Chapter 9

Conclusion
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From the findings of the study discussed in Chapter 5, 6, 7 and 8, following conclusions can be derived.

9.1.1. Non-inclusive Growth:

The growth in the banking system has not been inclusive over the years. It is true for Assam and India as a whole and also for urban areas.

9.1.2. State lags behind:

During the entire period of study, the level of Financial Inclusion in the State could never match the level of national achievement (as described in Chapter 5).

The overall level of inclusion in the State during the entire period of study is found ‘low’ whereas for India, it is ‘medium’ during 1991-2005 and ‘high’ since 2006. The overall level of achievement in Financial Inclusion in Urban Assam has been ‘medium’ since 2008 whereas for Urban India it is ‘high’ since 2006.

Figure 9.1: Level of Financial Inclusion
9.1.3. Banking Infrastructure:

Banking infrastructure is not a bottleneck for Financial Inclusion in urban areas of the State.

9.1.4. Awareness:

a) Awareness about banking services is very low.

b) Awareness about 'no frills account' – the main device for combating Financial Exclusion is very low among the people for whom this account is intended. The banking community is adequately aware about it but the information is not getting transmitted.

9.1.5. Involuntary Exclusion:

The problem of exclusion is involuntary in nature as majority of respondent unbanked urban adults feel the necessity of having a bank account for various economic reasons. Having a bank account is not perceived as a tool for improving social status.

9.1.6. Gap between the Unbaked and the Banks

a) Both the banks and the unbanked population lag behind approaching each other.

b) Along with various socio-economic factors, past experience with banks and perception about bankers also found to be influential in excluded people’s financial decisions. There is very wide variation in perception between the bankers and the unbanked. It is evident from analysis and comparison of perception of bankers and unbanked on following common issues -

✓ Perception I. Banks do not offer the same standard of service to rich and poor (PI)

✓ Perception II. Change in the attitude of bank staff is very important to make banking more inclusive (PII)
Figure 9.2: Comparison of perception between BMs and Unbanked Adults

Figure 9.2 shows that though bankers mostly disagree to PI, the unbanked people perceive that standard of services do vary between the rich and poor customers. This gap in perception needs attention of the bankers to act.

Interestingly, compared to the unbanked, bankers found to be more strongly agreeing to the fact that change in the attitude of bank staff is very important to bring more and more people from the underprivileged sections of the society to the banking fold.

c) Bankers consider main reasons of exclusion as ‘Ignorance about banking services’, ‘Lack of KYC documents’ and ‘Poor economic condition’.

d) Although banks welcome ‘No frills account’, they consider it as a cost proposition.

9.1.7. Factors influential in selection of saving instruments

The factors which have significant influence in predicting the choice of a particular non-banking saving instrument by the respondents are age, education, place, dwelling type, income, position in the household, perceived safety of deposits, awareness levels, perception that change of attitude of bank staff is necessary and time required to reach the nearest banking unit.
Safety, convenience and expected returns are the prominent self reported factors affecting selection of saving instrument.

9.1.8. Factors influential in selection of source of credit

The factors which have significant influence in predicting the choice of a particular source of credit by the respondents are place, income, position in the household, various modes of savings adopted, awareness levels and prior experience with banks.

9.2. RECOMMENDATIONS

Based on the findings of this study, the following recommendations are put forward for effective Financial Inclusion in the urban areas of Assam.

9.2.1. Awareness Creation

(i) Awareness about various banking facilities to be created on a mission mode among the marginal sections of the society. It will empower the marginal sections to take informed decisions. The awareness programs should emphasis on the various ‘economic benefits’ and ‘safety’ than ‘swabhiman’ or ‘self-respect’ as having bank accounts are not perceived as a mean for improving social status among their peers.

(ii) Mass awareness to be created about ‘No-frills accounts’ and specially the important features of it such as ‘Nil minimum balance requirement’ and ‘Minimum KYC requirement’. It is a very suitably designed product, but due to unawareness among the population for which it is intended, it is not taking off.

(iii) Awareness about Recurring Deposits and easy remittance service of banks will go a long way to attract many to the banking fold in urban areas.

