



PROBLEMS & CHALLENGES IN PRACTISING FINANCIAL INCLUSION: A STUDY OF COMMERCIAL BANKS IN UTTAR PRADESH.

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ABSTRACT:

Financial inclusion of all the sections of the society has been a challenge for the Indian government. Policy decisions regarding financial inclusion are focused on inclusive growth and the principle of equity. Achieving comprehensive financial inclusion goal is not an easily accessible destination due to complexities and heterogeneity of the Indian population. Financial institutions including commercial banks are the major support of the overall financial inclusion vision in India. Commercial banks play an essential role in the economic development and financial inclusion and simultaneously focused on how to enhance their future financial status. Still, a large section of the Indian population, especially the weaker sections, and low-income groups, do not have access to the most basic facilities and services provided by the commercial banks in Uttar Pradesh, India. The present research study addressed the issue and identified the most important problems & challenges faced by commercial banks in practising financial inclusion from consumers as well as bankers' perspectives. A survey was conducted on 500 consumers of commercial banks and 100 bank officials. The impact of Socio-Economic Reasons, Bank related Reasons & Service Process related Reasons ((independent variables)) on the Satisfaction Level (dependent variable) was also analysed. For the analysis of the data, IBM SPSS Statistics 23 version software was used to perform Frequency Analysis, factor analysis and Multiple linear regression analysis.

KEYWORDS: Financial Inclusion, Problems & Challenges, Consumers, Commercial Banks.

1. INTRODUCTION

A commercial bank is an institution which accepts deposits from the general public and providing loans for investment to earn the profit. Hence, these banks are also known as financial institutions. Basically, commercial banks are profit-seeking institutions, i.e., they do banking business to earn profit. They generally finance businesses with short-term loans and long-term loans. They impose a high rate of interest on the borrowers but give much less rate of Interest to their depositors or investors with the result that the difference between the two rates of interest becomes the primary source of profit of the banks. Nearly all the Indian joint stock Banks are Commercial Banks such as Punjab National Bank, Allahabad Bank, Canara Bank, Andhra Bank, Bank of Baroda etc.

1.1 Significance of Commercial Banks

Commercial banks play such an essential role in the economic progress of a nation that modern industrial economy cannot exist without them. They compose the centre of production, trade and industry of a country.

- The following points highlight the importance of commercial banks:
- They encourage savings and expedite the rate of capital accumulation.
- They are a root of finance and credit for commerce and industry.
- They foster balanced territorial progress.
- Bank credit facilitates entrepreneurs to innovate and invest which stimulates the process of economic growth.
- They support in elevating large-scale production and growth of agriculture, small-scale industry, retail trade and export etc.
- They create credit to give more loans.
- They promote commerce and industry to extend their operations.
- They make maximum utilisation of resources possible.

(Source: <http://www.economicdiscussion.net/banks/commercial-bank-definition-function-credit-creation-and-significances/607>)

1.2 Role of Commercial Banks in the Financial Inclusion

The commercial Banks provides an opportunity to the people of India to participate in the formal banking financial system and to utilise financial banking services. Commercial banks are encouraged to open branches not only in different cities at different locations but also in rural areas. The higher number of branches will play a more significant role in financial inclusion of the diverse population of India. Government has the motto of bringing as many people as possible into the formal banking financial system.

Following are the role of commercial banks to be performed as part of the financial inclusion programme:-

- Financial literacy
- Credit counselling
- BC/BF model
- KYC norms
- Kisan Credit Card/General Credit Card
- No-frill accounts financial literacy
- Branch expansion,
- Mobile banking, and
- Other measures (small savings, micro-credit, and micro-insurance).

1.3 Characteristics of Financial Inclusion:

Typically, financial inclusion in India is characterised by the following:

1. There is slower outreach by financial institutions/MFIs/SHG Bank Linkage Programme in comparison to below poverty line (BPL) and low-income population.
2. Priority Sector Lending norm of 18% advances to agriculture is not met in many states. Also, agriculture's share in Priority Sector Lending has been declining in some states.
3. Very few risk management and vulnerability reducing products are available to smallholder producers.
4. Access to finance is primarily a bridging resource for many low-income groups.
5. India ranks 2nd in the entire world based on financially excluded households after China.

