



Financial Inclusion - A Study on the Opinions of Customers and Employees of Banks in Kerala

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Abstract

Financial inclusion is an effort to include the financially excluded segments of the society into formal financial system. In India, there is a National Mission for Financial Inclusion which is termed as Pradhan Mantri Jan-Dhan Yojana with an ambitious objective of covering all households in the country with banking facilities and having a bank account for each household. This study aims at analyzing the performance of this scheme in Kerala through collecting primary data from customers and employees of banks. There are various statistical tools and tests applied on the data. The paper provides the findings derived with some suggestions.

Keywords

Financial inclusion, Pradhan Mantri Jan-Dhan Yojana, overdraft, Chi Square test, Sampling

Introduction to Financial Inclusion

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses. It is necessary to encourage people to deposit their surplus funds with the banks.

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society and in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost and in faire and transparent manner by regulated mainframe institutional players. The efforts to include the financially excluded segments of the society into formal financial system in India are not new. The concept was first mooted by the Reserve Bank of India in 2005 and Branchless Banking through Banking Agents called Bank Mitr (Business Correspondent) was started in the year 2006. In the year 2011, the Government of India gave a serious push to the programme by under taking the "Swabhimaan" campaign to cover over 74,000 villages, with population more than 2,000 (as per 2001 census), with banking facilities.

The main focus of financial inclusion in India is to promote sustainable development and generate employment in rural areas. Rangarajan Committee (2008) on financial Inclusion has defined "Financial inclusion as the process of ensuring timely access to financial services and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost".

To mitigate the long drawn financial sufferings of the disadvantaged section of the society, Hon'ble Prime Minister on 15 August, 2014 announced "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" which is a National Mission for Financial Inclusion, (NMFII) for weaker section and low income groups.

This National Mission on Financial Inclusion has an ambitious objective of covering all households in the country with banking facilities and having a bank account for each household. This will enable them to come out of the grip of money lenders, manage to keep away from financial crises caused by emergent needs, and most importantly, benefit from a range of financial products. This scheme has many new silent features which include:

- Every account holder will get a 'Rupay' debit card with Rs.30,000/- life insurance besides accidental insurance of up to Rs 1 lakh. This amount has been raised to Rs. 2 Lakh from August 28th 2018.
- All bank accounts opened under the scheme are to have an overdraft facility of Rs 5,000/- for Aadhar-linked accounts after satisfactory operation in the account for 6 months. The limit has been raised to Rs. 10000/- as on September 2018. There no restrictions on withdrawal up to Rs. 2000/- and the age limit for availing overdraft facility is raised from 60 to 65 years.
- Any minor above the age of 10 years can open an account under the scheme.
- Interest on deposit.
- No minimum balance required However, for withdrawal of money from any ATM with Rupay Card, some balance is advised to be kept in account
- Easy Transfer of money across India
- Beneficiaries of Government Schemes will get Direct Benefit Transfer in these accounts.
- Access to Pension, insurance products

The objective of the PMJDY mission is to bring the citizens of the country into the fold of banking system and to provide them affordable banking services within a reasonable period of time. The six pillars through which the missions are implemented are:

- Universal Access to Banking Facilities
- Basic Bank Account and RuPay Debit Cards to all Households
- Financial Literacy Programme
- Creation of Credit Guarantee Fund
- Micro-Insurance
- Unorganized Sector Pension Schemes

There are 32.41 Crore accounts opened through PMJDY with an aggregate deposit of Rs. 81200 Crore, as on September, 2018.

Research Problem and Objectives

As per the financial inclusion programme, the banks in Kerala also expand their services and extend to rural and unbanked segments. The banks need to know about the opinions of customers and the employees to improve the process so that the programme will be more effectively carried out. This had led to the following objectives:

- To study the opinion of customers on the financial inclusion programme carried out by banks in Kerala
- To study the opinion of employees of the various banks on the financial inclusion programme carried out in Kerala
- To provide suggestions to banks to improve the process.

