

FINANCIAL INCLUSION—SCOPE AND LIMITATIONS “A CASE STUDY OF J & K BANK”

Hasnain Baber*

Abstract

Financial inclusion is destined for providing banking services at affordable costs for deprived section of the society. Financial Inclusion is considered and used as a tool for eradication of poverty by enabling the under privileged section of the society to access the financial services to improve their livelihood conditions and provide them opportunities to contribute to the total gross domestic product of the country. To achieve this objective of inclusive growth, Jammu & Kashmir bank has been directed to liberalize and facilitate opening of basic bank accounts of hitherto excluded population and provide them basic financial services through ICT enabled solutions including Smart Cards. Since bank cannot leave its core business and start working for the financial inclusion, so, the bank has outsourced this function to its business correspondents which the bank calls as KhidmatCenters or the common service centers. But the basic aim of these business correspondents was to digitize the entire governance system of the state. But here the problem is with the various departments of the government who are not working towards the digitization of their entire systems like the revenue department. So the BCs are now performing other functions.

The current paper focusses on identifying this financial inclusion's scope and limitations at the Jammu and Kashmir bank.

* Assistant Professor, Islamic University of Science and Technology

Introduction

It all started with the e-governance plan of the government of India under which all the government services had to be made available to its citizens via electronic media. Same thing was supposed to be implemented in Jammu and Kashmir as well and the responsibility of the same was levied on the shoulders of the J & K Bank. For it the bank established the business correspondents and the bank called them as the Khidmat centers which would do the work of digitization of the entire governance system of the state. There was a 3-tier structure for the same. Bodies involved were:-

1. SDA (straight designated agency):-It was the technical dept. Of the secretariat of the state which is at Srinagar in summers and Jammu in winters.
2. SCA (service center agencies):-It was the J & K bank.
3. CSC (common service centers):- These were the Khidmat centers as established by the bank.

For this purpose clustering of villages was done i.e. few villages were allotted to one business correspondent(BC) and this business correspondent was located at some place which was called as the Most Preferred Site (MPS) and the responsibility of the operation of this business correspondent was given by the bank to the person called Village level entrepreneur (VLE) and V-Sat connectivity was provided in the said centers i.e. BC'S by the bank. All the costs for the purpose were borne by the bank, but then a loan was raised against the VLE.

But after this, Reserve Bank of India in November, 2009 advised banks to draw a road map for providing banking services in every village having population of over 2000, so, the banks were asked to go for financial inclusion which is the delivery of the financial services to the unbanked and under banked section of the society. SLBC Forum was for this purpose, advised to take necessary action in the matter. Target of 428 villages in J&K State was allotted to the Bank. The date of providing banking services in SLBC allotted villages, which was originally envisaged to be achieved by March, 2011, was later on extended by RBI to March, 2012. Subsequently in January, 2010, RBI advised banks to submit specific Board approved FIP, for rolling out banking services in other unbanked villages over next 3 years by March, 2013. Many changes were made in it with due course of time and the bank's current financial inclusion plan tends to cover about 535 SLBC allotted villages and has a selfset target of 725 villages, so a total of 1260 villages is being covered currently. The bank in its revised financial inclusion plan placed too much of reliance on providing banking services through business correspondents under the business

correspondent model and currently about 418 business correspondents are operational in the state.

Now the various services offered under this plan by the bank are:-

1. Differential Rate of Interest.
2. Micro Credit Card.
3. Micro-Overdraft to Ujala accounts.
4. Micro Recurring Deposit Scheme.
5. Micro-Remittance.

But the basic service to be offered under the financial inclusion plan is the No-frills account. No-frills account is the one which requires least KYC, almost nil formalities and operates even at 0 balance.

For it, the bank asks personnel from its business correspondents to personally visit the villages which are registered under their respective Common service centers. During their visit they interact with people and find who are the people without a bank account. After this they take their name, a photograph (for which they carry a camera and expenses for it are borne by the bank) and just one document which proves their identity. All of these details are sent to the bank and within no time an account is opened for any poor fellow. CSC's also get some money for every account they open with the bank. After the account has been created, a smart card is given to the customer to ensure that they get the basic banking services at their door steps. On this smart card about 15 applications are uploaded for user to use them like NREGA account, No-frills account, Life insurance etc. These smart cards are operational only on the point of transaction (POT) machines which are available with the BC as well as with the business units. . The POT machine at the business unit requires only one unlock key and that key is the finger print of any of the two authorized persons from the business unit while as the POT machine with the business correspondent requires two unlock keys i.e. two finger prints, one of the owner of the business correspondent and second one is that of the account holder, for whom the transaction is being made.