India has the largest unbanked population, only 35 percent of adults have an account in financial institutions which is below the rest of the developing world. Financial inclusion is indeed the only solution to the financial disparity in India; in order to ensure equitable economic progress across the country. However, the facts on the ground show that comprehensive financial inclusion may not be easy to accomplish, and may remain difficult for decades. The expanse of financial inclusion is recognised through formal financial institutions such as commercial banks, credit unions, post offices or microfinance institutions. Besides, it is crucial to notice that the principles of financial inclusion,

coverage, role and responsibilities of institutions and measurement/monitoring requirements have been evolving over the years in India. Government has started several financial inclusion schemes for urban and rural people and males and females also.

India is a fast-developing economy in Asia with a population of about 1.28 billion as per 2015 and a GDP of USD 2066. 90 billion in 2014. Despite global financial volatility, India has achieved commendable success in maintaining a steady growth rate of around 7.4% per annum in 2014 and reducing absolute poverty in headcount ratio to almost 23.6% in 2011.

1.4 Justification & Significance of the Research

The review of literature proved beneficial in identifying the research issues. It was found that most of the research papers highlighted the role of financial institutions in financial inclusion, hence, present research focused only on the role of commercial banks in financial inclusion; and Problems & Challenges in Practicing Financial Inclusion by the Commercial Banks in Uttar Pradesh. Very few papers and researches cited the role of commercial banks in financial inclusion and their impact on socio-economic development. And most important that there is lack of research study related to the financial inclusion in Uttar Pradesh. In this regard this research study is an effort to fill the gap by explaining the Problems & Challenges in Practicing Financial Inclusion and the role of commercial banks in financial inclusion and socio-economic development of Uttar Pradesh.

1.5 Research Questions

After the profound review of literature, following research questions were formulated to address the research problem.

1. Can the most important Problems & Challenges in Practicing Financial Inclusion from the consumers' and bank officials' perspectives be identified?
2. What are the benefits and impact of Financial Inclusion on Socio Economic Status?
3. What is the impact of Socio-Economic Reasons, Bank related Reasons & Service Process related Reasons (**(independent variables)**) on the **Satisfaction Level (dependent variable)**.

1.6 Research Objectives & Research Hypotheses

Following research objectives & research hypotheses were formulated to address the aforementioned research questions-

Research Objectives-1: To Identifying most important Problems & Challenges in Practicing Financial Inclusion from the consumers' and bank officials' perspectives.

Research Objectives-2: To study the impact of Socio-Economic Reasons, Bank related Reasons & Service Process related Reasons (**(independent variables)**) on the **Satisfaction Level (dependent variable)**.

- ❖ **Alternate Hypothesis-2.1 (H1):** There is positive and significant impact of Socio-Economic Reasons on the Satisfaction Level.
- ❖ **Null Hypothesis-2.1 (H0):** There is no positive and significant impact of Socio-Economic Reasons on the Satisfaction Level.
- ❖ **Alternate Hypothesis-2.2 (H1):** There is positive and significant impact of Bank related Reasons on the Satisfaction Level.
- ❖ **Null Hypothesis-2.2 (H0):** There is no positive and significant impact of Bank related Reasons on the Satisfaction Level.
- ❖ **Alternate Hypothesis-2.3 (H1):** There is positive and significant impact of Service Process related Reasons on the Satisfaction Level.
- ❖ **Null Hypothesis-2.3 (H0):** There is no positive and significant impact of Service Process related Reasons on the Satisfaction Level.

2. LITERATURE REVIEW

Bharati D.B (2016) observes that providing access to finance is a form of empowerment of the vulnerable groups which has a set of some issues and challenges that needs to be discussed. From the consumer side, the reasons identified for financial exclusion are-

- Low income,
- Poverty and
- Illiteracy and
- Lack of awareness.

