An Empirical Study of Experts Opinion about the Role of Public Sector Banks in Enabling Financial Inclusion Schemes

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[Abstract] The paper focusses on the approaches adopted by different banking institutions in India for achieving the aim of financial inclusion for an all-inclusive growth in the country and for analyzing the progress as well as achievements. With the help of financial inclusion, it is possible to achieve inclusive and equitable growth of a country. Financial inclusion is meant for the delivery of the apt financial service at affordable cost, and a timely basis to the most vulnerable groups, like the weaker sections and the lower income segments. These people do not have proper access and reach for even some of the most basic financial and banking services. The present study has been done for understanding financial inclusion and its significance for the overall development of the economy and the society. A sample of 226 respondents was surveyed to learn the role of public sector banks in enabling and implementing financial inclusion schemes. Mean and multiple regression tests were applied to get the results. It is concluded that there is significant role of the public sector banks in effective implementation of financial inclusion schemes.

[Keywords] financial inclusion, banking institutions, public sector banks, economic growth, RBI

Introduction

Studying financial inclusion is quite momentous for the society; however, the opening of bank accounts isn't just important to maintain and improve the economic and social status of an individual, but it is also important for fulfilling all the needs of an individual. In the developed nations and in some of the developing nations, such as India, the government also uses policies of branch expansion.

A large part of the population in the developed nations are outside the financial system. Throughout the world, a number of countries are looking for financial inclusion for reaching out to the unreached people so that their future financial condition maybe improved, and they can also contribute to the progress of the nation. From the perspective of India, the large chunk of population for providing banking services has now become one of the topmost priorities for government and RBI. For acquiring the targets of the process of financial inclusion through an extension of the financial services to the massive untouched population, a lot of schemes have also been initiated. These initiatives have been taken for further, strengthening the endeavors of financial inclusion and for raising the penetration of the banking sector. For improving the structure of financial inclusion, the initiatives from the demand side to open accounts under several schemes have gotten a good response from urban and rural centers. Financial inclusion is considered to be the main enabler for reducing poverty and for boosting prosperity of the nation. Access to the most basic financial service enables less fortunate and the most vulnerable group of the society for stepping out from the vicious circle of poverty and for empowering people and their families. Financial inclusion also helps in collectively developing the communities and for achieving- overall inclusive growth and development of an economy. Access to accounts of transaction is one of the first steps towards a broad financial inclusion, as transaction accounts help people to store and send money and to receive payments (Aruna et. al., 2020).

Literature Review and Hypothesis Development

In spite of making prominent improvements in the segments related to financial viabilities, competitiveness, and profitability, the financial institutions have been paying attention to the vast majority of population, especially those people in the underprivileged segments of society, -to provide basic financial services

(Feghali et. al., 2021). It has also been indicated many times that innovation is a more efficient driver of economic growth than the capital. In the old economy, a large amount of capital was needed for constructing an emerging economy before the emergence of the types in a sophisticated global market. Some of the major economies of some of the most important countries have already been transformed by forces of globalization, technology and entrepreneurship, but the guidance by the economic policymakers hasn't kept the pace (Van et. al., 2021).

Even after decades of planned development, rural areas in India are still witnessing impoverishment, which is the result of the failure of trickling down the efforts of development to the grass root level. In spite of the motivation of the planners, achieving - development with equality, called inclusive growth, growth has been slow. India has been witnessing a wide range of regional disparities between rural and urban regions. Poverty, a consequence and case of underdevelopment, is considered to be a continuous issue that needs to be handled. Rural indebtedness is an agenda for discussion, which has been given importance since independence (Koomson et. al., 2020). Financial inclusion is the pre-condition for an inclusive growth, inequality in income, and most importantly to reduce poverty. GOI and RBI have made a number of efforts for this, such as frill accounts being opened and, business correspondence being established. Relaxation has been given in the norms of the KCC, etc. The PMJDY or the Pradhan Mantri Jan Dhan Yojna has also been initiated. Public sector banking institutions play an important role for elevating the phenomena of financial inclusion since banks are the base for the financial inclusion which starts simply with opening of a savings bank account. Since India is a mixed economy, it has a number of public sector banking institutions that offer services more effectively and efficiently than private sector banking institutions (Sharma & Ari, 2020).

