

Major Project Report on
STUDY ON FINANCIAL INCLUSION STATUS IN
INDIA

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I also take this opportunity to convey sincere thanks to all the faculty members for directing and advising during the course.

I also take this opportunity to convey special thanks to all my family members, friends and the Bank Officials who had participated in the survey for conducting this study.

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CERTIFICATE

This is to certify that R Anbu Kumaran, Roll No: 2K18/EMBA/532, student of Masters of Business Administration (Executive 2018-2020) at Delhi Technological University, Delhi has accomplished the project titled “**STUDY ON FINANCIAL INCLUSION STATUS IN INDIA**” under my guidance and to the best of my knowledge completed the project successfully, for the fulfilment of the course Executive MBA.

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ABSTRACT

Financial inclusion refers to the delivery of financial services at affordable costs to all sections, including disadvantaged and low-income groups. The Government of India and Reserve Bank of India (RBI) have been taking various initiatives to promote financial inclusion which include increasing presence of commercial bank branches and through Business Correspondents/Bank Mitra network to bring the majority of the population to the formal financial services set-up, who are otherwise excluded and obtain credit from money-lenders for higher rate of interests, further getting trapped in the clutches of debt.

The epoch-making financial inclusion scheme namely Pradhan Mantri Jan-Dhan Yojana (PMJDY) has been launched by the Government of India on 15th August 2014, which is a pan-India mission for promoting Financial Inclusion by ensuring access to financial services, such as Savings in banks and Deposit Accounts, Insurance, Credit, Remittance and Pension in an affordable manner.

Aim of this study is to analyse some of the access to financial inclusion indicators such as number of banking outlets per 1,00,000 adults, number of ATMs per 1,00,000 adults across the country. Status of PMJDY Accounts is also analysed across the country. Correlation study is also conducted to know the correlation between Financial Inclusions Indicators and Economic Indicators. Moreover, a survey was conducted among Bank Officials across the country to analyse the financial inclusion status in the country and measures to improve it.

The analysis of the study presented the status of financial inclusion in the country and suggests “**Recommendations to improve the financial inclusion status in India**” to the policy-makers to achieve a higher rate of financial inclusion in the country thereby aiding in inclusive economic development.

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CHAPTER-I

1.0 INTRODUCTION

As per the Dr. C Rangarajan Committee on Financial Inclusion, 2008, Financial inclusion is “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost.”

Financial inclusion, refers to the delivery of financial services at optimal costs to diverse sections, which includes disadvantaged and low-income groups. The Government of India and the RBI have taken numerous steps to improve financial inclusion such as banks nationalization, enlarging the network of scheduled commercial banks branches, co-operatives and regional rural banks, Pradhan Mantri Jan-DhanYojana, introducing policy changes such as priority-sector lending targets, lead bank scheme, self-help groups formation, permitting Business Correspondents to be appointed by banks for improving last mile connectivity of banking services, zero balance accounts, etc.

Financial inclusion enlarges the resource base of the financial system by inculcating savings culture among the rural masses furthering the process of economic development. In addition, by inducting low-income groups into the formal banking system; financial inclusion safeguards the financial wealth and essential resources in compelling situations. Financial inclusion also reduces sufferings of vulnerable sections of society by reducing dependency on money lenders and ensuring easy access to credit through formal banking system.

According to CRISIL report titled “CRISIL Inclusix” February 2018, The pan India CRISIL Inclusix indicated a 58.0 score (Above Average) during the fiscal 2016 end, The Pradhan Mantri Jan-DhanYojana introduced in August 2014 has made excellent progress, garnering more than thirty crore deposit accounts. Financial inclusion will also be improved by adoption of Aadhaar and Aadhaar-based identification.

Pradhan Mantri Jan-DhanYojana (PMJDY) is a pan-India mission for promoting Financial Inclusion by ensuring access to financial services, such as Banking Savings & Deposit Accounts, Credit, Insurance, Remittance, and Pension in an affordable manner.

Beneficiaries will be able to open Account in any bank branch or through Business Correspondent/Bank Mitras. PMJDY accounts are generally opened with a Zero balance facility. But, for cheque book requirements, minimum balance criteria need to be fulfilled.

1.1 SALIENT FEATURES OF GLOBAL FINDEX 2017- REPORT

The Global Findex report is a globally comprehensive database on how people save, lending/borrowing, make payments, and financial risk management. The report is published every three years from the year 2011. The 2017 edition included indicators on access and usage financial services through formal as well as informal means. It also added data on the financial technology usage, which includes mobile phones and internet usage for conducting financial transactions. Financial inclusion is being improved upon globally. The report indicates that 1200 million adults obtained a bank account from 2011, which include 515 million since 2014. During the period 2014 to 2017, the share of adults having accounts with some financial organisations or through mobile services globally improved from 62% to 69%. In developing economies, this share increased from 54% to 63%. Salient features of Global Findex Report 2017 are highlighted below.

- * Globally, 11% of unbanked adults live in India.
- * In India, the adults having formal account has increased two fold since 2011, to 80%. A significant factor contributing this increase was the PMJDY initiative launched in the year 2014 to increase account ownership among unbanked population through AADHAAR identity cards. During the period 2014 to 2017, account ownership in India has increased to an extent of more than 30% points among women and men in the 40% poor households. Among men and women, in the 60% wealthier households, the figures have increased by 20% points.
- * India and China can be compared due to the existence of a consistent methodology which makes it possible to compare the ownership of accounts database among rural population over a period of time. In China the global share of account ownership among rural population has increased from 58% in the year 2011 to 77% in the year 2014. India had a reduced share of account ownership of rural population in the year 2011, at 33%. During the year 2017 the figures have increased to a whopping 79%, equaling China.
- * Globally the largest unbanked population is in China which is followed by India, Pakistan and Indonesia at 190 million, 100 million, and 95 million respectively. Infact, these four countries including Bangladesh Nigeria and Mexico accounts to approximately 50% of the world's population belonging to the unbanked category.
- * About 4 persons out of 10 unbanked persons in India, Kenya and Brazil, belong to the 15 to 24 age group.

- * Approximately, in the developing countries 280 million accountholders are using cash or OTC (over the counter) service to send or receive domestic remittances which includes 10 million population in Bangladesh and 65 million population in India.
- * India and Ethiopia are using low digital payments which accounts to only one third of accountholders who make or receive at least a digital payment in a year.
- * 42% of male population who have account are using digital payments in comparison to 29% of female population who have account, in India.
- * Less than 50% of account holders are having a debit card, and among them, only one- third are using for making direct purchases, in India and Kenya,.
- * Approximately, 300 million accountholders globally are working in private sector and getting their payments through cash mode which includes 90 million Indians. India, among the major developing countries, more than 10% percent of accountholders owners receive their wages in cash in the private sector.
- * During the last year, inactive accounts with no digital or financial transactions in India was 48% which is the highest, globally and approximately two-times the average of 25% for developing countries. [This is due to the PMJDY scheme, to an extent. Launched in August 2014, the PMJDY had included additionally 310 million population, into the formal banking system, and most of the beneficiaries have not yet made their transactions].
- * Among the developing countries, 76% of account holders with inactive account possess a mobile phone, which includes 66% Indians. Therefore there exists an opportunity of promoting more digital transactions.
- * In India, 90% of unbanked population possess the identity namely, AADHAAR biometric identity cards issued by the Government. AADHAAR provides an excellent means of linking bank accounts of the unbanked population.
- * Before three years, in India, men were 20% points likely than Indian women for holding a bank account. However, gender gap in India has reduced to 6% percentage points mainly due to the introduction of AADHAAR cards.
- * Migrating from cash to digital payment modes can effectively combat corruption and improve efficiency, for governments. In India the Funds leakage for payments of pension had reduced to 47% (a 2.8% points reduction), when the payments were linked with AADHAAR Cards instead of cash payments.

1.2 FINANCIAL INCLUSION JOURNEY IN THE COUNTRY – SO FAR

Journey of Financial inclusion in the country during past century is pictorially represented below.



CHAPTER-II

2.0 OBJECTIVE OF THE STUDY

The objectives of this study are to analyse financial inclusion status in the country.

Though there are many indicators to measure the status of financial inclusion, as prescribed by the World Bank and RBI, the current study is concentrated on some of the access to financial inclusion indicators such as number of banking outlets per one lakh adults, number of ATMs per one lakh adults across the country. Status of PMJDY accounts is also studied.

Attempts have been made in this study to find out the correlation between Financial Inclusions Indicators and Economic Indicators.

This study also attempts to analyse status of financial inclusion by undertaking a survey among Bank Officials from across the country and lists down initiatives that can be taken to improve the financial inclusion status as suggested by the Bank Officials.

Therefore major objectives of study include the following:

- 1) **Studying State/UT-wise access to financial inclusion indicators like number of banking outlets per 1, 00,000 adults and number of ATMs per 1, 00,000 adults.**
- 2) **Studying State/UT-wise status of PMJDY accounts.**
- 3) **Studying correlation between Financial Inclusions Indicators and Economic Indicators.**
- 4) **Studying financial inclusion status in the country through survey conducted among Bank Officials across the country.**
- 5) **Recommendations to improve the financial inclusion status in India as suggested by Bank Officials.**

CHAPTER-III

3.0 LITERATURE REVIEW

CRISIL Inclusix, India's first financial inclusion index, was introduced in 2013 aimed at creating a dependable yardstick that can become a policy input to achieve the cause of inclusion. CRISIL Inclusix measured amount of financial inclusion among geographical level, from district-wise extending upto state-wise, region-wise and upto national levels. CRISIL Inclusix is a composite index, measuring financial inclusion with 4 key dimensions: branch, deposit, credit, and insurance penetration. CRISIL Inclusix covered around 666 districts, 36 States/ UTs and 5 regions in the country as at the end of March 31, 2016. Significant findings of the CRISIL Inclusix published in February 2018 are as follows.

- On a Scale of 100, India's Financial inclusion score is 58.0.
- 164.6 crore were the amount of total deposit accounts in India.
- 14 Districts have CRISIL Inclusix score of 100.
- 19.6 crore Credit accounts in India are with Micro Finance Institutions and banks.
- 31 crore PMJDY Deposit accounts were opened.
- Large increase in the number of deposit accounts due to PMJDY.
- Region-wise increase in the number of credit accounts.
- Deposit accounts registered a CAGR of 16% during the FY 2013 and FY 2016 – Sixty crore new deposit accounts were opened during this period, which is twice the number of new deposit accounts opened between fiscal 2010 and fiscal 2013. Jan- DhanYojana was the prime driver for high growth in deposit accounts - half of 42 crore new deposit accounts opened between fiscal 2015 and fiscal 2016 were under Jan-DhanYojana.
- Credit accounts have registered a sharp increase over 2 years ended FY 2016. Growth rate has been higher in the east and the north-east.
- Bank branches have shown progress between FY 2013 and FY 2016, however at a modest CAGR of 7%. The number of new bank branches opened in fiscal 2016 was the lowest in the past six years. With increasing penetration of mobile phones, the idea of branchless banking is gaining popularity, resulting in moderate growth of bank branches. However, the number of new bank branches is expected to increase over the medium term because of small finance banks.
- Southern region has the highest score of 79.8, substantially higher than pan-India Inclusix score of 58.0. It not only leads overall, but also in all the four dimensions of financial inclusion. However, with the incorporation of insurance, other regions have closed the gap with the south. Stronger presence of insurance in the west has helped it score higher than all-India score. The east has also benefitted from sizable insurance penetration and has inched closer to the north.

NABARD had initiated a survey in the year 2016-17, namely, “**NABARD All India Rural Financial Inclusion Survey**” (NAFIS). The Survey is significant as it analyses the financial inclusion wholly by covering major dimensions and households livelihood aspects. The survey assesses the penetration of many financial inclusion aspects both in quantitative as well as qualitative terms. Economic indicators such as savings, expenditure, income, debt, investment, the pattern and composition of consumptions; other parameters like financial literacy, borrowing behavior, and knowledge, usage of technology, Kisan Credit Card, , distress events (such as death, crop failure, insurance coverage for crop insurance, pension, life insurance, accident insurance, etc. were included in the survey.

The survey covered sample of 1.88 lakh persons from 40,327 agricultural and non-agricultural rural households across 29 states in the country. Survey revealed that 40% higher income levels in agricultural households during past three year period from the FY 2015-16.

Highlights of the survey are mentioned below.

- 88.1% of the House Holds possessed a bank account.
- 55% of Agricultural households had some form of savings during last year and out of these, 53% had savings with institutions such as post offices, banks and Self Help Groups. Average savings per annum per saver household was ₹ 17,488, of which 95 percent were with institutional agencies.
- 50.6% of the households and 46.3% of Non-Agricultural households had savings during the last year. Preference of savings was with institutional agencies as 94% of savings were with institutions, which includes Self Help Groups).
- 9.4% rural population and about 13.2% semi-urban population had been given financial education or training.

A study namely “**A Study on Status of Financial Inclusion in India**” was conducted by **Sh. Paramjit Sujlana**, Punjabi University, Patiala, Punjab and **Sh. Chhavi Kiran**, Junior Research Fellow, Punjabi University Regional Centre for Information Technology and Management, Mohali, Punjab and published in International Journal of Management Studies in April 2018. The study attempted to have an analysis of many financial inclusion aspects which focused mainly on the financial inclusion status in India during the last few years. Following observations have been made in the study.

- As per the RBI data, the no. of offices of scheduled commercial banks had increased during the period of last 8 years. In northern region, the percentage of no. of offices increased during the period 2008 to 2014, however during the year 2015 though more no. of offices was added, rate of increase was observed to be lesser when compared with the year 2014. Region-wise comparison has shown that, southern region had the highest rate of increase in percentage of no. of offices of banks.
- No. of Banks branches in rural region remained same during the period 2011 to 2013, with an increase of 1% each during the years 2014 and 2015. But, the no. of public sector bank branches has reduced in metropolitan areas by 2% during the period from 2011 to 2015.

It has also been mentioned that the study focused majorly on singular financial inclusion aspect which is branch penetration. But financial inclusion status may be studied with many other financial indicators such as credit deposit ratio, technology enabled services etc. Further research may be conducted with focus in a single state or single region instead of country as a whole.

A study namely “**Role of banks in financial inclusion in India**” was conducted by **Sh. Badar Alam Iqbal** and **Sh. Shaista Sami**, Department of Commerce, Aligarh Muslim University, Aligarh, Uttar Pradesh and published in Contaduría Administración in February 2017. Following observations have been made in the study.

- Bank branches have shown rising trend over period of seven year. There were 61,132 bank branches in 2007–2008 that has been increased up to 117,200 in 2013–2014. The highest growth (31.2%) has been marked during the year 2008–2009 and lowest growth (4.1%) recorded in the year 2012–2013 in number of bank branches across the country.
- Study included Automatic Teller Machines (ATMs) in the country as an indicator of the growth in financial inclusion. The no. of ATMs has seen an increasing trend during the FY

2007–2008 to FY 2013–2014. A maximum growth of 40.38% was observed during the fiscal year 2013–2014. During the FY 2012-13, Minimum growth has been observed which had dropped from 28.43% to 19.5%.

- Credit deposit ratio analysis during the seven year financial year period during the period 2007–2008 to 2013–2014, significant growth was noticed in the FY 2011–12 and maximum decrease was observed in the fiscal year 2008–09. Credit-deposit ratio is reduced during FY 2012–13 and FY 2013–14.

The study observed positive important impact in the no. of bank branches and bank credit deposit ratio on the GDP. Whereas an indicator of financial inclusion, which is the rate of growth of ATMs had shown a statistically insignificant impact on Indian GDP. Hence, the study concluded that financial inclusion has been keenly associated with the economic progress of the country. The paper also suggested the need for a structures regulation of financial inclusion to improve financial services and customer awareness.

Literature survey revealed that study has not been conducted to analyse the financial inclusion indicators as per RBI's National Strategy for Financial Inclusion (NSFI): 2019-2024. Further, study has not been conducted to analyse the active PMJDY accounts across the country.

CHAPTER-IV

4.0 DATA SOURCE FOR ANALYSIS & SURVEY CONDUCTED AMONG BANK OFFICIALS

Data	Source
State-wise Adult Population	<u>Unique Identification Authority of India (UIDAI)</u> State-wise Population data has been obtained from Unique Identification Authority of India (UIDAI) . The data contains total population projected 2020. The data also contains population of age group 0-5 years and 5-18 years. Therefore Adult population data has been obtained by subtracting the population upto 18 years.
No. of functioning offices of commercial banks & Deployment of ATMs	<u>Reserve Bank of India (RBI)</u> Data for analysing No. of functioning offices of commercial banks and Deployment of ATMs have been utilised from Reserve Bank of India (RBI), Time Series Publications, and Bank Branch Statistics as on December 2019.
Active & Inactive PMJDY Accounts	<u>Parliament Question</u> PMJDY Account details have been taken from Answer to Rajya Sabha Question No. 1646 for 3.12.2019 regarding "Accounts under PMJDY"
Gross State Domestic Product (GSDP) & Per Capita Net State Domestic Product (NSDP) (FY 2017-18)	<u>Ministry of Statistics and Programme Implementation (MoSPI)</u> Data regarding GSDP and Per Capita NSDP at current prices (Base Year 2011-12) has been taken from "State Domestic Product and other aggregates, 2011-2012 series" (For FY 2017-18) released by MoSPI.

Survey conducted among Bank Officials:

With the prevailing nation-wide lock-down measures, a Questionnaire was prepared and circulated among Bank Officials through Google Forms for collecting their responses. **58 Bank Officials from across the country had participated in the survey.**

The survey included questions on PMJDY and its usage by beneficiaries, effectiveness of Business Correspondents/Bank Mitra network etc.

The survey also collected various suggestions to improve the Financial Inclusion Status in India, by which Recommendations may be made to the policy-makers.

CHAPTER-V

5.0 STATE/UT-WISE ANALYSIS OF KEY FINANCIAL INCLUSION INDICATORS

As per **RBI's National Strategy for Financial Inclusion (NSFI): 2019-2024**, formula for calculating key financial inclusion indicator is given below.

$$\text{Number of Banking Outlets per one lakh adults} = \frac{\text{Total Number of Banking Outlets}}{\text{Total Adult Population}} \times 100000$$

$$\text{Number of ATMs per one lakh adults} = \frac{\text{Total Number of ATMs}}{\text{Total Adult Population}} \times 100000$$

State/UT-wise Population data has been utilised from **Unique Identification Authority of India (UIDAI)**. Data contains total population projected 2020. The data also contains population of age group 0-5 years and 5-18 years. Therefore Adult population data has been obtained by subtracting the population upto 18 years from the total population. State/UT-wise adult population is depicted in Figure-1.

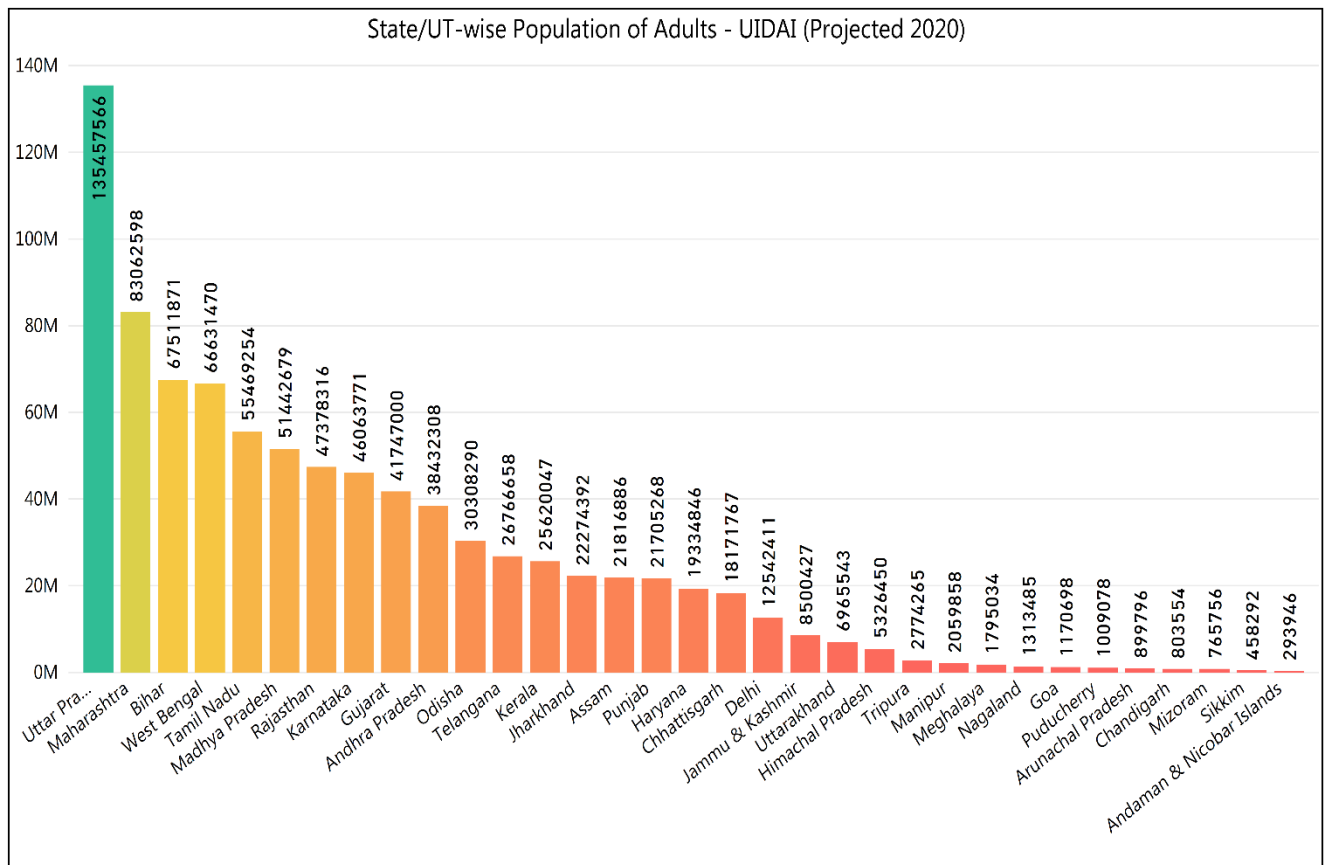


Figure-1: State/UT-wise Adult Population –Projected 2020 (Source: UIDAI)

State/UT-wise no. of functioning offices of commercial banks has been taken from **Reserve Bank of India (RBI)** database, as on December 2019. State/UT-wise no. of functioning offices of commercial banks is depicted in Figure-2.

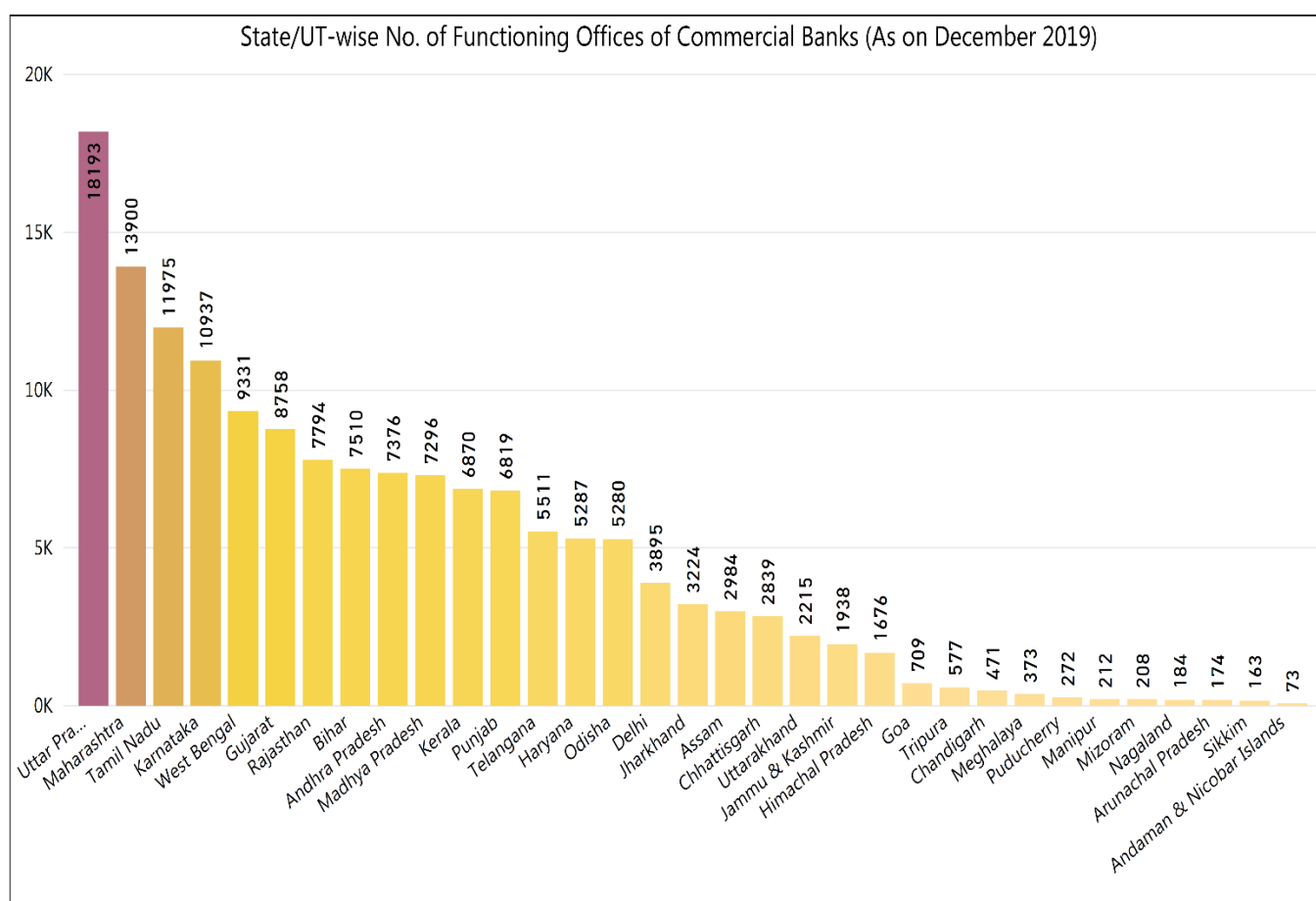


Figure-2: State/UT-wise no. of functioning offices of commercial banks (Source: RBI)

From Figure-2, it can be inferred that, Top 5 State/UTs which have higher no. of functioning offices of commercial banks are Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, and West Bengal.

Whereas, bottom 5 Major State/UTs which have low no. of functioning offices of commercial banks are Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Chhattisgarh, Assam.

Andaman & Nicobar Islands and North-Eastern States viz., Sikkim, Arunachal Pradesh, Nagaland, and Mizoram also have low number of functioning offices of commercial banks.

State/UT-wise deployment of ATMs has been taken from **Reserve Bank of India (RBI)**, as on December 2019. State/UT-wise number of ATMs is depicted in Figure-3.