From the supply side, the reasons identified in the study for financial exclusion are-

- Branch proximity,
- Timings,
- Cumbersome documentation and procedures,
- Attitude of the bank staff and
- Language

Ranjani and Bapat (2015) in their study observed that the bank account penetration rate in India is around 48 percent, as against a rate of close to 100 percent in several developed nations. They reviewed whether holding bank facilitate banking habits of poor and marginalized sections of society. Problems in approaching the bank due to difficulties in the following-

- Documentation requirements,
- Inability to communicate the requirements,
- Inflexible repayment terms,
- Loan sanction procedure,

Reluctance to approach the commercial bank for small loans was the significant barriers in the road to achieving financial inclusion. Banks need to create more user-friendly products and advertise their services/products to encourage active participation of marginalised sections of society in the banking system.

Charan Singh (2014) observes that despite various measures initiated by the Reserve Bank of India and Government of India, satisfactory results are yet to be witnessed. He has classified the challenges as customer related and technical issues. Mobile number registration, as well as PIN generation, is a significant deterrent for customers along with financial illiteracy, Access channels, coordination with mobile service operators is other challenge for banks. Low penetration of commercial banks' financial services, less efficiency of business correspondents also limits the success of financial inclusion.

Gupta Rajiv (2014), examined the extent of financial inclusion in India, it was observed that following people are ignored from the purview of financial inclusion-

- Marginal farmers,
- Landless labourers,
- Oral lessees,
- Self-employed
- Unorganised sector enterprises,
- Urban slum dwellers,
- Migrants or ethnic minorities
- Socially excluded groups,
- Senior citizens and
- Women.

Challenges identified include

- Agent and vendor risk.
- Consumption-oriented expenditure patterns.
- Dormant accounts.
- Inadequate awareness levels
- Lack of infrastructure.
- Low literacy rates.
- Poor saving habits.
- Recovery-related issues.
- Small ticket transactions & high transaction costs.
- Sustainability factor.

The Government has an important role in using financial inclusion as an intervention to encourage market mechanism to function in favour of the poor and underprivileged.

Ashu (2014) reviewed the measures of financial inclusion, and there are many challenges faced by banks in India on the financial inclusion process. Penetrations of bank branches in rural areas were unviable on account of high transaction costs. Business Correspondent (BC) model is observed to be restrictive in rural areas. Financial illiteracy and poor marketing of financial products leads to low awareness among urban poor depended on the informal credit sources which cater according to their convenience. A significant degree of self-exclusion is due to the existence of informal credit system. The complex financial services market offers a wide range of products; however, the lack of awareness restricts the use of these products.

Rao S.K (2010) in his study suggests that the achievement of inclusive growth was a result of the act of nationalisation of banks way back in 1969. For the study, he analysed data published by RBI to substantially prove the fact that banking development after nationalisation has paved the way for penetration of banking into unbanked and rural areas. He believes that, despite the massive branch expansion activity carried out by the banks, the challenges of the banking sector have not been met and there is a need for recognising new channels to achieve full inclusive growth in the country.

Another study was carried out by Badajena, S, N and Prof. Gundimeda, H (2010) to study the impact of self-help group linkage programme in achieving financial inclusion across sixteen states. The study found out that despite, broad coverage of formal banking network, the primary financial services are still not accessible to larger sections of the society.

3. RESEARCH DESIGN

This research is exploratory in nature. A survey was designed to measure problems & challenges in financial inclusion and impact of Socio-Economic Reasons, Bank related Reasons & Service Process related Reasons ((independent variables)) on the Satisfaction Level (dependent variable) of the consumers for the financial services provided by the commercial banks for **financial inclusion in Uttar Pradesh, India. A survey was done** with the help of the questionnaires and schedules using five point-Likert scale such as strongly agree-1, agree-2, neutral-3, disagree-4, and strongly disagree-5. To collect information / data for the research purpose, **quota sampling** technique was used. The target population, to which researcher would like to draw inferences, comprises the consumers of the commercial banks in **in Uttar Pradesh, India**; which can be said as the **universe** of the study. We know that the population is heterogeneous in nature which is an advantage for the sampling, as it reduced the biasness of the data. The survey was conducted to collect the data. The total Sample size was of 500 consumers and 100 bank officials. For the analysis of the data, IBM SPSS Statistics 23 version software was used to perform Frequency Analysis, factor analysis and Multiple linear regression analysis. This study aimed to measure the consumers' level of satisfaction towards financial services of the commercial banks in Uttar Pradesh.

