

**FINANCIAL INCLUSION STRATEGIES AND PRACTICES OF PUBLIC SECTOR  
BANKS IN SIVAGANGAI DISTRICT-**

**Mr.V.Nagarajan, Research Scholar in Algappa university, Karaikudi, Arumugampillai  
Seethai Ammal College, Tiruppattur,**

**Dr.R.Kalidoss, Supervisor, Algappa university, Karaikudi, PG and Research Department  
of commerce, Arumugampillai Seethai Ammal College, Tiruppattur,**

**Abstract**

Financial services actively contribute to the humane & economic development of the society. These lead to social safety net & protect the people from economic shocks. Hence, each & every individual should be provided with affordable institutional financial products/services popularly called "**Financial Inclusion**". Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. Objectives of the study, To study the perception of the present and prospective beneficiaries of financial inclusion in Sivagangai district. Primary data were collected from customers/beneficiaries and bank officials of financial inclusion in Sivagangai district with help of structured questionnaire. Data collected from Canara bank customers only. Secondary data were collected from the records maintained in the collector office of Sivanganga District and records and reports of financial inclusion in Lead bank and SBI branches. Findings of the study, It is found that the Discriminant function analysis was applied to the respondents on low user and high user. The following factors significantly discriminate the two users. They are Account Opening Procedures, Availing Loans, Insurance, Micro Finance and Social Benefit Payments handling (one per cent level of significance). Suggestions of the study, All the commercial banks should take immediate steps to provide the details of their schemes, loans, passbooks and transaction and application forms in vernacular language so that the rural people can understand it, handle it, and use it which will bring them closer to the banks. Conclusion of the study, A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people".

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Keywords: Financial inclusion, Fund Transfer, Account opening etc.,

### 1.1. INTRODUCTION

Financial Inclusion is described as the method of offering banking and financial solutions and services to every individual in the society without any form of discrimination. It primarily aims to include everybody in the society by giving them basic financial services without looking at a person's income or savings. Financial inclusion chiefly focuses on providing reliable financial solutions to the economically underprivileged sections of the society without having any unfair treatment. It intends to provide financial solutions without any signs of inequality. It is also committed to being transparent while offering financial assistance without any hidden transactions or costs.

Financial inclusion wants everybody in the society to be involved and participate in financial management judiciously. There are many poor households in India that do not have any access to financial services in the country. They are not aware of banks and their functions. Even if they are aware of banks, many of the poor people do not have the access to get services from banks.

They may not meet minimum eligibility criteria laid by banks and hence, they will not be able to secure a bank's services. Banks have requirements such as minimum income, minimum credit score, age criteria, and minimum years of work experience. A bank will provide a deposit or a loan to an applicant only if he or she meets these criteria. Many of the poor people may be unemployed without any previous employment record due to lack of education, lack of resources, lack of money, etc.

These economically underprivileged people of the society may also not have proper documents to provide to the banks for verification of identity or income. Every bank has certain mandatory documents that need to be furnished during a loan application process or during a bank account creation process. Many of these people do not have knowledge about the importance of these documents. They also do not have access to apply for government-sanctioned documents.

Financial inclusion aims to eliminate these barriers and provide economically priced financial services to the less fortunate sections of the society so that they can be financially independent without depending on charity or other means of getting funds that are actually not sustainable. Financial inclusion also intends to spread awareness about financial services and



financial management among people of the society. Moreover, it wants to develop formal and systematic credit avenues for the poor people.

For several years, only the middle and high classes of the society procured formal types of credit. Poor people were forced to rely on unorganised and informal forms of credit. Many of them were uneducated and did not have basic knowledge about finance and hence, they got cheated by the greedy and rich people of the society. Several poor people have been exploited for years in the context of financial assistance.

## **I.2. REVIEW OF LITERATURE**

**K. Santosh, Dr. S. E. V. Subrahmanyam and Dr. T. Narayana Reddy(2016)**, in "Microfinance – A Holistic Approach towards Financial Inclusion", give a clear picture about the progress of micro finance models in India, schematic representation of microfinance approach towards financial inclusion and also identify the major problems faced by the Women SHGs insisting that it is necessary to improve the financial inclusion by extending and delivering of financial services through microfinance and bank branches to the rural areas particularly marginalized groups and also provide training to the SHGs to overcome these problems thereby improve their standard of living.

