A STUDY ON THE USAGE PATTERN AND AWARENESS LEVEL OF MINORS IN OPERATING SAVINGS BANK ACCOUNT

Abyson Kurian
Assistant Professor, St. Dominic’s College, Kanjirapally, Kerala, India
Email: m.abyskonkurian@gmail.com

Jiya Parayil
Assistant Professor, B P C College, Piravom, Kerala, India
Email: jiya.john.parayil@gmail.com

Jaimol Mani
Assistant Professor, B P C College, Piravom, Kerala, India
Email: jaimolkmani@gmail.com

ABSTRACT

Government of India is now focusing on financial inclusion and financial literacy as its important policy goals. With an objective to promote financial inclusion the Reserve Bank of India has recently issued guidelines allowing minors to operate their accounts independently. Earlier RBI permitted minors to open a savings deposit account through his/her natural guardian or legally appointed guardian only. But RBI made a rethink about old policy and modified the guideline that the minors who have attained 10 years of age would be allowed to open and operate savings bank account independently. This recent step taken by RBI will pave a path for the minors to manage cash by themselves and helps to develop the skill of cash management among minors. As the minors can be influenced by others easily there is a chance for misuse or fraudulence of minors account by others. This paper examines usage pattern and awareness level of minors in operating savings bank account.

Keywords: Financial Inclusion; Financial Literacy; Saving Account; Minors

INTRODUCTION

The Reserve Bank has recently issued the guidelines allowing minors to operate bank accounts independently with a view to promote financial inclusion. RBI had earlier permitted minors to open fixed and savings deposit bank account with mothers as guardian. Modifying the guidelines, the RBI said that all minors can now open a savings deposit account through either his/her natural guardian or legally appointed guardian. The minors, who have attained 10 years of age, would be allowed to open and operate savings bank accounts independently.

RBI announced that in order to avoid risk banks can fix limits in terms of age and amount up to which minors may be allowed to operate the deposit accounts independently. Further, the banks can also decide on the minimum documents which are required for opening of accounts by minors. Banks are also free to offer additional banking facilities like Internet banking, ATM/debit card, cheque book facility, etc. subject to the safeguards that minor accounts are not allowed to be overdrawn.
This recent step taken by RBI will pave a path for the minors to manage cash by themselves and helps to develop the skill of cash management among minors. But as the minors can be influenced by others easily there is a chance for misuse or fraudulence of minors account by others. Through this study we aim at analyzing the usage pattern of savings account by minors and about their awareness level in operating the account.

**REVIEW OF LITERATURE**

Savings accounts are those deposits made by people of the lower and middle classes who wish to save a part of their incomes to meet their future needs and also intend to earn an income from their savings. By accepting savings deposits, banks mobilize scattered savings of the public and utilize them for productive purposes which will in turn stimulates economic development.

At present, the rate of interest ranges between 4% to 6% per annum in India. The interest rates vary as per the amount of money deposited (lying) in the saving bank account, scheme opted, and its maturity range. It is also subject to current trend of banking policies in a country.

The main features of saving account in bank are as follows:

1. The main objective of saving account is to promote savings.
2. There is no restriction on the number and amount of deposits. However, in India, mandatory PAN (Permanent Account Number) details are required to be furnished for doing cash transactions exceeding ₹50,000.
3. Withdrawals are allowed subject to certain restrictions.
4. The money can be withdrawn either by cheque or withdrawal slip of the respective bank.
5. The rate of interest payable is very nominal on saving accounts. At present it is between 4% to 6% p.a in India.
6. Saving account is of continuing nature. There is no maximum period of holding.
7. A minimum amount has to be kept on saving account to keep it functioning.
8. No loan facility is provided against saving account.
9. Electronic clearing System (ECS) or E-Banking are available to pay electricity bill, telephone bill and other routine household expenses.
10. Generally, equated monthly installments (EMI) for housing loan, personal loan, car loan, etc., are paid (routed) through saving bank account.

A minor is a person who has not attained age of 18. There is no harm for banks in opening a saving account in name of minor. As per the Indian Contract Act, 1872, a minor is incompetent to contract and therefore an agreement by minor is void. Hence, to make the guardian liable for all the transactions of the minor, it is advisable to open a saving account in the name of a guardian or a joint account in the name of both minor and his guardian. It is not advisable for a bank to open a current account since an overdraft sanctioned to a minor is not recoverable through court of law.

In order to promote the objective of financial inclusion and also to bring uniformity among banks in opening minor’s accounts, RBI advised banks on May 6, 2014 that:

1. A savings /fixed /recurring account can be opened by a minor of any age through his /her natural or legally appointed guardian.
2. Minors above the age of 10 years may be allowed to open and operate savings account independently. However, banks can fix limits in terms of age and amount up to which minors may be allowed to operate the deposit accounts independently. Banks are also given freedom to decide what minimum documents are required for opening accounts by minors.
3. On attaining majority, the erstwhile minor should confirm the balance in his/ her account and if the account is operated by the natural guardian /legal guardian, fresh operating instructions and specimen signature of erstwhile minor should be obtained and kept on record for all operational purposes.

