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THE ACCESSIBILITY AND THE USAGE OF BANKING SERVICES OF SCHEDULED CASTE HOUSEHOLDS

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Abstract: The sustained development of a nation depends on the financial service coverage of all people. All sections of society must access financial instruments and institutions to attain inclusive growth. Therefore, the financial inclusion of Scheduled Castes (SCs) has always been a concern. RBI has periodically issued instructions or directions to banks about providing facilities to Scheduled Castes (SCs). This study aims to examine the access to and usage of banking services of Scheduled Caste (SC) households. The study conducted an empirical analysis by an extensive primary survey, covering 425 sample households in four Block Panchayats and one Municipality in the Pathanamthitta district of Kerala state (India) with the help of a detailed Interview Schedule. The study has found that most Scheduled Caste (SC) households still have very limited usage of financial services. Furthermore, the majority of these households are financially illiterate. Financial illiteracy is leading to financial discrimination, leading to financial exclusion and ultimately leading to financial exploitation. The study suggests improving financial literacy programmes by organizing a bank-linked Intensive Financial Literacy Campaign at least twice in a financial year.

Keywords - Financial inclusion, Financial services, Access to credit, Usage of banking services, Scheduled Castes.

INTRODUCTION

An important issue for the developing nations of the world is the alleviation of poverty. Numerous studies on poverty have revealed that one of the major hurdles obstructing households from taking part in the development process is their exclusion from the formal financial system. Exclusion from the formal financial system force and tightly attach poor people into a vicious circle of poverty. This situation has been documented by the banking industry in India and has undergone certain essential modifications over the last two decades. However, a vast section of the population, especially the vulnerable groups such as weaker sections and low-income groups continue to remain excluded from even the most basic services provide by the financial sector. In India, the government and the banks cooperate to promote financial inclusion. This process has been termed 'Social Banking' (Joshi 2011). Social banking policies made noticeable achievements in changing the commercial banks' focus from 'class banking' to 'mass banking'. Financial Inclusion was one of the implicit objectives of the Social Banking Policy. The objective of financial inclusion is to make sure that a range of suitable financial services is available to every individual regardless of age, caste and sex. But in a country like India, although having a wide network of rural bank branches, an enormous number of the poorest of the poor continued to stay outside the ambit of the formal banking systems. Scheduled Castes (SCs) are one of the underprivileged sections in our social order, which were positioned at the bottom of the conventional caste system. The economic status of Scheduled Castes (SCs) was found to be very poor. The low-income level of Scheduled Castes (SCs) forces them to stay at a low level of living. Compared to the general population, the living conditions of the Scheduled Castes (SCs) are very shocking.

The sustained development of a nation depends on the financial service coverage of all people. The Government of India's 'Committee on Financial Inclusion in India' (Rangarajan Committee 2008) begins its report by defining financial inclusion as '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'. Therefore, the financial inclusion of Scheduled Castes (SCs) has always been a concern. RBI has periodically issued instructions or directions to banks about providing facilities to Scheduled Castes (SCs). Though there are several studies which are related to financial inclusion, little effort has been made to study the accessibility and the usage of banking services of Scheduled Caste (SC) households.

REVIEW OF LITERATURE

History shows that economic growth is the most effective way to reduce poverty. However, economic growth can still leave many people in persistent poverty, if they do not have the necessary capacity to participate in and benefit from the growth process (Kochhar 2009). Sen (2000) convincingly argues that poverty is not merely insufficient income, but rather the absence of a wide range of capabilities including the security and ability to participate in the economic and political system. In this view, poverty is not a matter of income alone; it entails the failure to achieve certain minimum capabilities. Thus, beyond the lack of income, the multidimensional concept of

poverty refers to the vulnerability and powerlessness coupled with social exclusion when those afflicted are trying to access a productive resource such as land, credit, services etc.

The economic development of any nation depends on the reliability of that nation's financial system. The financial system is the system which causes the generation of savings, transfers those savings into an entrepreneurial endeavour and gives confidence to an entrepreneur to undertake various business ventures. It is a key weapon in monitoring the economic progress of any country. In short, the financial system acts as the nervous system of a nation's economy (Teki and Mishra 2012).

