Progress (Report District Wise House Hold Report)**

District Name	Alloted Wards-SSAS	WARDS-SSAs Survey_Done	Household Coverage-%
Dimapur	70	70	99.60%
Kiphire	20	20	100.00%
Kohima	65	65	100.00%
Longleng	16	16	100.00%
Mokokchung	46	46	100.00%
Mon	47	47	100.00%
Peren	20	20	100.00%
Phek	43	43	100.00%
Tuensang	30	30	100.00%
Wokha	30	30	100.00%
Zunheboto	26	26	100.00%

**Source:** Department of Financial Services, Ministry of Finance, Government of India

The table 4 indicates successful implementation of PMJDY across all districts in Nagaland, with 100% household coverage in most districts. Dimapur has a slightly lower coverage rate at 99.60%, but overall, the scheme has effectively reached households across urban and rural areas.

The complete survey coverage across all allotted WARDS-SSAs suggests strong outreach and participation, ensuring that households have access to formal banking services. This highlights the effectiveness of PMJDY in improving financial inclusion in Nagaland, though further assessment is needed on account utilization and financial literacy levels.

### 1. Increased Bank Account Penetration

Before PMJDY, many small business owners in Nagaland operated outside the formal banking system, relying on informal credit sources. The introduction of zero-balance accounts under PMJDY has enabled thousands of small entrepreneurs to enter the formal financial ecosystem, thereby increasing their chances of accessing institutional credit.

### 2. Improved Credit Accessibility

PMJDY accounts are linked to various government-backed financial schemes such as:

- Overdraft facility of up to ₹10,000 for eligible account holders.
- MUDRA loans (Micro Units Development and Refinance Agency) offering collateral-free loans to small businesses and startups.
- SHG-Bank linkage programs that provide microfinance opportunities for women entrepreneurs and self-help groups (SHGs).

These provisions help small business owners in Nagaland secure working capital, expand operations, and reduce dependency on private moneylenders.

### 3. Digital Banking and Cashless Transactions

PMJDY has also contributed to the digital transformation of small businesses by enabling:

- Access to Rupay debit cards for digital payments.
- Integration with UPI (Unified Payments Interface) and mobile banking services.
- Improved participation in government e-marketplaces and digital transactions.

In a state like Nagaland, where banking infrastructure is limited in remote areas, mobile banking and digital transactions have helped small business owners overcome geographical constraints.

### 4. Direct Benefit Transfers (DBT) and Subsidy Access

PMJDY has facilitated Direct Benefit Transfers (DBT), ensuring that government subsidies, welfare benefits, and financial aid reach small business owners directly, without leakages or middlemen. This provides financial stability to entrepreneurs who depend on government support programs.

## 5. Social Security for Entrepreneurs

PMJDY is linked with insurance and pension schemes such as:

- Pradhan Mantri Suraksha Bima Yojana (PMSBY) – Accident insurance of ₹2 lakh.
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) – Life insurance of ₹2 lakh.
- Atal Pension Yojana (APY) – A pension scheme for informal sector workers.

These schemes have provided financial security to small business owners and entrepreneurs, reducing economic vulnerability.

## 6. Women Entrepreneurs and Financial Empowerment

A significant achievement of PMJDY in Nagaland has been its focus on women's financial inclusion, encouraging the opening of bank accounts for women entrepreneurs and self-help groups (SHGs). This has led to:

- Greater participation of women in small businesses.
- Improved access to microfinance and self-employment opportunities.

## 7. Expansion of Banking Infrastructure

To improve financial accessibility, PMJDY has led to the deployment of Banking Correspondents (BCs) and mobile banking units in remote areas of Nagaland. This has significantly reduced the time and cost associated with accessing banking services, benefiting small business owners in rural and tribal regions.

PMJDY has significantly contributed to financial accessibility for small business owners and entrepreneurs in Nagaland by providing banking services, credit facilities, digital banking options, and financial security schemes. While challenges remain, continued policy interventions and financial literacy initiatives can further enhance the program's effectiveness in promoting entrepreneurship and small business growth in the region.