Research Methodology

The study uses descriptive design. The population includes customers of banks and employees of various banks in Kerala. The study used primary data and secondary data. Primary data is collected from a field survey and Secondary collected with the help of bank journals, academic

journals, news papers, books and reports. Judgment sampling is used for selecting the samples of sizes 56 for Employees and 60 for the customers. The data were collected from customers and employees of SBI, PNB, IOB, Canara Bank, Dena Bank, Syndicate Bank, OBC, KGB and Federal Bank. Tools for data collection include Structured Questionnaire. Tools for analysis include Percentages, Likert Scale and ranking. Statistical test like Chi-Square Test also was used. Some hypotheses were prepared for the tests.

Data Analysis and Discussion

The data analysis is carried out using various tools. The analysis is done separately for customers and employees of banks.

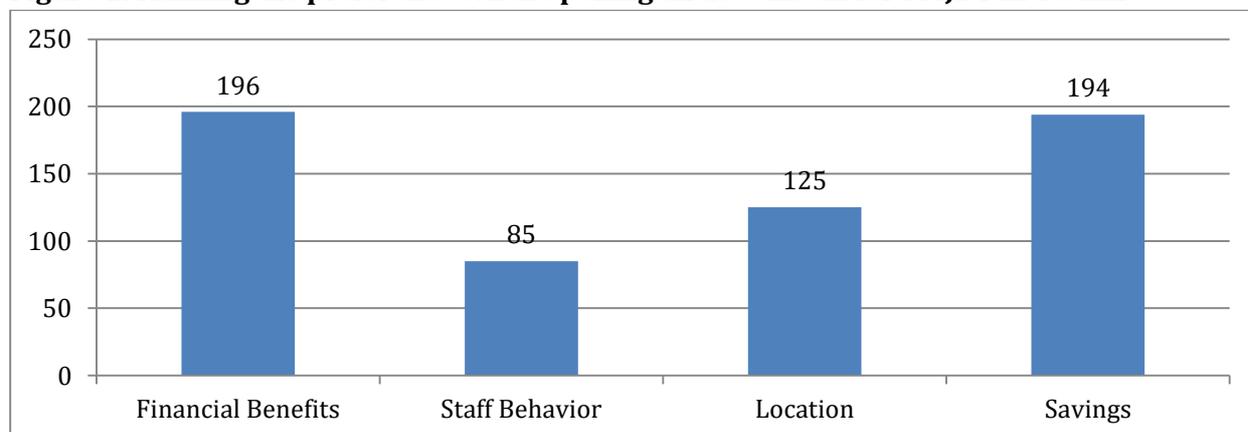
I. Analysis on data from Customer survey

The following analysis shows the opinions of customers on the PMJDY Scheme.

(a) Ranking

The preference of customers on various factors while opening an account in a bank under PMJDY scheme is collected by asking them to rank these factors. The preference are analysed by providing weights to the ranks. The result is shown in the Figure No. 1

Figure 1: Ranking the preference when opening an account under PMJDY in a bank



Source: Primary Data

The above figure shows that preference of the respondents is on the financial benefits coming under this scheme while they prefer savings also. They are not much concerned about the staff behavior.