But all of these services are not operational currently. The services which are operational are:

1. No-frills account
2. Differential rate of interest
3. Micro credit card

4. MGNREGA account
5. Social welfare account.

During our research we found that the services and products supposed to be offered under the plan have yet not been successfully provided to the concerned people and this makes the FIP to be still in the initial stages of its launch. So it has still a long way to go ahead and prove to be of great importance in bringing the unbanked and the under banked section of the society under the fold of the bank.

Objectives

- To check the level of awareness with the various financial products/services available under the financial inclusion plan of “The Jammu And Kashmir Bank Ltd.”
- To assess the perception of rural people towards the bank.
- To assess the strength of the bank as perceived by its rural customers.

Procedure And Methodology

- **Type of Question:** The types of questions asked during the study are straight forward and limited probing.
- **Type of Questionnaire:** The type of questionnaire used during the study is structured and formalized.
- **Type of Analysis:** The type of analysis carried out during the study is statistical analysis.
- ❖ **Sources of Information:**
 - **Primary Source:** The Primary source of collecting data for research is: Questionnaire filled by the public.
 - **Secondary Sources:** In this study the secondary data is collected from the following sources:
 - Company’s website.
 - Reports of company.
 - Discussion with public and official persons.
 - Books

❖ **Primary Data Collection:**

- **Research Technique:**In this study the survey method is used as a research technique. This method helps to obtain right information from respondents.
- **Contact Method:**In this study schedules through enumerators is taken as a tool for contact method in which the questionnaires are filled by villagers from different villages of district Anantnag.

❖ **Sampling Plan:**

- **Population:**For the research the population of interest is the state of Jammu and Kashmir.
 - **Sample Size:**The sample size covered during the research is of 147.
 - **Sample Element:**The sample element of the research is public(villagers).
 - **Sample Duration:** The sample duration was taken in June 2013.
 - **Sample Extent:**The sampling procedure followed is random samplingafter the cluster sampling was done and district Anantnag was taken.
- ❖ **Research Instrument:**In this study the research instrument is Questionnaire. It consists of a set of questions presented to respondents. The questionnaire is structured with combinations of various close and open ended questions. Close ended questions already have the possible answers and the open-ended questions allow the respondents to answer intheir own words.

Data Analysis and Interpretation

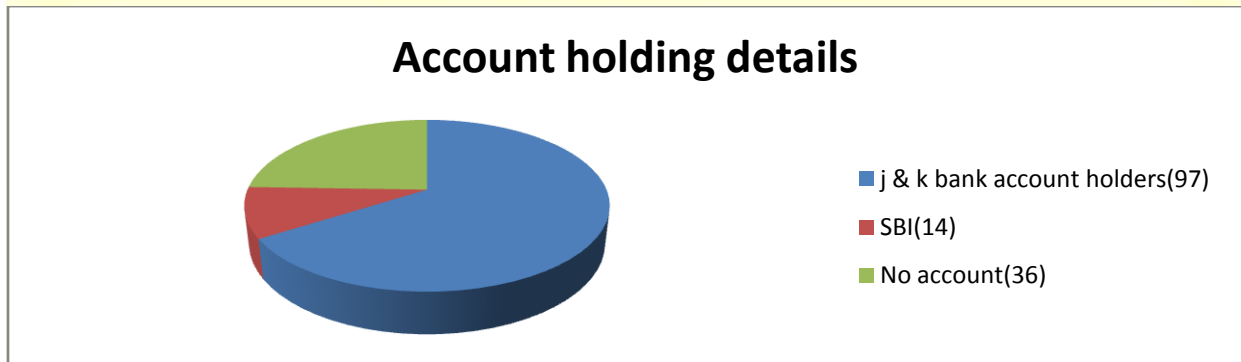
The sample size is 147 comprising of villagers from seven different villages of district Anantnag.

