

# A Pragmatic Study on the Challenges Faced by Rural People of Manipur in Availing and Accessing Financial Products and Services

K. Mayorinmi<sup>1</sup> Dr. S. Sumita<sup>2</sup>

<sup>1</sup>Research Scholar <sup>2</sup>Assistant Professor

<sup>1,2</sup>Department of Commerce

<sup>1</sup>Mahatma Gandhi Central University, India <sup>2</sup>Delhi University, India

**Abstract** — Despite so many developments, with the availability of schemes from the central government whether individually or society as a whole, there are still few people who aren't aware of these schemes and still struggle to their day-to-day living. Even though the government is sanctioning so much funds yet only a few people get access to it. Therefore, in the present paper, the researcher studies on various challenges associated with availing and accessing of financial services. Primary data consisting of 392 respondents is employed for the study. Statistical tools are used to calculate the data collected. The study in addition focused on secondary data gathered from RBI website, their working paper, journals, articles. With graph and figures, the data is interpreted. Studies suggest that the products and services provided should be customer centric, building up of more bank branches in rural areas as people travel more than 4 km to get access to the services and to eliminate long queues. While more awareness camp should be taken up for financial literacy of the people.

**Keywords:** Financial Inclusion, Challenges, Financial Products, Services, Government Schemes, Financial Literacy

## I. INTRODUCTION

Financial inclusion is crucial as economic and social development is strongly intertwined with the financial access of the customer. Financial access is important as it prevents the underprivileged people against unprecedented income shocks, usurious money lender and prepare themselves from unseen emergencies.

On August 15, 2014, the Prime Minister of India announced the Pradhan Mantri Jan Dhan Yojna (PMJDY) scheme, it was initially laid out to reach out the financial exclusive part of our nation, to bring them into the limelight. Zero frills account was opened however data reports show that dormant account has increased sharply. The scheme aimed at improving the lives of the common man and reducing the gap between the rich and the poor with at least the opening of a bank account.

This leads to the study of this paper as to why people not availing the financial services, and to find out challenges faced by the individual in accessing and using the financial services.

However, even in today's scenario there are still people who cannot access or avail the financial products and services. Not because they do not prefer to avail it but they are compelled and excluded for our society due to the difficulties in approaching and for the services as they are not confident in themselves and embrace because of their low income and savings.

This leads to the study of this paper as to why people not availing the financial services, and to find out challenges

faced by the individual in accessing and using the financial services.

The study focuses on finding out the factors determining the obstacles between the financial service provider and the individual. Section 2 briefly surveys the recent literature. In Section 3, the study mentioned research methodology for the study, in Section 4 the study provides a descriptive study of the research, including the summary statistics. In section 5, discussion of the results and last Section 6 brief the study as in conclusion.

## II. LITERATURE REVIEW

Financial literacy, education along with geographical proximities and government benefit plans were the key influential factors for financial inclusion (Bhanot et al. 2012). Excluding the neediest: Poor people are not considered as feasible customers by the banks. The biggest barrier confronted by these people is the attitude of the banking staff toward them. The banking staff are reluctant to provide information about various schemes to these people. They are indeed deemed as clients, propelled upon the banks by the government's regulatory schemes and requirements. According to a Banking Correspondent, "Illiterate customers are not given RuPay cards (Kandpal, 2020).

Dev (2006) has highlighted the vital role of financial inclusion as a strategic means to improve the livelihood of poor farmers and rural enterprises along with various issues and challenges of financial inclusion in India

Duvvuri Subbarao (2009) in his speech at bankers' club mention several challenges faced by customers - lack of access to financial products and services, physical and social infrastructure inadequacy in rural areas, prevalence of huge gap between the service provider and the customer in understanding the terms and bank languages, technology gap; lack of provision, trust issue among others. In addition, lack of awareness, less literacy, unsuitable product and services for the poor are some of the challenges faced by the customer on demand side.

