Banking Habits of Account Holders Under Pradhan Mantri Jan Dhan Yojana (PMJDY) -A Review of Literature

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Abstract

Review of literature provides an insight to the existing research work done on the topic selected for undertaking the research. It throws light on the various aspects of the research topic thereby helping the researcher to develop his research plan. Enlarging the scope of Financial Inclusion Programme, the concept of Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced to the world by the Indian Prime Minister Sri Narendra Modi on his first Independence Day speech on 15 August 2014.and the scheme was formally launched on 28th August 2014. In spite of limited literary resources, (as the researched literature on PMJDY is very few,) the researcher has undertaken extensive study of available literature on Financial Inclusion comprising of various research papers, dissertations, reports by different authorities, working papers, e-journals, books and speeches of various authorities found relevant for the topic. The objective of the paper is to identify the various attributes and undertake an empirical analysis.

KEYWORDS- Banking habits, PMJDY, Financial Inclusion & Inclusive Growth

An Overview

In recent times, since the issue of Financial Inclusion has drawn attention of policy Makers, Governments, Central Banks and Banking systems around the world, Research materials are available to make a meaningful study of particular aspect of Financial Inclusion. Financial inclusion broadly means availability of financial products like Savings Bank Deposit, Remittance facility, Credit, Insurance, Pension products etc at an affordable cost from formal financial system of an economy to poor and disadvantages section of Society who has remained excluded so far. Looking to the critical need of this inclusion, many developed countries like U.K, USA, Germany have initiated different policies to remove the financial exclusion in their respective countries.

Though the spirit of inclusion was evident in various policies and programmes including various plan documents in India, the term Financial Inclusion (FI) appeared first time in April 2005 in the Annual Policy Statement presented by Governor, Reserve Bank of India.

Khan Committee report (The Report of the Internal Group to Examine Issues relating to Rural Credit and Microfinance) in July 2005 expressed deep concern on the exclusion of vast sections of the population from the formal financial system. A broad working definition of Financial Inclusion was given in the Rangarajan committee (The Committee on Financial Inclusion) as “Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

The Present Government launched **PMJDY**, a Financial Inclusion programme encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country.[1]

On review of literature, it is found that nothing much has been done regarding analysing savings and banking habits of targeted group and whether financial literacy and financial education can help in developing those habits.

Objectives of the study

- ✓ To understand the various dynamics of saving habits
- ✓ To undertake empirical study on banking habits of account holder under PMJDY.

Methodology of the study

Secondary data was considered for the study. The researcher has undertaken extensive review of available literature on Financial Inclusion comprising of various research papers, dissertations, reports by different authorities, working papers, e-journals, books and speeches of various authorities found relevant for the topic

Literature review

Kelkar, V. (2010): Delivering his address at First N. P. Sen Memorial Lecture held at ASCI, Hyderabad, on 13 January 2008, He observed that in developing countries access to finance is positioned as a public good just like any other public good like access to education or safe drinking water. By enabling the poor to save money outside the house, financial access helps in mitigating the risks that the poor due to economic shocks... Providing access to financial services is increasingly becoming an area of concern for policy-makers for the obvious reason that it has far-reaching economic and social implications.

Khan, H R, (2011): In one of his speeches in 2011, Mr. Khan the then deputy Governor Reserve Bank of India observed that financial inclusion and financial stability are two sides of the same coin. However a robust risk-mitigating framework which exploits their complementarities while minimising the conflicts should be adopted to make it sustainable. Citing cases of few countries who have achieved a balance between financial inclusion and financial stability through a facilitating regulatory framework, especially relative to consumer protection and reputational risk mitigation, he has highlighted the role of consumer education and financial literacy in a robust financial Inclusion frame work.

NEERU CHHABRA (2015): The author through her research study has observed that absence of savings make the lower Income group people a vulnerable lot. Instead of traditional ways of saving money by investing in assets like land, building, bullion, the financial Inclusion measures would make the lower income group towards savings in formal

Institutions. Since these groups are living under constant shadow of financial duress owing to their lack of savings, Financial Inclusion initiatives besides boosting capital formation will facilitate in enhancing their saving habit.

R.R. RAJAMOHAN (2010): Conducting a study of 345 households in Coimbatore city, the author has found that lack of financial Knowledge prevents people from Savings as they are ignorant about various financial products such as Bank Deposits, Fixed Income securities, mutual funds , pension funds, Insurance, home, real estate

[1] www.pmjdy.gov.in

etc for which they are unable to make optimal Investment decision. The Researcher has suggested that there is a need for policy Intervention to improve the financial knowledge which will ultimately help in increasing their Savings Habit. Financial education campaigns can improve the possibility of Indian house-holds optimising their Investment decisions.

