

ANALYSIS OF PERCEPTIONS AND ATTITUDES OF RURAL  
PEOPLE TOWARD BANK PERSONNEL AND PROVISION OF  
BANKING SERVICES TO POOR AND TOWARD FINANCIAL  
INCLUSION PROCESS IN INDIA WITH SPECIAL REFERENCE TO  
INDORE DISTRICT

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**Abstract:**

The problem of financial inclusion addresses the ‘involuntary excluded’, as they are the ones who, despite demanding financial services, do not have access to them. This paper attempts to present the perceptions and attitudes of bank personnel toward provision of banking services to poor and toward financial inclusion in Indore district. The findings of study indicate the negative approach of banking personnel towards covering rural people to access the formal financial services.

**Keywords:** Financial inclusion, financial services, Perceptions, Attitudes, Bank Personnel.

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## 1. Introduction:

The opening of No-frills Accounts is fast emerging as a crucial policy initiative. The Committee on Financial Inclusion, headed by **Dr. C. Rangarajan**, Chairman of the Prime Minister's Economic Advisory Committee, recommended that each semi-urban/rural bank branch open roughly 250 bank accounts annually which, if successful, would result in approximately 11.5 million accounts across the country. As of September 2008, approximately 15.8 million bank accounts have already been opened as part of the drive. To achieve 100% financial inclusion, however, an additional 584 million accounts will need to be opened ('RBI asks banks to offer credit through no-frill accounts', **The Economic Times, 12 September 2008**). Given these developments, it is both timely and pertinent to examine the implementation of the drive, the utility of accounts to users, and levels of usage.

The Report viewed financial inclusion as a comprehensive and holistic process of ensuring access to financial services and timely and adequate credit, particularly by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial inclusion, therefore, according to the Committee, should include access to mainstream financial products such as bank accounts, credit, remittances and payment services, financial advisory services and insurance facilities. Several steps have been taken by the various banks, NGOs and government to bring the financially excluded people to the fold of the formal banking services. The cent per cent financial inclusion drive is progressing all over the country. The financial inclusion in rural areas is necessary and profitable for banking sectors

## 2. Review of Literature:

**The European Commission Manuscript 2008** stated that financial products/services will be considered appropriate when their provision, structure and costs do not lead the customer to encounter access and/or use difficulties. These difficulties are caused by the characteristics of the products and the way they are provided. The confidence that customers derive from the use and access of financial services is one of the factors of financial inclusion. The nature of financial services and products is more of a motivating factor of usage of such products and services than many other factors.

By differentiating, one is trying to make the quality of service provided to stand out of the ordinary. **Zineldin (1996, cited in Jama M.H 2010)** said that banks need to focus on acquiring and maintaining their market value by making sure that threats are not encountered by their competitors. All banks have to realize that they have to maximize all possible benefits of their customers. One way of doing this is by improving the quality of the services and products rendered. He also stated that the banks that are likely to fail are those that don't consider or prepare themselves to generate a competitive spirit and to develop those differentiated strategies to make their position in the market stronger.

### **3. Rationale of the Study:**

A general unwillingness by the bank staff to open 'no-frills' accounts for persons of small means and none of the branches the staff are in a position to offer any guidance in case the prospective customer was not in a position to produce required documents in proof of identity and address. As a result, the weaker sections of India hesitate to take part in financial inclusion and help to increase economic growth of the country. From the attitude and behavior of bank personnel feel that implementation of financial inclusion initiative is a nuisance and treat low income households as an intrusion in to their time and their personnel's perceptions and attitudes toward financial inclusion initiatives and toward provision of credit to the poor people. The present article has made an attempt in this regard.

### **4. Objectives of the Study**

1. To analysis the perception of rural people regarding banking services and their satisfaction level.
2. To study the factor affecting the access/use of financial services in rural area of the Indore district.

### **5. Research Methodology**

A descriptive study and insight on a phenomenon, the research aims at shedding light on the various factors of consumer behavior in access and use of financial services. The research was also made use of quantitative values in describing the phenomena of the study, thereby making it a mixed methodological approach. Multistage sampling (stratified) sampling method is adopted

since the sampling area and sample size are large and more overly the targeted group i.e., vulnerable size is not precise. Hence convenience sampling method used to select the respondents belonging to vulnerable group based on the income earned by them. A well structured questionnaire with 5 point scale and two, four and five option is used to collect the responses using scheduling method for the illiterates and educational qualification in primary level respondents. Questionnaire method is used for respondents whose education level is secondary and university level. The sample size selected for the analysis and inference was 1650 respondents. SPSS [17] and MS Excel 2007 were used to analyze the data and draw the interpretation.

