CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter gives theoretical underpinnings and enables the researcher to identify the research gap and understand the depth of the theme at hand. The existing research work done at national and international level have been reviewed in detail, which helps the researcher with quick picture of the research area, and for further investigation of the study.

Haseen Shaik (2015) studied on “Recent measures of RBI on financial inclusion plan of banks” towards inclusive banking for better prospect of the economy. The nature of the approach adopted in this study is descriptive in nature. Since higher commercialization is happening in agriculture sector of rural area, there is more possibility of higher income and savings for the households. Technology is more sustainable and offer multiple products and services at ease with a low-cost.

Business Correspondent (BC) model provides a lesser cost channel and delivers the services without the infrastructure cost of the branch. However, it is hindered by poor security, lack of internet, time consuming manual process, long process for operations and lack of scale. The study suggests that supplementing the Business Correspondent (BC) model with technology can improve the outreach of financial inclusion to a greater extent.

Purvi and Medha (2015) have focused on “Review paper on financial inclusion: the means of inclusive growth”. The origin of financial inclusion can be tracked to the initiatives of United Nations, which largely explains inclusion that
refers to access to various kinds of financial services to all households at a reasonable cost. The study reviews various research papers and highlights how a greater financial outreach will have an impact on economy of a country.

Lokeshwara and Tulasi Rao (2015) have analyzed “The steering role of banks in financial inclusion”. The government has introduced various policies, schemes and initiatives through formal financial institutions to afford financial services. The study opined that recent action by Reserve bank of India (RBI) to grant authorization to open small finance banks, in the rural and semi urban will definitely have an outreach of banking services. The study highlights the benefits enjoyed by banks towards financial inclusion. The research recommends financial inclusion should be approached as a strategy supported by various determining factors like technology, financial education, counseling and society. It also adds that if this approach is executed properly in each and every village the standard of living will improve and the national economy will prosper.

Selvakumar et al. (2015) had undertaken a study on “Rural perspective towards financial inclusion”. The study was focused to know the perception of the rural customers towards financial services provided by various banks in Sivakasi. Monthly income of the customers and interest towards financial services was found to significantly associated. Based on the preference by customers on bank products or services, bank account ranks first, followed by financial education and small personal loan. The study concludes that customers have moderate knowledge in banking products, bank account features and other financial services.

Caroline and Kavitha (2015) have studied on the “Banking penetration of financial inclusion in Tamilnadu”. The primary aim of the study was to recognize the trend of banking penetration and to study the growth rate of financial inclusion in TamilNadu. Descriptive research design and secondary data method was used for collecting data for a period of 9 years. Banks such as, all state bank
group, nationalized banks, other public sector banks, private sector banks, regional rural banks and private banks which reported to state level bankers committee of Tamilnadu are included. Convenience method of non-probability sampling was used for the study. Statistical tools like ratio analysis and compound annual growth rate were deployed for the study. The study is concluded based on the results that financial inclusion in TamilNadu has penetrated to the vast section of the population.

Tamilarasu (2014) studied the “Role of banking sector on financial inclusion development in India”. The study has analyzed that households with meager income often have minimum access to banking services and has to spend multiple visits to banks for openings, deposits, availing a loan or using a financial product from the bank. Many of the banks are using various technologies in catering banking services to the rural area, but many of the customers are unaware of the entire financial products offered by the banks. The study suggests ensuring proper banking awareness will lead to inclusive banking.

Sonu Garg and Parul Agarwal (2014) focused on “Financial inclusion in India – a review of initiatives and achievements”. The main objective of the study was to identify the approaches embraced by different Indian banks for realizing the mission of financial inclusion. The study has analyzed the progress of financial inclusion of the past years performance. Product based approach, bank led approach, regulatory approach, technology based approach, knowledge based approach, are the various approaches embraced by the government in order to push financial inclusion to next level. The study makes a strong suggestion that availability of banking services to the unbanked population in tier 3-6 cities, needed to be addressed seriously.

Sumi Goswami (2014) studied on “The Role of public sector banks in financial inclusion: An analytical study”. The slew of economic reforms made in the banking industry has played an enormous role in the growth of Indian
economy. During the recent years, Reserve bank of India (RBI) has given more priority to financial inclusion. The study indicates that 90 percent of the public sector banks played a focal role in financial inclusion. The study concludes that, more efforts to be taken to reach 100 percent inclusive growth in all states of India.