The villages are:-

- Chandrigam
- Hutmurah
- Aishmuqam

- Batkoot
- Seer
- Zirpora
- Gurridraman.

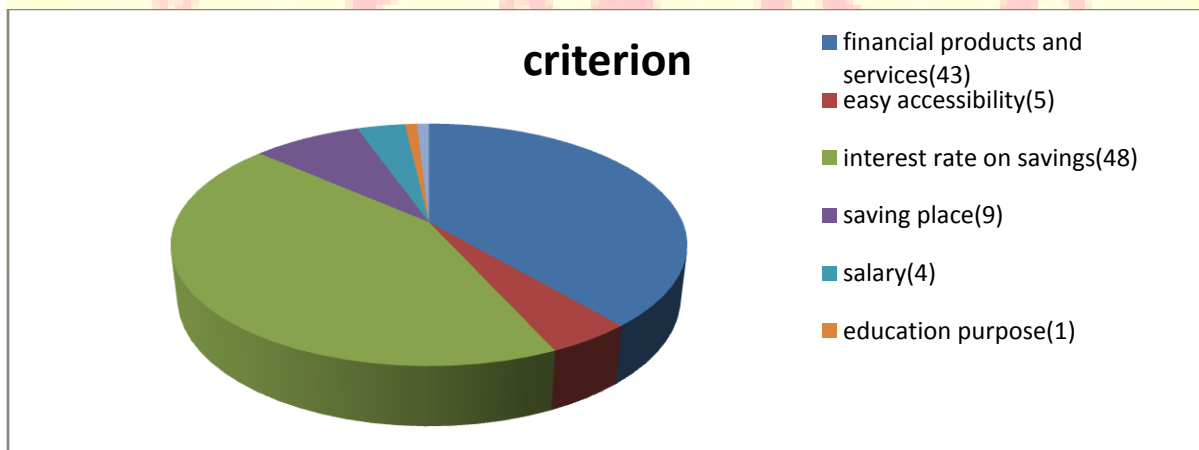
Respondents Having Bank Account.



Interpretation:-

Out of 147 respondents asked, 111 have a bank account and 36 don't have any. And out of these 111 having a bank account, 97(87.38%) have it in J & K bank and 14(12.6%) in SBI. From this we interpret that the J& k bank is almost in monopoly in the state.

Criterion For Choosing Any Bank For Providing You The Financial Services.

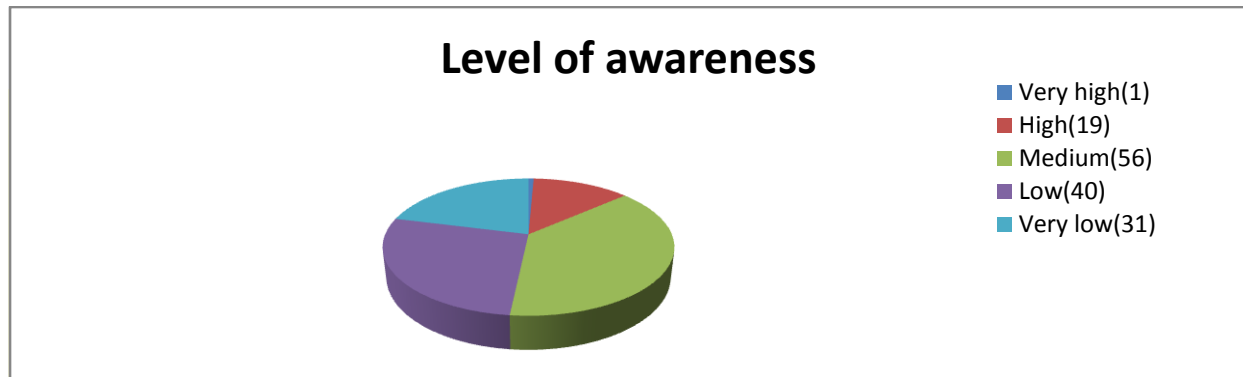


Interpretation:-

Out of 111 having a bank account, 38.74% use the financial products and services offered by a bank, 4.5% the easy accessibility, 43.24 the interest on savings, 8% a saving place, 3.6% salary,

.9% education purpose, .9% NREGA as a criterion for choosing any bank for providing the financial services.

