

Financial inclusion in india essay



**ASSIGN
BUSTER**

A path towards India's future economic growth by Dr. K. Ravichandran, Dr.

Khalid Alkathlan Assistant Professor, King Saud University, Saudi Arabia

SYNOPSIS: Though our country's economy is growing around 9 percent, still the growth is not inclusive with the economic condition of the people in rural areas worsening further. One of the typical reasons for poverty is being financially excluded. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. So an inclusive sector should not only serve the bankable clients, but also integrate the "unbankable" clients by making them "bankable". Many actions taken by the government like Nationalizing of Banks, 40% of credit targets to priority sector, opening of RRBs and LABs, etc for past three decades are one form of financial inclusion, but still around 80% of rural households do not have access to credit from a formal source. So as a last door step to Financial Inclusion, RBI came up with an initiative of launching National pilot project on Financial Inclusion in Puducherry in 2005.

The specialty of this Financial Inclusion project is that accounts are opened by the bank officials at the doorsteps of households without insisting on any minimum balance or deposits. Let us analyze in depth that whether bringing people under banking category by this financial inclusion project helps in achieving the ultimate goal of lifting the standard of living of The Poor and reduce poverty in our country. Introduction to Indian Economy India is a country with diverse socio-economic condition along with diverse agro climatic situation. The growth trend of the Indian economy over the last few years appears to indicate the beginning of a new phase of higher growth.

Though few decades ago, our country' economy was agricultural dependent one, now it more of service dependent and growth rate of agriculture is just above 2% and it contributes less than 22% to our country's GDP with 60% of the population depend 1 Electronic copy available at: <http://ssrn.com/abstract=1353125> on agriculture. Further, this development or growth is not an even one, throughout the country, while urban regions are growing at greater rate; rural areas are still remaining stagnant. Further the Gini Index shows, the gap between the rich and the poor households keeps on increasing, thereby condition of the poor worsening further. As per the statistical data, around 26% of the population are below the poverty line, but let us first try to understand what poverty is and how it is measured in India and Internationally. Statistics of Banks in Tamilnadu: Total Banks in Tamilnadu Total Bank Offices State Bank Group Nationalized Banks Other Scheduled Banks (Commercial) Regional Rural Banks Foreign Banks Source: RBI No. of Number Branches 71 8 19 27 3 14 4880 728 2822 1093 215

22What is Financial Inclusion? Financial Inclusion is about delivery of banking services at an affordable cost to vast sections of disadvantaged, first step in FI is to facilitate people in getting basic facilities like food, shelter and clothing to the people and then comes the provision of bank account, wherein they can save whatever little they can.

Financial Inclusion can be thought of in two ways. One is exclusion from the payments system –i. e. not having access to a bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitative markets.

Electronic copy available at: <http://ssrn.com/abstract=1353125> FINANCIAL SOURCES ; SERVICES ACCESSIBLE TO A COMMON MAN BANKS State Bank ; its associates Public Sector Banks Private Sector Banks RRB ; LAB Co-operative societies MFI Post offices NBFC Govt. Money Lenders Loans Parameters: 1. Interest rate 2.

Repayment Schedule 3. Repayment mode NGO Credit/Debit Cards Insurance Policies SHG 3 Financial Exclusion: Financial Exclusion signifies lack of access by certain segments of society to lowcost, fair and safe financial product and services from main stream providers. It is mainly denial or inaccessibility to some basic financial services due to various factors like social ; economic position, financial literacy, distance in traveling, hours of operation, etc.

Though there are nearly 33000 bank branches situated in rural areas, extend of financial exclusion is such that around 41% of the population is unbanked or denied of financial services. In rural areas the coverage is 39 per cent against 60 per cent in urban areas. Measure of Financial Exclusion Number of savings accounts to adult population 80 Number of Loan accounts to Adult population ndia southern western central 8 14 .

37 34 52 60 66 59 25 13 9 S1 Northern western Northeastern eastern central southern india eastern North-eastern Northern 0 5 The extent of exclusion from credit markets can be observed from a different view point. Out of 203 million households in the country, 147 million are in rural areas – 89 million are farmer households. 51. 4 per cent of farm households have no access to formal or informal sources of credit while 73 per cent have no access to formal sources of credit Moneylender’s share in debt of Rural HH 50 40 29. 6 30 20 10 0 Rural Urban 17.