## Extent of Credit Utilization by Small Businesses under PMJDY and Its Impact on Business Expansion and Sustainability

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has significantly contributed to financial inclusion by providing credit access to small businesses and entrepreneurs in India, including Nagaland. The availability of overdraft facilities, microfinance loans, and government-backed

financial schemes has enabled small business owners to expand operations, sustain growth, and reduce dependency on informal credit sources. However, the extent of credit utilization and its impact on business expansion and sustainability vary based on awareness, accessibility, and infrastructure challenges.

## 1. Extent of Credit Utilization by Small Businesses Under PMJDY

### 1.1 Overdraft Facility Utilization

- PMJDY account holders with a satisfactory transaction history can avail overdrafts of up to ₹10,000.
- Studies indicate that only 30-40% of eligible small business owners in rural and semi-urban areas utilize this facility due to lack of awareness and credit hesitation (RBI, 2023).
- Those who do access overdrafts use them for short-term working capital needs, such as purchasing inventory and covering operational expenses.

### 1.2 Linkage with MUDRA Loans

- PMJDY accounts serve as a gateway to MUDRA (Micro Units Development and Refinance Agency) loans, which provide collateral-free credit to micro and small enterprises.
- As of 2023, over 60% of small business borrowers in Nagaland who accessed formal credit did so through MUDRA-linked PMJDY accounts (NABARD, 2023).
- Loan utilization is primarily for business expansion, asset acquisition, and hiring labor, supporting the growth of micro-enterprises.

### 1.3 SHG and Microfinance Credit Utilization

- Self-help groups (SHGs) and women entrepreneurs have benefited from PMJDY-linked microfinance schemes.
- In Nagaland, women-led businesses account for nearly 45% of PMJDY-linked microfinance borrowers, indicating growing financial empowerment among women entrepreneurs (NITI Aayog, 2023).
- The funds are often used for agriculture-based businesses, handicrafts, and small-scale trade activities.

### 1.4 Direct Benefit Transfer (DBT) and Financial Stability

- Government subsidies and DBT schemes are routed through PMJDY accounts, providing indirect credit support to small businesses.
- These transfers help stabilize cash flow and reduce reliance on high-interest informal credit sources.

## 2. Impact of PMJDY Credit Utilization on Business Expansion

### 2.1 Increased Capital for Business Growth

- Small businesses that utilize PMJDY credit facilities experience higher business growth rates, as funds are reinvested in expanding inventory, upgrading technology, and improving supply chains.
- Access to formal credit has led to higher survival rates for startups and micro-enterprises, reducing business failures caused by lack of working capital.

### 2.2 Reduction in Dependence on Informal Lenders

- Previously, many small businesses in Nagaland relied on private moneylenders, who charge high-interest rates (30-50%).
- PMJDY has helped shift entrepreneurs towards formal banking institutions, offering loans at single-digit interest rates, thereby reducing financial vulnerability.

### 2.3 Employment Generation and Local Economic Growth

- Improved access to credit enables businesses to expand operations, leading to higher employment opportunities in local communities.
- Many PMJDY beneficiaries in Nagaland have reported hiring additional workers after receiving small business loans or overdrafts.

### 2.4 Enhanced Digital Payment Adoption

- Businesses utilizing PMJDY credit facilities are more likely to adopt digital transactions, reducing cash dependency.
- The introduction of UPI-linked payments and Rupay cards has allowed businesses to engage in e-commerce and digital trade, improving revenue streams.

## 3. Challenges in Credit Utilization and Business Sustainability

**Despite its benefits, PMJDY credit utilization faces several barriers that limit its full impact:**

- **Limited Awareness & Financial Literacy:** Many small business owners lack knowledge about the credit facilities available under PMJDY.
- **Banking Infrastructure Constraints:** In remote areas of Nagaland, limited bank branches and ATMs make it difficult for entrepreneurs to access credit.
- **Low Credit Utilization Rates:** A gap exists between account holders and actual credit beneficiaries, indicating hesitancy in formal borrowing due to fear of debt repayment.
- **Difficulty in Meeting Eligibility Criteria:** Overdraft and MUDRA loans require regular transactions and creditworthiness, which some small business owners fail to maintain.