RANJANI & BAPAT (2015): The authors have opined that more than opening Bank accounts, the flexibility and timeliness in service delivery are required to develop Banking Habit in People. In a study covering 550 poor and marginalised persons in Maharashtra, the authors have found that the respondents like to avail services from the institutions having more flexible service. Though the outreaches of Banks have increased many folds, the depth of financial Inclusion needs much attention and should go beyond account opening. Banking habits need to be developed .The fear of rejection and the inability of the poor to communicate properly with the Bankers are still acting as hindrance for financial deepening, Besides above, Banking products & processes need to be more simple to provide comfort to the illiterate poor to bank with them.

ROB ALESSSIE. FEDERICA TEPPA (2009): Focussing on the role of habit formation in individual preferences, the authors have found through their study that uncertain Income seems to affect the saving behaviour of households. The authors have suggested for more theoretical research to investigate the joint impact of liquidity constraints and habit formation. [5]**RAMA SUBBIAN AND DURAISWAMY GANESHAN (2012):** Through their research study, the authors have observed that though financial Inclusion strategies in India have improved the lifestyle of people below poverty line, missing focus on Savings and Credit improvement strategies have degraded the benefits of Financial Inclusion.

LOKHANDE (2011): The author through this research study has highlighted the options available for Financial Inclusion in India. Since credit is the most crucial element in a business, the author has tried to explore the financing options available to MSME sector. In India MSME enterprises mostly operate on tight budgets, mostly depending upon own savings, loans from friends & Bank credit. But their lack of record keeping makes them vulnerable to access the formal financial Sector with comfort.

KAHILU KAJIMO- SHAKANTU AND KATHY EVANS (2007): Conducting semi structured Interviews through a case study approach; the authors have observed that banks do not have a financially viable and workable business model to exploit the potential segment of women. The authors have suggested through their research study about possible ways of integrating women centred savings schemes to the formal financial system so that the savings can act as good collateral to leverage finance for housing purposes.

CHAKRABORTY K.C (2012) Analyzing various constraints for achieving financial Inclusion, the author has identified demand side barriers as (a) Low literacy levels, lack of awareness and/or knowledge/understanding of financial products; (b) Irregular income; frequent micro-transactions; (c) Lack of trust in formal banking institutions; cultural obstacles (e.g., gender and cultural values).On the supply side, the barriers include reach of banking outlets, improper business models, lack of product customization, bank charges, overlooking the potential of young customers and regulatory framework. One major barrier has been lack of financial literacy and level of awareness... On the measurement challenges, since financial inclusion concepts, policies, delivery models and implementation processes are still evolving, it is, therefore, essential that the policy for achieving total financial inclusion also keeps changing to adapt to the needs of the environment.

SWAMY (2010): Quoting Marty Sen & Joseph E. Stieglitz, the author in his research paper has highlighted the several dimensions of Inclusive growth where he opines that, access to finance by the poor is one of the essential requirements for poverty reduction, sustainable & inclusive growth programmes. While analysing the determinants of Inclusive Growth like Priority Sector Lending, Domestic savings, Employment in Rural primary Sector, Agricultural production, he has observed that Priority Sector Lending has a high positive impact on Inclusive growth**.** He feels that large number of poor need to be provided with adequate financial assistance for betterment in their poverty.

NITIN KUMAR (2013): While examining the status of Financial Inclusion, the researcher has also tried to study its determinants and he has found that Branch Network has a critical role to play for creating beneficial impact on Financial Inclusion. Branch density, relaxation of Branch opening norms by RBI, expansion of Business correspondence model, enhanced ATM network all have resulted in giving the desired results. Through his research, the author has found out that another critical determinant is banking habit of people which to a large extent is influenced by the socio-economic & environmental climate of a Region. He expects that Banking sector to take a proactive role in spreading Banking habit. He has suggested for multipronged strategies so that Financial Inclusion can bring the excluded people within the ambit of Growth and can improve their standards of life.