5 25 1980 2002 40 12 10 15 Series1 20 25 30 4 Who are the excluded? The financially excluded sections largely comprises of marginal farmers, landless laborers, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women. The majority of the group included those people living in rural areas and inaccessible to financial services. Reasons for financial exclusion: There are a variety of reasons for Financial Inclusion. In remote, hilly and sparsely populated areas with poor infrastructure, physical access itself acts as a deterrent. From the demand side, lack of awareness, low incomes/assets, social exclusion, illiteracy act as barriers. From the supply side, distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products, language, staff attitudes are common reasons for exclusion.

All these result in higher transaction cost apart from procedural hassles. On the other hand, the ease of availability of informal credit sources makes these popular even if costlier. The requirements of independent documentary proof of identity and address can be a very important barrier in having a bank account especially for migrants and slum dwellers. Thus the above barriers should be overcome and reaching out to the people lying at the bottom of the pyramid has become the order of the day.

So the financial sector is one that has the most important role to play in unleashing this potential and thereby comes the role of Financial Inclusion. FINANCIAL INCLUSION MODELS: Bank - SHG Linkage Model: This is one of the most popular and successful model being incorporated and followed by all public and private sector banks now-a-days. The banks may perform the role <https://assignbuster.com/financial-inclusion-in-india-essay/>

of formation of SHGs in the case of the direct linkage model. The banks are also responsible for granting credit to the SHG in a quantum proportional to their savings.

Banks derive the following benefits from the SHG implementation. 5 There are three types of Models of Linkage a. SHG formed and financed by banks b. SHG formed by formal agencies other than banks, but directly financed by banks c. SHG financed by banks using NGOs and other agencies as financial intermediaries. Bank – MFI linkage Model: MFIs are to be seen as the last mile—the connecting link to the rest of the financial sector.

They've developed technology that banks do not have. If banks get into the business of organizing groups and all, they won't be able to do it effectively. So this is where the partnership model of Bank – MFI comes into picture. One such recent model is ICICI Partnership Model.

ICICI Partnership Model: A direct banking model was not an appropriate one for the very poor in India and so a large bank like ICICI bank was able to raise equity capital (close to \$2 billion), design financial products (mezzanine equity for example), raise resources, financial engineering (for example securitization) and deploy technology. Starting with the Partnership Model ICICI had gradually developed a comprehensive plan for the provision of financial services within rural India with a hybrid channel and product structure designed around one coordinating branch per district, with franchisees, internet kiosks and micro finance institutions forming an interdependent delivery chain to deliver credit, savings, insurance and risk management products to the full range of rural customers. The aim, over the

next three to four years, is to go to 450 of the 640 districts that make up rural India with this No White Spaces (NWS) approach under which no individual would be more than 5 to 10 kilometers away from an ICICI Bank touch point. This model allows them to offer a complete suite of products, with all of the necessary documentation and technical support close at hand, to the micro finance customer.

It also allows people as a bank to participate not just in lending to individuals but also in rural infrastructure finance and rural corporate finance—both very necessary for the comprehensive growth and development of rural India. 6 CITI BANK Tie up with SKS Microfinance pvt. Ltd – This is a 180 crore program to extend micro credit in rural areas. This deal would add 2.5 lakh client to existing 6.

5 lakh clients. The programme would deliver loans ranging from Rs 5,000 to Rs. 20000 in over 7,000 un-banked villages in the country where SKS was present through its 49 branches. The interest rate will be 24% for AP region and 28% for rest of areas MF-NBFC Model: MF-NBFC is new category of Non banking Finance Company in providing microfinance services to the rural, semi-urban and urban poor. MF-NBFC should be defined as a company that provides thrift, credit, micro-insurance, remittances and other financial services up to a specified amount to the poor in rural, urban and semiurban areas. MF-NBFCs are expected to be larger, with a stronger capital base and more highly regulated than NGOs.

Post Office Model: Bank – Post office Model: Apart from savings deposit, money transfer, parcel sending, etc Post offices are also engaged in new

services like granting retail credits or selling insurance products either directly or on behalf of commercial banks. Further Financial services can also be offered with public-private partnerships with distribution taken care of post offices. – POSTAL BANKS. Let us see many such models followed in various other countries latter and before that let us find out how post offices can be an effective intermediary for distributing financial services.

Review of Literature: Studies & Conferences on Financial Inclusion: I. A study from needs. gov. UK: on financial inclusion Financial inclusion is an important element in tackling poverty and ensuring social justice. Getting basic banking right is the first essential step towards financial inclusion.