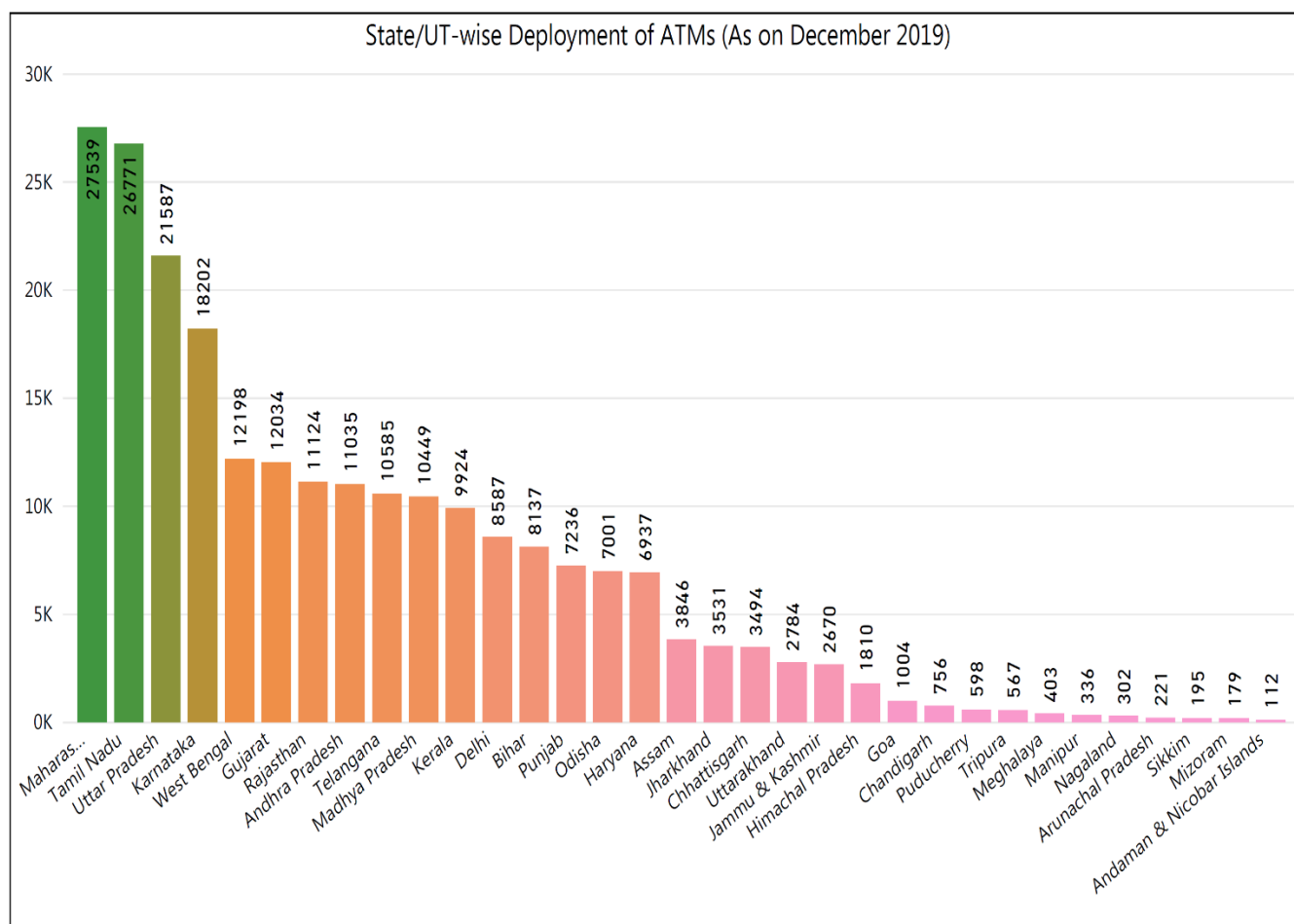


Figure-3: State/UT-wise deployment of ATMs (Source: RBI)

From Figure-3, it can be inferred that, Top 5 State/UTs which have higher number of ATMs are Maharashtra, Tamil Nadu, Uttar Pradesh, Karnataka, and West Bengal.

Whereas, bottom 5 Major State/UTs which have low number of ATMs are Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Chhattisgarh, Assam.

Andaman & Nicobar Islands and North-Eastern States viz., Mizoram, Sikkim, Arunachal Pradesh, Nagaland also have low number of ATMs deployed.

Interestingly, when comparing Figure-2 & Figure-3, **it is observed that, top and bottom 5 State/UTs are same for no. of functioning offices of commercial banks and number of ATMs deployed.**

Number of Banking Outlets per one lakh adults

As per **RBI's National Strategy for Financial Inclusion (NSFI): 2019-2024**, formula for calculating Number of Banking Outlets per one lakh adults is as follows.

$$\text{Number of Banking Outlets per one lakh adults} = \frac{\text{Total Number of Banking Outlets}}{\text{Total Adult Population}} \times 100000$$

State/UT-wise Number of Banking Outlets per one lakh adults has been calculated using the above formula and depicted in Figure-4.

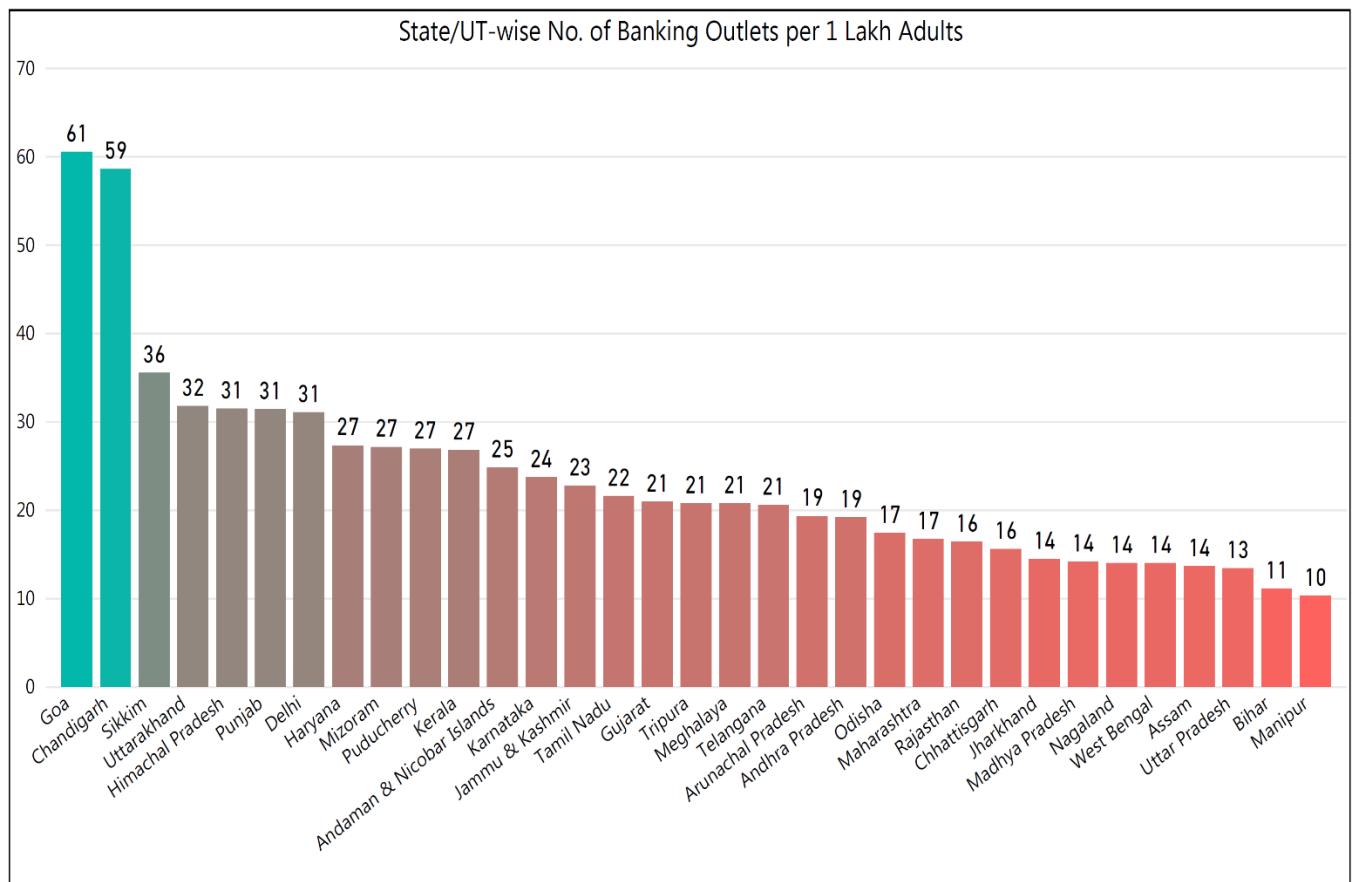


Figure-4: State/UT-wise Number of Banking Outlets per one lakh adults

From Figure-4, it is observed that, Top 5 State/UTs which have higher Number of Banking Outlets per one lakh adults are Goa, Chandigarh, Sikkim, Uttarakhand, and Himachal Pradesh.

Whereas, bottom 5 State/UTs which have low Number of Banking Outlets per one lakh adults are **Manipur, Bihar, Uttar Pradesh, Assam, West Bengal**. **Government and RBI can focus on increasing number of Bank Branches in these State/UTs.**

Number of ATMs per one lakh adults

As per **RBI’s National Strategy for Financial Inclusion (NSFI): 2019-2024**, formula for calculating Number of ATMs per one lakh adults is as follows.

$$\text{Number of ATMs per one lakh adults} = \frac{\text{Total Number of ATMs}}{\text{Total Adult Population}} \times 100000$$

State/UT-wise Number of ATMs per one lakh adults has been calculated using the above formula and depicted in Figure-5.

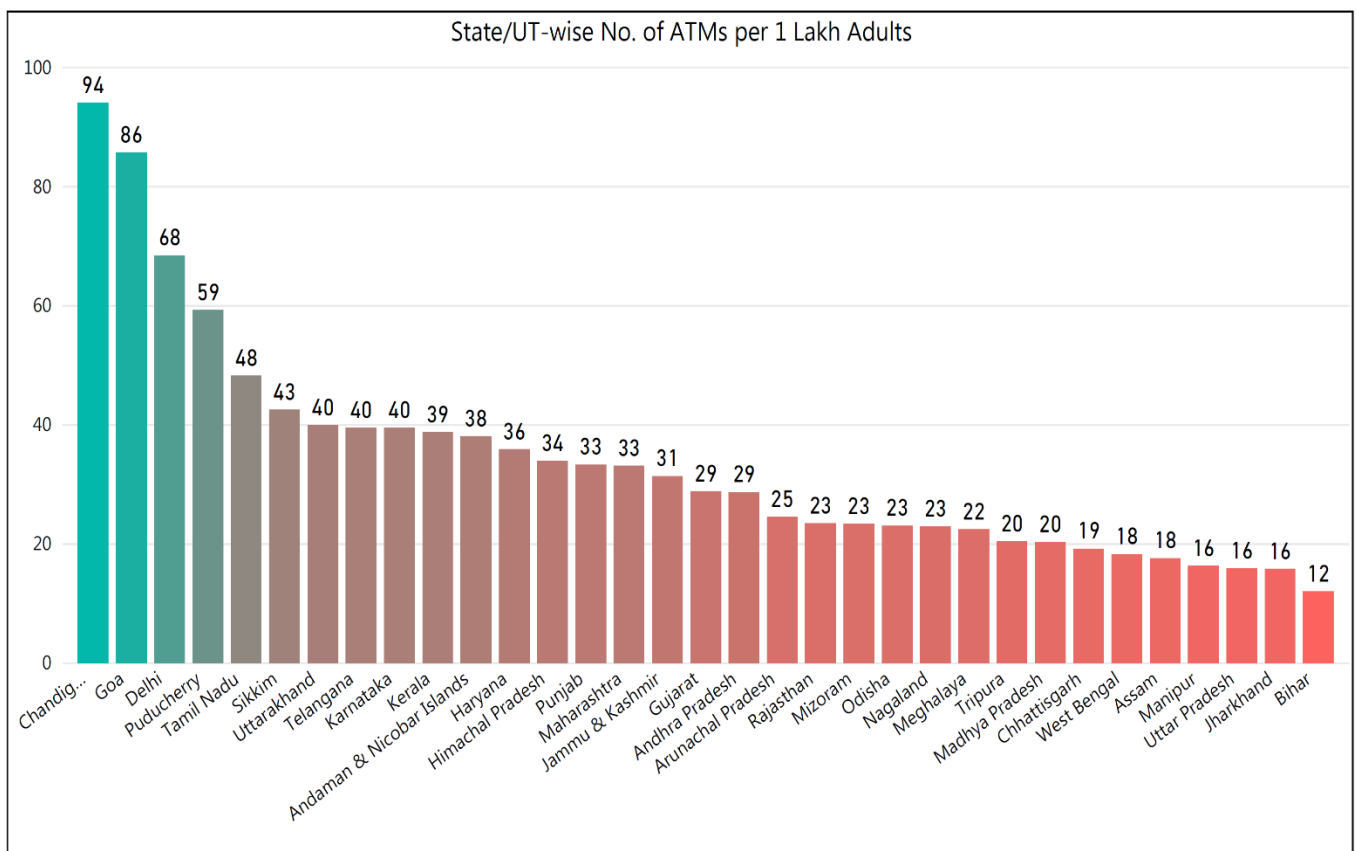


Figure-5: State/UT-wise Number of ATMs per one lakh adults

From Figure-5, it is observed that, Top 5 State/UTs which have higher Number of ATMs per one lakh adults are Chandigarh, Goa, Delhi, Puducherry, and Tamil Nadu.

Whereas, bottom 5 State/UTs which have low number of ATMs per 1,00,000 adults are **Bihar, Jharkhand, Uttar Pradesh, Manipur, Assam. Government and RBI can focus on increasing number of ATMs in these State/UTs.**

Region-wise Comparison of Banking Outlets and ATMs per 1 Lakh Adults & GSDP growth

Region-wise Comparison of Banking Outlets and ATMs per 1 Lakh Adults vs. Percentage of GSDP Growth Rate for FY 2017-18 over previous year, is depicted in Figure-6.

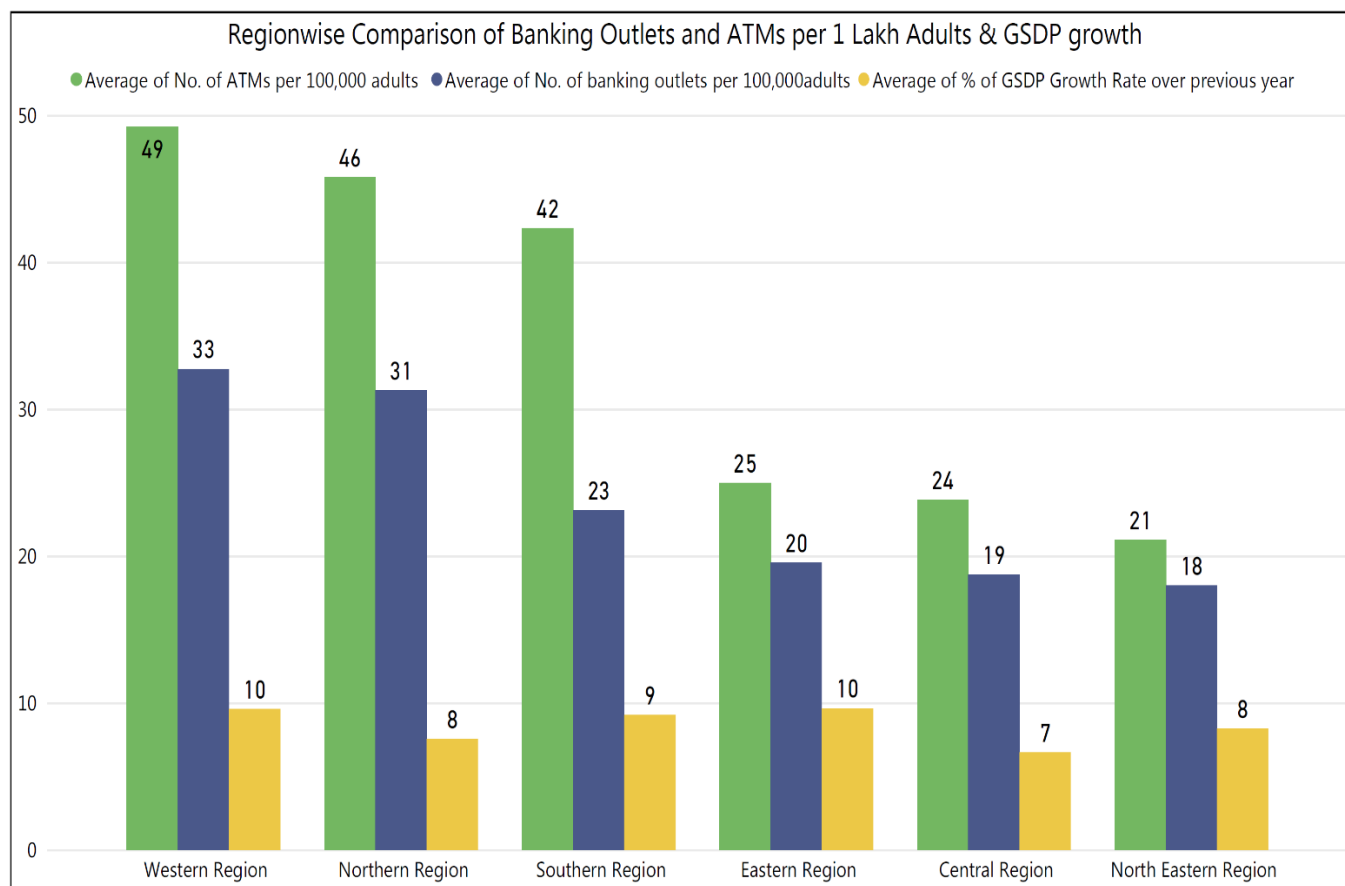


Figure-6: Region-wise Comparison of Banking Outlets and ATMs per 1 Lakh Adults vs. % GSDP Growth Rate

From Figure-6, it is observed that, Western Region, Northern Region and Southern Region have higher average of Banking Outlets and ATMs per 1 Lakh Adults, whereas **North-Eastern Region, Central Region and Eastern Region have comparatively lower average of Banking Outlets and ATMs per 1 Lakh Adults.**

When comparing with GSDP growth rate percentage, Central Region has lowest average growth rate of 7%. North-Eastern Region and Northern Region have average growth rate of 8%, Southern Region has average growth rate of 9 % and Western Region and Eastern Region have average growth rate of 10%.

While North-Eastern Region and Central Region have low average Banking Outlets and ATMs per 1 Lakh Adults, correspondingly low average GSDP growth rate percentage has been observed.

However, Eastern Region having low average Banking Outlets and ATMs per 1 Lakh Adults, has high average GSDP growth rate of 10%. Similarly, Northern region having higher average Banking Outlets and ATMs per 1 Lakh Adults, has low average GSDP growth rate of 8%.

Hence, a correlation between average Banking Outlets and ATMs per 1 Lakh Adults and GSDP growth rate cannot be established among Regions of the country.

CHAPTER-VI

6.0 STATE/UT-WISE ANALYSIS OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY) ACCOUNTS

State/UT-wise total number of accounts, operative and inoperative accounts under PMJDY has been obtained from **Answer to Rajya Sabha Question No. 1646** for 3.12.2019 regarding "Accounts under PMJDY".

State/UT-wise number of PMJDY accounts depicted in Figure-7.

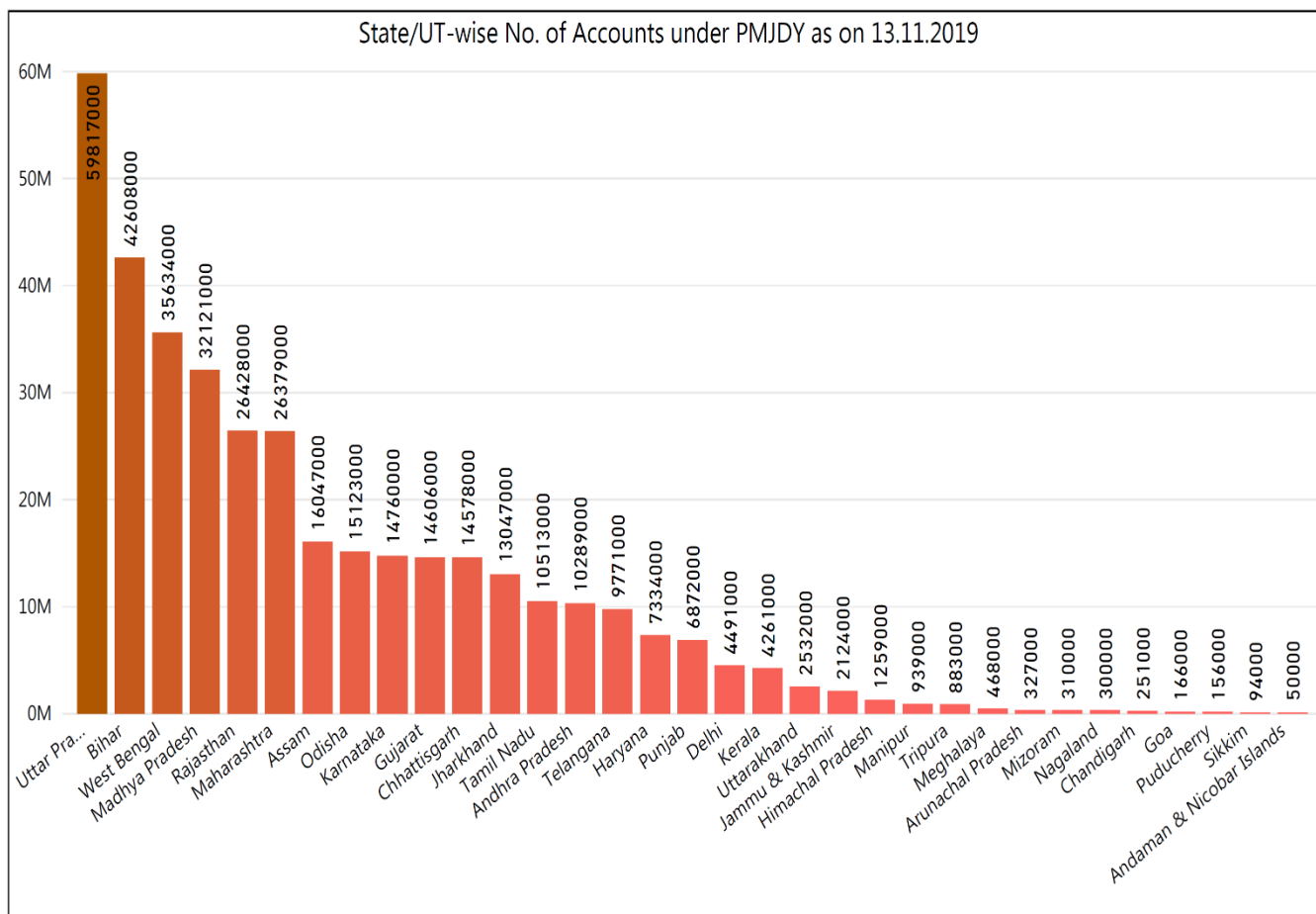


Figure-7: State/UT-wise Number of accounts under PMJDY

From Figure-7, it is observed that, Top 5 State/UTs which have higher number of accounts under PMJDY are Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, and Rajasthan.

Whereas, bottom 5 major State/UTs which have low number of accounts under PMJDY are Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Kerala, Delhi.

State/UT-wise number of operative accounts under PMJDY has been obtained from **Answer to Rajya Sabha Question** No. 1646 for 3.12.2019 regarding "Accounts under PMJDY".

State/UT-wise number of operative accounts under PMJDY is depicted in Figure-8.

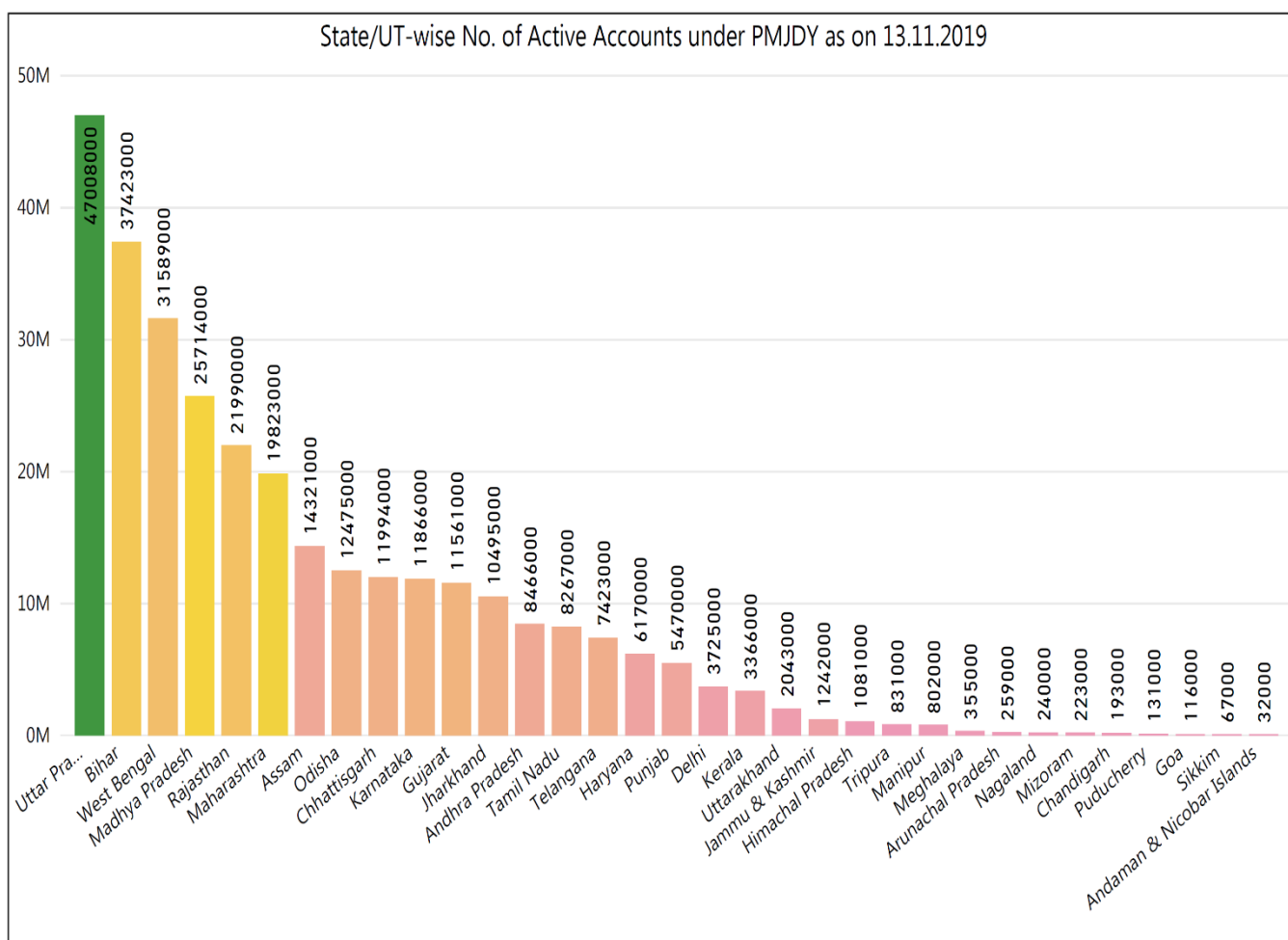


Figure-8: State/UT-wise Number of Active/Operative accounts under PMJDY

From Figure-8, it is observed that, Top 5 State/UTs which have higher number of active/operative accounts under PMJDY are Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, and Rajasthan.