4. Banks are free to offer banking facilities like internet banking, ATM/debit card, cheque facility etc to minors after taking precautions that minor’s accounts are not allowed to withdrawn and that these always remain in credit.

The advantages of savings bank account are as follows:

1. Saving account encourages savings habit among salary earners and others who have fixed income.
2. It enables the depositor to earn income by way of saving bank interest.
3. Saving account helps the depositor to make payment by way of issuing cheques.
4. It shows income of a salaried and other person earned during the year.
5. Saving account passbook acts as an identity and residential proof of the account holder.
6. It provides a facility such as Electronic fund transfer (EFT) to other people's accounts.
7. It helps to do online shopping via facility like internet banking.
8. It aids to keep records of all online transactions carried on by the account holder.
9. It provides immediate funds as and when required through ATM.
10. The bank offers number of services to the saving account holders.

OBJECTIVES OF THE STUDY

1. To study about the usage pattern of savings bank account by minors.
2. To study about the awareness level of minors in operating savings bank account.

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically and systematically.

RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research design is the conceptual structure within which the research is conducted. The researcher had done a descriptive research for this particular study.

Sample Design

A sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population. Sample design deals with the method of selecting items to be observed for the study.

Sample Area

The Ernakulum district of the state of Kerala is decided as the sample area of the study.

Sample Size

There are large numbers of minor savings bank account holders in this area. It is needless to say that a census study is practically impossible and that is not necessary to arrive at some reliable conclusion. In such a situation, the researcher decided to go for a sample study making sure that the quality and
accuracy of the data are not affected. We collected information from 60 minor saving account holders belonging to different socio economic back grounds.

**Sampling Technique**

In this study the method used for selecting the samples from the population is convenience sampling method.

**Data Collection**

An interview schedule was prepared to collect primary data from the sample. Secondary data were also collected from the available books, journals.

**Analysis**

The data collected from various sources were analyzed by applying appropriate mathematical and statistical techniques. Percentage analysis was also extensively used.

**DATA ANALYSIS AND INTERPRETATION**

Table 1. Respondent’s classification on the basis of age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10–12</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>12–14</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>14–16</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>16–18</td>
<td>27</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

**Inference:** The table reveals that 10% of the respondents belong to the age category of 10–12, 16% belong to the age category of 12–14, 28% belong to the age category of 14–16 and 45% belong to the age category of 16–18.

Table 2. Bank wise classification of respondent’s

<table>
<thead>
<tr>
<th>Bank</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>SBT</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Federal Bank</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>South Indian Bank</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

**Inference:** The table reveals that 30% of the respondents use the services of SBI, 25% use the services of SBT, 20% use the services of federal bank, 17% use the services of South Indian Bank and 8% use the services of other banks.

Table 3. Respondent’s classification on the basis use of banking services

<table>
<thead>
<tr>
<th>Type</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit card</td>
<td>38</td>
<td>63</td>
</tr>
<tr>
<td>Cheques</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Demand draft</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Internet banking</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

**Inference:** The table reveals that 63% of the respondents used debit card, 15% used the cheque, 12% used the demand draft and 10% used internet banking service.
Inference: The table reveals that 8.3% of the respondents use the baking service daily, 16.7% use the services 1–3 times in a week, 23.3% use the services weekly, 33.4% use the services 1–3 times in a month, and 18.3% use the services once in a month.

Table 5. Respondent’s classification on the basis of awareness about Debit card

<table>
<thead>
<tr>
<th>Age</th>
<th>Aware</th>
<th>Percentage</th>
<th>Unaware</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10–12</td>
<td>2</td>
<td>33.3</td>
<td>4</td>
<td>66.7</td>
</tr>
<tr>
<td>12–14</td>
<td>4</td>
<td>40</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>14–16</td>
<td>15</td>
<td>88.2</td>
<td>2</td>
<td>11.8</td>
</tr>
<tr>
<td>16–18</td>
<td>27</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>80</td>
<td>12</td>
<td>20</td>
</tr>
</tbody>
</table>

Inference: The table reveals that 33.3% of the respondents of the age category 10–12 are aware about debit card, 40% of the respondents of the age category 12–14 are aware about debit card, 88.2% of the respondents of the age category 14–16 are aware about debit card, 100% of the respondents of the age category 16–18 are aware about debit card and out of total respondents 80% are aware about debit card.

