

CHAPTER 2

REVIEW OF LITERATURE

Review of literature is designed to provide a background, historical perspective and justification for the research undertaken. It reveals the findings of earlier studies related to the topic under study. Thus, it is a composition of what has been published earlier on the topic by accredited scholars and researcher. It includes the published information on the particular topic and area of certain time period. The purpose of reviewing available literature is to find the search gaps in concerned studies.

Review of Literature is a secondary report based on the findings of some other person's original work. A review of literature at national and international level related to studies on Financial Inclusion and Pradhan Mantri Jan Dhan Yojana has been covered under this chapter.

2.1 Review of Literature on Financial Inclusion

Mohan (2006) tried to measure financial inclusion in terms of having a bank account. He viewed that a bank account enables poor households to perform important financial activities such as saving money safely outside the house, accessing credit, making loan or premium payments, and transferring money etc. Thus he had laid focus on primary step towards financial inclusion by opening a bank account.

Murali (2006) in an article which is based on the analysis of the speeches given by RBI delegates address at the Bacon 2006 Banker's Conference held the view that the banks should play a vital role to promote and publicize financial inclusion among masses. He suggested that banks as well as customers must treat the financial inclusion as a saving and investment opportunity and to creating win-win situation for them. The focus of the banks should be on the excluded section of the society mainly low income groups, self-employed

and labour of unorganized sector. Banks must play their role in uplifting the masses to the formal financial circle.

Ramkumar (2007) focuses mainly on the importance of financial inclusion and how this is very important for poor people. He also focused on financial literacy for the benefits of the unprivileged section of the society. The main objective of financial inclusion is to provide cheap financial products to masses. Financial products will not be sufficient, until the beneficiaries get the real benefits. Financial literacy programmes is very much important for this.

Rangarajan, C. (2009) remarks that economic growth and social development are two legs on which a nation must walk to prosper. Financial inclusion is now a compulsion for a country like India. He asserts that one main aspects of Inclusive Growth is Financial Inclusion. Financial Inclusion is a process to bring weaker sections within the circle of the formal financial system. Weaker and vulnerable section of society can't come out of poverty and inclusive growth can't happen without Financial Inclusion.

Adhikari M. and Bagli, S. (2010) viewed that SHG plays a vital part in formal borrowing. Long time membership in SHG can reduce the informal borrowing and increase the tendency of formal borrowing in banks by people.

Chakraborty, K.C. (2010) finds that financial inclusion generally signifies with rural poverty. He said that more focus should be given to urban poor also like rickshaw- pullers, construction workers, migrant workers etc. They must be taken into account and financial products and services should be designed as per their needs by the banking system to address under financial inclusion of urban poor.

Bihari (2012) in his research paper focuses on the financial literacy and awareness of the individual who usually has limited knowledge to understand the complexities of financial dealings in banks and also with bank mitras particularly in the rural area. There are various

barriers like language, educational and cultural which discourage the rural poor from acquire financial services. Financial deepening is losing its essence and the major reason behind this is the lack of knowledge and financial literacy among masses at the bottom of the pyramid. Thus, financial literacy is very much important for promoting financial inclusion and ultimately to reduce poverty.

Shivani (2013) find out some historical causes such as under developed Telecom infrastructure, higher cost of funds and huge administrative expenses, ever growing population and poverty, illiteracy among masses are main causes of financial exclusion in India.

Dr. Chowhan S.S. and Dr. Pande J.C. (2014) in their study found that, “Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development.”

Joshi et al. (2014) expressed that the growth and development of a country largely depends on the growth of its financial sector which again depends on providing access to financial services that are financially excluded. The government has understood this and introduced a scheme of financial inclusion for rural areas called “Swabhimaan”. But this scheme failed miserably to secure the desired result. Absence of information technology, lack of proper policy regarding its implementation and lack of innovation can be reason for its failure. After its failure government modified its various loopholes and introduces a new scheme called PMJDY.

