

## Financial Inclusion In India

\* *Manisha*, \*\**Sumeet*

\*Assistant Professor, Department of Management Studies, DCRUST, Murthal, Sonapat

EMAIL ID: [manishaarora1492@gmail.com](mailto:manishaarora1492@gmail.com)

\*\* STUDENT OF MANAGEMENT DEPARTMENT

### ABSTRACT

“Financial Inclusion is the delivery of financial services to all the people in a fair, transparent and equitable manner at affordable cost. Financial Inclusion has the potential to improve the standards of life of the poor and the disadvantaged. Financial services permit individuals and households to manage the risk and uncertainties to save risk free, borrow on better terms, to invest in a business venture or property and to cope with unforeseen expenses.”

There are various services which are provided to the customers which are necessary for the inclusion. Not only banks but RBI has also taken care of it by inviting various schemes and various literacy programmes for the citizens of the country so as to make INDIA a financially inclusive country.

### 1. INTRODUCTION

Financial inclusion is the deliverance of financial services at reasonably priced to segments of disadvantaged and low-income of society, in contrast to financial exclusion where those services are not accessible or inexpensive.

In India, RBI has initiated a number of measures to attain superior financial inclusion, for instance facilitating no-frills accounts and GCCs for small deposits and credit. Some of these trends are:

Opening of no-frills accounts: Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the residents. Banks have been directed to provide small overdrafts in such accounts.

Relaxation on know-your-customer (KYC) norms: KYC requirements for opening bank accounts were relaxed for small accounts in August 2005, thereby simplifying dealings by specifying that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts. The banks were also permitted to acquire any evidence as to the identity and address of the customer to their satisfaction. It has now been relaxed to include the letters issued by the Unique Identification Authority of India containing information of address, name and Aadhaar number.

Engaging business correspondents (BCs): In January 2006, RBI allowed banks to appoint business facilitators (BFs) and BC's as intermediaries for providing financial and banking services. The BC model agreed to banks to present doorstep delivery of services, particularly cash in-cash out transactions, to deal with the last-mile crisis. The list of qualified individuals that can be engaged as BCs is being widened from time to time. With effect starting from September 2010, for-profit companies have also been permitted to be kept as BCs. India map of Financial Inclusion by means of MIX provides more insights on this.

#### (a) Increasing Reach

### INFORMATION AND COMMUNICATION TECHNOLOGY IN BANKING:

- a. Micro ATMs
- b. Biometric ATMs
- c. Mobile Banking Model
- d. Smart Cards
- e. Aadhaar Project
- f. Tie-up with Post Offices
- g. E-Seva Centers
- h. T-Banking

#### Financial Inclusion Plan 2013-16

In order to continue with the process of ensuring access to banking services to the rejected, banks have currently been advised to draw up a fresh 3 year Financial Inclusion Plan for the period 2013-16. Banks have in addition been advised that the FIPs prepared by them are disaggregated and percolated down up to the branch stage. The disaggregation of the plans is being made with a view to ensure involvement of bank staff across the chain of command, in the FI attempts and also to guarantee uniformity in the reporting structure under the Financial Inclusion Plan. The spotlight is also now more on the capacity of transactions in new accounts opened as a part of the financial inclusion drive.

Our past experience and FIP review meetings with the banks have highlighted that if the dream of universal and a meaningful financial inclusion has to be turned into authenticity, then going presumptuous, there is need to focus on the following issues:

- ❖ Ensuring exposure of the entire unbanked villages in next 3 years
- ❖ Emphasis on increasing rural branches

- ❖ Opening of bank accounts for all eligible entity

- ❖ Stabilizing the BC delivery model
- ❖ Supporting innovations in remittances model
- ❖ Reconsidering of Cash Management for BC functions

**(b) Increasing transactions**

- ❖ Leveraging on DBT
- ❖ Freedom of credit products through BCs
- ❖ Hassle free Emergency credit (integral OD)

**(c) HR Structure**

- ❖ Banks to reconsider HR guidelines in vision of FI requirements
- ❖ Examining employing of a separate cadre of staff for cost optimization

**(d) Fine-tuning the BC Model**

**2. RESEARCH METHODOLOGY:**

Research design used to carry out this study is **descriptive research cum explorative research**. The study will be done on the basis of secondary data for the period of 10-15 years i.e. (2000-2014). Primary data were collected through questionnaires filled by the respondents. Secondary data were collected from various sources like annual report of Reserve Bank of India, journals and research papers.