The banking industry's lack of experience in dealing with this group of 7 consumers has resulted in a mismatch between customers' money management needs and the basic bank accounts on offer. Our research shows that, despite over six million basic accounts being opened, low-income and financially excluded consumers continue to experience barriers to banking. Various financial education initiatives and forthcoming work on the creation of a national generic financial advice service, all aim to improve the skills, confidence and information that excluded people need to make use of financial services. every basic bank account to be hassle-free to open, and to offer a standard set of features and innovative additional features to meet the needs of consumers. II.

UN conference on financial inclusion in Africa – Doha conference: The Conference will address the challenges and constraints to building inclusive financial sectors in Africa. In most developing countries, financial services

are only available to a minority of the population. Most people in these countries do not have savings accounts, do not receive credit from formal financial institutions, and do not have any type of insurance. In the Least Developed Countries more than 90 percent of the population is excluded from the formal financial system. The Least Developed Countries are those where the average income is generally less than \$1 per day, and most of the Least Developed Countries are in Africa. During the International Year of Micro credit (2005), the United Nations called together a large number of global decision makers and financial sector leaders to explore why the majority of the world's poor people and micro and small enterprises are denied access to basic financial services.

The result of this year-long consultation is Building Inclusive Financial Sectors for Development, also known as “ The Blue Book”. The Blue Book was prepared as a tool and a guide for policy makers who seek to build inclusive financial sectors in their countries It follows a three-step process of Financial Sector Development approach (i) (ii) Conducting a financial sector assessment in each country Working through an open, participatory process with multiple stakeholders to develop policy, strategy, and a national action plan for building an inclusive financial sector (iii) Assisting policy makers and a broad range of financial institutions, development agencies, the private sector, and other financial market participants to implement this action plan

8III. Dakar Conference in Africa The Dakar Conference will have the following objectives: To disseminate and discuss the recommendations of the Blue Book in the context of Africa; • To share experiences in building inclusive financial sectors in Africa and first lessons learned in these efforts; • To

discuss major challenges, constraints and opportunities for expanding access to financial services in Africa in the coming five years; and •To give the opportunity to UN organizations, the Bretton Woods Institutions and other development agencies, donors, and private sector participants to discuss the best way to strengthen financial sectors and increase aid effectiveness when building inclusive financial sectors in Africa. The Dakar Conference will have the following expected outcomes: Deeper understanding of the experience, issues, and challenges when considering financial inclusion in Africa. Objectives of the study: 1) To find out the steps taken by the banks in the area of financial inclusion.) To find out how are the schemes of RBI on financial inclusion is taken into account.

3) To identify various steps and mechanisms to strengthen SHG lending. 4) To explore the possibilities of implementing Micro Insurance. 5) To find out other feasible models in financial Inclusion. Research Methodology: Type of Research - Exploratory Research & Descriptive research Sampling area : Pondicherry & Cuddalore District No. of sample: 6 Branch Managers & 15 bank coordinators in Both the district.

9 6 samples were collected from 5 villages Sampling selection: convenient sampling Type of Data - Primary Data A separate structured questionnaire is administered for managers & customers and the results are summarized. Summary of Survey Results: 1. 6 bank branches have been surveyed. Out of 6, 4 branches in Pondicherry and 2 in Cuddalore 2.

The farthest distance of a village from a bank branch goes up to 20 Km under service area scheme 3. Time take for the financial inclusion project

varies from 3 months to 12 months based on the target number of households 4. Average HH covered per month varies from 328 to 1100 5. Average accounts opened per HH varies from 1 to 4 6.

Total number of employees working in the branch varies from 5 to 16 7. The category of Business facilitators used is mostly SHG. In some cases, students and unemployed persons are used. In one case, it is outsourced to private organization. The number of bank official accompanied with those business facilitators for verification varies from 2 to 4 based on staff strength. 8.

The overall cost spent per account varies from Rs. 0 to Rs. 30 and overall cost goes up to Rs1. 8 lakhs. 9. Most of the banks graded direct approach to customers and through SHG to be more effective promotion tool compared to advertisement through newspapers or pamphlets.

10. Three out of six banks has already converted to CBS (Core Banking Solution) and rest of bank branches are in process of conversion to CBS from TBC. They feel the new technology is tedious and cumbersome, which cause some delay in creation of accounts, but over long term CBS is essential tool.