Whereas, bottom 5 major State/UTs which have low number of active/operative accounts under PMJDY are Himachal Pradesh, Jammu & Kashmir, Uttarakhand, Kerala, Delhi.

When comparing Figure-7 and Figure-8, it can be observed that **States having higher number of PMJDY accounts have higher Active PMJDY accounts, similarly, States having low number of PMJDY accounts have low Active PMJDY accounts.**

State/UT-wise number of inoperative/dormant accounts under PMJDY has been obtained from **Answer to Rajya Sabha Question** No. 1646 for 3.12.2019 regarding "Accounts under PMJDY".

State/UT-wise number of operative accounts under PMJDY is depicted in Figure-9.

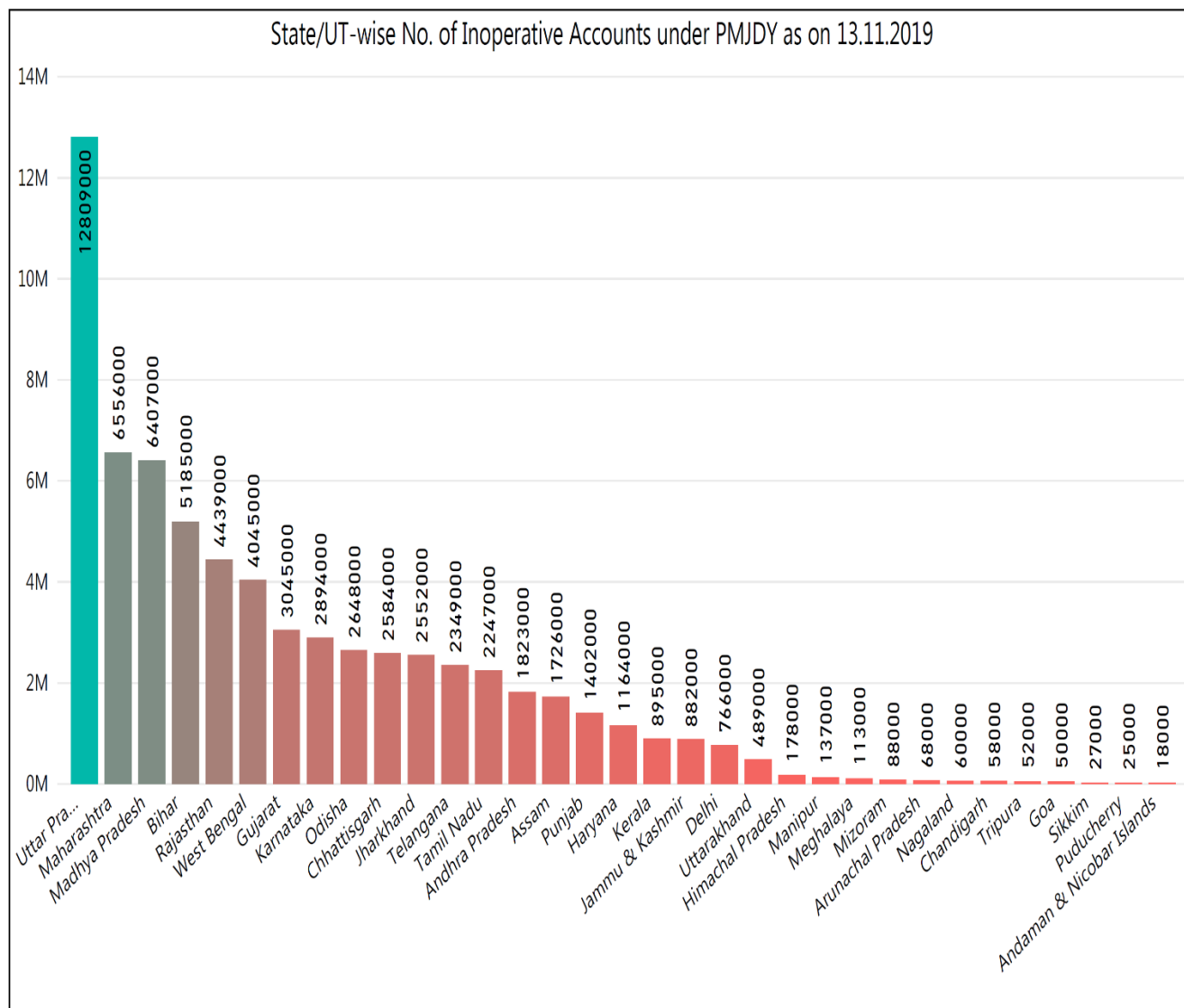


Figure-9: State/UT-wise Number of Inoperative/Dormant accounts under PMJDY

From Figure-9, it is observed that, Top 5 State/UTs which have higher number of dormant/inoperative accounts under PMJDY are Uttar Pradesh, Maharashtra, Madhya Pradesh, Bihar, and Rajasthan.

Whereas, bottom 5 major State/UTs which have low number of active/operative accounts under PMJDY are Himachal Pradesh, Uttarakhand, Delhi, Jammu & Kashmir, Kerala.

State/UT-wise percentage of Active and inoperative accounts under PMJDY has been calculated and depicted in Figure-10.

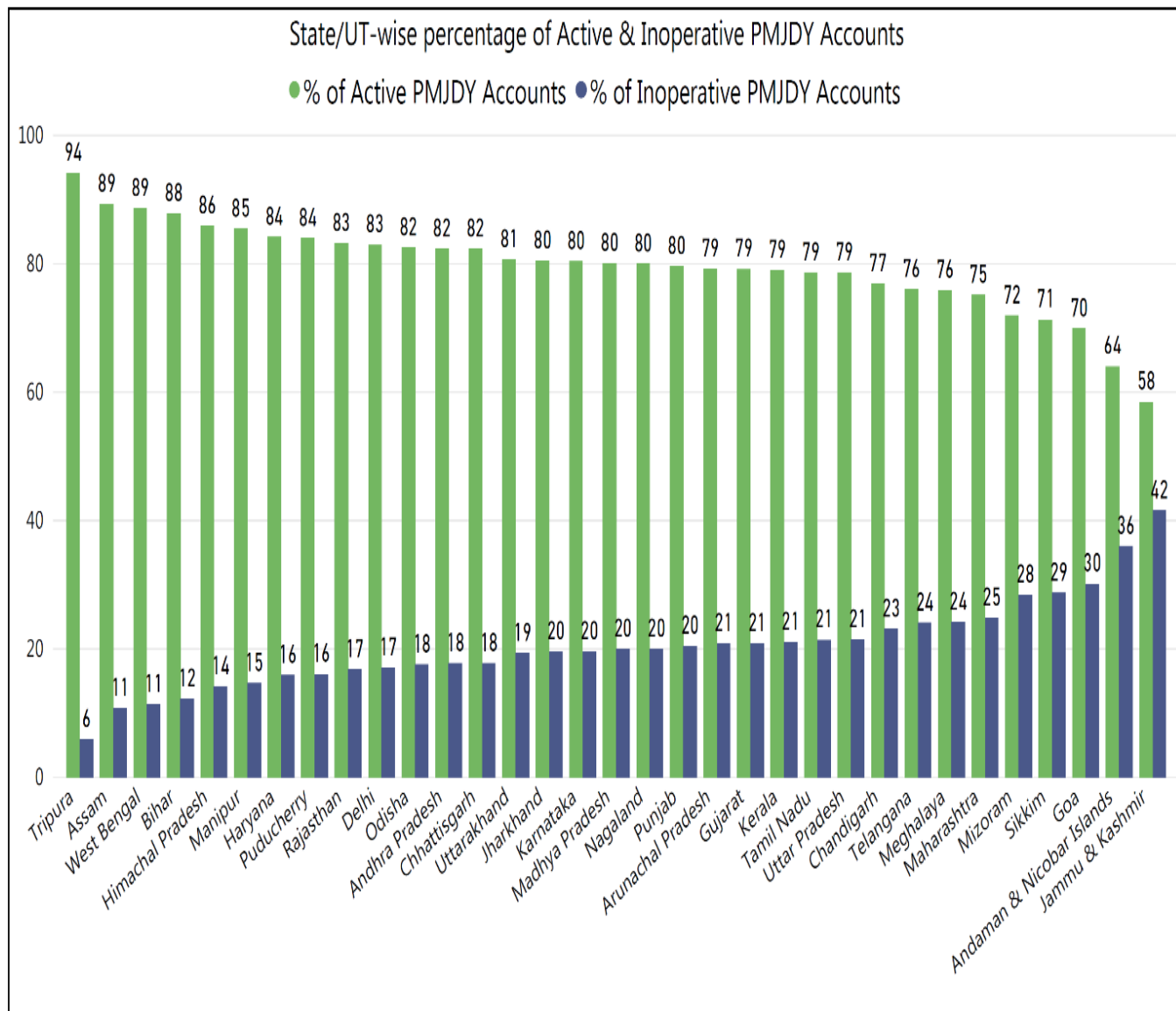


Figure-10: State/UT-wise percentage of Active and Dormant accounts under PMJDY

From Figure-10, it is observed that, Top 5 State/UTs which have higher percentage of active PMJDY accounts are Tripura, Assam, West Bengal, Bihar, and Himachal Pradesh.

Whereas, bottom 5 State/UTs which have low percentage of active PMJDY accounts are **Jammu & Kashmir, Andaman & Nicobar Islands, Goa, Sikkim, Mizoram.** Government and RBI can focus on analysing the dormant PMJDY accounts and improve its usage.

Region-wise Comparison of PMJDY accounts & GSDP growth

Region-wise Comparison of PMJDY accounts vs. Percentage of GSDP Growth Rate for FY 2017-18 over previous year, is depicted in Figure-11.

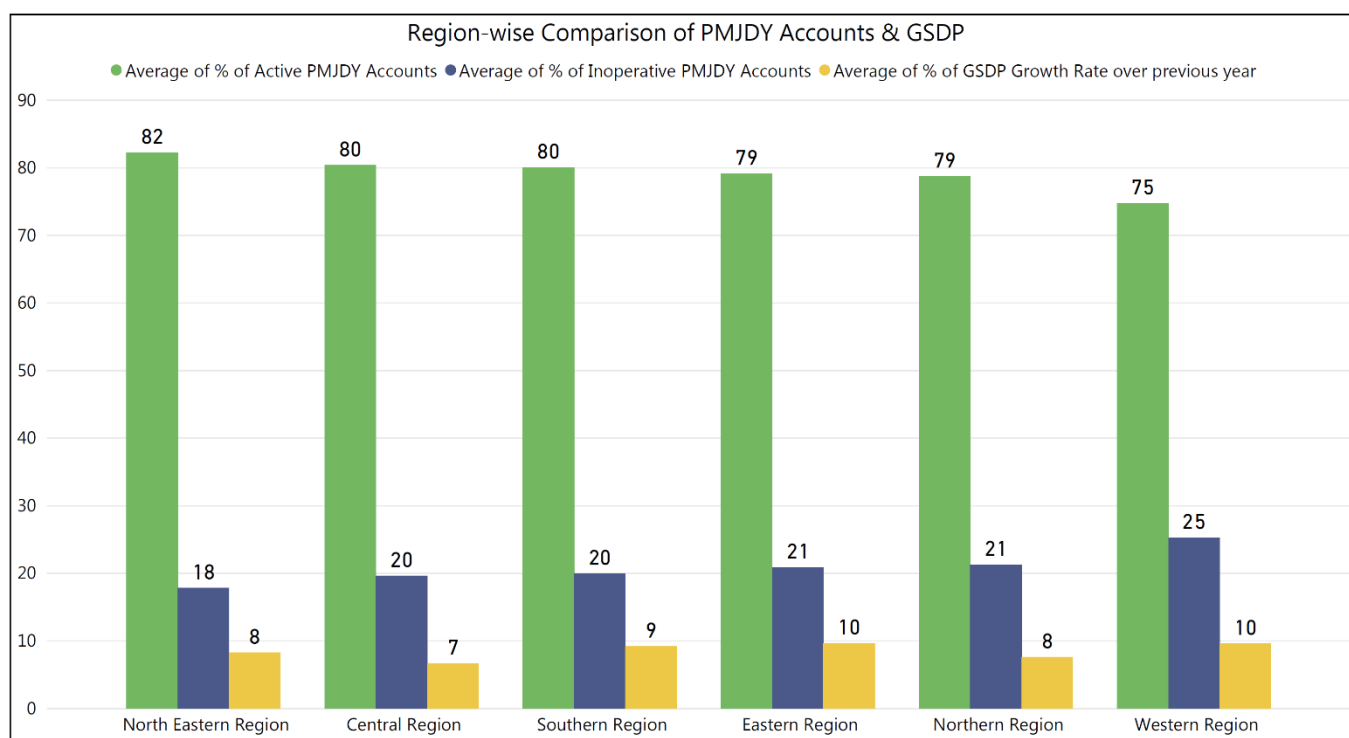


Figure-11: Region-wise Comparison of PMJDY accounts vs. % GSDP Growth Rate

From Figure-11, it is observed that, North Eastern Region, Central Region and Southern Region have higher average of percentage of active PMJDY accounts, whereas **Eastern Region, Northern Region and Western Region have comparatively lower average of percentage of active PMJDY accounts.**

When comparing with GSDP growth rate percentage, Central Region has lowest average growth rate of 7%. North-Eastern Region and Northern Region have average growth rate of 8%, Southern Region has average growth rate of 9 % and Western Region and Eastern Region have average growth rate of 10%.

However, Eastern Region and Western Region having low average of percentage of active PMJDY accounts have high average GSDP growth rate of 10%. Similarly, North-Eastern region having higher average of percentage of active PMJDY accounts, has low average GSDP growth rate of 8%.

Hence, a correlation between percentage of Active PMJDY accounts and GSDP growth rate cannot be established among Regions of the country.

CHAPTER-VII

7.0 CORRELATION PLOTS – FINANCIAL INCLUSION PARAMETERS Vs. ECONOMIC INDICATORS

The correlation between State/UT-wise financial inclusion parameters such as No. of Functioning Offices of Commercial banks, No. of ATMs deployed, No. of Active PMJDY accounts and Economic indicators such as Gross State Domestic Product (GSDP), Per Capita NSDP were calculated using PoweBI R Script enabled Correlation Plot.

Data regarding GSDP and Per Capita NSDP at current prices (Base Year 2011-12) has been taken from “State Domestic Product and other aggregates, 2011-2012 series” (For FY 2017-18) released by Ministry of Statistics and Programme Implementation (MoSPI).

State/UT-wise Gross State Domestic Product (GSDP) for FY 2017-18 is depicted in Figure -12.

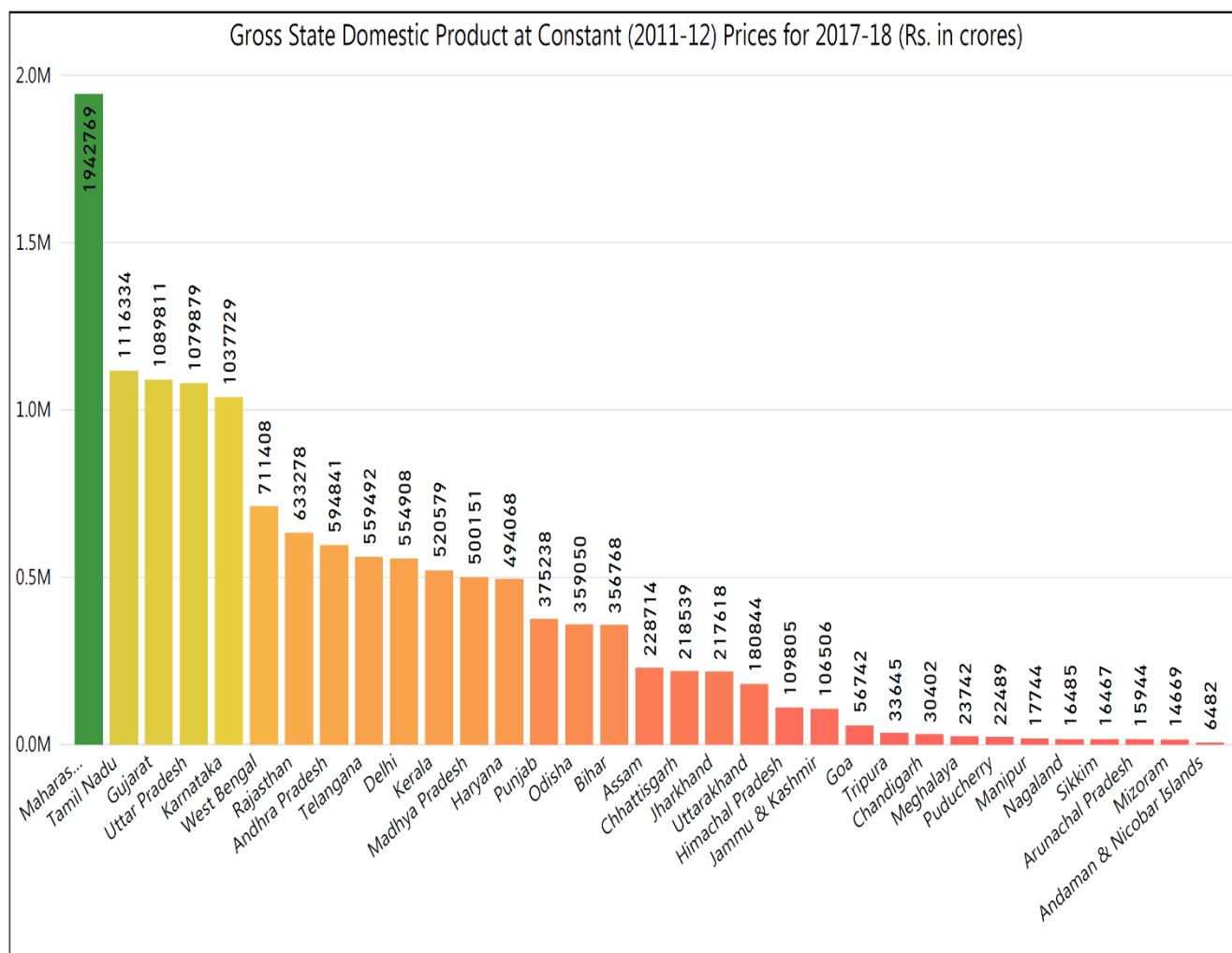


Figure-12: State/UT-wise GSDP for FY 2017-18

State/UT-wise Per Capita Net State Domestic Product (NSDP) for FY 2017-18 is depicted in Figure-13.

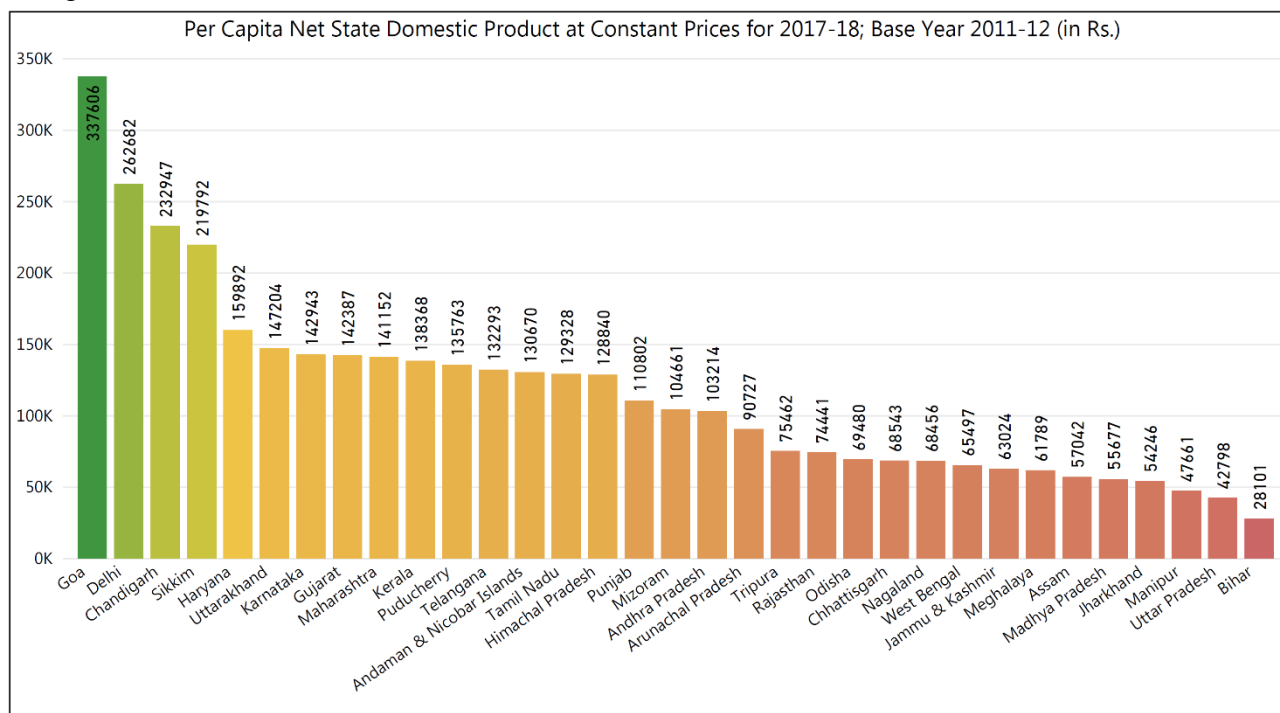


Figure-13: State/UT-wise Per Capita Net State Domestic Product (NSDP) for FY 2017-18

State/UT-wise percentage of GSDP growth rate for FY 2017-18 over previous year is depicted in Figure-14.

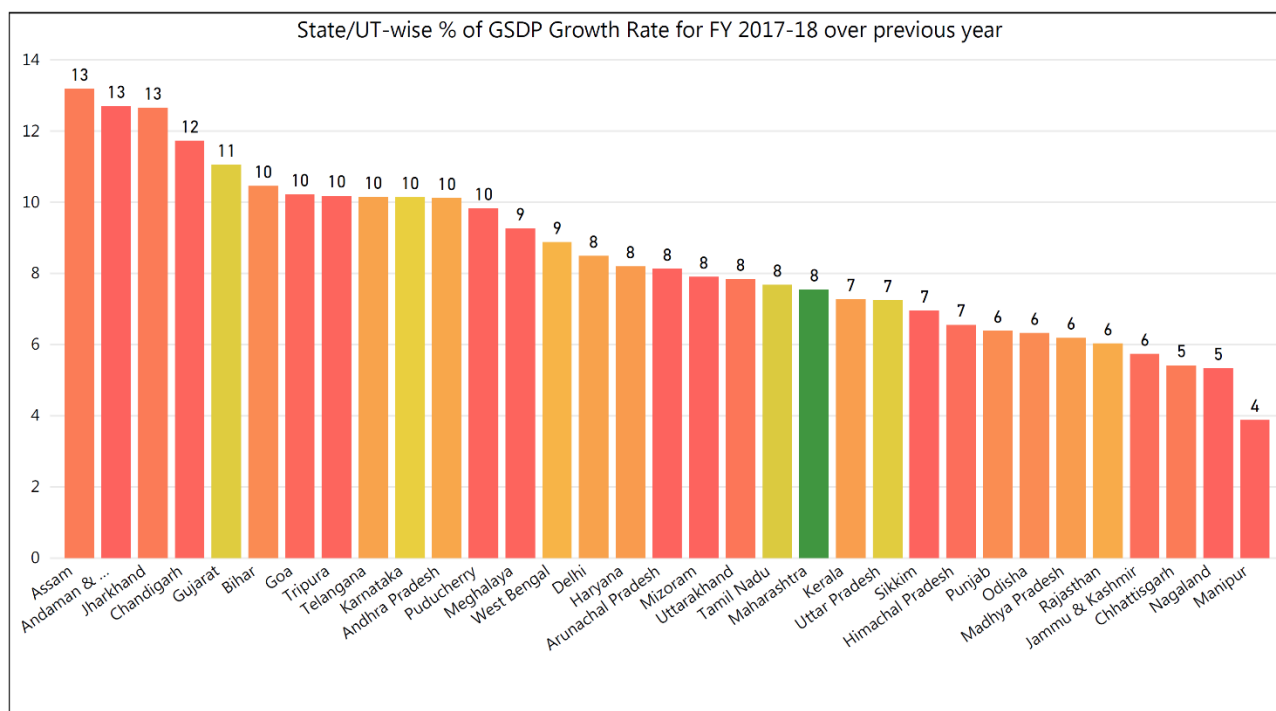


Figure-14: State/UT-wise percentage of GSDP growth rate for FY 2017-18 over previous year

The Correlation Plot between State/UT-wise financial inclusion parameters such as No. of Functioning Offices of Commercial banks, No. of ATMs deployed, No. of Active PMJDY accounts and Economic indicators such as Gross State Domestic Product (GSDP), Per Capita NSDP is depicted in Figure-15.