## 6. Findings of the Study

The internal consistency of the data has been checked through Cronbach Alpha test. The commonly accepted rule of thumb regarding the minimum score of Cronbach Alpha is 0.70 (Nunnaly 1978; Cortina 1993; Netemeyer, Bearden, and Sharma, 2003). In the present study the value of Cronbach Alpha is found to be 0.811 which is satisfactory enough to precede the study. Kaiser-Meyer-Olkin (KMO) is an index to identify whether sufficient correlation exist among the variables has checked the sampling adequacy or not. It compares the magnitudes of the observed correlation coefficients with the partial correlation coefficients. The minimum acceptable value of KMO is 0.50. In the present study the value of KMO is found to be 0.566.

To measure strength of relationship among variables of population correlation matrix Bartlett's test has been employed. The maximum acceptable value of the test is 0.05. In the present study Bartlett's value is 0.000 which is satisfactory one to precede the study. This obviously suggests that the use of a factor analysis for the dataset is appropriate. Since Cronbach's alpha has a theoretical relation with factor analysis, the study used this reliability test. As shown in (Zinbarg, Revelle, Yovel, & Li, 2005), alpha may be expressed as a function of the parameters of the hierarchical factor analysis model which allows for a general factor that is common to all of the items of a measure in addition to group factors that are common to some but not all of the items of a measure.

Variables	Table-1						
	Component Matrix						
	Component						
	1	2	3	4	5	6	7
VAR00001	.407	-.544	-----	-----	-----	-----	-----
VAR00002	.694	-----	-----	-----	-----	-----	-.405
VAR00003	.505	.494	-----	-----	-----	-----	-----
VAR00004	.820	-.059	-----	-----	-----	-----	-----
VAR00005	.880	-----	-----	-----	-----	-----	-----
VAR00006	.784	-----	-----	-----	-----	-----	-----
VAR00007	-----	-----	-----	.519	-.581	-----	-----
VAR00008	.531	-----	-----	-----	-----	-----	.526
VAR00009	-----	.552	-----	-.554	-----	-----	-----
VAR00010	.418	-----	-----	-----	-----	.610	-----
VAR00011	-----	-----	.685	-----	-----	-----	-----
VAR00012	.608	-----	-----	-----	-----	-----	.499
VAR00013	.583	-----	-----	-----	.466	-----	-----
VAR00014	.562	-----	-----	-----	-.420	-----	-----
VAR00015	.604	-----	-----	.406	-----	-----	-----
VAR00016	-----	-----	.696	-----	-----	-----	-----
VAR00017	-----	.615	-----	-----	-----	-----	-----
VAR00018	-----	-----	-----	-----	-----	-----	-----
VAR00019	.538	-----	-----	-----	-----	-----	-----

**Source: Researcher's Calculation from Primary Data**

Extraction Method: Principal Component Analysis.

a. 7 components extracted.

Table-1 demonstrates the rotated component matrix on the basis of varimax criterion with Kaiser Normalization method. Rotated component matrix is a matrix of the factor loadings for different variables onto each factor. It represents the correlation of specific variable with different factors.

Table-2

Variables	Rotated Component Matrix						
	Component						
	1	2	3	4	5	6	7
VAR00001			.739				
VAR00002	.926						
VAR00003		.776					
VAR00004	.551	.429	.499				
VAR00005	.526	.451			.435		
VAR00006	.807						
VAR00007							.850
VAR00008				.785			
VAR00009		.926					
VAR00010					.808		
VAR00011						.892	
VAR00012				.771			
VAR00013	.568	.418					-.409
VAR00014		.471					.482
VAR00015	.412				.628		
VAR00016						.897	
VAR00017			-.663				
VAR00018				.452			
VAR00019			.756				

Source: Researcher's Calculation from Primary Data

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

Rotated component matrix reveals that out of total 19 variables five variables load highly onto one factor and remaining fourteen variables load on two or more factors. The entire rotation process has been converged in eight iterations and has resulted into seven factors. These factors may be summarized as follows:

**The Seven Factors:**

**Factor 1: Bank's Employees and Distance to the bank:**

It comprises of 5 variables viz., distance to the bank is cost incentives, bank employees' attitude and behavior, financial institution's interest in your problem, reasonable interest on loan and availability of ATM.