Ravichandran, S., & Murugarathinam, A. (2012) in their paper study factors determining the preference of internet banking in Cuddalore District. A total of 450 bank customer are approach for the study. With time and cost associated with availing traditional banking services, researcher found that e-banking can be better option. Studies found that the demographic factors like gender, age, income, place of access has nothing to do with e-banking. Which means that anyone can access e-banking anywhere. However, technical know-how is necessary to access the financial services.

Richa 2014, explain both opportunity and challenges in providing financial services to customer as well as accessing the financial product and services by the customer.

Financial literacy plays vital role in financial inclusion. Studies also mentioned that customer financially excluded due to cost associated with accessing the product and services. Unable to provide documents, customer finds difficulty in reaching the branch and poor infrastructure facility with long queue and time consuming, income level, language gap, ignorance is bliss is one term that can quote the people of rural areas as they are not aware as well as they lack knowledge and education, they are not aware of the importance of financial products offer by the bank.

Ranjani and Bapat, 2015 - In their paper studies several factors affecting the accessibility of financial services. Factors includes - Hesitant to approach bank it could be any reason from the customer point of view. Documentation, time consuming, cumbersome job. Studies found that respondents are hesitant in approaching banks and find difficulties attaching documents that is required by the bank, bank services take lots of time and it's really a lengthy procedure.

For healthy relationship between the bank and the customer the paper suggests that there the bank should customized their products according to the needs of customer and should be more flexible instead or rigid. The services or loans approvals timing should be optimized and the waiting period should be reduced to minimal time

Ghosh and Vinod (2017) in their paper studies constraints on women in financial inclusion. Studies found that gender plays a significant role in economic development. However, in the study it is found that female is less likely to access to formal financial service as compare to male.

Varghese and Viswanathan (2018) - Studies various factors regarding challenges faced by the customer while availing financial service. Transaction cost is one factor affecting the accessing of financial services as the cost associated with the different charges seems burdensome. In addition, several documents proof and verification seem obligatory to avail financial services. Furthermore, it states that ignorance places a vital role as it obstruct the people from availing the financial services.

### III. RESEARCH GAP

The study provides some interesting insights on the challenges faced by the customer in availing financial product and services. Several literatures on financial inclusion are prevalent. However, literature on challenges faced by customer on ground level have explored household-level perspectives is just a few, especially in rural areas where inclusion is important. So, reviewing of literature still indicates there's still a gap in literature focusing specifically on rural regions like Manipur.

### IV. RESEARCH METHODOLOGY

Both primary as well as secondary data were collected for this study. The primary data are collected through structured questionnaires. Secondary data was gathered from published resources such as journals, government websites, and the Reserve Bank of India. For evaluating the factors affecting the challenges on the customer, data is employed in MS excel for the study.

#### A. Objectives

- To assess challenging factors faced by the individuals in availing, accessing and using of financial product.
- To examine several factors that can bridge the gap between the bankers and customers.

#### B. Data source

Primary data is collected from three districts of Manipur. Depending on the number of rural household population, the study selects Imphal East, Thoubal and Senapati district. Census of India, 2011 is taken into consideration for the study. While secondary data is collected from RBI - working paper of world Bank, research paper, articles and internet documents is used for the study.

### V. DESCRIPTIVE DATA ANALYSIS

A pilot study is rolled out for the study. Cronbach's Alpha test is conducted to check the reliability and validity of the data so collected. The Cronbach's Alpha of standardised items is 0.813. As the value is more than 0.7 the researcher proceeds further for the study. Alpha was developed by Lee Cronbach in 1951 to estimate a measure of the internal consistency and homogeneity of a scale. It is expressed in between 0 and 1.

Sl	Determinants		Respondents
1	Gender	Male	178
		Female	214
2	District	Imphal East	101
		Senapati	181
		Thoubal	110
3	Distance	0 – 1 km	152
		2 – 4 km	70
		4 km and above	170
4	Education	Below 10 <sup>th</sup> standard	201
		12 <sup>th</sup> Standard	73
		Graduate	102
		Post Graduate	16
5	Income	Upto 1.5 lakhs	110
		1,50,001 to 2.5 lakhs	82
		2,50,001 to 5 lakhs	135
		5,00,001 to 7.5 lakhs	41
		7,50,001 and above	24

Table 1: Classification of Respondents

From the above table in classification of gender, it shows that the respondent consists of more female respondent this means that as the researcher approaches door to door for the survey, more of female is available as the state is male dominant and man usually goes out to work for their survival.