(b) Likert scale

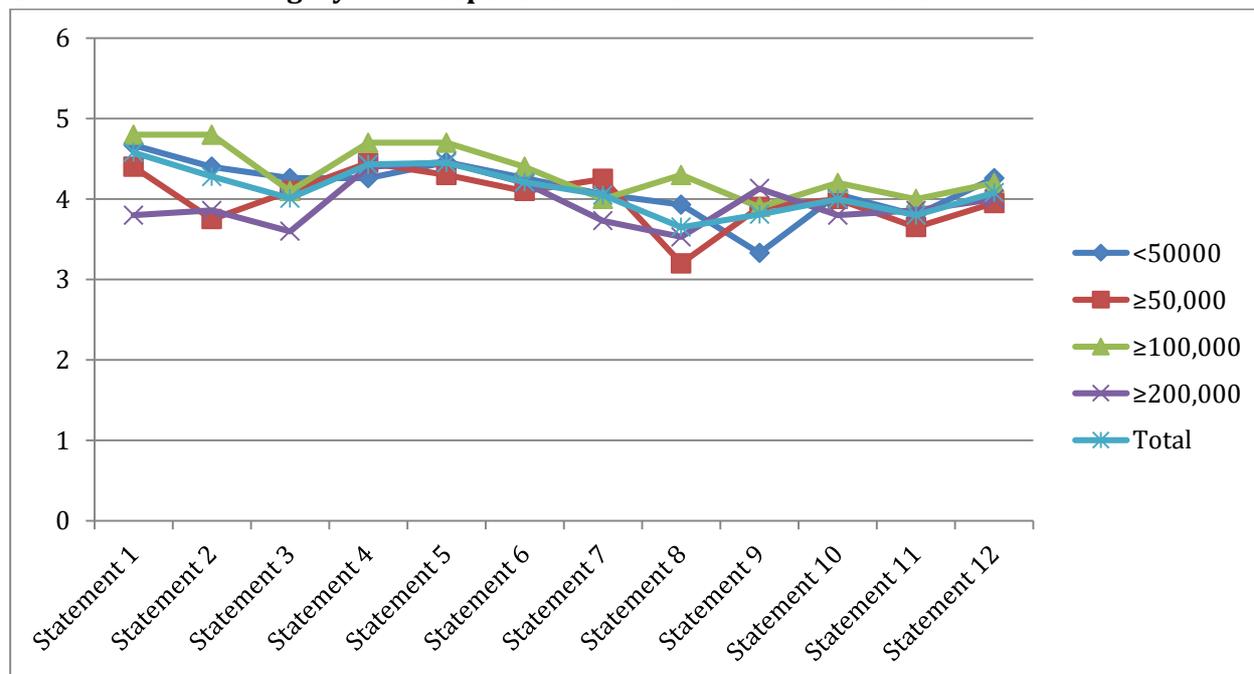
The opinions on various factors related to PMJDY are collected from the customers on a five point scales. The analysis is done by separating the customers in to various income categories. The Table No.1 and Chart No. 2 show the analysis.

Table 1: Income category wise responses from customers on various statements

Statements	<50,000	≥50,000	≥100,000	≥200,000	Total
I am satisfied with Special Benefits coming under PMJDY	4.67	4.4	4.8	3.8	4.58
Introduction of Rupay cards helped me to solved the interoperability problem	4.4	3.75	4.8	3.86	4.28
With the introduction of PMJDY, I have become more familiar with banking system	4.26	4.1	4.1	3.6	4.01
I have started investing my savings in this account	4.26	4.45	4.7	4.4	4.43
I am satisfied with the accidental insurance cover and life cover coming under this plan	4.46	4.3	4.7	4.46	4.45
I am receiving interest from bank for my savings (PMJDY account)	4.26	4.1	4.4	4.2	4.21
Bank manger have advised all the related risks at the time of issuance of card	4.06	4.25	4	3.73	4.05
I am satisfied with the timely response from bank employees	3.93	3.2	4.3	3.53	3.65
Upon satisfactory operation of my accounts for 6 months I have got an overdraft facility of Rs 5000 which is mentioned under this scheme	3.33	3.9	3.9	4.13	3.81
Banks have explained me all the benefits coming under this Scheme at the time of account opening	4.06	4	4.2	3.8	4
PMJDY helped to improve the Quality of living	3.80	3.65	4	3.86	3.8
I am satisfied with Customer services provided from the banks	4.26	3.95	4.2	4	4.08

Source: Primary data

Chart 2: Income category wise responses from customers on various statements



- It is inferred that income group $\geq 100,000$ and income group $< 50,000$ group strongly agree with special benefits provided by PMJDY scheme, while respondents of income group $\geq 200,000$ shows neutral response.
- It is inferred that income group $\geq 100,000$ group strongly agree with the introduction of rupay card by PMJDY scheme, while respondents of income group $\geq 200,000$ and $\geq 50,000$ shows neutral response.
- It is inferred that for income group $< 50,000$ income category agreed they have become familiar with banking system by the introduction of this scheme while respondents income group $\geq 200,000$ shows only neutral response.
- It is inferred that income category $\geq 100,000$ are highly satisfied for investing their savings while other income categories are satisfied.
- It is inferred that respondents of income category $\geq 100,000$ are highly satisfied with the accidental insurance cover and life cover coming under this plan while respondents of other categories are satisfied.
- It is inferred that income category $\geq 100,000$, $< 50,000$ and $\geq 200,000$ shows higher satisfaction than income category group $\geq 50,000$.
- It is inferred that income category $\geq 50,000$, $\geq 100,000$ and $< 50,000$ show satisfaction on managers advise relating to the risks associated with issuance of cards while income category group $\geq 200,000$ are less satisfied.
- It is inferred that income groups $\geq 100,000$, $< 50,000$ and $\geq 200,000$ are satisfied with the timely response from bank employee, while respondents of income group $\geq 50,000$ are less satisfied.
- It is inferred that the income group $\geq 200,000$, $\geq 50,000$ and $\geq 100,000$ are satisfied with overdraft facility of Rs 5000 which is mentioned under this scheme.
- It is inferred that all the income categories agreed that banks have explained all the benefits coming under this Scheme at the time of account opening.
- It is inferred that all the income categories are satisfied that PMJDY helped to improve their Quality of living.
- It is inferred that all the income categories are satisfied with customer services provided from the banks.

