

A Study On Banker's Perception And Challenges Faced In Implementation Of FIPs In Rural Areas Of Medchal And Ranga Reddy Districts.

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Abstract: Financial inclusion is increasingly being recognized as a key driver of economic growth and poverty alleviation the world over. The Government and RBI come up with National Strategy for Financial Inclusion (NSFI: 2019-24) policy. This policy aims to provide access to formal financial services in an affordable manner, broadening & deepening financial inclusion and promoting financial literacy & consumer protection to poor. RBI closely measure and monitor financial inclusion policy and continuously framing the long term goals involving all the stakeholders. For this purpose, RBI appoints all schedule commercial banks to implement financial inclusion programs and schemes in rural, urban and metropolitan cities. In this scenario, RBI is regularly monitoring and discussing with banks on problems faced by bankers and their challenges, opportunities in implementation of FIPs especially in rural areas. Since 2005, RBI has been making concerned efforts in tackling several issues related to financial inclusion. In spite of several measures such as establishment of BC-BFs, a KYC norm, Electronic Transfer, BSBDA, KCC, PMJDY and MNREGS there is a deviation in implementation of FIPs in urban and rural population areas. The rural - urban divide so prominent in our country has serious consequences on financial inclusion and there are several issues that could be addressed for proper implementation of financial inclusion. The present paper is a sincere attempt in this direction and aims to measure the banker's perception and issues & challenges faced in implanting FIPs especially in rural areas. The results show that bankers face three predominant challenges in implementation of FIPs in rural areas. They are Unorganized Sector Domination Regulatory and Numerous Product offering and Infrastructure and Financial literacy challenges in rural areas.

Key words: Financial Inclusion Programs, RBI, Bankers Perception, Challenges in Implementation.

Section -1: Introduction to Financial Inclusion

Financial Inclusion means the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players. Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in difficult circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. The essence of financial inclusion is to ensure delivery of financial services which include - bank accounts for savings and transactional purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurance facilities (life and non-life) etc., in simple terms Financial Inclusion, refers to universal access to a wide range of financial services at a reasonable cost.

Important Definitions on Financial Inclusion by Reputed International Organizations:

1. **According to Asian Development bank (ADB)**, Financial inclusion is defined as “provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance to poor and low-income households and their micro-enterprises”
2. **The world bank defined FI** as an individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.
3. **The Reserve Bank of India (RBI)** has given the definition to Financial Inclusion, is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.
4. In 2008, the committee on financial inclusion headed by the **Dr. C. Rangaraj** given the definition to **Financial Inclusion** as “the process of ensuring access to financial services & timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”.
5. **According to NABARD**, Financial inclusion means emphasizes on the basic formal financial services at an affordable cost in a sustainable manner for vulnerable people.
6. **According to Chakraborty (2011)**, financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players.

Financial inclusion has become an important field of study because of economic inequalities existing in society. This is of course has several reasons such as illiteracy and cultural factors.

Financial inclusion relate to ensuring 5 A's

- (i) Adequacy of norms,
- (ii) Availability of wide range of products,
- (iii) Accessibility by customers,
- (iv) Awareness about products offered by the Banks and
- (v) Affordability of Finance.

It is also an adoption of Multi-prolonged strategy such as opening up of branches, building partnership with Self Help Groups, Micro Finance Institutions etc., enhancing network of banking services through Business Correspondence, Business Facilitators and promoting wide range of product to cater to the needs of the poor. Fortunately as far statistics provided by the RBI, Tamil Nadu falls within the “medium financial inclusion segment Kerala, Maharashtra and Karnataka belong to “High Financial Inclusion” category. RBI realized that there is a greater need to focus on policies and processes. It understands the value of partnerships and technology. It has been focusing on voluntary savings and other related lines such as cash credit system of lending over 3 to 5 years cycle to minimize the problem of inadequate finance and non-availability of repeat loans, to enable creation of joint liability groups within self-help groups to scale up economic activities by more entrepreneurial members, improving ringing in third party audit, building second tier institutions, strengthening the monitoring mechanism and addressing training requirements.

