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An Empirical Study of "Experts Opinion on Role of Banks in Supporting and Implementing Financial Inclusion"

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Abstract

An inclusive "financial system" is essential for the progress and long-term growth of the nation. It ensures that all the citizens of a country receive timely financial assistance at an reasonable cost. It also offers secure savings, multi-purpose loans, risk sharing with several investment options, risk coverage with various insurance products, and other services that make people's lives easier as well as more enjoyable. As a result, inclusivity enhances prosperity as well as economic growth by reducing or eliminating poverty, income inequality and the dominance of traditional banks. This study is empirical in nature. In this research the data were collected from 194 respondents who were the experts in the field of banking. The respondents included bank employees, academicians as well as journalists from the field of economics and commerce. The data analysis was carried out with the help of the multiple regression. It was found that there are different roles of banks with respect to the "Financial Inclusion" in India and all of them contribute significantly to the successful implementation of the Financial Inclusion.

Keywords: Financial Inclusion, Financial System, Banks, Experts' Opinion, Multiple regression.

Introduction

India is a powerful 1.2 billion country with twenty-nine countries and 7 union areas. In our country, there are around 6,00,000 districts and 640 districts. Most people, especially in rural areas, are denied easy access to credit. Although 40% of households have bank accounts, only 38% of the planned 1,17,200 commercial bank branches are in rural areas. The availability of "financial services" at reasonable and reasonable prices has been a concern all over the world. As a result, not only an inclusive financial system is important in India, but it has also become policy precedence in many other countries. Right to use to finance will undoubtedly improve the financial situation and living standards of the underprivileged and deprived. As a result, the RBI has been encouraging the banking industry to expand its network by opening new branches and installing new ATMs. Financial investment refers to the provision of financial services, such as "banking and credit," at low cost to most of the poor and low-income people who are now no longer allowed. Depending on their level of right to use to "financial services," financial inclusion looks at the input of susceptible communities such as "vulnerable sectors of society and low-income groups."

The formal financial system provides right to use to "savings, loans, insurance, payments, and shipping services, among other things." This aspect of investment is very important in ensuring the economic stability of the individual and the family. The Financial Stability and Development Council (FSDC) have some authority to study finance as well as investment in India, for example. Under the auspices of the FSDC, there is a dedicated Technical Team on "Financial Inclusion and Financial Literacy," which includes representatives of all managers of the financial industry. The RBI has set up FIAC (Investment Advisory Committee) under the chairmanship of the Deputy Governor to carry out efforts to increase investment.

In a report by the Indian Investment Committee, the investment was defined as "a process to facilitate access to "financial services" and in a timely and sufficient manner to ensure access to financial services groups such as the weak and low-income groups." In April 2012, the World Bank conducted a study showing that only 9% of people in India had taken out new bank loans last year. Further, only 35% of people had official bank accounts, compared to 41% in developing economies.

Financial services have been identified as a key component of development, with a strong focus on expanding "financial services" to low-income households, as the poor are lacking the education and skills that is required to access "financial services." The variety of services as well as loans available to homes and businesses are limited due to lack of access to finance. Although there are indications that access is improving, there are still many barriers to access financial services. Although India has a developing economy, 22 percent of its people live in poverty, which is higher than the global average of 18 percent (Kumar, 2013). As a result, in populous countries such as India, poverty reduction is a major problem. By enabling access to financial services, investment can play an important role in this. Right to use to finance leads to an increase in wealth, which in turn helps to reduce various poverty. The findings also highlight the strong link between high investment rates and low-income variability. As a result, investment has significantly reduced barriers such as poverty, income inequality, and unemployment.

The Indian government has taken many efforts to make the financial system more accessible by promoting a higher level of investment. Since 2014, the government has launched several successful initiatives. Despite the best efforts of policy makers, many people, especially from the poorest section of society, do not have right to use to the services provided by "financial institutions" and the investment climate in India is dire. Financial investment allows

indigenous banks to prosper, which is a major obstacle to large-scale money transfer and, consequently, to economic development. In addition, opening a bank account or taking out a loan is not enough unless it is converted into productive activities that contribute to "GDP and human development." In view of this, it is important to investigate the relation between "investment and Indian economic growth" following the implementation of these programs.