4. DATA ANALYSIS & INTERPRETATION

4.1 Demographic Profile of the Respondents

It was found that there were total 500 respondents out of which, 64.4% respondents were Males and 35.6% respondents were Females; and 43.8% respondents were single, 53.4% respondents were married and 2.8% respondents belonged to other marital status. It was also found that 8.2% respondents were below 21 years of age, 41.0% respondents belong to the age group of 21 to 30 years, 35.2% respondents belong to the age group of 31-40 years, 13.4% respondents belong to the age group of 41-50 years and 2.2% respondents were above 51 years of age. Researcher also found that out of total 500 respondents, 6.4% respondents had a middle Bank certificate, 4.6% respondents had a high Bank certificate, 27.4% respondents had an intermediate or post-high Bank diploma, 47.6% respondents were graduate or post graduate and 14.0% had done a professional course.

As far as the monthly income of the respondents is concerned, researcher found that 11.6% respondents had a monthly income less than Rs.10000, 12.6% respondents had a monthly income between Rs.10001 to Rs.20000 and 18.6% respondents had a monthly income between Rs.20001-Rs.30000, 18.2% respondents had a monthly income between Rs.30001- Rs.40000, 8.8% respondents had a monthly income between Rs.50001 - Rs.60000 and 15.2% respondents had a monthly income of Rs.60000 and above. Findings regarding the occupation of the respondents were that out of total 500 respondents, 14.4% respondents had a Government job, 50.4% respondents had a Private job, 3.6% respondents had business as an occupation, 4.8% respondents were skilled workers, 2.6% respondents were semi-skilled workers, 7.0% respondents were unskilled workers, 2.6% respondents were unemployed and 14.6% respondents were Students.

4.2 Factor Analysis: Identifying Most Important factors of Problems & Challenges

4.2.1 Factor Analysis: Most Important Problems & Challenges in Practicing Financial Inclusion: Consumers' Perspective

Factor Analysis was performed to determine most Important Types of Problems & Challenges in Practicing Financial Inclusion by the commercial banks.

Adequacy of the data is tested on the basis of results the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity (homogeneity of Variance) provided in above table. The KMO measure of sampling adequacy is **0.687** for which indicates the present data is suitable for factor analysis. Similarly, Bartlett's test of sphericity is significant ($p < 0.001$); that explains existence of sufficient correlation between variables to proceed with the analysis.

Table-1: Total Variance Explained

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.268	25.109	25.109	4.268	25.109	25.109	2.701	15.887	15.887
2	2.484	14.612	39.720	2.484	14.612	39.720	2.281	13.416	29.303
3	1.704	10.022	49.742	1.704	10.022	49.742	2.232	13.129	42.432
4	1.398	8.224	57.966	1.398	8.224	57.966	1.864	10.967	53.399
5	1.305	7.675	65.641	1.305	7.675	65.641	1.578	9.283	62.682
6	1.046	6.153	71.794	1.046	6.153	71.794	1.549	9.112	71.794
7	.782	4.599	76.393						
8	.742	4.365	80.759						
9	.668	3.932	84.691						
10	.583	3.428	88.119						
11	.500	2.940	91.059						
12	.381	2.238	93.298						
13	.281	1.653	94.951						

14	.240	1.414	96.365						
15	.226	1.330	97.695						
16	.216	1.272	98.967						
17	.176	1.033	100.000						

Interpretation: In above table,output lists the eigen values associated with each linear component (factor) before extraction, after extraction and after rotation. Before extraction, Output has identified **17** linear components within the data set. After extraction and rotation, the most important **factor 1 explained 25.109% of total variance, factor 2 explained 14.612% of total variance & factor 3 explained 10.022% of total variance**, that can be extracted. As evident from the above table (Total Variations Explained) it was found that from the total 17 components (most Important Types of Problems & Challenges in Practicing Financial Inclusion by the commercial banks), first three factors are most important and can be extracted.