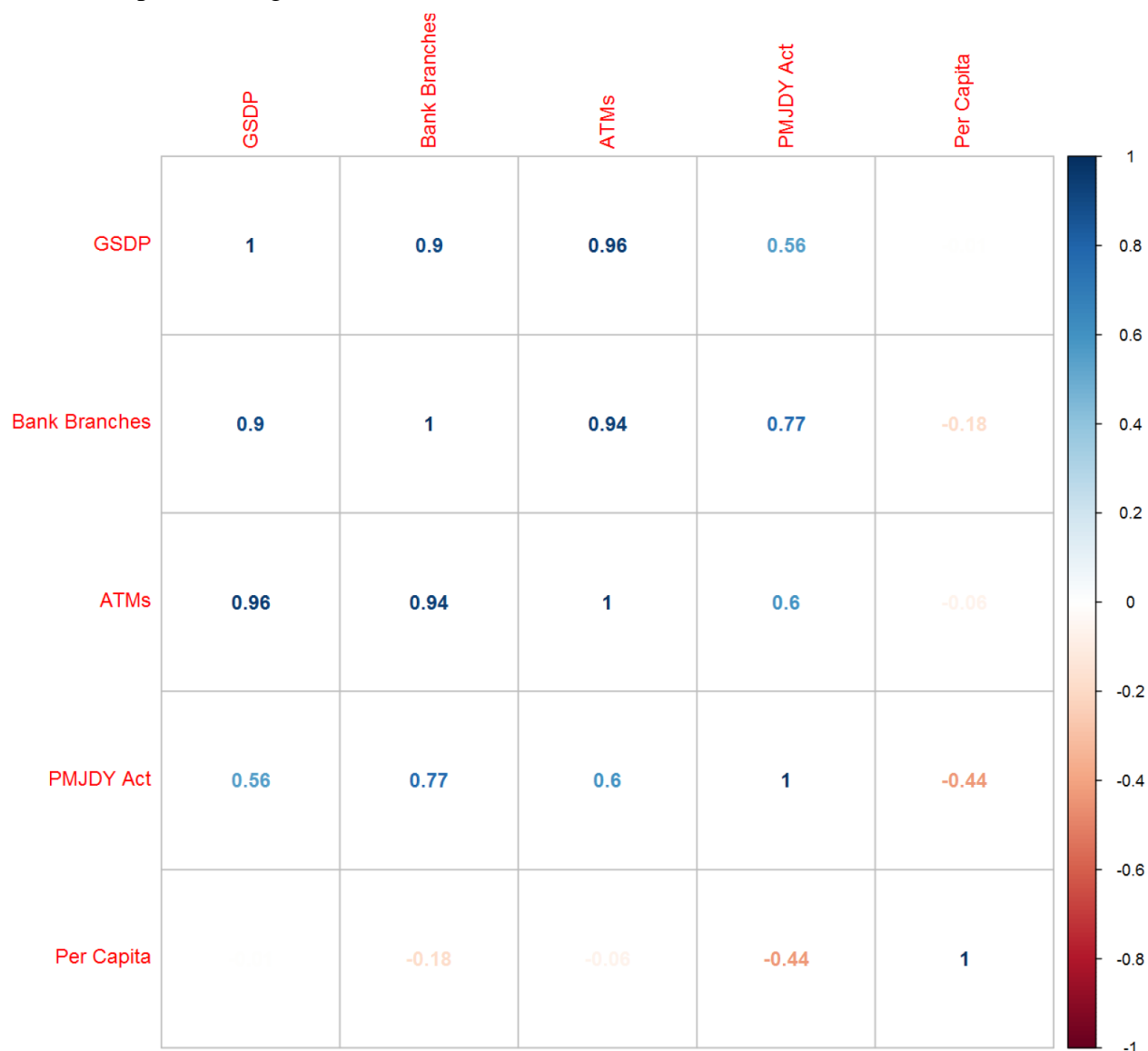


Figure-15: Correlation Plot-1 – Financial Inclusion Parameters vs. Economic Indicators

Legend: Figure-15

GSDP - Gross State Domestic Product at Constant (2011-12) Prices for 2017-18

Bank Branches - No. of Functioning Offices of Commercial Banks

ATMs- State Wise Deployment of ATMs

PMJDY Act – State/UT-wise Active Operative Accounts under PMJDY

Per Capita - Per Capita Net State Domestic Product

From Figure-15, following observations can be made.

- i. Correlation coefficient for GSDP and No. of bank branches is **0.9**, which implies that there exist a **strong positive correlation** between GSDP and the no. of bank branches across the country.
- ii. Correlation coefficient for GSDP and Number of ATMs deployed is **0.96**, which again implies that there exist a **strong positive correlation** between GSDP and the no. of ATMs deployed across the country.
- iii. Correlation coefficient for GSDP and Number of Active PMJDY accounts is **0.56**, which again implies that there exist a **positive correlation** between GSDP and the no. of Active PMJDY accounts across the country.
- iv. Correlation coefficient for Per Capita NSDP and Number of bank branches is **-0.18**, which implies that there is **No correlation** between Per Capita NSDP and the number of bank branches across the country.
- v. Correlation coefficient for Per Capita NSDP and Number of ATMs deployed is **-0.06**, which implies that there is **No correlation** between Per Capita NSDP and number of ATMs deployed across the country.
- vi. Correlation coefficient for Per Capita NSDP and Number of Active PMJDY accounts is **-0.44**, which again implies that there **No positive correlation** between Per Capita NSDP and the number of Active PMJDY accounts across the country.

Therefore, through Correlation plot, it can be inferred that, there exist a **STRONG POSTIVE CORRELATION** between GSDP and No. of Bank branches, ATMs deployed. However, there is **NO CORRELATION** between Per Capita NSDP and No. of Bank branches, ATMs deployed.

Correlation Plot between State/UT-wise financial inclusion indicators such as no. of Banking outlets per one lakh adults, No. of ATMs per one lakh adults, Percentage of Active PMJDY accounts and Economic indicator Gross State Domestic Product (GSDP) growth rate is depicted in Figure-16.

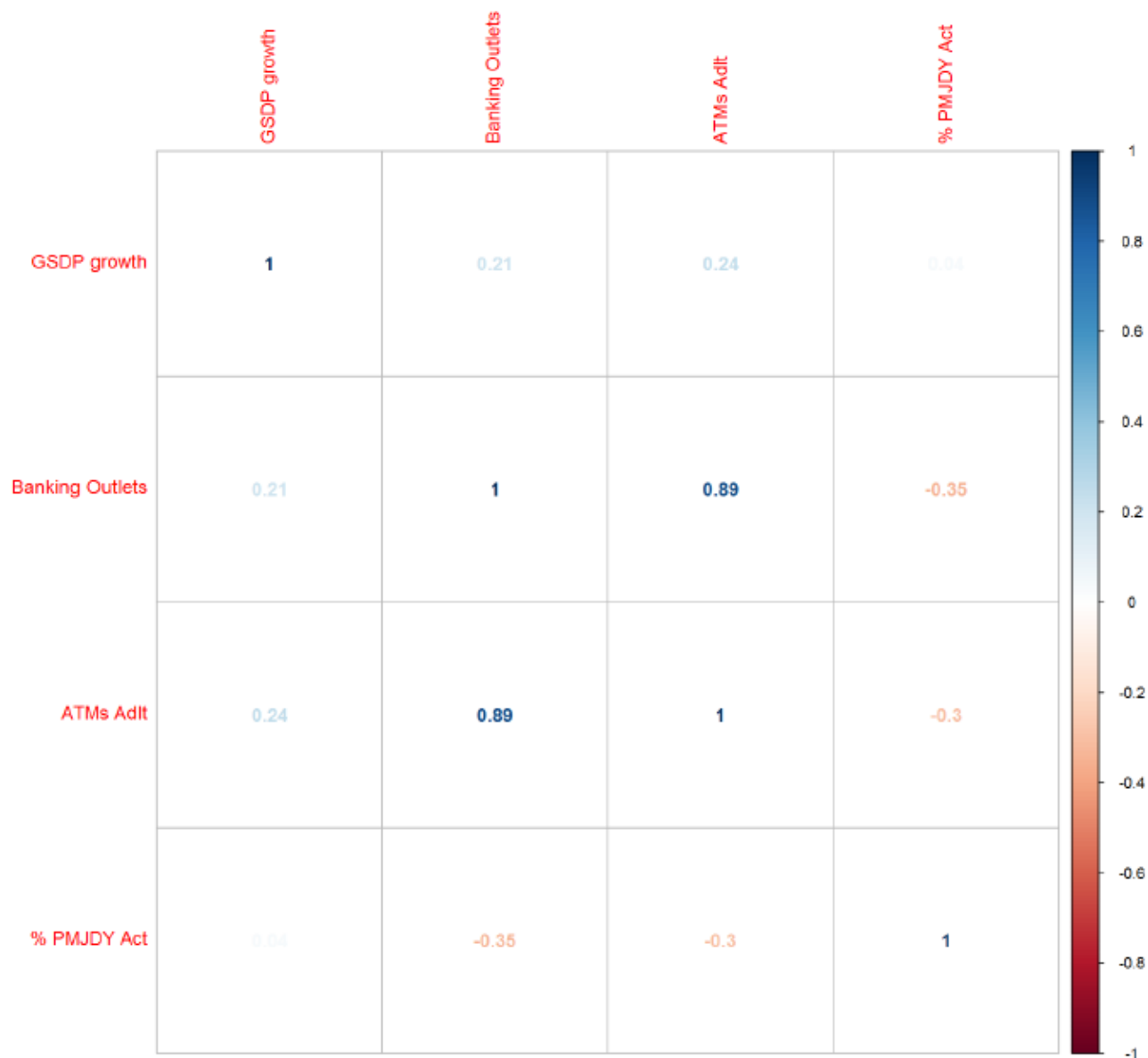


Figure-16: Correlation Plot-2 – Financial Inclusion Parameters vs. Economic Indicators

Legend: Figure-16

GSDP growth - Percentage of GSDP Growth Rate for FY 2017-18

Banking Outlets - Banking outlets per one lakh adults

ATMs Adlt- No. of ATMs per one lakh adults

% PMJDY Act – Percentage of Active PMJDY accounts

From Figure-16, following observations can be made.

- i. Correlation coefficient for GSDP growth and No. of Banking Outlets per one lakh adults is **0.21**, which implies that there is **No strong positive correlation** between GSDP growth and Number of Banking outlets per 1,00,000 adults.
- ii. Correlation coefficient for GSDP growth and No. of ATMs per one lakh adults is **0.24**, which again implies that there is **No strong positive correlation** between GSDP growth and No. of ATMs per 1,00,000 adults.
- iii. Correlation coefficient for GSDP growth and Percentage of Active PMJDY accounts is **0.04**, which again implies that there is **No correlation** between GSDP growth and Percentage of Active PMJDY accounts across the country.

Therefore, through Correlation plot, it can be inferred that, there is a **NO POSTIVE CORRELATION** between **GSDP growth and No. of Banking outlets per one lakh adults, No. of ATMs per one lakh adults, Percentage of Active PMJDY accounts.**

CHAPTER-VIII

8.0 ANALYSIS OF SURVEY RESPONSES COLLECTED FROM BANK OFFICIALS ACROSS THE COUNTRY

A Survey on **Financial Inclusion Status in India** has been conducted among Bank Officials through a Google Forms Questionnaire. (Annexure-I).

A total of 58 Bank Officials have participated in the survey from across the country from 07.04.2020 to 29.05.2020.

Details of respondents Gender-wise is presented in Figure-17.

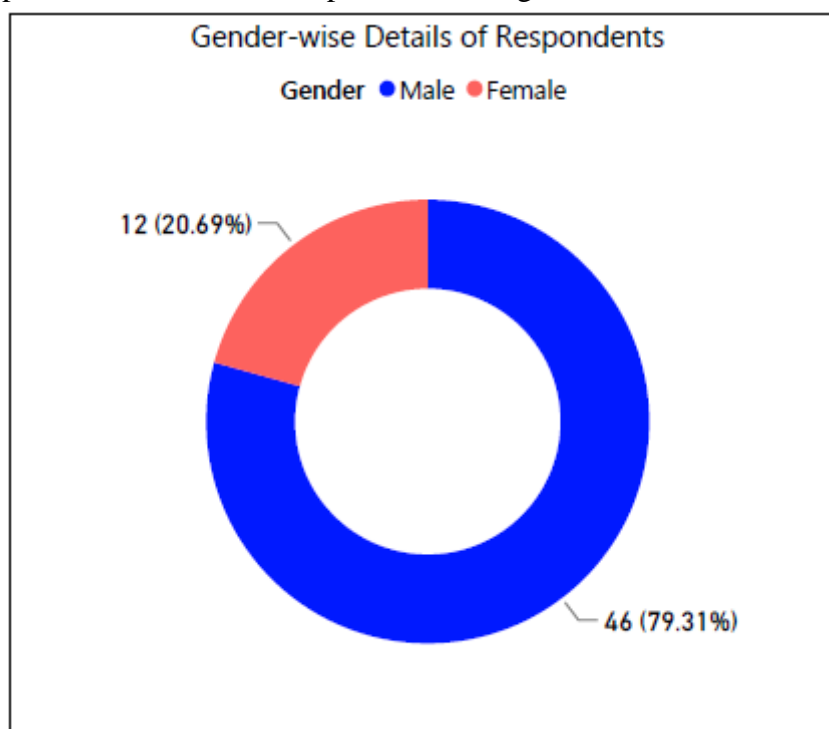


Figure-17: Details of Respondents - Gender-wise

Out of the 58 Bank Officials who have participated in the survey, 46 respondents i.e., **79% of the respondents were male** respondents and 12 respondents i.e., **21% of the respondents were female** respondents.

Service-wise (Working Official/Serving Official) Details of Respondents is presented in Figure-18.

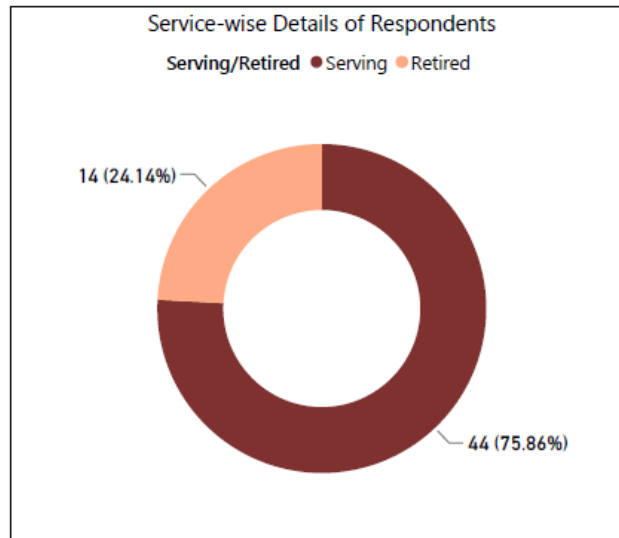


Figure-18: Service-wise Details of Respondents

Out of the 58 Bank Officials who have participated in the survey, 44 respondents i.e., **76% of the respondents are in still serving in Banks** and 14 respondents i.e., **24% of respondents have been retired from banking service.**

Age group-wise Details of Respondents is presented in Figure-19.

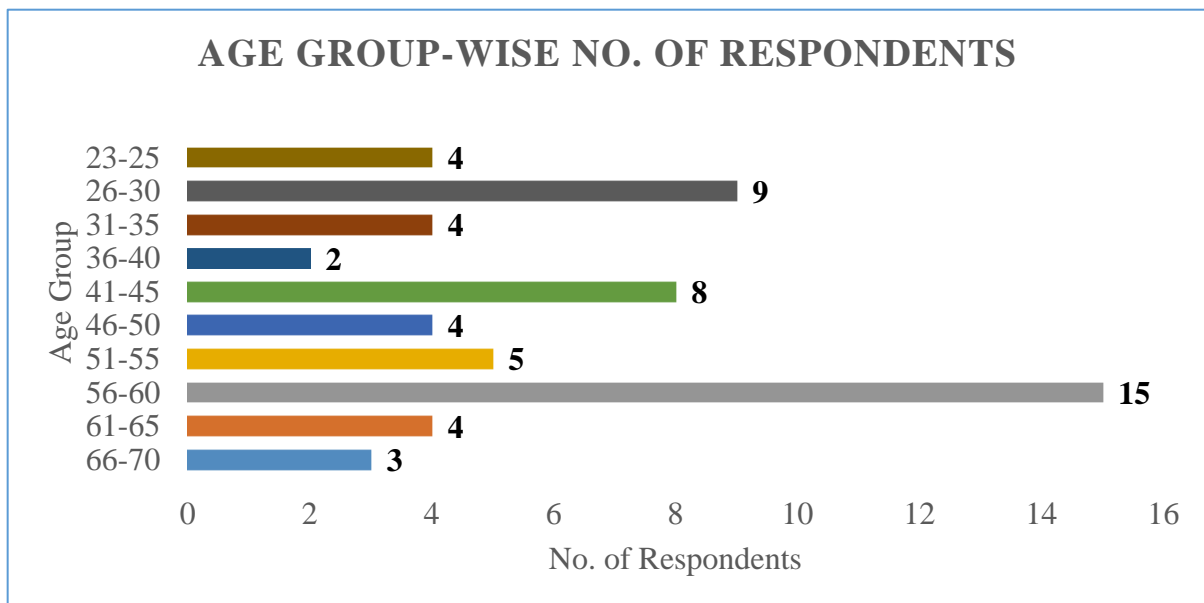


Figure-19: Age group-wise Details of Respondents

From Figure-19, it can be observed that Bank Official respondents varied from the age of 23 to 69. More number of respondents belonged to 56-60 age group, followed by 26-30 and 41-45 age group. Therefore respondents is a mix of young bank officials and experienced bank officials.

Bank-wise Details of Respondents is presented in Figure-20.

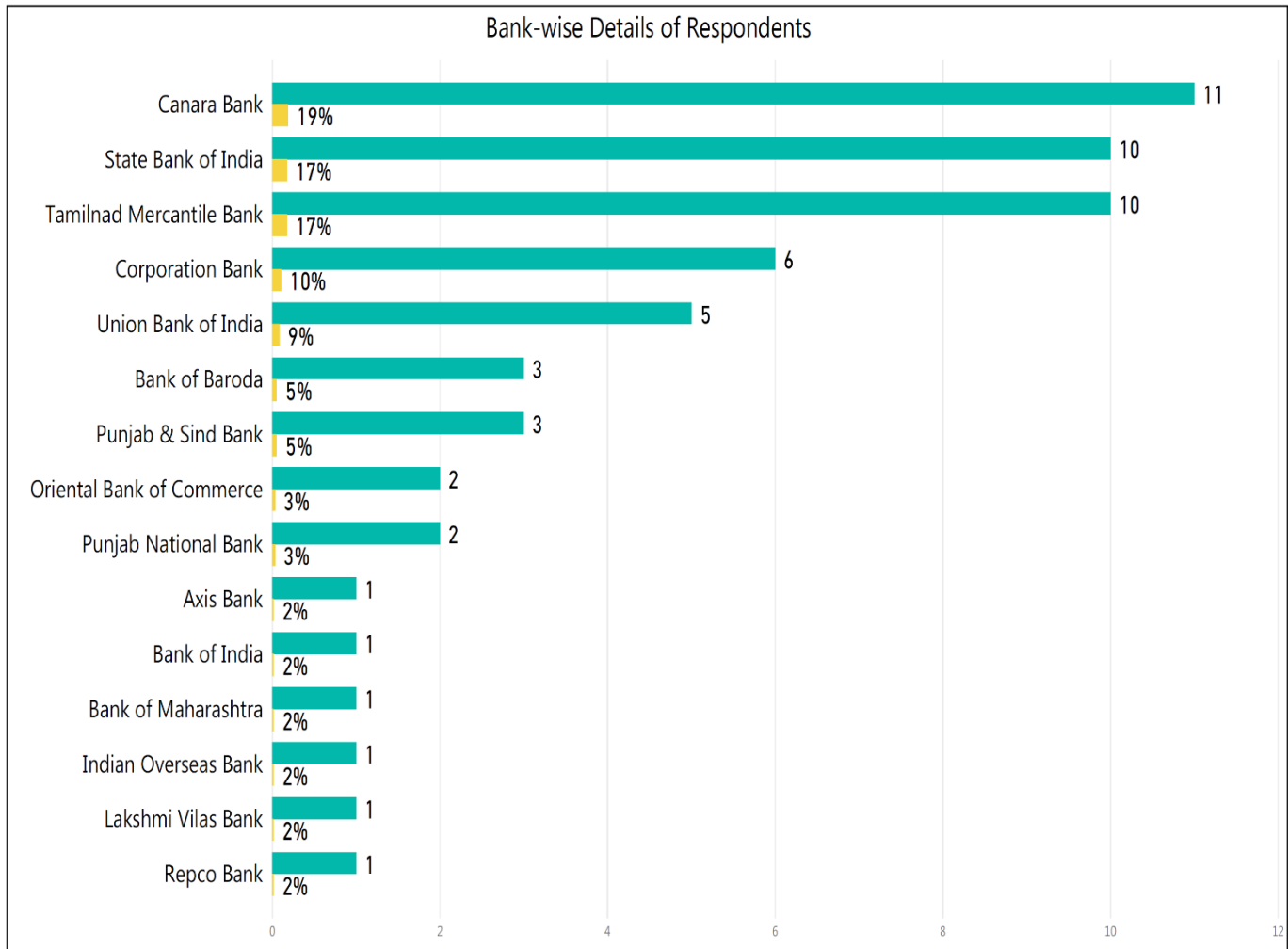


Figure-20: Bank-wise Details of Respondents

From Figure-20, following observations can be made.

- 19% of respondents are working/worked in **CANARA BANK**.
- 17% of respondents are working/worked in **STATE BANK OF INDIA**.
- 17% of respondents are working/worked in **TAMILNAD MERCANTILE BANK**.
- 10% of respondents are working/worked in **CORPORATION BANK**.
- 9% of respondents are working/worked in **UNION BANK OF INDIA**.
- Remaining respondents are working/worked in various banks viz., **BANK OF BARODA, PUNJAB & SIND BANK, ORIENTAL BANK OF COMMERCE, PUNJAB NATIONAL BANK, AXIS BANK, BANK OF INDIA, BANK OF MAHARASHTRA, INDIAN OVERSEAS BANK, LAXMI VILAS BANK, REPCO BANK**.
- **Overall, Banking Officials from 15 various aforesaid banks have participated in the survey.**

Native State/UT Details of Bank Officials participated in the survey is presented in Figure-21.

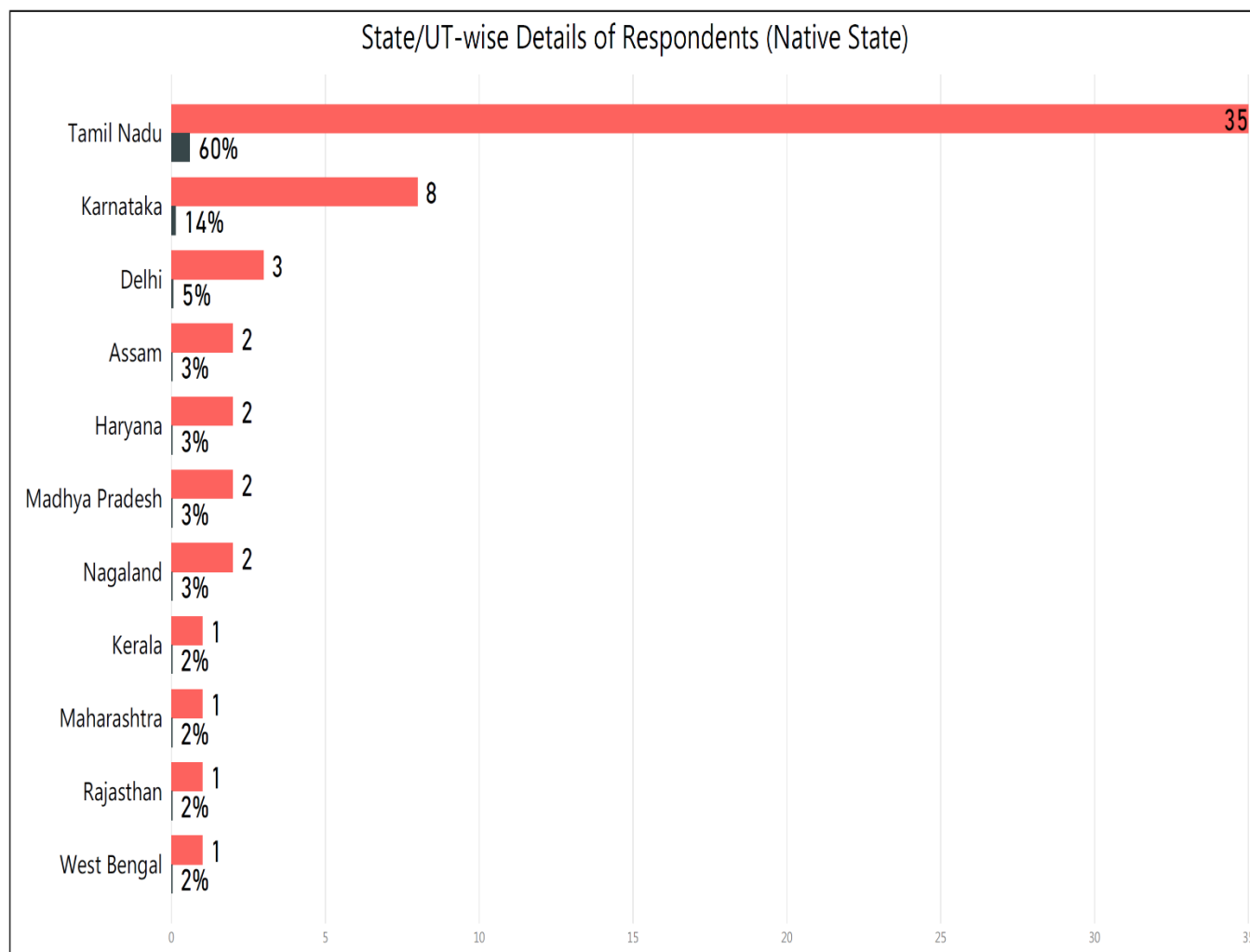


Figure-21: Native State/UT Details of Respondents

From Figure-21, following observations can be made.

- 60% of respondents belong to native of State of **TAMIL NADU**.
- 14% of respondents belong to native of State of **KARNATAKA**.
- 5% of respondents belong to native of State of **DELHI**.
- 3% each of respondents belong to native of States of **ASSAM, HARYANA, MADHYA PRADESH, and NAGALAND**.
- 2% each of respondents belong to native of States of **KERALA, MAHARASTHRA, RAJASTHAN, and WEST BENGAL**.
- **Overall, Banking Officials from 11 various aforesaid State/UTs across the country have participated in the survey.**

Details of State/UT where the Bank Officials participated in the survey are working/served earlier is presented in Figure-22.

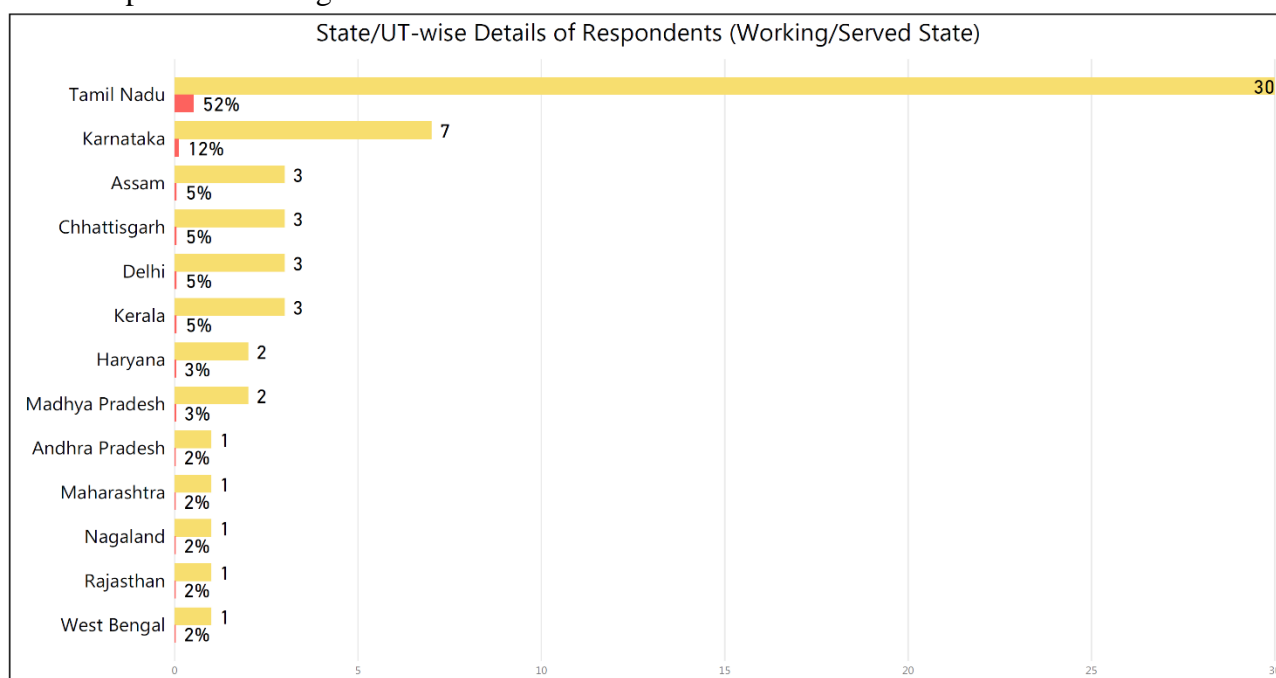


Figure-22: Working/Served State/UT Details of Respondents

From Figure-22, following observations can be made.