Level of Awareness About The Services Of The J & K Bank Ltd.



Interpretation:-

Out of 147 respondents asked 68 % have very high ,12.96 %have high, 38.1% have medium,27.21 % have low and 21.1% have very low level of awareness about the services of J & K bank ltd.

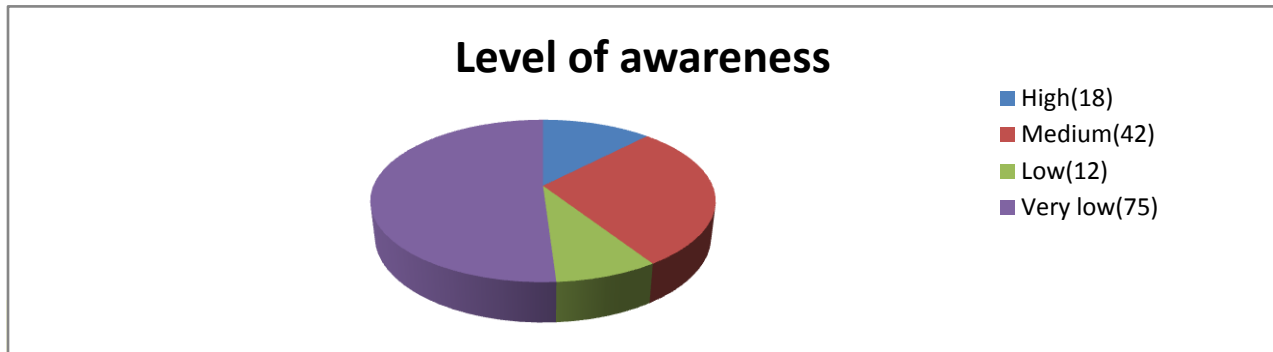
Satisfaction Level of the Customers



Interpretation:-

Out of 97 customers of the J & K bank,16.5 % rated it at 5, 72.2 % on 4, 7.22% on 3 and 4.12% on 1 on a scale of 5.

Level of awareness with the financial inclusion plan (FIP) of the J & K bank.



Interpretation:-

Out of 147 respondents asked 12.24% have high, 28.6% have medium, 8.2% have low and 51-02% have very low level of awareness with the financial inclusion plan of the j & k bank.

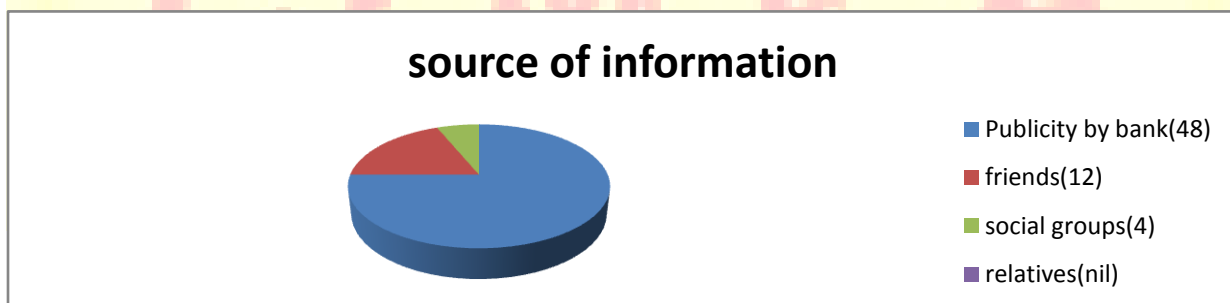
Level of Awareness about the Concerned Village Being Under The FIP.



Interpretation:-

Out of 147 respondents asked 43.54% knew that their village was under the financial inclusion plan while as 56.4% didn't know about this.