Scope of the Study: The scope of the study is limited to assess the banker's perception and problems in implementation of FIP at Medchal Malkajgiri & Ranga Reddy District Only.

Objectives of the Study:

The following are the main objective under the study.

RO₁: To measure the perception of the banker towards implementation of the financial inclusion programs

RO₂: To assess the challenges faced by bankers in implementation of FIPs in rural areas.

Research & Methodology

The present study is based on the primary data as well as secondary data. The following are various sources of data for collecting information of primary and secondary data.

Sources of Primary data:

The following are the sources to collect primary data. They are

1. Questionnaire: a structured questionnaire is administered to select bank officials

Sources of Secondary data:

The following are the various sources of secondary data.

1. Published annual reports of regulatory agencies and financial institutions involved in the financial inclusion policy like IMF, RBI, NABARD, Scheduled Commercial Banks etc.
2. Articles published in reputed Journals, news papers etc.,
3. Earlier works relevant to the secondary sources like Books, Doctoral Theses, Dissertations etc.,

Methodology:

The present study is mainly based on the primary data collected from the bankers by administered a structured questionnaire. The responses collected from the bankers were interpreted with the help of appropriated statistical techniques such as chi-square, mean, standard deviation and frequency by using SPSS -25 versions.

Sample Profile: For the present study, a convenient sample is adopted for selecting Target Groups from various Public Sector Bank Branches in the rural and urban area of Medchal&Ranga Reddy District of Telangana. The selected Banks are SBI, Andhra Bank and Canara Bank branches.

Sample Size:75 Bankers of different designation selected from Public Sector Banks and Rural Regional Banks.

Sampling Technique:Convenient Sampling technique is used under the study.

Section-2: Review of Literature

Financial inclusion is a process by which financial services are made accessible to all sections of the population. It is a conscious attempt to bring the un-banked people into banking. The relevant literature has been reviewed to explore the theoretical foundation behind financial inclusion and various aspects pertaining to it. This paper is an attempt to measure the banker's perception and issues & challenges faced in implementing FIPs and schemes in rural areas.

The following studies are consulted in the process of problem formulation and statement of hypothesis and objectives of the present study.

- **Sahasrabudhe, S., Mahavidyalaya, P. K., & Miraj Dist, S. (2010)**, in their study on 'Financial Inclusion and Role of Cooperative Banks' assessed that due to a good rural network of Cooperative banks, their local staff are in a better position to understand rural situation and the problems of poverty. They are serving very large number of small borrowers and depositors but they have developed serious weaknesses which need to be addressed urgently. Revitalizing the cooperative banks can be very effective in facilitating Financial Inclusion. Moreover adoption to ICT will improve housekeeping and will reduce transaction costs resulting into overall efficiency and profitability. Thus more and smaller borrowers and depositors can be brought into the fold, if the cooperatives offer them access through biometric ATMs and mobile phones which will be possible only if cooperative banks go in for Core Banking Solutions as being done by Regional Rural Banks. The study also suggested some thrust areas which need to be focused for strengthening cooperative banks and promoting inclusive growth in rural areas as Human Resource Development, Credit Management and Information and Communication Technology, etc.