- 52% of respondents work/worked earlier in the State of **TAMIL NADU**.
- 12% of respondents work/worked earlier in the State of **KARNATAKA**.
- 5% each of respondents work/worked earlier in the States of **ASSAM, CHATTISGARH, DELHI, KERALA**
- 3% each of respondents work/worked earlier in the States of **HARYANA, MADHYA PRADESH**.
- 2% each of respondents work/worked earlier in the States of **ANDHRA PRADESH MAHARASTHRA, NAGALAND, RAJASTHAN, and WEST BENGAL**.
- Overall, Banking Officials working/served earlier from 13 various aforesaid State/UTs across the country have participated in the survey.
- It is also to be noted that the respondents surveyed have been from **all the regions of the country viz., Northern region** (Delhi, Haryana), **Western region** (Maharashtra, Rajasthan), **Eastern region** (West Bengal), **Southern region** (Tamil Nadu, Karnataka, and Kerala), **Central region** (Chhattisgarh, Madhya Pradesh) and **North-Eastern region** (Nagaland). However, **around 69% of the respondents** are working/served in **Southern Region**. But the survey covered respondents from all the regions of the country.

Details of District/Town where the Bank Officials participated in the survey are working/served earlier is presented in Figure-23.

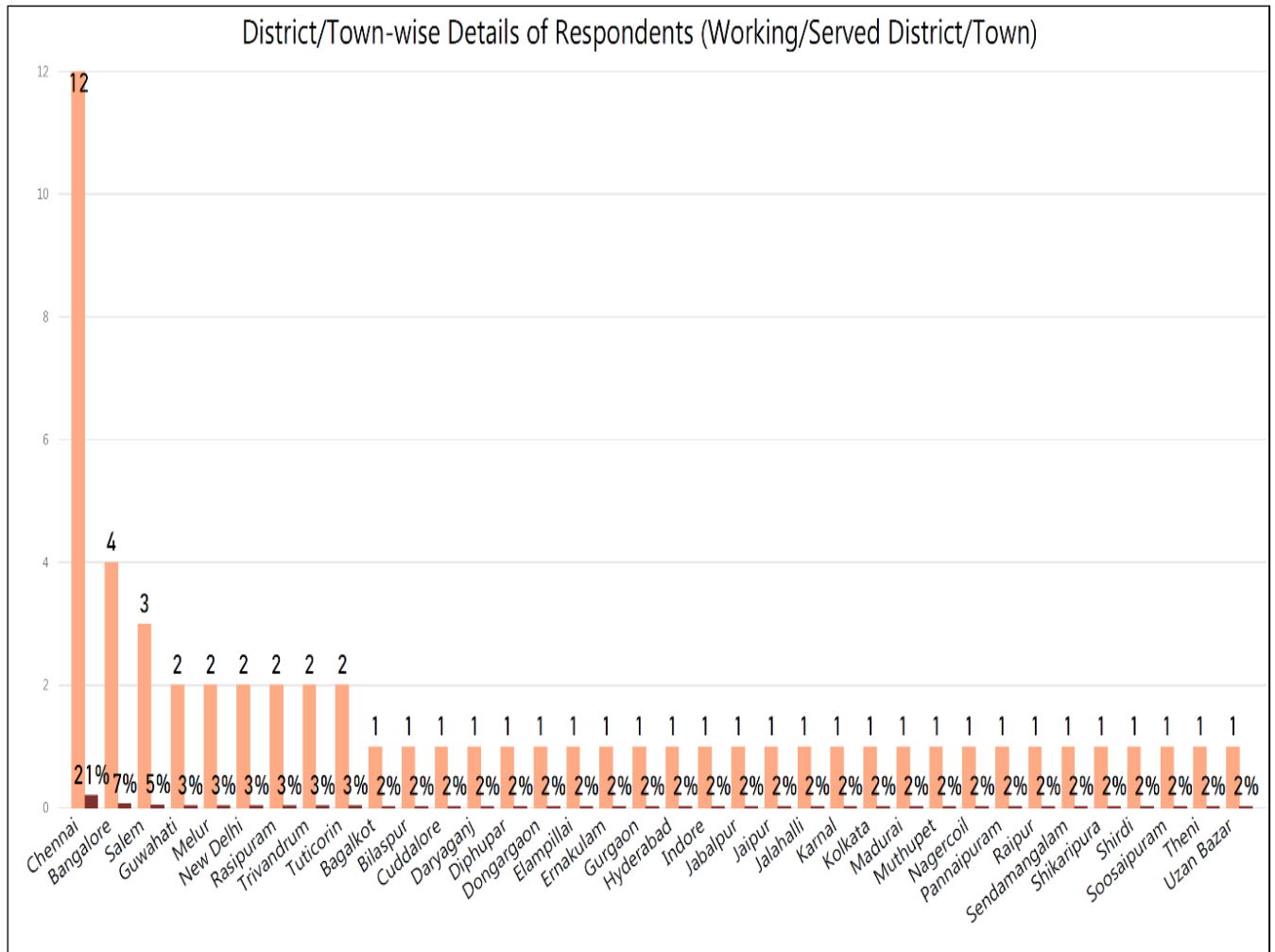


Figure-23: Working/Served State/UT Details of Respondents

From Figure-23, following observations can be made.

- 21% of respondents work/worked earlier in **CHENNAI, TAMIL NADU**.
- Other Respondents work/worked earlier in various Districts/Towns spread across the length and breadth of the country.

Designation-wise details of Bank Officials participated in the survey are presented in Figure-24.

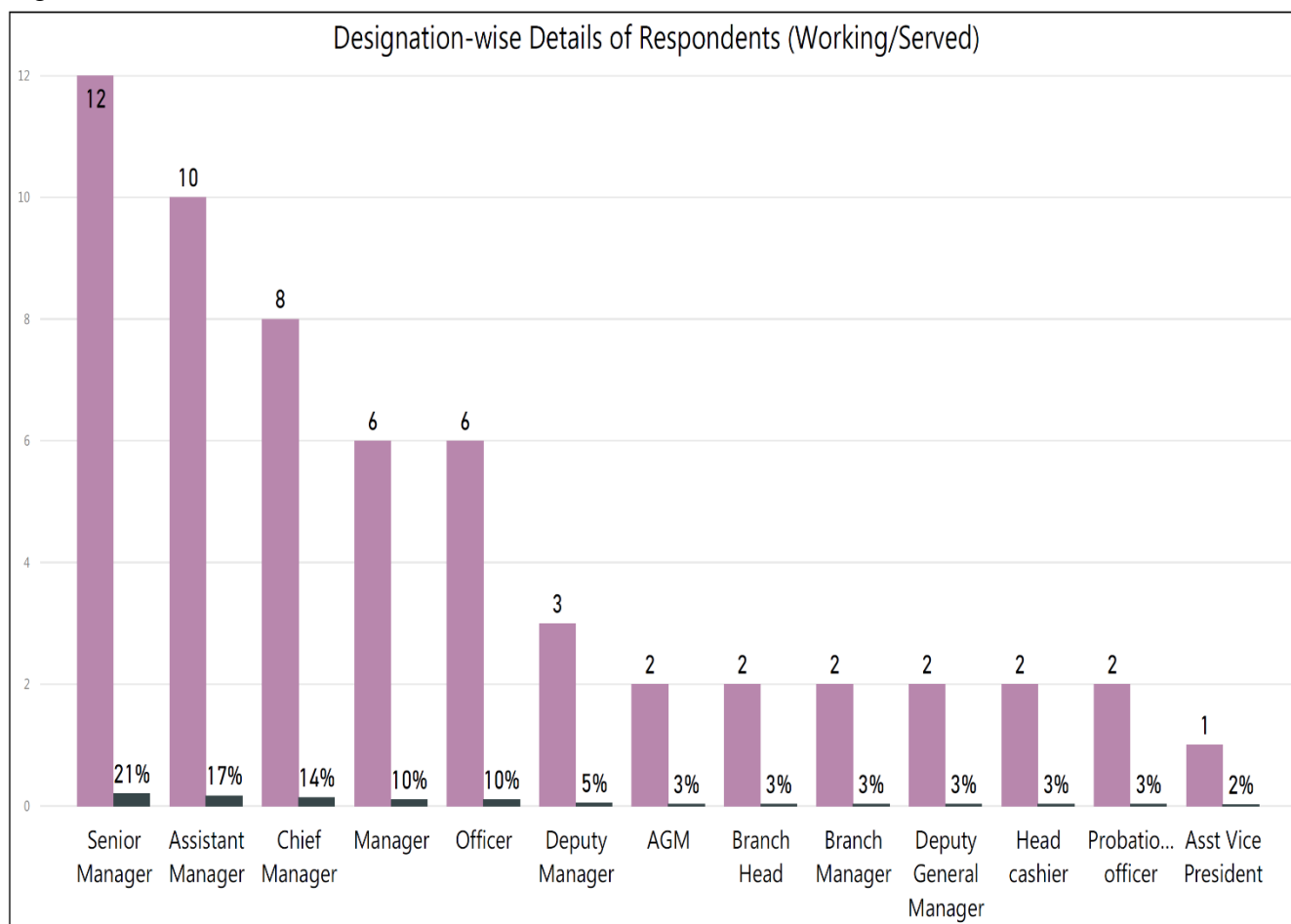


Figure-24: Designation-wise Details of Respondents

From Figure-24, following observations can be made.

- 21% of respondents are of the level of **SENIOR MANAGER**.
- 17% of respondents are of the level of **ASSISTANT MANAGER**.
- 14% of respondents are of the level of **CHIEF MANAGER**.
- 10% each of respondents are of the level of **MANAGER, OFFICER**.
- 5% of respondents are of the level of **DEPUTY MANAGER**.
- 3% each of respondents are of the level of **ASSISTANT GENERAL MANAGER (AGM), BRANCH HEAD, BRANCH MANAGER, DEPUTY GENREAL MANAGER, HEAD CASHIER, and PROBATIONARY OFFICER**.
- 1% of respondents work/worked is of the level of **ASSISTANT VICE PRESIDENT**.
- **Therefore, the survey was conducted covering respondents of Banking Officials of various levels from Head Cashier-to-Officer-to-Manager-to-AGM/DGM-to-Assistant Vice President.**

QUESTIONNAIRE & RESPONSES

The Questionnaire titled “**FINANCIAL INCLUSION STATUS**” was circulated among Bank Officials. Responses were received from 07.04.2020 to 29.05.2020 from 58 Bank Officials.

The Questionnaire consisted of totally **22 Questions** covering broad aspects of financial inclusion, which are as follows.

- Major barrier for citizens to access financial services.
- Major barrier for Bank employees to promote Financial Inclusion.
- Better ways of achieving Financial Inclusion in Urban and in rural areas.
- Effective Partners for Banks in bettering Financial Inclusion.
- Status of Financial Literacy in the country.
- Performance of Business Correspondents in improving financial inclusion.
- Ways to improve the country’s banking system.
- Primary focus for Banks.
- KYC norms.
- Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.
- Major reason for Inactive/Dormant PMJDY accounts.
- Popularity of PMJDY accounts.
- Usage of RuPay Debit Card by PMJDY account holders.
- USP of PMJDY.
- Payments preference for shopping/other payments.
- Digital Transactions in reducing corruption.
- Preference of cash transactions.
- Suggestions to improve Financial Inclusion, Financial Literacy and to bring women into formal banking system.

Questionnaire circulated among Bank Officials is given at **Annexure-I**.

Question-wise responses and analysis of those responses question-wise is as follows.

Q. No. 1: Location of Bank

Responses on Location of bank i.e, Urban or Rural is depicted in Figure-25.

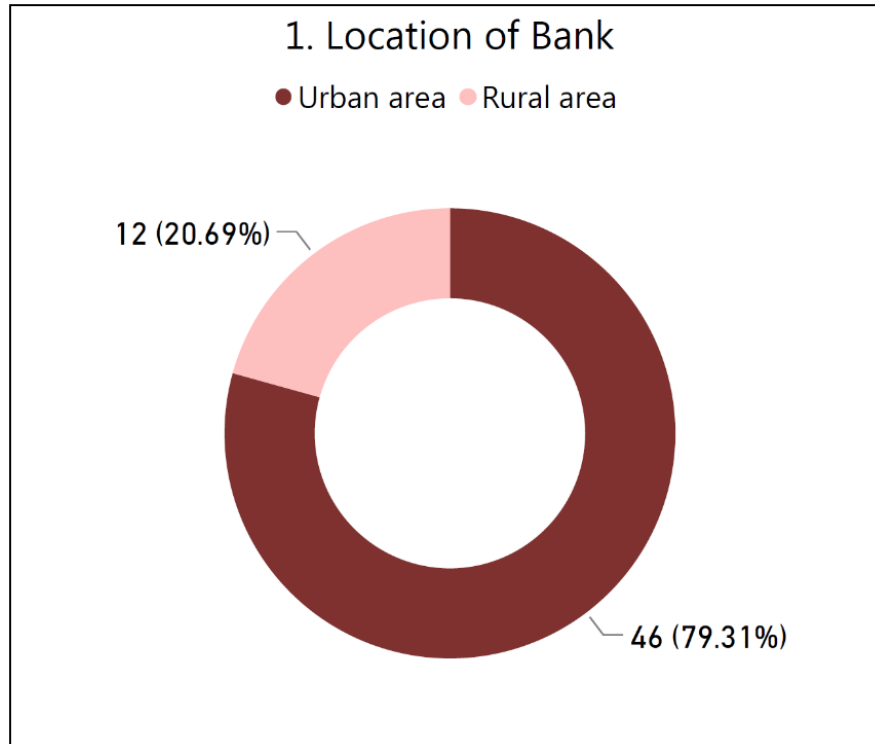


Figure-25: Location of Bank

From Figure-25, it is observed that **79%** of respondents work/worked earlier in Bank Branches located in **Urban Area** and **21%** of respondents work/worked earlier in Bank Branches located in **Rural Area**.

Though the study covers responses from Bank Officials working/served mostly from Urban Areas. It is to be noted that, during the service, Officials get transfer to many places across the country. Therefore, **Bank Officials working in Urban Areas might have worked earlier in rural areas, also.**

Q. No. 2: Major barrier for citizens to access financial services:

Responses on Major barrier for citizens to access financial services is depicted in Figure-26.

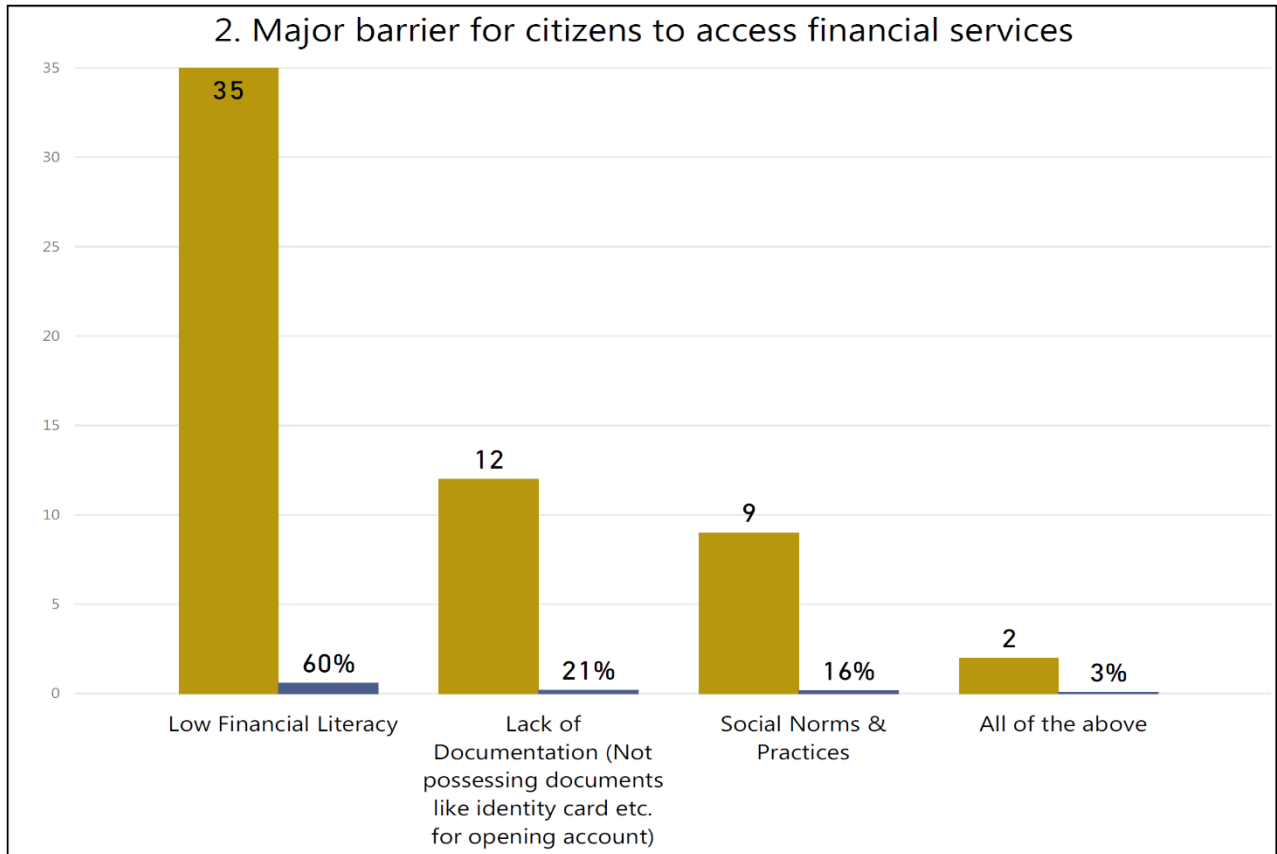


Figure-26: Major barrier for citizens to access financial services

From Figure-26, following observations are made.

- **60%** of the Bank officials have mentioned that **Low Financial Literacy** is the major barrier for citizens to access financial services.
- **21%** of the Bank officials have mentioned that **Lack of Documentation (Not possessing documents like identity card etc. for opening account)** is the major barrier for citizens to access financial services.
- **16%** of the Bank officials have mentioned that **Social Norms & Practices** is the major barrier for citizens to access financial services.
- **No Bank Official had opined that insufficient fund availability as Major barrier.**

Q. No. 3: Major barrier for Bank employees to promote Financial Inclusion:

Responses on Major barrier for Bank employees to promote Financial Inclusion is depicted in Figure-27.

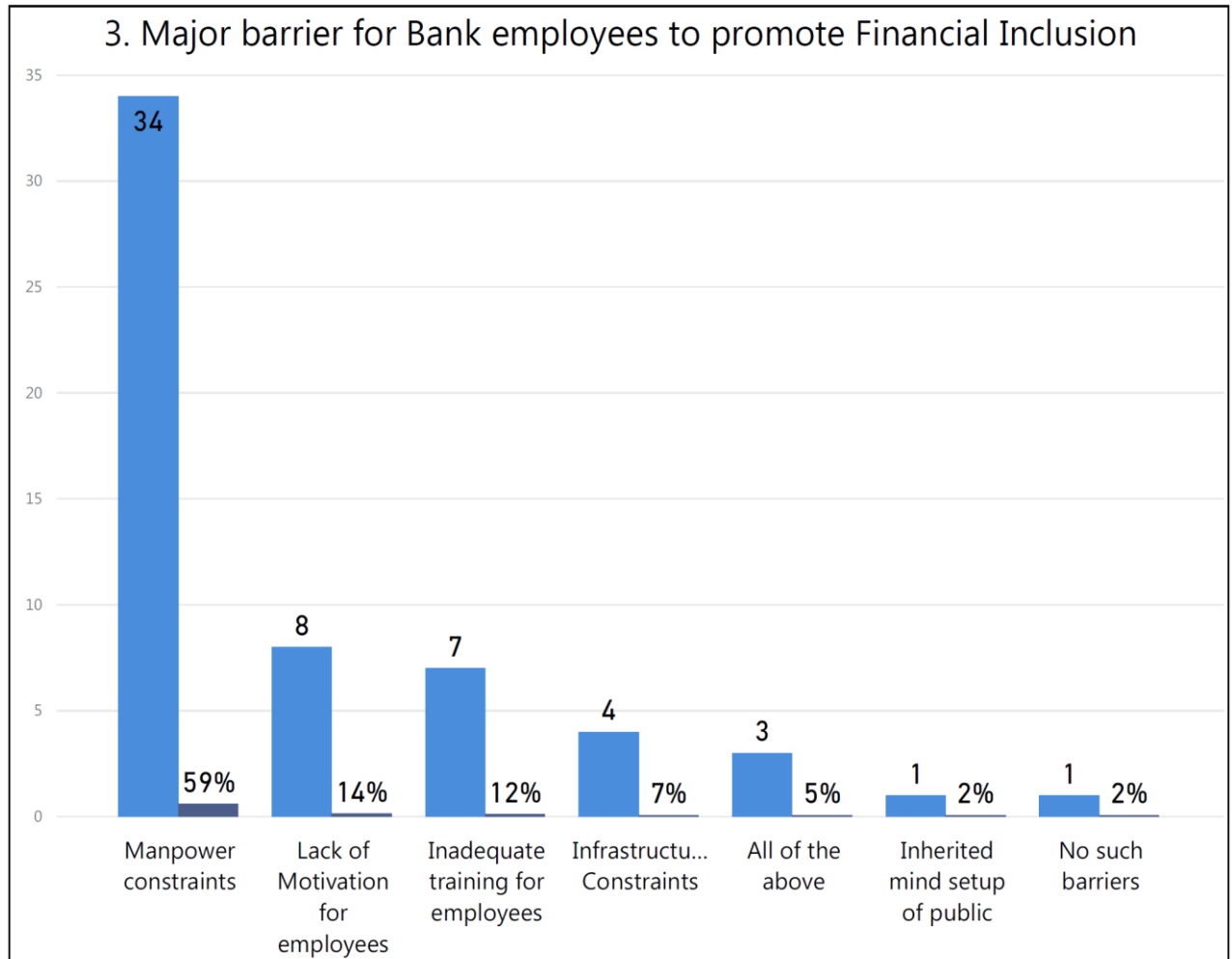


Figure-27: Major barrier for Bank employees to promote Financial Inclusion

From Figure-27, following observations are made.

- **59%** of the Bank officials have mentioned that **Manpower Constraints** is the major barrier for Bank employees to promote Financial Inclusion.
- **14%** of the Bank officials have mentioned that **Lack of Motivation for employees** is the major barrier for Bank employees to promote Financial Inclusion.
- **12%** of the Bank officials have mentioned that **Inadequate training for Bank employees** is the major barrier for Bank employees to promote Financial Inclusion.
- Other factors mentioned by Bank Officials are Infrastructural Constraints, Inherited Mind setup of public.

Q. No. 4: Financial Inclusion can be better achieved in RURAL areas through:

Responses on Ways for achieving Financial Inclusion in rural areas is depicted in Figure-28.

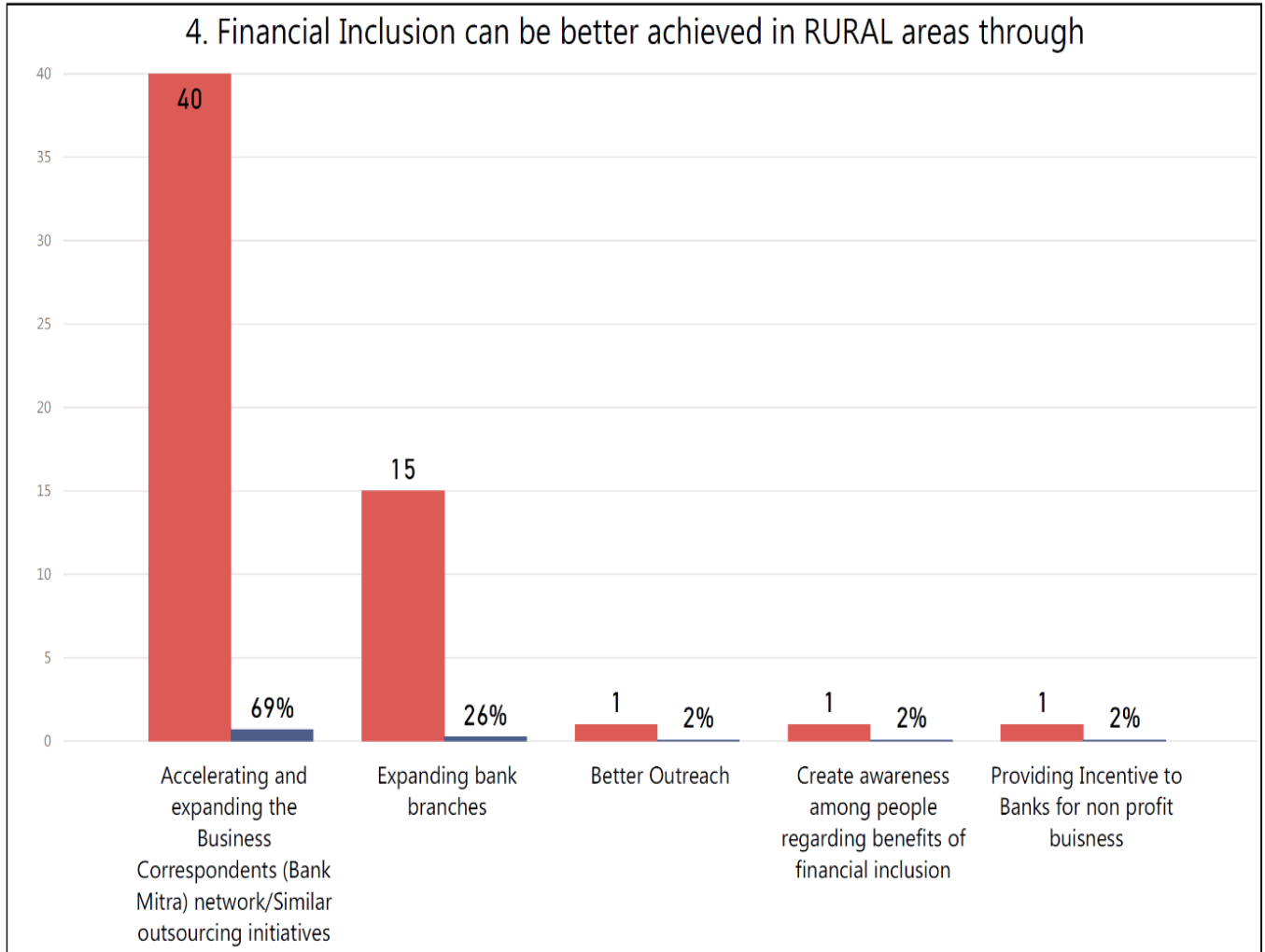


Figure-28: Ways to better achieve Financial Inclusion in Rural areas

From Figure-28, following observations are made.

