

## "BANKING SERVICES TOWARDS URBAN POOR IN NAVI-MUMBAI CITY AND ITS CHALLENGES ON FINANCIAL LITERACY IN THE GLOBAL SCENARIO"

**Prof.Vijayan Ramamoorthy\***

B Sc, M Com, LLM, FCA

**Prof.Sunil Bapu Kadam\*\***

M Com, M Phil.

### **Abstract:**

Banking is an important agency for fostering the Economic Development of a developing country like India. The main objective of Indian economic policy is "economic growth with social justice". This involves balanced growth, prevention of concentration of economic power, direction of the flow of resources towards underdeveloped regions and economically weaker-sections of society and promotion of employment opportunities and improvement in the quality of life. It is common knowledge of that a very large percentage of the population reside in urban areas. However the services offered by the banking system is woefully inadequate and is unable to reach the financially illiterate people living in urban areas. This study attempts to gather data on this issue from people living in Navi Mumbai City. This study attempts to bring to light the reach as well as the efficacy of the banking services in relation to the urban poor living in Navi Mumbai City. The study is mainly based on primary data.

\* Assistant Professor and HOD – Department of Accountancy, N G Acharya & D K Marathe college, Chembur, Mumbai - 400 071, India.

\*\* Assistant Professor Department of Accountancy, N G Acharya & D K Marathe college, Chembur, Mumbai - 400 071, India.

**Introduction:**

It is imperative that The Banking system in India should not only be hassle free but it should also be able to meet the various challenges posed by the ever changing technological improvements together with any other new external or internal factors. The Indian Banking System has several outstanding achievements to its credit, the most important being the extensive reach made by the banking industry, by reaching out to customers even in the rural regions of India. The majority of the urban poor people live in Navi Mumbai City. It is because of this that the urban poor's socio economic problems has became a major issue to be tackled by the Government of Maharashtra. It is in this context that the Banking system has been found wanting in ensuring adequate reach to all the financially illiterate people living in Navi Mumbai City.

The First Bank in India was established in the year 1786. The journey of the banking sector from 1786 till today can be easily segregated into three distinct Phases:

- The First Phase from 1786 to 1969.
- The Nationalization Phase and upto 1991 before reforms were introduced in the Banking Sector.
- The Third Phase Characterized by the advent of Indian Financial & Banking Sector reforms after 1991.

The area of the study selected is Navi Mumbai. It is one of the fastest developing modern cities in the country, which is well-planned with various infrastructure facilities. According to the Navi Mumbai Socio – Economic Survey -2005 report prepared by Kirloskar Consultants at the behest of CIDCO reveals that Navi Mumbai is a cosmopolitan modern and literate city, slowly earning the reputation as the emerging educational capital of India. The present research proposal aims to give an insight into the level of customer's satisfaction with the services provided by bank. This article also tries to indentify the customer's opinions / expectation via-via the services provided by the bank.

**Objectives of the Study:**

This study lays emphasis on the various banking services provided to the urban poor on various parameters like awareness of banking services, impact of technology, impact of no frill account, mobile banking services, inclusive financial growth and the impact of reforms in banking services. The following are the main objectives of this study:

1. To study the awareness of urban poor people about the banking services.
2. To know the status of inclusive financial growth in the study area.
3. To examine the status and impact of the drive of no frill account in the selected area.
4. To understand the role played by technology in banking services in the area of study.
5. To assess the satisfaction or otherwise of the urban poor people in relation to the various services provided by the bank.

**Statement of the Study**

The present study makes an attempt to focus on the opinion of the population in relation to the various banking services provided in Navi Mumbai City. In particular to find an answer to the following:

- a) Whether urban poor customers are satisfied with the banking services as available today?
- b) What is the level of understanding of the customers as regards banking services?
- c) Whether the customers avail of the various new facilities provided by the banks to the fullest level?
- d) Whether the staff of the various banks are actually delivering the services in an efficient manner.

**Review of Literature:**

Narendra M. Executive Director, Bank of India (2009) in his speech on 20<sup>th</sup> Skotch Summit Report, stated that the urban poor should be brought into the mainstream of finance through financial education and awareness/ accessibility to the system.

Lani C.Villanueva (2009) in his article, "The struggle for the city: The new character, Approaches and Agenda of urban poor movements in Asia" has lamented on the poor living style of the poor in the city.