**Factor 2: Branch working time and Customers confidentiality:**

It includes 2 variables viz., Confidentiality about customer account information and

**Factor 2: Branch working time and Customers confidentiality:**

It includes 2 variables viz., Confidentiality about customer account information and branch timings.

**Factor 3: Overall satisfaction with Bank's services:**

It includes 3 variables namely services provided by your bank, flexible term on small saving, and overall satisfaction.

**Factor 4: Competitive banking products/schemes:**

It comprises of 3 variables viz., competitive banking products/schemes, quick access to your deposit/loan account and maximum Interest on savings.

**Factor 5: Bank charges:**

It comprises of 2 variables viz., bank charges and mobile banking services.

**Factor 6: E- banking services:**

It comprises of 2 variables viz., banking procedures like documentation and identification and Internet banking services.

**Factor 7: Education given by the banks:**

It comprises of 2 variables viz., education given by the banks and Insurance services.

The component transformational matrix of these components may be shown as follows:

**Table-3**

**Component Transformational Matrix**

Component	1	2	3	4	5	6	7
1	.668	.441	.284	.374	.316	.042	.194
2	-.112	.595	-.593	-.317	.090	.288	.302
3	-.021	.057	.500	-.211	-.342	.765	.012
4	.168	-.641	-.282	.105	.400	.439	.343
5	-.013	.101	-.189	.145	.354	.328	-.837
6	-.536	.106	.444	-.149	.673	-.055	.158
7	-.474	.128	-.080	.813	-.191	.167	.166

**Source: Researcher’s Calculation from Primary Data**

The scores of factor analysis may further be utilized to have regression analysis and ANOVA which has been discussed in next paragraph.

**5.3.3.1 Regression analysis and ANOVA:**

The study employs regression analysis and ANOVA to test the strength of relationship of overall satisfaction (dependent variable) with RGER factor scores (independent variables). The results of this analysis may be studied through table no.4 and 5.



**Table-4**

**Results of Regression analysis and ANOVA**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.930	.865	.864	.20770	.865	581.104	18	1631	.00

**Table-5  
ANOVA**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	451.231	18	25.068	581.104	.000
	Residual	70.360	1631	.043		
	Total	521.591	1649			

**Source: Researcher’s Calculation from Primary Data**

Note: a. Dependent Variable: Overall Satisfaction

- b. Predictors: (Constant), REGR factor score 7 for analysis 1, REGR factor score 6 for analysis 1, REGR factor score 5 for analysis 1 REGR factor score 4 for analysis 1, REGR factor score 3 for analysis 1, REGR factor score 2 for analysis 1, REGR factor score 1 for analysis 1

The above table apparently exhibits that the regression model developed is significant at 5% level of significance (as the value of  $F$   $0.00 < 0.05$ ). The value of R square is 0.77 (i.e.  $> 0.40$ ) which is satisfactory for defining the positive strength of relationship between overall satisfaction and other independent variables.

## **ANOVA between relationship of overall satisfaction with banking services and financial inclusion/exclusion**

H01: Relationship of overall satisfaction with banking services does not have significant impact on financial inclusion and exclusion.

H1: Relationship of overall satisfaction with banking services has significant impact on financial inclusion and exclusion.

The above table apparently exhibits that the regression model developed is significant at 5% level of significance (as the value of  $F$   $0.00 < 0.05$ ). The value of  $R$  square is 0.865 (i.e.  $> 0.40$ ) which is satisfactory for defining the positive strength of relationship between satisfaction reply overall and other independent variables. So we reject null hypothesis  $H_0$ , and accept the alternate hypothesis  $H_1$  that is relationship of overall satisfaction with banking services have significant impact on financial inclusion and exclusion.