Respondents with respect to district is calculated as per population census 2011. And according to the taluks, equal weightage is given to all the districts.

Regarding the distance between the customer and the bank branch or ATM, the data showing, more customer belonging to 4 km and above. This means that even though if the customer wants to access financial services, customer finds difficulty in reaching the branch or ATM, on due time customers were ask to come next day due to power cut and non-availability of concern authority.

In respect to education, the respondents were comprised from below 10<sup>th</sup> standard, they were reluctant and hesitant for the survey. Not having proper knowledge and education makes the situation worsen. This is the long run makes them financially excluded and make Manipur the least financial included among the state of India.

As in the case with Income level, there are still lots of people whose earnings is below 1.5 lakhs which makes them find difficulties in meeting day to day life. Data shows that there are very less people in rural areas with earnings more than 5 lakhs.

## VI. DISCUSSION AND INTERPRETATION

The researcher considers several factors to study the challenges faced by the people in rural areas.

Figure 1 to 13 shows different kinds of challenges and their ratings. The questionnaire is structured through Likert scale ranging 1 to 5. Where 1 implies strongly disagree, 2 means disagree, 3 means neutral, 4 implies agree and 5 signifies strongly agree.

In figure 1 the respondent was asked whether they are able to read the bank related terms and conditions and able to fill any paper work. Half of the respondent responded that they are able to read and write while 113 and 40 respondents filled as agree and strongly agree that they find difficulties in reading and writing.

In figure 2, respondents were asked regarding their difficulty level in understanding banking related terms, out of totalled 392, a maximum of 126 respondent opt for “agree” in the sense that they find difficulty in bank related terms.

In figure 3, the respondents were asked about their experience with the bank, 124 and 118 respondents opted agree and strongly agree that the service provided by the bank is really poor.

In figure 4, when asked about the waiting time and process associated with service rendering, 134 opt for disagree which means that they did not wait for the services however, 126 opt for agree which means they have waited for a long time while rendering service or product.