Dr.C.Rangarajan (2008) in his report on "Committee on Financial Inclusion", in NABARD, has stated that 50% of the households financially excluded will be covered by year 2012 and the remaining households to be covered by the year 2015. The Committee has further suggested opening of specialised microfinance branches/ cells in potential urban centers to exclusively cater to micro finance and SHG – Bank linkages requirements of the urban poor.

Manohara Raj .K Vice President of HDFC Bank (2006) Business Line, has advanced loan of Rs.60000/- each to 20 beggars, based on the recommendations of an NGO and has also recommended that the same facility be extended to dacoits and sex workers.

UN Millennium Summit in September 2000 reported that by 2020, a significant improvement in the lives of at least 100 million slum dwellers would be achieved, as proposed in the cities without slum (CWS) initiative.

Prof. Muhammad Yunus (2010) the founder of "Grameen Bank" and its Managing Director, has taken the lead to reverse conventional banking practice by removing the need for collateral security and has created a banking system which is based on the principles of mutual trust, accountability, participation and creativity.

S.G. Patil (1995) in his study titled "Urban co-operative banks priority sector lending: an evaluation", has emphasised that urban co-operative banks today lend at 60% level to the weaker section of the society even after facing number of problems and challenges in lending to the weaker section

### **Research Methodology:**

This study is based on primary and secondary data. Primary data is collected directly from the respondents by the use of structured questionnaire. The secondary data is collected from published books, unpublished books, Journals and News papers.

A total of 100 questionnaires has been used to collect data from the respondents and after scrutiny only 92 questionnaires were usable for the purpose of analysis of data. After considering the parameters like age, income, education and occupation etc the answer given by the respondents have been utilized to establish the relation among the variables by preparation of percentile table and the final analysis and interpretation has been made on the basis of percentages.

### Hypotheses of the Study:

1. Urban poor people are not fully aware about the various services offered by the bankers.
2. The drive of no frill account has made little or no impact on the economic life of the urban poor people.

### Limitations of the Study:

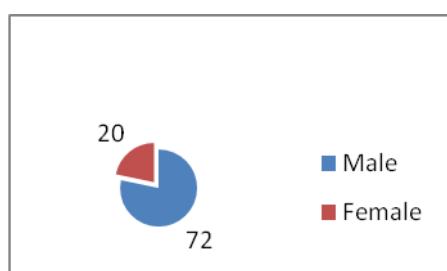
The area of this study is restricted to only Navi Mumbai city. Though the bank provide various services to its customers, this study concentrate only on the services provided to the urban poor people in the Navi Mumbai City. Further, since the urban poor people are scattered over a large area, the researcher has collected the sample on a random basis from the urban poor respondents.

### Data Analysis:

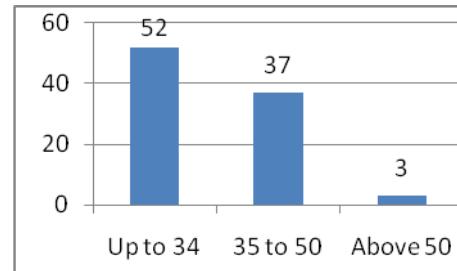
#### I-Background Information:

The background information of the study contains the details regarding the respondents such as age, education, income, occupation etc. The following tables show the frequency number and the corresponding percentages for the same.