**Miss. Sarika and Dr.KumarRaj(2017)**, in their "Study on Business correspondent Model an innovative tool for Financial Inclusion", provide an overview of the model and the challenges it faces. Business correspondent model is a part of a broad financial inclusion initiative that the government launched in response to increasing inequality in India.

## **I.3. STATEMENT OF THE PROBLEM**

Financial inclusion enhances the financial system of the country comprehensively. It strengthens the availability of economic resources. Most importantly, it toughens the concept of savings among poor people living in both urban and rural areas. This way, it contributes towards the progress of the economy in a consistent manner. Many poor people tend to get cheated and sometimes even exploited by rich landlords as well as unlicensed moneylenders due to the vulnerable condition of the poor people. With the help of financial inclusion, this serious and hazardous situation can be changed. Financial inclusion engages in including poor people in the

formal banking industry with the intention of securing their minimal finances for future purposes. There are many households with people who are farmers or artisans who do not have proper facilities to save the money that they earn after putting in so much effort.

**I.4. Profile Of Study Area** Sivagangai District has been identified by the Reserve Bank of India as the under banked district in Tamilnadu. So it is highly relevant that the study on financial inclusion is done in the district.

#### **I.5.Objectives of the study**

1. To study the perception of the present and prospective beneficiaries of financial inclusion in Sivagangai district .

#### **I.6. HYPOTHESIS OF THE STUDY**

**H<sub>1</sub>:** There is no significant difference exists between perception of customers and financial services of public sector (canara banks) banks.

**I.7. RESEARCH DESIGN OF THE STUDY** A research design is the overall plan or programme of research. It is the general blue print for sample selection, data collection, and analysis of data. The present study aims at describing the current status of financial inclusion in Sivagangai district, it is therefore descriptive in nature, by fulfilling the objectives of the study. This study also describes the relationship between the variables especially profile of respondents and their and also the increase in usage of bank through their perception about financial services offered by the Canara bank. Hence it is a descriptive research design. **Sampling Plan** The sampling strategy was Random Sampling and the method of sampling used was Multi-Stage Random Sampling, taking the Sivagangai district which has been declared as the under-banked district by RBI for the study, selecting the one taluk Tirupattur of Sivagangai District as declared by RBI and selecting the samples within those villages using simple random sampling. **Sample Size** Sivaganga District consists of two Revenue Divisions viz., Sivaganga and Devakottai, Nine Taluks viz., Sivagangai, Manamadurai, Ilayangudi, Thiruppuvanam, Kalaiyarkoil, Karaikkudi, Devakottai, Thirupattur and Sigampunari, comprising of 521 Revenue Villages. The District has Twelve blocks viz. Sivagangai, Kalayarkoil, Manamadurai, Thiruppuvanam, Ilyankudi, Devakottai, Kannangudi, Sakottai, Kallal, Thiruppathur, Singampunari and S.Pudur comprising



of 451 Village Panchayats. There are three Municipalities viz. Sivagangai, Devakottai and Karaikudi and Eleven Town Panchayats viz. Manamadurai, Thiruppathur, Thiruppuvanam, Singampunari, Ilayankudi, Nattarasankottai, Kottaiyur, Kandanur, Pudukkottai, Pallathur, Kanadukathan, Nerkuppai. Number of villages in Sivagangai District allocated to different 270 public and private sector banks. Among the nine taluks Thiruppathur taluk only taken into this study. Thiruppathur taluk have 68 villages, from this villages only 5 villages taken for this study. 2011 India census, Tirupattur had a population of 25,980. Males constitute 50% of the population and females 50%. Tirupattur has an average literacy rate of 82%, higher than the national average of 69.5%: male literacy is 83%, and female literacy is 79%. In Tirupathur, 11% of the population is under 6 years of age. **DATA SOURCE** Primary data were collected from customers/beneficiaries and bank officials of financial inclusion in Sivagangai district with help of structured questionnaire. Data collected from Canara bank customers only. Secondary data were collected from the records maintained in the collector office of Sivanganga District and records and reports of financial inclusion in Lead bank and SBI branches. Discriminate analysis have been used in this study.