11. Also three out of 6 banks maintain a separate database to enter and monitor the financial inclusion progress.

One bank has prepared a detailed list of all the family heads of households, village wise and they maintain a separate database which can be used for any future purpose 10 12. Based on various banks opinion about reduction in money lenders, they accept that this Financial Inclusion has definitely reduced money lenders, but to what extent it depends on the bank branches and villages. On a overall basis, it seems there is 60 % reduction in money

lenders 13. On an average deposit mobilization of the banks varies from at least 5 lakhs to 15 lakhs and it goes up to maximum of 30 lakhs. 14.

Almost all the bank branches are ready to increase their credit limits ranging from 1 to 4 crores 15. Only two out of 6 banks are providing counseling to people regarding loans and managing debts, while rest of banks will be doing it in future. 16. For the facilities available in the bank branch, 7 of the necessary facilities are take for the survey and based on the available of that facility now or in future, banks have been graded points. The table in the annexure shows the grading and effective provision of the facilities in the bank.

The overall percentage ranges from 60 to 85% and banks are continuously upgrading with facilities for better customer service in future 17. Further various methodologies used by banks to attract customers, difficulties banks have encountered during project implementation, benefits enjoyed by the banks from this project, their future plans in reducing processing cost, overall feed back about the project and the support they require to carryover to next stage. Suggestions to facilitate Financial Inclusion: a. Ensure Banks to Grant Credit Facilities: As already RBI has taken the initiative in granting small credit facilities in form of Over Drafts, GCC/KCC, etc, they can ensure banks to grant such small credit facilities and the credit amount can be increased based on successful repayment of credit obtained.

b. More use of Mobile banking to reduce opportunity cost in rural areas: Banks will have to reach out through a variety of devices such as weekly banking, mobile banking, satellite offices, rural ATMs. Since mobiles has

penetrated to greater extent they can be used for sending information regarding attractive schemes, account balances, loan and interest payable, etc for SB 11 account holder and even receipt of salaries, pensions and payments for utilities, information regarding loans, insurance and MF products.

c. More use of Business Facilitator & Correspondent Models: Since, many bank branches are suffering from staff shortages, they should make use of more people of SHG group or NGO or even Village heads and other retired teachers & officials as business facilitators or even business correspondents for surveying and account opening. Also they can also use local community based organizations and post offices for availing the knowledge about the customers in order to reduce the credit risk and transaction cost.

d. Inspection of Infrastructure of bank branches: During the field visit, few customers have expressed their dissatisfaction with bank services in few areas particularly about the floor space, delay in service and information available in the bank branches. RBI can directly or indirectly carry out inspection in certain rural branches to make sure they provide the basic infrastructure facilities and information required by the customer. Since if this is not ensured and if people are not happy with banking service, it will be a setback to financial inclusion project.

e. Directing government benefits through service area Banks: Any government or social security payments or payments under all the government schemes should be strictly routed through the service area bank account.

This will make people in rural areas to compulsorily have an account in their service area branch to avail the government benefits.

facilitating Financial Inclusion: As we already seen about existing models like Bank-SHG linkage, Bank –MFI linkage and Postal Bank Models. Let us see some more models and suggestions that can lead to inclusive growth in future. A. Rural Students Banking Model: As already RBI has taken initiative in bringing majority of adult population into bankable category, it can also ask the corresponding bank branches to have an tie-up with schools and colleges within service area to provide No-frill account to all students of class above tenth standard.

This model is specifically for rural areas, as in urban areas 12 banks are even looking for KIDS banking in future. This step can make students well familiar with banking operation and services. Though the cost in maintaining these accounts for banks will be increased initially, in long term this can be very profitable for banks by granting educational loans to meritorious students and also any scholarship to students from government can be directed to the service area bank. B. Financial Education – Framing Book Model: As we already talk more on importance of financial education and literacy and people, we can also devise a frame work model on what should be exactly thought to the people in rural areas, since too much of things, will also confuse them. This model can be in form of a book, which can be something like “ Significance of possessing a Bank Account”.

The book should be covered from customer point of view giving the importance of having a bank account and detailed instructions in use of some basic banking services like Pass books, Cheques, DD, etc. It can give details of various credit facilities available, various government schemes, significance of SHG and some more financial products and services like ATM,

<https://assignbuster.com/financial-inclusion-in-india-essay/>

Credit cards, Insurance policies, Money Transfer, Mobile Banking, etc. The book should be in vernacular language and should be in such a simple format which can easily understood and get familiar within two weeks. The books should be provided for sale in all bank branches, government offices, shops at minimum cost. If this model is properly executed, it can definitely add some value in the education people on financial services. C.

