

Financial Inclusion in Kancheepuram District – Exploring Usage in Access

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Abstract: A well developed financial system brings the economically weaker section of the society into the main stream of economy and makes them to contribute to their economic development. In our country initiatives are taken to improve access to the formal financial system. The present study has been carried out with the financial assistance provided by the University Grants Commission to assess the usage of banking services by households in Kancheepuram district in southern part of Tamil Nadu.

Keywords: financial inclusion, access, usage, savings, borrowings, formal financial system, Kancheepuram.

INTRODUCTION

Financial Inclusion refers to universal access to an extensive range of financial products and services at an affordable cost[1-4, 6]. And the core of financial inclusion is to ensure delivery of financial services like bank accounts for savings and transactional purposes, low cost credit for productive or personal purposes, financial advisory services, insurance services, etc. Financial inclusion widens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays a vital in the process of fiscal development. Further, by bringing lower income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in difficult circumstances. Financial inclusion also mitigates the exploitation of susceptible sections by the unscrupulous money lenders by facilitating easy access to formal credit

REVIEW OF LITERATURE

The Finance Minister in his 2006-07 budget speech has defined financial inclusion as “the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost”. Similarly the Committee on Financial Inclusion defines financial inclusion as “the process of ensuring access to financial services and timely, adequate credit where needed, to vulnerable groups such as weaker sections and low income groups, at an affordable cost,”[1-3] Beck[5] in his study has stated that financial inclusion should show access to an array of varied financial services and the fraction of people in a certain area with access to a bank account is the distinctive

yard stick for measuring the breadth of financial services.

Significance of the Study:

By the late 2000s, the significance of an inclusive financial system has been extensively recognized leading to it becoming a policy priority in many countries. Initiatives for building inclusive financial systems have come from the financial regulators, the governments and the banking industry. Multilateral organizations such as the World Bank (WB) and the International Monetary Fund (IMF) have also paid focused attention to the issue of financial inclusion through policy prescriptions and guidelines. They also have realized that there is a link between financial depth and growth. Policy-makers would do well to recognize the relationships between well developed financial systems and economic growth as well as economic growth and poverty reduction. Thus, the question becomes, does a well-developed financial system serve the poor? The present study gains significance by addressing this issue.

Objectives of the study:

Primary Objective:

With this background, the primary objective of the study is to examine the extent of financial inclusion and its usage in Kancheepuram district. Financial inclusion is intended to comprise of all the sections of the society, especially those who are out of the net of the formal financial system. Since it is difficult to cover all the sections of the society, the study will concentrate only on the rural sector because of its enormity on the one hand and significance on the other.

Secondary objectives:

1. To find out the socio-economic characteristics of the respondents.
2. To study the usage of two basic financial services namely saving and borrowing.
3. To know the level of awareness about the financial products.

METHODOLOGY

The study is designed as a descriptive and analytical one. It is carried out with the help of sample survey with the financial assistance provided by University Grants Commission. Study is undertaken using stratified sampling i.e. Kancheepuram district was divided based on three revenue divisions namely kancheepuram, Chengalpattu and Maduranthagam. The identification of primary sampling units constitutes the first stage of sampling. The primary sampling units are stratified by population size, geography, or both and the 37 villages (clusters) were identified. From these 37 clusters, 1,500 sample households were chosen for the study.

Primary data:

Primary data was collected from the selected, 1,500 households during August 2013- September 2014 by conducting the face-to-face interview. The structured questionnaire was used to collect the requisite information from the households. The data were collected with the financial assistance provided by University Grants Commission.

Secondary data:

In order to have a proper understanding of the concept of financial inclusion an in-depth study was done from the various sources such as books, magazines, journals and official websites of the banks.

Analysis and Interpretation of Study:

The information collected was analyzed and presented in this paper.

The socio-economic characteristics of the respondents:

It is essential to understand the demographic nature of the respondents to explain the extent of financial inclusion. Hence, during the survey the requisite details were gathered and they are assimilated as the socio-economic pattern in Kancheepuram district and are shown in the following table.

Table 1: Socio-economic Characteristics of the study respondents:

	No. of Respondents N=1500	%
Age		
Below20	30	2.00
21- 40	881	58.73
41- 60	560	37.33
Above 60	29	1.93
Gender		
Male	1086	72.40
Female	414	27.60
Marital Status		
Married	1133	75.40
Single	283	18.87
Separated	41	2.73
Widowed	43	2.87
Occupation		
Cultivation	376	25.00
Business	532	35.33
Service Class	305	20.33
Landless	287	19.13
Labourers		
Monthly Income		
Below Rs.2,000	11	00.87
2001-4000	187	12.47
4001-6000	677	45.13
6001-8000	475	31.67
Above 8,000	150	9.47
Type of House		
Own house	888	59.20
Rented House	612	40.80

Table 1 gives details regarding the demographic profile of the study respondents. It reveals that majority of the respondents are in the age group of 21-40 years (58.73%) and male (72.4%). In terms of their livelihood 25% are doing cultivation in their own land, 19.33% are landless labourers, 35.33% are doing some business and remaining 20.33% are working. With regard to the ownership of their dwelling place, it is found that 59.20% are living in their own house and remaining in the rented house.

