

## Analysis of Financial inclusion by commercial bank in India

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### Abstract

Financial inclusion is aimed at providing banking and financial services to all people in a fair, transparent and equitable manner at affordable cost. Households with low income often lack access to bank account and have to spend time and money for multiple visits to avail the banking services, be it opening a savings bank account or availing a loan. These families find it more difficult to save and to plan financially for the future. Thus, the unbanked public is largely cut off from the Banking products/services. It is the endeavor of the Bank to provide the basic banking facility of SB a/c's to all the unbanked. Towards this initiative the Banks has taken the lead and evolved two different models i.e. Rural and Urban Financial Inclusion Model to take care of the requirement of the people in rural and urban areas which differ from each other. The present paper aim at identifying the awareness of the new measures of financial inclusion by the people and status of financial inclusion in commercial banks.

**Keywords:** Financial inclusion, commercial bank, Households

### 1. Introduction

Financial Inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination should be the prime objective of the public policy.

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### 2. Objectives and Research Methodology

The study aim at achieving the objectives which includes to find the level of financial inclusion with commercial banks, awareness of new measures for financial inclusion by RBI, reasons for low level of financial inclusion etc.

To achieve the research objective a sample of 100 advisors is selected for the study, using simple random sampling procedure.

Data was collected through an interview schedule, consisting of both open ended and closed ended questions. The schedule covered parameters like training methodology, trainer

feedback, overall effectiveness of training program, relevance of training program. The respondent were asked the about the awareness of new measures for financial inclusion like no-frills account and relaxation of KYC norms for accounts, The reason for not opening the account and if aware about measures for Financial Inclusion, The use of financial services and instruments and also the frequency of them going to banks to measure financial awareness etc.

### 3. Data analysis and interpretation

The demographic profile of the respondents under study was as follows-The major share of the respondents or the earning members of the family were either Manual Laborers or self-employed. The respondents belong to the working age from 30 to 55 and the average family size is around five i.e. total sample sizes 100 people were unemployed and 28 were self-employed. Among the Government employees mainly those who are working in the Municipal Corporation and the Housing Board that built the colony. Self-employed are mainly working as auto rickshaw drivers, fruit & vegetable vendors and owning small businesses.

### Level of Financial Inclusion

The survey has found that a greater share of the households do not have access to banking facility. 47% of the households in the areas had access to banking facilities and around 53% households had no account. It should be noted here that some of the respondents said that they had stopped using the accounts. Only one third of manual labors have bank accounts. The reasons for this may be due to the fact that they get daily wages and spend most of what they earn on household items. There is a need to make them aware of the uses of banking.

### Major Reasons cited for low Financial Exclusion

The following are emerged as the major problem for financial inclusion with commercial banks was - Easy access to alternate credit available. On enquiring further about this reason it was found that these people have access to easy credit form private

money lenders and they do not like the slow & paper involving process of commercial banks.

#### **Distribution of Bank accounts**

It is necessary indicator to find out the kind of banks in which the people have bank account and it is found that majority of the respondents have their accounts with public sector banks. The Urban and Rural cooperative banks also cater large populations that are generally neglected by the commercial banks. Their position allows them to reach out to the people far easier

The account opening charges/ penalty/maintenance charges of most of private banks are quiet high therefore the people prefer Public Sector Banks.

#### **Credit Requirements and Purpose**

The survey resulted that the requirement of credit for housing was in demand more than any other purpose of credit. A small section of people are willing to have the credit facility for education purposes.

#### **Amount & time period for Credit requirement**

Most of people who require loan for period of 6 to 18 months fall in credit range b/w Rs 25000 to 65000. 25% people are from segment that need credit facilities for comparatively high period for the purpose of educational requirements & housing. People require loans for automotive and self-employment purposes and the repayment is expected in short period of less than six months

#### **Awareness about measures of R.B.I**

The survey has shown a dismal performance by banks in reaching out to the people and making them aware about the new initiatives taken for financial inclusion.

Those who knew had some idea about no-frills account but not about the relaxation of the KYC norms. The low awareness about the steps taken by RBI and the financial institutions shows that there is urgent need to reach them and to spread the awareness about the initiatives.

It seems that merely displaying posters informing consumers about no-frills account will not by itself increase the awareness about the new measures.

#### **4. Finding and suggestions**

It is becoming increasingly apparent that addressing financial exclusion will require a holistic approach on the part of the banks in creating awareness about financial products, education, and advice on money management, debt counseling, savings and affordable credit. The banks would have

#### **Need to adopt a professional approach**

There is a need for increasing professionalism among banks and related agencies. There is no doubt that these organizations have helped the poor tremendously but just as in the case of many co-operative banks, NGO's and PSU's, they remain prone to lack of professionalism and negligence. The commercial banks and other agencies can play their part by training individuals and organizations that help to reach out to the poor.

#### **Strengthening financial literacy**

With already 47% financial inclusion in the area, the rest 53%

need to be brought into mainstream. This would require giving the occupants of the area a simple bank account and thereby become financially included.

#### **Decentralized banking system**

Banks should be given more freedom to deal in the manner in which they would want to deal with the public. Flexibility and independence are needed to make small banking viable.

#### **Private Public Collaboration**

Financial inclusion would become meaningless if the burden of it falls wholly on the government. The Corporate, the large commercial banks and NBFCs should be made aware of the advantages of Financial Inclusion and the business opportunities it offers to them. Private partnership will ensure that there would be financial products which are more in tune with the needs of the customers, big and small. The partnership of private financial institutions would ensure a healthy competition leading to on-time delivery of services at affordable rates. Small private banks can be encouraged to practice targeted banking aimed at delivering services to certain communities rather than the society as a whole. This would not only ensure a steady number of banking customers for the small banks but also a chance to do business in a market dominated by large commercial banks. By doing so, the chances of financial exclusion are reduced as small banks would try to bring in as much customers as possible.

#### **Retired bank employees as Business Correspondents**

Looking at retired bank employees as Business correspondents for branchless banking can be a good option. Retired bank employees with their experience in banking are far more likely to be professional in their dealings and more accustomed to new methods of banking. They could provide an essential middle link between the banks and the thousands of customers that they intend to serve.

#### **Separate department & highly trained employee**

There is need to have a dedicated department with highly trained employee to deal with this segment to achieve 100% financial inclusion. To evolve specific strategies to expand the outreach of their services in order to promote financial inclusion.

#### **Excluded segment specific products and services**

The credit needs and amount of credit needed by the poor or the financially excluded differs from the middle class and the upper class needs hence require adoption of new strategies. Most of the self-employed and the daily wage earners find it cumbersome to go to banks and cash their money; therefore, the use of Business Correspondents (BC) could bring in such occupational groups who have little time for the conventional system of banking. It would require person-to-person interactions to make banking and the use of financial services a part of their lifestyle.

#### **5. Conclusion**

Financial Inclusion has been a catch phrase for the past few years. Delivering financial services to all sections of the population will remain a challenge that banks around the world will face over the next few years. Increasing educational level means more financial inclusion; therefore a literate population

must be created in order to create a meaningful financially included population. Not only should people have access to basic financial services but should also actively use them. A modern and a globalized economy cannot be successful unless it is inclusive. With enthusiasm and foresight this challenge would be overcome financial inclusion is expected to make significant changes in the economy, especially the rural economy, which is expected to witness a revolution in availability of financial instruments mainly because of Pradhan Mantri Jan Dhan Yojana, gold monetization scheme, MUDRA Yojana etc.

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