- **Kodan, A. S., & Chhikara, K. S. (2011)** has analyzed the status of financial inclusion in Haryana and also compared it with aggregate India. The study revealed that there is No significant difference exist between the no of deposit accounts & credit accounts per 1000 population in Haryana & India but status of deposit account in Haryana is somewhat better as compared to India & status of India is better than Haryana w.r.t credit account per 1000 population. Exist no difference between Haryana & India regarding availability of banking services in terms of population per bank office; moreover status of Haryana regarding availability of banking services is superior to aggregate India. Also indicated that there is no difference between the usage ration of Haryana is low as compared to aggregate India. Regression equation clearly shows there is positive & strong association between usages ratio & growth of NSDP/GDP.
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- **Rachana (2011)** studied financial inclusion in rural areas, determined the reasons for low inclusion, satisfaction level of the rural people towards banking services and assessed the performance of the banks working in rural areas. The study finds out 83% of the sample had bank accounts & 17% don't have account. Lower level of jobs, lower education qualification and lower annual income of rural public were some of the reasons for low inclusion. Rural people were not strongly satisfied with the services provided by the bank & NGOs and govt efforts for FI. Though banks in rural areas had good coverage but most of them are running into losses.
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- **Pokhriyal & Ghildyal (2011)** critically analyzed the spread of SCBs and progress of the SHG-Bank linkage program. The network of commercial banks inclined more towards metropolitan cities. Credit extension has reduced in all areas i.e., rural, semi-urban & urban except metropolitan. Goals of financial inclusion are not achieved as SCBs hesitate in operating in the rural areas & for low income-earning classes. The study also revealed widespread disparities exist among various regions in the spread & progress of banking. It showed that banking network & services have grown better in southern, northern & western regions and other regions are lagging behind particularly north eastern region where banks need to put in more concentrated efforts for eliminating the disparities. Rural areas & rural people are still deprived & discriminated in the context of financial inclusion & growth. SHG Movement has remained successful in status where an incidence of poverty is comparatively less.
- **Garg and Agarwal (2014)** have highlighted various initiatives taken up by banks for financial inclusion and they have analyzed the progress of financial inclusion by using reports of RBI and NABARD. They have given seven approaches to achieve financial inclusion in nation like bank led approach, technology based approach and regulator led approach etc.
- **Ogbebor, T. O. (2014)** studied the concept of Enhancing Financial Inclusion in Nigeria through Agent Banking: Prospects, Benefits and Challenges and concludes that agent banking is a veritable tool for financial inclusion and adopted by financial institutions in Nigeria will enhance the banking services especially savings and credit may available to a large portion of the unbanked and financially excluded members of society. Access to financial services will assist in the mobilization of investible funds and allocation of funds to the productive sectors of the economy.

Section – 3: Data Analysis and Interpretation

Table No -1.1 Demographic Profile of Bankers

Demographic Profile		Frequency	Percent
Type of bank	PSBs	69	92
	RRB	6	8
	Total	75	100
Area	Sub Urban	32	42.7
	Rural	43	57.3
	Total	75	100
Age	<25	7	9.3
	25-30	30	40
	30-35	17	22.7
	35-40	21	28
	Total	75	100
	MALE	54	72
Gender	FEMALE	21	28
	Total	75	100
Designation	CM	15	20
	Sr.Manager	27	36
	General Manager	20	26.7
	Asst.Manager	5	6.7
	Probationary Officer	8	10.7
	Total	75	100
Service	<5 Years	12	16
	5-10 Years	12	16
	10-15 Years	20	26.7
	15-20 Years	24	32
	>25 Years	7	9.3
	Total	75	100
Education Qualification	UG	18	24
	PG	12	16
	MBA/MCA	17	22.7
	CA/CWA/CS	14	18.7
	B. Tech/M.Tech	14	18.7
	Total	75	100

Source: Survey Data | Collected by Researcher

The study is based on a sample of 75 bankers in Medchal and Ranga Reddy District of Telangana State. The sample consists 36% of Senior Managers. Most of the respondents are from Public Sector Banks i.e., 92%. The public sector banks and regional rural banks are located in Sub-Urban and Rural areas as shown in table as 42.7% and 56.3% respectively. The majority of the bankers services lies in the 15-20 years. Majority of the banker's qualification is PG 38.7% and UG qualification

are 24%; Professionals such as CA/CMA/CS and Technical Education background like B. Tech/ M. Tech are 18.7% respectively.

RO1: To measure the Perception of the banker towards implementation of the financial inclusion programs

The frequency table given below shows the perception of bankers towards implementing financial inclusion program. The responses are recorded on a five point scale from very low to very high and assigned by the numbers 1-5 respectively. Total 9 statements were given to the bankers to know their perception on financial inclusion program.