#### DISCRIMINANT FUNCTION ANALYSIS

Respondent's opinion towards perception of Canara bank services in Sivanganga District. In the study area out of one hundred and sixty respondents were divided into two groups i.e. Low level Perception for banking services and the high level Perception for banking services. The difference of opinion of the respondents in one group from the other is studied with the help of discriminant function analysis. For the purpose of the study, the following variables were selected.

1. Account Opening Procedures	2. Insurance
3. Deposit of Money	4. Project Management
5. Availing Loans	6. Consultancy
7. Safe Deposit Locker	8. Micro Finance

9. Fund Transfer/EFT/ECS	10. Social Benefit Payments handling
11. Mutual Fund	12. EBT

The discriminant function analysis attempts to construct a function with these and other variables so that the respondents belonging to these two groups are differentiated at the maximum. The linear combination of variables is known as discriminant function and its parameters are called discriminant function coefficients. In constructing this discriminant function all the variables which contribute to differentiate these two groups are examined.

Mahalanobis minimum  $D^2$  method is based on the generalized squared Euclidean distance that adjusts for unequal variances in the variables. The major advantage of this procedure is that it is computed in the original space of the predictor (independent) variables rather than as a collapsed version which is used in the other method.

Generally, all the variables selected will not contribute to explain the maximum discriminatory power of the function. So a selection rule is applied based on certain criteria to include those variables which best discriminate. Stepwise selection method was applied in constructing discriminant function which selects one variable at a time to include in the function. Before entering into the function the variables are examined for inclusion in the function.

The variables which could have maximum  $D^2$  value, if entered into the function is selected for inclusion in the function. Once entered any variable already in the equation is again considered for removal based on certain removal criteria. Likewise, at each step the next best discriminating variable is selected and included in the function and any variable already included in the function is considered for removal based on the selection and removal criteria respectively.

Discriminant function analysis involved classification problem also to ascertain the efficiency of the discriminant function analysis and all the variables which satisfy the entry and

removal criteria were entered into the function. Normally the criterion used to select the variables for inclusion in the function is minimum F to enter into the equation (i.e.) F statistic calculated for the qualified variable to enter into the function is fixed as  $\geq 1$ . Similarly any variable entered in the equation will be removed from the function if F statistic for the variable calculated is  $< 1$ . The two groups are defined as

- Group 1 - Low level  
Group 2 - High level

The mean and standard deviation for these groups and for the entire samples are given for each variable considered in the analysis.

**TABLE - 1**  
**GROUP MEANS (BETWEEN LOW AND HIGH GROUPS)**

S. No.	Factor	Low(73)		High(87)		Total(160)	
		Mean	SD	Mean	SD	Mean	SD
1	Account Opening Procedures	2.92	1.39	3.32	1.31	3.14	1.36
2	Deposit of Money	2.95	1.51	2.95	1.45	2.95	1.47
3	Availing Loans	3.10	1.48	2.75	1.44	2.91	1.47
4	Safe Deposit Locker	3.26	1.33	3.32	1.39	3.29	1.36
5	Fund Transfer/EFT/ECS	2.96	1.40	3.13	1.41	3.05	1.40
6	Mutual Fund	3.11	1.39	3.02	1.56	3.06	1.48
7	Insurance	3.04	1.37	2.93	1.34	2.98	1.35
8	Project Management	2.93	1.40	3.06	1.32	3.00	1.36
9	Consultancy	2.79	1.30	2.98	1.53	2.89	1.43
10	Micro Finance	3.47	1.35	2.97	1.30	3.19	1.34
11	Social Benefit Payments handling	2.93	1.46	3.16	1.47	3.06	1.46



12	Credit/Debit cards	2.99	1.47	3.14	1.34	3.07	1.40
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The overall stepwise D.F.A results after all significant discriminators have been included in the estimation of discriminated function are given in the following table.