- **69%** of the Bank officials have mentioned that **Accelerating and expanding the Business Correspondents (Bank Mitra) network/Similar outsourcing initiatives** will be the better way for achieving Financial Inclusion in Rural areas.
- **26%** of the Bank officials have mentioned that **Expanding bank branches** will be the better way for achieving Financial Inclusion in Rural areas.
- Other ways as mentioned by Bank Officials include Providing Incentive to bank to do nonprofit business, creating awareness among people regarding benefits of financial inclusion.

Q. No. 5: Financial Inclusion can be better achieved in URBAN areas through:

Responses on Ways to better achieve Financial Inclusion in URBAN areas is depicted in Figure-29.

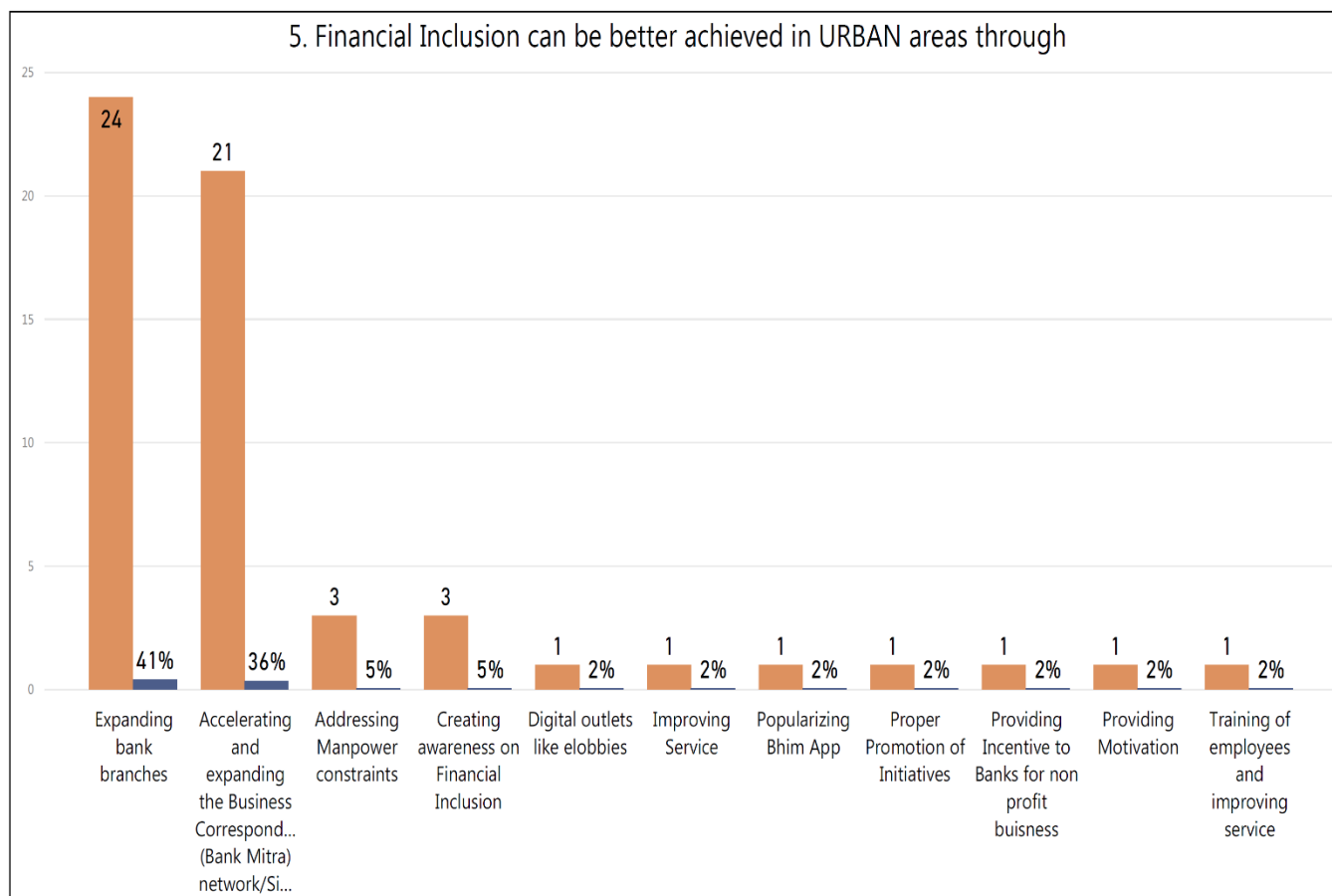


Figure-29: Ways to better achieve Financial Inclusion in Urban areas

From Figure-29, following observations are made.

- **41%** of the Bank officials have mentioned that **Expanding bank branches** will be the better way for achieving Financial Inclusion in Urban areas.
- **36%** of the Bank officials have mentioned that **Accelerating and expanding the Business Correspondents (Bank Mitra) network/Similar outsourcing initiatives** will be the better way to achieve Financial Inclusion in Urban areas.
- Other ways as mentioned by Bank Officials include Addressing Manpower constraints, Providing Incentive to bank to do nonprofit business, Strengthening staff, BHIM app promotion etc.

Q. No. 6: Effective Partners in bettering Financial Inclusion:

Responses on Effective Partners in bettering Financial Inclusion is depicted in Figure-30.

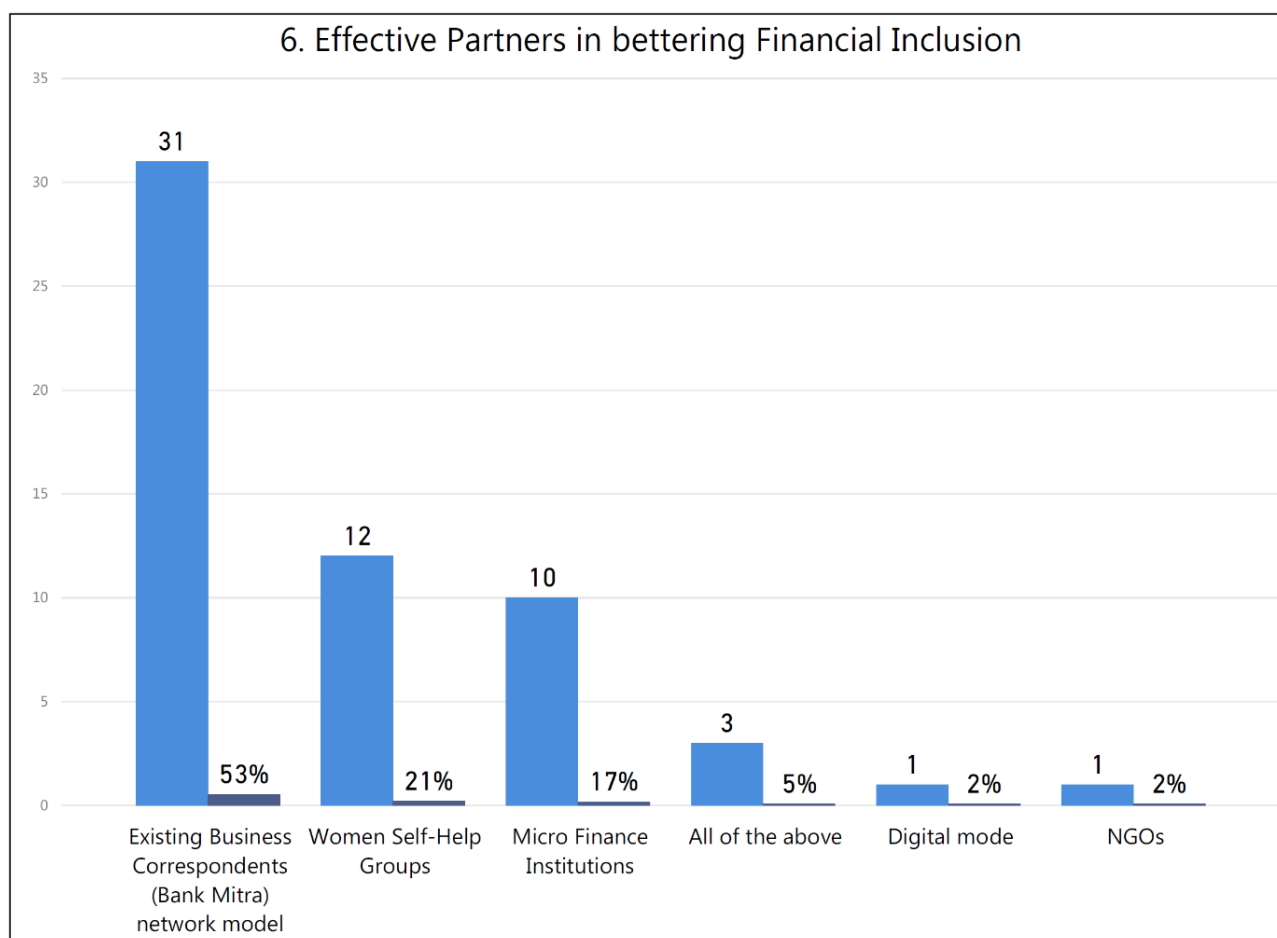


Figure-30: Effective Partners in bettering Financial Inclusion

From Figure-30, following observations are made.

- **53%** of the Bank officials have mentioned that **Existing Business Correspondents (Bank Mitra) network model** will be the Effective Partners in bettering Financial Inclusion.
- **21%** of the Bank officials have mentioned that **Women Self-Help Groups** will be the Effective Partners in bettering Financial Inclusion.
- **17%** of the Bank officials have mentioned that **Micro-Finance Institutions** will be the Effective Partners in bettering Financial Inclusion.
- Other effective partners as mentioned by Bank Officials include NGOs, Other Digital modes etc.

Q. No. 7: Status of Financial Literacy in our country:

Responses on Status of Financial Literacy is depicted in Figure-31.

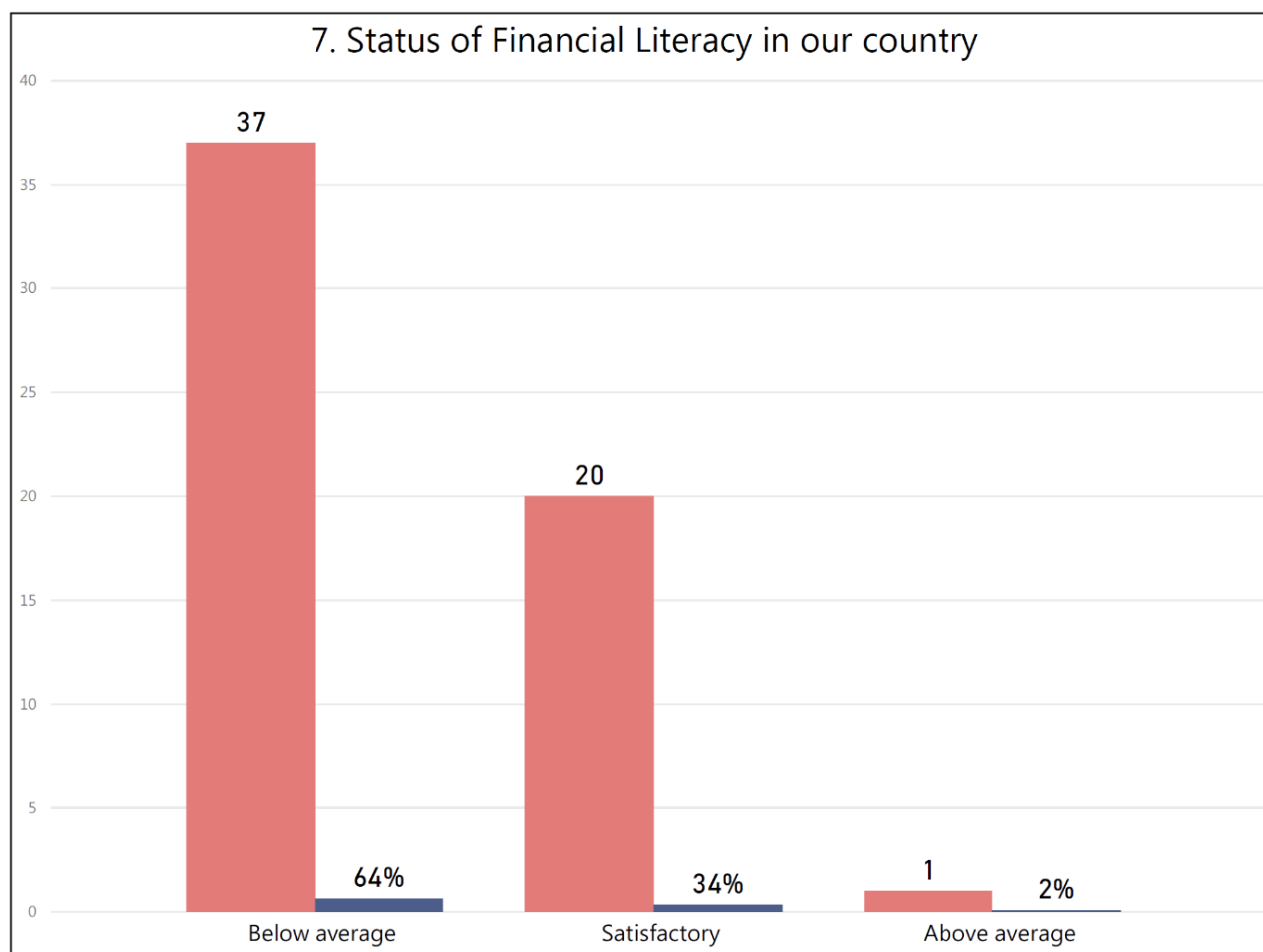


Figure-31: Status of Financial Literacy in the country

From Figure-31, following observations are made.

- **64%** of the Bank officials have mentioned that financial literacy in our country is **Below Average**.
- **34%** of the Bank officials have mentioned that financial literacy in our country is **Satisfactory**.
- **Only one** Bank Official has mentioned that financial literacy in our country is **Above Average**.

Q. No. 8: Performance of Business Correspondents in improving financial inclusion

Responses on Performance of Business Correspondents in improving financial inclusion is depicted in Figure-32.

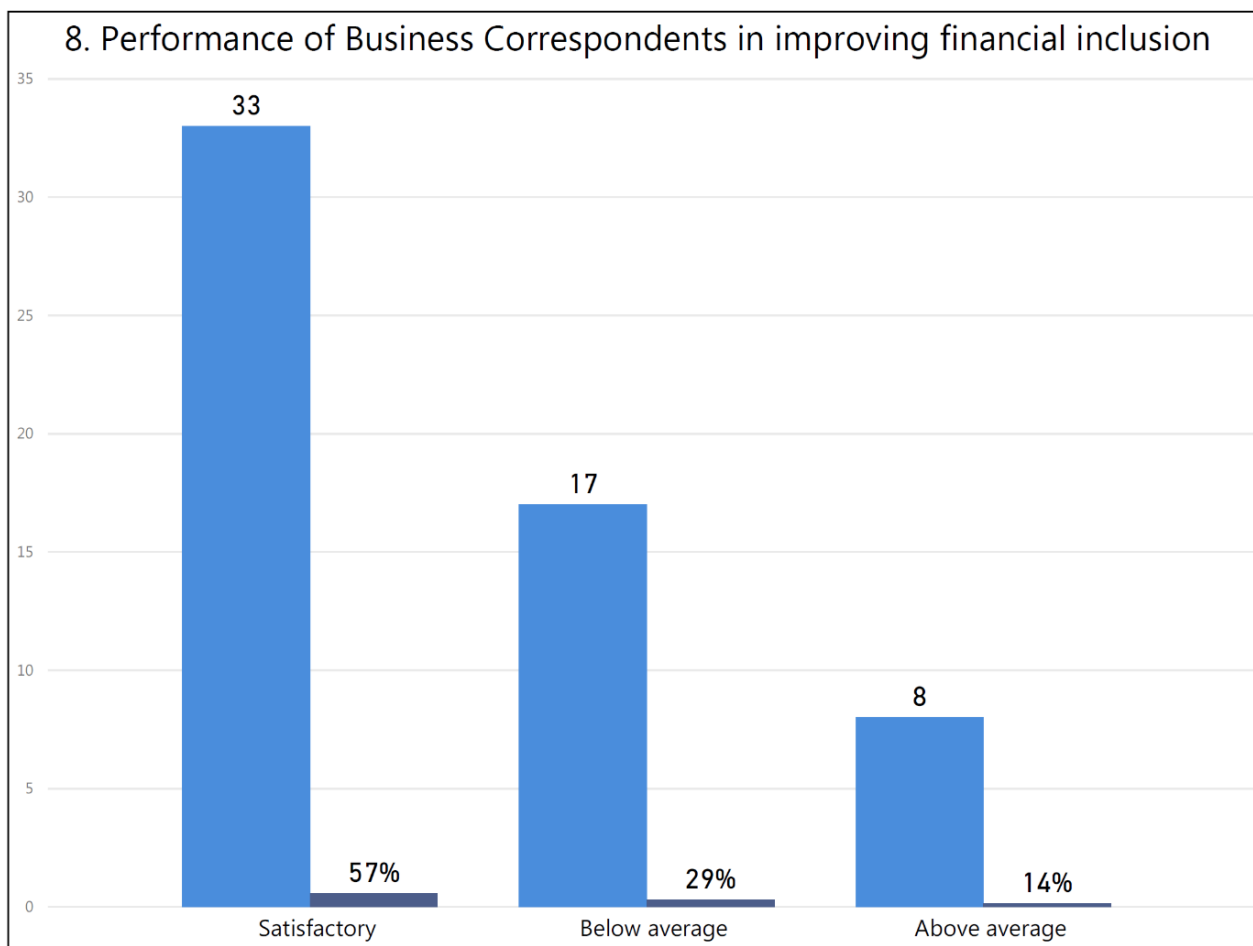


Figure-32: Performance of Business Correspondents in improving financial inclusion

From Figure-32, following observations are made.

- **57%** of the Bank officials have mentioned that Performance of Business Correspondents in improving financial inclusion is **Satisfactory**.
- **29%** of the Bank officials have mentioned that Performance of Business Correspondents in improving financial inclusion is **Below Average**.
- Only **14%** of the Bank Officials have mentioned that Performance of Business Correspondents in improving financial inclusion is **Above Average**.

Q. No. 9: The country's banking system can be improved through:

Responses on ways to improve the country's banking system is depicted in Figure-33.

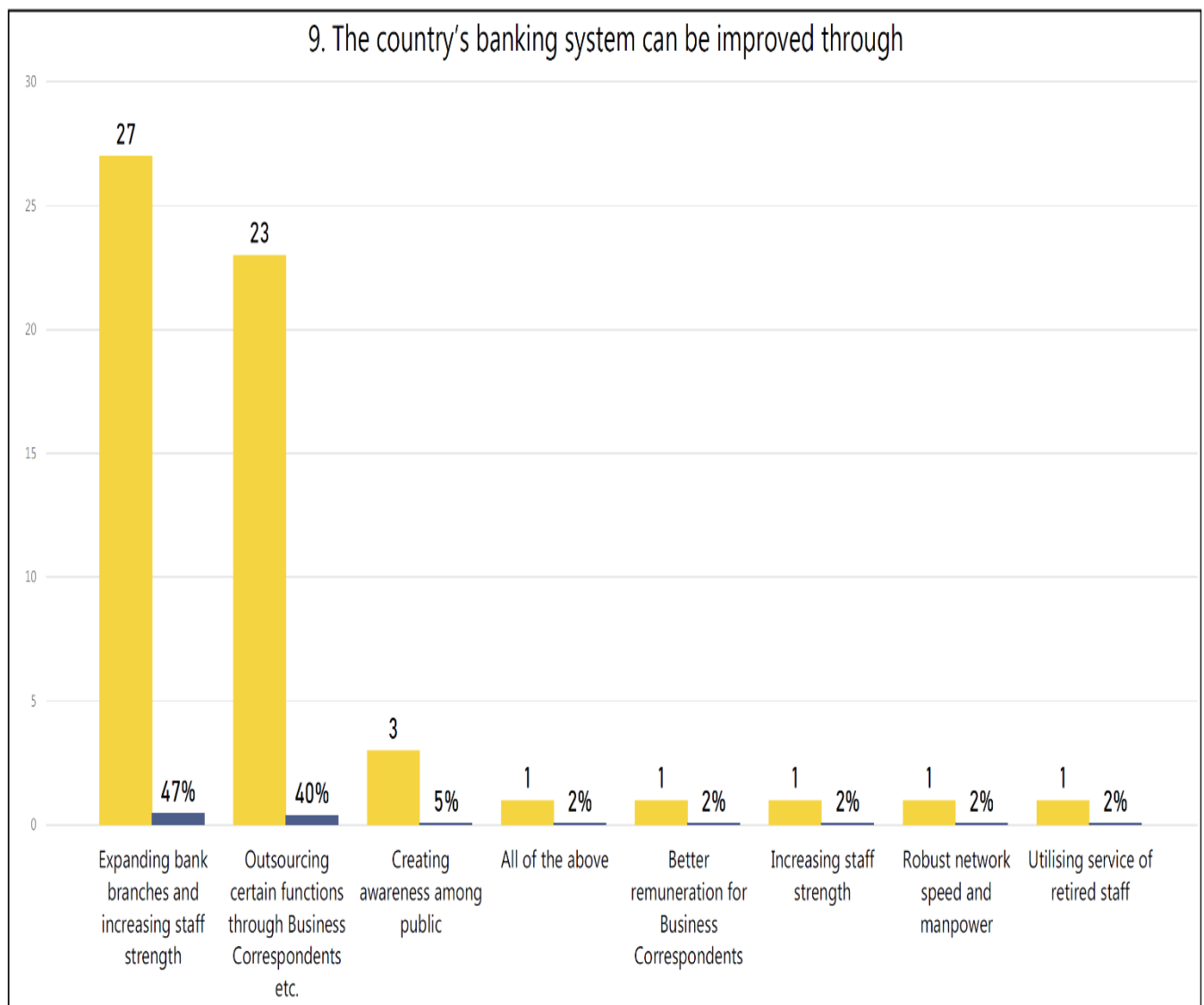


Figure-33: Ways to improve the country's banking system

From Figure-33, following observations are made.

- **47%** of the Bank officials have mentioned that **Expanding bank branches and increasing staff strength** would improve the banking system in the country.
- **40%** of the Bank officials have mentioned that **Outsourcing certain functions through Business Correspondents etc.** would improve the banking system in the country.
- Other measures to improve the country's banking system include Creating awareness, Better remuneration for Business Correspondents, Increasing Staff strength, Utilizing service of retired staff.

Q. No. 10: Banks should primarily focus on:

Responses on Primary focus for Banks is depicted in Figure-34.

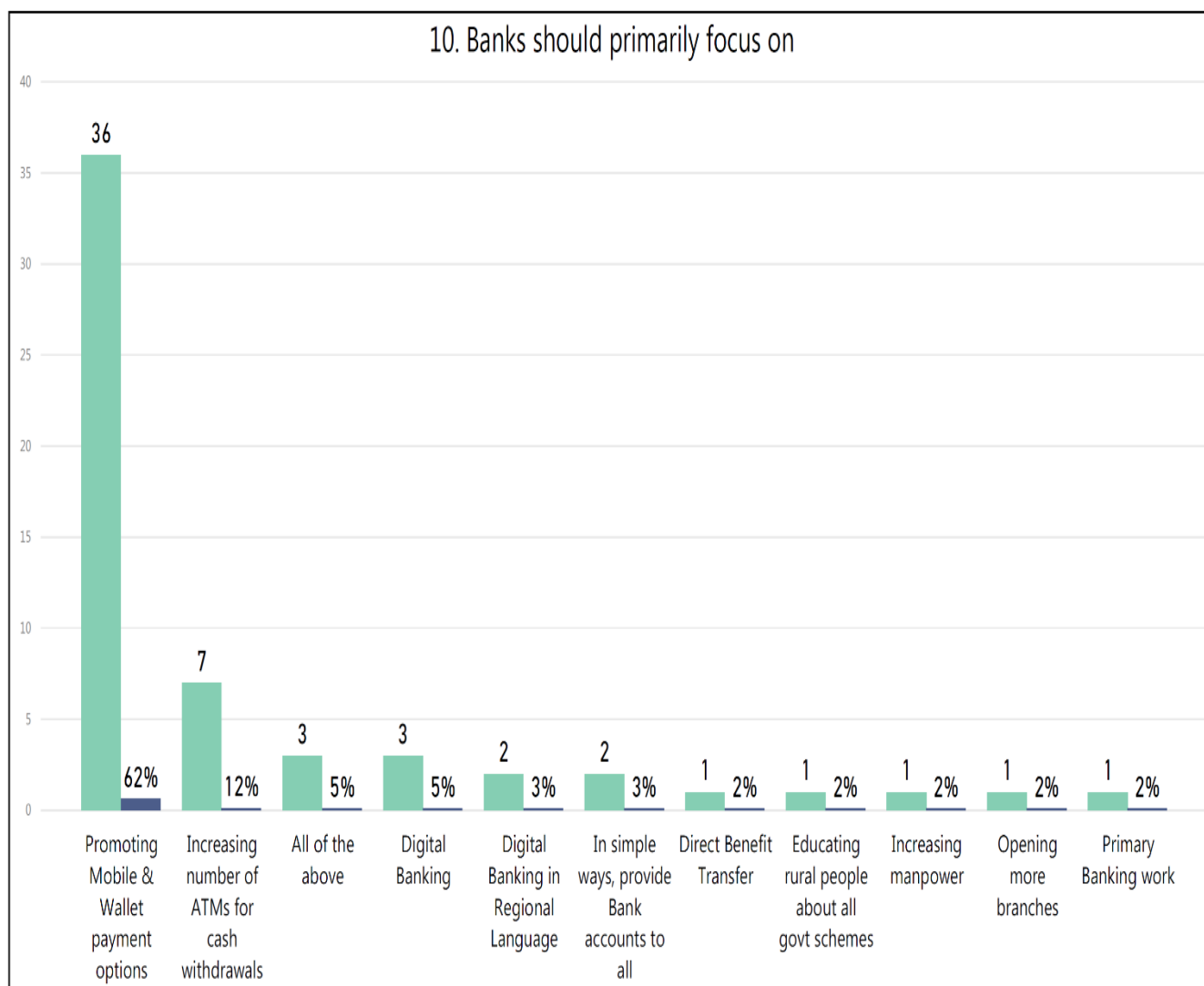


Figure-34: Primary focus for Banks

From Figure-34, following observations are made.

- **62%** of the Bank officials have mentioned that Banks should primarily focus on **Promoting Mobile & Wallet payment options.**
- **12%** of the Bank officials have mentioned that Banks should primarily focus on **Increasing number of ATMs for cash withdrawals.**
- Other measures that Banks should focus include Opening more branches, Internet Based Banking, Increasing manpower, Digital Banking, Direct Benefit Transfer, Educating rural people, etc.