Gudipati (2014) examined on the “Role of Indian banks for financial inclusion” by exploring the geographical distribution of Indian banks. RBI has opened the No frill account, a basic savings account for low income and poor people in 2005 to improve financial inclusion. Penetration of bank branches increased to the villages with a population of 2000. Due to this, millions of No frill account was opened. Later this account is redesigned as ‘Basic Savings Bank Deposit Account’ (BSBDA). Nearly half of the bank account was found nonfunctioning. The technology was not interoperable, explaining that customers can do transactions only one bank. Results directs that commercial banks have not benefitted from this scheme as deposits of this bank account was found to be low nor the banks earned any revenues from any larger volume of transactions. Business Correspondent companies manage the intermediaries who provide the banking services in unbanked area of population in rural area. Since Business Correspondent companies underwent losses it has to scale down operations and Business Correspondent (BC) agents have to quit performing this task due to low commission and salary received.

In a similar way, Shaik Saleem and Srinivasa reddy (2014) studied on “Kisan Credit Card- Measure for Agricultural development” have stressed the importance of rural development as this will enhance the growth of agriculture output, improve employability, health, education of people living in rural areas. Agriculture is the mainstay of our country and closely 60 percent of our population depends on agriculture for their livelihood. The study has attempted to find the progress, growth and status of the Kisan Credit Card (KCC) Scheme in India. Geometric mean and Correlation analysis was deployed to examine the data collected. The findings indicate that the progress of Kisan Credit Scheme is good,
and the growth rate of 22.2 percent for the cards issued, and 33.08 percent of total credit sanctioned. It is observed from the study that there found to be strong correlation between credits given through Kisan Credit Card (KCC) and allied activities like Gross Domestic Product (GDP), agriculture credit and bank credit by scheduled commercial banks, and Total Gross Domestic Product.

Radhika Dixit and Munmun Gosh (2013) examined “Financial inclusion for inclusive growth of India- A study of Indian states” to understand the growth, significance, and need to reach financial inclusion in the Indian states. The study has used metrics like GDP per capita, literacy rate, unemployment rate, and index of financial inclusion on some of the states in India. Findings of the study reveals that Kerala, Maharashtra and Karnataka accounts for greater rate of financial inclusion, whereas states like Gujarat, Manipur, Assam, Bihar, Uttar Pradesh and Madhya Pradesh scores very low on the rate of financial inclusion. Expanding geography and demographic outreach poses a great challenge even though a lot of initiatives and mechanisms are in progress. The study concludes that financial literacy and awareness of banking facilities, products are a major threat in usage of banking services.

Neha and Pawan kumar (2013) have studied “the Current situation of financial inclusion in India and its future visions”. The main purpose of the study is to evaluate the present scenario of financial inclusion. The methodology of the study is descriptive in nature and data collected from several reports like annual reports of Reserve bank of India (RBI) and various other sources. Based on the information’s collected, the study validates the policy and initiatives taken by the RBI. The results show that adequate provisions must be provided in the business model through adoption of new technology that helps the poor to access banking services.

Satya and Rupayan Pal (2013) focused on “Measuring financial inclusion: An Axiomatic approach” can be applied to measure the extent of
financial inclusion. A conceptual framework model is developed for aggregating data on financial services in different dimension. The study also helps to ascertain the measurements that are more or less vulnerable to inclusion and thereby can be isolated in order to attract the policy makers. The study also explains the index using cross country and national level data.

Parmevasan and Ganesh (2013) studied on “Overview of financial inclusion in India” and witnessed that financial inclusion is a new concept which provides different ways to improve the financial behavior of the rural people. The study further tries to discourse the overview of financial inclusion. The result of the study shows that literacy is a prerequisite for promoting financial inclusion and branch density in a state also evaluate the opportunity for improving financial inclusion.

Meenakshi Choudry (2013) in her work on “A detailed study of microfinance as a tool for tribal transformation in areas of Madhya Pradesh” analyzes the various issues that have been unnoticed through the institution of microfinance. The study attempts to examine the role of Micro finance institutions and Self-help groups in the scheduled tribe area of Madhya Pradesh. The study finds that rural credit and other services provided by the Micro finance Institutions will help in poverty alleviation.