Table-2: Rotated Component Matrix

Rotated Component Matrix	Component					
	1	2	3	4	5	6
Poverty /Low income	.888	.023	.094	.114	.013	.037
I am not able to save due to high cost of living.	.810	.146	-.002	-.021	.246	.124
Banks have several hidden charges	.678	.220	.489	.156	-.098	-.114
Inability to keep minimum balance in the account.	.678	.039	.206	.099	.155	.248
Bank employees are not friendly and welcoming	.126	.791	-.136	.234	.005	.065
Bank employees are not cooperative.	.003	.733	.064	-.046	-.176	.485
Mobile number registration/ Pin / OTP generation	.162	.695	.198	.014	.133	-.242
Bank staff lacks empathy	.020	.688	-.182	.488	.196	-.027
Less number of ATMs of commercial banks in the city than required.	.082	-.026	.836	.016	.233	-.038
Less number of branches of commercial banks in the city than required.	.318	-.102	.738	-.146	.027	.157
Branch proximity	.044	.061	.691	.351	-.044	-.045
Cumbersome documentation and procedures	.124	.087	.071	.823	-.188	.133
Non-responsiveness of bank staff	.087	.228	.122	.817	.187	.095
Poor saving habits	.334	.108	-.093	-.014	.756	.004
Bank's Timings	-.005	-.007	.235	.007	.737	.165
Banks do not have consumer education system.	.217	-.023	-.116	.160	.020	.833
I don't have awareness / financial awareness.	.062	.050	.171	.075	.393	.619

Findings:Most Important Types of Problems & Challenges in Practicing Financial Inclusion

In the present study Factor Analysis exhibits the rotated factor loading for the statements (Variables) of most Important Types of Problems & Challenges in Practicing Financial Inclusion by the commercial banks.

Looking at table of Rotated Component Matrix, we find out that-

Factor -1 includes following **4** variables

1. Poverty /Low income

2. I am not able to save due to high cost of living.
3. Banks have several hidden charges
4. Inability to keep minimum balance in the account.

4.2.2 Factor Analysis: Most Important Problems & Challenges in Practicing Financial Inclusion: Bankers' Perspective

Factor Analysis was performed to determine most Important Types of Problems & Challenges in Practicing Financial Inclusion from the perspective of bankers.

The KMO measure of sampling adequacy is **0.734** which indicates the present data is suitable for factor analysis. Similarly, Bartlett's test of sphericity is significant ($p < 0.001$).

Table-3: Total Variance Explained

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.044	29.351	29.351	7.044	29.351	29.351	6.460	26.918	26.918
2	2.879	11.996	41.347	2.879	11.996	41.347	2.359	9.830	36.749
3	2.405	10.021	51.368	2.405	10.021	51.368	2.175	9.064	45.813
4	1.482	6.177	57.544	1.482	6.177	57.544	2.147	8.947	54.760
5	1.290	5.376	62.920	1.290	5.376	62.920	1.782	7.425	62.185
6	1.223	5.094	68.014	1.223	5.094	68.014	1.248	5.199	67.384
7	1.085	4.519	72.533	1.085	4.519	72.533	1.236	5.149	72.533
8	.955	3.977	76.510						
9	.855	3.561	80.071						
10	.813	3.388	83.460						
11	.737	3.073	86.532						
12	.574	2.392	88.925						
13	.458	1.908	90.833						
14	.425	1.771	92.604						
15	.402	1.675	94.279						
16	.267	1.113	95.393						
17	.260	1.082	96.474						
18	.235	.979	97.453						
19	.204	.852	98.305						
20	.136	.565	98.870						
21	.099	.415	99.284						
22	.091	.377	99.662						
23	.058	.242	99.904						
24	.023	.096	100.000						

Interpretation: In above table, output lists the eigen values associated with each linear component (factor) before extraction, after extraction and after rotation. Before extraction, Output has identified **24** linear components within the data set. After extraction and rotation, the most important **factor 1 explained 29.351% of total variance, factor 2 explained 11.996% of total variance & factor 3 explained 10.021% of total variance**, that can be extracted. As evident from the above table (Total Variations Explained) it was found that from the total 24 components (most Important Types of Problems & Challenges in Practicing Financial Inclusion by the commercial banks), first three factors are most important and can be extracted.