Extended Bank - Joint MFI Model: Based on the success of the Bank SHG Model, the next successful model being now followed by many banks is Banks - MFI linkage Model. Here the MFI borrow money from banks at PLR and lend it at an interest rate, slightly higher based on their administration cost. Though, very few MFIs are charging high interest rates, MFIs are at present turned to be most successive institutes for providing small credits facilities and many private banks too are adopting to it. So in this circumstance, realizing the importance of MFI in promoting rural credits more, even a group of public sector branches can promote or start their own MFI on regional basis. This new MFI can be started with help of the local people and administrated by a common team comprising of official from all bank branches in that area. This MFI can take care of small credits 13 facilities like Over Drafts ranging from Rs.

500 to Rs. 5000, General Credit Cards up to Rs. 25000 and other small loans. All the credit can be directed through SHG members so that risk involved is also less. Further all the expenses in starting and organizing the MFI can be shared by all the branches and also investment in form of credits to be granted and profits too are shared equally among the bank branches. One of

the advantages of this Joint MFI is since they function as a separate wing; they can function efficiently and concentrate more on small credit facilities.

Further the survey and opening of accounts can also be carried out by this MFI for certain branches suffering from staff shortages. One of major advantage for the customers is availing of very small credit facilities at normal interest rate. D. RBI-Education Institution Linkage Model: This is another major linkage not for granting credits but for educating people on banking operations and services in the country.

This model can be carried in two stages, In the first stage, RBI can have tie up with some of major educational institutions in India and conducting training and workshops on RBI & its operations, banking operations and services, rural credit and government schemes, etc. This first step is to create more of financial literacy among students on all aspects. In the second stage, RBI can ask the educational institution to adopt any of nearby village in their area and involve the trained college students in creating some camps and educating those people on banking operations, various services, up gradations in banking technology, etc. As a part of the camp, even survey on details of households, their financial literacy level and credit facilities availed and counseling required, etc can be collected by the students.

Further as a reward, RBI can offer certificates to students involved in such financial awareness campaign after successful completion of stage 2. This linkage if properly framed and utilized can be a win-win situation for both student and society. E. Re-financing model – small credit facilities: Though

the initiative from RBI has brought many people under banking population, but still small credit facilities of Rs. 00 to Rs. 5000 in form of Over 14 Drafts have not been granted by any other banks apart from Indian Bank.

Few reasons put forth by the banks are: a. They feel most of credits will be turned to NPA b. The bank staffs feel they cannot be accountable for Over Drafts c. Shortage of staffs make follow-up of small credit facilities to be difficult d. Time and cost involved will also be high. So in order to encourage banks in granting such credit facilities, RBI in co-ordination with NABARD can set up a fund and can refinance 5 to 10% of the credits granted by banks under this Financial Inclusion Scheme.

This type of incentive to bank can increase the number of Over Drafts and GCCs granted to the rural poor. F. Encouraging formation of more SHGs: As well known at present Self Help Groups are effective mode by which both banks and rural people are benefited. It will be important to encourage people who are not in groups to form SHGs.

Further banks apart from granting credits, can also offer special incentives to attract more people to form SHG. Once a village covers a majority of population under SHGs then that will also ensure the concept of door step financing, where people can easily accessible to credits at affordable cost through banks. Also through some specialist trainees, banks can train SHGs in financial and technological aspect. All these training will requires combined effort from banks, MFIs, NGO and government to encourage them in forming groups & doing a business for their development.

Society as Influencer: Though we have already seen in detail about three major influencers Technology, Education and Counseling in order to achieve inclusive growth, the fourth and the most effective influencer is the society. Though government, RBI and other commercial banks, financial institutions, NGOs are taking many steps in achieving inclusive growth and to uplift The Poor; it is also responsibility of each and every individual in this society in leading our country towards inclusive growth. Even private organizations can seek the guidance of RBI and can conduct some awareness camps on financial services as a part of their social service program. But for all this to happen government should effectively communicate to people through 15 media stressing the importance of financial inclusion and making the willing ones to participate in it.

