Public Sector Banks' Role in Promoting Financial Inclusion: An Empirical Analysis of the Perspective of Financial Inclusion Schemes' Beneficiaries

Amrita Bhatty and Farhina Sardar Khan
Research Scholar, Department of Commerce & Business Management, Integral University, Lucknow, India
amritabhatty27@gmail.com; farhina@iul.ac.in

[Abstract] All countries require a robust and effective financial system to achieve sustainable development. Finance is considered the most fundamental aspect of the growth and advancement of any economy. Moreover, financial inclusion promotes inclusive and equitable growth because it attempts to give every household in the nation easy access to necessary financial services like deposit, credit and insurance facilities at a reasonable cost. Our government has always been proactive; hence, after understanding the significance of financial inclusion, the regulatory bodies have taken numerous landmark initiatives for decades. However, despite the efforts, the results were not overwhelming. So, in continuation of the initiatives taken from 2014 onwards, a diverse range of financial inclusion schemes have been launched, which offered saving bank account facilities, social security schemes, credit facilities etc., after which exponential growth had been witnessed.

As the public sector banks are the key intermediary in achieving financial inclusion, the current study closely analyzes the perspective of beneficiaries of financial inclusion schemes on their role in its promotion. The study also determines the factors that lead to its successful implementation. Data was gathered using a structured questionnaire built on a 5-point Likert scale model, and with a sample size of 400 respondents, judgement sampling was used as the sampling method. Among statistical tools, mean and multiple regression had been applied, and it has been concluded that the public sector banks have successfully implemented the financial inclusion schemes.

[Keywords] financial inclusion, inclusive growth, public sector banks, government of India and RBI

Introduction

With the aid of financial institutions, financial inclusion is a relatively new idea that contributes to the country's sustainable development by making financial services accessible to the underserved population. All members of the economy must regularly use formal financial institutions and services to be considered financially included. These groups comprise representatives from the public, business, and nonprofit organizations. Offering banking and financial services to every member of society without prejudice is known as financial inclusion. It aims to involve everyone in the community by providing them easy access to essential financial services, regardless of their income or savings. Financial inclusion's primary objective is to provide impartial, dependable financial aid to those living in economically disadvantaged areas. It aims to offer financial solutions devoid of any indications of inequity. It is also dedicated to transparency while providing financial support without any additional fees or unexpected charges (Phogat, 2019).

Literature Review

In India, inclusive growth was viewed as the primary strategy for achieving economic development in the Eleventh Five Year Plan (2007–12). It was discovered that inclusive growth could be achieved by adequately distributing all resources from top to bottom (Gomathy, 2015).

As a robust financial system is a prerequisite for economic growth, sustainable development and progress of any economy, both the Indian government and the Reserve Bank of India (RBI) have been taking many initiatives for decades and nationalization of banks was the first step towards financial inclusion followed by the establishment of regional rural banks that were established to cater to the need as well as to provide rural parts of the country with banking and financial services (Aggarwal, 2014).

Both demand-side, as well as supply-side factors affect financial inclusion. Even though several steps have been taken to improve the supply-side factors, these measures will only work with adequate demand for financial inclusion (Kumar & Mishra, 2015). Some of the demand-side factors influencing financial inclusion include accessibility, culture, income, literacy, lack of awareness, insufficient documentation, high transaction costs, and behavioral aspects of the rural population (Ghatak, 2013; Siddiqui, 2018). However, after consideration of both side factors, many collaborative initiatives by the government of India (GoI) and the Reserve Bank of India (RBI) have been taken, which include priority sector lending, the introduction of the Lead Bank Scheme, issuance of the General Credit Card (GCC) and the Kisan Credit Card (KCC), the use of the services of business facilitators and business correspondents, the establishment of ATMs, the introduction of online banking, mobile banking, direct benefit transfers, opening more branches in the rural areas, and opening bank accounts accepting the Aadhar card as a legal document (Uma & Rupa, 2013; Rajasekaran, 2018).

Recently, as a part of the financial inclusion initiative, our government has launched various financial schemes, such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana, etc. (Sachdeva et al., 2018). With the introduction of these schemes, growth in the level of financial inclusion has been exponential, but, still, a lot needs to be done. Moreover, technology can also be used in developing innovative products, suitable service models, structured expansion, appropriate regulatory norms, etc., which shall be instrumental in achieving financial inclusion goals (Garg & Agarwal, 2014).

Objectives of the Study

- To analyze the perspective of beneficiaries of financial inclusion schemes on the role played by public sector banks in promoting financial inclusion.
- To ascertain the factors that lead to public sector banks' successful implementation of financial inclusion schemes.