Usage of Saving Account:**Table 2: Type of accounts**

	No. of respondents N=1,500	%
Type of accounts		
Savings Account	958	63.53
Current Account	225	15.00
Recurring Deposit	71	4.33
Fixed Deposit	246	16.40
Bank account with cheque book		
Yes	684	45.60
No	773	51.53
No response	43	2.87

Table 2 reveals that of the 1500 households surveyed nearly 63% have savings bank account, whereas only 4% have recurring deposit account. 15% of the respondents have current account and 16.4% have fixed deposit account. It is evident that the only less percentage of study respondents have the means to

save regularly. When they were enquired about using cheque book, 684 respondents affirmed positively, 773 respondents gave a negative reply and 43 respondents did not answer that question. It raises a doubt whether these 43 respondents' accounts are in operation.

Table 3: Mode of operation of the account

	No. of respondents	%
ATM	972	64.80
Personal visit	479	31.93
No response	49	3.27
Total	1500	100

Though ATM facilities are available, nearly 31% of the respondents carry out the transaction only by visiting the nearest branch in their location. It shows the need for the effort to be taken by the bank officials to educate their customers about the advantage of utilization of ATM.

Why the savings account is opened?

This section examines how and why people save. The analysis is mainly focused on formal means of savings, namely savings in bank accounts.

Table 4: Reasons to open an account

	No. of respondents	%
Receive payment from NREGP	450	30.06
Receive payment from scheme other than NREGP	273	18.20
Receive govt. scholarship	263	17.53
For saving	378	25.20
Request a loan	136	9.06
Total	1500	100

It is evident from table 4 that nearly 25 % of the respondents have opened the account only with the intention of saving. Majority of them have opened to receive payment like NREGP and scholarships from government. The data in the above clearly shows a strong correlation between being a beneficiary of the

NREGP scheme in kancheepuram district and scholarships given to the children in the households considered for the study holding a bank account. To analyze this, the data regarding frequency of saving by respondents are gathered and presented here.

Table 5: Frequency of Saving

	No. of respondents	%
At least once a month	488	32.53
Less than once a month	283	18.87
As and when I can	274	18.27
Paid money but not in past 12 months	96	6.40
Not added money since account was opened	359	23.93
Total	1500	100

Table 5 provides information regarding the usage of account. It shows that nearly 32% of the households save on regular basis and 23.93% of the households have claimed that they have not deposited any amount since opening of their account. Hence it is

inferred that nearly quarter of the households surveyed do not have the means to save. The study further explores the influence of occupation of the respondents on the reasons to open an account.

Impact of occupation on the reasons to open an account:**H1a-** Reasons to open an account is independent of occupation.**Table 6: Reasons to open an account**

Occupation	Reasons to open an account					Total
	receive payment from NREGP	receive payment from scheme other than NREGP	receive govt. scholarship	for saving	request a loan	
Cultivation	129	72	53	67	55	376
Business	136	95	105	161	34	531
Service	92	53	56	71	34	306
Landless labour	93	53	49	79	13	287
Total	450	273	263	378	136	1500

To test whether occupation has significant influence on the reasons to open an account, chi-square test is conducted and the results are shown in the following table.

Table 7: Reasons to open an account *Occupation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	58.962(a)	20	0.001

Since P value of 0.001 is less than the table value of .05 at 5% level of significance, the hypothesis is rejected. Hence, it can be concluded that the reasons to open an account is not independent of occupation of the respondents.

Outline of rural indebtedness:

Another indicator of financial inclusion is borrowing. Most people need to borrow money from time to time for reasons like buying or renovating a house, to invest in education, or to meet wedding or funeral expenses. Hence, they turn to someone who will lend it to them—a bank, a relative, or a money lender. One of the key objectives of India's banking system has been to offer institutional credit to rural India. It would appear that while advances have been made since the 1960s towards greater inclusion, a substantial majority of India's rural poor still lack access to formal finance. The present survey looks at the sources of borrowing by the households and also the reasons for not taking a loan from the bank. The data has been gathered regarding the sources of borrowing, knowledge of interest rate, difficulty in getting a bank loan and the reasons. And the data collected has been presented in the following table.