Distribution of Respondents by Gender



Distribution of Respondents by Age

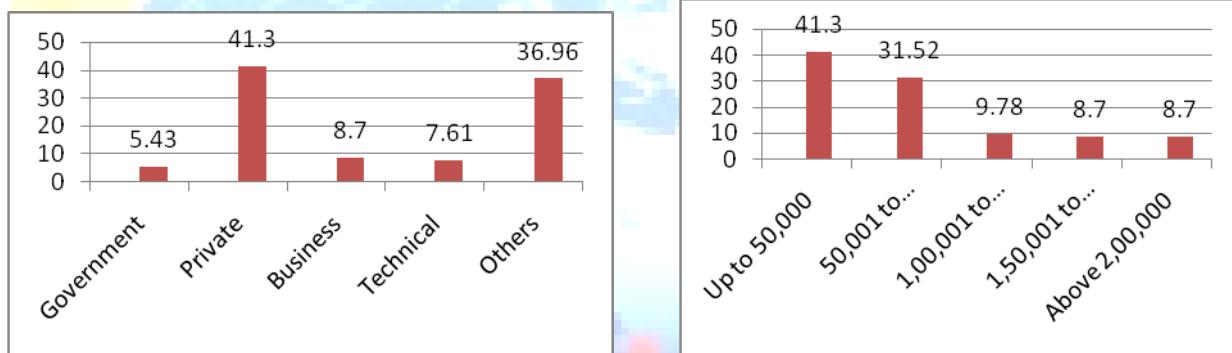


Source: Field survey

From the above figure, it is clear that out of the 92 respondents only 20 female members responded. Male members freely contributed their views as compared to Female members. The researcher made an attempt to collect information from the females, however the researcher found that the women were hesitant to give information on banking services.

A reference to the above paragraphs reveals interesting information Respondents upto the age 34(52) dominate, followed by age group of 35 to 60 (67) and in the age group of above 50 there are only 3 respondents. This leads to an inference that the respondents above the age of 50 are totally dependent on their children.

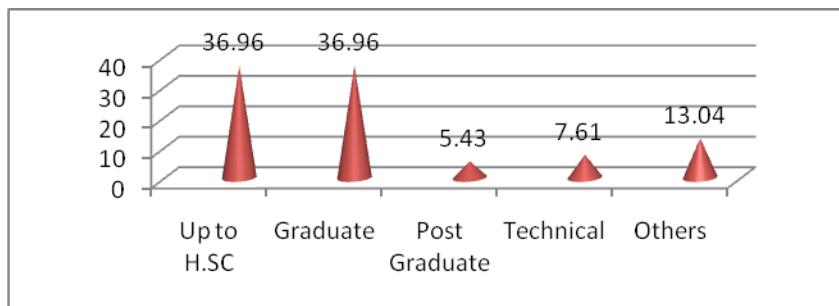
#### **Distribution of Respondents by Occupation:      Distribution of Respondents by Annual Income:**



Source: Field survey

The analysis of the above table reveals the following:

- As far as distribution of respondents on the basis of occupation, people employed in private organizations dominate (41.3%) followed by the category “Others” (36.9%) This category covers students, home makers as well as aged people.
- As far as distribution of respondents on the basis of annual income, respondents having income upto Rs.50000/- dominate (41.3%) followed by the respondents in the income slab of Rs.50001/- to 100000/- (31.2%) this indicates that the income distribution amongst the respondents is very low.

**Distribution of Respondents by Education:**

Source: Field survey

On the basis of distribution in terms of education, the above tables reveals that they can be classified into the five groups. The first two group's i.e. upto HSC and upto Graduate level share the same position (36.96%). It is clear from the above table that the remaining three group's i.e. Post Graduate, Technical and Others contribute very little as compared to first two categories.

**Data Analysis:****Banking Services Awareness:**

Urban poor people who live in slum and small village area are aware about the basic banking services offered by the banks. However they are not aware of Banking Services like no frill account and loans under concessional rate etc. Banking services around the world show their correlation with measures of outreach and explore their association with bank. Barriers such as minimum account balances, account fees and required documents are associated with lower levels of banking outreach.

**Distribution of respondent's awareness:**

Response	Yes	No	Total
Frequency (%)	75%	25%	100%

Source: Field survey

The above table reveals that the majority (75%) of the urban poor people are aware about the various services offered by banks.

### **Banking services through intermediaries:**

As a part of the questionnaire the question relating to opening a bank account had six options like

- a) They opened the bank account on their own.
- b) They opened the bank account at the instance of their employer.
- c) They opened the bank account with the help of their friends.
- d) They opened the bank account through other banks.
- e) They opened the bank account with the help of NGO's
- f) They opened the bank account with the help of Government agencies.

The answers of the respondents revealed startling facts. Majority (68%) opened their account on their own. 24% of the respondents opened their bank account with help of friend, 4% with the help of their employer and 4% respondents opened their account through other bank.

It is a startling revelation that neither the NGO's nor the Government agencies help the urban poor to open an account with the banks.

### **The use of banking services:**

The requirements for using the banking services differs from person to person. As a part of the questionnaire the question relating to user banking services had four options:

- a) Basic Banking Services.
- b) Demand Draft/ Mail Transfer facility.
- c) Loans and advances and
- d) Business transactions.