The close relations between finance and growth do not necessarily mean that financial development contributes to poverty reduction (Beck, Demirguc-Kunt and Levine 2007). Economic growth can be classified as either growth with declining income inequality and poverty or growth with mounting income inequality and poverty. The divergence between these two sorts can alter the impacts of growth on the poor. If financial development augments average growth only by growing the incomes of the rich and hence aggravating income inequality, then financial development will not help the poor (*ibid*, p. 46). For that reason, based on the close relations between finance and growth, there are a large number of empirical studies that analyze the effects of financial deepening on the distribution of income on the one hand and conditions of poverty on the other hand.

Jalilian and Kirkpatrick (2005) look at whether financial sector development has a say in the goal of eliminating poverty in many developed and developing countries, including India. In analyzing this correlation, they integrated three distinct research grounds: the linking of financial development with economic growth, the linking of economic growth to poverty, and financial development and inequality. By independently estimating each link, they found that the ratio of private credit to Gross Domestic Product (GDP) advanced growth prospects, particularly in poorer developing countries, and also financial development has an inverted U-shaped association with income inequality.

Inoue and Hamori (2010) examined empirically whether financial deepening has contributed to poverty reduction in India. Empirical results mainly indicate the following findings. First, the coefficient of financial deepening is estimated to have a significant negative value, suggesting that an increase in financial development helps to alleviate poverty in India. Second, economic growth also displays a significant negative effect on poverty alleviation. Third, the coefficients of international openness are estimated to have a significant positive value, suggesting that greater international openness has the effect of increasing poverty. Fourth, like international openness, a rising inflation rate hurts poverty alleviation. These findings are robust to changes in the poverty ratio in rural areas, urban areas or the whole economy. Recognizing the need for enlarging the coverage of rural households and enhancing the scope and content of rural credit, the Reserve Bank in its Mid-Term Review of Monetary Policy (2005-2006) urged the banks to make Financial Inclusion one of their prime objectives.

Financial inclusion normally states the process of including the weaker or unserved sections of society in the formal financial structure to make various financial services and facilities available. The availability of financial services to the citizens is a prerequisite for economic growth. Financial illiteracy leads to many financial problems. The various pieces of literature proved that the ignorance, accessibility and affordability of various financial services have always been a problem for the success of financial inclusion in India (Iqbal & Sami, 2017). The increased level of financial awareness will help individuals in achieving financial freedom (Banthia & Mangaraj, 2017).

Financial literacy is defined by the Organisation for Economic Co-operation and Development (OECD) as a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being (OECD, 2012). Financial education, on the other hand, is defined as the process by which financial consumers/investors improve their understanding of financial products, concepts and risks through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being (OECD, 2005). The achievement of both financial literacy and education empowers the users to make sound financial decisions which result in the financial well-being of the individual.

To deepen the engagement of formal banking with low-income households and provide access to the under-banked and unbanked regions as well as households, it was felt that innovative approaches (including inter alia channels, products and interface) are required to bridge the gap in financial inclusion. Keeping the above in consideration, Small Finance Banks (SFBs) and Payments Banks were set up to deepen the reach of financial inclusion by bringing hitherto financially excluded sections of the populace into the fold of the formal financial system by providing instruments of savings, remittances and supply of small credit products through high technology and low-cost operations (RBI, 2021).

The banks are also playing an important role in improving financial inclusion with the support of digital technologies (Atroley, et al., 2015). India is on the pathway to a technological revolution, and we are moving to a cashless economy. The development of several technologically supported tools for financial inclusion adds to the space of digital financial inclusion.

With a diverse range of financial services, including inter alia banking, insurance, pension and investments now available, it becomes imperative that consumers of these services are provided with appropriate knowledge, skills and awareness to make informed choices. Towards this objective, India developed the National Strategy for Financial Education (NSFE), with an ambitious vision of creating a financially aware and empowered India. The pilot Centres for Financial Literacy (CFL), were set up in 2017, initially in 100 blocks as a collaborative initiative between select banks and NGOs to strengthen financial literacy in a structured and coordinated manner by imparting financial education through community-led participative approach towards financial literacy (RBI 2020)

In this scenario, it is relevant to study the financial knowledge SC population and also the accessibility and usage of the various financial services. Hence this article focuses on analysing the financial awareness of Scheduled Castes (SCs) and also tried to understand their accessibility and usage of banking services.