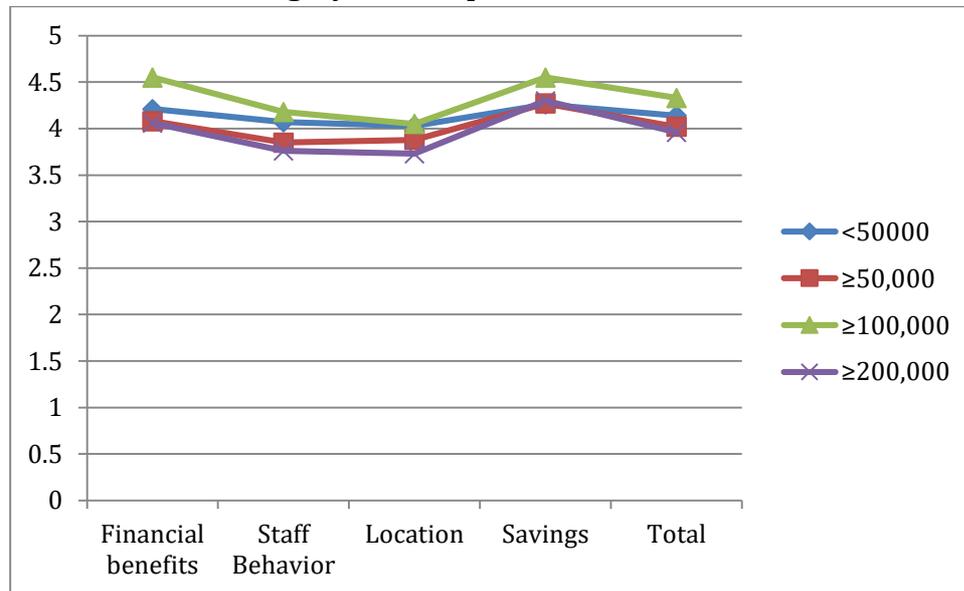
The opinions on various factors viz., financial benefits, staff Behavior, location and savings related to PMJDY are collected from the customers on a five point scales. The analysis is done by separating the customers in to various income categories. The Table No.2 and Chart No. 3 show the analysis.

Table 2: Income category wise responses from customers on various factors

Categories	<50000	≥50,000	≥100,000	≥200,000
Financial benefits	4.21	4.08	4.55	4.06
Staff Behavior	4.07	3.85	4.18	3.76
Location	4.03	3.88	4.05	3.73
Savings	4.26	4.27	4.55	4.3
Total	4.14	4.02	4.33	3.96

Source: Primary data

Chart 3: Income category wise responses from customers on various factors



- It is inferred that Income group $\geq 100,000$ are highly satisfied with financial benefits than other categories.
- It is inferred that income category $\geq 100,000$ is more satisfied with staff behavior compared to the income category $\geq 200,000$.
- It is inferred that income category $\geq 100,000$ is more satisfied with location than income category $\geq 200,000$.
- It is inferred that income category $\geq 100,000$ is highly satisfied with savings compared to other income categories.

(c) Chi Square test

A chi square test was conducted to check whether there is significant difference in opinions of various income groups in PMJDY improving their savings habit.

H₀: There are no significant differences in opinions of various income groups in PMJDY improving their savings habit.

H₁: There are significant differences in opinions of various income groups in PMJDY improving their savings habit.