Research Methodology

The present study is empirical, examines the perspective of those who have benefited from financial inclusion schemes on the role played by public sector banks in promoting financial inclusion (FI) and, also, ascertains the factors that lead to the successful implementation of financial inclusion schemes by the public sector banks (PSBs). Four hundred beneficiaries were surveyed through a structured questionnaire with a 5-point Likert Scale Model. Judgement sampling was adopted as the sampling method. Statistical tools, like mean and multiple regression, were applied, and data was collected anonymously at the beneficiaries' request.

Data Analysis and Interpretation

The general profile of the respondents has been represented in Table 1. using percentage analysis. In table 1, it is observable that out of a total of 400 respondents in the survey, 70.25% are males and 29.75% are females. Also, 35.50% of the respondents are in the age group of above 25 years and up to 40 years, 44.75% of the respondents are in the age group of above 40 years and up to 55 years and 19.75% of the respondents are above 55 years. Moreover, 24.75% of the respondents are availing only one FI scheme, 40.50% of the respondents are availing two FI schemes, 28.50% of the respondents are availing, three FI schemes and 6.25% of the respondents are availing, more than three FI schemes introduced by the government.

Table 1

*The Demographic Factor of The Respondents**

Factors	No. of respondents (No.)	Percentage (%)
Gender		
Male	281	70.25
Female	119	29.75
Total	400	100
Age		
25-40 Yrs	142	35.50
40-55 Yrs	179	44.75
Above 55 Yrs	79	19.75
Total	400	100
Beneficiaries' enrolment in the number of FI Schemes		
1	99	24.75
2	162	40.50
3	114	28.50
More than 3	25	6.25
Total	400	100

Table 2

*Perspective of Beneficiaries of Financial Inclusion Schemes on the Role Played byPpublic Sector Banks (PSBs) in Promoting Financial Inclusion (FI)**

S. No.	Factors that lead to the successful implementation of FI schemes by the PSBs	Mean score
1.	PSBs are serving the unbanked population and financing unorganized businesses	3.73
2.	PSBs are promoting inclusive growth and ensuring trust in the FI schemes	4.29
3.	PSBs have been an indispensable link between the government and the underprivileged	3.87
4.	PSBs are providing adequate services considering the demand side factors	3.63
5.	PSBs are offering a diverse range of financial services as per the needs of the weaker segment	4.02
6.	PSBs are opening branches and ATMs even in the remote areas	3.71
7.	PSBs are easing the documentation requirements for opening bank accounts and for obtaining credit facilities	4.34
8.	PSBs are initiating awareness campaigns for FI schemes through a variety of platforms	4.51
9.	PSBs are engaging business correspondents who are providing adequate banking services	4.13
10.	PSBs are urging individuals to use organized channels to access financial products and schemes	3.58

Table 2 illustrates the perspective of beneficiaries of FI schemes on the role played by public sector banks in promoting FI. It is analyzed that PSBs are initiating awareness campaigns for FI schemes through various platforms with a mean score of 4.51, followed by PSBs easing the documentation requirements for opening bank accounts and obtaining credit facilities with a mean score of 4.34. PSBs are promoting inclusive growth and ensuring trust in the FI schemes with a mean score of 4.29, and PSBs are engaging business correspondents who are providing adequate banking services, with a mean score of 4.13. According to the beneficiaries of FI schemes, PSBs offer a diverse range of financial assistance per the needs of the weaker segment, with a mean score of 4.02. PSBs have been a vital link between the government and the underprivileged with a mean score of 3.87. PSBs are serving the unbanked population and financing unorganized businesses with a mean score of 3.73, closely followed by PSBs opening branches and ATMs even in remote areas with a mean score of 3.71. PSBs provide adequate services considering the demand side factors, with a mean score of 3.63. PSBs are urging individuals to use organized channels to access financial products and schemes, with a mean score of 3.58.

Tables 3 to 5 discuss the Impact of factors on the role played by Public Sector Banks (PSBs) in promoting financial inclusion (FI) & Multiple Linear Regression has been applied.

Table 3

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	176.626	10	17.663	22.137	.000[b]
	Residual	310.374	389	.798		
	Total	487	399			

The ANOVA Table reveals that the regression model is significant and independent variables impact the dependent variable significantly.