Krishna and Vijaya Kumar (2013) studied the “Effectiveness of financial inclusion products”. The study has made an attempt to identify the steps taken by the selected bank branches with in Pondicherry state towards financial inclusion. The primary objective of the study was to understand the different methods by banks and customers response towards those approaches as part of the financial inclusion program. Descriptive research and Judgmental sampling was employed. The findings of the study prove that nearly 50 percent of the banks have started instigating the various schemes of financial inclusion in rural areas with the population above 2000. Middle class families are a major customer to the banks.
There is a significant potential for the banks to tap its business as the middle class category do a lot of savings will definitely attract more deposits. The results also proves that lower population of the rural area are not using the banking services as it is difficult to maintain maximum balance of Rs. 50,000 in the account in a year. In comparison of labor category with self-employed, self-employed people are found to be using the most of the banking services than the other category.

Ashima Thapar (2013) attempted “A study on the effectiveness of financial program in India” to find out the initiatives taken by selected bank branches in Ludhiana district of Punjab towards financial inclusion program. The study attempts to find the strategies accepted by banks and customers feedback in the direction of those approaches. Findings of the study show that banks are complying with RBI regulations by opening bank branches within at least 2000 population and providing various financial services and products towards financial inclusion program. But a lot more efforts should be undertaken to accomplish the goal of financial inclusion.

Anupama and Sumita (2013) examined “An analytical study: relevance of financial inclusion for developing Nations”. They emphasized the importance of financial inclusion in firming up our economy. The study has analyzed the facts from the report of RBI, books and articles on financial inclusion. From the results it is found that the financial inclusion essays a critical role in poverty alleviation, improving savings habit, influencing the economy and social development of a country.

Srikanth (2013) has analyzed on “A study on financial inclusion: Role of Indian banks”. In order to reach the rural area in many of the developing countries, a large part of the population especially low-income people have very little access to banking. They are depending on informal sources such as money lenders and others at a higher cost of borrowing. The study concludes that the situation is worst in the case of least developed countries.
Minati Sahoo (2013) has done a comparative study on “Mahatma Gandhi National Rural Employment and Guarantee Act (MGNREGA) and financial inclusion by means of Inter district analysis in Odisha”. Odisha is very low in financial inclusion as the index reveals it has a financial inclusion value of 0.2 and is at 15th rank among the other 23 states. In 2008, the government of India has introduced the Mahatma Gandhi National Rural Employment Guarantee Act, (MGNREGA) through which wage payments are made for the entire rural public program, in order to quicken the speed of financial inclusion. The study undertaken has surveyed how the scheme of MGNREGA, is acting as a tool to promote financial inclusion where the wage payments enrooted through banks and post offices.

Further the main aim of the study is to identifying the problems that are encountered while banks and post offices are used as medium to hasten the pace of financial inclusion and to provide solutions to the problems faced. Although this scheme is novel, cost effective to promote transparency in wage disbursement there are some bottle necks in executing this mission. A delay in wage payments is one of the most difficult problems in executing this mission. Misappropriation of money from the account holders is also seen as other major difficulty to restore transparency. The study concludes that everyone has to come together like banks, beneficiaries, and regulators to promote financial inclusion to next level and to be very effective.

Padhy et al. (2013) studied on “Customer satisfaction and service gaps in selected private, public and foreign banks”, the use of technology in banking sector and its impact on perceived service quality. The study explains the major quality improvements taken by the banks. Two models such as SERVQUAL (Service Quality) and Crosby’s total quality training program has been implemented. Upon implementation of both the model there has been significant improvement in staff attitude and both the banks are able to find a difference in the service quality with the support of SERVQUAL model.
Beloglavec and Pisnik (2013) has analyzed on “Is Customer satisfaction with services a solid ground for Loyalty in banking business?” the long term cooperation with customers by means of loyalty and customer satisfaction in banking sector. Hypothesis was developed based on the objective of the study. Based on the results it is evident that trust, nearness, courtesy, and kindness of bank staff played a huge impact on customer satisfaction with banking services in Slovenia.

Savita Shankar (2013) has observed “Financial Inclusion in India: Do Micro finance institutions address access barriers?” is one of the important objectives of most developing countries. The main purpose of the study is to identify whether micro finance institutions breaks down the barriers of financial access in India. Nearly about 103 micro financial institution field officers were interviewed. Firstly the penetration of the micro financial institution in the country was skewed and ignores some of the areas that are financially excluded. The result of the study finds that even though the MFI breaks down the barriers, the disadvantage is that it cannot reach to unbanked population. The study suggests that more flexible and easy operating models should be afforded and adopted for providing better financial services.

