ABSTRACT

Even though there is a widespread advancement of banking sector in the past years, a large section of the people especially the low income and underprivileged people who are dwelling in the rural areas are still outside the purview of formal financial system. In order to address this issue the Reserve bank of India had initiated the concept of financial inclusion which targeted at providing financial services at a reasonable cost to downtrodden and poor people in the society who are normally financially excluded. In spite of fast growth of banking industry post liberalization the banking service has yet to reach the low income and poor people.

Thus, the biggest challenge faced by the banking sector and the Reserve bank of India is to bring the financially excluded people within the inclusive segment. Further, bank customers who open their accounts seldom transact business and their frequency also shows a sad state of affairs. This question of “dormancy” usually troubles the banking service providers in India with reports claiming unusually high levels of dormancy. This has caused a major concern for effectiveness of financial inclusion in the long run. It is in this context, a sincere endeavor is made by the researcher to find the awareness, transactional usage
behavior and major determinants influencing the rural customers for effective utilization Basic Savings Bank Deposit Account (BSBDA).

In the process of accomplishing the research objectives, the researcher has applied factor analysis with thirty two variables which resulted in extracting six predominant factors. The researcher also used Confirmatory Factor Analysis to prove the conceptual model proposed with the theory. Structural Equation Modeling was deployed to determine the strength of the relationship among dependent variable Utilization of bank account and independent variable such as Literacy and Promotions, Savings and Borrowings, Bank Services, Bank Facilities, and Satisfaction.

The study observes from the analysis that, Savings and Borrowings, Literacy and Promotions had a significant impact on Customer Satisfaction and Overall Usage of BSBDA respectively. On analyzing the problems faced by customers of BSBDA the Henry Garrett ranking method was used to rank the problems. It has been suggested Illiteracy, Bank guidance and Motivation, Business Correspondent’s Service among the respondents in the rural area are found to be the foremost problem perceived by the customers of BSBDA. The result of the study reveals that the Awareness and Usage of Bank Services and Bank Facilities are very poor and these factors go hand in hand, among the Basic savings bank deposit account customers, since the information’s are asymmetrical.