Researchers have argued that inequality is not good for the development of the economy, since inequality generates a lot of pressure for adopting the redistributive policies; this causes adverse impacts on economic growth and investment. The results of this research show that improved access to finance isn't just pro-growth, but it is even pro-poor, which helps in reducing the inequalities in income and poverty. Several international studies have stated that income of the poor quintile grows quickly as compared to average per capita gross domestic product in nations that have better developed intermediaries. Research on the international practices have even confirmed the impact of the financial intermediaries on the economic growth which is measured by the per capita GDP and productivity per capita regarding private credit (Milana & Ashta, 2020). The investment objective will have a different parameter for a different kind of investor. It can be concluded that any objective which is selected by a respondent with a cautious attitude may be rejected by a respondent with rational and gambling attitude investor (Srivastava, Mazhar, & Khan, 2019).

For the poor and low-income households, even though credit is considered to be the highest priority, financial services are required by small firms and poor households, depending on financial intermediaries for getting good payment services, savings, and insurance. Another study has positively expanded the definition and has stated that these financial products might be comprised of the transmission of money, short term and long-term savings, and credit, and home insurance. Further, operational definitions can also be seen from underlying concerns of the public policy, which concerns a lot of people (Maity, 2019). The conventional wisdom regarding the relationship between economic development and distribution of income has been subject to a drastic transformation in the previous century. While classical economists have forwarded the hypothesis that income inequality is beneficial for economic growth and development, neoclassical theories have dismissed this hypothesis. The neoclassical theorists have advanced the perspective that the study of distribution of income does not have any kind of significance for understanding the process of growth. In a study it was reported that there are several geographical and physical barriers to the factors of financial inclusion that may contribute to financial exclusion for different individuals and products under a few circumstances (Maity & Sahu, 2018). However, in a lot of countries, a lot of non-poor individuals, small and mid-level enterprises and micro entrepreneurs find it difficult to access financial services. Even the most conspicuous dimension is that a lot of low-income groups don't get access to the most basic financial products and services (Iqbal & Sami, 2017).

There are different structures and measurements of monetary avoidance that have been expressed.

The basic parts of monetary rejection involve conditional prohibition; that is, the conditions that are appended with the monetary items that make them able for necessities of specific portions of the populace, access avoidance that is the limitation of an entrance through a cycle of the danger posed by the executives of the monetary specialist organization, value avoidance, that is a few people may very well get access to monetary items and their administration of the costs that may not be reasonable, advertising avoidance, in which small groups are barred productively by the designated deals, and showcasing groups and self-avoidance, which is when individuals decide to not settle on monetary items as a result of a dread of being denied admittance by specialist co-op (Pathania, Ali & Rasool, 2016).

Based on the above studies, the hypotheses have been developed as follows:

H0: There is no significant impact of public sector banks in enabling financial inclusion schemes.

H1: There is significant impact of public sector banks in enabling financial inclusion schemes.

Objectives of the Study

- To study the experts' opinions about role of public sector banks in enabling financial inclusion schemes.
- To study the role of public sector banks in effective implementation of financial inclusion schemes.

Methodology

The empirical study was conducted with the help of a survey method in which experts from the financial sector were considered to take part in the survey. The questionnaire was used to learn the role of public sector banks in effective implementation of financial inclusion schemes. A sample of 226 respondents were surveyed to collect the data; tools like mean and multiple regression was applied to get the results.

Analyses of Hypotheses

Table 1 presents the general profile of the people that were surveyed in the study. It is found from the table that there are 226 respondents of which 58.0% are male and 42.0% are female. Among them 31.4% are from the age group 36-40 years, 39.4% are from the age group 40-55 years, and 29.2% are above 55 years of age; 36.7% of the total respondents are economists, 30.5% are management professors, and 32.7% are employees of the banking industry.