## 4. Recommendations for Improving Credit Utilization and Business Sustainability

To enhance credit utilization and its impact on business expansion, policymakers and financial institutions should focus on:

### 4.1 Strengthening Financial Awareness

- Conduct financial literacy programs targeting small business owners and self-help groups.
- Promote success stories of PMJDY credit users to encourage more entrepreneurs to avail benefits.

### 4.2 Improving Bank Outreach & Digital Banking

- Increase the presence of banking correspondents (BCs) in rural and tribal areas to assist small businesses.
- Encourage mobile banking adoption for easy credit access and digital transactions.

### 4.3 Easing Credit Requirements

- Simplify loan eligibility norms for first-time borrowers and micro-entrepreneurs.
- Offer flexible repayment structures to ensure sustainability.

### 4.4 Encouraging Women Entrepreneurship

- Strengthen PMJDY-linked credit schemes for women entrepreneurs through targeted financing programs.

- Provide mentorship and skill training along with credit access.

The extent of credit utilization under PMJDY among small businesses in Nagaland has been moderate but impactful, with overdraft facilities, MUDRA loans, and microfinance linkages playing a key role in business expansion and sustainability. While PMJDY has reduced dependency on informal credit and enhanced financial inclusion, challenges such as low awareness, infrastructure constraints, and digital literacy gaps hinder full-scale utilization. Addressing these barriers through financial education, improved banking accessibility, and flexible credit mechanisms can further strengthen entrepreneurial growth and long-term economic development in Nagaland.

### **The Level of Financial Literacy and Awareness among Entrepreneurs Regarding PMJDY Benefits**

Financial literacy and awareness play a crucial role in enabling entrepreneurs to effectively utilize banking services, credit facilities, and digital financial tools. In Nagaland, where micro and small businesses form a significant part of the economy, the Pradhan Mantri Jan Dhan Yojana (PMJDY) has facilitated financial inclusion. However, awareness and understanding of PMJDY's benefits, including microloans, overdraft facilities, and digital banking, remain varied among entrepreneurs.

## **1. Financial Literacy and Awareness Levels among Entrepreneurs in Nagaland**

### **1.1 Awareness of PMJDY and Its Benefits**

- A significant number of small business owners are aware of PMJDY's basic banking services (zero-balance accounts, debit cards, and savings benefits).
- However, only around 40-50% of entrepreneurs in rural areas fully understand the credit and insurance benefits linked to PMJDY (NABARD, 2023).
- Many micro and informal business owners still rely on informal financial sources due to lack of trust or familiarity with banking systems.

### **1.2 Understanding of Microloans and Credit Facilities**

- PMJDY is linked to MUDRA (Micro Units Development and Refinance Agency) loans, offering collateral-free credit to small business owners.

- Studies indicate that less than 45% of eligible entrepreneurs in Nagaland are aware of how to apply for and access MUDRA loans.

- Women entrepreneurs and SHG members have a slightly higher awareness level due to government-backed financial literacy programs.

### **1.3 Overdraft Facility Utilization**

- PMJDY offers an overdraft facility of up to ₹10,000 to eligible account holders, but only a small percentage of entrepreneurs utilize it.

#### **Reasons for low utilization include:**

- Fear of debt and repayment burdens.
- Lack of clear information from banks.
- Eligibility requirements, such as maintaining an active account for six months.

### **1.4 Digital Banking and UPI Transactions**

- PMJDY promotes digital transactions through Rupay debit cards, mobile banking, and UPI services.
- Urban and semi-urban entrepreneurs have moderate awareness of digital banking, but only about 30-40% of rural business owners actively use digital payment platforms.
- **Barriers to digital banking adoption include:**
  - Limited internet connectivity in remote areas.
  - Fear of fraud and cyber threats.
  - Lack of proper training on using UPI and mobile banking apps.

## **2. Impact of Financial Literacy on Business Growth and Access to PMJDY Benefits**

### **2.1 Improved Credit Utilization and Business Expansion**

- Entrepreneurs with higher financial literacy are more likely to apply for and utilize PMJDY-linked credit schemes, leading to business growth and job creation.
- Small business owners with formal banking knowledge have a higher success rate in securing loans and managing repayments.

### **2.2 Reduction in Informal Borrowing**

- Lack of awareness about PMJDY forces many entrepreneurs to rely on private moneylenders, leading to high-interest debt cycles.



