Deepening Financial Inclusion Beyond Account Opening: Road Ahead for Banks

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Abstract

Though access to bank accounts has increased owing to several positive initiatives by the Reserve Bank of India (RBI) and banks, the bank account penetration rate in India continues to be around 48 percent, as against a rate of close to 100 percent in several developed nations like Germany. This article seeks to answer the question as to whether people who have bank accounts along with access to other sources of credit use bank accounts effectively and whether holding bank accounts facilitate banking habits in these people. The study was conducted across 550 respondents in Maharashtra who belonged to the poor and marginalized section of society and who were borrowers of microfinance institutions to ascertain whether they had bank accounts and what their perceptions about banks were. This study concludes that merely having an account with a bank did not result in the borrowers using banking services and that they preferred to deal with institutions that offered more flexible services than the bank. To be able to achieve inclusion, it is not enough if bank accounts are opened. Banks must look at flexibility and timeliness in services to be able to give a complete package to this segment of the population.

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