**3. REVIEW OF LITERATURE**

Many studies have already been conducted on financial inclusion and a wide spectrum of results has been generated. But only a few researchers have been done on the theme of financial inclusion and role of ICT in that. Those who have done some research work in this regard could cover only a few aspects of financial inclusion. A brief view of these studies has been given in the following paragraphs.

Social exclusion of low income families which results in the barriers of illiteracy, inhibition and poor physical access; it limits awareness, ability to overcome prejudice about their bank-worthiness and enhances the transaction costs incurred by them in using the financial services available in the country. KUMAR (2014). *EMPLOYEE'S ATTITUDE TOWARDS ADOPTION OF IT-BASED BANKING SERVICES: A CASE OF INDIAN PRIVATE SECTOR BANKS*" revealed that IT has led to increased customer satisfaction, improved operational efficiency, reduced transaction time, and gives the bank a competitive edge in reducing the running cost by quick responses in delivery of services. KRISHNA MURARI, BINDIYA TATER,

**5. ANALYSIS & INTERPRETATIONS**

**FACTOR ANALYSIS**

**STATEMENT: 1**

**Kaiser-Meyer-Olkin Measure of Sampling Adequacy -**

This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum.

**(e) Spreading Financial Literacy**

- ❖ Executing National Strategy for Financial Education
- ❖ Creating devoted Website- Inclusion in School national curriculum
- ❖ Organizing Financial Literacy Camps

**Convenience sampling** was used. For the analysis of sample Factor analysis techniques were used. There were also some missing frequencies in the data which was due to the question in which we asked "If they have a bank account or not". Some respondents don't have a bank account and their responses were not calculated after that. And their responses are calculated as MISSING frequencies in the study.

(2014). Whereas while in the study of *"DRIVERS OF CUSTOMERS' SWITCHING BEHAVIOUR IN INDIAN BANKING INDUSTRY"*, results reported that price, reputation, responses to service failure, customer satisfaction, service quality, service products, competition, customer commitment and involuntary switching have their significant effect on customers' switching behaviour. Further in the study of *"FINANCIAL INCLUSION AND ITS DETERMINANTS: EVIDENCE FROM INDIA"*, reveal the importance of a region's socio-economic and environmental setup in shaping banking habit of masses. Using test for convergence it is found that regions tend to maintain their respective level of banking activity, with no support for closing gap. Nitin Kumar, (2013)

**4. OBJECTIVES OF THE STUDY:-**

1. The basic objective of the study is to examine the extent of financial inclusion in India.
2. To find out how E-banking helps in financial inclusion.

**5.1.1 KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.881
Bartlett's Test of Sphericity	Approx. Chi-Square	535.107
	Df	55
	Sig.	.000

## 5.1.2 Rotated Component Matrix

	Component	
	1	2
Your Satisfaction level of banking services provided to you by your bank: [24*7 customer services]	.190	.772
Your Satisfaction level of banking services provided to you by your bank: [Updated technology regularly for Internet banking]	.415	.639
[Web page loaded quickly on bank's site]	.698	.302
[Bank's web site perform the right service at right time]	.762	.178
[Bank site provides financial security and confidentially]	.791	.260
[Rely on the bank for not misusing your personal information]	.638	.446
[Web page does not freeze after you have put in all your information]	.694	.363
[Provides a confirmation of the services ordered properly]	.280	.796
[Provides a easy options for cancelling the transactions in case of you have any problem]	.191	.804
[Internet banking sites help to manage banking activities more efficiently]	.673	.274
[Internet banking website is visually appealing]	.694	.103

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

In the Rotated component matrix 2 Factors have been identified as their values is more than .500.

**1. Component are identified as:**

- Web page loaded quickly on bank's site
- Bank's web site perform the right service at right time
- Bank site provides financial security and confidentially

- Rely on the bank for not misusing your personal information
- Web page does not freeze after you have put in all your information
- Internet banking sites help to manage banking activities more efficiently
- Internet banking website is visually appealing.