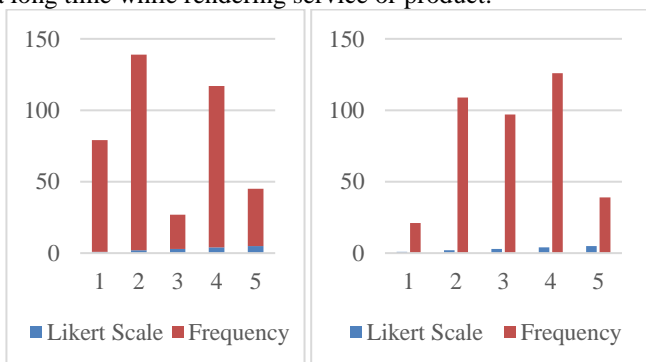


Fig. 1: Unable to read and write

Fig. 2: Having difficulties in understanding banking terms

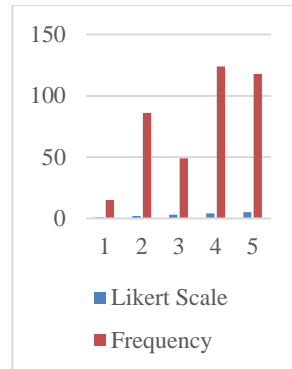


Fig. 3: Poor functioning

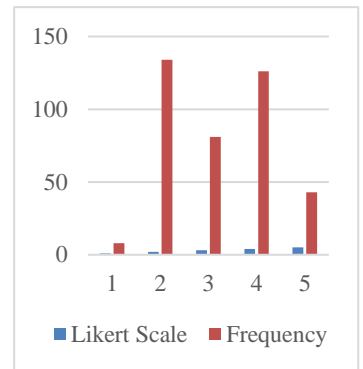


Fig. 4: Lengthy Process

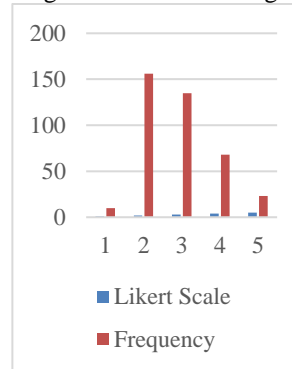


Fig. 5: Too much bank charges

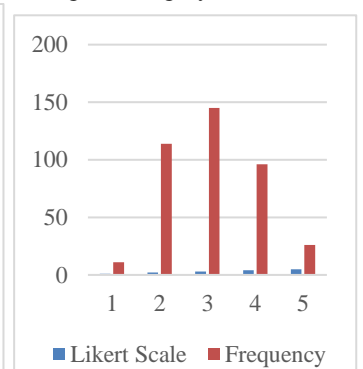


Fig. 6: Bank staff not helpful

In figure 5 and 6 the customer find that it is inappropriate in saying that bank charges too much and does not show interest in providing services. However, while asking about the opinion on bank staff helpfulness, they are reluctant to give the answer and go for neutral.

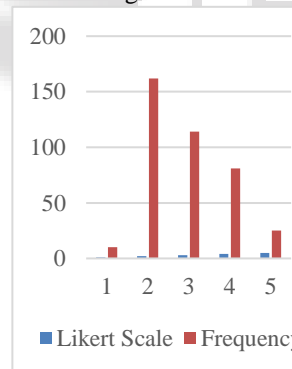


Fig. 7: Too much paper work

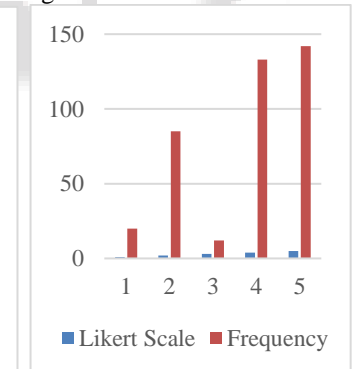


Fig. 8: Limited bank branches

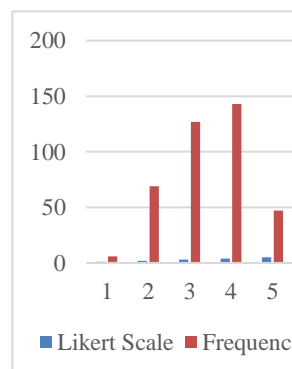


Fig. 9: Long waiting

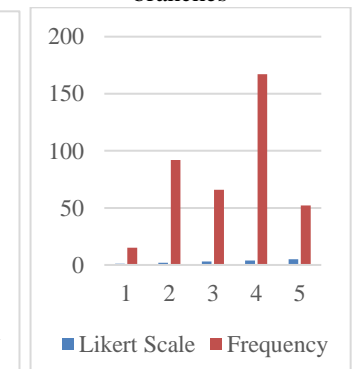


Fig. 10: Not sufficient Staff

In figure 7, 162 respondents find challenges in completing the documentation, while in figure 8, 133 and 142 respondent each agree and strongly agree for the limited bank branch near them. And finds difficulty in reaching the branch as most of the rural areas have a distance of more than 4 km between the bank and the customer.

In figure 9, maximum people finds that the waiting period for their turn is a hectic one, as people often goes to bank even before the bank opens to avoid the long queue. Which also signifies that there is not enough bank branch and shortage of bank staff as indicated in figure 10.