Table-4: Rotated Component Matrix

Rotated Component Matrix	Component						
	1	2	3	4	5	6	7
Demand for collaterals/guarantee	.950	.148	.012	.020	-.169	-.021	-.018
Staff shortage	.897	.224	-.048	.065	.039	-.033	-.029
Less number of ATMs of commercial banks in the city than required.	-.879	-.068	-.040	.043	.210	.041	-.115
Poverty /Low income	.863	.053	-.066	-.176	-.079	.136	-.050
High rate of interest	.807	.006	.417	.060	.085	-.092	.000
Bank staff lacks empathy	.770	.104	-.139	-.097	-.448	-.105	.069
Bank employees are not cooperative.	.639	.010	-.322	.180	-.527	.068	.026
Bank's Timings	.608	-.123	.273	.196	.289	.167	-.261
Inability to keep minimum balance in the account.	.564	.165	-.243	.089	.362	.114	.363
People are unable to save due to high cost of living.	.431	.259	.205	.067	-.254	-.299	.414
Ambiguous terms and conditions	.281	.750	-.122	-.070	.190	-.025	-.012
Lack of support from Government / RBI	-.116	.739	-.168	.214	.345	.103	.098
Loan duration is shorter	.277	.649	.391	.234	-.262	.123	.061
Banks have several hidden charges	-.407	-.434	.108	-.295	.086	.168	.357
Branch proximity	.251	.016	.807	.238	-.170	.071	.047
Less number of branches of commercial banks in the city than required.	-.300	-.389	.650	.353	-.067	.049	-.070
Cumbersome documentation and procedures	.029	.225	.055	.758	-.062	.052	-.217
Lack of infrastructure / facilities at branches	.044	-.081	-.241	-.576	-.024	-.127	-.045
Poor saving habits	.129	.260	-.093	-.567	-.178	.300	-.198
Bank employees are not friendly and welcoming	.371	.102	-.533	.539	-.021	-.058	.108
Customers don' have awareness / financial awareness.	-.246	.350	-.136	-.311	.606	-.335	-.017
Banks do not have consumer education system.	-.072	.163	-.176	.153	.511	.167	-.099
Banks take the FI initiatives due to the pressure from RBI	-.011	.055	.093	.033	.060	.865	.116
Non-responsiveness of bank staff	-.009	.005	-.029	-.011	-.066	.095	.755

Findings: Most Important Types of Problems & Challenges in Practicing Financial Inclusion: Banker' Perspective

In the present study Factor Analysis exhibits the rotated factor loading for the statements (Variables) of most Important Types of Problems & Challenges in Practicing Financial Inclusion by the commercial banks from Banker' Perspective.

Looking at table of Rotated Component Matrix, we find out that-

Factor -1 includes following **10** variables

5. Demand for collaterals/guarantee
6. Staff shortage

7. Less number of ATMs of commercial banks in the city than required.
8. Poverty /Low income
9. High rate of interest
10. Bank staff lacks empathy
11. Bank employees are not cooperative.
12. Bank's Timings
13. Inability to keep minimum balance in the account.
14. People are unable to save due to high cost of living.