88% respondents preferred to have Bank account only for Basic Banking Services. 4% of the respondents operate bank account for availing of Demand Draft/ Mail Transfer Services and 8% of the respondents used the bank account for the purpose of Business transactions. Surprisingly

none of the respondents want to open a bank account for the purpose of availing Loans and Advances.

It is clear from the above analysis that the urban poor people are only interested in basic banking services. Since the none of the respondents wanted to open the bank account for availing the Loans and Advance account, it is clear that they are not aware about Loans & Advances. It could also be possible that they are afraid to avail of Loan because of an earlier bad experience.

### **Impact of No frill account:**

In November 2005, RBI had asked banks to offer no-frills savings account to customers. No-frills account requires no (or negligible) balance and is without any other facilities leading to lower costs both for the bank and the individual. The number of no-frills account has increased mainly in public sector banks from about 0.4 million to 6 million between March 2006 and March 2007. The number of No-frill accounts in private sector banks also increased from 0.2 million to 1 million in the same period. No significant increases were there in foreign banks. Total number of No-Frill Accounts was 25.15mn as per the data available on May 30 2009. Out of which only 11% accounts are operational (2.77mn). From the total accounts, 4.4mn are from the state of Andhra Pradesh.

### **Distribution of Respondents Awareness about No-Frill Account:**

Respondents	Yes	No	Total
Frequency	28%	72%	100%

Source: Field survey

An analysis of the results shown in the above table reveals that majority (72%) respondents were not aware of the no-frill account. Though this scheme was introduce by the RBI specially for people in the low income group and the urban poor (people who live in slum & small villages), they have not made use of this things. Infact some of the respondents also reported that the bankers them selves were not interested in opening no-frill account as it would only increase their cost of operation.

The above study confirms the Hypothesis that the drive of no frill account has made little or no impact on the economic life of the urban poor people.

### **Role of Technology in banking services within the study area:**

The use of IT solutions for providing banking facilities at doorstep holds the potential for scalability of the FI initiatives. Pilot projects have been initiated using smart cards for opening bank accounts with bio metric identification. Link to mobile or hand held connectivity devices ensure that the transactions are recorded in the bank's books on real time basis. Some State Governments are routing social security payments as also payments under the National Rural Employment Guarantee Scheme through such smart cards. The same delivery channel can be used to provide other financial services like low cost remittances and insurance. The use of IT also enables banks to handle the enormous increase in the volume of transactions for millions of households for processing, credit scoring, credit record and follow up.

Reserve Bank of India's Deputy Governor Dr. K.C.Chakrabarty recently said that mobile banking has tremendous potential as a medium of money transfer to the people who do not have bank accounts; he however cautioned that the same should be used by availing of all the security features. With more telecom companies working on security features, very soon this will help reduce transaction costs and thus effectively bring down the interest rates of micro-loans to the urban poor.

### **Respondent's Awareness about the role of technology in banking services:**

Response	Yes	No	Total
Frequency	80%	20%	100%

Source: Field Survey

From the above figure, majority (80%) respondents said that they were aware about the technology in banking services. According the urban poor people, technology means banking services are available like ATM services, Anywhere Banking, computerization of accounts

information etc. The survey shows that very less (20%) number of respondents were not aware about the technology in banking services.

48% of the respondents said that they fully avail of technology in banking services, 36% respondents felt that they avail technology in banking services to some extent and 16% said that they had no idea.

From the survey, it can be concluded that majority of the people who live in slum area were aware about the technology in banking services.

### **Inclusive Financial Growth:**

Financial Inclusion is critical for achieving inclusive growth in the country. To achieve that, we have to expand our scope of financial inclusion initiatives to reach out to people at the grass-root level. We may consider achieving that in three ways:

- ❖ Through State-driven intervention by way of statutory enactments (for instance, the US example of the Community Reinvestment Act; and in France making it a statutory right to have a bank account).
- ❖ Through voluntary effort by the banking community by evolving various strategies to bring within the ambit of the banking sector the large strata of society, and more importantly;
- ❖ Creating a demand by the people themselves to pull the banks, financial institutions and other service providers towards them to offer banking and financial services at a competitive and affordable rate.

