



FINANCIAL INCLUSION: ROLE OF BANKING SERVICES IN TAMILNADU

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Abstract

Financial inclusion does not stand for delivery of financial services for all at all cost. But it means that the delivery of financial services and products at affordable costs. It plays a crucial role to remove away the poverty from the country. Financial inclusion is to provide equal opportunities to vast sections of population to access mainstream financial services for better life, living and better income. It provides path for inclusive growth. Financial inclusion can be described as the provision of affordable financial services, viz saving, credit, insurance services, access to payments and remittance facilities by the formal financial systems to those who are excluded. So, financial inclusion refers to access to vast range of financial product and services at affordable cost. Financial inclusion is one of the most important aspects in the present scenario for inclusive growth and development of economies. FI of all individuals and all sections of population is very vital from the point of view of ensuring inclusive growth of national economy. Adoption and implementation of inclusive practices by all banks and financial institutions and also by insurance companies and mutual funds will go a long way in bringing about FI of all those who presently stand financially excluded. This paper is an attempt to identify the steps taken by the banks in the selected banking services for financial inclusion and to find out the relationship between Availability, Accessibility and Usage of Banking Inclusion. And it has concluded that there has positive and significant relationship between accessibility, Availability and Usage of the services.

Key words: Financial Inclusion, Banking inclusion, Inclusive growth, ATM penetration

Introduction

The emerging trends in financial inclusion have gained growing attention around the world. The present pattern for savings, and investment, has been developed with the objective to address the hypothetical and empirical problem and to steer the design of enhanced policies and improvisations of methodologies in practice. Although India has made improvement in financial inclusion in the past few years, but IMF Financial survey shows that “India lags behind with other emerging nations in financial inclusion by a significant margin” (Nair, 2012).

According to committee of financial inclusion, The process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players. According to M.K.Samantaray, General Manager, Reserve Bank of India, Large segment of population remaining excluded from formal payments system & financial markets when financial market developing & globalizing Obvious market failure Government & financial sector regulators creating enabling conditions for inclusive & affordable market. Rangarajan Committee (2008) on financial inclusion stated that: Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

In the war against poverty, Financial Inclusion (FI) has emerged as a priority for policy makers and regulators in over 60 developing countries across the globe. An increasing number of countries have introduced or introducing holistic approaches and methods to improve access to finance. A Financial Inclusion Experts Group (FIEG) was created, to expand access to finance for household consumers and micro, small and medium sized enterprises. The group has developed nine Principles for Innovative Financial Inclusion viz., Leadership, diversity, innovation, protection, empowerment, cooperation, knowledge, proportionality and framework, from experiences and lessons learned from policymakers across the world, which have been endorsed during the Toronto Summit in June, 2010.

From 2006 more enabling environment was being created with opening No-Frill Accounts, Overdraft facility for Saving Bank Accounts, Relaxed Know Your Customer (KYC) norms, permitting the banks to use the services of intermediaries-Business Correspondents (BC)and Business Facilitators (BF). This research would focus on the nature of Financial Inclusion in Tamilnadu districts and to explore gaps and potential for improvements in the financial service of the socially and economically excluded society and individuals through banking services.

Review of Literature

Bluebook (2006) has found that the essence of Financial Inclusion is in trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Financial Inclusion does

not require that everyone who is eligible uses each of these services but they should be able to choose them if they desired to use them.

Swapan Kumar Roy (2012) pointed; banking industry in India has undergone dramatic changes. Previously the banks would target the rich customers. As a result, the have-nots or the bottom-line customers of the pyramid were ignored. They belonged to low-income group and had to take resort of moneylenders or informal lenders for taking advance/loan at exorbitant rate of interest. This situation cannot uplift the poor people and makes them destitute in the long run. Access to finance, especially by the poor and vulnerable groups, is an essential requisite for employment, economic growth, poverty alleviation and social up-liftment. Here lies the importance of financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of the society. The Government of India has taken a number of initiatives so that the banks can serve the poor in a hassle-free manner. In this article, an attempt has been made to highlight the pros and cons of financial inclusion in India. The majority of people living in rural areas remain excluded from the purview of the financial institutions even after 64 years of independence. Reaching out to the hither-to unreached segment of population and providing basic financial services is the need of the hour. India's fastest growing economies have become possible through financial inclusion. In spite of that, still there are large segments of the society outside the financial system.

