Financial Inclusion: Ground Realities (A Case Study of Panipat Rural)

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Abstract - Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." (Report of the Committee on Financial Inclusion, 2008) Financial inclusion denotes delivery of financial services at an affordable cost to the various sections of the disadvantaged and low-income groups. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. The attempt is to lift the poor from one level to another so that they come out of poverty. This has always been the goal of the subsequent governments, to include all the masses of each class into the ambit of financial services, as can be seen from the various programmes being established. The objective of this paper is to make an insight into the ground realities of financial inclusion at the implementation level. This will be done through the study of some selected villages of Panipat city in Haryana. The key focus will be on three major schemes under financial inclusion, viz., PMJDY, PMSBY and PMJJBY. The key findings and implications of the study are put on paper through the comprehensive analysis of the responses gathered. There has been an overwhelming response by the public for the scheme according to the government sources. But there is another side of the coin too, i.e., there has been numerous setbacks to the scheme which are discussed in the paper in detail. The ground realities for financial inclusion and various schemes are quite on the blink, especially, for the disadvantaged and low-income groups, despite there being no dearth of bank branches in the urban areas. But no problem comes without a solution; hence, there is a mention of suggestions and recommendations on different issues.

Keywords: Financial Inclusion, Ground Realities, Implementation, Schemes, Panipat.

I. INTRODUCTION TO FINANCIAL INCLUSION

Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. This has to become an integral part of efforts to promote inclusive growth. There is conception of optimism for financial upliftment and social empowerment of the area ensuring the comprehensive inclusion of the masses into the financial composition and societal structure. Financial inclusion denotes delivery of financial services at an affordable cost to the various sections of the disadvantaged and low-income groups. Different financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. And this indeed, has always been the goal of the subsequent governments, to include all the masses of each class into the ambit of financial services, as can be seen from the various programmes being established, like 'Swabhimaan' (the Financial Inclusion Campaign), Unbanked blocks, Payment of wages to MGNREGA workers through BC model, Convergence of UIDAI Aadhaar Number with Financial Inclusion, Direct transfer of subsidy on LPG, Kerosene and Fertiliser etc. to the beneficiaries through their bank accounts. Other financial inclusion schemes are: PMJDY (Pradhan Mantri Jan Dhan Yojana), PMSBY (Pradhan Mantri Suraksha Bima Yojana), PMJJBY (Pradhan Mantri Jeevan Jyoti Bima Yojana), JSBY (Jeevan Suraksha Bandhan Yojana), SSA (Sukanya Samriddhi Yojana), APY (Atal Pension Yojana), SBS (Suraksha Bandhan Scheme). Although there have been various studies on the topic of financial inclusion describing in detail, its present status in India, its subsequent pros and cons, significance in the economic development and societal expansion of the unbanked masses, role of technology, social security schemes; the present study provides a new critical dimension at the implementation level and understand the public response and real situation in the newly 'banked' villages and the neighbouring areas.

II. OBJECTIVE

The objective of this paper is to make an insight into the ground realities of financial inclusion programme at the implementation level and to carve out some suggestive measures for the same. This will be done through the study of some selected villages of Panipat city in Haryana. The key focus will be on three major schemes under financial inclusion, viz., PMJDY, PMSBY and PMJJBY.

III. METHODOLOGY

The methodology used in the study is analytical in nature. The data used for the study is primary in nature. The sample size is 25 villages from Panipat city. The data is personally collected from the village representatives and bank branches (wherever applicable) through interview method.

IV. LIMITATIONS

The only limitation to the study is that the data is prone to personal bias of the respondents, i.e., village representatives (sarpanch) and bank officials. Although proper care has been taken for limiting any such bias; complete elimination is not achieved.

V. FINDINGS AND ANALYSIS

The key findings and implications of the study are put on paper through the comprehensive analysis of the responses gathered. Under this initiative, there has been the consistent government impetus along with the contribution and support of all the public-private financial institutions. There has been an overwhelming response by the public for the scheme according to the government sources.

But there is another side of the coin too, which is being tried to be explained through some of the following points:

1. The goal of financial inclusion has still not been whole heartedly accepted by the banks as they are unable to convince themselves for it to be a profitable business and providing revenue more than the expenditure.

2. Lack of financial literacy and financial education is another setback to this initiative, due to which it is difficult to take the majority of ignorant masses into the mainstream.

3. Lack of awareness of the concerned masses is not only limited to the ignorance towards banking, but the study have also shown that many individuals took for this scheme due to a notion that, "PM Modi will credit the recovered black money in each of these accounts."

