Chapter – VI

Summary of Findings, Policy Implications and Conclusion
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SUMMARY OF FINDINGS, POLICY IMPLICATIONS
AND CONCLUSION

The present chapter presents the summary of findings of the study, appropriate suggestions for policy implications and conclusion based on the primary data results in the study area.

6.1 Findings of the Study

- It was found that SBY, MUDRA, JJBY prominent in the study area.
- From the study, it is found that nearly three-fourth of the respondents is less than 45 years and the rest are above 45 years
  - Of the total respondents 52% were male and 48% were female
  - Of the total respondents, 33.5% have less than four family members, 55% have four to eight members in family and the rest have eight to twelve family members
  - 94.5% of the respondents are having less than four earning members in their family and the rest have between four and eight
  - Hence, it is found that almost all categories of age group of respondents are spread over in the study area
  - More than half of respondents are having medium family size category
  - All respondents are found to be employed in whose families the number of family members employed has been less than 4. The research could find an equal participation of male and female in the study area
• 55.5% of the respondents have completed their schooling, 23.5% are not educated and the rest are possessing degrees and technical qualification

• Nearly one-fourth of the respondents have been found uneducated and still they involve themselves in the financial inclusion activities
  o Of the total respondents, 9% were employed in government sector and 13% were employed in private sector.
  o The self-employed and labourers constitute 78% of the occupational pattern of the study area
  o As many as 164 respondents are earning less than Rs.25,000 and only 18% of the respondents earn above Rs.25,000
  o Majority of the respondents’ family income fall in the less than Rs. 25000 category

• Of the total respondents, 89.5% have placed their savings in the study unit and the remaining in post office, co-operatives and private organizations
  o The prevalence of formal institution outweigh informal institution in the study area

• Of the total respondents, 89.5% have bank account in State Bank of India and the rest do not possess any bank account in State Bank of India
  o It reveals the fact that the study unit plays a pivotal role in attracting the people in the study area in opening a bank account

• Regarding the type of account maintained by the respondents in State Bank of India, 49% of the respondents maintain savings account alone, 47% maintain savings and loan account and the rest maintain savings, loan and other accounts like recurring and fixed deposits

• Of the total respondents, 80.5% have opened account mainly for savings purpose.
Nearly, 15% of them have a motive of getting loan, to have easy accessibility to bank and to cope up with the changing circumstances.

The remaining respondents have the motive of easy remittances and safe custody.

It is no doubt that the majority of the respondents have opened accounts with the main purpose of savings.

- Some have the intention of getting loan also. Only a minimum number of respondents from all categories open account for other purposes like remittances and facility, etc. Changing circumstances here means the willingness to simply open and have an account in their names.

- Nearly half of the respondents are aware of bank account due to the campaign of business correspondents which shows the commendable role played by the business correspondents in propagating financial inclusion and one-fifth is aware through the word-of-mouth from their friends and neighbours.

- The rest are able to know about opening of accounts from the information obtained from government offices like panchayat unions, employees of the bank, advertisements and the like.

- The nearness of the business correspondents to the respondents makes it easy for the latter to contact and know about information about bank and bank accounts from the former.

  - Hence, irrespective of education, the services of business correspondents are sought. By others it is meant, the respondents’ personal views about opening the account. Friends and neighbours also influence those respondents who are educated below 12th standard.
• Regarding frequency of savings, it is observed that, of the total respondents having bank account, 65% have the habit of saving once in a month and 20% save less than a month
  o 15% of the respondents opine that they have no savings and they are not in a position to save in their bank account
  o As 82% of the total respondents are earning less than Rs.25,000/-, they are in a state to lead their livelihood and not empowering themselves.
  o They have opened the bank account mainly to receive subsidy from the government or to obtain loan from the bank has self-employed and labourers constitute the major part of the occupational pattern of the study area.

• Reasons for Preferring Banks is estimated through Garret’s formula and from the formula it is driven that the responses of the respondents reveal ‘Low interest’ to be the prominent reason for preferring banks and ‘Zero balance’ to be the least prominent reason for preferring banks.