Using the procedure for Chi-Square Test, the expected values were calculated from the observed values. Then the Chi-Square value was calculated using the equation. The calculated value of Chi square is 1.006829. The table value for the degrees of freedom 9 at 10% significance level is 21.67. As the calculated value is less than the table value, the null hypothesis is accepted.

Hence it is inferred from the test that, there are no significant differences in opinions of various income groups in PMJDY improving their savings habit.

II. Analysis on data from Employee survey

The following analysis shows the opinions of employees on the PMJDY Scheme.

A chi square test was conducted to check whether there are significant differences in opinions of employees of various banks in PMJDY improving the standard of living in rural areas.

H₀: There are no significant differences in opinions of employees of various banks in PMJDY improving the standard of living in rural areas

H₁: There are significant differences in opinions of employees of various banks in PMJDY improving the standard of living in rural areas

Using the procedure for Chi-Square Test, the expected values were calculated from the observed values. Then the Chi-Square value was calculated using the equation. The calculated value of Chi square is 393.24. The table value for the degrees of freedom 36 at 10% significance level is 63.691. As the calculated value is more than the table value, the null hypothesis is rejected.

Hence, it is inferred from the test that, there are significant differences in opinions of employees of various banks in PMJDY improving the standard of living in rural areas.

Findings

The following are the major findings derived from the study.

- 34% of the respondents have their account in Syndicate bank, 17% in KGB, 23% in SBI, 10% in Canara Bank, 8% in PNB and Vijaya Bank.
- 33% of the respondents fall in the income group $\geq 50,000$, 25% of the respondents are from the income category $< 50,000$ and $\geq 200,000$ and 17% from $\geq 100,000$ income group i.e. majority of the respondents were from income group $\geq 50,000$.
- Using percentages and ranking it was found that majority of the customers were satisfied with special benefits like accidental insurance and life cover coming under this scheme, and in likert analysis it was found customers under all income groups satisfied with that and income group $\geq 100,000$ more satisfied than other groups.
- Using ranking it was found that majority of the customers are highly satisfied with financial benefits, they gave second preference for savings and third for location and finally for staff behavior. Also, while using likert scale it was found that customers coming under Income category $\geq 100,000$ were highly satisfied with Financial benefits, savings and location when compared with other income categories. Majority of the customers coming under all the income categories $< 50,000$, $\geq 50,000$, $\geq 100,000$, $\geq 200,000$ were satisfied with staff behavior.
- Majority of customers are satisfied with introduction of Rupay cards
- Most of the customers are highly satisfied that PMJDY helped them to become familiar with banking system and in likert analysis it is found that income category of $< 50,000$ are highly satisfied with that while income group $\geq 200,000$ shows less satisfaction.
- Majority of the customers are satisfied as account under PMJDY helps them to create the habit investing savings and also satisfied with interest availed for these account. In likert scale it is found that all income groups are satisfied while income group $\geq 100,000$ shows more satisfaction in interest received.
- Majority of the customers are satisfied with managers and with bankers for giving them advise on all the related risks with the usage of card and for explaining all the benefits coming under this scheme at the time of account opening. In likert scale it is found that Income category $\geq 50,000$ $\geq 100,000$ and nil are satisfied with that while income category group $\geq 200,000$ are less satisfied.
- A few people showed dissatisfaction for the timely response they get from employees in banks and some shows satisfaction. Using likert scale, it is found that the customers of Income groups $\geq 100,000$, $< 50,000$ and $\geq 200,000$ are satisfied with the timely response from bank employee, while customers coming under of income group $\geq 50,000$ are less satisfied.
- A few agreed that they got overdraft facility coming under this scheme after successful transaction for 6 months. In likert scale it is found that income groups other than $< 50,000$ showed less satisfaction.

