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Banking Initiatives and Financial Inclusion in India: An Empirical Analysis

Sweta Goel[1]

[1] *Assistant Professor, ACCF, Amity University. E-mail: sgoel3@amity.edu*

ABSTRACT

Despite witnessing a substantial progress in financial sector reforms, financial inclusion remains an unrealized dream in India. Financial inclusion *i.e.*, providing financial products and services to each and every individual at an affordable cost has been high on the government's agenda. The present study is a path finding attempt to suggest means to assist banks in deepening the financial inclusion in India. For the study primary data was collected from bank officials engaged in the development and/orexecution of strategies. The final sample comprised 382 responses from officials employed with public and private sector Indian banks. An empirical analysis of the views of the respondents revealed that broadening the network of bank branches, innovative technology solutions, serving the neglected and bottom of the pyramid customers, superior regulatory support and high degree of awareness and trust on banking system can successfully augment the transformation of India into a financially inclusive economy.

Keywords: Financial inclusion, financial exclusion, banking reforms, rural penetration, business correspondents.

1. INTRODUCTION

In the present era of globalization and liberalization, asubstantial number of worldwide populace are still languishing in the malicious circle of poverty and are ignored by economically stronger and swifter section of the society. For sustenance and better growth of the world, the deprived sections should been compassed in the main stream of growth as poverty anywhere is agrave threat to prosperity everywhere. Therefore, each and every individual should be provided with reasonable institutional financial products and services called as 'Financial Inclusion'. Financial inclusion, that is providing everyone access to financial products and services is a win-win situation for all stakeholders. It is the process of ensuring access to financial products and services with timely and passable credit where needed to vulnerable groups of the society such as weaker sections and low income groups at an affordable cost.

Many growth theories haveimplied it as a prerequisite for economic progress (Schumpeter, 1912; and Hicks,1969).According to some economicleaders, financial inclusion creates economic opportunities that help in bringingyet excludedpeople into the economic mainstream (Bindu and Jain, 2011). It acts as a means to transfer resources from resource surplus to the resource deficit units (Bihari, 2011; and Sajeev and Thangavel, 2012). This in turn leads to inclusive, sustained and balanced growth. Financial inclusion provides vital social benefits from the point of view of the society (Karlan, 2014). It helps in reducing poverty (Beck*et al.*, 2007; and Ktona and Ninka, 2013). Moreover it insulates people from unanticipated financialshocks (Shetty and Veerashekharappa, 2009; and Lokhande, 2011). Financial inclusion modifies thefinancial landscape of the poor people aat the micro level and the economic landscape of the country at macro level.On the opposite side, financial exclusion exaggeratesthe social inequality and poverty (Raman, 2012). The low outreach of financial services discourages savings and generatesdependency on expensive credit provided by non-formal moneylenders (Goyal, 2008). Such practices imposes severe economic and social costs on the society as it enables the financial exploitation of the excluded population groups. It also hampersthe overall development of the economy (King and Levine, 1993). Therefore, "financial exclusion isnot only costly to individuals, but also to our economy" (Financial Inclusion Forum, 2015, p. 1).

It is estimated that globally over two billion people are excluded from the access to financial services, of which one-third is in India (Stephen N and Tom T R, 2015). The economic and social benefits of financial inclusion are undeniable. In thepast, Indian banks were unenthusiastic in aggressively followingthis practice. Traditionally, banks perceivedfinancial inclusion as an unprofitable, high cost and high risk strategy as they consideredtoo rural or too poor section underserved to serve (Karlan, 2014). The recent boom inthe Indian banking industry with a decrease in the cost of banking penetration haschanged the scenario. As a result of this, financialinclusion is now not only a social objective, but also a key growth and competitive strategy (Srivastavaand Ambujakshan, 2012; and Singh and Singh, 2016). Most Indian banks have made significantfinancial inclusion commitments in the past two to three years. Also Indian banks haveincorporated this strategy not only because of the regulatory compulsions, but also for gaining a competitiveedge and intensifythe profits (KPMG, 2015; and Singh and Singh, 2016).

Today, financial inclusion has become a significant part of the overall strategy of Indian banks and these are adopting a target-based, well-resourced approachto catalyze financial inclusion (The World Bank, 2015). Banks areunleashing their resources and know-how expertise to offera universal access to banking services. Although in current form financial inclusion is a new concept, but it carries a long history. This concept was firstrecognized in 1969 as a development strategy when 14 Indian banks were nationalized (Karmaker*et al.*, 2011). Since then, the central bank has made many moves in different directions to provide banking servicesto the unbanked. The initiative of no-frills account and easingof the know-your-customer(KYC) norms in 2005, followed by the introduction of business correspondent (BC) model in2006, simplification of new branch authorization in 2009, commencement of direct benefit transferscheme in 2013, edifice a low-cost payment network and introducing the Pradhan Mantri JanDhanYojna in 2014, licensing thepayments banks in 2015, focus on opening physical bank branches in remote areas, aggressive use of technology and the launch of BHIM App for e-payment in 2016 have all contributed to theexpansion of banking services. All the above said initiatives have contributed in enhancing thefinancialinclusion initiatives. With its several instruments as affordable credit, savings bank account, payment and remittance system, financial advice, credit and debit cards, insurance facility and empowering self-help groups (SHGs), a few Indiandistricts have achieved 100 percent financial inclusion (CRISIL, 2015).

On the dismissive side, thesuccess of this strategy is quite limited in the resource poor regions of the country as poor have littleor no access to proper sources of credit. They are able to build a very limited savings through formal banking system. As per a report published by the World Bank in 2015, only 35 percent Indians have access to formal banking services (The World Bank, 2015). As per the estimates by CRISIL, thisstatistic is 40 percent (CRISIL, 2015). Some other high-powered reports published by Frost and Sullivan and NachiketMor Committee during the same timeperiod claim thesame statistics. As per the Government of India, the extent of financial inclusion in India is 53 percent (Gupta *et al.*, 2015).According to the experts, these numbers are much below the median figures of countries. Above discussed statistics reveals that much needs to be done in India to foster and expand the financial inclusion. New ways and means needs to be developed to bring excluded intothe formal financial sector so that there is prosperity and sustained development of the financially isolated individuals and groups of the society. However, many institutions are involved in financial inclusion, but banks remain its forerunner.The banking-linked programs are the most critical and important since these possesses the right resources to accelerate financial inclusion (Sajeev and Thangavel, 2012).

Therefore, present study is an attemptto suggest the changes and improvements in Indian banking to realize the goal of financial inclusion. The outcomes of this study are based on primary data collected from bank officialsengaged in the development and/or execution of the financial inclusion related strategies. The study is pertinent in two ways. Firstly a significant proportion of the data was collected from bank officials in rural areas. As the problem of financial exclusion is much acute in the resource-deficit rural areas therefore, the responses of officials from these rural interiors make the study more realistic. Secondly, the respondents of the study includebank strategists as well as officials involved in the implementation of strategies. Hence author has made an attempt to capture the ground realities through this study. It is believed that the present study will be helpful for policy makers and bankers in making pragmaticdecisions to alleviate financial exclusion in India. The present study will also contribute to the current state ofresearch on financial inclusion. To the best of the author's knowledge, present study is unique of this nature on financial inclusion. The next section presents the literature review by the author followed by data and methodology. After that interpretation and results have been discussed with conclusions of the study.

2. LITERATURE REVIEW

The problem of financial exclusion is gigantic in Indianrural areas which lead to the dismal social and economic scenario of rural India (Goyal, 2008). Numerous reasons contribute to the high extent of financialexclusion. The present section sheds light on these reasons.

There aresome unique and challenging problems while penetrating the rural areas. First, rural bank branches have poorer clients, smaller transactions and generateless profits as compared to their urban counterparts (Karlan, 2014). Moreover, these areas are costlier to reach (Kodan*et al.*, 2011). Therefore,from a banker's perspective, in rural areas physical bank branches are economically not viable.There is higher real expenditure and fixed cost of serving the rural clients (Ktona and Ninka, 2013). This is augmented by low profit margins that has significantly discouraged the growth of physical bankbranches in these areas (Kumar, 2012). In certain Indian states, such as Nagaland, Mizoram, Arunachal Pradesh, Meghalaya, Tripura, Manipur, and Assam, penetration of banking services has been obstructed due to inadequacy of the property rights law (RBI, 2006). Mostbank branches have expanded in and around the big cities, state capitals anddistrict headquarters (Shetty and Veerashekharappa, 2009). Other countries facing similar

problemsin financial inclusion have resorted to innovations in distribution channels. They found out some ways that look beyond traditional banking andhelp in lowering the break-even cost of penetrating the rural markets (Aysan*et al.*, 2013; and d'Alcantara andGautier, 2013). But India so far, has not been successful in developing alternative solutions toprovide affordable financial services to the under-banked and unbanked (KPMG, 2015).

Second issue contributing to the financial exclusion in India is on the supply-side.Indian banks are not able to develop compelling products and services that encourage the active participation and adoptionof banking services by rural customers (Rajarajeswari and Saranya, 2012). The rural and urban customers have significantly different needs (Singh *et al.*, 2013), and Indian bankshave failed to suitably customize their offerings to the necessities of the rural customers.Rural clients are not much satisfied with the existing offerings as they find them rigid and formulaic (Swamy, 2011), and banks haveshown diminutive interest in experimenting with novel products for these clients. Banks are discouraged from investing their resources in research and innovation for rural clients because of the low volumes andsmall size of rural transactions. Banks have little incentive in customizing their products and services to the rural clients(Karlan, 2014).

Third factor discouraging the financial inclusion is the cumbrous documentation needed coupled with linguistic problems (Kumar and Mohanty, 2011). Rural customers are typically unable to understand banking requirements. They are suspicious of theseemingly high credit cost (Shetty and Veerashekharappa, 2009) and strict timelines prescribedby banks (Swamy, 2011). Further, the inconvenient branch timings aggravate the discomfort of the rural clients and they are motivated to the comfort of the relatives, friends or local moneylenders(Mutsune, 2015). This defeats the very purpose and nature of financial inclusion.

Fourth factor hindering the financial inclusion in India is on the demand side. Some people in rural areas are too poor to access banking services.Their income is not generous enough to accrue savings and hence they do not perceive any need fora bank account (Karlan, 2014). Many rural poor do not possess a prevailing source of income that makes them ineligible for bank credit (Srivastavaand Ambujakshan, 2012). This is one of the key reasonsof a low share of bank loans in the totalrural debt (Mahajan and Kalel, 2013). However, as the income and size of landholdings increases, this share also gradually increases(Goyal, 2008). Therefore, acute poverty is anindispensable cause of financial exclusion in India and there is a strong need forproviding subsidized financial services to the 'too poor' population groups. However, it might notbe amiss to point out here that the central bank must advance with caution when subsidizing the financial services. There areempirical evidences gathered from various countries such as Ethiopia, Ghana, Peru, Yemen, Pakistan, Honduras and even India suggesting that subsidized financial servicesintensifies the income and consumption (Karlan, 2014). Subsidized credit has also been influential in creating dependency, indiscipline and defaults undermining the fightagainst financial exclusion (Zafar, 2011).

Fifth factor hampering the financial inclusion is the financial exclusion itself as financial exclusion is a cause of further financial exclusion. The unbanked are ignorant and not aware of the latest banking products and services. They are usually unaware of the benefits of formal banking (Kalita, 2013). Their illiteracy and disinterest for experimenting with new things further compounds this problem (Sakariya, 2013). Typical rural clients also find it difficult to understand the products and services offered by the banks. Sometimes service providers show indifferent and insensitive approach that does not help to ease their discomfort (Arora and Meenu, 2012). Thus, rural clients viewbanks with doubt and are not willing to take them over the expediency of informal financial support system (Singh, 2004). This keeps the banks away from reaching many potential beneficiaries and barricade from deepening their overall reach.

From the above discussion, it can be concluded that, inadequacies in the banking and regulatory framework have prevented a widespread access to banking services in India. There are many irregularities on the supply as well as demandside that does not allow the expansion of banking services. Previous researchers opinethat the surmount of these impediments are very difficult. The present study is an attempt toexplore some ways and methods through which these obstacles can be overcome.

3. DATA AND METHODOLOGY

Primary data has been gathered through a questionnaire containing the possible measures that can help Indian banks deepen financialinclusion.22 variables (numbered from V1 to V22) have been considered for the study as given. V1: Innovation friendly regulations, V2: Latest banking infrastructure, V3: Non-branch services/ transactions, V4: Ease of documentation, V5: Digital penetration, V6: Rural penetration, V7: Focus on lowest income group customers, V8: Financial and banking literacy, V9: Technology adoption, V10: Low transaction fee, V11: Improved level of customization, V12: Broader scope of business correspondents, V13: Awareness generated, V14: Effectiveness of supporting institutions, V15: Talent pool, V16: Leveraging digital channels, V17: Equity in service distribution, V18: Target based approach, V19: Generating customer trust, V20: Innovative products for unbanked groups, V21: Digital products and services and V22: Ethics in Banking.

These measureswere procured by reviewing the existing literature especially focusing on the strategic choicesthat have enabled financial inclusion across the world. The resultant list obtained was further refined and modified in the light of interviews conducted with senior bank officials. To capture theeffectiveness of a variable in enhancing financial inclusion, the responses obtained from the respondents were anchored on a five-point Likert scale with 1 indicating ‘very important’ and 5 indicating ‘very unimportant’. The questionnaire also possesses several questions on the demographicprofile of the respondents. For the validity and clarity on respondentsselected from the target population, the questionnaire was very well pretested.

For the study data was collected over an 18-month period from March 2015 to August 2016. The rationality of the responses is ensured by approaching only the banking officials engaged in the developmentand execution of strategies. These officials include vice-presidents, assistantvice-presidents, deputy general managers, assistant general managers, zonal managers, chiefmanagers, senior managers, etc., of various private and public sector Indian banks.A total of1250 questionnaires were conveniently administered and floated. However, at the end of the survey and post data cleaning only 382 usable responses were obtained. As most of the respondents of the study were senior bank officials and very difficult to approach, the response rate of the survey was very low as 30.56 percent.Further more, adeliberate effort was made to collect a significant proportion of the data from bank officialsdeputed with rural bank branches because the financial exclusion is a much higher problem in rural areas.

The demographic profile of the respondentsbased on the gender and age has been depicted in table 1. It reveals that the number of responses from male respondents (296) was nearly three and half times as compared to the responses from female respondents (86). The percentageof male respondents was 77.49 percent while that of female respondents was 22.51 percent.The age wise categories have been adopted from Sarros*et al.*, 2012. The respondents belonging to the age groups of below 30 years, 31 to 40 years, 41 and 50 years and above 50 years are 28.01 percent (107 in number), 23.30 percent (89 in number), 14.66 percent (56 in number) and 34.03 percent (130 in number) respectively.

Table 1
Demographic Profile of the Respondents (*n* = 382)

Category	*Frequency*	*Percentage*
	Gender of the Respondents	
Male	296	77.49
Female	86	22.51
	Age of the Respondents	
Below 30 years	107	28.01
31 to 40 years	89	23.3
41 to 50 years	56	14.66
Above 51 years	130	34.03

The reliability of the data was verified through Cronbach's coefficient, alpha.Its value for 22 variables under study comes out to be 0.786 that supports the reliability of the constructs (Klassen, 2003). After establishing the reliability, factor analysis was employed for data reduction with the help of SPSS software. Principal Component Analysis, followed by Varimax with Kaiser Normalization was used as the extraction method. The factors with an eigenvalue exceeding 1.0 were considered and variables clearly loaded on one factor with a loading of greater than 0.5 were retained (Malhotra, 2007). Through this method, all the 22 variables under study were reduced and categorized into five hypothetical variables.

4. INTERPRETATION AND RESULTS

Through factor analysis, number of variable can be represented into a set of smaller hypothetical variables. The KMO (Kaiser-Meyer-Olkin) and Bartlett's test have been conducted to measure sampling adequacy and the results have been depicted in table ii. The value of KMO Measure of Sampling Adequacy worked out to be 0.804 that indicates the appropriateness of factor analysis for use in the present study. The Bartlett's test, another indicator of the strength of relationship among variables is used. In this test, the value of chi-square is 3305.24, that is significant($p = 0.000$) at 95 percent significance level. Therefore, it is established that the variables are significantly correlated and factor analysis can be used.

Table 2
KMO and Bartlett's Test

Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy		*0.804*
Bartlett's Test of Sphericity	Approx. Chi-Square	3305.24
	df	277
	Sig.	0.000

The next step was to get the factors through factor analysis. The component matrix formed was further rotated orthogonally using Varimax Rotation Algorithm. The results have been presented in table iii. In total, five factors were emerged after factor analysis. Eigen value i.e., the sum of the squares of the factor loadings on a factor is greater than one for all the five factors. The last column in the table iii represents the communalities (h^2) i.e., the sum of the squares of the factor loadings of a variable on all the factors. The total variance accounted for by all the factors with Eigen value greater than one came out to be 64.79 percent and the remaining variance was explained by other factors.

Table 3
Rotated Component Matrix

	Variables	*Factors*					
		F1	*F2*	*F3*	*F4*	*F5*	h^2
V1	Innovation friendly regulations	-0.153	0.492	0.106	0.791	0.386	1.051
V2	Latest banking infrastructure	0.89	-0.009	-0.015	0.148	0.051	0.817
V3	Non-branch services/ transactions	0.233	0.756	0.082	0.198	0.023	0.672
V4	Ease of documentation	0.224	0.108	0.085	0.608	0.046	0.441
V5	Digital penetration	0.053	0.680	0.075	0.288	0.087	0.561
V6	Rural penetration	0.796	0.082	0.193	0.334	-0.014	0.789
V7	Focus on lowest income group customers	0.286	0.166	0.503	0.204	0.094	0.413
V8	Financial and banking literacy	-0.002	0.371	0.162	-0.063	0.687	0.640
V9	Technology adoption	0.069	0.686	0.189	0.041	0.192	0.550
V10	Low transaction fee	0.266	-0.039	0.332	0.628	0.359	0.706
V11	Improved level of customization	0.117	-0.025	0.804	0.193	0.179	0.730
V12	Broader scope of business correspondents	0.525	0.049	0.153	0.133	0.157	0.344
V13	Awareness generated	0.43	0.252	-0.005	-0.035	0.715	0.761
V14	Effectiveness of supporting institutions	0.772	0.334	0.208	-0.247	0.24	0.410
V15	Talent pool	0.37	0.071	0.176	0.057	0.508	0.317
V16	Leveraging digital channels	0.139	0.543	0.153	-0.125	0.059	0.362
V17	Equity in service distribution	0.158	0.337	0.708	-0.137	0.057	0.639
V18	Target based approach	0.041	0.155	0.378	0.571	0.015	0.569
V19	Generating customer trust	0.275	-0.121	0.386	0.281	0.671	0.712
V20	Innovative products for unbanked groups	0.138	-0.052	0.608	0.297	0.075	0.533
V21	Digital products and services	-0.458	0.813	0.427	0.411	-0.224	1.070
V22	Ethics in Banking	0.085	0.02	0.206	0.331	0.525	0.428
	Eigen Value	**3.28**	**3.23**	**2.65**	**2.62**	**2.48**	
	Cumulative Variance (%)	**14.9**	**29.57**	**41.60**	**53.51**	**64.79**	

Names have been assigned to the five factors based on variables loaded. The names of the factors from F1 to F5 are as follows. Factor 1: Broader network of bank branches, Factor 2: Innovative technology solutions, Factor 3: Serving the neglected and bottom of the pyramid customers, Factor 4: Superior regulatory support and Factor 5: High degree of awareness and trust on banking system. These five factors are further discussed in detail.

4.1. Factor 1: Broader network of bank branches

This factor comprises of four loaded variables with their corresponding loading value as Latest banking infrastructure (0.89), Rural penetration (0.796), Broader scope of business correspondents (0.525) and Effectiveness of supporting institutions (0.772). The eigen value of this factor is 3.28 and cumulative variance is 14.9 percent.One of thesignificant deterrent in achieving financial inclusion, especially in the rural areas of India ispoor infrastructure and non-availability of services in these excluded areas. Therefore,

government's focus on rural penetration and opening the rural bank branches is in line with the goal of financial inclusion. Opening physical bank branches is ahigh-cost proposition and hence the physical infrastructure must be augmented with alternative businessfacilitator models as business correspondents and collaboration optionswith post offices. Business correspondents can be aggressively used to reach the financially invisible section of the society as there are still many rural remotepockets in India where banking has failed to penetrate.Availability of ATMs can also significantly boost the financial inclusion. ATMs are functioning round the clock on all days. Moreover, their convenience and cost-effective nature has made them a new proxy of financial inclusion (Gapper, 2011). As of May2015, there are a total of 183,887 ATMs in India (RBI, 2015) which indicates a poor banking penetration regardingthe population of India. Also, the number of ATMs per1000 sq. km in India is much below the average of other emerging economies (RBI, 2015).Thus, there is a need of wide bank network in the form of ATMs, branches, agents and supporting institutions to achieve the goal of financial inclusion.

4.2. Factor 2: Innovative Technology Solutions

The second factor that is Innovative technology solutions comprises of fiveloaded variables with their corresponding loading value as Non-branch services/ transactions (0.756), Digital penetration (0.680) Technology adoption (0.686), Leveraging digital channels (0.543) and Digital products and services (0.813). The eigen value of this factor comes out to be 3.23 and the cumulative variance is 29.57 percent. In rural and remote areas, traditional banking models are proving to be uneconomical. In such regions, the businessvolume is low that renders the brick and mortar businesses financially unviable and hamper the government's agenda of creating a financially inclusive economy. Other economies worldwide facing similar supply-side constraints such as Bangladesh, Kenya, Tanzania, etc., have successfullytapped the vast potential of digital technology (CGAP, 2015).Through digital channels low cost, convenient, secure and high qualitybanking services can be delivered to the unbanked and the under-banked areas (Mattern and Tarazi, 2015).

The adoption rate of mobile phones and the growth rate of e-commerce in India are much higher than that of other developing and developedeconomies (KPMG, 2015). These indicators advocate that the underpinning for graduating fromphysical distribution to the digital distribution channels has already been laid. Thetime has come for banks to roll out digital offerings that is in its embryonic stage in India. The vast mobile network is virtually untapped in India as out of the 920 million mobile subscribers,only 1.5 percent use mobile money (CGAP, 2015). While digital channels are the solution to the problemof financial exclusion, the demand-side drivers indicate that bankers are lagging in creating digital services and products(KPMG, 2015). Therefore, there is a vital need for the players to focus on innovating customercentric offerings such as payment banks, mobiles, etc. In the wake of adoption of digital technology,voice and video-based advice is likely to become popular. This might also help in solving the linguistic problemsof the illiterate or less educated rural customers.It can be inferred from the above discussion that technology could be a significant leverthat proliferates the adoption of banking services and creates an inclusive society. However, some previous researchers have expressed concerns about the suitabilityof the digital banking services for India (Singh and Sandhu, 2016). They argue that thoughgradually increasing, the penetration of internet is still quite poor in rural India. Some remote areas ofIndia even suffer with low mobile penetration. A wide branch network is required to bank thepeople living in these areas.

4.3. Factor 3: Serving the Neglected and Bottom of the Pyramid Customers

A viable strategy to accelerate the pace of financial inclusioncan be to identify the traditionally underserved or ignored groupsand design specific banking products andservices to these niches. Third factor comprises of four loaded variables with corresponding loading value as Focus on lowest income group customers (0.503), Improved level of customization (0.804), Equity in service distribution (0.708) and Innovative products for unbanked groups (0.608). The eigen value is 2.65 and the cumulative variance is 41.60 percent. Serving the neglected and bottom of the pyramid customers can beaugmented with banking education programs for these groups. This strategy is a popular one in many advanced countries but is still an uncommonpractice in developing countries (Karlan, 2014). Uganda started a Super Saversprogram that aimed at fostering formal saving habits among the youth which was a huge success in building good saving habits among school children. Ethiopiaand Ghana have reported positive impacts of the Ultra Poor Graduation Model. This programprovided livelihood training and formal access to financial products and services to very poor customers.It is believed that India can also significantly benefit by adopting similar strategies. There is a need in Indiato develop experience-driven customized offerings in baking system keeping in mind the specific needsof the prospective underserved community.

4.4. Factor 4: Superior Regulatory Support

The forth factor that is superior regulatory support comprises of four loading variables with their respective loading value as Innovation friendly regulations (0.791), Ease of documentation (0.608), Low transaction fee (0.628) and Target based approach (0.571). The eigen value of this factor is 2.62 and the cumulative variance is 53.51 percent. Lack of innovation-friendly regulations has held back financial inclusion in India. It has also been discouraged because of the excessive andunnecessary documentation and high transaction costs. Pradhan Mantri's Jan DhanYojna has also failed to fight the problem of financial inclusion. It has been revealed in some studies that banks are just running after numbers, speed and records to fulfill the specified mandates(Rajan, 2014). This has been further augmented by the approach adopted by banking system as to lure people into bankingthrough incentives. The trouble is that day-to-day banking provide little benefit in convenience to many users at the bottomof the pyramid (Chakrabarti, 2014). Therefore, there is a need of reform in the policies of the government aimed at financialinclusion. Also, documentation process further needs to be ease out. Revision in the transaction cost and in general changes in the regulatory space thatfacilitate innovations for financial inclusion is the need of the hour.It may be quite appropriate to remark here that year 2015 has proved to be a good year for financial inclusionin India. The newly licensed payments banks have come into the picture with a promise to revolutionize banking and expand financialinclusion. They seem to be an answer to the problem of serving the rural poor in India.

4.5. Factor 5: High Degree of Awareness and Trust on Banking System

"Households will not save if they do not trust a bank to engage in judicious practices, or if they fear that their savings might be unavailable for withdrawal" (Karlan, 2014, p. 46). Recent misconducts in the banking industry have shaken the people's faith in the veracity of banks. Banking system needs to rework its image and build trust among thecustomers, especially the poor ones, so that they are encouraged to park their money with a bank. This factor comprise of five loading variables with their corresponding loading value as Financial and banking literacy (0.687), Awareness generated (0.715), Talent pool (0.508), Generating customer trust (0.671) and Ethics in Banking (0.525). The eigen value is 2.48 and cumulative variance is 64.79 percent.

As perthe United Nations (2006),one of main goals of financial inclusion is to generate "sound institutions guided by suitable internal management systems, industry performance standards and performance monitoringby the market, as well as by sound sagacious regulation where required." This is also a reminder for the central bank to create a robust corporate governance structure forthe newly established payments banks.Further, there is a need to educate present and prospective customers of the banks regarding various disadvantages of living outside the formal banking sector. Awareness regarding various offerings of the banks need to be spread. In this regard staff, fluent in locallanguages should be hired. Thereafter, the staff must be trained and advised to patiently deal with the customers.

5. CONCLUSION

The present study reveals that broader network of bank branches, innovative technology solutions, serving the neglected and bottom of the pyramid customers, superior regulatory support and high degree of awareness and trust on banking systemcan help banksdeepen financial inclusion in India.The winds of financial inclusion call for a reformation in the Indian banking system. Banks must rethink, rework and refine their existing practices and strategies to make aconscious effort for achieving the targeted financial inclusion. The goal of financial inclusion must be integrated into the overall business strategy of banks and a holistic approach should be adopted to reach thefinancially invisible section of the society. If aggressively pursued, universal access to banking services is within the reach.

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