Table No: 1.2 Bankers Perception towards FIPs& Schemes

Statements	χ^2	p-val	Sig. Value	Results
FIPs helps in alleviation of poverty and improve the financial conditions of the poor people	16.120	0.007	0.05	Reject H_{01}
FIP useful to encourage the neglect sector (Agriculture/MSME/Small vendors)	4.403	0.355	0.05	Accept H_{01}
Micro credit and Micro finance Schemes helpful to include the neglected sector in formal financial system.	30.365	0.000	0.05	Reject H_{01}
FIPs are benefited to Weaker Sections and Low Income Group People like Women, Unemployed, Youth, EBC, Persons with disabilities	12.668	0.013	0.05	Reject H_{01}
FIP will helpful in generate more employment.	11.862	0.018	0.05	Reject H_{01}
By offering various kinds of FIPs to the vulnerable sections, they have enough social security	13.734	0.008	0.05	Reject H_{01}
Access of various micro savings and insurance programs to empowered the women/ unemployed/youth/economically backward classes/persons with disabilities	12.802	0.012	0.05	Reject H_{01}
FIP increased the rural development.	6.677	0.155	0.05	Accept H_{01}
FIP is waste of public money and may not helpful to the weaker sections of the society	22.448	0.000	0.05	Reject H_{01}

Source: Survey Data | Computed by Researcher

H_{01} : There is no significant association between Bankers Designation and Perception on FIPs.

H_{01a} : There is a significant association between Bankers Designation and Perception on FIPs.

- **The banker's perceptions towards the FIPs help in reduction of poverty and improve the financial conditions of the poor people:** From the table 1.2, it may observe the computed Chi-square value is 16.120, p-values is 0.007. The computed p-value is less than the significant value, i.e., $0.007 < 0.05$ to reject the statement. In simple terms, bankers perception statistically significant towards poverty alleviation by financial inclusion program.
- **FIPs Useful to Encourage the Neglect Sector-** Considering the table 1.2, computed value of chi square is 4.400 and p-value is 0.355. Based on the p-value which is greater than 0.05

suggests to accepting the null hypothesis. This means there is no significance association between FIPs which helps to encourage the agriculture, MSMEs, small vendors.

• **Micro Credit, Micro Finance Schemes helpful to include the neglected Sector such as Agriculture, MSMEs and Small business in formal financial system**

The data presented in table depicts the chi-square and computed p values. The chi-square is 30.360 and p-value is $0.000 < 0.05$ shows that Banker's perception towards Micro Credit and Micro Finance schemes are helpful to bring under formal financial system from the unorganized sector finance is statistically significant.

• **Financial Inclusion Schemes and Programs are benefited to Weaker Sections and Low Income Group People like Women, Unemployed, Youth, EBC, Persons with disabilities.**

The computed value chi-square and p-values recommends the researcher to reject the null hypothesis. The computed value of p is $0.013 < 0.05$ shows that there is no significant association between bankers perception towards FIPs are benefited to weaker sections of the society.

• **FIPs are Helpful to Create Employment:** Considering the table values, p-value is less than the significant value suggests rejecting the null hypothesis i.e., $0.018 < 0.05$. Hence, there is a significant association towards bankers perception on FIPs are helpful to create employment.

• **FIPs provide Social Security to the Vulnerable People:** the data presented in table shows the calculated value of chi-square and p-value. on this basis, the null hypothesis is accepted or rejected. The computed value of Chi-square is 13.734 and p-value is 0.008. Thus, reject the null hypothesis.

• **Access of Micro Savings, Micro Insurance, Micro Finance & Credit, PMJDY Schemes are empower the Women, Unemployed, Youth, EBC and Persons with disability**

Based on the computed value of p-value is less than the significant value i.e., $0.012 < 0.05$. Thus, reject the null hypothesis.

• **FIP Increased the Rural Development:** from the table values, the null hypothesis is accepted on the basis of computed p-value. i.e., $0.155 > 0.05$. Thus, there is no significant association

• **FIP is waste of public money and may not helpful to the weaker sections of the society**

Considering the table 1.2, the computed chi-square value is 22.448 and p-value is 0.000 stating that there is a statistically significant association between bankers perception towards FIP is waste of Public money.

Ro2: To assess the challenges faced by bankers in implantation of FIPs in rural areas.