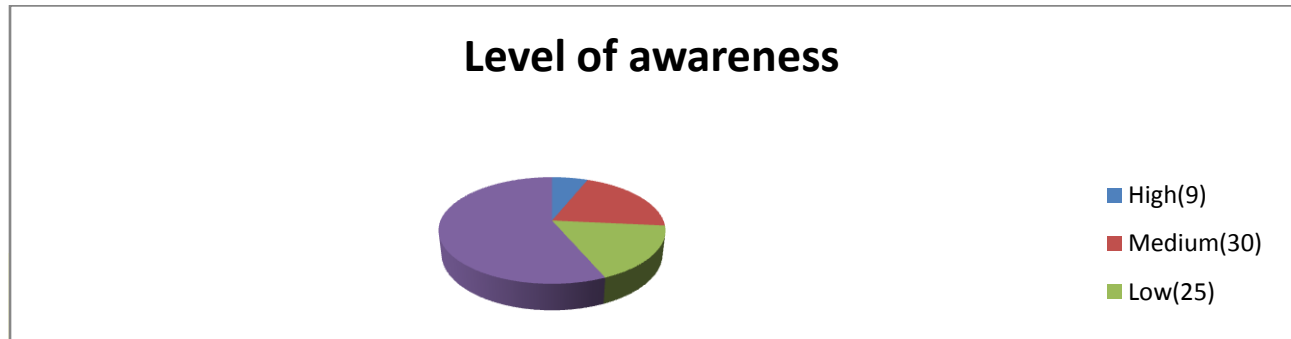
Source of Information about Knowing Being Under The FIP.



Interpretation:-

Out of 64 respondents who knew about their village being under the financial inclusion plan of the bank 75% knew it through publicity by bank, 18.75% through friends and 6.25 % from the social groups.

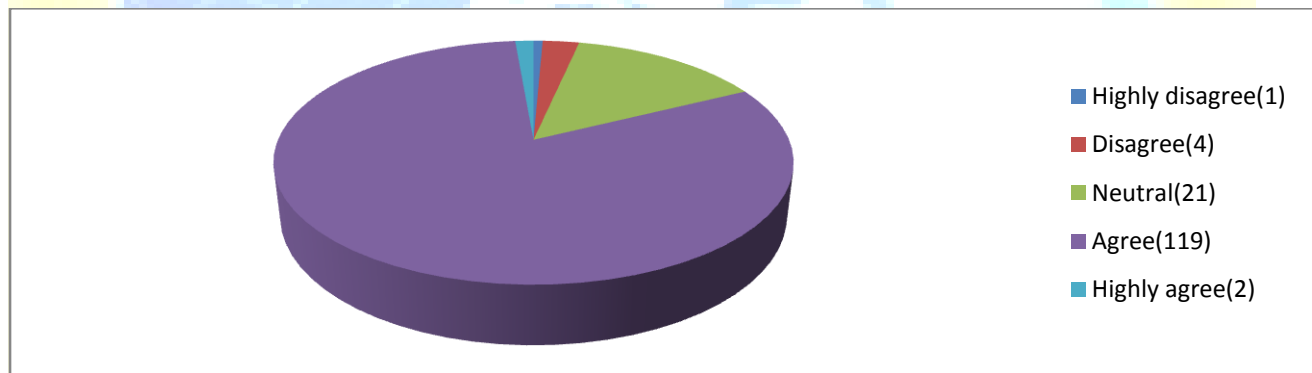
Level of Awareness with The Various Financial Products And Services Available Under The Plan.



Interpretation:-

Out of 147 respondents asked, 6.12% have high, 20.41% have medium, 17.01% have low and 56.5% have very low level of awareness with the various financial products and services available under the plan.

Will Smart Card Technology Simplify Your Life?



Interpretation:-

Out of 147 respondents asked, 2.72% disagree, .68% highly disagree, 14.28% are neutral, 1.36% highly agree and 80.95% agree with the fact that the smart card technology will simplify their lives.

Findings And Conclusion

During our research the first major observation was that the financial inclusion is still in the introduction stage which has not been implemented completely and has still a long way to go. we also found that the J & K bank is almost in monopoly in the state where of every 111 accounts available, 97 are with the J & K bank alone.

we also found that the majority of people use the financial products/services offered as a major criterion for choosing any bank for providing the financial services, so the J & K bank should try to improve its product line.

Another finding was that about 50% of population have low level of information about the financial inclusion and the different products/services available under it by the bank, so the bank needs to increase its level of awareness among the general public.

Of the customers of the bank, about 95% have rated it above average in terms of its overall performance, so a good sign for the bank.

More than 60% of people don't know about the financial inclusion plan of the bank including the services available under it, so the bank should work towards the proper marketing of its plan and the relevant services.