Table 1

General Profile of the Respondents

Variables	No. of respondents	Percentage
Gender		
Male	131	58.0
Female	95	42.0
Total	**226**	**100**
Age		
36-40 years	71	31.4
40-55 years	89	39.4
Above 55 years	66	29.2
Total	**226**	**100**
Experts of financial sector		
Economists	83	36.7
Management professors	69	30.5
Banking Industry Employees	74	32.7
Total	226	100

Table 2

Expert's' Opinions about the Role of the Public Sector Banks in Enabling Financial Inclusion Schemes

SI. No.	Statements	Mean score
1.	Public Banks are trying to serve the under banked people and businesses in the upcoming markets.	3.59
2.	Public banks are driving inclusive growth, restoring trust and boosting profit to enable financial inclusion schemes.	4.01
3.	Banks are trying to mitigate the process of "supply side" to enable easy access to financial system to everyone.	3.63
4.	Public banks are customizing their offerings to raise application and broaden the reach of account adoption.	3.70
5.	Banks are improving their channels to reach more customers at lower cost.	3.81
6.	Public banks are mitigating the risk to deal with absence of credit histories in creative manner.	3.76
7.	Public banks are encouraging frill accounts and also setting the business correspondence.	4.03
8.	Public Sector Banks are establishing their branches and ATM machines throughout the nation especially in rural areas.	4.13
9.	Banks are offering relaxation in the norms of the KCC, etc.	3.60
10.	Banks are launching campaigns for awareness for financial services.	3.90

Table 2 demonstrates the mean scores for the expert' s' opinions about the role of public sector banks in enabling financial inclusion schemes. It is observed that public sector banks are establishing branches and ATM machines throughout the nation, especially in rural areas (with the mean score 4.13) and public banks are encouraging frill accounts and setting the business correspondence (with the mean score 4.03). Public banks are driving inclusive growth, restoring trust, and boosting profit to enable financial inclusion schemes with a mean score of 4.01, and banks are launching campaigns of awareness for financial services with a mean score of 3.90. According to the experts, banks are improving their channels to reach more customers at lower cost with a mean score of 3.81, and public banks are mitigating the risk of dealing with the absence of credit histories in a creative manner with a mean score of 3.76. Banks are trying to mitigate the process of "supply side" to enable easy access to financial system to everyone with a mean score of 3.63. Banks are offering relaxation in the norms of the KCC, etc., with a mean score of 3.60 and the experts also say that public banks are trying to serve the under-banked people and businesses in the upcoming markets with a mean score of 3.59. Further, multiple regression was applied to test the significance of the above statements in effective implementation of financial inclusion schemes.

Multiple Regression Analysis

Table 3
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927[a]	.860	.853	.31230
Predictors: (Constant), *				

* Public banks are trying to serve the under-banked people and businesses in the upcoming markets. , Public banks are driving inclusive growth, restoring trust and boosting profit to enable financial inclusion schemes. , Banks are trying to mitigate the process of "supply side" to enable easy access to financial system to everyone. , Public banks are customizing their offerings to raise application and broaden the reach of account adoption. , Banks are improving their channels to reach more customers at lower cost. , Public banks are mitigating the risk of dealing with the absence of credit histories in a creative manner. , Public banks are encouraging frill accounts and also setting the business correspondence. , Public sector banks are establishing their branches and ATM machines throughout the nation, especially in rural areas. , Banks are offering relaxation in the norms of the KCC, etc., and banks are launching campaigns for awareness for financial services.

In this study, to measure the impact of role of public sector banks in enabling financial inclusion schemes on "effective implementation of financial inclusion schemes," multiple regressions were applied. The model explained 86% of the variance (R Square = .860).

Table 4
ANOVA

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
	Regression	128.394	10	12.839	131.646	.000[b]
1	Residual	20.969	215	.098		
	Total	149.363	225			

Dependent Variable: **Effective implementation of financial inclusion schemes**

b. Predictors: (Constant), **

** Public banks are trying to serve the under-banked people and businesses in the upcoming markets., Public banks are driving inclusive growth, restoring trust and boosting profit to enable financial inclusion schemes, Banks are trying to mitigate the process of "supply side" to enable easy access to the financial system for everyone., Public banks are customizing their offerings to raise application and broaden the reach of account adoption., Banks are improving their channels to reach more customers at lower cost., Public banks are mitigating the risk of dealing with the absence of credit histories in a creative manner. , Public banks are encouraging frill accounts and also setting the business correspondence., Public sector banks are establishing their branches and ATM machines throughout the nation, especially in rural areas., Banks are offering relaxation in the norms of the KCC, etc., and banks are launching campaigns for awareness for financial services.