4. There has been only duplicity of the accounts due to this and not the additional revenue that was expected. And the majority of masses who were financially excluded are still on the same verge having nothing to offer to the national economy living on 'hand to mouth' on daily basis.

5. Be it the 'jan dhan' scheme (PMJDY), accidental insurance cover (PMSBY) or life insurance (PMJJBY), the concern in question is that the intended beneficiaries and the real beneficiaries of the scheme are two different strata. This is the reason that JDY have just led to transfer of funds rather than generation of additional revenue as claimed by the authorities.

6. Another drawback to be pointed out is about the contribution of the rural branches for this cause. As there has been a huge burden on them for handling this work, their mainstream business obligations are hampered.

7. A policy is made at the governance level but implemented by the banks at the branch level. And if the execution level is taking their work as an additional workload and working with the same attitude, the policy suffers implementation paralysis.

8. Another drawback is the delay in the processing of accounts due to the bulk, and impatient nature of the public make it further difficult for banks to remain motivated for the scheme (which they already are not). In addition, few banks have also pointed the delay from the government's end for the issuance of RuPay cards.

9. Another issue to be understood is for the issuance of ATM cards, or RuPay cards in this case. An illiterate person cannot be issued an ATM card (as an illiterate person cannot understand ATM operations) for his/her account according to RBI guidelines. This is another major drawback of the scheme that the educationally excluded are financially excluded too.

10. Another eye-opener we got through this study threw light on a reality that there is a major chunk of village people, at least one from most families, who is actually working in the city and wishes to have 'this' account in an urban branch only. This again, results in a situation where the fruitful accounts of villages too are also there in the cities only.

11. Women are still been largely excluded. Majority of the women are illiterate in these villages and it is mandatory for an illiterate to be present in the branch personally, every time they make a withdrawal, for their thumb impression is to be taken in presence of the authorities (It has to be kept in mind that they aren't eligible for ATM too). And also, people here do not prefer their women to come out of house this often.

12. Another issue related to compliance is that due to the problems in opening of accounts for illiterate persons, some branches try to create an *'artificial literate state'* for them. It is done by making them write their name in any of the language resultantly making them literate in the process (as it is enough according to the official definition of literacy to be a literate if you are able to read and write your own name in any of the scheduled languages of India). This poses a serious threat of forgery and fraud.

13. It has also been noticed that there have been even doing away with the KYC norms while opening of these accounts in bulk, the sheer number of which even made a Guinness world record for India, i.e., highest number of accounts opened in a single day under the same scheme.

14. Banks have also claimed that majority of these accounts are lying inoperative with no balances at all; and hence increasing the costs of the banks without any considerable revenue being earned.

15. Another precarious situation created through the establishment of a rural branch at one village location trying to cover a larger area is actually ending up in the competition among the villages that *"there should be a bank in our village too."* Due to this, people from other villages are not interested in opening their accounts.

16. Few banks have communicated that there have been more enquiries for the job opportunities in the bank than for accounts; drawing flak over the level of unemployment in every nook-and-corner of our economy.

17. There is an overdraft facility available up to `5000 on the PMJDY accounts, which is also misinterpreted by the ignorant mass as a gift in form of free money by the PM.

18. Due to presence of 'Committee System' in the villages, people there aren't attracted for further savings or any kind of investment, that too with a lower interest than that.

19. Presence of specialized individuals providing easy finance without any paperwork or haste, though attracting high interest, keeps the masses uninterested in bank procedural hiccups of loans and advances.

20. Banks also find it difficult sometimes to open accounts under the scheme for each and every person due to the dearth of complete documentation with them, as there are many people in the villages who are still carrying just a 'ration card' on the name of any kind of identity/address proof but the same is not solely enough for the purpose.

21. Insurance also, for obvious reasons, have been the most difficult product to be sold to rural customers; due to its inherent nature of blocking money for long, as considered by the general public. And in present scenario, it has become extremely difficult for the banks, public and private both, to survive without 'insurance'.

22. Also, in remote, hilly and sparsely populated areas with poor infrastructure, physical access hinders inclusion efforts. On the other hand, the ease of availability of informal credit sources drive people away from formal institutions.

23. Another ground reality is for the urban exclusion which is also quite shocking, especially, for the disadvantaged and low-income groups, despite there being no dearth of bank branches in the urban areas.

VI. SUGGESTIONS AND RECOMMENDATIONS

It has also been tried through this study to ponder some of the solutions through the way of suggestions and recommendations on different issues. Various measures could be taken for correcting the hitches under the programme through the involvement of the implementing agencies, acknowledging the real situation, inclusion of working groups, increasing awareness and so on. Addressing all these issues will certainly make the fruits of financial inclusion ripe better.