Since in financial inclusion, smart card plays a very vital role, which is still not available with its prospective customers, so the bank should work towards making this technology available to its customers as soon as possible.

The business correspondents of the bank are rated high in terms of its performance, location, knowledge level of the concerned personnel and the way they behave with their customers, so of course a good signal for the bank as well as the business correspondents(khidmatcenters).

In the recommendations to the bank, a large number of respondents stressed on ensuring good behavior from the bank employees whenever any customer visits any of the branches.

During our interaction with the people we also found that the people want the bank to work more and more towards the upliftment of the poor.

A few respondents also said that the J & K bank is perfect as a company, so it doesn't require any recommendation.

From our research we want to conclude that the financial inclusion plan has not been yet completely implemented and is still in the initial stages of its launch. So it has still a long way to go ahead and prove to be of great importance in bringing the unbanked and the under banked section of the society under the fold of the bank.

QUESTIONNAIRE

Q1. Name _____ (Optional)

Q2. Gender Male

Female

Q3. Income (Yearly) _____

Q4. Do you have a bank account?

Yes

No

Q5. If yes, then in which bank? _____

Q6. What criterion you use for choosing any bank for providing you the financial Services?

(a) Financial products/services it offers

(b) Easy accessibility

(c) Interest rate it gives on savings

(d) Any other (Please specify) _____

Q7. Are you aware of the various financial services offered by the J & K bank?

(a) Very high

(b) High

(c) Medium

(d) Low

(e) Very low

Q8. Are you, as a customer, satisfied with the overall performance of the J & K bank? (Please circle the appropriate number).

Very Satisfactory 5 4 3 2 1 Very Unsatisfactory

Q9. Are you aware of the fact that the J & K bank has taken financial inclusion initiatives?

(a) Very high

(b) High

(c) Medium

(d) Low

(e) Very low

Q10. Do you have the knowledge that your village is under the financial inclusion plan of the bank?

Yes

No

Q11. If yes, then how do you come to know about it?

- (a) Publicity by the bank
- (b) Relatives
- (c) Friends
- (d) Social groups

Q12. Are you aware of the various financial products/services available under this plan?

- (a) Very high
- (b) High
- (c) Medium
- (d) Low
- (e) Very low

Q13. If yes, then please specify which products/services you know of?

Q14. Which financial product/service under this plan you like the most?

- (a) No-frills account
- (b) Differential rate of interest
- (c) NREGA account
- (d) Social welfare account
- (e) Any other (please specify)

Q15. Why do you like it?(Give reason(s))

Q16. Do you have a smart card?

Yes

No

Have applied but not yet received

Q17. What advantages it gives to you?

Q18. Do you think that the smart card technology will simplify your life in any way or not?

- a) Highly agree
- b) Agree
- c) Neutral
- d) Disagree
- e) Highly disagree

Q19. How much time it takes you to get your work done at the business correspondent normally?

- a) Less than an hour
- b) Few hours
- c) 1 day
- d) More than a day

Q20. Please rate the knowledge level of the personnel at the business correspondent regarding your Queries? (Encircle the appropriate no.)

Highest 5 4 3 2 1 Lowest

Q21. How well do the personnel at the business correspondent behave whenever you visit? (Please encircle the appropriate no.)

Best way 5 4 3 2 1 Worst way

Q22. What problems you face in visiting a business correspondent?

Q23. Are you satisfied with the way business correspondents perform or the bank should devise a better mechanism for rendering services to the unbanked people? (please encircle the appropriate no.)

Very satisfactory 5 4 3 2 1 Very unsatisfactory

Q24. How important are the business correspondents to you?

Very important 5 4 3 2 1 Not important

Q25. How frequently you visit business correspondent?

- (a) Very frequently
- (b) Frequently
- (c) Normally
- (d) Least frequently

Q26. Are you satisfied with the services it offer? (Please circle the appropriate number).

Very Satisfactory 5 4 3 2 1 Very Unsatisfactory

Q27. Do you think it is at a favorable location for you to visit?

Yes

No

Q28. What according to you is the biggest strength of the J & K bank?

Q29. What recommendations would you like to give to the bank for improving its

Overall performance?

Date:

Signature:

Place:
