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ILLITERATES – YET INCREASE IN THE AWARENESS LEVELS AMONG VILLAGERS - IN RURAL INDIA - IMPACT OF NO-FRILL ACCOUNTS – PART OF FINANCIAL INCLUSION

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ABSTRACT

The concept of Financial Inclusion (FI) was developed at global level to facilitate hitherto excluded sections of the society accessing the various financial services which their counterparts in urban and other developed areas are privileged for. As a step towards achieving the total FI, the policy makers realized that helping these excluded sections having a basic savings bank account in a formal bank is the most fundamental requirement that will enable them gain access to the utmost essential financial services such as depositing, withdrawing, fund transferring, receiving old age benefits, government subsidies and so on.

Under the above background even in India, like in many other countries, the Central Bank has taken the initiative and made it mandatory for all the banks to visit villages and help the villagers to open a savings bank (SB) account. As per the directives of the Central Bank, in all the districts the commercial banks have distributed the villages among themselves and taken the first step of visiting the villages through Business Correspondents (BC) and helping the villagers open the no-frill accounts.

The first phase of the study(2,3) conducted a year back for the same purpose, by the same author along with her colleague, revealed that under the feeling of familiarity with BC, who lives in the village and with his motivation, the villagers took interest in responding to opening the no-frill accounts. The required awareness that these accounts creation is the initiative of the government to transfer either the financial assistance or other benefits of economic development directly to the citizens through these accounts was lacking among the villagers.

To review the change in the perceptions of the beneficiaries in villages over a year period, a similar survey was undertaken with wider scope and increased samples as part of the II phase of the study. Thus the II phase of research is aimed at analyzing the impact of these massive efforts of financial inclusion on the lives of the villagers to bring to light the progress made and the milestones yet to be achieved.

To achieve the above objective, two commercial banks i.e. Syndicate Bank (SB) and State Bank of India (SBI), in the district of Anantapur, Andhra Pradesh, India, are selected. From the villages falling under the jurisdiction of these two banks, 250 beneficiaries each, are chosen on the basis of systematic random sampling. Using a seven parameter related; and a pre-tested questionnaire, the perceptions of the beneficiaries are collected for further analysis.

Out of the seven parameters, three parameters are chosen for analysis which constitute the basis for the present research paper. Applying Kurskal-Wallis Test (H-Statistic) and Mann-Witney Test (U-Statistic), the responses were analyzed and interpreted. The conclusions thus drawn are voiced in this paper for additional decision-making by the policy makers.

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The study reveals that there is increase in the awareness level of the villagers regarding the purpose for which no-frills accounts are opened, the method of operating the accounts, zeal to increase the savings and deposit in their accounts. The awareness about their right for accessing all the financial services available to their counterparts in urban areas is making them demand from the government the provision of the same in their villages. Further, the villagers who accepted in our earlier research that they opened the no-frill accounts in their villages because BC, who is born and brought up in their village, advised them to do so, now developed total understanding that the village BC is only the representative of the bank and that even if BC were to move away with their deposits, they can recover the same from their home branch by using the receipts they receive from their no-frill accounts as proofs.

The study also highlighted that those customers in the villages who are literates; and educated at least up to the Xth standard, are able to exercise logical reasoning while opening the no-frill accounts. They are fully aware of the purpose for which the accounts are opened and hence are working for maintaining the account without letting accounts die with no money. Those who are educated are able to tap the inner entrepreneurial abilities for gaining better income at least through self-employment. Literates and educated face no problems in authenticating their transactions with their signatures with the understanding ability which gets awakened with increase in the literacy levels and education, the customers are able to solve any problems they encounter in the process of opening the no-frill accounts.

KEYWORDS: Parameter, Financial Inclusion, Business Correspondent, Percolation, No-Frill Account