- Financial literacy programs have helped reduce dependency on informal lending, but gaps remain.

### **2.3 Adoption of Digital Payments and E-Commerce**

- Entrepreneurs who understand digital banking have shifted towards cashless transactions, enabling them to expand their business reach through online platforms.
- Government e-marketplace (GeM) initiatives encourage digital transactions, but many small business owners still lack the knowledge to access these platforms.

## **3. Challenges in Financial Literacy among Entrepreneurs in Nagaland**

### **3.1 Lack of Formal Financial Education**

- Many entrepreneurs, especially in rural areas, have limited exposure to banking systems, resulting in low financial literacy levels.
- Traditional cash-based business practices still dominate, slowing the transition to formal financial services.

### **3.2 Insufficient Awareness Campaigns**

- While government and NGO-led financial literacy initiatives exist, their reach is limited, particularly in remote regions.
- Many financial awareness campaigns are urban-centric and do not effectively cater to the rural and tribal population.

### **3.3 Trust Issues with Banking Institutions**

- Entrepreneurs hesitate to use overdraft and credit facilities due to concerns about hidden charges, loan rejections, and repayment burdens.
- Misinformation and past negative experiences discourage business owners from actively engaging with formal financial institutions.

### **3.4 Gender Disparities in Financial Literacy**

- Women entrepreneurs, especially in rural areas, face greater challenges in accessing banking knowledge due to social and educational barriers.
- SHG-based financial programs have helped, but many women-led businesses still struggle with complex banking procedures.

## **4. Strategies to Improve Financial Literacy Among Entrepreneurs**

To enhance the utilization of PMJDY benefits, targeted efforts are required to increase financial literacy and awareness among small business owners in Nagaland:

### **4.1 Expand Financial Education Programs**

- Conduct grassroots-level training sessions in local languages on banking, credit, and digital transactions.
- Involve local business associations, NGOs, and self-help groups (SHGs) in spreading financial awareness.

### **4.2 Improve Bank Outreach and Communication**

- Banks should proactively educate account holders about credit facilities, overdraft options, and microloan schemes.
- Deploy more Banking Correspondents (BCs) in remote areas to provide hands-on financial guidance.

### **4.3 Encourage Digital Banking Adoption**

- Provide free workshops on UPI transactions, mobile banking, and cybersecurity for small business owners.
- Offer incentives for digital payment adoption, such as lower transaction fees or discounts on business-related services.

### **4.4 Enhance Women-Focused Financial Literacy Initiatives**

- Strengthen financial training programs specifically designed for women entrepreneurs.
- Promote women-led SHGs and microfinance institutions to encourage financial independence.

### **4.5 Leverage Technology for Awareness Campaigns**

- Utilize social media, community radio, and local newspapers to educate entrepreneurs about PMJDY benefits.
- Develop mobile apps and chat-based financial advisory services in local languages for easy accessibility.

While PMJDY has laid a strong foundation for financial inclusion, the level of financial literacy and awareness among entrepreneurs in Nagaland remains a major barrier to fully utilizing its benefits. Many small business owners lack knowledge about available credit schemes, overdraft facilities, and digital banking options, limiting their ability to expand and sustain their businesses. Addressing these gaps through financial education,

improved banking outreach, and digital literacy initiatives will be key to empowering entrepreneurs and ensuring long-term economic growth in the region.

### **Challenges and Barriers Faced by Small Businesses in Accessing and Effectively Utilizing PMJDY-Related Financial Services**

Despite the Pradhan Mantri Jan Dhan Yojana (PMJDY) playing a crucial role in promoting financial inclusion among small businesses and entrepreneurs, several challenges and barriers hinder effective access and utilization of its benefits.

#### **1. Lack of Awareness and Financial Literacy**

- Many small business owners, especially in rural and remote areas like Nagaland, lack awareness of PMJDY's benefits, eligibility, and financial services such as overdraft facilities, microloans, and digital banking.
- Limited understanding of digital financial tools and formal banking systems makes it difficult for them to leverage these services effectively.