• Reasons for not having Bank Account in the study unit are:
  o 62% opine that they are demotivated with the complex procedures of the bank
  o 29% reveal that they do not have any permanent income to open a bank account in the study unit and the rest opine that their level of illiteracy makes them reluctant to access the bank in opening an account
Regarding the refusal by Bank towards Opening a Bank Account in the study unit are:

- 83% of the respondents opine that the bank has not refused to open an account and they felt comfortable in accessing the bank
- Only 17% of the respondents reveal that the bank has shown its refusal in opening the account. Of those, for whom refused 13 respondents have managed to satisfy the bank and have subsequently opened the account.

Reasons for Refusal by Bank towards Opening a Bank Account in study unit are:

- 38% say that they have been refused by the bank for the improper documents. But some of them have managed to submit the proper document and open the account.
- 33% of the respondents are hailing from the area other than the service area of the bank which is not in the norms of the bank.
- The remaining respondents are refused mainly because of non-submission of security for obtaining the loan

Study on distribution of respondents by opinion about opening of a bank account reveals the following:

- 67% of the respondents feel that with the proper filling of the application and adherence to the formalities made them feel easy to open the account
- 13% do not opine anything and the rest feel difficult to open an account
• Four-fifth of the respondents are aware of the opening of zero balance bank accounts and the rest are not aware of the same.

• Garret ranking method has been employed to find out the reasons for having zero balance account and it is observed that
  o Gas subsidy has topped the rank as it has fetched 9606 as the total value (sum of rank wise weightage)
  o On the one side the advent of modern household energy sources has made most of the villagers to switch over from traditional fuel types to LPG
  o The Government’s Direct Benefit Transfer policy gave an impetus for opening zero balance account especially for obtaining gas subsidy
  o ‘Gas subsidy’ being a recurring benefit availed by rural masses has been given the foremost importance by the respondents
  o The second rank was assigned by them to the reason ‘Wages and unemployment financial assistance’ as MGNREGA is popular in the rural areas as 100 days employment scheme. The respondents has given least significance to ‘housing and occupation subsidy’

• Study on Possession of Insurance Account in the field reveals the following:
  o Totally 129 respondents are aware of the insurance schemes, only 56 of them are having insurance account and the remaining respondents do not possess any insurance account
  o Of the 56 respondents who have insurance accounts, 5.36% are in private companies and only 3.57% are in banks. This shows clearly that respondents choose government as their priority for availing insurance
• They have a notion in their mind as banks are meant for savings, obtaining loans and subsidies

• Also the premiums charged by the government under welfare schemes are low when compared to others

• Study on Type of Loan availed by the respondents revealed that, of the 91 respondents, 36.26% have obtained gold loan, 26.57% have obtained agricultural loan, 16.48% have obtained personal loan and others have obtained business loan and other loans under government schemes.

• 1/3 of the respondents availed gold loan which might be due to the fact that the rate of interest charged by the study unit is comparatively less

• In rural households like our study area, gold is also considered as a security for a loan by the above respondents and it is inferred that there is a transition from dependence on money lenders to formal banking system and hence a step towards financial inclusion is established.

• The opinion of respondents who have obtained loan from bank is studied and from the study the following facts are revealed:

• Nearly 54% of the respondents opine that the procedural formalities in obtaining loan from bank is easy and only 5.50% have not expressed their opinion.

• The rest of the respondents feel that it is tough to obtain loan from bank. The procedural formalities, proper documentation, proper filing of securities and application may have made the respondents to feel tough in obtaining loan.
• It is worth mentioning about the assistance of business correspondents in channelizing the loans and meeting the requirements of banks in obtaining loans which has made the respondents feel easy.