Table 4 (ANOVA) shows that the IDVs have a significant impact on the DVs. The significance value is less than 0.05 (0.000), which reflects that one of more of the IDVs significantly influences the DV.

Table 5
Coefficients

Model	Un standardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	-.057	.135		-.422	.674
Public Banks are trying to serve the under banked people and businesses in the upcoming markets	-.001	.033	-.001	-.023	.982
Public banks are driving inclusive growth, restoring trust and boosting profit to enable financial inclusion schemes	**.094**	**.036**	**.098**	**2.626**	**.009**
Banks are trying to mitigate the process of "supply side" to enable easy access to financial system to everyone	**-.070**	**.023**	**-.100**	**-2.995**	**.003**
Public banks are customizing their offerings to raise application and broaden the reach of account adoption	**-.100**	**.035**	**-.108**	**-2.846**	**.005**
Banks are improving their channels to reach more customers at lower cost	**.183**	**.060**	**.183**	**3.061**	**.002**
Public banks are mitigating the risk to deal with absence of credit histories in creative manner	**.615**	**.061**	**.597**	**10.010**	**.000**
Public banks are encouraging frill accounts and also setting the business correspondence	**.080**	**.041**	**.079**	**1.952**	**.052**
Public Sector Banks are establishing their branches and ATM machines throughout the nation especially in rural areas	**.115**	**.044**	**.116**	**2.615**	**.010**
Banks are offering relaxation in the norms of the KCC, etc.	.016	.027	.017	.578	.564
Banks are launching campaigns for awareness for financial services	**.084**	**.024**	**.119**	**3.569**	**.000**

Dependent Variable: Effective implementation of financial inclusion schemes

Table 5 shows that all the 8 statements regarding the role of public sector banks in enabling financial inclusion schemes except public banks are trying to serve the under-banked people and businesses in the upcoming markets. Banks are offering relaxation in the norms of the KCC, etc., and has significant impact on effective implementation of financial inclusion schemes.

Conclusion

These days financial inclusion has become one of the major policy concerns of the government of India and the RBI. It's the pre-condition for inclusive growth, income inequalities, and reducing poverty. The government of India and RBI have made a lot of efforts regarding this. Also, banking plays a very important part in the economic development and growth of a nation. In India the public sector banks have always been at the forefront of mobilizing the resources from the rural areas and extending the banking and financial services to the remotest areas of the nation. Financial inclusion is a focal point for RBI and GOI, and, thus, the public sector banks, too. A lot of initiatives are being taken from the government. RBI and the PSBs for the same. The study concludes that there is a significant role for public sector banks in effective implementation of financial inclusion schemes.

Contribution

The present study revolves around the opinion of experts of financial sector about the role of the public sector banks in enabling financial inclusion schemes in India. These experts include economists, management professors and banking industry employees who have extensive experience in the related field. The problem of financial inclusion requires a solution based multi dimension approach and as the study provide an insight of the experienced people which would help the public sector banks serve the population better. The study would help them to understand the areas where they have worked well and the areas which requires more focus and improvement.

Future Research

The study was limited to the opinion of the expert's' about the role of the public sector banks in enabling financial inclusion schemes in India and as the area of research is quite broad so there is enough space and scope for future research. The future scope of the research includes the opinion of the excluded segment as well as the beneficiaries of financial inclusion schemes regarding what more facilities and customized schemes should be introduced for their upliftment. The future scope of the research includes the opinion of the business correspondents, as business correspondents work on the field so they have practical knowledge and experience which could be utilized efficiently. Moreover, as the concern of financial inclusion is at global level so similar studies could be conducted in other parts of the globe as well so that the issue could be addressed and strategies could also be framed internationally. When the strategies are framed internationally then such strategies and policies ought to have more binding on the government and shall be executed more efficiently.

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