

PERCEPTION AND EXPERIENCE OF BSBDA HOLDERS TOWARDS FINANCIAL INCLUSION IN VIRUDHUNAGAR DISTRICT

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Abstract

Indian economy in general and banking services in particular have made rapid strides in the recent past. However, a sizable section of the population, particularly the vulnerable groups, such as weaker sections and low income groups, continue to remain excluded from even the most basic opportunities and services provided by the financial sector. Despite financial inclusion being high on agenda of the Government, and despite persistent policy initiatives and endeavors of the RBI since 2004, comprehensive and total financial inclusion is still a far cry. It is possible if all government payments are routed through the banking channel. A step ahead will be to remunerate banks appropriately for routing these transactions through the banking channel.

Key word: *Indian economy, BSBDA Experience, financial inclusion*

INTRODUCTION

Indian economy in general and banking services in particular have made rapid strides in the recent past. However, a sizable section of the population, particularly the vulnerable groups, such as weaker sections and low income groups, continue to remain excluded from even the most basic opportunities and services provided by the financial sector.

There are several challenges that require concerted efforts from banks, the RBI and the Government to ensure convenient and cost effective delivery of financial services to the public at large. In particular, the challenge is to introduce innovations in risk assessment, reduce transaction costs, devise new credit delivery channels, and use information technology to make financial inclusion a viable model.

Therefore, financial inclusion is identified as a key strategy to achieve inclusive development the world over. It is a necessary condition for financial deepening, which will help to address the basic issue of growth with equity. In India, the process of leveraging financial services sector as the growth engine for transformation is closely entwined with the progress on financial inclusion. But, out economic success and the boom in banking notwithstanding, one of the contemporary critical challenges for India remains to be financial inclusion of its population, especially that of underprivileged section, who remain cut off from not only formal sources of finance but also from basic banking services.

Despite financial inclusion being high on agenda of the Government, and despite persistent policy initiatives and endeavors of the RBI since 2004, comprehensive and total financial inclusion is still a far cry. This is despite the fact that one of the major goals of the Eleventh Plan was attaining financial inclusion of the most and extending the reach of microfinance to meet credit needs of approximately 80 percent of the population not directly covered by banks.

STATEMENT OF THE PROBLEM

Poverty and exclusion continue to dominate socio-economic and political discourse in India as they have done over the last six decades in the post-independence period. Poverty reduction has been an important goal of development policy since the inception of planning in

India. Various anti-poverty, employment generation and basic services programmes have been in operation for decades in India. Another major challenge is that banks are yet to develop sustainable and scalable business and delivery models to guide their Financial Inclusion initiatives. While several alternate models have been tried out, the time has come for banks to zero in on the models that they find most suited to their goals and to focus on scaling up the same.

While access to financial services has improved, the usage of the financial infrastructure continues to be tardy. While more than 2.70 lakh banking outlets are available across the country, the number of transactions in these accounts remains unimpressive. For instance, nearly half of the Basic Savings Bank Deposit accounts are not seeing transactions. This not only restricts the potential benefits that could accrue from increased financial access but also reduces the viability of FI activities for banks and BCs. The reduced viability, in turn, impacts the scalability of the model, thereby hampering FI efforts.

In this context, the present study is undertaken to explore the practical impediments in the implementation of Financial Inclusion initiatives to the weaker sections of people in the study area.

OBJECTIVES OF THE STUDY

1. To present the mechanism of various financial inclusion models
2. To focus on the developments in financial inclusion initiatives in India
3. To examine the demographic profile of persons with Basic Savings Bank Deposit Account in Virudhunagar District.
4. To analyse the perception and experience of BSBDA holders towards financial inclusion.
5. To provide viable suggestions for effective implementation of Financial Inclusion measures.

RESEARCH METHODOLOGY

The present study is based on both primary and secondary data. The primary data has been collected with the help of a sample survey of Basic Savings Bank Deposit Account holders.

First hand data are collected from the field through interview schedule and observation. The interview schedule drafted at first instance was circulated among a few research scholars and field experts for a critical review with regard to wordings, format and sequence. It was redrafted in the light of their comments. The schedule has thus become an undisguised structured data gathering instrument suitable for a personal interview.

A Pilot study was made using the interview schedule covering 20 persons with BSBDA in the study area and the standard deviation was computed. 200 Persons with BSBDA from 11 Blocks in Virudhunagar District have been contacted to ascertain their experience towards Financial inclusion. 20 BSBDA holders were contacted in Sivakasi Block. The rest 180 BSBDA holders were covered giving equal proportion to each of the other 10 Blocks.

FINDINGS OF THE STUDY

PROCESSING TIME TO OPEN A BSBDA

The processing time to open a BSBDA shows that the duration has been 15 days in the case of 79% of BSBDA holders, one month in the case of about 14% of BSBDA holders, two months in the case of 5%, and the duration is more than two months in the case about 2% of BSBDA holders.