• Reasons for Refusal by Bank towards Obtaining Loan in the study unit are:
  
  o Of the total respondents, 66% have revealed that the bank has not refused to sanction loan under government schemes as they are mandatory and the rest have said that the bank has refused to sanction loan.
  
  o Of the respondents who have revealed that bank has refused to sanction loan, 44.12% have said the insufficient income as the major reason for refusal.
  
  o 29.41% have said insufficient documents as a reason for refusal.
  
  o Insufficient security value and inability to meet bank requirements are the other reasons revealed by the rest of the respondents.
  
  o The low repaying capacity of the self-employed and labourers due to insufficient income has made them vulnerable for the banks to refuse loans to them.
  
  o Lack of submission of proper documents relating to land and property by nearly one third of the respondents was found as another drawback in obtaining loans.
  
  o The purpose of financial inclusion is vitiated by the inability of the respondents to provide security as required by the bank as they hail from low income groups.
• The opinion of the respondents about their dealing with the banks is studied and the results are given below:
  o Three-fourth of the respondents have opined their satisfaction about their relationship with the banks while opening and operating their accounts.
  o This high level of satisfaction in dealing with the banks can be attributed to the services rendered by the business correspondents in facilitating the benefits of financial inclusion to reach the rural masses such as our study area.
  o Chiefly these are filling up of forms, offering guidance, paying and receiving cash and imparting knowledge about technology products.
  o 11% of the respondents are neutral and the rest were dissatisfied with the experience of operating the accounts with banks.

• Opinion about Dealing with Business Correspondence is studied and the results are given below:
  o 60% of the respondents were satisfied with the behaviour of the business correspondents.
  o 3.5% do not opine about their relationship and 28% reveal that the business correspondents are less active and they are not as expected.
  o Only 8.5% of the respondents opine that the business correspondents do not participate and encourage opening their accounts.
  o They feel more convenient to approach business correspondents to open and operate the accounts.
• Opinion as to attitude and accessibility of bank while opening an account among the respondents is as follows:
  o Only 17% opined that they are not satisfied with the attitude of the bank
  o The increasing social responsibilities on the banker’s side and implementation of the populist schemes of the government have created a positive attitude among the respondents.
  o Banks have extended their services through business correspondents to reduce financial exclusion where brick and mortar banks are not feasible. This might be the factor why majority of the respondents found banks accessible

• Influence of advertisements in Opening a Bank Account in the study unit are as follows
  o Nearly 75% of the respondents are aware of opening bank accounts through television, newspapers, banners and posters.
  o The rest of the respondents are aware through radio, word-of-mouth by public and cinema.
  o The television and newspapers as mass media of advertisements play a significant role in creation of awareness of opening bank accounts thereby expanding the banking channels across the country.
  o Government and banks make use of the advertisement channels to bridge the gap between the financially excluded and included by influencing the respondents’ opinion in opening a bank account.
• The following are the benefits of having Bank Account derived from the study:
  
  o The responses of the respondents reveal that ‘Welfare’ as the major benefit in having a bank account and ‘Security’ as the least beneficial of all.
  
  o ‘Welfare measures’ provided by the central and state governments implemented through banks are given first priority. These measures include low cost insurance both personal and crop, MGNREGA wages and unemployment assistance, marriage and maternity benefits, death benefits.
  
  o No doubt subsidy follows the welfare measures. Government has also made mandatory to receive these through savings accounts only which has made most of the respondents to choose welfare and subsidy as their favourites.
  
  o They have given least priority to ‘security’ as the finance available with them ‘to be secured’ is meager.

• From the study, we observed the awareness about SHG in the study area and it is given below:
  
  o The study area (Kulithalai) being a semi urban area and the study area covering 4 villages
  
  o Nearly three-fourth of the respondents are very much aware of the self-help groups
  
  o Only 10.5% are aware of SHGs to some extent
• The remaining respondents are not much aware of the existence of self-help groups

• Following are the types of bank services availed by SHG:
  o Only 24% of the total respondents are members in self-help groups and others are non-members
  o Of the respondents who are member of self-help groups, only one-eighth of them avail bank services and the rest do not avail bank services
  o The member respondents in self-help groups and who have availed bank services, two-thirds have obtained services for getting government subsidy and others for savings and getting loan for employment.

• Following are the other services availed from the bank:
  o Of the total respondents who have opened accounts in bank are also availing other bank services like ATM, mobile banking, internet banking, CDM, paperless banking and other bank services.
  o Once the bank account is opened, the respondents start using the allied services extended by the bank for their comfort and convenience.