MATERIALS AND METHODS

Both primary and secondary data have been used for the study. The study conducted an empirical analysis by collecting primary data from the sample households. Here, the term population/universe is meant to mean all the SC households that fall under the revenue administrative boundary of the district of Pathanamthitta in the Kerala State of India. The study area covers 8 Block Panchayats and 3 Municipal Corporations/ Urban Local Bodies of the Pathanamthitta district. To make a proper representation of urban and rural people in the sample data, one municipal corporation represents the urban population and four block panchayats represent the rural population have been selected by using the lottery method. Further, from each of these 4 Block Panchayats, 2 Grama Panchayats were randomly selected by using the lottery method for data collection. The size of the sample was estimated at 425 by using the sample size estimation method. We decided to select sample households based on the proportion of the population in each Block Panchayats. Accordingly, we have chosen 120 households from Pandalam Block Panchayat, 150 from Parakkodu, 70 from Elanthoor, 65 from Konni and 20 households from Pathanamthitta Municipality, by using random number tables. Data were collected from the selected sample households using a pre-structured schedule. The data analysis was done using statistical tools like percentages, averages etc.

Justification of the study area

When compared to other states, Kerala had a higher percentage of people with bank accounts. Again, SC households in Kerala have greater access to banking services than an average SC household in India. Pathanamthitta district of Kerala state has been selected as the area of study. This area is selected because the district has been ranked highest among all districts in the country in the financial inclusion programme as per the study conducted by CRISIL. According to CRISIL, there is no unbanked village in the Pathanamthitta district and banking penetration had reached 100 per cent of the population in the district. In Pathanamthitta, 13.74% of the population belongs to the SC category. Hence it would be of much interest to analyse the financial awareness and the accessibility and usage of banking services of the Scheduled Castes in Pathanamthitta district, the topmost district in the country in financial inclusion.

RESULTS AND DISCUSSIONS

Financial services influence all sections of society. The objective of financial inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. Unless the poor and vulnerable groups of society are made aware and acquainted with the availability of various financial products and services, financial inclusion cannot be made a reality. Therefore, they should have the awareness of the availability of various financial products and services, the terms and conditions in which they are available and the benefits that can be derived by accessing them. Consequent to the importance of financial awareness, SC households' awareness of various financial products and services provided by formal financial institutions has been analysed.

Awareness of Payment and Remittance Facilities

The term 'awareness of payment and remittance facilities' is used to refer to and include (i) Awareness of cheques/Demand Draft (DD), (iii) Awareness of welfare pensions through banks/co-operatives (iii) Awareness of ATMs (iv) Awareness of Credit Cards/Debit Cards/Kisan Credit Card and (v) Awareness on payment of utility bills (electricity/telephone). The following table (Table 1) provides information on awareness of payment and remittance facilities.

Table 1: Awareness of payment and remittance facilities

Facilities	Awareness Status	No. of Households	Per cent
Cheque /DD	Yes	332	78.1
	No	93	21.9
	Total	*425*	*100.0*
Welfare pensions through banks/co-operatives	Yes	250	58.8
	No	175	41.2
	Total	*425*	*100.2*
ATM	Yes	298	70.1
	No	127	29.9
	Total	*425*	*100.0*
Credit Card/Debit Card/Kisan Credit Card	Yes	108	25.4

	No	317	74.6
	Total	425	100.0
Payment of bills(electricity/telephone)	Yes	96	22.6
	No	329	77.4
	Total	425	100

Source: Field survey

It has been observed that the majority of the SC households were conversant with the facilities such as Cheques / DD, social security payments through banks/co-operatives and ATMs. At the same time, new financial services like Credit cards or GCC or KCC, payment of bills through banks etc were unfamiliar to the households.

Usage of Payment and Remittance Facilities

Financial inclusion eventually means access to formal financial services. Even though the customers are aware and have absolute knowledge of all financial products and services, unless they access them, they cannot realize the full benefits from them. After examining the number of SC households having awareness of payment and remittance facilities in the formal banking system, it would be interesting to see whether they have been using it or not. In our study, it is found that indicators of payment and remittance facilities like usage of cheques /DD for financial dealings, giving away welfare pensions through banks, usage of ATMs for withdrawal of money, Credit Card or GCC or KCC or payments of utility bills through banks etc. could not make any effect on SC households.