TABLE -2

## SUMMARY TABLE BETWEEN LOW LEVEL AND HIGH LEVEL GROUPS

Step	Variables entered	Wilk's Lamda	F-value	Significance
1	Account Opening Procedures	.978	3.573	.001**
2	Availing Loans	.986	4.265	.004**
3	Insurance	.998	4.263	.009**
4	Micro Finance	.965	5.664	.019*
5	Social Benefit Payments handling	.994	4.975	.005**

\*\*Significant at 1% level, \*Significant at 5% level

The summary table indicates that variable gender entered in step one. The variables such as Account Opening Procedures, Availing Loans, Insurance, Micro Finance and Social Benefit Payments handling are significant at one per cent significance level. All the variables are significant discriminators based on their Wilk's Lambda and F-value. The multivariate aspect of this model is given in the following table.

TABLE -3

CANONICAL DISCRIMINANT FUNCTION  
(BETWEEN LOW AND HIGH GROUPS)

Canonical correlation	Wilk's Lamda	Chi -square	p-value	S/NS
0.318	.899	16.214	.002**	S



The canonical correlation in the discriminant group can be accounted for by this model, Wilk's Lamda and Chi-square value suggest that D.F is significant at one percent level.

The variables given above are identified finally by the D.F.A as the eligible discriminating variables. Based on the selected variables the corresponding D.F coefficients are calculated. They are given in the following table.

**TABLE -4**  
**DISCRIMINANT FUNCTION COEFFICIENT**  
**(BETWEEN LOW LEVEL AND HIGH LEVEL)**

Services	Function
Account Opening Procedures	.421
Deposit of Money	.048
Availing Loans	-.288
Safe Deposit Locker	-.053
Fund Transfer/EFT/ECS	.212
Mutual Fund	-.059
Insurance	-.072
Project Management	.060
Consultancy	.210
Micro Finance	-.488
Social Benefit Payments handling	.146
Credit/Debit cards	.195
(Constant)	-.975

Using this D.F coefficients and variables discriminating scores for 2 groups are found out and are called group centroids or group means

For low level user  $(Z_1) = -.364$

For High level user  $(Z_2) = .305$

Discriminating factor is the weighted average of  $Z_1, Z_2$

$$(i.e.) Z = \frac{(73 \times Z_1) + (87 \times Z_2)}{73+87}$$

Thus to classify any respondent as to low or high user the Z score for the respondent is found out by using the equation. If the score found out for any respondent is  $Z_0$  and if the value is  $> Z$  (i.e.  $Z_0 > Z$ ) then it is classified into high user and if  $Z_0 < Z$  then (i.e.  $Z_0 < Z$ ) it is classified into low user.

Now the questions remain to be answered are

1. How efficient are the discriminating variables in the D.F.A?
2. How efficient the D.F itself is?

The first equation cannot be answered directly however the discriminating power or the contribution of each variable to the function can sufficiently answer the question. For this consider the following table.

**TABLE NO.5**  
**TABLE RELATIVE DISCRIMINATING INDEX**  
**(BETWEEN LOW LEVEL GROUP AND HIGH LEVEL GROUP)**

	Group I Mean $X_1$	Group II Mean $X_2$	Unstandar- dised coefficient	$I_j = \text{ABS}(K_j)$ Mean $(X_{j0} - X_{j1})$	$R_j = I_j / \text{sum}$ $I_j * 100$	Rank

Account Opening Procedures	2.92	3.32	0.42	9.69	20.76	2
Availing Loans	3.1	2.75	-0.29	8.53	18.26	5
Insurance	3.04	2.93	-0.07	8.91	19.08	4
Micro Finance	3.47	2.97	0.15	10.31	22.07	1
Social Benefit Payments handling	2.93	3.16	0.20	9.26	19.83	3
<b>TOTAL</b>					100	

#### Relative Discriminating Index

For each variable the respective D.F coefficient its mean for each group and  $R_j$  are given.  $R_j$  called relative discriminating index is calculated from the discriminant function coefficient and group means.  $R_j$  tells how much each variable is contributing (%) to the function. By looking at this column it is understood that education is the discriminating variable and the family income the least discriminating variable.