According to **Arundhati Bhattacharya (2015)** Chairman SBI, suggested that choosing a cost effective model will require banks to lower their cost by significantly free up human resources for financial inclusion, apart from using a banking mitra model. Increase in

financial inclusion and digitalization of banking will lead to less cash in the economy which again will help to reduce unaccounted money in the economy.

Dr. Thyagarajan and Prof. Nair (2016) in their study it is said that the Government of India and the Reserve bank of India have been taking various efforts to promote financial inclusion of the masses with the fundamental objective of providing financial services to the financially excluded section of the society.

Kaur, J. and Dr. Walia, N. (2016) said in their study that at different time various different types of measures have been adopted by the Government of India and Reserve Bank of India in order to explore the financial inclusion and various awareness camps have also conducted by banks in different states to provide the knowledge regarding the schemes of financial inclusion such as PMJDY.

Irrinki, M.K. and Burlakanti, K. (2017) stated that PMJDY scheme is known to most of the people in their study area, 40% of the people knew it through bank officials and is followed by friends and relatives with 21%. It is also revealed that 60% of the people have opened the accounts under the scheme. While interacting with these people they were having savings account which were opened earlier. Most of the respondents have their accounts with State bank of India.

Abel, Mutandwa and Roux (2018) in their study recommended that the Government policies should be in such way that encourages financial service providers to set up their operation nearer to the people who are financially excluded. They also suggest encouraging them to adopt technology that provides financial services which are more accessible such as agency and mobile and internet banking.

Samanta, K. (2018) explained in his paper that the existing resources must be utilized such as Mobile phones, Banking Technologies, Indian Post Office, Fair Price Shops and

Bank Mitras in the way that it becomes more efficient and user friendly for the interest of the rural people as well as formal sector.

2.2 Review of Literature on PMJDY

Khuntia (2014) viewed the importance of financial inclusion programme from the point of view of PMJDY. The country is growing and developing and its fruit must be realized by all the sections of the society. Now a day's growth is happening at the cost of poor people who are remaining financially excluded for a long period of time. It makes them more vulnerable to poverty. Financial exclusion makes their lifestyle backward and they can't afford a good one.

Pradhan (2014) the author mainly viewed importance of financial literacy programme for achieving financial inclusion. The main thing PMJDY scheme lacks is nothing but awareness of the masses about it. Most of the people do not have any idea or information regarding financial products and their usefulness. PMJDY may benefit the poor in several ways, it will help the weaker section of the society to uplift their socio economic conditions. It has been suggested that to implement a concept like financial inclusion it is important to make the people aware of the formal banking system and its various products.

Awasthi, A. (2015) stated that the main purpose of Pradhan Mantri Jan Dhan Yojana is financial inclusion but unrealistic targets and hasty numbers are making this scheme lose its purpose. Financial inclusion is a slow process and for the success of it requires dedicated efforts to spread the financial literacy. If financial literacy will increase automatically it will lead to increase in the demand for financial products.

Harpreet Kaur and Kawal Nain Singh (2015) studied the recent trends of financial inclusion in India and they gave special reference to PMJDY, highlighting the key areas of the yojana and suggest some strategies which will ensure maximum financial inclusion for the areas which are underprivileged and unbanked.

Hussain (2015) viewed that the concept of financial inclusion has come to the fore front after the launch of PMJDY. Its unique features make it one of the best policies till now for achieving financial inclusion as well as inclusive growth. Rupay card, Insurance coverage and overdraft facility are the main pillars of this scheme which is very beneficial for the poor people. But its main drawback is the lack of awareness among people about the benefits of PMJDY and its services. Much publicity is needed to generate awareness about the benefits of the scheme.

KPMG Report (2015) the report provides main problems which the PMJDY may face in future. PMJDY has been able to open 12.5 crore accounts starting from 28th August, 2014, which has created a world record. The main objective of the government to include every household in the banking arena may be achieved in near future. It concern about the population that remains outside the purview of financial benefits and thus doesn't able to come out of poverty. It suggests that technology and mobile banking may play an effective role in bringing this weaker section of society in the financial circle of the economy.