9.2.2. Financial Literacy

Financial Literacy is to be given immense importance to make the Financial Inclusion drive a success in true spirit. It is recommended to compulsorily include Financial Literacy in school curriculum and in adult literacy programs to have a lasting impact in the society. NGOs and other Voluntary Organisations may be
associated in the literacy campaign as these organisations have deeper reach out among the marginal sections.

9.2.3. Special focus on Urban Financial Inclusion

Like rural areas, special focus on Urban Financial Inclusion is to be given with appropriately designed approach taking into account the characteristics of the urban marginal sections. Like villages, municipal wards of urban areas may be assigned to various banks for Financial Inclusion.

9.2.4. Special facilitation desk at bank branches

It is recommended to introduce a special desk at each urban bank branch to facilitate the customers being included to formal banking for the first time. It will enable the banks to offer tailored services and required handholding. Further, the marginal section will feel privileged for the special attention given.

9.2.5. Introduction of phone-in-service

It is recommended to introduce a toll free phone-in-service for basic financial counseling. It should be available 24x7 and in local language. Such services introduced in Agriculture and Health care sector is proved to be effective. It may be funded under FIF.

9.2.6. Mobile Banking

Mobile banking to be introduced as a pilot project for financial inclusion in urban areas as penetration of cellular phones is very high in urban areas. If successful, same may be used as a tool for financial inclusion.

9.2.7. Credit Delivery

From the calculation of Index for Financial Inclusion It has been observed that for improving overall inclusion in urban areas of the State, CDR and per capita availability of credit accounts need to be improved.

For improving credit delivery, facility of General Credit Cards to be expanded to urban areas too on experimental basis. If successful, it may be expanded in all urban areas. Presently it is found very effective in rural and semi-urban areas.
9.2.8. Banking Correspondents

Emphasis on Banking Correspondents at the urban areas is to be given. BCs, being from the community, enjoy wider acceptance than bank branches among the marginal sections. In urban areas, branches being located nearby, BCs can be effectively monitored and it will reduce the workload of the branches.

9.2.9. Cost sharing by the Government

Considering Financial Inclusion initiative as a ‘cost proposition’ by bankers will always hinder the drive. It is recommended that cost of undertaking Financial Inclusion drive by banks is to be partly funded for a reasonable period by the Government to encourage banks to undertake such activities.

9.2.10. Training and motivational campaign for bank staff

Banks should undertake training and motivational campaign among its staff for bringing positive attitude towards Financial Inclusion. Reward and recognition for bank staff to be introduced for their contribution towards Financial Inclusion.

9.2.11. In built insurance coverage

Government and regulators may work out providing a basic in-built insurance coverage along with No-frills accounts. It may be used as a motivator to bring more people to banking fold and it also enable to improve insurance coverage. Another separate drive for insurance inclusion will be costly.

9.2.12. Financial Inclusion mandate in Government Schemes

All social benefit schemes of the Government should involve some Financial Inclusion mandate as the inclusion drive in India has been policy driven rather than voluntary. It should be a co-ordinated effort among Government departments/agencies to ensure that the efforts are directed towards the desired goal and are not duplicated.
9.3. SOME RECENT INITIATIVES

During the course of the study, the Government and the regulator have introduced some initiatives which merit mentioning here as they are directed to address some concerns about Financial Inclusion included in §9.1 and §9.2 above.

9.3.1. Unique Identification (UID) Number

Government of India on January 28, 2009 has constituted the Unique Identification Authority of India (UIDAI) under the aegis of the Planning Commission with an aim of issuing unique identification numbers (also referred as Aadhaar) to each resident of the country which can be verified and authenticated in an online, cost-effective manner, which is robust enough to eliminate duplicate and false identities. UID enrolment is done with help of State Government machinery and other registrars. The target is to get 600 million enrolled into the system by 2014. By November 2012, already 270 million people are enrolled into the system while UID numbers have been issued to 220 million. By mid 2013, it is expected to enroll 400 million people. It is already the world’s largest database based on biometrics like iris scan, finger printing technology. This initiative of Government is expected contribute hugely towards financial inclusion initiatives in the country as the major problem of KYC can be addresses by the UID. RBI on September 28, 2011 has allowed banks to accept Aadhaar letter as KYC document for opening low value accounts. Further on November 30, 2011, RBI has advised banks to open Aadhaar Enabled Bank Accounts (AEBA) by updating Aadhaar numbers wherever applicable in case of existing customers so that the direct benefit transfers can be effective. It is the opportunity for banks to leverage on the opportunities provided by UIDAI for financial inclusion. More and more banks have become partners with UIDAI for enabling its customers and non-customers for Aadhaar enrolment, acting as Registrars and opening AEBAs. As on February 2013, 23 number of Public Sector Banks have become partners with UIDAI.