The second question is answered by reclassifying the already grouped individuals into low or high level using the D.F (Z) defined in the equation. This classification is called predictor group membership. In short the efficiency of the D.F is called predictor group membership. In a nutshell, the efficiency of the D.F. is how correctly it predicts the respondents into distinct groups.

**TABLE - 6**  
**CLASSIFICATION RESULTS**  
**(BETWEEN LOW LEVEL GROUP AND HIGH LEVEL GROUP)**

Actual group	No. of cases	Predicted group membership	
		Group I	Group II
<b>Group I</b>	73	45	28



		61.6 %	38.4%
<b>Group II</b>	87	27 31.0%	60 69%

Per cent of grouped case correctly classified: 65.6 per cent

The above table gives the results of the reclassification. The function using the variables selected in the analysis classified 65.6 per cent of the cases correctly in the respective groups. It is found that the Discriminant function analysis was applied to the respondents on low user and high user. The following factors significantly discriminate the two users. They are Account Opening Procedures, Availing Loans, Insurance, Micro Finance and Social Benefit Payments handling (one per cent level of significance).

#### SUGGESTIONS OF THE STUDY

The perception of the majority of the respondents, the banks insist hardly on many procedures which are even rigid, forcing them to have a second thought about opening account and coming under the banking umbrella. In fact, the statistical analysis of the data collected from them also proves this being ranked as the first and foremost factor for not opening a bank account. So, the banks can contemplate upon relaxing the KYC norms to certain extent so as to encourage more and more people coming into the ambit of banking services.

In fact, it has been established through analysis that lack of loan facility or poor disbursement of loans by the banks for the people provokes them and forces them to go for other sources of credit and fall into the debt trap of sources like money lenders, indigenous bankers and Chit funds. These suggest serious measures to be taken by the bank officials to design and deliver the loan facilities to the people in a very effective and understandable way so as to achieve its purpose.

The bank officials, particularly the higher officials should go on a field visit frequently to various rural areas covered by the respective banks, so as to create awareness among and instill confidence in the minds of the people about the necessity of opening a bank account and availing the banking services for their betterment. Moreover such frequent visits will help the

officials to get effective direct feedback about their operations and performance and keep vigilance over the performance of the banks, so as to prevent any frauds and misappropriation.

All the commercial banks should take immediate steps to provide the details of their schemes, loans, passbooks and transaction and application forms in vernacular language so that the rural people can understand it, handle it, and use it which will bring them closer to the banks.

Most of the banks compel the customers to maintain minimum balance, even a higher balance, failing which they penalize the customers according to the feedback given by majority of the customers which put most of the rural customers and the underprivileged in a hardship. So, the bank officials should come forward to open as many no frill accounts as possible with zero balance for such people as advised by the RBI.

Most of the customers, particularly in the rural belt of the underbanked districts like Kanchipuram, avail only jewel loan through banks, underestimating and undermining the role of commercial banks, particularly the public sector banks, confining them into the NBFCs and indigenous bankers. This is because of the total lack of awareness and financial literacy among them to explore all the banking services. So, the officials should take up this issue very serious and educate them and counsel them to avail all the services of the banks so as to achieve total inclusion in its true sense.

#### **CONCLUSION OF THE STUDY**

The study thoroughly examines and evaluates the financial inclusion trend and the role of commercial banks particularly the public sector banks in India. Promoting an inclusive growth strategy, which has been formed as the basic plank of national policy agenda today, is in fact deeply rooted in the Bank's founding principles. "A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of our founder continue to resonate even today in serving the society with a purpose. The banks are playing a vital role in making the dreams and vision of the Government coming true but still much more has to be done in this direction to achieve total financial inclusion in order to ensure inclusive and sustained economic growth and balanced economic and social development so as to make India a super

economic power in the forthcoming years. The commercial banks especially the public sector banks have to rededicate themselves towards this goal as guided and directed by the Reserve Bank of India and The State Bank of India

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