These components defines that ICT is necessary and it's a major component in the study.

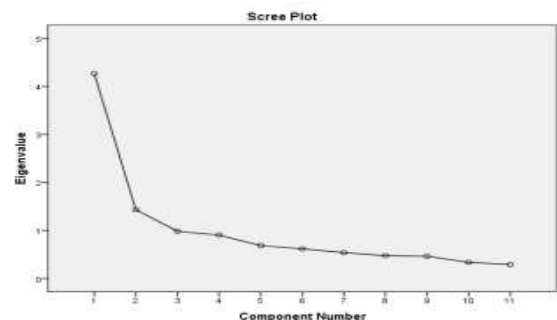
**2. Second component is identified as:**

- 24\*7 customer services
- Updated technology regularly for Internet banking
- Provides a easy options for cancelling the transactions in case of you have any problem
- Provides a confirmation of the services ordered properly.

These components define the **Basic services** provided by the banks.

**5.1.3 SCREE PLOT**

The scree plot graphs the Eigen value against the factor number. You can see these values in the first two columns of the table immediately above. From the third factor on, you can see that the line is almost flat, meaning the each successive factor is accounting for smaller and smaller amounts of the total variance.



**STATEMENT: 2**

**5.2.1 KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.820
Bartlett's Test of Sphericity	Approx. Chi-Square	327.460
	Df	55
	Sig.	.000

**Kaiser-Meyer-Olkin Measure of Sampling Adequacy -**

This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum.

**5.2.2 ROTATED COMPONENT MATRIX**

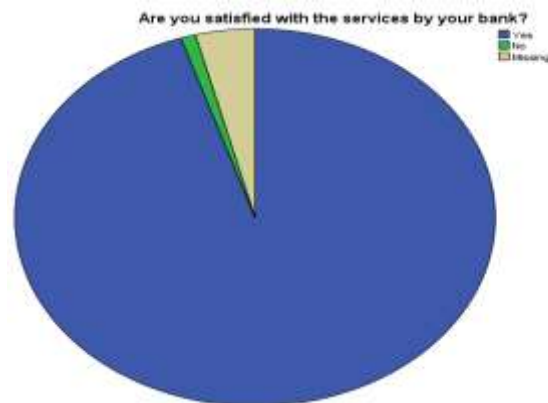
	Component	
	1	2
Do you think ICT (information and communication technology) in banks in India has improved: [Customer services]	.701	.152
Do you think ICT (information and communication technology) in banks in India has improved: [Facilitated accurate records]	.556	.341
Do you think ICT (information and communication technology) in banks in India has improved: [Provides for home and office banking services]	.696	.243
Do you think ICT (information and communication technology) in banks in India has improved: [Ensures convenient business hour]	.745	.039
Do you think ICT (information and communication technology) in banks in India has improved: [Promote and fair attention of banking services]	.693	.222
Do you think ICT (information and communication technology) in banks in India has improved: [Enhance faster services]	.763	.065
Do you think ICT (information and communication technology) in banks in India has improved: [Reduce waiting time]	.675	.210
In your opinion financial services means: [Easy accessibility to loans]	.216	.541
In your opinion financial services means: [Timely service delivery]	.039	.855
In your opinion financial services means: [quick response to customer complaints]	.131	.822
In your opinion financial services means: [Insurance services]	.351	.400

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.  
Rotation converged in 3 iterations.

In the Rotated component matrix 2 Factors have been identified they are identified as the values more than .500.

- Component are identified as:** Do you think ICT (information and communication technology) in banks in India has improved:
  - Customer services
  - Facilitated accurate records
  - Provides for home and office banking services
  - Ensures convenient business banking services
  - Enhance faster services
  - Reduce waiting time
  - Promote and fair attention of banking services.