Literature Review

Pal & Pal (2014) stated that most commercial banks usually operate in commercial districts and have their branches located in profitable areas due to which the people living in rural areas are not able to access "financial services" easily. Although the effective distance is related to the transport infrastructure as it relates to the visible distance, other factors affecting access to these services include overcrowding, rural or remote areas, traffic (i.e., high-speed people without a fixed or official address), and so on. *Mondal (2015)* states that the people do not have official IDs such as "real birth certificates or identity cards" few, economic as well as political migrants, refugees, and women are denied access to financial services. Credit bureaus are often difficult to find for women who are not property or goods. To get a loan from any financial institution, they also needed a male guarantee. The financial situation of the people is always important in terms of gaining access to various financial services. Although financial services are designed for those with low-income levels, the poor cannot afford them. In addition, in India, there are many hidden bank accounts that discourage poor people from using these services.

Letterman, (1986) states that people are also less interested in using financial products or services that have rigid terms and conditions linked to them. Many financial organisations have their own set of rules for using accounts, such as minimum balance requirements. Whether it is a small, large, organised, or unorganised firm, the nature of the activity plays a vital role in obtaining financial services. Small borrowers and unstructured businesses are not preferred by most banks when it comes to loaning. As a result, these loan applications are frequently refused.

The RBI (Reserve Bank of India), largest bank of India has also been using various methods to promote investment. To make the "no frills account" work properly, banks were told to make small overdrafts available on these accounts, and banks had to open 25% of their branches in unpaid rural areas to improve bank access. The RBI also conducted financial literacy programs in partnership with commercial banks. A total of eighty thousand seven

hundred and ten "financial literacy" projects were completed in 2016 (Gupta *et al.*, 2014). The Reserve Bank of India has commended banks for developing board investment plans approved by the board to track their progress on various investment metrics such as "branch numbers, Basic Savings Bank Deposit Accounts, and overdraft power available" on those accounts, among others.

Gupte et al.(2012) states that information technology and mediators, according to the RBI, have enabled the bank to provide services at a cheaper cost. The investment, according to the RBI, "focuses on the practice of regular institutional players providing appropriate financial assets and services to vulnerable groups such as vulnerable categories and low-income groups at affordable, fair and transparent costs." The RBI's campaign to establish Rural Regional Banks and the Auxiliary Banking Liaison Program makes financial services more accessible to poor and disadvantaged citizens on the other hand. New bank contributions attract more consumers, resulting in increased revenue, debt, and, ultimately, profitability.

Study by *Ghosh, (2011)* have developed several limitations to measure investment, and most of them have used investment indicators such as branch entry, right to use, and use of "financial services." The development of the index can help to assess the state of investment in different provinces or states at different times, or in provinces and economies with the same situation at the same time. CRISIL has created CRISIL Inclusix, India's first comprehensive investment portfolio, which can be used to assess the state of investment at the national, provincial, and regional levels. It examined three major banking financial services (branch inflows, debt consolidation, and cash flows).

Chakrabarty (2011) states "Higher economic growth is associated with higher banking inflows, access to banking services, and the use of banking services in terms of deposits." Financial investment leads to economic increase and progress of the financial sector. Adult education and income inequality, in addition to urbanization, define the level of investment, according to a powerful study.

Unnamalai (2015) had studied the 'role of Indian banks in financial inclusion policy' with the help of 'Pradhan Mantri Jan Dhan Yojana' and stated that the banks of public sectors are leading when it comes to "opening an account, maintenance of account balance, issuance of Rupay debit cards etc" and the government should also grant the permission to banks of rural regional sectors and private sectors as well so that are able to open more branches.