- Around half of the customers agreed that PMJDY helps to improve their quality of living. In likert scale it is found that all income categories had agreed to that.
- Majority are satisfied with customer service provided while a very few showed dissatisfaction. In likert scale it is found that all income groups are satisfied with that.
- Using Percentages it is found that majority were satisfied with the introduction of Rupay card which helped them to carry cards while travelling instead of money which is not safer. While using likert it is seen that Income group of $\geq 100,000$ are more satisfied with that.
- As per the sample of employees, 27% of the employee respondents belong to SBI, 11% of the employee respondents belong to syndicate bank and there are 9% each for other banks viz., PNB, IOB, Canara Bank, Dena bank, OBC, KGB and Federal Bank.
- Majority of the bank employees agreed, PMJDY is different from other earlier financial inclusion plans which focuses on coverage of households rather than coverage of villages. Only a few showed neutral response.
- Majority of the employees agreed PMJDY delivers financial services at affordable costs to low income segments of society and only a few showed neutral responses.
- Majority of the bank employers agreed that this scheme is providing special/direct benefits, and only a few disagree with that.
- Some of employees agreed that PMJDY scheme is properly implemented and few disagree to that
- Some of the bankers showed neutral response that PMJDY have improved the standard of living in rural areas, and only a few strongly disagreed to that.
- Some of the bank employees agreed that implementation of PMJDY without addressing basic concerns and proper screening has diluted the very purpose of the drive and only a few strongly disagreed to that.
- Some bankers showed neutral response that banks will get additional funds from rural customers which are untapped funds and a very few employees strongly agreed with that statement.
- Majority of the bank employees agreed that by the introduction of PMJDY scheme, number of accounts in banks have increased.
- Majority of the bankers agreed that they had organized accounting opening camps under PMJDY scheme.
- Most of the bank employees agreed that, PMJDY makes the people familiar with banking system.
- Some of the bank employees disagreed that, customer handling is weak due to huge number of accounts under this scheme,
- Few bank employees agreed that, accounts opened under PMJDY are active and only few strongly agreed to that.
- Some of the bank employees had a neutral response that PMJDY could bring monetary benefits for the banks and only a few of the bank employees strongly disagreed to that.
- Majority of the bank employees agreed that the introduction of Rupay cards help to solve interoperability problems within the banking system and also the last mile cash settlements.
- Majority of bankers agreed that the Rupay cards, if handled well, could drive traffic to keep account active. Rupay cards are good substitute for currency and can be used safety while in transit.
- Majority of the bank employees agreed that PMJDY helps in nation building and only a few of the bank employees strongly agreed to that statement.

- Majority of the bank employees agreed that banks have met the target in allotted time and only few strongly disagreed to that statement.
- Majority of the bankers agreed that banks were able to complete the KYC norms properly and only a few disagreed to that statement
- From the Chi square test it is inferred that, there are significant differences in the opinions of employees of various banks in PMJDY improving the standard of living in rural areas
- From another Chi square test it is inferred that, there are no significant differences in the opinions of customers of various income groups in PMJDY improving their savings habit.
- Even a minor can open an account under this scheme, if he/she has an Aadhaar card. This can help children to have banking knowledge. Also, the benefits such as scholarships, subsidies, pensions etc can be credited to this account directly.

Suggestions

- Banks must make their customers aware about transactions in their account, if monitoring not done properly accounts may shift to NPA soon.
- Most of the people have opened this account being attracted to special benefits coming under this scheme. So, for them proper guidance should be given regarding the terms and conditions for availing such benefits.
- Proper analysis has to be done before implementing the scheme, but to certain extent this scheme is helping the poor and can bring more people to banking sector.
- Staff shortage restricts the customer service so more staffs have to be recruited to overcome this.
- Transactions in accounts can build trust in customer and in future they can avail other banking benefits/services like personal loans, gold loans, home loans etc.
- For this account ATM, SMS charges are automatically recovered even for the poor, so banks have to find a solution for this.
- Mass banking have created heavy crowd in the banks. To avoid this, more branches have to be opened in rural areas or an online alternative is to be arranged for rural areas.
- If this scheme is going to be implemented in proper way without any political bias, a lot of people in rural areas will get advantage of financial inclusion.
- As majority of the customers coming under income category ≥ 100000 is highly satisfied with special benefits coming under this plan, the banks have to consider the concerns of other income groups.

Conclusion

Financial inclusion is a long term process aimed at providing the banking knowledge and banking services to all sections of the society at an affordable cost. It was observed from the study that the scheme is progressing towards achieving its objectives. Rural areas have been provided with banking knowledge thereby increasing awareness of saving habits in the minds of people living in rural areas. They are provided with many benefits along with this. The banks and customers are to be vigilant on dealing with these accounts as there are misuses possible.

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