❖ **Final Findings**

Table-5: Comparative Analysis

Most Important Types of Problems & Challenges in Practicing Financial Inclusion	
Consumers' Perspective	Bankers' Perspective
<p>Factor -1 includes following 4 variables</p> <ol style="list-style-type: none"> 1. Poverty /Low income 2. I am not able to save due to high cost of living. 3. Banks have several hidden charges 4. Inability to keep minimum balance in the account. <p>Factor -2 includes following 4 variables</p> <ol style="list-style-type: none"> 1. Bank employees are not friendly and welcoming 2. Bank employees are not cooperative. 3. Mobile number registration/ Pin / OTP generation 4. Bank staff lacks empathy <p>Factor -3 includes following 2 variables</p> <ol style="list-style-type: none"> 1. Less number of ATMs of commercial banks in the city than required. 2. Less number of branches of commercial banks in the city than required. 3. Branch proximity 	<p>Factor -1 includes following 10 variables</p> <ol style="list-style-type: none"> 1. Demand for collaterals/guarantee 2. Staff shortage 3. Less number of ATMs of commercial banks in the city than required. 4. Poverty /Low income 5. High rate of interest 6. Bank staff lacks empathy 7. Bank employees are not cooperative. 8. Bank's Timings 9. Inability to keep minimum balance in the account. 10. People are unable to save due to high cost of living. <p>Factor -2 includes following 4 variables</p> <ol style="list-style-type: none"> 1. Ambiguous terms and conditions 2. Lack of support from Government / RBI 3. Loan duration is shorter 4. Banks have several hidden charges <p>Factor -3 includes following 2 variables</p> <ol style="list-style-type: none"> 1. Branch proximity 2. Less number of branches of commercial banks in the city than required.

From the results of the above analysis it can be concluded that **Research Objectives-1, is Fulfilled.**

5.8 Multiple Linear Regression Analysis: Impact of Socio-Economic Reasons, Bank related Reasons & Service Process related Reasonson Satisfaction Level: Bank Officials Perspective

The objective is to measure the relationship between 3 important dimensions namely-**Socio-Economic Reasons, Bank related Reasons & Service Process related Reasons (independent variables)** and **Satisfaction Level (dependent variable)**.

Table-6:Regression: Model Summary

Model Summary									
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	.553	.306	.285	.42367	.306	14.128	3	96	.000

a. Predictors: (Constant), Service Process, Socio economic Reasons, Bank related reasons

In **model**, the proportion of explained variance as measured by R-SQUARE was (R²=0.306) indicates that about **30.6% of the variance** in satisfaction is explained by the 3 predictor variables (independent). The table provides the results of Multiple Linear Regression. Based on the results, it seems model for bank officials, has worked realistically well in explaining the variation in satisfaction.

Table-7: Regression coefficients

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.337	.683		4.883	.000		
	Socio economic Reasons	-.093	.037	-.263	-2.500	.014	.651	1.536
	Bank related reasons	.035	.029	.132	1.203	.232	.603	1.657
	Service Process related Reasons	-.069	.023	-.292	-3.017	.003	.769	1.300

a. Dependent Variable: Satisfaction Level
 b. Predictors: (Constant), Service Process, Socio economic Reasons, Bank related reasons

Findings: Regression coefficients values

- **Socio economic Reasons:** From the above table we can see that in case of **Socio-economic Reasons**, the value of unstandardised (β) coefficients is **-0.093**, it means that one unit positive change in **Socio economic Reasons**, while holding other variables constant, would result in the **decrease** of dependent variable '**Satisfaction level**' by 0.093 unit. Hence, it can be concluded that as the value of coefficient is significant, thus, **Socio economic Reasons** have **negative** and significant relationship with dependent variable. **So, we can say that Alternate Hypothesis (H1) - 9.1 is rejected and Null Hypothesis (H0) - 9.1 is accepted.**
- **Bank related reasons:** From the above table we can see that in case of **Bank related reasons**, the value of unstandardised (β) coefficients is **0.035**, it means that one unit positive change in **Socio economic Reasons**, while holding other variables constant, would result in the **increase** of dependent variable '**Satisfaction level**' by 0.035 unit. As the value of coefficient is **insignificant**, thus, **Bank related reasons** have **positive** but **insignificant** relationship with dependent variable. **So, we can say that Alternate Hypothesis (H1) - 9.2 is rejected and Null Hypothesis (H0) - 9.2 is accepted.**