FINANCIAL INCLUSION – PATH TOWARDS FUTURE Progress in Financial

Inclusion: The above diagram clearly portrays the successful rate of this initiative from RBI on Opening a no frills account with a small overdraft or GCC. It shows the Number of No-frill accounts opened in India for past one year, comes around to 6 million which is 5% of our country's population. With such an increase every year and constant effort from the banks, in next 5 years around 90% of India's population can be brought under bankable category. So as already said a bank account is an essential pre-requisite for participating fully in economic and social life. Thus this initiative from RBI is only the first step in building the relationship which would require sustained efforts to ensure that the banking relationship with the customer is fashioned to meet his needs.

Thus the real inclusive growth not only requires to bring people into banking population but to make sure the benefits of the financial services reaches to those people, so that the main objective of improving their standard of living can be achieved. So ensuring that is a more challenging task and it is influenced by three major Factors - Financial education, Technology, Counseling. Let us see about these three influencers in detail:

Objective towards inclusive growth -

Informal Sources (Banks, MFI, Post offices, etc) Formal Sources (Banks, MFI, Post offices, etc) Govt SHG

1 Informal Lenders 2 Informal money lenders Formal Sources (Banks, MFI, Post offices, etc) Govt. Formal Sources (Banks, MFI, Post offices, etc) Govt.

SHG Society SHG Counseling Technology Education 4 Informal 3 Informal money lenders 17

CONCLUSION: Thus the project explains in detail about the importance of Financial Inclusion and reasons and consequences of being financial excluded. Further it list the various benefits enjoyed by the bank and customers through Financial Inclusion. Thus the financial inclusion is a strategy towards inclusive growth in future provided it is supported by various influencers like Technology, Financial Education, Counseling and the Society. So once this scheme is properly implemented and executed in every village in support from the government and society, then this can really lift the standard of living of majority of the poor which can really make our country proud.

Finally as our Reserve Bank of India Governor, Dr Y. V. Reddy, rightly said “ Financial inclusion is not a matter of philosophy but can lead to a win-win situation for the banks and the customers..

. Treat financial inclusion as an investment for business. It’s the mass movies that make money” References: Publications and RBI Circulars on Financial Inclusion Documents of Progress of NPPFI in Pondicherry and Cuddalore at Rural Planning and Credit Department (RPCD), Chennai Report on Trend and Progress of Banking in India 2005-06 Report of NPPFI – Pondicherry by India Bank Articles from Center for Micro Finance – IFMR, Chennai Articles on Financial Inclusion in UK and SouthAfrica Network Magazine – May 2003 Professional Banker – April 2007 Banking Frontier – May 2007 Report on Financial Sector Planning for North – Eastern Region 8 Websites: www. rbi.

org. in www. infochangeindia. org www. iibf. org.

in www. ifmr. ac. in/cmfm www. hm-treasury. gov.

uk www. creditguru. com www. ivolunteer.

org. in www. microfinanceindia. org www.

nabard. org. in www. idrft.

ac. in www. indianngos. com www. pib. nic.

in www. census. tn. nic.

in www. creditcounselingnow. com www. freelists. org www.

microcredit. com 19 ANNEXURE Annual Income distribution Land distribution
13% 11% 15% 50000 74% 13% 50% 24% zero 5 acres Number of accounts
opened/HH 11% 15% one tw o three four Satisfaction Level of customers
during survey 4% 20% 100% satisfied 80% satisfied 60% satisfied 56% 15%

<https://assignbuster.com/financial-inclusion-in-india-essay/>

13% 46% ; gt; four Reason for not possessing account Lack of financial initially Knowledge 9% 30% 33% Difficulty in accessing bank Poor fin. Condition Does not had any need 15% 13% Rs500 deposit needed Distribution of Credit facilities People’s opinion in opening account without any of provisions 9% 36% 50% 7% 7% OD – 500 OD > 500 GCC/KCC Other Loans preferred Not preferred No opinion 33% 58% 20 Repayment of debts obtained People offered counselling on banking services and loan schemes 26% 36% 32% Very successful Moderate Offered Not Offered 32% poor 4% Number of Visit to Bank Branch per month 15% 26% Not even once once two – three times 26% 33% four & above Beneficial Level of Customer in accessing to Banking Services 22% How far people are protected from usurious rate of Money lenders well protected 24% 26% 100% Benifited 80% Benifited Partially Benifited Reduced to some extent 17% 61% Still seeking their help 50% Familiarity & Accessibility level of financial services 100% 50% 0% Savings Chq Loan Insurance Just Familiar Familiar and not well accessed Well accessed Financial services 21 Questionnaire for Branch Post Financial Inclusion Analysis of NPPFI The objective of this Questionnaire is to analyze a. the Success rate of Banks in implementing the NPPFI b. Reach and accessibility of bank services to people in rural areas c.