Table 8: Outline of indebtedness of the study respondents:

	N:1500	%
Sources of Borrowing		
Friends	316	21.07
Relatives	506	33.73
Money lender	352	23.47
Bank	326	21.73
Knowledge of Interest Rate		
Yes	927	61.80
No	485	32.33
No response	88	5.87
Willingness to borrow from bank		
Yes	976	65.07
No	482	32.13
No response	42	2.80
Getting Bank Loan Difficult		
Yes	733	48.87
No	720	48.00
No response	47	3.13
Reasons for not Getting Bank loan		
Difficult to fill up forms	276	18.40
Lack of business plan	209	13.93
Insistence of collateral security	130	8.67
Lack of proof of residence	151	10.07
Never thought of approaching bank for loan	734	48.93

Table 8 reveals that family (33.73%) and friends (21.07%) are the only source of financing and in contrast only 21.73% of the respondents turn to formal financial institution as the source of financing. This is in spite of the fact that nearly 61% of the respondents have the knowledge of interest rate charged by the formal financial institution. It's shocking to know that majority of the study respondents expressed their willingness to borrow from formal financial institution, a bank. When probed further to find out what stops them from approaching the bank for finance, it is surprising to know majority (48.93%) of the respondents conveyed

that they never thought of approaching bank for loan. Deprived individuals and other marginalized groups, rarely have legal proof of identity, address or employment. This renders obtaining formal credit even more arduous. Since, banks also require collateral to make loans; a sizable proportion of the poor is excluded. This is also expressed in the survey that the difficulty to fill up forms (18.40%), lack of business plan(13.93%), insistence of collateral security(8.67%)

and lack of proof of residence(10.07) as the reasons not to approach the bank for financing.

Here, the study looks at the influence of gender on the source of borrowing and the knowledge of rate of interest.

Impact of gender on the sources of borrowing and the knowledge of interest rate:

H2a- Sources of borrowing is independent of gender.

Table 9: Sources of borrowing is independent of gender.

		Sources of debt				
		friends	relatives	money lender	bank	Total
Gender	male	235	346	282	219	1082
	female	81	160	70	107	418
Total		316	506	352	326	1500

To test whether gender has significant influence on sources of borrowing, chi-square test is

conducted and the results are shown in the following table.

Table 10: Sources of Borrowing * Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	38.705(a)	8	0.004

Since P value of 0.004 is less than the table value of .05 at 5% level of significance, the hypothesis is rejected. Hence, it can be concluded that the sources of borrowing is not independent of gender of the respondents.

H2b- Knowledge of interest rate is independent of gender.

Table 11: knowledge of interest rate

Gender		knowledge of interest rate			Total
		Yes	No	No response	
	Male	633	380	69	1082
	Female	294	105	17	416
Total		927	485	88	1500

To test whether gender has significant influence on knowledge of interest rate, chi-square test

is conducted and the results are shown in the following table.

Table 12: Knowledge of rate of interest * Gender

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	51.093(a)	4	0.011

Since P value shown in table 10 (0.011) is less than the table value of .05 at 5% level of significance, the hypothesis is rejected. Hence, it can be concluded that the knowledge of interest rate is not independent of gender of the respondents.

Level of awareness about the financial products:

This section of the study looks at how households and banks influence the process of financial inclusion. In other words, the study finds out the level of awareness of various financial products offered by the banks. Because this knowledge finds out the ways in

which the drive for financial inclusion shapes the financial lives of households in a district, if at all. This

part of the study reports on household awareness of various financial products offered by the banks.

Table 13: Awareness of Financial Product

	No. of Respondents N=1500	%
Mortgage	482	32.13
Loan secured on property	152	10.13
Unsecured bank loan	179	11.93
Credit card	278	18.53
Micro-finance loan	152	10.13
Insurance	197	13.13
No response	60	4.00
Source of Information		
Friends and Relatives	355	23.67
Newspaper Advertisement	474	31.60.19.00
Television/Radio	285	15.40
Pamphlet at the Branch	231	7.27
Bank Employee	109	3.07
No response	46	

Table 13 reveals that nearly 32% of the respondents are aware of the mortgage facility and nearly 10% are aware of loan secured on property and micro-finance loan. But it is quite fascinating to know that 18% of the respondents are aware of credit card facility. And meager 13% only are aware of insurance facility. It is sad to find out that bank employees (7.27%) have negligible role to play in talking to the

rural population about various products offered by them. The data clearly shows a lack of correlation between them and the rural people in the district.

Impact of gender and occupation on the awareness of financial product:

H3a- The awareness of financial product is independent of gender.