It has been observed that only 11.1% of the SC households (Table 2) are using cheques or DD or any other mode for financial dealings. Apart from cheques or DD, the sample households make very little use of new payment methods. It appears that only 1.9 per cent of SC households are using banks for welfare pensions. Regarding the use of ATMs, only 22.1 per cent of the households used this facility for the withdrawal of money. When looking at the usage of modern means of payment, it appears that only 1.2 per cent of the sample households are using Credit Cards or Debit Cards. Hence, they are more likely to use cash as their main means of payment. Regarding the payment of bills, it appears that almost 100 per cent of SC households do not prefer banks due to a lack of knowledge of such a facility. Thus, these households use cash more often than other means of payment. This results from the lack of knowledge of such products as well as a lack of trust in modern means of payment.

Table 2: Usage of Payment and Remittance facilities

Facilities	Usage	No. of Households	percentage
Cheque/DD	Yes	47	11.1
	No	378	88.9
	Total	*425*	*100*
Social Security payments through banks/co-operatives	Yes	8	1.9
	No	417	98.1
	Total	*425*	*100*
ATM	Yes	94	22.1
	No	331	77.9
	Total	*425*	*100*
Credit Card/ Debit Card/ Kisan Credit Card	Yes	5	1.2
	No	420	98.8
	Total	*425*	*100*
Payment of bills	Yes	0	0
	No	425	100
	Total	*425*	*100*

Source: Field survey

Access to Credit

Financial Inclusion has been officially defined in India as the "provision of affordable financial services" to those who have been left unattended or under-attended by the formal agencies of the financial system. These financial services are to include "payments and remittance facilities, savings, loan and insurance services(Thorat 2006). The ultimate success of any policy of financial inclusion, of course, would be to ensure access to each of these services for the entire population without discrimination. The policy of social and development banking aimed at making an adequate amount of credit available to the deprived sectors or groups at regulated rates of interest(Chavan 2007).

Credit, being an important financial product from the point of view of financial inclusion, is considered in the field of study to gather data on the agency-wise delivery of financial services. Access to credit depends, to some extent on the proximity to the branch network of a particular agency. Credits accessed by the household from commercial banks or cooperative banks or SHG Bank Linkage have been accounted for in the study. The agency-wise data in the table (Table 3) brings out the credit usage by SC households from the institutional source of finance.

Table 3: Agency-wise Credit Usage by Households

Source of Loan	Status	No. of Households	Percentage
Commercial Bank	Users	56	13.2
	Non-users	369	86.8
	Total	425	100
Co-operative Bank	Users	43	10.1
	Non-users	382	89.9
	Total	425	100
SHGs	Users	181	42.6
	Non-users	244	57.4
	Total	425	100

Source: Field survey

From the table, it is obvious that the indebtedness of sample households to the institutional financial agency is quite small. The sample households have more access to SHGs (42.6%). Out of 425 sample households, 56 households (13.2%) reported availing of loan facilities from commercial banks and 43 households (10.1%) have a loan account with cooperative banks. Hence, it should be noted that as regards access to credit, SC households are reluctant to take loans from banks. There is a general perception that poor and weaker sections of society usually do not feel comfortable approaching banks because of their functional sophistication, technology, the cumbersome procedure used and elite staff approach. The confidence and convenience of the customers can have important effects on their willingness to access financial institutions continuously. For these people, alternative credit provided by money lenders is far more attractive and comfortable compared to getting a loan from formal institutions. The effectiveness and efficacy of SHG in reaching out to poor households have been successfully demonstrated in this context.

Access to savings and insurance

For poor and weaker sections, access to a safe place to save and build assets is as important as access to credit. Savings are commonly the single way the poor can handle to pay for a major life cycle experience such as birth or marriage or death, survive a natural disaster or take benefit of a business opportunity. Savings may in effect be more significant than credit in serving the poor to raise incomes and reduce the menace. But savings is dependent on people's attitude rather than accessibility. The study looked into the SC households' access to the savings bank account, fixed deposits, and recurring deposits with any of the financial services providers like Commercial banks/Cooperative banks. Moreover, deposits with SHGs are also considered.