• Multiple responses about the other Services availed from Bank are given below:
  o 67.3% of the respondents avail ATM services and a 75% of respondents make use of the services of Business Correspondents after opening the account
  o It is also inferred that 59.5% avail mobile banking services
As 63% of the respondents are employed category, they prefer technology for contacting banks rather than direct personal contact to save their time.

The least preference is given to paperless banking.

Business Correspondents play a significant role in rural areas in mobilizing accounts among the public.

But, after opening accounts, the public wishes to have technology to operate as it indicates their acquaintance with the usage of technology.

- Multiple responses about the obstacles in Financial Inclusion are given below:
  - A procedural bottleneck which involves series of steps especially in opening of bank account has led to unnecessary delay.
  - Nearly one-fourth of the responses points out ‘complex procedures and delay’ as the foremost reason.
  - Of the various schemes under PMJDY only few schemes were popular in the study area which shows lack of information and awareness of the respondents.
  - One-fifth of the responses points out ‘inadequate information’ as another reason.
  - Approximately 36% of respondents opined that DBT for old age and widow pension was not as beneficial as perceived by the government.

- Multiple suggestions are acquired for improvement in the study area and it is listed as below:
  - Any attempt to simplify the systems and procedures result in the reduction of time and efforts on the part of both the banker and respondents.
That is why majority of the respondents expect simplification in dealing with the banks and government.

New developments schemes and activities for the benefit of respondents were felt by the respondents as the need of the hour.

They asserted that only a populist approach by the able government ensures their welfare.

Some of the respondents sought the need for improvement in the relationship among the stake holders’ Government-Customer-Banker.

Though many techno-products are available, some of the respondents questioned their usage in the day-to-day transactions.

They need personal guidance so as to accustom with the ever changing technologies.

- Relationship between socio-economic factors and level of satisfaction in dealing with bank is given as follows:

  The study reveals that the education and occupation have an influence on the level of satisfaction in dealing with the bank.

  As nearly half of the respondents have completed only schooling, they find it difficult to understand the procedures and regulations in opening and operating the account.

  Nearly three-fourth of the respondents are self-employed and daily labourers, they opine that approaching a bank is time-consuming and it is also difficult in understanding the statutory implications of operating an account.
Irrespective of age, gender and monthly income, the respondents do not differ in their opinion towards the satisfactory level of dealings with bank.

They are of the opinion that bank do not express any difference in attitude based on gender, age and income.

- **Relationship between socio-economic factors and level of satisfaction towards Business Correspondents** is given here.
  - The study infers that age and occupation of the respondents influence the level of satisfaction towards Business Correspondents.
  - As three-fourth of the respondents is self-employed and daily labourers within the age of 45 years, they find it difficult to approach a brick and mortar bank.
  - They feel convenient to approach Business Correspondents to open and operate the accounts. Gender, education and monthly income of the respondents do not influence the level of satisfaction towards BCS.
  - This is because, they opine that financial inclusion is achieved only through the schemes of the government and bank plays only an intermediary role in mobilizing accounts.
  - They perceive bank and Business Correspondents as one and the same indicating an indifference attitude towards BCS.

- **Relationship between socio-economic factors and bank encouragement in opening accounts** is mentioned below:
  - As three-fourth of the respondents are self-employed and daily labourers within the age of 45 years, majority of them are working under MGNREGA and other government schemes.
To receive their remuneration, the opening of accounts is made mandatory.

Thus, this major section of the respondents is encouraged by the banks in opening the accounts.

Age, gender, education and monthly income of the respondents do not have any impact in opening accounts through the campaigning by the banks.

They reveal that the government takes the responsibility of banking the unbanked population in rural areas through banking channels.

The public sector banks as a corporate citizen, have a social responsibility of implementing the schemes of the government.

Thus, the bank to attain sustainable competitive advantage and to adhere the policies of the government, it has to align itself automatically in financial inclusion campaign.