Table 4

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.445	.297		8.243	.000
PSBs are serving the unbanked population and financing unorganized businesses	.032	.042	.036	.760	.448
PSBs are promoting inclusive growth and ensuring trust in the FI schemes	.312	.060	.281	5.179	.000
PSBs have been an indispensable link between the government and the underprivileged	.159	.039	.192	4.134	.000
PSBs are providing adequate services considering the demand side factors	.130	.045	.149	2.872	.004
PSBs are offering a diverse range of financial services as per the needs of the weaker segment	.163	.047	-.170	-3.485	.001
PSBs are opening branches and ATMs even in the remote areas	.217	.055	.206	3.954	.000
PSBs are easing the documentation requirements for opening bank accounts and for obtaining credit facilities	.554	.055	-.507	-10.119	.000
PSBs are initiating awareness campaigns for FI schemes through a variety of platforms	.007	.054	.007	.132	.895
PSBs are engaging business correspondents who are providing adequate banking services	-.033	.048	-.030	-.698	.486
PSBs are urging individuals to use organized channels to access financial products and schemes	.220	.044	.221	5.015	.000
Dependent Variable: Successful implementation of FI schemes by the PSBs					

Table 5 illustrates the impact created by the independent variables on the dependent variable. The results showed that all the statements, except PSBs, are serving the unbanked population and financing unorganized businesses, PSBs are initiating awareness campaigns for FI schemes through a variety of platforms, and PSBs are engaging business correspondents who are providing adequate banking services that have a significant impact on successful implementation of FI schemes by the PSBs.

Table 5

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	.814[a]	.780	.704	.89324
Predictors: (Constant)*				

Table 5 depicts the model summary. The value of Adjusted R Square is .704, which shows that the independent variable explains 70.4% of the variance in the dependent variable.

Findings and Conclusion

India is a developing nation where most people live below the poverty line. Poverty can be reduced when financial services are available and accessible to the weaker section at an affordable cost. Financial inclusion is inferred to be the optimum solution to cater to this problem. One of the significant steps the regulatory bodies took that resulted in establishing public sector banks was the nationalization of 14 critical private banks in 1969 and six other private banks in 1980. Since then, public sector banks have been a vital link between the government and the underprivileged and have been excluded from implementing financial inclusion schemes. Though there has been substantial growth in financial inclusion and in consideration of the country's vast population, more concentrated and collaborative efforts of the government of India, RBI, and public sector banks are required with customized solutions. The study concludes that there has been successful implementation of financial inclusion schemes by the public sector banks.

Contribution

The present study highlights the perception of beneficiaries of financial inclusion schemes on the role played by public sector banks in promoting financial inclusion. Perception is not formed instantly, but, rather, it is a long-term phenomenon; hence, in the research study, it is the result of the ongoing efforts made by the public sector banks over the years. The result elaborates on the factors that have not only had a long-term impact on the beneficiaries' minds but have also increased their level of satisfaction. Furthermore, because the beneficiaries represent the demand side, the study will help financial institutions and policymakers identify the areas where additional work must be done individually and in collaboration.

Future Research

The study's focus has been limited to the perception of beneficiaries of financial inclusion schemes on the role played by public sector banks in promoting financial inclusion. Still, as the topic is extensive and dynamic, there is plenty of room for future research. The future scope of the study includes the opinion of people with field experience, such as bank employees, business correspondents (BCs), etc. As the country is quite diverse with different issues in other regions, future research comparisons can be drawn between the perception of beneficiaries residing in different regions, states, and nations so that area or region-specific solutions could be provided. Moreover, future research could be conducted to study the strategies adopted by other developing and developed countries, and a suitable action plan could be implemented with a global partnership model.

References

Aggarwal, R. (2014). Financial inclusion in India: Challenges and opportunities. *International Journal of Research*, *1*(4), 557-567.

Garg, S., & Agarwal, P. (2014). Financial inclusion in India – A review of initiatives and achievements. *IOSR Journal of Business and Management, 16(6), 52-61.*

Ghatak, A. (2013). Demand side factors affecting financial inclusion. *The International Journal's Research Journal of Social Science & Management*, *3*(1), 176-185.

Gomathy, M. (2015). An overview of financial inclusion and rural development in India. *IOSR Journal of Business and Management, 17(8), 6-11.*

Kumar, M., & Mishra, K. (2015). Dwindling levels of financial inclusion: An exploratory study in Lucknow, India. *Journal of Business Management & Social Sciences Research, 4(1), 39-44*

Phogat, R. (2019). Financial inclusion in India: An analysis. *Think India Journal*, *22*(14), 16408-16423.

Rajasekaran, N. (2018). Including the excluded: The scenario of financial inclusion in India. *IOSR Journal of Business and Management, 20(2), 64-69.*

Sachdeva, T., Maheshwari , D., & Satsangi, A. (2018). Financial inclusion: A determinant for village development. *International Journal of Management Studies, V1(2), 15-20.*

Siddiqui, A. U. (2018). Financial inclusion in India – A catalyst for sustainable economic growth. *International Journal of Management and Applied Science*, *4*(2), 61-68.

Uma, H. R., & Rupa, K. N. (2013). The Role of SHGS in Financial Inclusion: A Case Study. *International Journal of Scientific and Research Publications, 3*(6), 1- 5.