The analysis of the data in the table (Table 4) shows 75.06 per cent of 425 SC households have access to a savings account. In the case of Fixed Deposit and Recurring Deposit, only 52 households (16.24) reported having access. However, 249 (58.6%) SC households have access to savings with SHGs. This is because, in the case of SHG bank linkage, they require compulsory savings accounts since banks allow credit to the SHGs based on savings corpus deposited in the bank.

Table 4: Access to Savings and Insurance by households with formal institutions

Financial products	Status	No. of Households	Percentage
Savings Bank and /or Current Deposits with banks or co-operatives	Users	319	75.06
	Non-users	106	24.94
	Total	**425**	**100**
Fixed Deposits and/or Recurring Deposits with banks or co-operatives	Users	52	16.24
	Non-users	373	87.76
	Total	**425**	**100**
Deposits with SHGs	Users	249	58.6
	Non-users	176	41.4
	Total	**425**	**100**
Life/General Insurance with any service providers	Users	46	10.8
	Non-users	379	89.2
	Total	**425**	**100**

Source: Field Survey

As far as access to insurance is concerned, the study has found that very few Scheduled Caste households hold non-mandatory insurance products like life insurance policies/ general insurance policies, instead, many have insurance products mandatorily provided by the government. Currently, as part of the government programme, the poor people falling under the BPL category have been compulsorily provided with health insurance products (Rashtriya Swasthya Bima Yojana) by the state Health Department by involving even private entities in the health sector. But such freebies do not bear any economic impact since they are not demanded by the households

themselves. On the contrary, the holding of Life Insurance products/ General Insurance is an indicator of the awareness of SC households about the need to have such policies. Our study has found that 80.5 per cent of sample households fall under the BPL category. For these reasons, the study has not measured mandatory insurance products held by households. In the sample households only a meagre per cent, 10.8 per cent, have insurance products like Life Insurance/General Insurance Policy.

CONCLUSION

The prime objective of the financial inclusion measures is to widen the scope of activities of the formal financial system that could connect poor people with low incomes to the formal financial system in a gradual manner to release poor people from poverty. Access to formal sources of credit is predominantly a problem for meeting unexpected expenditures. The flow of institutional credit to the weaker sections is low. The lack of awareness of various financial products and services and their availability is a major obstacle to financial inclusion. Therefore, financial literacy is the initial step in the process of financial inclusion. Financial literacy of the poor and vulnerable groups of society can be promoted through financial education and training. Financial literacy does not refer to formal education in finance. Instead, it encompasses an understanding of how to use credit responsibly, manage money and savings, minimize financial risks and derive benefits from savings (Chakraborthy 2013). A person who lacks financial literacy may not understand the importance of regular savings. Illiteracy, improper financial behaviour and lack of knowledge of the availability of financial services from the formal financial sector make them vulnerable.

The study found that the majority of the Scheduled Caste (SC) households are financially illiterate. Financial illiteracy is leading to financial discrimination, leading to financial exclusion and ultimately leading to financial exploitation. Hence the study suggests improving financial literacy programmes by organizing a bank-linked Intensive Financial Literacy Campaign at least twice in a financial year. During the campaign, the banking officials should disseminate information on family budgeting, money management, banking products and services, interest rates charged by banks, exploitative interest rates charged by money lenders etc. Banks should also set up Credit Counselling Centres to transmit information regarding credit management.

The services of SC Promoters, who are working under the Scheduled Caste Development Department, can also be extended in the field of financial literacy programmes under the guidance of banking officials. Effective steps should also be taken to strengthen the scope of activities of Banking Correspondents (BC), particularly among the marginalized and weaker sections, which may include receipt and delivery of small-value remittance, disbursal of small-value credit, collection of interest and principal, collection of small value deposits etc. Thus, these BCs will play as an effective intermediary of the bank and will bring in the advantage of its outreach to offer banking services to the deprived and vulnerable sections of society. Hence steps should be taken to redesign and reshape the existing products of the formal banking system. Therefore, strategies should be adopted to make financial services hassle-free and reasonable. Then only the strategy of financial inclusion can realize inclusive growth in the country.

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