### **Objective -1**

The results as arrived after data analysis revealed that the people in rural area was not much satisfied with the quality of services provided by the banks and financial institution in their villages or nearby. In addition, the correlation establishes links between cost, problem solving, distance, banking service, timing, and procedure and satisfaction level of villagers. What was lacking is some affirmative view, uncertain repayment capacities and high transaction costs mean formal financial institutions were often reluctant to lend to the rural poor. Conversely, a high transaction cost in dealing with banks was also incurred by clients, through, e.g. lengthy, cumbersome and potentially ignominious procedures. Negative attitudes towards poor clients appeared to be an important component of such transaction costs.

Undoubtedly banking is a strong catalyst for the economic development and in order to enhance the propensity to use banking as a primary channel, it must be tailored suiting to the need of the customers. The present study analyzed the impact of financial inclusion on rural development in the Indore district and for that factor affecting the access/use of financial services in rural area of the study district is studied. Level of satisfaction of rural households from 19 variables related to the qualitative aspects of banking. The study found that rural households are quite satisfied with the provisions of updating, accuracy of transactions and convenience. However, they were not

found to be much satisfied with the employees' attitude and behavior and also bank employees reply in case of fraudulent attack by unauthorized person or error by bank. Further they expect better services should be provided for differently able persons. The study found that more than 61% of surveyed population comprises of non-graduates and approximately 79% feel uncomfortable in transacting with internet-banking because of language problem. Therefore, in order to enhance the propensity to use e-banking channels in rural areas the use of regional languages during transactions should be promoted as well as publicized. In the present study the rural households are also more satisfied with the services like mobile banking and ATM.

In the present study, it may be concluded that rural people perceptions towards the financial services are not satisfactory with the quality of services provided to them. Service agents in the Indore district are not helpful and respectful but use to make false commitments. Service agents do not want to travel to far flung areas & don't like to resolve irrelevant queries made by rural people. And at the same time they should try to build the cordial relations through strong commitment with their customers for larger market share and strong customer base. Bank employee's behavior and attitude is not satisfactory in the rural area towards rural households. However, in the present study the respondents were not satisfied with the quality of services provided by their financial institutions. The rural households put forth the following reasons:

1. Lengthy procedure
2. Communication too technical to understand.
3. Problem of attitude and behavior of bank employees.
4. Lack of time to explain by bank officials.

### **Objective -2**

Our analysis shows that in Indore district the most important barrier or factor for access to financial services is lack or variability of income, and the determinants are basically factors of vulnerability such as, bank employees' attitude and behavior, financial institution's interest in your problem, overall satisfactory and availability of ATM is also associated with this. The second most important factor and its variables for Indore district is products which are offered by your bank and branch timings. The third factor and its variables are services provided by your bank, flexible term on small saving, and reasonable interest on loan. The fourth factor and its

variables are competitive banking products/schemes, quick access to your deposit/loan account and maximum Interest on savings. The fifth factor and its variables are bank charges and Mobile banking services. The sixth factor and its variables are banking procedures like documentation and identification and Internet banking services. The seventh factor and its variables are education given by the banks and Insurance services. However, it may be concluded that factor 1 is most prominent factor among all the seven factors to influence the overall satisfaction of rural customers from banking services.

## 7. Conclusion

The objective of financial inclusion is to provide access to financial services to all the people in a fair, transparent and equitable manner at an affordable cost. There is no sincere attempts have been made by the bankers and others agencies in the district of Indore, in a campaign mode approach to cover many BPL people hitherto uncovered under basic banking services. However, the present study has revealed certain facts, which may demotivate government agencies like RBI which have struggled hard to bring some tangible changes in the lives of underprivileged people. We have to understand the field reality and work towards full achievement of the committed goals than becoming complacent. One should not be deluded by the percentages of financial inclusion attained in the district as reported by the media in the recent past. The moot question is how many BPL people are covered through provision of basic bank

The study revealed that the demand of the core service (i.e. banking and financial services) along with the hardships faced by the population in availing such services through existing channels of delivery as prime drivers for adoption of financial services among the rural under-banked. On the other hand, employee's behavior and attitude, documentations and low technology readiness was found to be the prime bottlenecks in adoption of such services. In addition, perceived financial cost is also a matter of concern among the rural people. Such bottlenecks could be removed / reduced through increased awareness and usage among the peers.

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