Gupta and Dev (2012) probed on “Client satisfaction in Indian banks: an empirical study” by means of using a regression analysis statistical tool. Factors influencing satisfaction are Service quality, ambience or hygiene, client participation or involvement, accessibility and financial. It was found that service quality and ambience or hygiene is the most significant factors that are affecting customer satisfaction. Thus, the result of the study helps in managerial implications to improve the banking services to enhance the overall satisfaction in retail banking in India. It assists the banks to adopt new strategies to hold the prevailing customers and entice new customers.
Nitin Kumar (2013) studied on “Current situation of financial inclusion in India and its future visions” that provides empirical analysis which has been carried out in 29 major states from 1995 to 2008. The methodology of the study included panel fixed effects and dynamic panel generalized methods of moments (GMM) to identify the key determinants of financial inclusion. The findings of the study shows that supply side of the banking services improves banking activity. The study finds that socio economic factor and environment of a region are very crucial in improving the banking habit of the people.

Esmailpouri et al. (2012) has studied “Influence of Service Quality on Customer Satisfaction: Customers of Boushehr Bank Sepah as a Case Study”. The results of the study explain that employee behavior of the banking staff towards its customers was very important in increasing the quality of bank services. Reliability and innovation are the other factors in impacting the service quality on customer satisfaction.

Navjot, Javed and Harry (2012) explored on “Barriers to finance experienced by female owner or managers of marginal farms in India”. The study used the survey approach carried out with 48 marginal farmers and 15 bank managers in Punjab, India. The findings emerged indicates that relationship of female owner or managers with their banks was affected by the male gender domination in the banking sector. The rejection of the loan application for female owner or managers of marginal farms was considerably higher than male applicants. In a similar manner the request for collateral or referral letters was also found to be higher as compared to the male counterparts. The practical implications advocates that policy makers and government agencies should come together for developing more support initiatives for the marginal farmers especially for the general and female owner or managers in the Punjab region of India.
Anjum and Rajeshtiwari (2012) studied on “Role of private sector banks for financial inclusion” have assessed the geographical outreach of private sector banks in India and its impact on financial inclusion. The study assesses the correlation of number of private bank branches and ratio development expenditure of states to Gross state domestic product. The real challenge of opened account was the operational issue. By the advice of government of India, banks were guided to provide a small dose of overdraft in bank accounts. Results of the study conclude that private sector banks have started extending their bank branches in semi urban and rural areas. Private sector banks adoption of new technology will have a fast outreach of financial inclusion in an unbanked area of population.

Peter Tobbin (2012) has examined “Towards a model of adoption in mobile banking by the unbanked: a qualitative study” on mobile technology in the unbanked area of rural population. The study is a qualitative research. In this study the researcher states that the number of bank account across the world is very much less than the number of mobile phone users. The study makes a modest attempt in exploring the factors influencing the rural unbanked population in terms of acceptance of mobile banking.

Results of the study proves that perceived usefulness and ease of use from technology acceptance, socio economic factors, trust are the key determinants in influencing the unbanked population in to adopt and start to use mobile banking services for savings and loan. The study opines that trials and demonstrations of the mobile technology will educate the consumers faster, thereby leading them to master the technology in mobile banking as it is the need of the hour.

Sania Mahmood (2011) has done an initial exploratory study on “Microfinance and women entrepreneurs in Pakistan” to evaluate the input of microfinance on women entrepreneurship and empowerment in the Punjab state of Pakistan. Semi-structured questionnaires are used as part of the research design.
Respondents are mainly women borrowers. The funds are provided by the two microfinance institutions in Pakistan. Outcome of the study prove that 62 percent of the respondents incepted their business from the loan money provided from the micro finance and other 38 percent did not avail loan from micro finance institutions. The study highlighted that lack of teaching by micro finance institutions (MFI) is also a major reason for less numbers of women borrowers from MFI.

Mahalakshmi and Saravanaraj (2011), in their study on “Empirical Study on customer’s satisfaction towards banking services in Trichy” have evaluated the factors that can influence on customer satisfaction towards the banking services. By using statistical tools, the results shows that the selection of a bank by a customer was made on Reputation of the bank (1), Promotion and Attributes of bank (2), Value added services (3) Branch reputation (4) and Schemes (5) respectively. The independent variables that are used for the selection of bank are number of counters, procedural formalities, and collateral securities and approaches of the bank employee towards customers. Thus this study provides a scope for future research in measuring service quality in various contexts.