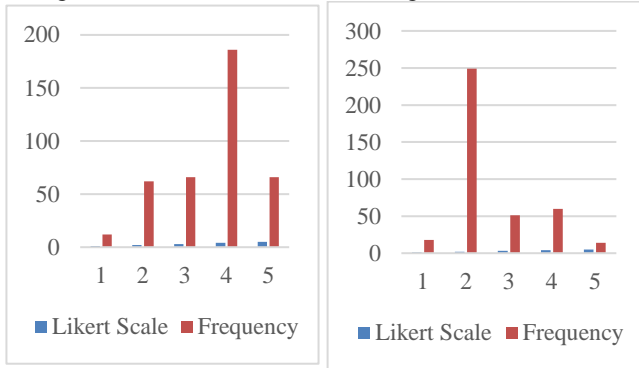


Fig. 11: Not providing adequate information

Fig. 12: Asked to come following day

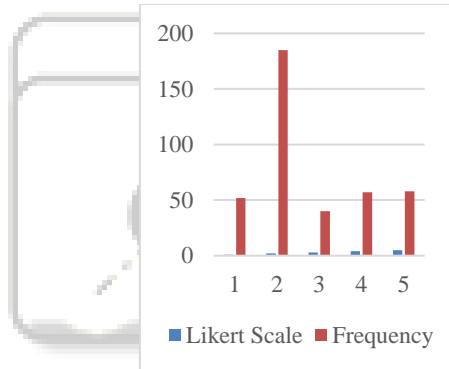


Fig. 13: Finds awkward to avail banking services due to low saving account

In figure 11, 186 out of 392 finds that the bank staff are not helpful in creating awareness of several government schemes. While in figure 12 and 13 customer finds that they disagree that they were asked to come next day for the service, and awkward to avail financial services due to low income.

#### VII. REGULATORY INITIATIVES TAKEN TO STRENGTHEN FINANCIAL INCLUSION

- 1) No-frills accounts: No-frills accounts are with Zero/ very minimal balance. Allowing customer to access small overdrafts in such accounts. It allows financially excluded individuals to access banking services without any cost for saving and credit facility in overdraft.
- 2) Relaxation on know-your-customer (KYC) norms for opening of no-frill accounts: In August 2005, the government of India made relaxation on Strick KYC requirements for opening bank accounts for small saving accounts
- 3) Introduction of General Credit Cards and Kisan Credit Cards: Banks were asked to provide a general-purpose

credit card facility up to Rs 25,000 at their rural and semi urban branches

- 4) Business correspondents (BCs) and Business Facilitators (BFs) Model with use of ICT and micro credit: With effect from September 2010, the BC model permits banks to provide delivery of services at their doorsteps for the convenience of the customer, especially cash-in cash-out transactions with biometrics, safeguarding the security of transactions.
- 5) SHG Bank linkage programme: Self-Help Groups (SHG) and Joint Liability Groups (JLG) credit linkage by Commercial Banks has made major intervention in bringing low-income people into the banking stream.
- 6) Financial inclusion plans: The Reserve Bank of India advised all Commercial banks to submit a board-approved, three-year financial inclusion plan (FIP) starting April 2010.
- 7) Creation of funds for Financial Inclusion: For meeting and adjusting the expenses of development, and technology interventions, Central Government created Financial Inclusion Fund and Financial Inclusion Technology Development Fund.
- 8) Banking services in unbanked villages (2,000 population or more): Banks were directed to draw up a road-map to facilitate banking services in every unbanked village having a population of over 2,000 by March 2012.
- 9) Consolidation of Regional Rural Banks (RRBs): To make it more feasible in functioning, the Central Government has rolled out a major consolidation exercise among RRBs.
- 10) Simplified branch authorization: In December 2009, RBI permitted commercial bank to open branches with population having less than 50,000 underneath general authorization subject to reporting. In addition, in North-eastern region, to deliver electronic fund transfer freely to their customer, RBI in 2009, launched Satellite Connectivity Scheme to provide 100% subsidy to bank branches amounting to ₹12,000/- per month or actual expenditure, whichever is less.
- 11) Opening of branches in unbanked rural centres: To improve banking penetration, and strengthen financial inclusion, more branches are to be opened in unbanked rural centres.