Table 14: Awareness of financial product

Gender		Awareness of financial product							Total
		mortgage	loan secured on property	unsecured bank loan	credit card	Microfinance loan	insurance	no response	
	Male	396	105	121	175	99	132	54	1082
	female	86	47	58	103	53	65	6	418
Total		482	152	179	278	152	197	60	1500

To test whether gender has significant influence on the level of awareness of financial product,

chi-square test is conducted and the results are shown in the following table.

Table 15: Level of awareness of financial product * Gender

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	59.988(a)	12	0.005

Since P value of 0.005 is less than the table value of .05 at 5% level of significance, the hypothesis is rejected. Hence, it can be concluded that the awareness of financial product is not independent of gender of the respondents.

H3b- The awareness of financial product is independent of occupation.

Table 16: Awareness of financial product

Occupation	Awareness of financial product							Total
	mortgage	loan secured on property	unsecured bank loan	credit card	Micro Finance loan	insurance	no response	
Cultivation	163	35	39	62	30	35	11	375
Business	133	59	73	105	65	73	22	530
Service	108	32	42	40	25	53	8	308
Landless labour	78	26	25	71	32	36	19	287
Total	482	152	179	278	152	197	60	1500

Table 17: Level of awareness of financial product * Occupation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	68.830(a)	24	0.023

As shown in the above table the P value of 0.023 is less than the table value of .05 at 5% level of significance, the hypothesis is rejected. Hence, it can be concluded that the awareness of financial product is not independent of occupation of the respondents.

To find out the contribution of bank officials in the process of financial inclusion effort in Kancheepuram district, they were asked to mention about the source of help in opening an account with the nearby bank. The information obtained is given in the following table.

Table 18: Source of help to open a bank account

People who helped to open an account	No. of Respondents	%
Village panchayat officials	347	23
Bank officials	567	37
Neighbours	324	21
Relatives/friends	179	11
No response	3	0
Total	80	5
	1500	100

From the above table it is clear that bank officials are of great help to them when they have come to the bank to open an account. Secondly, the village panchayat officials also had a greater role in opening an account. This clearly shows the involvement of the government machinery in opening an account.

Findings:**Socio- economic background of the respondents:**

- Majority of the respondents are in the age group of 21-40 years.
- Majority of the respondents are male.
- 59.20% are living in their own houses.
- 25% are doing cultivation in their own land, 19.33% are landless labourers involved in cultivation with their landlords.
- Majority of the respondents are in the monthly income group of Rs.4, 000 – 6,000.

Saving behavior:

- 45% of the surveyed respondents are having more than one bank account.
- 63.53% of the respondents are having savings bank account.
- 64% are using ATM facility. This shows the adaptability of the rural people to the technology.
- 35% of the account holders are business people.
- Majority of them have opened to receive payment like NREGP and scholarships from government.
- Only 32% of the households save on regular basis.
- Respondents with less than income of Rs. 2,000 who have bank account is .73%..
- There is a significant disparity in account penetration between men and women.
- Frequency of saving is dependent on the monthly income and occupation.

Rural indebtedness:

- Family (33.73%) and friends (21.07%) are the major source of financing.
- Majority of the respondents never thought of approaching bank for loan.
- A source of borrowing is not independent of monthly income.
- The sources of borrowing and occupation are not independent.
- Only 10% are aware of loan secured on property and micro-finance loan.
- Only 7 % of bank officials had a role to play in talking to the rural population about various products offered by them.
- Whereas, 37% of the bank officials helped in opening an account.

Suggestion and Conclusion:

Providing people with bank accounts is an important first step in bringing people into the ambit of formal finance. Currently, however, knowledge of the drive is moderate, and there is no concerted attempt to educate the target beneficiaries about the benefits or features of a bank account. The results from the study should be of immense help to policymakers and bankers to think of ground-breaking approaches to progress towards ensuring the participation of excluded populations in formal finance. The findings of the study cannot be considered as the final evaluation of the financial inclusion in Kancheepuram district. The diversity of districts in Tamil Nadu implies that the usage in access in other districts may be rather different from the one in Kancheepuram. However, the findings of the study does point few key areas of concern which may help to improve future policy in these areas, namely issues related to financial awareness, marketing, and appropriateness of bank.

The study points towards probable areas for further research. Firstly, it is imperative to look at other alternatives which might improve access and usage of formal finance for rural population. Secondly, it would be meaningful to look more genuinely at the nature and frequency of transactions that take place in these accounts.

In conclusion, the drive for financial inclusion in Kancheepuram district is quite successful in opening savings bank account; but, it has failed to bring large numbers of people into the ambit of formal finance in terms of borrowing. Hence, combining of government programmes with financial inclusion may greatly increase access to bank accounts and shows potential to increase usage as well. And proper promotion initiatives with regard to the benefits of borrowing from the formal financial institution will definitely improve the usage of formal finance.

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