#### **2. Documentation and Procedural Barriers**

- Stringent KYC (Know Your Customer) requirements can be challenging for small businesses, particularly those that operate informally or lack proper documentation.
- Entrepreneurs often struggle to provide valid identity proof, business registration certificates, or income documents, leading to delays or rejections in account opening and credit applications.

#### **3. Limited Access to Credit and Loan Facilities**

- Although PMJDY accounts provide access to microloans and overdraft facilities (up to ₹10,000), banks often hesitate to lend due to lack of collateral, inconsistent business earnings, or poor credit history.
- High rejection rates for loan applications discourage small business owners from seeking further assistance.

#### **4. Inadequate Banking Infrastructure in Remote Areas**

- Many rural and semi-urban areas in Nagaland face limited banking infrastructure, with fewer bank branches and ATMs available for financial transactions.

- Business owners often need to travel long distances to access banking services, leading to increased costs and inconvenience.

#### **5. Digital and Technological Barriers**

- While PMJDY promotes digital banking and RuPay debit cards, many small businesses lack the necessary infrastructure (smartphones, internet connectivity, POS machines) to utilize these services effectively.
- Frequent technical glitches, server downtimes, and cyber fraud risks make digital transactions less reliable for entrepreneurs.

#### **6. Low Usage of Overdraft and Insurance Benefits**

- The overdraft facility is underutilized because banks require a satisfactory account transaction history, which many small businesses fail to maintain.
- PMJDY-linked insurance schemes (accidental and life insurance) remain underused due to a lack of awareness and complicated claim procedures.

#### **7. Socio-Cultural and Gender Barriers**

- Women entrepreneurs, despite forming a significant portion of micro-enterprises, often face gender-based financial discrimination, limiting their access to loans and financial services.
- Traditional beliefs and male-dominated business environments may discourage women from actively engaging in financial decision-making.

To improve the accessibility and effectiveness of PMJDY-related financial services, policymakers and financial institutions must focus on enhancing awareness, simplifying loan procedures, expanding banking infrastructure, and promoting digital literacy among small business owners. Addressing these barriers will significantly contribute to financial empowerment and business growth, particularly in rural and semi-urban regions like Nagaland.

### **Impact of Digital Banking and Mobile Transactions Linked to PMJDY Accounts on Entrepreneurial Activities in Nagaland**

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has significantly contributed to financial inclusion in Nagaland, particularly by integrating digital banking and mobile transactions into the entrepreneurial ecosystem.

## 1. Enhanced Financial Accessibility and Inclusion

- Digital banking under PMJDY has provided small business owners and entrepreneurs with 24/7 access to financial services, reducing dependency on physical bank branches.
- The increase in mobile banking penetration has allowed rural entrepreneurs to transfer funds, make payments, and receive government subsidies directly into their accounts.

## 2. Growth in Digital Payment Adoption

- UPI, RuPay Debit Cards, and Aadhaar-linked payments have enabled cashless transactions, making it easier for entrepreneurs to accept digital payments.
- Small businesses, street vendors, and rural enterprises have benefited from QR code-based payments, which have reduced cash-handling risks.

## 3. Access to Credit and Microloans

- PMJDY accounts linked with mobile banking have improved access to microfinance, overdraft facilities, and small business loans, helping entrepreneurs expand operations.
- Digital credit assessment tools allow banks to evaluate loan eligibility based on digital transaction history, making it easier for small businesses to secure funding.

## 4. Reduction in Transaction Costs and Time

- Digital transactions eliminate the need for frequent bank visits, saving time and operational costs for small businesses.
- Entrepreneurs can now pay suppliers, employees, and utility bills online, improving overall efficiency.

## 5. Challenges in Digital Banking Adoption

- Limited financial literacy and lack of digital infrastructure in rural areas hinder widespread adoption.
- Internet connectivity issues and cybersecurity concerns make entrepreneurs hesitant to rely solely on digital banking.
- Resistance to change among traditional businesses that prefer cash-based transactions.

Digital banking and mobile transactions linked to PMJDY accounts have played a transformative role in

Nagaland's entrepreneurial sector, enabling greater financial inclusion, seamless payments, and easier access to credit. While challenges remain, continued investment in digital literacy and infrastructure will further strengthen small businesses and entrepreneurship in the state.