#### VIII. CONCLUSION

For financial inclusion, banks ought to render low-cost, customer-oriented innovative products which would be affordable and suitable as per customer's needs. Even though government are taking actions on the issue, strict surveillance is necessary to achieve the expected output. In the present paper, several factors are considered to study the challenges faced by the customers. Study suggests that the bank should used simple words for the better understanding of the customer, the banks should show adequate concerned to the customer as customer is the king, and try to eliminate long queue, by employing more staff or more of kiosk. In addition, customer finds difficulty in reaching the branch - so building up of more bank branches or ATMs is need of the hour whether profitable of not. Last but not the least more

campaign or awareness camp associated with financial literacy should be frequently encouraged.

#### ACKNOWLEDGE

The authors declare that there is no conflict of interest.

#### REFERENCES

- [1] Aportela, F. (1999). Effects of Financial Access on Savings by Low Income People. Public Finance. <http://www.lacea.org/meeting2000/FernandoAportela.pdf>.
- [2] Bhanot, D., Bapat, V. and Bera, S. (2012). "Studying financial inclusion in north-east India". *International Journal of Bank Marketing*, 30(6), 465-484.
- [3] Cronbach, L. (1943). On estimates of test reliability. *Journal of Educational Psychology*, 34(8), 485 - 494
- [4] Clámara, N., Peña, X., & David, T. (2014). Factors that matter for financial inclusion: Evidence from Peru. BBVA Research, Working Paper No. 14/09 Madrid, 1–26. <https://doi.org/10.5605/ieb.10.1>
- [5] Dabla-Norris, E., Ji, Y., Townsend, R., & Unsal, D. F. (2015). Identifying constraints to financial inclusion and their impact on GDP and inequality: A structural framework for policy. *IMF Working Papers*, 15(22), 1. <https://doi.org/10.5089/9781498381598.001>
- [6] Desmond, T., and Sprenger, C. (2007). Estimating the cost of being unbanked. *Communities and banking*. Federal Reserve Bank Boston, 24-26
- [7] Dev, S.M. (2006). "Financial inclusion: issues and challenges". *Economic and Political Weekly*, 41(41), 4310-4313.
- [8] D. Subbarao, Governor, Reserve Bank of India at the Bankers' Club in Kolkata on December 9, 2009.
- [9] Ghosh, S., & Vinod, D. (2017). What constrains financial inclusion for women? Evidence from Indian micro data. *World Development*, 92(C), 60–81. <http://dx.doi.org/10.1016/j.worlddev.2016.11.011>
- [10] Global Microscope (2015) The enabling environment for financial inclusion, The Economist, Intelligence unit
- [11] Kandpal V. (2020). Reaching sustainable development goals: Bringing financial inclusion to reality in India. *Journal of Public Affairs*. e2277. <https://doi.org/10.1002/pa.2277>
- [12] K C Chakrabarty (2011) Financial inclusion – a road India needs to travel. Published on [www.livemint.com](http://www.livemint.com)
- [13] Meshram Pradnya, P., & Abhijeet, R. (2015). A survey and study of an awareness of financial inclusion in an around Pune City. *Pune.*, 3(5), 327–333
- [14] Ranjani, K., & Bapat, V. (2015). Deepening financial inclusion beyond account opening: Road ahead for banks. *Business Perspectives and Research*, 3, 52–65. <https://doi.org/10.1177/2278533714551864>
- [15] Richa, A. (2014) Financial Inclusion in India: Challenges and Opportunities, *International Journal of Research* 1(4), 557-567.
- [16] Sakariya, S. (2013). Evaluation of financial inclusion strategy components: Reflections from India. *Journal of International Management Studies*, 13(1), 83–92.
- [17] Sanghera, T. (2019). Banking in India: Why many people still don't use their accounts. *Al Jazeera*. <https://www.aljazeera.com/ajimpact/banking-india-people-don-accounts-190621093947054.html>
- [18] Sakariya, S. (2013). Evaluation of financial inclusion strategy components: Reflections from India. *Journal of International Management Studies*, 13(1), 83–92.
- [19] Varghese, G. and Viswanathan, L. (2018) Financial Inclusion: Opportunities, Issues and Challenges. *Theoretical Economics Letters*, 8, 1935-1942. <https://doi.org/10.4236/tel.2018.811126>