Banks are offering schemes and motivate the people to have an account in their banks. Number of accounts was opened under 'PMJDY' scheme. *Deb and Das (2016)* had studied the perceptions of the people that had taken part in the survey and are having account in bank and their views about 'PMJDY.' It is found that they were motivated to open their accounts under this scheme in the public sector banks. The empirical analysis of the study indicates that the "demographic characteristics, service quality and scheme benefits" works as a catalyst and people are more attracted towards nationalized banks due to 'policy lags' and 'perceptions towards private banks.

Banks are well developed in India and their system is contributing to financial inclusion in many ways. They are providing loans at low interest to disadvantaged people and promoting them for their business. *Saravanan and Lakshmi (2016)* studied that there is well developed banking system in India that includes "public sector banks, foreign banks, private sector banks – both old and new generation, regional rural banks and co-operative banks with the Reserve Bank of India." Banking sector is considered as the backbone of Indian economy that reflects its support to country at the time of 'period of boom' and 'recession.'

Parashar (2016) found through his study that for the success of "financial inclusion" initiative the banks are providing their services at affordable cost to the people that belong to low-income group. There are some vital areas of 'financial inclusion' that are executed by the banks of commercial sector such as "financial literacy, Credit counselling, BC/BF model, KYC norms, KCC/GCC, No-frill accounts, Branch expansion, Mobile banking, and other measures such as micro insurance, micro- credit etc." The banks are also focussing on their products that simple, affordable, and have high utility.

Aim of the Study

1. To ascertain the different roles of banks in "financial inclusion" in India.
2. To know how banks are contributing to "financial inclusion" in India.

Research Methodology

The empirical study was carried out through survey method where experts from financial sector were considered to take part in the survey. The questionnaire was filled to know the "Role of Banks in Financial Inclusion in India." Sample of 194 respondents were surveyed to collect the data and tool called multiple regression was applied to get the results.

Findings of Study

In this study the multiple regression analysis was used. Table 1showsin this study, to know the role of Opening New Branches, No-Frills Accounts, Relaxation on "Know Your Customer (KYC)" Norms, encouraging Mobile banking and Installing ATM Machine, Engaging Business Correspondents, Simplifying the Process of Branch Authorization on "Overall Contribution of Banks to Financial Inclusion," Multiple Regressions were applied. The model explained 85% of the variance (R Square = .854).

Table 1: "Model Summary"

"Model"	"R"	"R Square"	"Adjusted R Square"	"Standard Error of Estimate"
1	.924[a]	.854	.849	.31101
a. Predictors: (Constant), Opening New Branches,No-Frills Accounts,Relaxationon "KnowYourCustomer(KYC)" Norms, Encouraging Mobile Banking and Installing ATM Machine, Engaging Business Correspondents, Simplifying the Process of Branch Authorization				

Table 2 (ANOVA) shows that whether the "Independent Variables" have significant supports the "Dependent Variable." The significance value is less than 0.05 (0.000), which reflects that one of more of the "Independent Variables" significantly influences the "Dependent Variable."

Table 2: "ANOVA"

"Model"		"Sum of Squares"	"df"	"Mean Square"	"F"	"Sig."
1	Regression	105.396	6	17.566	181.601	.000[b]
	Residual	18.088	187	.097		
	Total	123.485	193			
a. Dependent Variable: Overall Contribution of Banks to Financial Inclusion						

b. Predictors: (Constant), Opening New Branches, No-Frills Accounts, Relaxation on "KnowYourCustomer (KYC)" Norms, Encouraging Mobile Banking and InstallingATMMachine, Engaging Business Correspondents, Simplifying the Process of Branch Authorization

Table 3:"Coefficient"