TABLE – 1
PROCESSING TIME TO OPEN A BSBDA

Duration	No. of Respondents	Percentage
15 Days	158	79.00
One Month	27	13.50
Two Months	10	5.00
More than Two Months	5	2.50
Total	200	100.00

Source: Primary Data

It is noted that in majority of the cases (79%), the processing time to open a BSBDA is 15 days.

MODE OF OPENING BSBDA

Besides the direct and traditional way of approaching the local bank branch for opening BSBDA, the business correspondents also promote opening such accounts. Using mobile banking also BSBDA could be opened. The survey shows that 42.50% of the BSBDA holders have directly

contacted the local bank branch for the purpose of opening BSBDA. In 52.50% of the cases of beneficiaries, the business correspondents have played a crucial role in promoting and opening BSBDA. In the rest 5% of the cases, BSBDA has been opened using mobile banking.

TABLE – 2
MODE OF OPENING BSBDA

Mode	No. of Respondents	Percentage
Directly at local bank branch	85	42.50
Via Business Correspondent	105	52.50
Via Mobile	10	5.00
Total	200	100.00

Source: Primary Data

The mode of opening BSBDA is through business correspondents (52.50%) and local bank branch (42.50%).

REASONS FOR OPENING BSBDA

The survey explores the various reasons for opening BSBDA. The main purpose of BSBDA is to take work under NREGA in the case of 65 respondents (32.50%). BSBDA is opened by 40 respondents (20%) in order to get credit from banks. The reason for BSBDA is to get Government benefits in the case of 34 respondents (17%). The other reasons as quoted by the BSBDA holders surveyed include 'saving money' (13%), 'cost free' (10%) and 'simple KYC norms' (7.5%).

TABLE – 3
REASONS FOR OPENING BSBDA

Reasons	No. of Respondents	Percentage
For taking work under NREGA	65	32.50
To get credit from banks	40	20.00
To get government benefits	34	17.00
To save money	26	13.00
Cost Free	20	10.00
Simple KYC Norms	15	7.50
Total	200	100.00

Source: Primary Data

It is important to note that the main purpose for opening BSBDA is to get Government funds and loan from banks. About 70% of the beneficiaries have quoted the reasons as to take work under NREGA, get loan from banks and get Government benefits.

REASONS FOR THE LIMITED USE OF BSBDA

The survey explores the various reasons for the limited use of BSBDA. Illiteracy of the people is the main reason (28%). An inconvenient business hour of the banks is another important reason (24%). Consumption of more time (about 17%), less interest provided by banks (13%), unavailability of credit from banks (about 11%) and high cost of travelling (8%) are other factors quoted by the BSBDA holders for its limited use.

TABLE – 4
REASONS FOR THE LIMITED USE OF BSBDA

Reasons	No. of Respondents	Percentage
High cost of travelling	16	8.00
Time consuming	33	16.50
Inconvenient Business Hours	48	24.00
Illiteracy	56	28.00
Less Interest Provided by Banks	26	13.00
Unavailability of Credit from Banks	21	10.50
Total	200	100.00

Source: Primary Data

Thus, the main reasons for the limited use of BSBDA are 'illiteracy', 'inconvenient business hours', 'more time consuming' in that order.

FREQUENCY OF VISIT BY BUSINESS CORRESPONDENTS

It has already been noted that 105 respondents have opened their BSBDA with the help of business correspondents. The survey gathered information regarding the frequency of visit by business correspondents. The visit by business correspondents is 'daily' in the case of about 11%, 'once in a week' in the case of about 25%, 'once in 15 days' in the case of 31%, 'once in a month' in the case of 19% and 'no frequent visit' in the case of about 14% of the respondents who have opened their BSBDA with the help of business correspondents.

TABLE – 5
FREQUENCY OF VISIT BY BUSINESS CORRESPONDENTS

Frequency	No. of Respondents	Percentage
Daily	11	10.48
Once in a week	26	24.76
Once in 15 Days	33	31.43
Once in a Month	20	19.04
No Frequent Visit	15	14.29
Total	105	100.00

Source: Primary Data

It is observed that there is no frequent visit by the business correspondent in the case of 14% and the visit is once in a month in the case of 19% of the respondents who have opened BSBDA with the help of business correspondents.

FACTORS FOR SLOW PROGRESS OF BSBDA PROGRAMME

Weighted average method is used to evaluate the factors for slow progress of BSBDA programme under study. Seven factors are considered for this purpose which include 'Professional Orientation', 'Training to BCs', 'Technology', 'Irregularity of BCs', 'Lack of proper financial education', 'Delay by BCs' and 'Discouragement by Banks'. Each factor is ranked by the BSBDA holders with first rank carrying a weightage of 7 points and seventh rank carrying a weightage of 1 point. The number of responses for each rank is multiplied by the respective weight to arrive at a score for that rank. Then, the scores for the seven ranks are summed up to arrive at the total score for that factor. Finally, the total score in respect of the particular factor is divided by the total number of BSBDA holders. This gives the mean score in respect of the particular factor. In this way, the mean score for all the factors has been computed.