1. The first and the foremost suggestion have to be the dissemination of awareness among the masses and promotion of financial education and its programmes in a vehement manner. As we have already seen in the previous section that major impediments to financial inclusion has been created by the lack of awareness and conceptual backwardness of the villagers.

2. Structural reforms with the participation of the banks in the financial policies at the governmental level can be a useful move for correcting the situation, at least from the supply side of financial inclusion.

3. A unique and uniform identity proof (like, Aadhar) can be used for checking duplicity of accounts and to get connected with the credit information agencies for ascertaining multiple borrowings.

4. Banks in association with the government have to make special efforts for the inclusion of females and the urban poor, so as to aim for the wholesome inclusion of each and everyone.

5. Improvement in the credit system for the deprived sections is to be necessitated, so that there is a shift of credit demand from the informal sources to the formal sector.

6. Banks have to compromise with the reality that they cannot get profitable returns in the short-term and they have to look at the larger picture and follow their duties.

7. Banks have to understand that handling the rural folks needs a different approach and strategy. They are to be dealt with excessive patience. They understand it or not, but expects complete information about the services. A bank officer provides banking services to an urban customer, but here he/she have to fulfil the role of a teacher too.

8. Banks should be supportive for having more number of business correspondents (BCs) so as to attain the deepest level of customer relationship and increased amount of business.

9. Banks also need to understand that BCs also need time to manipulate and capitalize on all the opportunities at the right time only. Hence, they need to be dealt with patience and regular training sessions and motivational guidance should be placed at the right juncture.

10. Banks with support of RBI and government should create a better mechanism for correcting their NPAs, as the risk of higher NPA in the rural areas cannot be refuted and has to be dealt in an even efficient manner.

11. There has to be some motivation in form of monetary incentive linked to the scheme for the banks for the better performance of the scheme, as they can solely take this scheme to any height or depth.

12. Many people in these villages were found to be in possession with handsome amount of gold. So, the banks and government can come up with various innovative gold schemes at lower interests to attract this lot of customers.

13. State agencies with the help of some cooperative institutions need to work on the process of knowing the dearth of proper documentation with the people and to carve out some solution for correcting the situation.

14. Co-operative farming, crop insurance and computerization of land records are the core areas to be provided impetus on.

15. Government and banks can take the help of NGOs and farmer associations to educate farmers on the benefits of banking and insurance.

16. Banks can take the help of self-help groups (SHGs) in understanding and educating the village people about the scheme, policies, banking procedures, compliance obligations and others.

17. Banks and village representatives can encourage people to take on self-employment alternatives near the branch area to create a small 'market-effect area'.

18. Banks have to understand and RBI has to make sure that whatever be the situation, there can be no tolerance for non-compliance – especially, the KYC norms.

19. Banks have to work on betterment of the rural branches too; in terms of infrastructure, as well as, technology.

20. As far as possible, any kind of delays in account opening or banking operations should be avoided for the sustenance of the branch.

21. Government can also work on the establishment of dedicated NBFCs working majorly for the cause of financial inclusion only.

22. Local authorities need to keep a check on the activities of all the informal sources of finance in their villages, if they want their people to be included in the mainstream of the economy.

23. Village representative need to be fully functional and active in persuading people for the scheme and for the maintenance of the accounts.

24. There has to be a good number of ATM outlets present in the villages as a stimulus for the prospective customers.

25. There should be impetus for a comprehensive form of survey and research so as to decide which village will be an appropriate choice in terms of location, literacy level, population, number of females, existence of informal sources of finance, etc.; and on the basis of this only the bank branches should be distributed.

26. Last, but not the least, RBI has to work on some solution for the problems faced by the illiterate masses related to banking operational hiccups.

The above mentioned points are based on the responses and their analysis along with the personal investigation of the researcher. Other than this, there are few excerpts of the recommendations from *"The Report of the Committee on Medium-term Path on Financial Inclusion"* being mentioned, which fell in to the ambit of the study:

1. Need to better leverage technology to facilitate usage and for enhanced convenience and usage there is a need for better utilisation of the mobile banking facility.

2. In order to increase formal credit supply to all agrarian segments, the digitisation of land records should be taken up by the states on a priority basis.

3. Universal crop insurance scheme covering all crops should be introduced starting with small and marginal farmers with a monetary ceiling. The insurance should be mandatory for all agricultural loans. The insurance should be made affordable, with the farmer paying a nominal premium and the balance from subsidy.