Shiralshetti and Bagewadi (2011) investigated on “Banking services and customer satisfaction: A study on banks in Belgaum district, Karnataka”. The main objective of the study is to measure the satisfaction level and types of new banking services rendered to customers. Determinants that are influencing the bank customers included convenience of the customer, cost factor, facility rendered to customers, and other general factors. The study suggested that the customer’s expectation and actual services should be continuously monitored to measure the customer satisfaction. It was found that banks are lagging behind in newly modern customized product like Real time gross scheme (RTGS), mobile banking and internet banking services.
Saibal Gosh (2011) in his study on “Does financial outreach engender economic growth: Evidence from Indian states”, identified whether economic growth is affected by financial outreach by studying the 14 major Indian states during the year 1973-2004. The study has employed a unique approach of advanced panel regression techniques to examine whether economic growth of the state is affected by financial outreach. The finding of the study suggests that any increase in demographic outreach by 10 percent raises the per capita growth of the state by 0.3 percent. However the increase is very minimum in the case of geographic outreach. Results from the analysis also indicate that states with higher manufacturing share tend to grow slower. Infrastructure and quality of the state level institutions are the major cause for significant growth.

Suresh Chandra (2011) in his research on “Financial inclusion the key to emerging India” has found that the success of the financial inclusion should be measured by not only opening the account but actually by the real usage and operation and quality of the opened No-frill accounts. The study has further added that the first step to achieve 100 percent of financial inclusion is by creating awareness of the drive and providing financial literacy among the rural people.

Anurag and Saha (2010) have observed in his study on “Financial inclusion in karnataka: A study of Operationalization of No Frill accounts” that No-frill accounts are just the beginning of financial inclusion. There should be many more steps to improve the literacy of the rural people. The study further suggests that Operationalization Index (OI) can be a useful aid in measuring the various activities under financial inclusion.

Praveet Kumar and Arindham (2011) “Measurement of allocative efficiency in agriculture and its determinants: Evidence from rural West Bengal, India”, have observed in his study through inter village analysis that, some surveyed villages performed well than the financially excluded network. The study
further explains that customer’s poor awareness of banking products and services considerably affect the accessibility of basic financial services.

Ambigadevi et al. (2012) studied on “Social Inclusion through financial Inclusion: An Empirical study on SHG women in India” has concluded that the empowerment of women had increased after attaining membership in Self Help Group (SHG) over a period of time. Micro finance can prove to be one of the best mechanisms in empowering women in various aspects and that if steps are properly taken it could pave the way for not only income generation but also for grooming the personality development of women.

Vighneswara (2011) focused on “Financial inclusion in India: An Evaluation of the coverage, progress and trends” has observed that the rate of financial inclusion is found to be very low and nearly about 40 percent of the account holders do not do any transactions, even once in a month. The study has further highlighted that in India only 34 percent of the people have involved in formal banking system and nearly about 135 million people are financially excluded from the financial system and it is second highest after china in terms of financially exclusion.

Sirisha and Maldari (2011) investigated on “Kisan Credit Card: A vehicle for financial inclusion”. The main aim of the study is to evaluate the progress of Kisan credit card scheme in India. Due to cumbersome process in agriculture farmers depend on non-institutional credit because of non-availability of credit and unnecessary delays. The result of the study indicated that the commercial banks have performed well than the other banking agencies in terms of issuing KCCs due to the reason of easiness to draw cash, access to enough credit with in the time and good customer relationship by the bank. Cooperative banks and regional rural banks couldn’t do a better performance due to their financial position, and lack of infrastructure facilities are acting as a hurdle in providing credit facilities to the small or marginal farmers.
Sadhan Kumar (2011) studied on “Financial inclusion in India: A Case study of West Bengal” has found, Maharashtra leads in the index of financial inclusion with the highest value followed by Karnataka. The study has witnessed that there has been a significant enhancement in the outreach activity of banking sector. The study suggests that not only supply side but also the demand side is also correspondingly responsible for the financial exclusion and there is an urgency to resolve these issues by adopting suitable policies.

Dupas and Robinson (2010) focused on “Savings constraints and microenterprise development: Evidence from a field experiment in Kenya” to test whether savings limit prevents the self-employed from increasing the size of their business. The study finds that accessibility of low cost savings account helps the micro enterprises in Kenya to increase their savings, investment and maintain their expenditure for women but not for men. The results further indicate that there is a savings constraint among daily wage people, and by operating low cost savings account, it enabled the women entrepreneurs to cope up with any health shocks.