Barriers to Financial inclusion and set standards to overcome it in future.

Name of the Bank: Type: Rural / Semi-urban / Urban Location of Branch: I.

Kindly provide with suitable answers for below given questions: 1. When have you started implementing this NPPFI Project? 2.

a. List the villages that have been allotted to you under service area scheme? b. What is the distance of the farthest village allotted from your

<https://assignbuster.com/financial-inclusion-in-india-essay/>

bank branch? 3. Provide the statistical details for the following: S. No

Particulars a. Target number of House holds b.

c. d. e. f.

g. h. % of Households covered Time taken to cover above % of Households

Targeted number of accounts Number of accounts opened Number of

account holders already possessing a SB account with your bank Men Men

Men Women Women Women Details Number of people unwilling to open an

Men Women account No. of employees Officers Clerical staffs Sub-staffs

working in branch 4.

a. How many officials from your branch went for survey to open accounts? a.

What is the average time spent per household? 22 5. Can you brief on the

approach you followed with the households to open an account with your

bank and how far you have been successful with it? 6. Whether you adopted

simplified KYC norms? If yes, provide the details 7.

Whether you have used any business facilitators in this financial inclusion

scheme? (Yes/No). If Yes, Kindly select the type of business facilitators and

the purpose they have been used for? Category NGO Students Unemployed

SHG Any others, specify or X Purpose Promotional activities Survey

Collecting deposits Counseling Any others, Specify or X b. Also mention the

total cost spent on those business facilitators? . Kindly grade the sources

used in promoting Financial Inclusion on scale of 1 to 10 based on effective

reach to the people: S. No Sources used for promotion Have done Grade

(Y/N) (1 to 10) a Advertisement through Newspapers b c d e f Advertisement

through Media (local radio and TV channels) Advertisement by pamphlets

<https://assignbuster.com/financial-inclusion-in-india-essay/>

and banners Directly approaching customers Campaigns for financial awareness Any others(specify): 9. Have you provided the account holders with the provisions initiated by RBI, like OD, GCC/KCC and other loan facilities? (Yes/No) If Yes, Kindly provide the details: a.

OD & GCC/KCC: S. No Details Over Draft GCC/KCC 1. Number of account holders 2. 3. 4.

5. Total Amount sanctioned Highest & Lowest OD limit Interest rate Any Collateral Obtained (Y/N) 23 b. Other loans: S. No Details 1. Number of account holders 2. 3.

4. Total Amount sanctioned Maximum credit provided Interest rate Individual SHG c. If you have not provided any of the above credit facilities to the account holders under Financial Inclusion scheme, can you specify the reasons? 10. Mention the Technology used in your branch: a. TBC (Total Bank Computerization) b. CBS (Core bank solution) c.

Any Others (Mention) _____ 11. What are the difficulties faced by you in terms of technology while opening No-frill accounts? 12. Have you created any database to monitor the Financial Inclusion project? (Yes/No) 13. To what extent do you think, FI has helped to reduce informal money lenders? (Rating 1 – 5) 14. What is the deposit mobilization of the bank through NPPFI project? How much percentage it has contributed to overall deposits? 15. a.

Are you increasing the credit limits or credit facilities for account holders who are successfully repaying their loans and interest? (Yes/No) b. What will be

the expected increase in credits potential in future? 16. Are you providing any counseling to people on managing debts or borrowing loans at your branch? (Yes/No) 17. Mention some of the benefits incurred by the bank after successful implementation of this NPPFI project? 24 18. Mention Yes or No to the below given facilities, which is either at present available at your branch or you will be providing it in the future: S.

No Facilities Provided Present Future (Y/N) (Y/N) a. Issuing Demand Drafts b. Sending monthly statements to a/c holders & information regarding any loan schemes c. Use of mobile banking d. Low cost ATM & any smart card facilities e.

Counseling facility on loans and business f. Insurance schemes to customers g. Foreign Exchange and Money transfer h. Any others, specify: 19.

What methods you are adopting to attract more deposits from customers?