Q. No. 11: Better KYC norms:

Responses on Better Know Your Customer(KYC) norms is depicted in Figure-35.

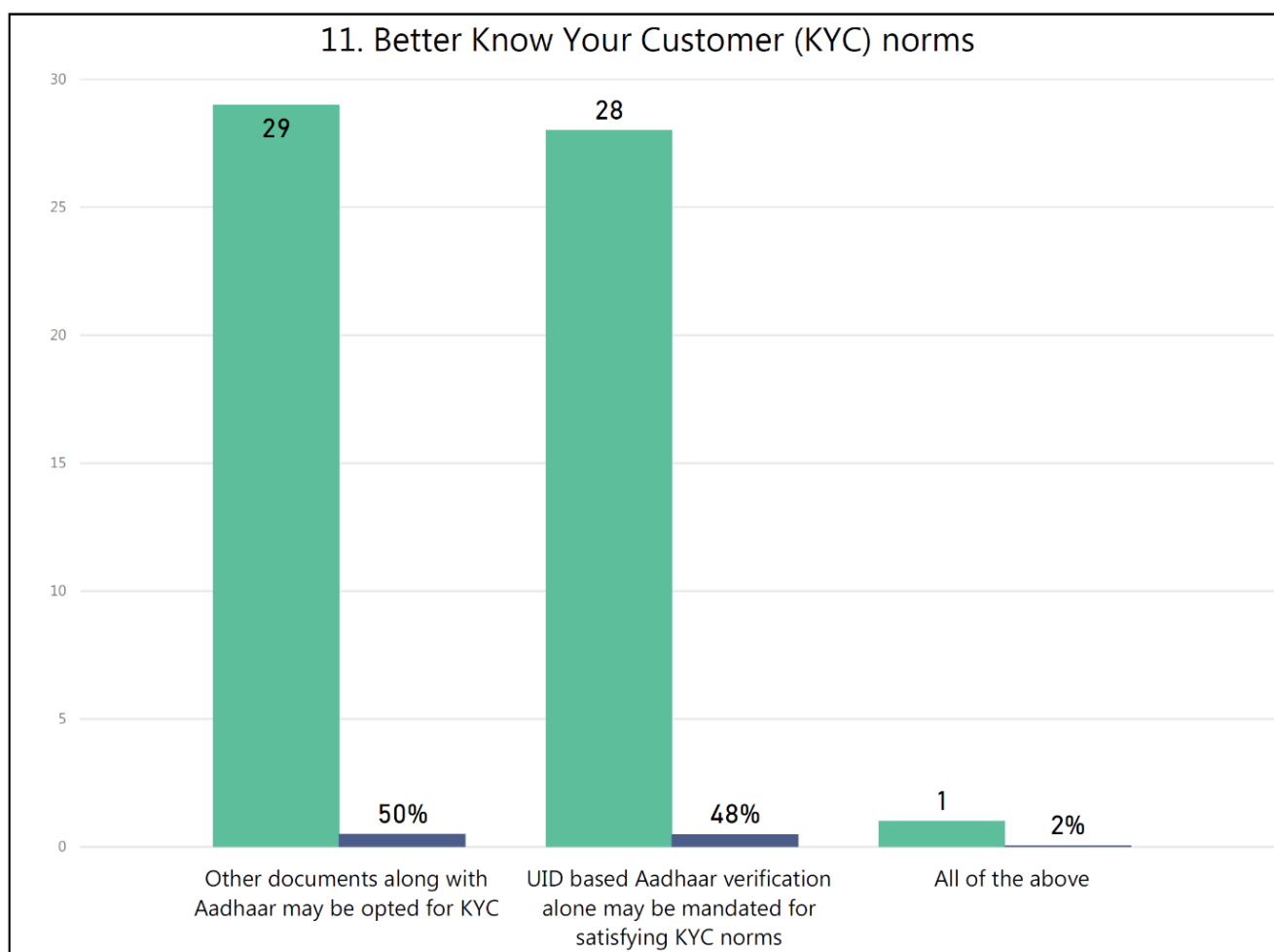


Figure-35: Better Know Your Customer (KYC) norms

From Figure-35, following observations are made.

- **50%** of the Bank officials have mentioned that **Other documents along with Aadhaar may be opted for KYC.**
- **48%** of the Bank officials have mentioned that **UID based Aadhaar verification alone may be mandated for satisfying KYC norms.**
- **Therefore, further analysis needs to be done for devising simple and effective KYC norms.**

Q. No. 12: Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in the branch:

Responses on Approximate Percentage of Active PMJDY accounts is depicted in Figure-36.

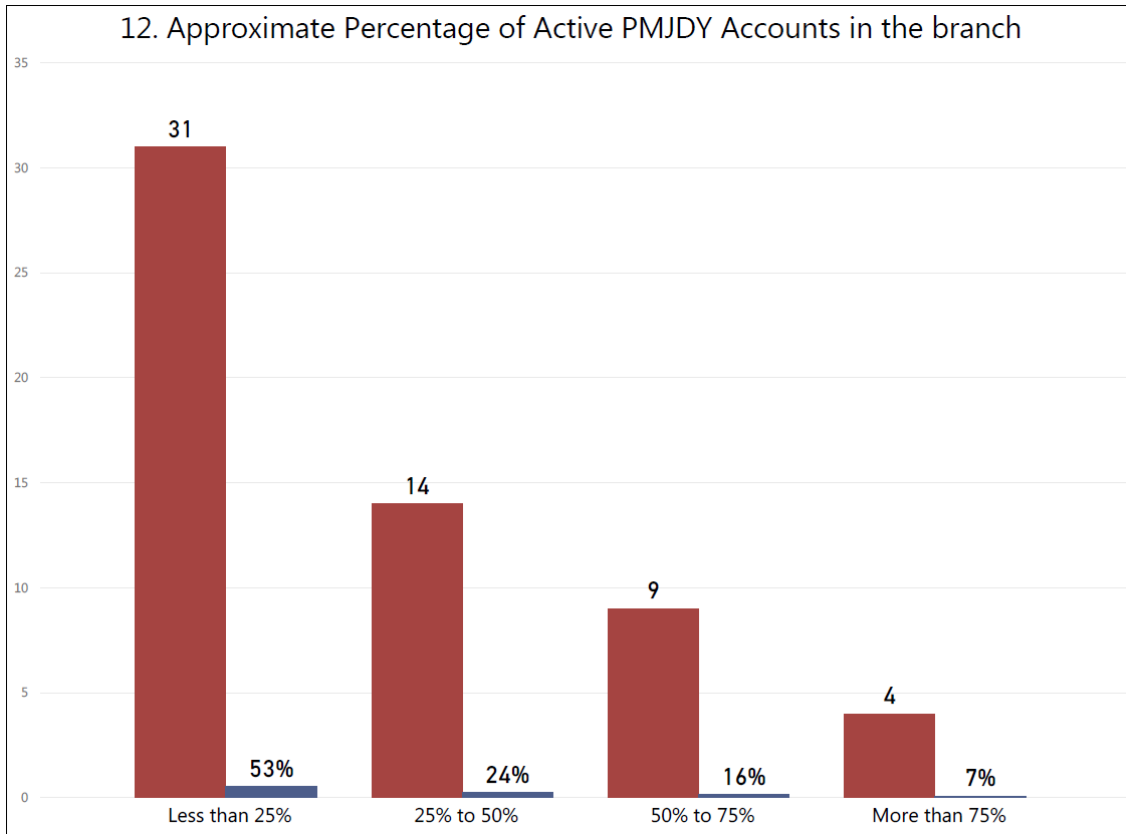


Figure-36: Approximate percentage of Active PMJDY Accounts in Branch

From Figure-36, following observations are made.

- **53%** of the Bank officials have mentioned that Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in their branch is **Less than 25%**.
- **24%** of the Bank officials have mentioned that Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in their branch is **25% to 50%**.
- **16%** of the Bank officials have mentioned that Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in their branch is **50% to 75%**.
- Very less Bank officials have mentioned that Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in their branch is **More than 75%**.
- **Therefore, from the responses of Bank Officials, it is clear that Active PMJDY accounts in Banks are less than 25%.**

Q. No. 13: Major reason for Inactive/Dormant PMJDY accounts

Responses on Major reason for Inactive/Dormant PMJDY accounts is depicted in Figure-37.

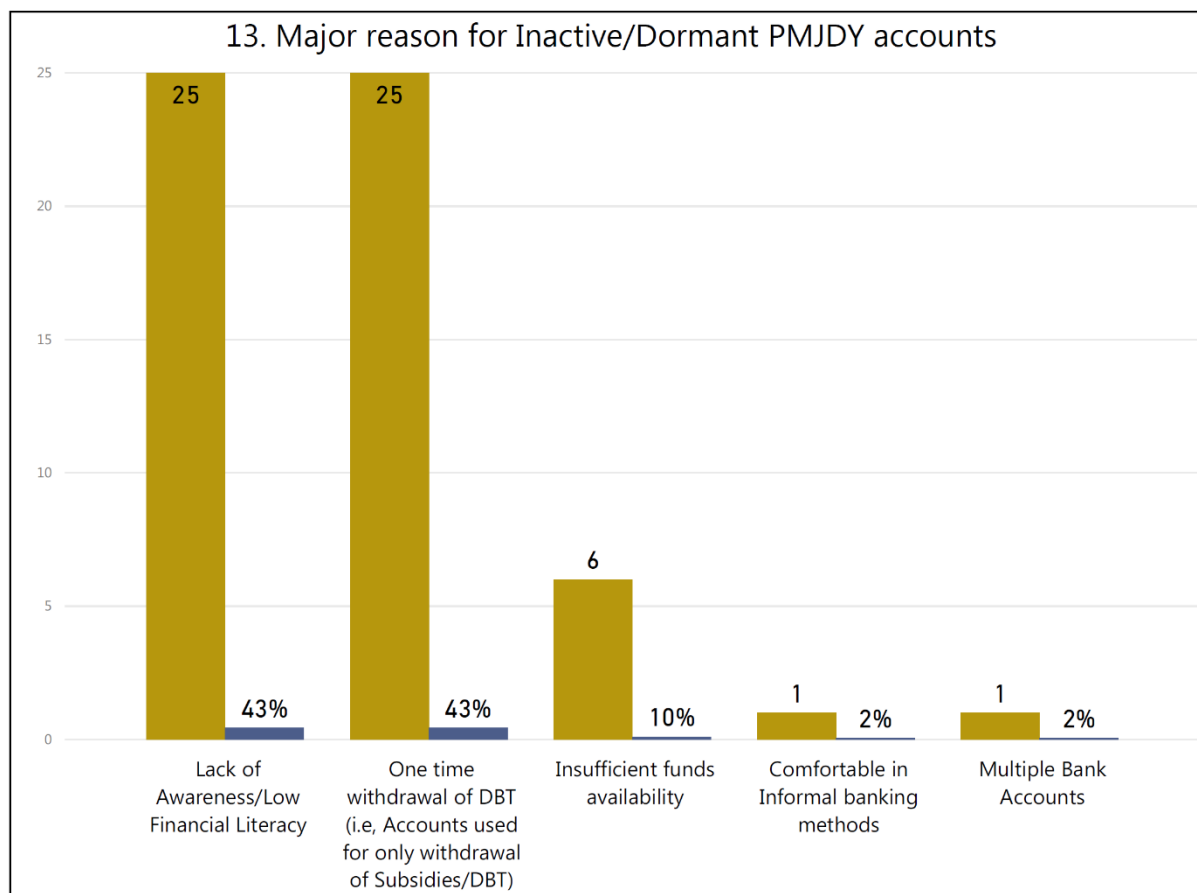


Figure-37: Major reason for Inactive/Dormant PMJDY accounts

From Figure-37, following observations are made.

- **43%** of the Bank officials have mentioned that **Lack of Awareness/Low Financial Literacy** is the Major reason for Inactive/Dormant PMJDY accounts.
- Another **43%** of the Bank officials have mentioned that **One time withdrawal of DBT (i.e., Accounts used for only withdrawal of Subsidies/DBT)** is the Major reason for Inactive/Dormant PMJDY accounts.
- **10%** of the Bank officials have mentioned that **Insufficient funds availability** is the Major reason for Inactive/Dormant PMJDY accounts.
- Other reasons for Inactive/Dormant PMJDY accounts include Multiple bank accounts, Comfortable in Informal banking methods etc.

Q. No. 14: PMJDY accounts are very popular among

Responses on Group of people where PMJDY accounts are popular is depicted in Figure-38.

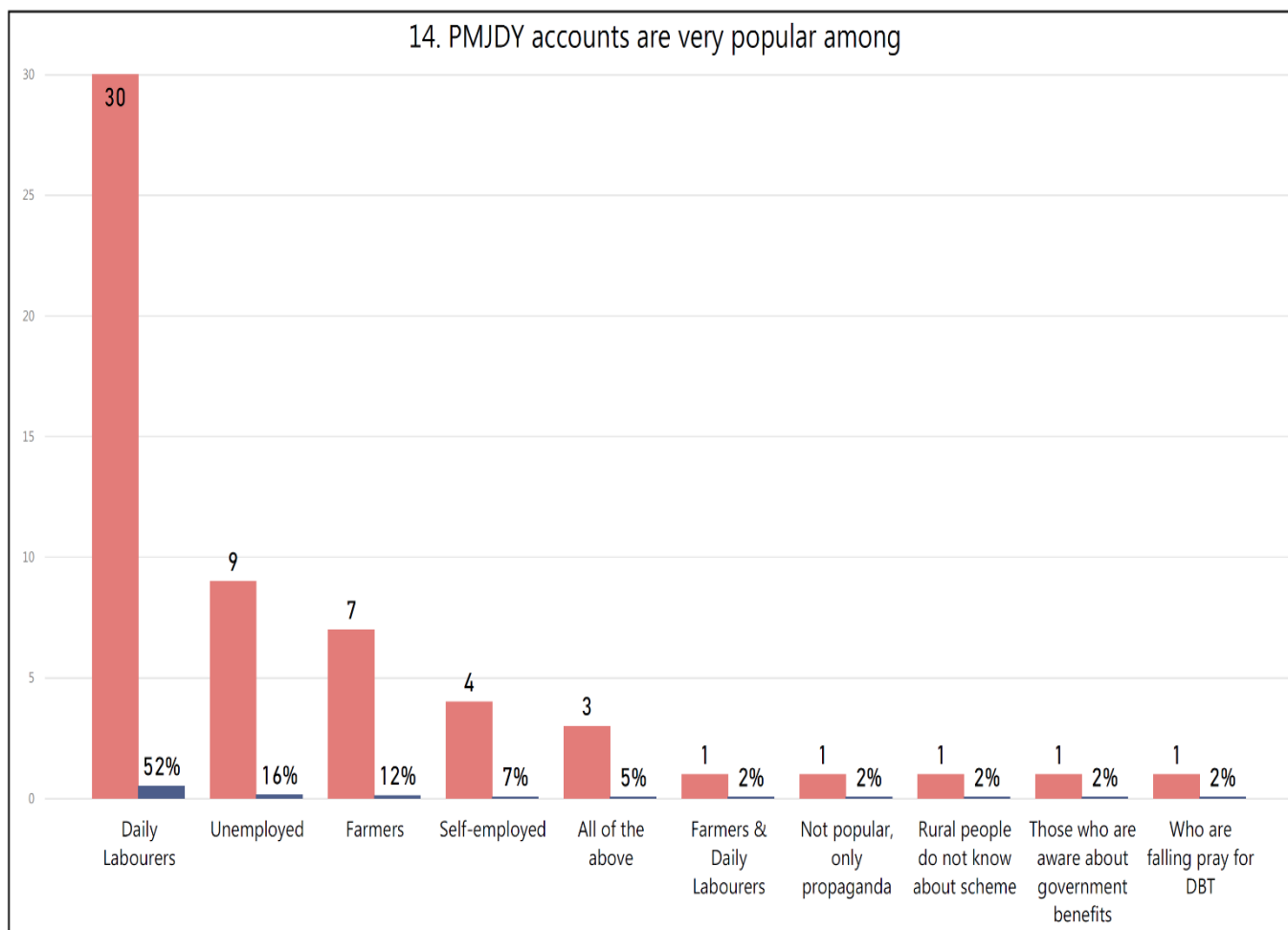


Figure-38: Popular Usage of PMJDY accounts

From Figure-38, following observations are made.

- **52%** of the Bank officials have mentioned that PMJDY accounts are very popular among **Daily Labourers**.
- **16%** of the Bank officials have mentioned that PMJDY accounts are very popular among **Unemployed**.
- **12%** of the Bank officials have mentioned that PMJDY accounts are very popular among **Farmers**.
- Other popular category of beneficiaries include self-employed etc.

Q. No. 15: Usage of RuPay Debit Card by PMJDY account holders

Responses on Usage of RuPay Debit Card by PMJDY account holders is depicted in Figure-39.

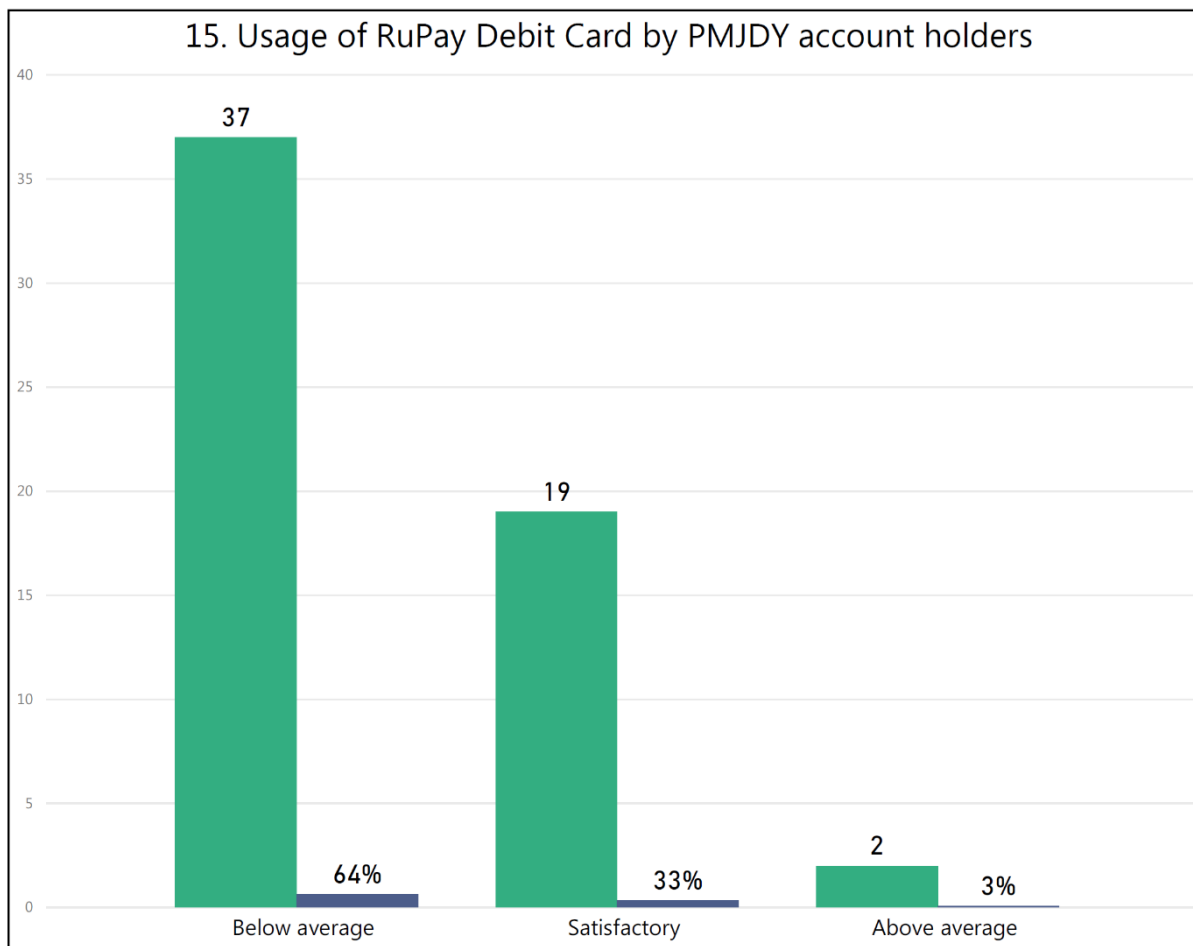


Figure-39: Usage of RuPay Debit Card by PMJDY account holders

From Figure-39, following observations are made.

- **64%** of the Bank officials have mentioned that Usage of RuPay Debit Card by PMJDY account holders is **Below Average**.
- **33%** of the Bank officials have mentioned that Usage of RuPay Debit Card by PMJDY account holders is **Satisfactory**.
- Only **3%** of the Bank officials have mentioned that Usage of RuPay Debit Card by PMJDY account holders is **Above average**.

Q. No. 16: Unique Selling Proposition (USP) of PMJDY

Responses on USP of PMJDY is depicted in Figure-40.

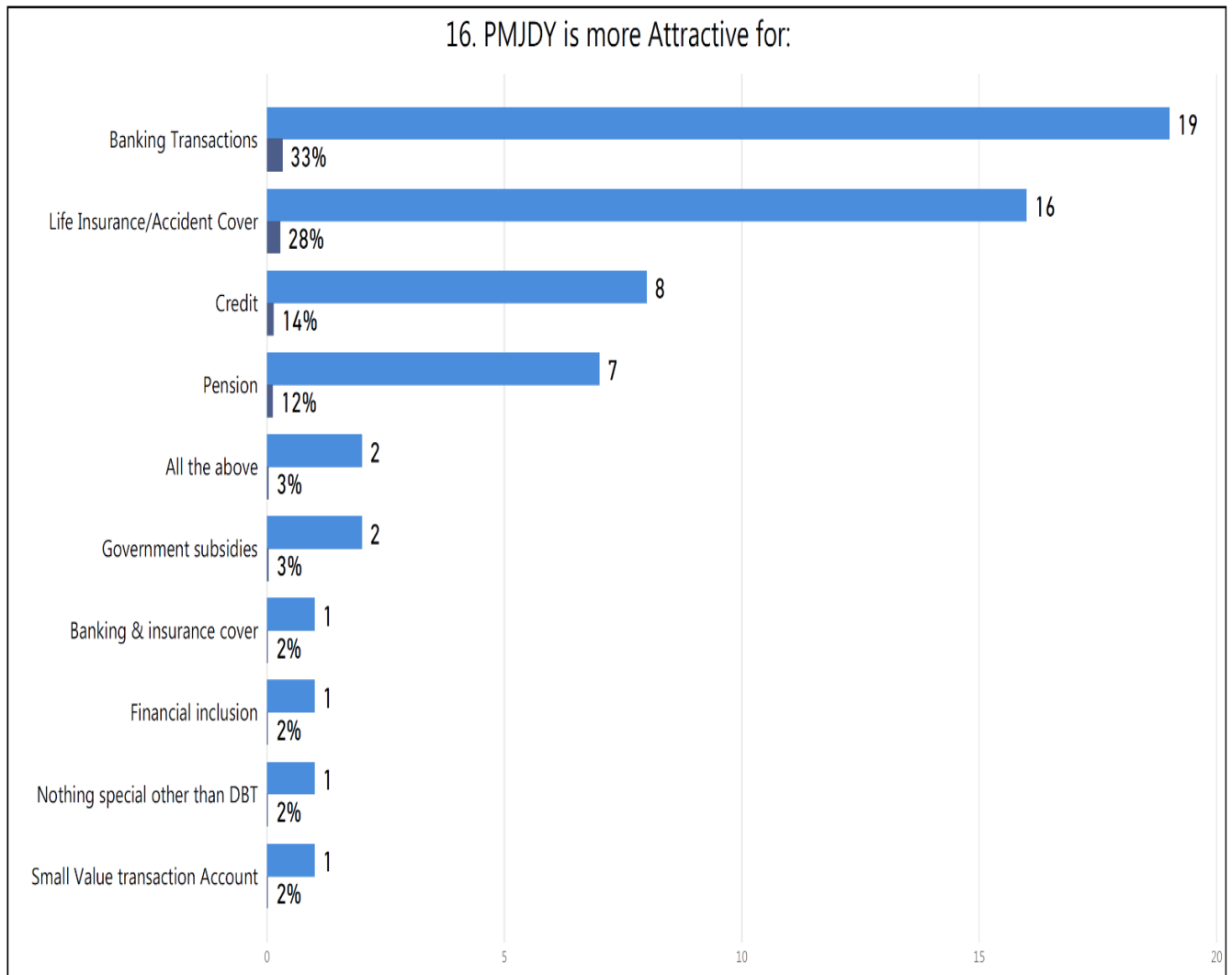


Figure-40: USP of PMJDY

From Figure-40, following observations are made.

- **33%** of the Bank officials have mentioned that PMJDY is more attractive for **Banking Transactions**.
- **28%** of the Bank officials have mentioned that PMJDY is more attractive for **Life Insurance/Accident Cover**.
- **14%** of the Bank officials have mentioned that PMJDY is more attractive for **Credit**.
- **12%** of the Bank officials have mentioned that PMJDY is more attractive for **Pension**.
- Remaining attractiveness factor for PMJDY include Subsidy.

Q. No. 17: Payments preference for shopping/other payments

Responses on Payments preference for shopping/other payments is depicted in Figure-41.

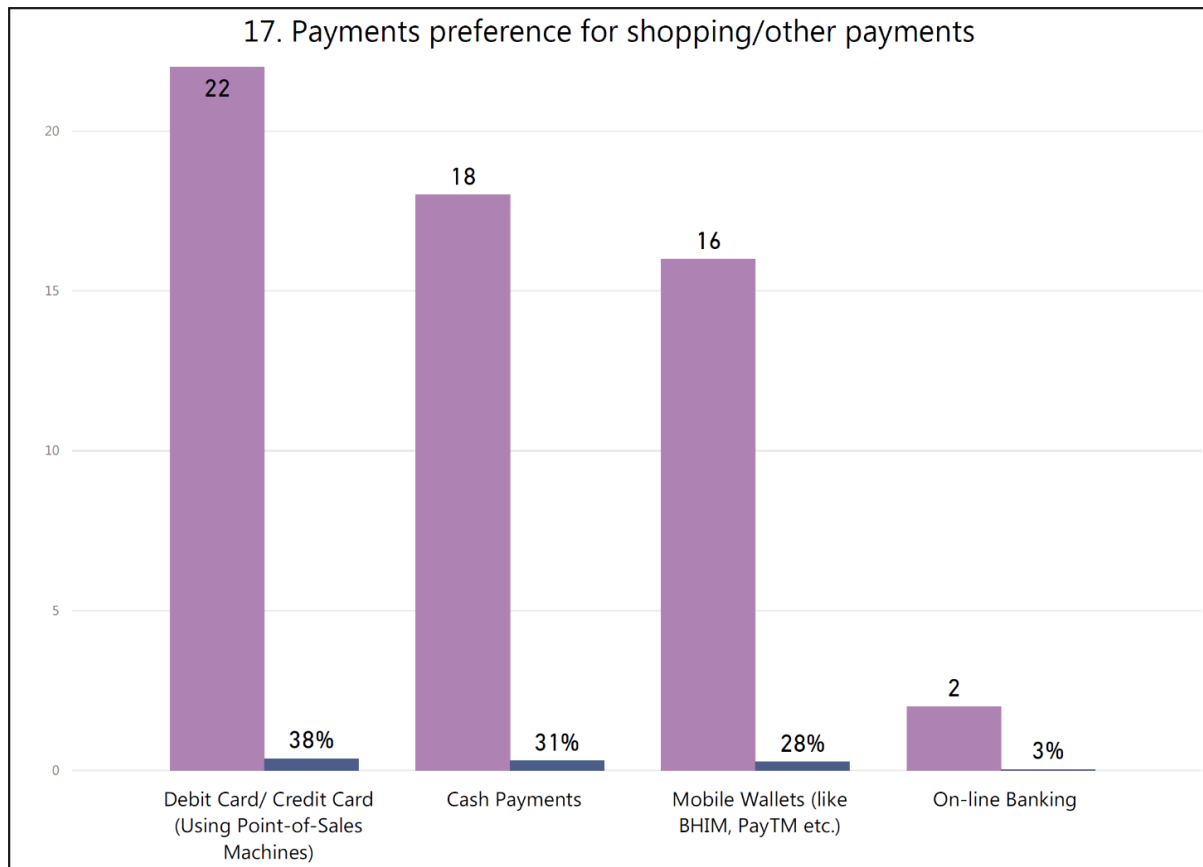


Figure-41: Payments preference for shopping/other payments

From Figure-41, following observations are made.