Kathy Hamilton (2009) in his study on “Low income families: experiences and responses to financial exclusion” focused on low income families who are socially excluded from the population. The study explored the experiences of the low income families who are under social deprivation. The findings of the study present a positive outlook for the excluded people can be empowered through employment of adopting appropriate management strategies. Further the study brings in to limelight social exclusion can provide a useful perspective to investigate exclusion in relation to consumerism.

Boswell and Canon (2009) studied on “Introduction to nursing research: incorporating evidence-based practice” and unveiled the importance of literature review. It is very much needed to judge research question and to provide the latest research materials for gaining research insight. It also helps to know the problem of the study through the research gap identified.
Binith et al. (2009) analyzed “Business correspondent model: A preliminary exploration”. The study perceived that branchless banking in some situations work reasonably well for No frill accounts. Providing savings product is alone is merely not a viable approach of the bank.

Mark Hudson (2008) analyzed “Norms and values of the various microfinance institutions”. It is found that the private sector tend to produce the operating rules of microfinance system and the decision making process are likely to effect the ethical norms in the sector.

Mandira Sarma (2008) explored on “Index of Financial Inclusion” to measure the extent of financial inclusion in various countries by proposing an Index of financial inclusion. The Index of financial inclusion measures the various dimensions of financial inclusion in one single digit ranging between 0 and 1, Where 0 denotes complete financial exclusion and 1 indicates complete financial inclusion. The results indicate that many industrial economies across the world have very low level of financial inclusion.

Agrawal (2008) in his study on “The need for financial inclusion with an Indian perspective” have observed that the barriers have become big both from the demand side and supply side. Demand factors are illiteracy, and unwillingness. Supply side barriers are difficult procedures, unsuitable products, staff attitude all these make the barriers a little wider.

Thyagarajan and Venkatesan, (2008) done a study on “Cost benefit and usage behavior analysis of No frill account”: A study report on Cuddalore District. The study highlighted that only 15 percent of the customers were functioning the bank account and the majority of the accounts were not operated even after a year of account opening. Lack of financial literacy and distance from bank branches are the reasons for non-operative accounts.
The outreach of financial services to an area is referred as breadth of financial services. Beck et al. (2006) has observed that breadth indicates the total number of people having access to financial services. Even though financial inclusion signifies a several range of financial services, the real measure of breadth of financial services indicates how many people have really access to a bank account. Many empirical studies reveal that growth rate of a small firm in a country is high due to greater financial outreach and they face less financial hindrance.

Mohan (2006) through his study states that an access to bank account will enable an individual from a poor household to perform better financial functions such as increase savings from his income, accessing credit, insurance, pensions, making loan or premium payment through the availability of bank account. The extension of banking services to the village and poor people have taken a hit due to lack of demand in the last decade.

Littlefield et al. (2006) in their study also confirms that access to bank account will determine the usage of financial services by the households.

Further studies across the world also suggest that level of income and occupation are the predominant determinants of access to credit, savings and thus brings significant evidence which shows that poor household’s majority of the source of borrowing is from informal sources. Peachy and Roe, (2006); United Nations (2006).

Duncan fuller et al. (2006) in their study examined “Consulting the community” the multi-dimensional nature of financial exclusions, the reasons and the need for those problems through a well guided financial inclusion policy and new initiatives and emphasize the need for “new models of affordable credit” must be developed and fixed in the local communities. The results of the study provides the reasons for the financial exclusion which include the lack of needs, wants or
desire that can be achieved by the suitable form of provision of the financial services to the excluded population.

Kempson (2006) focused in his study that many countries have been remitting payments to the people of various schemes through bank accounts. But has observed that such remittance to the people has resulted in non-usage of bank account by the account holders as they only just withdraw the money from the account. Psychological and cultural barriers inhibit people from using banks. People in the rural households have a wrong misconception that banks are meant for only literate and richer individuals. This reason seems to be an important cause for exclusion. A traditional banking transaction happens at brick and mortal method of banking branches. But more use of banks could take place if door step banking is provided to the people especially to the rural households and individuals where no bank branches are available at an affordable distance.

According to Peachy and Roe (2006) financial services provided by the banks have outreached to the majority of the population in developed countries however when compared with the developing countries accessibility of the financial services by the households have reached only 20 percent of the population. He has suggested that poor people require flexible financial products and services, and requirement of high minimum balance act as a barrier in opening a bank account.