- The major obstacles faced by the respondents are listed below:
  - The complexity in procedures followed by an exorbitant delay
  - They have also revealed that the bank is not providing adequate information in time.
  - These inflexible framework of the policies and procedures of the bank hinders the augmentation in the accounts mobilization.
  - This frustrates the respondents to approach a bank or Business Correspondents to open an account.
  - This should be observed earnestly by the bank and the government to simplify the procedures.
This simplification may help the rural people with low level of education and income to be included in the banking jurisdiction.

The government and the banking sector in collaboration should find ways and means to extend the technology to the rural areas also.

This synergy should also work in developing and maintaining relationship within themselves and with the customer.

6.2 Policy implications

In order to overcome the complexity in the procedures perceived by the respondents, it may be suggested that the bank and Government should go hand-in-hand to simplify the procedures. This simplification may help the rural people with low level of education and income to be included in the banking jurisdiction.

To establish more meaning financial inclusion new developments, schemes and activities catering to individual needs should be devised and spread among the respondents.

User friendly, cost effective and technology based products like Pay Aadhar, Kiosk banking, mobile banking and ATM should be popularized among the respondents to utilize those products to the fullest extent and thereby derive the maximum benefits of financial inclusion.

As major respondents are self-employed and daily laborers within the age of 45 years, they find it difficult to approach bricks and mortar banks. The number of business correspondents should be increased to serve them effectively. In this regard, training programmes should be designed on the
lines of customer relationship management, development of banking and communication skills, updating knowledge about emerging trends and latest technologies to accomplish the goals of financial inclusion through business correspondents.

- In order to educate and increase the awareness about PMJDY among the respondents’ vigorous publicity campaigns may be undertaken on innovative basis by the banks and the Government.

- Frequent meetings with the public and business correspondents should be organized by the banks to settle the issues relating to financial inclusion and disseminate information about latest trends in financial inclusion.

- New loan schemes should be evolved by the bank to extend credit to those people who come under financial inclusion and do not have finance but have brilliant ideas of occupation and business so as to improve their standard of living.

- Bank should do regular surveys in villages for understanding the financial needs of the people.

- Telecom Service providers and Bank should together workout and implement simple Mobile Banking solutions.

- The study clearly reveals that the awareness of insurance is considerably low. The benefits of insurance which reduces loss to the public should be educated and bring all of them under the coverage of insurance to derive its maximum benefits.
6.3 Conclusion

Financial inclusion in the rural areas is a win-win opportunity for everybody involved – the banks/NBFC’s intermediaries, and the ‘included’ population. Banks handle core infrastructure and services while the Business Correspondents (BC’s) are the executors and act as the face of these banking & financial institutions in dealing with end-users.

It is said that the systems and procedure must be simplified by the bank and Government which goes a long way to help the rural respondents to participate in the financial inclusion programme effectively. It may be concluded that the soundness of the financial inclusion programme through PMJDY in the study area depends upon the effective role of Business Correspondents which in turn results in the empowerment of low income groups especially women, economically and socially. It is no doubt that financial inclusion improves the economic status of the rural masses through business correspondents banking model. Subsidies and financial assistances for welfare schemes paid through DBT made mandatory by the Government have brought majority of the masses in to the financial inclusion network.

As income levels and consequently, savings in rural areas increase, it is essential to help earners manage their funds and facilitate incoming and outgoing payments. Allowing people to create simple, no-frills current and savings accounts, relaxing KYC norms and directly crediting social benefits to account owners will bolster an inclusive approach to finance & banking in rural areas. The enhancement of formal banking practices among the rural poor ensures socio-economic justice.
Some of the key challenges include agent customer awareness, back office and BCs. Since branchless banking is a service that is quite new in its use of technology, and also that it offers financial services for the first time to unbanked customers, customer awareness is required to educate and inform. Without standardization, achieving operational efficiency would be a tedious task. Use of technology along with banking correspondents can help bank tap large unbanked sector effectively if banks also use mobile banking and micro ATMs to fullest extent to deliver low cost banking solutions to unbanked customers. It may be concluded that the majority of respondents are aware of PMJDY and the purpose for which it was implemented irrespective of education, income and occupation.