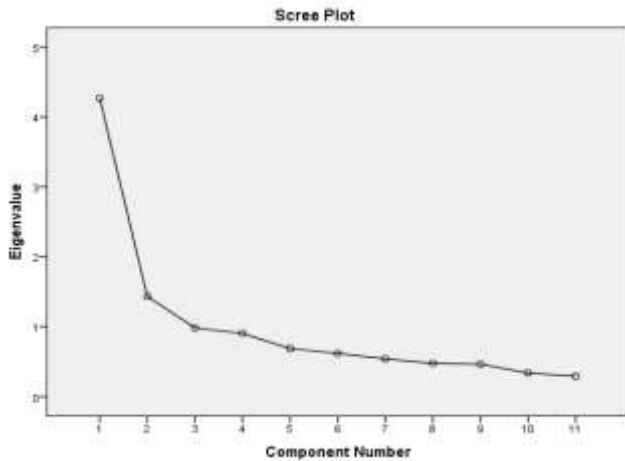
The component describe as the ICT in India has changed and improved and the variables described.



- Components are identified as:** In your opinion financial services means
  - Easy accessibility to loans
  - Timely service delivery
  - Quick response to customer complaints.

The component described as according to the respondent's financial services means the components like easy accessibility to Loans, Timely service delivery and quick response of complaints.

Fig. shows that 95 of the respondents are satisfied with the services provided by their bank and only 1 doesn't.



### 5.2.3 SCREE PLOT

The scree plot graphs the Eigen value against the factor number. You can see these values in the first two columns of the table immediately above. From the third factor on, you can see that the line is almost flat, meaning the each successive factor is accounting for smaller and smaller amounts of the total variance.

## 6. CONCLUSIONS & SUGGESTIONS

While analysing the satisfaction level of respondents towards services provided by their banks & their opinion about information communication technology improved the banking scenario it is found that many of the people are aware about the no-frill account and use of information and communication technology use by the bank but most of the peoples are afraid of using this technology due to some fear or hacking of accounts. They have debit and credit cards but they don't use this for online shopping and any online transaction. They only use their debit and credit card for only for the withdrawal of money from ATM. An overwhelming majority of rural India, and a significant portion of urban India, do not avail of financial services

provided by banks. While availing of any service is a matter

### 5.3. SATISFACTION ANALYSIS

**Table 5.3.1. Satisfaction with the services provided by your bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	95	95.0	99.0	99.0
Valid No	1	1.0	1.0	100.0
Total	96	96.0	100.0	
Missing System	4	4.0		
Total	100	100.0		

of choice in a market economy, it is mandatory for society to allow access to all services for the entire population. Most of the peoples are aware of the benefits of the various basic financial services; few are able to take part of them because the modes of these services are delivered in India. The transaction costs of availing financial services are simply too large for them. Once the transaction costs are brought down to a minimum, the distribution of these services can then be determined by the pricing of such services.

On the contrary side ICT play a very important role in banking sector and can improve the standard of living of persons but there is a need of so much improvement in this technology so the people who are afraid of using this technology use this technology without any fear. For this banking sector use more security measures for protecting their customers from hackers and any unwanted attack.

### BIBLIOGRAPHY

- 1 A. Rajmani Singha , Financial Inclusion for Inclusive Growth, 2013
- 2 [Krishna Murari](#) , [Bindiya Tater](#) , (2014) "*Employee's attitude towards adoption of IT-based banking services: A case of Indian private sector banks*", Competitiveness Review, Vol. 24 Iss: 2, pp.107 – 118
- 3 Kurt Mettenleim (2013), *New perspective in banking and agenda for financial inclusion* , Representatives of the Swift Institute, the Ash

- Center for Democratic Governance and Innovation, the Center for Business and Government, pp 5-30.*
- 8 [www.emeraldinsight.com](http://www.emeraldinsight.com)
- 9 [www.rbi.org](http://www.rbi.org)
- 4 Nitin Kumar, (2013) "**Financial inclusion and its determinants: evidence from India**", Journal of Financial Economic Policy, Vol. 5 Iss: 1, pp.4 – 19
- 5 Sameer Kochhar ,Financial inclusion, Academic foundation, 2009
- 6 [Vishal Vyas](#) , [Sonika Raitani](#) , (2014) "**Drivers of customers' switching behaviour in Indian banking industry**", International Journal of Bank Marketing, Vol. 32 Iss: 4, pp.321 – 342
- 7 [www.centerforfinancialinclusion.org](http://www.centerforfinancialinclusion.org)
- 10 [gssonko@bou.or.ug](mailto:gssonko@bou.or.ug).