### **Respondents' Response towards Inclusive Financial Growth:**

Response	Yes	No	Total
Frequency	27%	73%	100%

Source: Field survey

The table reveals that the majority (73%) respondents who live in slum and small areas were blissfully unaware about inclusive financial growth; a possible inference could be that such people were not included in the first place. Inclusive growth can be achieved only when all sections of the people are accommodated in the main financial stream.

### Satisfaction on Banking Services:

Today, banks are taking innovative steps to satisfy the customer demand, as only then it will be possible for the banks to retain their customer. The fierce competition in banking sector has worked in favor of the customer as banks are announcing new innovative schemes at very low cost to attract new customers and to retain the existing customers.

### Respondent's response with banking services:

Response	Fully Satisfied	To some extent satisfied	To some extent not satisfied	Not satisfied	Total
Frequency	36%	32%	4%	28%	100%

Source: Field survey

The above table reveals that, 68% respondents were satisfied with the services provided by the bankers. Only 4% respondents said that they were not satisfied to some extent and the remaining 28% respondents said that they were not satisfied with the services provided by the bankers.

### Conclusions:

In this research paper, the researcher has made a honest endeavor to make a effective study of the banking services provided to the urban poor. The findings of this paper can be briefly summarized as under:

- ❖ 75% urban poor people are aware about the various banking services offered by the banks.
- ❖ 88% respondents preferred to have Bank account only for Basic Banking Services.
- ❖ 78% respondents were not aware of the much touted No- Frill Account introduced by the RBI with much fanfare in Nov 2005.
- ❖ 80% respondents are aware about the technology in banking services.
- ❖ 73% respondents living in slum areas are blissfully unaware about inclusive financial growth.
- ❖ 68% respondents were satisfied with the services provided by the bankers.

**References:**

1. Akinchan Buddhodev & Ravi Kumar (2009) an Overview of E-Banking in India, Vol-IX, Issue 10, The ICFAI University Press, Hyderabad.
2. B.K Swain (2009) Inclusive Finance for Inclusive Growth, Professional Banker, Vol-IX, Issue -11, The ICFAI University Press, Hyderabad.
3. Bhatt, Manju (2000), "Slums and Metropolis", Rajat Publication, New Delhi.
4. G. Nagamal Reddy,(2009) IT Based Banking Services, Enhancing Efficiency, The Analyst, Vol-XV, Issue -11, The ICFAI University Press.
5. K.C. Chakrabarty (2009), Financial Inclusion- Taking Banking to the Poor, The Analyst, Vol-XV, Issue -10, The ICFAI University Press, Hyderabad.
6. K.C. Chakrabarty (2009), Technology, Financial Inclusion and Role of Urban Cooperative Banks, Reserve Bank of India, Bulletine,
7. K.C. Chakrabarty (2009), Banking, Key Driver for Inclusive Growth, Reserve Bank of India, Bulletine.
8. Kothari C.R. (2002), Research Methodology, Wishwa Publication, New Delhi.
9. Lani C. Villanueva (2009) "The Struggle for the City: The New Character, Approaches and Agenda of Urban Poor Movements in Asia.
10. R.K. Uppal (2008) Banking Services & Information Technology: The Indian Experience, New Century Publications, New Delhi, India.
11. Rahuram Rajan (2008) The Hundred Small Steps, Financial Inclusion Report on Broadening Access to Finance.
12. Rajesh Chhabara, (2008-09), Banking on the Poor, Asia Pacific p.p. 26 &27.
13. Sundar Burra, (2005) Towards a pro-poor framework for slum upgrading in Mumbai, India , Environment and Urbanization, Sage Journals Online Vol. 17, No. 1, 67-88.
14. Ramraj T. (2011) Banking Services towards Slum Dwellers in Mumbai City Paper presented in National level seminar held at C.K.T College, New Panvel, Navi-Mumbai.
15. <http://www.mu.ac.uk/hec/financialinclusion/96252.htm>
16. <http://www.nabard.org/privacy.asp-financialinclusionreport>
17. <http://psdblog.worldbank.org/psdblog/2006/06mobile-banking-html>
18. <http://www.financialexpress.com/news/rangarajan-panel-calls-for-mission-onfinancialinclusion>
19. [http://skoch.in/index.php?option=com\\_content&view=article&id=164&itemid=254](http://skoch.in/index.php?option=com_content&view=article&id=164&itemid=254)