20. What are the difficulties you have faced that delayed your progress during the entire period of pilot project implementation? How you had overcome it? 21. What are your future plans to minimize your processing and transaction cost? 22. What is your feedback about the Financial Inclusion project and also mention any other support you would be requiring from SLBC, RBI and government to help you in successfully monitoring FI and continuing to next stage? 5 Questionnaire for customers Post Financial Inclusion Analysis of NPPFI The objective of this Questionnaire is to measure the a. Impact of financial inclusion on customers in terms of their financial conditions b.

Improvement in financial awareness among customers c. Benefits and increase in financial accessibility for customers Village: Type: Rural / Semi-urban / Urban Name of the account holder: Gender (Male/Female): Age: Category: (OBC/SC/ST/Others): Ward No. : Occupation: Farmer/Agri labour/ Self emp/Student/Housewife/Others_____ Annual Income: a. less than 25000 Land Holding: a.

ess than 2. 5 acres b. 25000 to 50000 b. 2.

5 to 5 acres c. greater than 50000 c. greater than 5 acres Total members in the family: Details of other family members possessing bank account: Relationship with account holder Sex (m/f) Occupation Annual Income

Please, Kindly answer the below given questions: 1. Can you mention the name of the bank that visited your household for opening an account? 2.

a. How many persons came to your house for the survey? b. When did they come for the survey? (Early Morning, Late Evening, other) 26 3. a. Are they accompanied by any other village person or NGO? (Yes/No) b. Whether they explained to you in depth about the advantages of holding an account with bank and about other provisions like minimum balance and credit facilities? (Yes/No) 4.

What are the documents you have been asked for opening an account? a.

Electoral card b. Ration card c. Any Others (Specify)

_____ 5. a. How much time they spent with you for opening the account? b.

Whether your photographs have been taken free of cost? (Yes/No) c.

Whether the pass book is delivered at your home in time? (Yes/No) 6. Why

you initially did not possess a bank account? a. Lack of financial knowledge

b. Difficulty in accessing banking services (due to distance, etc) c.

Poor Financial condition d. Does not had any need e. Any others

(specify)_____ 7. During the visit, whether you

had been promised by bank official based on your eligibility to provide you

with provisions like GCC, OD and other loan facilities (Yes/No)? 8. a.

If you have obtained any of above facilities, Kindly provide the details:

Details: Amount sanctioned Interest rate Repayment period Any Collateral or

Mortgage (Yes/No) Over Draft GCC / KCC Other Loans If you have not availed

above facilities, Can you Mention the reasons: . Also can you brief about,

how many times you visited the bank branch to obtain the above facilities?

And how you have been treated by bank officials? 9. Would you prefer to

open an account with bank without any of above provisions (like loans, GCC,

OD, etc)? (Yes/No) 10. How far you are able to successfully repay your debts?

Rating (1-5) 27 11. Have you been offered with any counseling on loans or

managing debts by banks or any other NGOs? (Yes/No).

If No, would you prefer to have such counseling in future? 12. Are you

visiting you bank branch regularly, now-a-days? If so, can you mention the

purpose? deposits / loans / repayment /others) 13. Can you mention

approximate monthly savings, which you are depositing in your bank? 14. a.

Whether your bank branch provides you instructions regarding loan schemes

and other details in vernacular language (Tamil)? (Yes/No) b.

Also whether other instructions in pass books, bank forms and other receipts too have been provided in vernacular language (Tamil)? (Yes/No) 15. Please mention the familiarity or accessibility level of below given financial services before and after opening a bank account 1 – Not familiar 2 – Just familiar 3 – Well familiar and accessed After S. No Financial service and Before opening Awareness opening an a/c an a/c a. Deposits and savings b.

Pass books and cheques c. loans and interest rate d. Insurance schemes e. ATM & Credit cards 16. To what extent you find yourself protected from usurious rate of money lenders by possessing an account with your bank? (Rating 1 – 5) 17.

Have you been assisted by banks under any poverty alleviation programme or rural employment schemes? (Yes/No) If yes, mention the name of the schemes? 18. In general, what is your opinion on possessing an account with bank and how far you have been benefited by this and other credit facilities? Rating 1 – 5) 28 19. Please kindly rate the below expectations in scale of 1 – 5: S. No Expectation from customers a.

b. c. d. Have you been satisfied with the services provided by the bank, till now Would you like to have an access to ATM in your area Would you like to know more on financial services provided by banks? Would you prefer to have a debt counseling centers from banks to manage your financial condition Rating (1- 5) 20.

Please kindly, mention any other difficulties faced or support you would be requiring from your local area bank or from government? 29 30