Kumar and Singh (2015) undertook a study and gave an overview of financial inclusion using PMJDY in India. Its main purpose is to discuss the concept of inclusive financing, inter-linking it with PMJDY and at last implications of PMJDY. Various efforts taken by RBI have not reached the expected level of financial inclusion. Unbanked, disadvantaged and low income groups peoples percentage is relatively high and also there is dormancy of accounts. PMJDY is the greatest and most broad based step ever taken to eradicate poverty and cover economically backward rural India under formal financial system. The main problem here for the government is to design and execute the strategy of financial inclusion. It should be done in such a way so that it can reach the excluded masses of India.

Raval (2015) focuses on the issue of financial inclusion from the historical perspective. The concept of financial inclusion is very old and it has come to the fore front mainly after the introduction of PMJDY program. The success of the scheme is purely depends on its publicity, proper implementation and monitoring, financial literacy program etc. The stakeholders evolved must have to work hard to achieve the desired goal.

Dr. Shettar, R.M. (2016) discussed that PMJDY is fully helpful to rural as well as urban area people in getting directly the government schemes. It has created an impressive result in the banking sector with regard to eradication of financial untouchability in the country. Mere opening of bank accounts may not fulfill the aim of the scheme, but there should be continuous operation of bank accounts to give the real success of the scheme.

Guntupalli Sreelatha (2016) made a distinction between “Swabhimaan” and “PMJDY” to understand the true value of PMJDY in comparison to earlier policies. The benefits seem to be more in case of PMJDY. While “Swabhimaan” focused only on rural areas but PMJDY targets each and every household of the country. PMJDY seems to be much better than Swabhimaan; although he viewed that its great success may be exaggerated by the govt. PMJDY seems to provide benefits to the unprivileged section of the society.

Mundra (2016), during his address to the participants of a workshop cherished on the progressive journey of inclusive growth and development of the weaker section of masses from the time under financial inclusion programs. He argued regarding developing on the technological front and also expanding use of technology in geographically dispersed area, simplifying the documentation procedure and time bound of inclusion procedure manner. He also suggested that for taking better progressive initiatives in future policy makers of financial inclusion need to design policies from the perspective of small and marginal farmers, MSMEs and labours of unorganized sector.

Pujari (2016) founds out the current challenges and main problems of financial inclusion with special reference to PMJDY. Main motive behind financial inclusion is quite clear in PMJDY, i.e. providing overdraft facility, easy credit, and insurance benefits to the weaker section so as to bring socio-economic development. This also helps to remove poverty and increase their bargaining power. These objectives must be achieved to call the PMJDY programme a success.

Singh (2016) the author mainly focused on the success of PMJDY and other social sector improvement schemes mainly depends on the how the banks are utilizing the savings which are generating in PMJDY accounts. It depends on how the banks mobilise the savings. The mobilization of savings can improve the economic health of the country to a great extent. So the objective should be opening of accounts along with mobilization of resources which is equally important.

2.3 Research Gap

The study of financial inclusion is very old, mainly after nationalisation of banks it gain momentum. Many researchers from time to time have given various views regarding financial inclusion. Financial inclusion received a major thrust after the NDA government led by PM Modi introduced the scheme of “Pradhan Mantri Jan Dhan Yojana” (PMJDY). As a result of this weaker section of people received a major upliftment in society. But the main question here what is there in PMJDY which was not there in earlier financial inclusion programmes? This research will try to find out this major question. The question becomes more relevant as the government is claiming spectacular success of this programme of financial inclusion. But in reality the achievement being claimed is not beyond doubts and must be analyzed state to state basis to understand the difference in achievements among various states. The present study attempts to find out whether PMJDYs achievements are

equal in every state or not. There is also lack of study regarding the role of banks in achieving PMJDYs targets; this study will also give focus on that. The outcome of this research may be of lasting usefulness to other researchers and the framers of public policy in future.