"Model"	**"Unstandardized Coefficients"**		**"Standardized Coefficients"**	**"t"**	**"Sig."**
	"B"	**"Std. Error"**	**"Beta"**		
(Constant)	-.849	.251		-3.379	.001
Opening New Branches	.099	.037	.104	2.725	.007
No-Frills Accounts	.742	.050	.717	14.950	.000
Relaxation on "KnowYourCustomer (KYC)" Norms	.141	.044	.135	3.214	.002
Encouraging Mobile Banking and Installing ATM Machine	.132	.045	.131	2.931	.004
Engaging Business Correspondents	.041	.021	.056	1.931	.055
Simplifying The Process of Branch Authorization	.119	.037	.123	3.252	.001
a. Dependent Variable: Overall Contribution of Banks to Financial Inclusion					

Table 3and Figure 1 show that all the 6 statements regarding role of banks in financial inclusion such as Opening new branches, no-frills accounts, relaxation on "Know-Your-Customer (KYC)" norms, encouraging Mobile banking and installing ATM machine, engaging business correspondents, simplifying the process of branch authorization have significantly supported the statement Overall contribution of banks to Financial Inclusion.

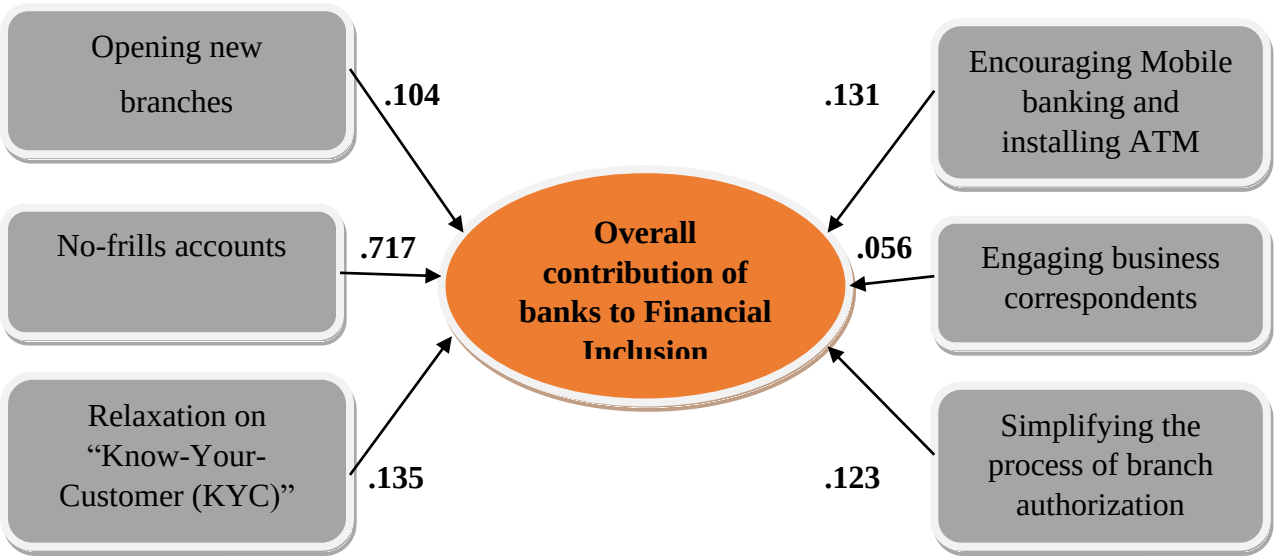

Figure 1: Overall Contribution of Banks to Financial Inclusion

Conclusion

Inclusive financial activities that promote growth and prosperity are carried out through a financial system, where the "standard of living" is high for all members of societies. According to the letter, the government should not only address the challenges of access and access, but also take step to get better banking practices, especially in pastoral areas, through programs such as "financial literacy awareness." As a result, they will be more confident in managing their finances and, as a result, will be able to utilize more financial services, which has led to improved economic growth.

The study concludes that 'Opening New Branches','No-Frills Accounts','Relaxation on Know-Your-Customer (KYC)" Norms, Encouraging Mobile Banking and Installing ATM Machine, Engaging Business Correspondents,Simplifying the Process of Branch Authorizationare some of the important roles of banks in "financial inclusion" in India. It is also found that all the above roles have significantly contributed to "Financial Inclusion" in India.

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