Hema Divya (2013) stated that FI is the delivery of financial services at affordable costs to the society. The researcher pointed that financial services is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. This study is an attempt to find out the impact of FI on daily wage earners and the author conducted that there is more need to educate and create save new instruments for daily wage earners and also make them a part of FI.

Objectives of the study

- To identify the steps taken by the banks in the selected banking services for financial inclusion
- To find out the relationship between Availability, Accessibility and Usage of Banking Inclusion.

Tools used in the study

- Percentage analysis
- Pearson correlation

Analysis and interpretation

Automated Teller Machine is a electronic telecommunications device that enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller. ATMs have proved a form of free technology training for the public to become more technologically literate in the field of financial self service- the simplicity of ATM transactions, proven by its worldwide popularity, gives people's confidence and experience in using important modern self-service technology. Below table shows bank wise penetration of ATMs in Tamilnadu. Mean value is calculated to find out the performance from the year 2012 to 2016. The result has find out that mean value is high in the year 2015-2016. So it is concluded that more number of ATMs has installed in the year 2015-2016. And most of the ATMs working under Private Sector Banks. Nationalized Banks, State Bank group, Other Public Sector Banks, Foreign Banks follows respectively.

Bank-wise ATMs penetration from 2012 to 2016

Group of banks	2012-2013	2013-2014	2014-2015	2015-2016	Average
State bank group	3074	4012	4161	4745	3998
Nationalised banks	3673	4952	6442	7300	5592
Other public sector banks	157	176	222	237	198
Private sector banks	6174	6744	7390	7940	7062
RRBs	0	0	0	0	0
Foreign banks	116	113	105	103	109
Average	2199	2666	3053	3387.5	

Source: Secondary

District wise spread of Bank Branches in Tamil Nadu as of March 2016 is given below:

Sl.No.	Name of the District	No. of Branches					Percentage
		R	SU	U	M	Total	
1	Kanchipuram	174	214	184	0	572	6
2	Tiruvallur	90	154	141	0	385	4
3	Cuddalore	105	90	54	0	249	2
4	Villupuram	146	111	1	0	258	3
5	Vellore(vr)	146	150	71	0	367	4
6	Tiruvannamalai	88	79	39	0	206	2
7	Salem	108	118	135	0	361	4
8	Namakkal	101	143	2	0	246	2
9	Dharmapuri	59	75	0	0	134	1
10	Erode	123	141	83	0	347	3
11	Coimbatore	136	224	366	0	726	7
12	The Nilgiris	24	93	0	0	117	1
13	Thanjavur	120	90	96	0	306	3
14	Nagapattinam	99	85	0	0	184	2
15	Tiruvarur	80	77	0	0	157	2
16	Tiruchirappalli	115	123	156	0	394	4
17	Karur	75	81	0	0	156	2
18	Perambalur	47	48	1	0	96	1
19	Pudukkottai	123	60	29	0	212	2
20	Madurai	101	81	242	0	424	4
21	Theni	50	115	0	0	165	2
22	Dindigul	112	103	59	0	274	3
23	Ramanathapuram	72	83	0	0	155	2
24	Virudhunagar	101	113	39	0	253	3
25	Sivagangai	133	109	2	0	244	2
26	Tirunelveli	137	158	94	0	389	4
27	Thoothukkudi	97	79	69	0	245	2
28	Kanyakumari	76	145	63	0	284	3
29	Chennai	0	0	0	1462	1462	15
30	Krishnagiri	86	105	0	0	191	2
31	Ariyalur	39	30	1	0	70	1
32	Tiruppur	86	137	119	0	342	3
	TOTAL	3049	3414	2046	1462	9971	100
	MEAN	95	107	64	46	312	