- **38%** of the Bank officials have mentioned that, for most of the payments for shopping/other payments, Customers/General Public prefer **Debit Card/ Credit Card (Using Point-of-Sales Machines)**.
- **31%** of the Bank officials have mentioned that, for most of the payments for shopping/other payments, Customers/General Public prefer **Mobile Wallets (like BHIM, PayTM etc.)**
- **28%** of the Bank officials have mentioned that for most of the payments for shopping/other payments, Customers/General Public prefer **Cash Payments**.
- Remaining Bank officials have mentioned that for most of the payments for shopping/other payments, Customers/General Public prefer **On-line Banking**.

Q. No. 18: Digital Transactions/ moving towards cashless society, in reducing corruption

Responses on Digital Transactions/cashless society in reducing corruption is depicted in Figure-42.

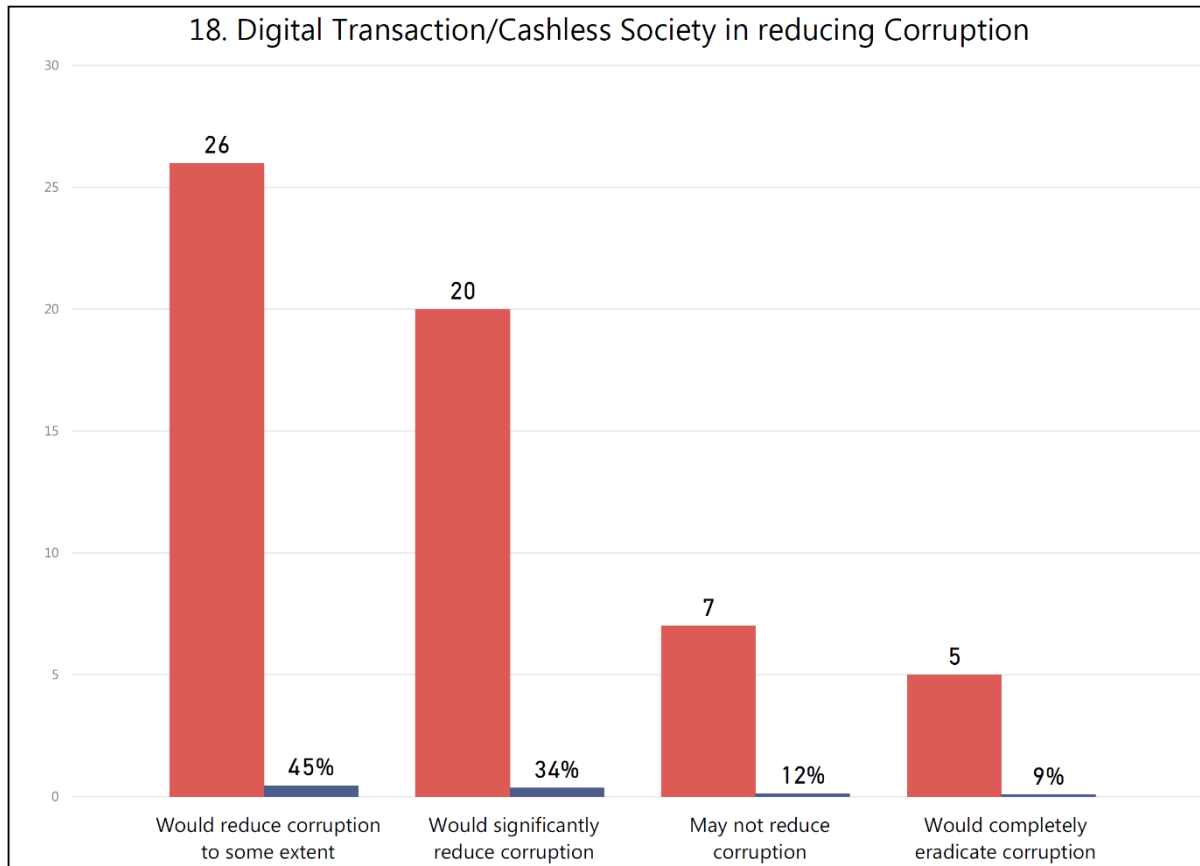


Figure-42: Digital Transactions/cashless society in reducing corruption

From Figure-42, following observations are made.

- **45%** of the Bank officials have mentioned that, shifting to Digital Transactions entirely or moving towards a cashless society, **would reduce corruption to some extent.**
- **34%** of the Bank officials have mentioned that, shifting to Digital Transactions entirely or moving towards a cashless society, **would significantly reduce corruption.**
- **12%** of the Bank officials have mentioned that, shifting to Digital Transactions entirely or moving towards a cashless society, **May not reduce corruption.**
- Very less Bank officials have mentioned that, shifting to Digital Transactions entirely or moving towards a cashless society, **would completely eradicate corruption.**

Q. No. 19: Preference of cash transactions:

Responses on Preference of cash transactions is depicted in Figure-43.

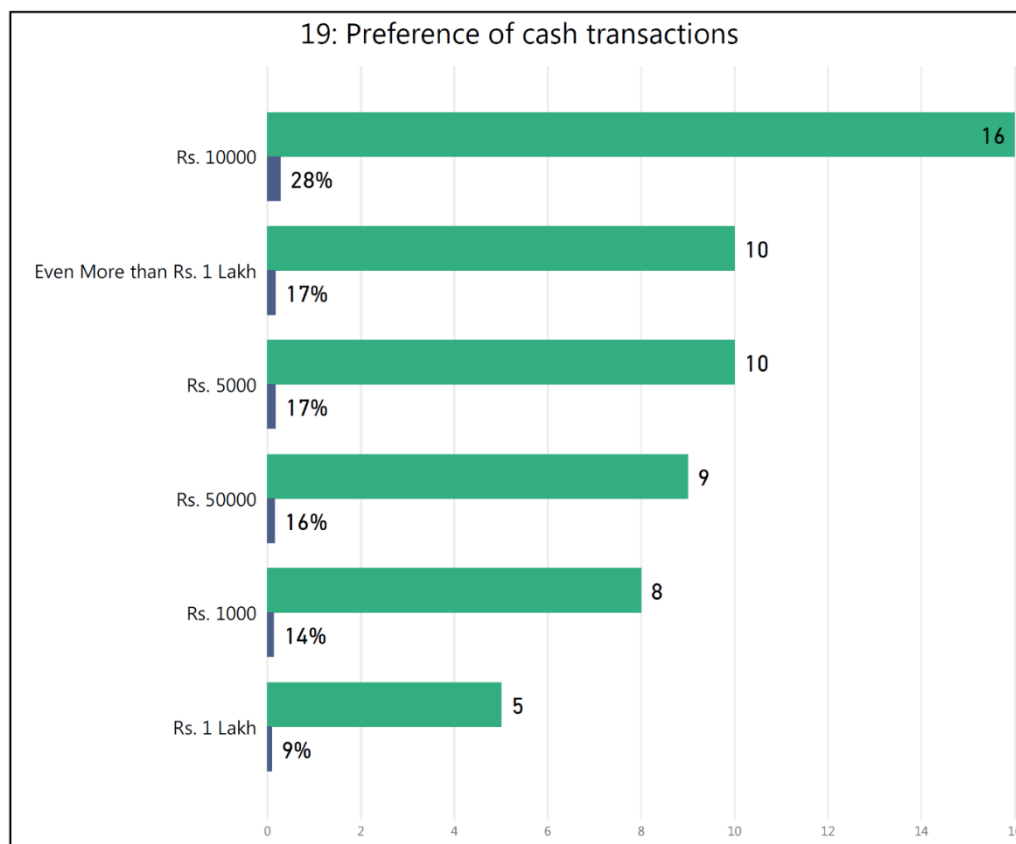


Figure-43: Preference of cash transactions

From Figure-43, following observations are made.

- **28%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions upto **Rs. 10000/-**.
- **17%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions **Even more than Rs. 1 Lakh**.
- Another **17%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions upto **Rs. 5000/-**.
- **16%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions upto **Rs. 50000/-**.
- **14%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions upto **Rs. 1000/-** and **9%** of the Bank officials have mentioned that, Customers/General Public prefer cash transactions upto **Rs. 1 Lakh**.
- **Therefore, further analysis needs to be done for fixing a ceiling limit for Cash transaction.**

Q. No. 20: Suggestions to improve Financial Inclusion:

Suggestions provided by Bank Officials to **improve Financial Inclusion** are summarized below.

❖ **Awareness/Financial Literacy measures:**

- ✓ Creating more awareness among unemployed, rural areas through free training and by involving Business Correspondents. Awareness should focus on benefits of banking facilities and benefits of Financial Inclusion.
- ✓ Conducting aggressive Financial Literacy programmes in Mission mode.
- ✓ Financial literacy through mobile to all account holders of banks through SMS.

❖ **Bank Branch Network & Business Correspondents Network :**

- ✓ Increasing bank branches across the country including opening bank branches in every village panchayat
- ✓ Improving staff strength in bank branches.
- ✓ Training to employees on Financial Inclusion.
- ✓ Posting of employees in their local places for better connection with locals.
- ✓ Increasing services through Business Correspondents including metro cities and remote areas.
- ✓ Providing better infrastructure to Business Correspondents.

❖ **Incentives :**

- ✓ Providing incentive to Banks for doing non-profit business.
- ✓ Conducting special incentive drive for Financial Inclusion.
- ✓ Providing incentives to Field Officers.

❖ **Other Suggestions:**

- ✓ Though Government has taken initiative to launch /open some saral saving account like PMJDY, the majority of people are not maintaining the accounts. Government may introduce credit facility of smaller amount (say Rs.5000/- or 10000/-) thereby improving credit access to financially excluded people.
- ✓ Government should disburse any amount to public through a single account only.
- ✓ Current initiatives of the Government must be implemented properly.

- ✓ All receipts/payments to Government should be done compulsorily through Banks. All financial transactions, Fixed /current assets may be linked with Bank account of the respective owner. Further sale/purchase transactions be carried out through that linked account only.
- ✓ Genuine opening of accounts to unbanked people.
- ✓ Improving confidence among public that banking system is very strong and public money is safe in banks.
- ✓ Efforts to be made to activate all dormant accounts.
- ✓ Government should provide better employment opportunities such as starting manufacturing units under public sector to the unemployed youth. Minimum wages according to the price index should be introduced in all sectors. Education and medical treatment should be made free of cost. Income must be ensured for senior citizens.
- ✓ Lead Banks can provide advertisement among public to obtain proper financial advice only from authorized Public Scheduled Commercial Banks.
- ✓ Cash transactions to be removed. All Point of Sales (POS) machines to be manufactured in India for domestic use and can also be exported. UPI and QR based Payments should be the norm so that all payments happen in real time and instant.
- ✓ Introducing “One Person-One Account” scheme.
- ✓ Regional language usage will be a key to promote the financial inclusion.
- ✓ Saving culture to be educated from Schools.

Q. No. 21: Suggestions to improve Financial Literacy:

Suggestions provided by Bank Officials to **improve Financial Literacy** are summarized below.

❖ **Awareness/Advertisements/Campaign/Financial Education:**

- ✓ Providing regular advertisements on Financial Literacy through Television, Posters, Dramas and special camps particularly in rural areas.
- ✓ Utilizing Social Media and NGOs for Financial Literacy campaigns.
- ✓ Awareness should focus on financial instruments.
- ✓ Creating awareness through Financial Management tools and listening to Money Podcasts.
- ✓ Conducting Special Campaigns across the country.
- ✓ Creating awareness among public to use banking service potentially as per their basic financial rights.
- ✓ Mobile number linking with all accounts to be made compulsory. Providing SMS education of Financial Inclusion (in short) via mobile. Reminding often through SMS.
- ✓ Conducting small meetings (explaining the bank schemes and norms) among rural people who lack knowledge on financial literacy, in each and every village by the surrounding bank branch.
- ✓ Organizing special camps in places where there is no bank and where people are unaware of banking facilities.

❖ **Banking Sector & Business Correspondents:**

- ✓ Introducing more user friendly methods of banking.
- ✓ Door to Door opening of accounts and making public to know banking is very simple.
- ✓ All financial transactions be made through single Bank account only.
- ✓ Interest free loans may be provided to people below poverty line.
- ✓ Opening of more rural bank branches.
- ✓ In-person meeting of low financially literate people by bank staff.
- ✓ Government may insist bankers to give more importance for financial literacy.
- ✓ Financial literacy in rural areas may be assigned to Business Correspondents.

❖ **Gram Panchayats:**

- ✓ Encouraging Gram Panchayats to take responsibility for Financial Literacy.
- ✓ Fixing ward wise credit committee to promote banking in villages.

❖ **School Curriculum:**

- ✓ Introducing financial information in school curriculum to help improve financial literacy. Curriculum should include features such as how to save for future life, investment planning to build wealth and getting into a good financial position.
- ✓ Introducing financial literacy right from school days, to practice effectively in real life. Currently, after completion of studies only, people think about financial management.
- ✓ Right from child hood, savings habit to be imbibed in children.

❖ **Other Suggestions:**

- ✓ Providing offers and subsidies and educating lower middle income groups into retail market and mutual fund investments.
- ✓ NGOs can be involved to help banks in improving financial literacy in rural regions.
- ✓ Changing societal structure with more digital usage in banks.
- ✓ Making the public understand the benefits of having bank account and banking schemes.
- ✓ Women can be educated through Self Help Groups.

Q. No. 22: Suggestions for bringing women into formal banking system:

Suggestions provided by Bank Officials for **bringing women into formal banking system** are summarized below.

❖ **Awareness/Financial Literacy measures:**

- ✓ Creating more awareness to rural/urban women about money saving methods, benefits of having bank account with Public Sector Banks and subsidies/benefits provided by Government schemes.
- ✓ Creating awareness on school and college level among the basic rights of banking service as per RBI BCSBI code of standards
- ✓ Educating through advertisement through all TV Channels and SMS education to all women account holders.
- ✓ Door to door canvassing and conducting get together gatherings of women for financial education.

❖ **Banks:**

- ✓ Women in Banks may take lead in popularizing banking systems among female population.
- ✓ Introducing more user friendly banking facilities to SHG and women.
- ✓ Encouraging women for monthly savings scheme initially.

❖ **Self-Help-Groups (SHGs):**

- ✓ Self Help Groups to be encouraged for improving women beneficiaries and women entrepreneurs.
- ✓ Micro finance through Self Help Groups.
- ✓ Banks can partner with women Self Help Groups by providing salary and subsidies digitally. Encouraging and educating them about investments and savings.
- ✓ Ensuring better coordination between SHGs-Woman Farmers-Women in unorganized sector.

❖ **Incentives:**

- ✓ Providing incentive to women like higher deposit rate and reduced loan rate.
- ✓ Providing Livelihood Mission Loans.

- ✓ Subsidy from Government to be given to family through women's account and not through husband's account.
- ✓ Already some banks are providing benefits like reduction in interest rate, and various Government schemes are available to promote women beneficiaries. The same may be extended widely to bring more women beneficiary accounts.

❖ **Other Suggestions:**

- ✓ Efforts to be made to enhance female presence in finance for positive growth. Women to be encouraged to come forward to approach banks with confidence and engage in entrepreneurship in all segments.
- ✓ In all leading MBA institutions, we can see Professors relating management techniques to Indian House wives. So women are better financial managers. However, proper education to girl child is more important to achieve women progress.
- ✓ 60% of beneficiaries must be women.
- ✓ Usage of Debit Cards to be encouraged among women.

CHAPTER-IX

9.0 CONCLUDING REMARKS & RECOMMENDATIONS

Bank Branches & ATMs:

As per **RBI's National Strategy for Financial Inclusion (NSFI): 2019-2024**, two major financial inclusion indicators i.e., Number of Banking Outlets per one lakh adults and Number of ATMs per one lakh adults were calculated for States/UTs.

State/UTs which have low Number of Banking Outlets per one lakh adults are **Manipur, Bihar, Uttar Pradesh, Assam, West Bengal**. State/UTs which have low Number of ATMs per one lakh adults are **Bihar, Jharkhand, Uttar Pradesh, Manipur, Assam**. Government and RBI can focus on increasing number of Bank Branches and ATMS in these State/UTs.

Dormant PMJDY Accounts:

State/UTs which have low percentage of active PMJDY accounts are **Jammu & Kashmir, Andaman & Nicobar Islands, Goa, Sikkim, and Mizoram**. Government and RBI can focus on analysing the dormant PMJDY accounts and improve its usage.

Region-wise Comparison:

As per region-wise analysis, there is **no correlation** between average Banking Outlets and ATMs per 1 Lakh Adults and GSDP growth rate among Regions of the country. Further, there is **no correlation** between percentage of Active PMJDY accounts and GSDP growth rate among Regions of the country.

Correlation study between Financial Inclusion parameters vs. Economic indicators:

Through correlation plot, it is observed that there exist a **STRONG POSTIVE CORRELATION** between GSDP and No. of Bank branches, ATMs deployed across the country. However, there is **NO CORRELATION** between Per Capita NSDP and No. of Bank branches, ATMs deployed across the country. Further, there is a **NO POSTIVE CORRELATION** between GSDP growth and Number of Banking outlets per one lakh adults, Number of ATMs per one lakh adults, Percentage of Active PMJDY accounts.

As there is strong positive correlation between GSDP and No. of Bank branches, ATMs deployed across the country, **Government and RBI can further the measures to open more bank branches and ATMs across the country.**

Salient observations from Survey conducted among Bank Officials:

Survey conducted among Bank Officials covered respondents from all the regions of the country. Salient observations of the survey are as follows:

- **Low Financial Literacy** is the major barrier for citizens to access financial services.
- **Manpower Constraints** is the major barrier for Bank employees to promote Financial Inclusion.
- **Accelerating and expanding the Business Correspondents (Bank Mitra) network/Similar outsourcing initiatives** will be the better way for achieving Financial Inclusion in Rural areas.
- **Expanding bank branches** will be the better way to achieve Financial Inclusion in Urban areas.
- **Existing Business Correspondents (Bank Mitra) network model** will be the Effective Partners in bettering Financial Inclusion.
- Financial literacy in our country is **Below Average**.
- Performance of Business Correspondents in improving financial inclusion is **Satisfactory**.
- **Expanding bank branches and increasing staff strength** would improve the country's banking system.
- Banks should primarily focus on **Promoting Mobile & Wallet payment options**.
- Further analysis needs to be done for devising simple and effective KYC norms.
- Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts is **Less than 25%**.
- **One time withdrawal of DBT (i.e, Accounts used for only withdrawal of Subsidies/DBT) and Lack of Awareness/Low Financial Literacy** are the Major reason for Inactive/Dormant PMJDY accounts.
- PMJDY accounts are very popular among **Daily Labourers**.
- Usage of RuPay Debit Card by PMJDY account holders is **Below Average**.
- PMJDY is more attractive for **Banking Transactions**.
- For most of the payments for shopping/other payments, Customers/General Public prefer **Debit Card/ Credit Card (Using Point-of-Sales Machines)**.
- Shifting to Digital Transactions entirely or moving towards a cashless society, **Would reduce corruption to some extent**.
- Further analysis needs to be done for fixing a ceiling limit for Cash transaction.

Recommendations to improve Financial Inclusion in the country:

Following recommendations may be considered by Policy-makers and Implementing Agencies (Banks) for achieving Financial Inclusion:

- ❖ Aggressive **Financial Literacy Campaign** to be conducted in Mission mode across the country.
- ❖ **Regular advertisements** on Financial Literacy through Television, Posters, Dramas and special camps particularly in rural areas, needs to be promoted.
- ❖ **Gram Panchayats** may be actively involved in Financial Literacy initiatives.
- ❖ **NGOs can be involved** to help banks in improving financial literacy in rural regions.
- ❖ Financial Literacy to be **compulsorily included in School curriculum.**
- ❖ **Lead Banks** can be leveraged for creating financial awareness among public.
- ❖ **Manpower Constraints** in Bank branches needs to be addressed.
- ❖ **Bank branches** also to be simultaneously increased in rural areas.
- ❖ **Incentives** may be provided for Banks to undertake Financial Inclusion initiatives.
- ❖ **Business Correspondents (Bank Mitra)** may be encouraged with more financial incentives to increase the outreach.
- ❖ Percentage of **Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to be increased** by providing more financial literacy initiatives.
- ❖ **“One-Person One-Account”** scheme may be considered.
- ❖ Government may introduce **credit facility of smaller amount** (say Rs.5000/- or Rs. 10000/-) to improve credit access.
- ❖ All receipts/payments to Government may be mandated through Banks.
- ❖ **Regional language usage** may be promoted in Banking Operations.
- ❖ To improve financial inclusion among Women, **Self-Help groups may be leveraged** to a greater extent.
- ❖ Banks may focus on **Promoting Mobile & Wallet payment options**, to promote digital transactions.
- ❖ All accounts should be linked with Mobile numbers. Further, **SMS education and Mobile banking measures** needs to be promoted.

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ANNEXURE-I (COPY OF QUESTIONNAIRE)

FINANCIAL INCLUSION SURVEY (ONLY AMONG BANK EMPLOYEES)

Dear Bank Officer,

I am R Anbu Kumaran working in a Govt. organisation in New Delhi. The Questionnaire attached is a Survey among Bank Officials reg. Financial inclusion in India, for my Executive MBA - Major Project from Delhi Technological University, Delhi.

I request your 5 minutes in filling up this questionnaire for my project. The results of the survey will be used FOR ACADEMIC PURPOSES ONLY.

Your Identity will be strictly kept confidential. Thank you for your kind support and cooperation. This survey is undertaken only among bank employees.

Please go through the following questionnaire and identify/fill-in the appropriate responses for each of them. There is no such thing as a correct answer, therefore feel free to respond unprohibitively.

Disclaimer: Your response via this questionnaire will be used strictly for academic purposes. There will not be any commercial solicitation or usage of the response in any kind/form whatsoever.

Name: _____

State: _____

Age: _____

Gender *

Female

Male

Name of the Bank where currently employed/worked earlier: _____

Location of the Bank branch: _____

Designation: _____

1. Your bank is located in? *

Urban area

Rural area

2. In your opinion, Major barrier for citizens to access financial services through banks is: *
- Lack of Documentation (Not possessing documents like identity card etc. for opening account)
 - Insufficient fund availability
 - Low Financial Literacy
 - Social Norms & Practices
 - Other...
3. In your opinion, Major barrier for Bank employees to promote Financial Inclusion is: *
- Manpower constraints
 - Lack of Motivation for employees
 - Infrastructural Constraints
 - Inadequate training for employees
 - Other...
4. In your opinion, Financial Inclusion can be better achieved in RURAL areas through : *
- Expanding bank branches
 - Accelerating and expanding the Business Correspondents (Bank Mitra) network/Similar outsourcing initiat...
 - Other...
.....
5. In your opinion, Financial Inclusion can be better achieved in URBAN areas through : *
- Expanding bank branches
 - Accelerating and expanding the Business Correspondents (Bank Mitra) network/Similar outsourcing initiat...
 - Other...

6. Who can be effective Partners in bettering Financial Inclusion? *

- Existing Business Correspondents (Bank Mitra) network model
- Women Self-Help Groups
- Micro Finance Institutions
- NGOs
- Common Service Centres of MeitY (CSC-SPVs)
- Other...

7. In your opinion, status of Financial Literacy in our country is : *

- Below average
- Satisfactory
- Above average

8. In your opinion, performance of Business Correspondents in improving financial inclusion is : *

- Below average
- Satisfactory
- Above average

9. The country's banking system can be improved through : *

- Expanding bank branches and increasing staff strength
- Outsourcing certain functions through Business Correspondents etc.
- Other...

10. In your opinion, Banks should primarily focus on : *

- Increasing number of ATMs for cash withdrawals
- Promoting Mobile & Wallet payment options
- Other.....

11. Better KYC norms would be *

- UID based Aadhaar verification alone may be mandated for satisfying KYC norms
- Other documents along with Aadhaar may be opted for KYC
- Other...

12. Approximate Percentage of Active Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts in your branch

- Less than 25%
- 25% to 50%
- 50% to 75%
- More than 75%

13. Major reason for Inactive/Dormant PMJDY accounts is *

- Lack of Awareness/Low Financial Literacy
- One time withdrawal of DBT (i.e, Accounts used for only withdrawal of Subsidies/DBT)
- Insufficient funds availability
- Comfortable in Informal banking methods
- Other...

14. PMJDY accounts are very popular among *

- Farmers
- Unemployed
- Daily Labourers
- Self-employed
- Other...

15. In your opinion, the usage of RuPay Debit Card by PMJDY account holders is : *

- Below average
- Satisfactory
- Above average

16. In your opinion, PMJDY is more attractive for: *

- Banking Transactions
- Credit
- Pension
- Life Insurance/Accident Cover
- Other...

17. According to you, for most of the payments for shopping/other payments, Customers/General Public prefer:

- Debit Card/ Credit Card (Using Point-of-Sales Machines)
- On-line Banking
- Mobile Wallets (like BHIM, PayTM etc.)
- Cash Payments

18. Do you agree that Shifting to DIGITAL TRANSACTIONS entirely or moving towards a cashless ^{*} society, would reduce CORRUPTION

- May not reduce corruption
- Would reduce corruption to some extent
- Would significantly reduce corruption
- Would completely eradicate corruption

19. According to you, Customers/General Public prefer cash transactions upto: ^{*}

- Rs. 1000
- Rs. 5000
- Rs. 10000
- Rs. 50000
- Rs. 1 Lakh
- Even More than Rs. 1 Lakh

20. Your suggestions to improve Financial Inclusion are: _____

21. Your suggestions to improve Financial Literacy are: _____

22. Your suggestions for bringing women into formal banking system are:

Contact Number (Optional): _____

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