RAVINDRA TRIPATHI, NIKHIL YADAV, RAJESH KUMAR SHASTRI (2016): Through a study, the researchers have found out that there is significant linear relationship between bank branches and the deposits of banks. Same is the case with Credit and Bank branches. Also, after implementation of the PMJDY policy, the deposits in commercial Banks have increased. The authors are of the view that expansion and infrastructure development can facilitate financial Inclusion to a great extent. Amount of Insurance cover given in PMJDY account may be small but since the excluded people are unable to meet their needs during unforeseen situations like death & disability due to their inability to save, the Insurance cover proves to be a good amount for them. To reduce demand side effects, it is also necessary to focus on financial literacy of the people..

GHOSH (2011): Analysing the data of 14 Indian states during the period 1973-2004, the researcher has found that improvements in financial outreach lead to a perceptible rise in per capita growth. The improvements in financial outreach in terms of expansion & use of financial services have a salutary impact on per capita Income growth. The high Income states with higher geographic outreach levels have witnessed higher economic growth.

SIKDAR, KUMAR & MAKKAD (2015): The authors have found out that for overall satisfaction of customers the five factors such as Trust, usage constraint, Ease of use, Accessibility and intention to use are valid factors influencing the adoption of Internet Banking in India**.** Specially, their study has revealed that the decision to adopt Internet Banking by customers is largely influenced by trust, usage constraints &

accessibility. Also the authors have suggested future studies covering factors like perceived cost, perceived value, and attitude towards usages can throw more light on the reasons of poor adoption of Internet Banking.

DEEPA PAUL (2012): The researcher through a sample profile of 360 respondents undertook a study to identify the level of awareness regarding various e-banking channels of the customers and the relationship between awareness level and adoption of the e-banking channel and influence of demographic and perceptual factors on adoption of various delivery channels in the state of Kerala. She observed that where as customers irrespective of their age group are familiar with ATM, elder and older group customers have less awareness about internet banking and mobile banking. In respect of debit and credit cards, elder and older groups have slightly less awareness in comparison to younger group. Same observation has also been made in respect of educational level. Level of awareness goes on declining from high level of education to low level of education in case of mobile banking. Regarding Income level, the researcher has made interesting observation that in case of mechanism of utilising ATM; awareness level of less income group is slightly less than other Income groups. She has found that while awareness about ATMs and credit card is high, it is low in case of Internet and mobile Banking. Variability of awareness of ATM is less among different groups and different age, education and Income groups where as for all other e-banking delivery channels; there is higher variability of awareness among different categories.

Bhaskar, P Vijay, (2013): Financial Inclusion develops culture of savings which results in broadening the resource base of the financial system resulting in acceleration of development process. Besides promoting savings habit, Financial Inclusion also prevents vulnerable group of excluded people from being exploited by informal credit providers like village money lenders as they are provided access to the formal institutional credit.

SCHUTTS (2015): Highlighting the growth potential of electronic payment system, the author has highlighted the need to focus on retailers. Since cash dominated economy disincentivises electronic payment system, adoption of digital technology for payment can help to break the vicious cycle that keeps cash firmly in place. Empowering small retailers also can have positive impact on the sector’s productivity. Since retailers with their suppliers & customers constitute a major segment of regular payment volumes, Financial Inclusion of retail Sector can lead to welfare enhancing gains.

ARTIKIS & SOTIRIS (2008): Analysing the market practices for Banc assurance model around the world, the authors have found out that deregulation, globalization, changing financial needs of customers, reduction in trade barriers, encouragement of FDI etc have increased the scope of Insurance penetration. While Banks & Insurance companies benefits from profitability, more efficient use of their distribution network, strengthening of market image & improved customer services, the customers look for lower costs & quicker access. For success of Financial Inclusion like Bank accounts, Savings, Insurance, Payment, affordable credit, Financial advice etc are studied independently so that every Component’s contribution as well the target vs. achievement status can be ascertained.

ANURAG, FARHAD & THANKOM (2010): In the research article the authors through their study of products of India Post in three states have suggested that Social protection programmes generate additional financial requirement among the poor and if it is included in the Financial Inclusion Strategy, it can deepen the impact of Financial Inclusion Programme. Since a vast section of poor people in the study area have not been able to entirely access their entitled benefits of Social Security Programmes, such programmes should be an integral part of Financial Inclusion strategy.