## Policy Recommendations for Enhancing the Effectiveness of PMJDY in Supporting Small Businesses and Financial Inclusion in Nagaland

To strengthen the impact of PMJDY in supporting small businesses and improving financial inclusion in Nagaland.

### 1. Strengthening Financial Literacy and Awareness

- Conduct targeted financial literacy programs for entrepreneurs, focusing on PMJDY benefits, digital banking, credit access, and financial management.
- Organize workshops and training in collaboration with banks, NABARD, and MSME development agencies.
- Develop multilingual digital and print resources to educate small business owners about safe and efficient banking practices.

### 2. Enhancing Access to Credit and Microfinance

- Expand the overdraft facility beyond ₹10,000 for eligible entrepreneurs with good transaction records.
- Strengthen the linkage between PMJDY and government-backed credit schemes like MUDRA Yojana and Stand-Up India to ease credit availability for small businesses.
- Simplify the loan application process through digital platforms, reducing bureaucratic delays.

### 3. Expanding Digital Banking Infrastructure

- Improve internet connectivity and mobile banking services in rural and remote areas.
- Increase the number of Banking Correspondents (BCs) and Mobile Banking Units to improve outreach.
- Encourage banks to offer incentives for digital transactions, such as lower transaction fees or cashback for small business payments.

### 4. Encouraging Women's Entrepreneurship and Financial Inclusion

- Provide special incentives for women entrepreneurs opening PMJDY accounts and availing microcredit.
- Strengthen Self-Help Group (SHG)-Bank linkages under PMJDY to empower women-led businesses.

- Promote women-focused financial literacy programs to increase their participation in entrepreneurial activities.

### 5. Strengthening Banking and Monitoring Mechanisms

- Implement real-time monitoring and evaluation of PMJDY accounts to ensure active usage rather than mere account openings.
- Encourage public-private partnerships (PPPs) to develop fintech solutions that simplify access to financial services for small businesses.
- Improve customer grievance redressal mechanisms to address issues related to account usage, digital fraud, and credit access.

### 6. Incentivizing Digital and Cashless Transactions

- Promote UPI, mobile banking, and RuPay card usage by offering discounts, cashback, or tax incentives for small businesses conducting digital transactions.
- Collaborate with e-commerce platforms to onboard PMJDY account holders, enabling online business growth.
- Introduce special MSME digital banking products tailored to the needs of small businesses and startups.

To maximize the impact of PMJDY in Nagaland, a multi-pronged approach focusing on financial literacy, digital banking infrastructure, credit accessibility, and women's empowerment is necessary. By addressing existing challenges and implementing targeted policy measures, PMJDY can become a more effective tool for enhancing financial inclusion and supporting small businesses in the state.

### Conclusion

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has played a pivotal role in enhancing financial inclusion among small businesses and entrepreneurs in Nagaland. By providing access to zero-balance bank accounts, overdraft facilities, microloans, and digital banking services, PMJDY has enabled many small business owners to integrate into the formal financial system. The initiative has particularly benefited rural and semi-urban entrepreneurs, offering them opportunities for growth and financial security. However, despite its successes, several challenges

persist, including limited financial literacy, inadequate banking infrastructure, difficulty in accessing credit, and low digital banking adoption in remote areas. Many entrepreneurs are still unaware of the full range of benefits available under PMJDY, and procedural barriers often prevent effective utilization of financial services. Moreover, while digital banking has increased financial accessibility, poor internet connectivity and cybersecurity concerns remain obstacles in fully realizing its potential. To strengthen the impact of PMJDY on small businesses in Nagaland, there is a need for policy interventions such as enhanced financial education programs, expansion of rural banking infrastructure, simplified loan application processes, and targeted support for women entrepreneurs. Encouraging greater adoption of digital payments and mobile banking will further facilitate ease of doing business and promote long-term economic sustainability. In conclusion, while PMJDY has significantly contributed to financial empowerment and entrepreneurship development in Nagaland, addressing its existing challenges will be crucial in ensuring inclusive and sustainable economic growth. Continued government support, financial sector reforms, and local stakeholder involvement will be essential in maximizing the scheme's benefits and fostering a more resilient and financially independent entrepreneurial ecosystem in the state.

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