Bankers play a vital role in implementation of FIPs in the country level. But, at field level there are some problems and challenges faced by them to implement FIPs. thus, it is necessary to identify the major problems and challenges faced by bankers in implementation of FIPs in rural areas. To assess the major problems and challenges, factor analysis is used and results are discussed below.

Table No - 1.3 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.197	39.968	39.968	3.197	39.968	39.968	2.447	30.586	30.586
2	1.514	18.931	58.898	1.514	18.931	58.898	1.884	23.548	54.134
3	1.118	13.979	72.877	1.118	13.979	72.877	1.499	18.743	72.877

Extraction Method: Principal Component Analysis.

The Total Variance Explained in the above table 1.3. A total of 9 statements were extracted into 3 components to assign labels on challenges faced by bankers in implementing FIPs. These 3

components cumulatively explain 72.877 percent of variances in the total variance explained under factor analysis. Further, these 3 components are grouped and labeled with new name.

Table No -1.4: Rotated Component Matrix

Challenges Faced by the bankers in Implementation of FIP	Component		
	1	2	3
Domination of private money lenders	0.864		
Low access and awareness	0.858		
Difficulty in operations	0.770		
Providing different types of product		0.914	
Lack of support from rbi in decision making		0.788	
Identification of vulnerable section of the people		0.606	
Lack of infrastructure			0.909
Establishment of FLC			0.669
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
Sources: Survey Data Computed by Researcher			

Factor – 1: Unorganized Sector Domination Challenge: from the above table, 3 component factors are extracted. The first factors are highly correlated to Domination of Private Money Lenders is **.864**, Low Awareness & Access of People towards Financial inclusion programs & schemes is **.858** and Difficulty in Operation in villages with **.770**. The majority of the bankers opinion is the main challenge is domination of money lenders in the rural areas because of providing loans with less terms and conditions, loans given for any purpose, easy accessible, nearby residence. The next factor is low awareness and access of banking products and services in the rural areas because of low financial literacy and fear of high transaction charges, minimum balance maintenance problems. The next correlated factor in the factor -1 is difficulty in operations in the villages due to lack of bank staff, infrastructure and facilities etc.\

Factor – 2: Regulatory and Numerous Product offering Challenges:

The second component factor is providing various kinds of products and services to the beneficiaries by the banks with the score of .914. The products and services are micro saving schemes, micro insurance, micro credit & finance, social security schemes etc. included in the FIPs. The bank officials' challenge is to explain the benefits and cost related to the different FIPs to each beneficiary. The next correlated factor is a regulatory aspect that is recovery of default loans, sanction of micro credit to the low income group etc are the challenge faced by the bankers with a score of .788. The next correlated factor is to identification of vulnerable people in the village is the major difficult problem with a loading score of 0.606.

Factor – 3: Infrastructure and Financial literacy challenge:

The third component factor extracted in the factor analysis is lack of infrastructure in the rural areas with the score of 0.909. The most of the bankers faced important challenge in implementing financial inclusion program is Infrastructure includes establish the branches in the rural areas, Opening of Off-Site and On-Site ATMs in the rural areas, employees working in the banks, providing authorized BC-BF Correspondence is a difficult task.

Figure: 1.1: Challenges faced in Implementing FIPs in Rural Areas:



Limitation of the Study:

The present study has the following limitations:

- The respondents are Public Sector Bank Employees and they hesitate to fill up the questionnaire and have some bias in the response.
- The study is subject to common limitations of sample survey (Convenient Sample)

Section –IV: Suggestions and Conclusion:

This paper was based on the Banker's perception and issues & challenges in implementing financial inclusion program. After analyzing the responses, the study concludes that financial inclusion policy is a key note to the government and lack of support from regulatory organizations like RBI, lack of infrastructure and insufficient staff may lead to wastage of public money. Despite of many challenges, rural bankers are annoying to overcome by conducting financial awareness programs in rural areas to increase financial access of banking products and financial services. Once the weaker section improves their awareness on banking services, it may lead to access of the banking products and services. It shows the effectiveness of FIPs& Schemes and prevents the vulnerable group to access the unorganized sector finance.

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