YOGESH VERMA, PRIYANKA GARG (2016): Conducting a study through a discussion with 210 rural labourers of Bandrasindri village of Ajmer district of Rajasthan working in Central University of Rajasthan, the authors have made an attempt to measure the awareness towards PMJDY, to find out the reason for non usage/ access of banking products and to measure the financial literacy programme. From their findings, they have observed that lack of resources and financial illiteracy are primary reasons for financial exclusion. Since nearly all the respondents have not undergone any financial literacy programme, efforts are needed to impart financial literacy programme to them. Claiming that the results of the study can be taken as a ground reality in respect of financial and banking awareness in the country, the researchers have observed that 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 familiarise them with various banking products.

N.SUNDARAM, M.SRIRAM (2016): Through review of existing literatures on Financial Inclusion, the authors have observed that since growth of the economy and financial development is closely related with financial Inclusion, banks need to focus on enhancing the awareness by imparting financial literacy. In a cost effective and timely manner, banks have to strategise in this regard. Technology can be used as a great enabler. The authors feel that inspire of wide prevalence of ATMs, still illiterate people have not embraced ATMs as they are not customer friendly. Hence design of technology should be such that people less comfortable with technology find the products including ATM as customer friendly.

LAURA LAMB (2016): While financial literacy is considered as a critical skill for all sections of the society, the researcher conducting an exploratory research on banking habits and financial capability levels of fringe finance users in a Canadian city has observed that financial literacy is not a solution to financial exclusion. The researcher has found that fringe financial users do not have lower levels of financial capability in comparison to those using services from main stream banking institutions, when education and Income are controlled.

DISHA BHANOT, VARADRAJ BAPAT, SASADHAR BERA(2012): The authors conducting 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, have observed that factors like area terrain, and Government transfers do not facilitate inclusion where as people living in plain areas have been positively impacted by receipt of Government benefits. Spreading of financial literacy / financial education can facilitate inclusions. The authors have found that one out of 411 households only seems to have received such education from Bank. Hence to include people in the remote areas to mainstream financial system, banks should put more efforts in spreading financial literacy/ awareness among people living in the hilly areas.

NAZIA ABBAS ABIDI (2014): The author through a study has observed that developing the skill and confidence to handle various financial products and managing the risks should be the focus for financial Inclusion. Cost effective and timely deliveries of banking services are also very critical for the success of the financial Inclusion Programme. However there is severe challenge in familiarising the excluded population with the products like smart card, point of sale device, mobile phone, ATM etc.

MALHOTRA & SINGH (2007): The authors through their exploratory study has examined the relationship between Bank 's decision to adopt Internet Banking & various market characteristics and have observed that banks with younger age, private ownership, higher expenses for fixed assets, higher deposits& low branch density have more chances in adopting Internet Banking .It is observed that the Private Sector Banks in India have better rate of adoption in comparison to Public Sector Banks.

Dipasha Sharma (2016): In the research study the author has investigated the casual nexus between the various indicators of financial inclusion and economic growth of India. As per her findings Financial Inclusion drives economic growth and the Government and policy makers must appreciate the role of Financial Inclusion and address policy issues to promote growth through inclusion. Apart from providing access to financial services and products, the policy should focus on information dissemination and financial literacy for sustainable Inclusive growth through Financial Inclusion.

Conclusion: Opening an account is one time activity. It provides access to the financial system and final products. .But to avail and use the services on regular basis, the account holder needs to understand the products and appreciate their benefits. Today's financial market place is complex because of multiplicity of products, cumbersome processes, and stringent regulations and myriad of risks. Digital banking products have their own benefits along with downside risks. The account holder needs to understand the intricacies of various products and choose the appropriate ones. He needs empowerment. He needs financial knowledge and skills. Creating financial literacy interventions is an obvious and common sense response to the increased complexity of the financial world. Financial Inclusion can never remain as a Government agenda only. Most of the countries in the world have embraced Financial Inclusion as a development agenda as it is a prerequisite for improving standards of people who are left behind in the developmental journey. Without successful inclusion of excluded persons, Inclusive growth is ruled out. Without Inclusive growth no development will be sustainable how so ever rich and prosperous a country may be. Under PMJDY, Sustaining the banking habit of newly Inducted people can be ensured when the account holder is exposed to various financial Concepts and products like Savings, credit, Insurance, remittance, Insurance, mutual funds, pension which provide trigger in him to plan for his day to day living in a better manner there by planning for his future goal in life. Availing a credit for starting or expanding his business, for education of his child, buying an Insurance cover for securing his life or health, saving some amount on regular basis to meet unforeseen expenses or children's education are all outcome of his ability to access the financial system. Basically Financial Inclusion empowers him to take all financial decision and manage the risks in a prudent manner which ultimately improves his quality of life.

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