Source: Secondary

The above table indicates the total number of branches opened in Tamilnadu. 9971 branches has opened in all over Tamilnadu out of 9971 branches 15% of branches has opened in Chennai, 7% of branches has opened in Coimbatore. Average of branches has opened in rural area is 95, Semi urban area is 107, Urban area 64 and metropolitan area 46. From this analysis it has find out that more number of branches has opened in Semi urban area. And highest number of branches has opened for semi urban peoples. 6% of branches has opened in kancheepuram, 4% of branches has opened in Tiruvallur, Vellore (vr), Salem, Tiruchirappalli, Madurai and Tirunelveli. Villupuram, Erode, Thanjavur, Dindigul, Virudhunagar and Kanyakumari districts has opened 3% of bank branches. Cuddalore, Tiruvannamalai, Namakkal, Nagapattinam, Tiruvarur, Karur, Pudukottai, Theni, Ramanathapuram, Sivagangai, Thoothukkudi, Krishnagiri district has opened only 2% of bank branches. Dharmapuri, The Nilgiris, Perambalur, Ariyalur and Tiruppur districts has 1% and 3% of branch expansion.

Correlation

Karl Pearson's Coefficient of correlation has used to analyze the degree of relationship within Accessibility, Availability and usage of banking inclusion.

Relationship between Accessibility, Availability and Usage of financial Inclusion through Banking Inclusion

Si no	Variables	R- value	P-value	
1	Accessibility of banking inclusion	availability of banking inclusion	.587**	.008
		usage of banking inclusion	.609**	.006
2	Availability of banking inclusion	usage of banking inclusion	.967**	.000

** . Correlation is significant at the 0.01 level (2-tailed).

H1: Accessibility, Availability and Usage of financial Inclusion are positively correlated through Banking Inclusion.

Banking Inclusion has driven by the effort to promote the financial Inclusion, thereby facilitating enhanced financial stability and security through accessibility, Availability and Usage of Branch inclusion, Deposit Inclusion, Credit Inclusion, Information Inclusion and other banking services Inclusion. A secondary aim of banking inclusion has the drive to address the “poverty premium” whereby the poor pay more for essential services such as utilities and credit.

The above table shows the relationship of Accessibility, Availability and Usage of Banking Inclusion. As per the Pearson correlation Accessibility of banking Inclusion has moderate positive correlation between Availability of banking Inclusion and Usage of Banking Inclusion (r-value: .587, .609 and p-value: .008, .006) in the same time Availability of Banking inclusion has high positive correlation(r-value: .967,P-value: .000) with Usage of banking Inclusion at 1% level of significance. So the hypothesis has accepted and it shows that if there is proper Accessibility and Availability of the services there should have a Usage of Banking services. Banking Inclusion is a major part of financial inclusion and financial inclusion help for inclusive growth.

Suggestions and Conclusion

Correlation analysis helps to find out the relationship of accessibility, availability and usage of banking inclusion. The result shows that there has positive and significant relationship between accessibility, Availability and Usage of the services. Private sector banks and nationalized banks have high ATMs penetration in the year 2015-2016. Tamilnadu state apex Chennai district has 15% of bank branch expansion and Coimbatore has 7% of branch expansion. And more number of branches opened in semi urban areas only. And District wise penetration of bank branches is very necessary for financial inclusion and sustainability development.ATM penetration helps the people to make the transactions easy. So banks should take necessary steps for an inclusive growth. Access to banking services is extremely important for poverty alleviation and development. In order to achieve the goal of total financial inclusion, policymakers, banks regulators have to work together.

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