Table 6. Respondent’s classification on the basis of awareness about Cheques & Demand draft

<table>
<thead>
<tr>
<th>Age</th>
<th>Aware</th>
<th>Percentage</th>
<th>Unaware</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10–12</td>
<td>1</td>
<td>16.7</td>
<td>5</td>
<td>83.3</td>
</tr>
<tr>
<td>12–14</td>
<td>3</td>
<td>30</td>
<td>7</td>
<td>70</td>
</tr>
<tr>
<td>14–16</td>
<td>15</td>
<td>88.2</td>
<td>2</td>
<td>11.8</td>
</tr>
<tr>
<td>16–18</td>
<td>27</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>76.7</td>
<td>14</td>
<td>23.3</td>
</tr>
</tbody>
</table>

Inference: The table reveals that 16.7% of the respondents of the age category 10–12 are aware about Cheques & Demand draft, 30% of the respondents of the age category 12–14 are aware about Cheques & Demand draft, 88.2% of the respondents of the age category 14–16 are aware about Cheques & Demand draft, 100% of the respondents of the age category 16–18 are aware about Cheques & Demand draft and out of total respondents 76.7% are aware about Cheques & Demand draft.

Table 7. Respondent’s classification on the basis of awareness about Internet banking

<table>
<thead>
<tr>
<th>Age</th>
<th>Aware</th>
<th>Percentage</th>
<th>Unaware</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10–12</td>
<td>1</td>
<td>16.7</td>
<td>5</td>
<td>83.3</td>
</tr>
<tr>
<td>12–14</td>
<td>2</td>
<td>20</td>
<td>8</td>
<td>80</td>
</tr>
<tr>
<td>14–16</td>
<td>13</td>
<td>76.5</td>
<td>4</td>
<td>23.5</td>
</tr>
<tr>
<td>16–18</td>
<td>23</td>
<td>85.2</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>65</td>
<td>21</td>
<td>35</td>
</tr>
</tbody>
</table>

Inference: The table reveals that 16.7% of the respondents of the age category 10–12 are aware about Internet banking, 20% of the respondents of the age category 12–14 are aware about Internet banking, 80% of the respondents of the age category 14–16 are aware about Internet banking, and out of total respondents 65% are aware about Internet banking.
banking, 76.5% of the respondents of the age category 14 -16 are aware about Internet banking, 85.2% of the respondents of the age category 16 – 18 are aware about Internet banking and out of total respondents 65% are aware about Internet banking.

FINDINGS AND SUGGESTIONS

1. The study finds that majority of the minor savings bank account holders belongs to the age group of 16 – 18.

2. The study finds that most of the respondents are the customers of SBI.

3. The study finds that most of the respondents used debit cards out of various services offered by banks.

4. The study finds that majority of the respondents avail the various services offered by the banks at 1 – 3 times in a month.

5. The study finds that 80 percent of the respondents are aware of the use of debit cards and among respondents of age group 10 – 12, 33.3 percent are aware; among respondents of age group 12 – 14, 40 percent are aware; among respondents of age group 14 – 16, 88.2 percent are aware; among respondents of age group 16 – 18, 100 percent are aware.

6. The study finds that 76.7 percent of the respondents are aware of the use of cheques and demand draft and among respondents of age group 10 – 12, 16.7 percent are aware; among respondents of age group 12 – 14, 30 percent are aware; among respondents of age group 14 – 16, 88.2 percent are aware; among respondents of age group 16 – 18, 100 percent are aware.

7. The study finds that 65 percent of the respondents are aware of the use of internet banking and among respondents of age group 10 – 12, 16.7 percent are aware; among respondents of age group 12 – 14, 20 percent are aware; among respondents of age group 14 – 16, 76.5 percent are aware; among respondents of age group 16 – 18, 85.2 percent are aware.

CONCLUSION

The opportunity for minors to operate a savings bank account will help them to manage cash in future in an effective way. The children will also become aware of the fundamentals of banking transactions and facilities, such as debit cards, cheque books, fund transfers, withdrawal and deposit of money. Earlier minors were allowed to operate an account only under guardianship of a parent or a guardian. The recent step taken by RBI will permit the children above the age of 10 to operate an account by themselves which will help the children to manage the cash effectively in future and gain the habit of saving money.

The study reveals that minors are using the services provided by banks and operating the accounts 1 – 3 times monthly. It is a positive sign. But the study reveals that minors below the age of 16 are not much aware about the various services offered by banks. This will lead to a chance of misuse of minor’s accounts by others for illegal purposes. A parent must carefully watch if a child is misusing money or wavering from the spending and savings goals. The minor’s accounts should be under the surveillance of their parents and they should try to make the children aware about the services.

The parents/guardians should take certain necessary steps such as linking their mobile number with minor’s bank account to get the details about transactions done in minors account. But, the most important thing is to make the minors aware about the banking services; otherwise the step taken by RBI to boost financial inclusion will create a negative effect on financial inclusion.

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