Among the factors evaluated by BSBDA holders, 'Lack of professional orientation' secures the first rank with a mean score of 5.12. The other factors in order of opinion, are 'Training to BC staff is lesser' (mean score 4.73), 'Computer based technology is an issue' (mean score 4.45), 'BCs are irregular in the maintenance of records' (mean score 4.44), 'Lack of proper financial education of the clientele is a barrier' (mean score 3.89), 'BCs delay the processing of loans' (mean score 2.95) and 'Banks have not really encouraged and promoted the BC banking channel' (mean score 2.43).

TABLE – 6
FACTORS FOR SLOW PROGRESS OF BSBDA PROGRAMME

Marketing Strategies	Ranking of the Respondents							Weighted Score	Mean Score	Rank
	Rank I	Rank II	Rank III	Rank IV	Rank V	Rank VI	Rank VII			
	No. of Res.	No. of Res.	No. of Res.	No. of Res.	No. of Res.	No. of Res.	No. of Res.			
Professional orientation is lacking	55	43	38	28	15	13	8	1024	5.12	I
Training to BC staff is lesser	38	32	43	43	22	14	7	945	4.73	II
Computer based technology is an issue	31	28	34	35	57	8	7	889	4.45	III
BCs are irregular in the maintenance of records	35	29	22	59	27	14	14	888	4.44	IV
Lack of proper financial education of the clientele is a barrier	15	39	31	17	48	22	28	778	3.89	V
BCs delay the processing of loans	14	17	18	13	22	66	50	590	2.95	VI
Banks have not really encouraged and promoted the BC banking channel	13	11	14	6	8	63	85	486	2.43	VII

Source:

Computed

Data

SUGGESTIONS

In the light of the above findings of the study and the researcher's observation, the following suggestions deserved to be considered by the stakeholders of financial inclusion.

1. The survey shows that 42.50% of the BSBDA holders have directly contacted the local bank branch for the purpose of opening BSBDA. Banks need to have branches exhorting the masses to embrace the banking culture. There are enough branches in the urban areas, but not in the rural areas. The Banking Correspondent model can be scaled up to the desired levels by roping in the government and private sector companies such as ITC and Hindustan Unilever as they have a sizeable rural presence.
2. The survey considers illiteracy of the people as the main reason (28%) for the limited use of BSBDA. The process of opening an account and transactions should be simplified through a banking correspondent, especially for the illiterate and semi-literate. The banks should be ready with biometric features designed for the unlettered.
3. The survey reveals that inconvenient business hour of the banks (24%) and consumption of more time (about 17%) are the stumbling blocks against the easy use of BSBDA. A local and personalized banking correspondent service with flexible hours would be preferable. A nominal fee maybe charged from the rural unbanked population for the convenience of banking at their doorstep through banking correspondents.
4. The study evaluated the factors for slow progress of BSBDA programme. Among the factors evaluated by BSBDA holders, 'Lack of professional orientation' secures the first rank with a mean score of 5.12. The banks must see financial inclusion as a business opportunity and not as an obligation. Given the importance of financial inclusion, banks must take pro-active steps so that the unbanked segment can get basic banking services. Reduction in the cost of banking will be the major determining factor for such an endeavour. In fact, this will have a beneficial impact on the banks' balance sheet. The banks must waive practically all types of service charges relating to BSBDA. As a result, lower and middle income groups find it attractive to operate bank accounts. This will result in higher customer base, leading to higher growth of deposits. It is also expected that on account of increased customer base, the Bank would be able to reduce the per head transaction cost of it.
5. The concept of branchless banking will be instrumental in achieving the mammoth task of gaining 100 percent financial inclusions. A mobile based branchless banking model will be more successful than a Banking Correspondent model in India. With the increasing penetration of telecommunications in the country and greater reach, mobile based business models will prove to be instrumental in realizing branchless banking and taking it to higher grounds by enabling low cost and real time transactions over secure networks.

CONCLUSION

To conclude, though the initiative under financial inclusion has led to opening of large number of basic bank accounts of people from the excluded segment, the effort for ensuring that these accounts remain operational has to continue. It is possible if all government payments are routed through the banking channel. A step ahead will be to remunerate banks appropriately for routing these transactions through the banking channel.

In addition, since the last mile delivery of all banking services is expected to be done mostly through the large BC network created across the country, it is necessary to ensure that appropriate control system for oversight over BC operations is provided by banks. The mobile phone, which has seen tremendous penetration among a large populace, will also play a vital role in ensuring a greater reach of these financial inclusion programmes.