- **Service Process related Reasons:** From the above table we can see that in case of **Service Process related Reasons**, the value of unstandardised (β) coefficients is **-0.069**, it means that one unit positive change in **Socio economic Reasons**, while holding other variables constant, would result in the **decrease** of dependent variable '**Satisfaction level**' by 0.069 unit. As the value of coefficient is **insignificant**, thus, **Service Process related Reasons** have **negative** but **significant** relationship with dependent variable. **So, we can say that Alternate Hypothesis (H1) -9.3 is rejected and Null Hypothesis (H0) -9.3 is accepted.**

CONCLUSION:

Hence, we can conclude that, all the three reasons namely Socio-economic Reasons, Bank related reasons & Service Process related Reasons are in fact problems and challenges for the commercial banks, as all the three dimensions have either negative impact on the dependent variable 'Satisfaction level' or the insignificant relationship with the dependent variable.

Finally, from the results of hypotheses-2.1, 2.2 & 2.3, it can be said that our **Research Objective: 2** is fulfilled.

5.CONCLUSION, DISCUSSION & SUGGESTIONS

A study was conducted to identify the most crucial problems & challenges for financial inclusion from consumers as well as banker' perspectives. The impact of socio-economic reasons, bank related reasons & service process related reasons on the satisfaction level were also analysed to answer the research questions related to the satisfaction level of the consumers of commercial banks for the financial services.

Finally, it was found that there is a significant difference in the perception of the consumers and bank officials for the problems & challenges of financial inclusion. This difference in the attitude and perception of consumers & bank officials is the real reason for the slow pace of practicing financial inclusion through commercial banks. The preferences and perspective have pronounced dissimilarity between the consumer and the bankers. From the consumers' perspective, the major problems in financial inclusion that the consumers face, are Poverty /Low income, not able to save due to the high cost of living, banks have several hidden charges and Inability to keep a minimum balance in the account. While on the other hand from the bankers perspective crucial problems are demand for collaterals/guarantee, staff shortage, less number of ATMs of commercial banks in the city than required, poverty /low income, high rate of interest, bank staff lacks empathy, bank employees are not cooperative., bank's timings, inability to keep minimum balance in the account & people are unable to save due to the high cost of living.

Here, the most exciting finding is that bankers are well aware of the problems & challenges in practising financial inclusion. They not only knew consumers perspective but also knew shortcomings on their part.

It can also be concluded that the economically downtrodden class remains excluded due to the higher cost of living. They are unable to save because whatever they earn is spent in trying to sustain their lives. No amount is left with them to save. They face many problems in obtaining loans. The loan has a significant role in financial inclusion. The economically weak class is the one which remains aloof from financial inclusion. To include them it is necessary to strengthen them economically and to do so the loan is the chief way. They can invest the amount received by loan in establishing their own business or in supporting their pre-existing works. In this way, they will grow financially stable and be financially included. Due to complex processes and several other factors procuring a loan becomes a challenging factor for the consumers. According to the consumers perspective, another drawback in financial inclusion is the condition of maintaining a minimum balance in the account and the several hidden charges of banks. In today's time where the cost of living has dramatically increased it is tough for an economically backward person to spare a part of his/her income and maintain a minimum record

in his/her account. This practice is acting on the contrary and causing the people to be excluded rather than being financially included.

Banks deduct service charges directly from the bank account of the consumers without prior information. This is a major problem for all consumers. The deduction of service charges without prior information should be considered as theft. The more significant portion of the excluded population is mainly involved in works of daily wages. The amount that is deducted as service charge is often a poor man's whole days earning. This practice often leads to discontentment in the customer, and the customer feels that the banking system is insensitive to them hence leading to dissatisfaction. While studying the significant problems of financial inclusion in reference to the bankers, it was found that the bankers consider mainly the technical and methodological issues to be the major problems in inclusion. Demand for collaterals/guarantee, Staff shortage, a smaller number of ATMs of commercial banks in the city than required, Poverty /Low income and High rate of interest were considered the main problems. Considering all the problems some improvements and alterations should be made for better effects of financial inclusion. A system of consumer education should be introduced in all the banks. This will enhance the financial inclusion tremendously as it will help remove the obliviousness towards the welfare schemes that are present for the benefit of the consumers but remain unsuccessful and futile.

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