4. The use of technology would make the insurance scheme more efficient. Satellite imagery can be used for ‘crop mapping’ and to assess damage. GPS-enabled hand-held devices can be used for ‘ground trothing’. In addition, drones and dove, micro satellites could also be deployed to assess crop damages. This will reduce the number of crop-cutting experiments required and will ensure faster claims settlement.

5. There can be a provision of such a policy action for the MSME sector, which will help in bridging the information gaps, or contain innovative ways of providing finance to this sector.

6. Professional credit intermediaries/ advisors for MSMEs, which could help bridge the information gap and thereby help banks to make better credit decisions.

7. Geographical Information System (GIS) to map all banking access points which would help improve the efficiency of regulating, supervising and monitoring of banking operations.

8. To conduct periodic reviews by the banks of its financial inclusion plans (FIPs) at the Board level.

9. The advent of Payment Banks, an increasing number of cash-in and cash-out points through ATMs, mobile wallets and Rupay in the rural areas will enable customers to increase their access to the formal payment system. Over time, this would make it easier for banks to assess customers’ repayment capability, as most of the cash flows will become digitally recorded.

10. Interoperability of micro ATMs should be allowed to facilitate the usage of cards by customers in semi-urban and rural areas across any bank.

11. Considering the widespread availability of mobile phones across the country, the Committee recommends the use of application-based mobiles for creating necessary infrastructure to support the large number of new accounts and cards issued under the PMJDY.

12. Ensure faster development of a multi-lingual mobile application for customers who use non-smart phones; this will address the issue of linguistic diversity and thereby promote its popularisation and quick adoption.

13. Aadhaar and e-KYC should be the uniform KYC accepted by all banks and regulators.

14. The deposit accounts of beneficiaries of government schemes across banks should be seeded with Aadhaar in a time-bound manner so as to create the necessary eco-system for cash transfer.

15. A wider financial literacy drive with all possible communication channels to educate customers can be helpful.

16. The FLC network (Financial Literacy Centres) needs to be strengthened to deliver basic financial literacy at the ground level. Banks need to identify a few lead literacy officers who could train the people manning FLCs.

17. The content need to be customised for different target groups as they need varied kinds of financial education.

18. There is a need for a structured programme for holding periodic financial literacy camps in pre-identified areas in every district, which should be regularly monitored.

19. Local resources such as NGOs and theatre groups can be tapped to spread the message of literacy in an interesting manner to the local population for which funding can come from financial inclusion fund.

20. A technology-driven system through interactive screens/kiosks to encourage self-learning by people newly inducted into the financial system can be explored.

21. Periodic surveys across states to ascertain the extent of financial literacy and identify gaps in this regard. The results can provide policy-makers with a better understanding of the demand-side challenges.

22. The Reserve Bank should ensure compliance through random branch visits.

VII. SUMMARY AND CONCLUSION

On the outset, it has already been understood through this study that the biggest impediment to the plan is the lack of education and financial literacy among the masses. And the only solution to address this issue is to create awareness for it with the help of state agencies, NGOs, SHGs and cooperatives. The major findings of the study include, the problem of duplicity of accounts, lack of sufficient generation of funds, high cost, hampering of banks' business, implementation paralysis, delay in the processing of accounts, non-issuance of ATM cards to illiterates, female exclusion, urban exclusion, 'artificial literate state' created by the banks, non-compliance of KYC norms and other operational issues. Inoperative accounts, presence of committee system, specialized individuals providing easy finance, and other informal sources of finance, dearth of complete documentation, poor infrastructure, etc. are some other points. No problem comes without a solution and neither this was the one. Hence, various suggestions are being discussed in detail for correcting the situation and some of the recommendations from the *"The Report of the Committee on Medium-term Path on Financial Inclusion"* are also being mentioned, which were considered related to the study. To conclude the study, it could be said that though being a comprehensive and progressive policy, there is a lot to be done on the ground level.

REFERENCES

Although it is a primary research; but few definitions, sentences in introduction to financial inclusion and a part of suggestions and recommendations are being cited from some secondary sources too. These are mentioned below:

Government of India sources:

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ANNEXURE

Names of villages under study:

Adiyana	Bal Jattan	Bursham	Madlauda	Shohdapur
Asan Kalan	Bhadaur	Chandoli	Mahmadpur	Simla Molana
Babail	Bhandari	Dahar	Mahrana	Sondhapur
Babarpur	Binjhol	Jatol	Nara	Sutana
Badauli	Brahman Majra	Luhari	Risalu	Ugra Kheri