Basu (2005 and 2006) has examined that in addition to the survey by rural finance access confirms that smaller farmers with less landholding are comparatively less benefited than the bigger landholdings. Informal lending is widely practiced by marginal farming households followed by small and commercial households which indicate that marginal farmers are denied of formal credit. He concludes through his survey that average time taken to issue a loan is as high as 33 weeks in commercial banks. Such time consuming process and hectic process makes it difficult for households to rely on informal finance.
Pande (2005) observed that all the households, rural, village and borrowers do not do any banking and are neglected by the banks unless compelled by the policy. The study argues that formal financial services will be provided to the deprived people only after banks were compelled by the government. Households, rural, village and poor borrowers were not bankable and are deserted by the banks unless compelled by the policy.

Indian banking industry has grown at a very fast pace. But still the banking service has not reached the low income and poor people. Steps should be taken, as financial inclusion can really improve the standards of the disadvantaged people. The banks have adopted many strategies to improve financial inclusion. One of the better strategies is to directly link with micro finance institutions and other local sources at a lower cost for a greater inclusive growth. So banks should innovate new business model that could serve as a viable business opportunity and a better corporate social responsibility (Leeladhar, 2005).

Many empirical studies in the past proved that there is a great link between financial depth and growth. Study conducted in the last decade lead to a conclusion that well operating banking system and inclusive financial system in a country will help to grow faster and achieve equitable growth among the community by Honohan (2004). Rajan and Zingales (2003) indicated a full-fledged and well-functioning financial system is a necessity for the progress of the economy.

Burgess, Robin and Kaboli, Fathi and Azizi (2003) have examined on “An analysis of customer’s satisfaction in Tejarat bank branches in Isfahan city” in the retail banking sector. The method of research was an applied research which has focused Isfahan bank customers as the population. After using statistical tools, the results indicated that physical service, service enrichment, facility receiving services affect customer satisfaction, but other factors like technical requirements and customer complaints does not distress customer satisfaction. Word of mouth
by the bank customers have found to be having a high correlation with customer satisfaction, which indicates that satisfied customers has a higher repurchase intention.

Li et al. (1998) argues in his study that reaching out the banking services to rural and poor people have decreased the inequality and increased the income of the people nearly about 80 percent. Increase in accessibility of finance shows a greater role in reducing the dissimilarity and hikes the income of the poor people. The study has explored that there is a direct linkage between financial depth, growth and poverty alleviation. It was found that greater the financial depths lower the inequality and increase in the income of the disadvantaged a people.

On the other side, a poor financial system will result in deterents’ of the growth, less savings, and will have an adverse impact on the poor households and entrepreneurs. New ideas and technology have born because of the great extent of financial services are needed for the low income and poor people (King and Levine, 1993).

2.2 RESEARCH GAP FROM THE EXISTING LITERATURE

The existing research work done at national and international level revealed that an access to formal financial system plays an imperative role in advancing inclusive growth, reducing inequality and overcoming poverty. Performing formal financial system will help all the society in a country to be inclusive.

There is substantial research done on financial inclusion across countries or regions and developed indicators to measure the financial inclusion. One of the initiatives taken by the Reserve bank of India to achieve the goal of financial inclusion was to provide a basic savings account to the low income and
financially excluded people. Most of the researches done in this area are based on the secondary data.

The empirical studies conducted have focused on limited dimension on the effective usage of banking services. In this research work, the researcher has made an endeavor to explore the new dimensions which enhances customer satisfaction and thereby influencing better usage of Basic Savings Bank Account (BSBDA), an initiative to fulfill the objective of financial inclusion.

2.3 SUMMARY

Thus the literature review studied in this chapter explains the Reserve bank of India’s comprehensive approach to financial inclusion which aims at 'connecting people' with the financial system, credit disbursement, and a wider range of services like Basic savings bank deposit account, access to payment systems and insurance etc. The biggest challenge encountered by the financial sector, and the government is to bring the excluded people within the inclusive segment, and to improve the banking pleasure to those who have already covered. However the review in this chapter explains that very limited study has been conducted to analyze the Utilization of the basic savings bank deposit account a scheme provided by the banks as part of the financial inclusion. Thus the present study tries to fill this research gap by investigating on the Utilization of the basic savings bank deposit account by conducting an empirical study among the rural customers in Coimbatore district of Tamilnadu in India.