However, in the state of Assam, Aadhaar card issuance is unlikely to be rolled out as the Home Ministry has advised that Aadhaar numbers to be issued on the basis of National Register for Citizens (NRC). There is security concerns that cards may be falling in to the hands of the illegal migrants from neighbouring
countries and subsequent misuse of cards to avail of the Government scheme. However, updating of NRC in Assam is yet to start due to various socio-political issues involved. Hence, it calls for looking at solution beyond Aadhar for resolving the issue of KYC and ensuring DBT for the eligible beneficiaries.

9.3.2. Direct Benefit Transfer (DBT)

On November 26, 2012, the Prime Minister of India has announced a policy initiative of transferring the vast majority of the central and state Government benefits, entitlements and subsidies as cash directly to AEBA of eligible beneficiaries. According to the Prime Minister -

"The twin pillars for the success of the system of Direct Cash Transfers that we have envisioned are the Aadhaar Platform and Financial Inclusion"

Globally such scheme in its various forms has been implemented in a number of countries such as Bolsa Familia in Brazil, Oportunidales in Mexico, Samrudhi Kosh in Sri Lanka and similar other programme in Bangladesh, Iran, Namibia and many more countries of Asia and Africa.

The first phase of DBT scheme has been rolled out in 20 districts of the country with seven schemes under its ambit. The success of the DBT depends critically on the expansion of the banking network in the country. To overcome this problem, the scheme envisages the BC model, use of ATMs or utilization of the Common Service Centres. DBT will ultimately push Financial Inclusion by increasing the number of accounts and transactions in these accounts.

9.3.3. National Strategy for Financial Literacy

All other policy initiatives would result effective implementation only when targeted beneficiaries are aware about the benefits of Financial Inclusion. Financial literacy can be considered as pre-requisite for achieving the objectives under Financial Inclusion. Increased emphasis has been given towards creating awareness and financial literacy. A broad national objective was felt required as a large number of stake holders were involved in spreading financial literacy. A national strategy would ensure that all agencies work in tandem with the broad strategy. In this regard, a draft national strategy prepared under the aegis of the Sub-committee of
Financial Stability and Development Council has been released during 2011-12. Adoption as a national strategy is expected to provide the required impetus towards spreading financial literacy in the country.

9.3.4. Urban Financial Inclusion - Launch of campaign to ensure at least one bank Account for each family

In order to provide banking services to entire population residing in Urban and Metro Centers, so as to financially include the urban poor, slum dwellers and the inhabitants of urban / metro villages and facilitate electronic benefit transfer in respect of benefits/ subsidies under various Government schemes directly into the account of the beneficiaries residing at these centres, on July 24, 2012 GoI had advised banks to ensure one bank account per family in such urban areas for the purpose of Urban Financial Inclusion.

9.4. Recommendations for Future Research

By considering the constraints within which the study has been completed and the constant advancement in the field of banking, the following areas are recommended for the further research

9.4.1. Although many 'No frills accounts' opened in the State during recent years specially 2005 onwards, effectiveness or usage of these accounts has not been studied in detail. Research in this regard would be helpful for the policy makers and bankers to assess the effectiveness of Financial Inclusion drive and take necessary corrective steps or modifications if any required.

9.4.2. Another area of future research could be Cost Benefit Analysis of Financial Inclusion drive for the banks. This research would be helpful for the banks to know the breakeven point for such drives. Further, findings of such research can be used by the policy makers to design policies for incentivizing the banks till their Financial Inclusion drive breaks even.

9.4.3. Financial inclusion of 'firms' may be studied as this study does not include it. Financial Inclusion of firms is very crucial for their growth.
9.4.4. Segmentation and profiling of the unbanked population may be undertaken to design specific products to make it attractive and effective for the unbanked.