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(FINTECH REVOLUTION IN INDIAN BANKING SECTOR – OPPORTUNITIES AND CHALLENGES)



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TIRUPPATTUR – 630 211.

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INDIAN BANKING SECTOR – OPPORTUNITIES AND
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(Reaccredited with B+ grade by NAAC)

THIRUPPATHUR, SIVAGANGAI (DT).

TAMILNADU.

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**A STUDY ON FINANCIAL INCLUSION AND FINANCIAL LITERACY
IN TAMILNADU**

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INTRODUCTION

Financial inclusion is the provision of financial services at affordable costs to large parts of the disadvantaged and low-income groups. Unlimited access to public goods and services is at the heart of an open and efficient society. It is argued that, since banking is of a public interest nature, it is imperative that the availability of banking and payment services to the entire population without discrimination be the main objective of public policy. The term "financial inclusion" has become important since the early 2000s and is a result of findings on financial and its direct link to poverty. Financial inclusion is now a common goal for many central banks among developing countries

STATEMENT OF THE PROBLEM

Financial inclusion is the biggest problem facing the financial system today in rural India and infrastructure bottlenecks are exacerbating this with each passing day. Hence, the researcher intends to conduct a study to the extent that people with a different demographic profile in a rural setting are familiar with banking habits, and the study is titled "**A STUDY ON FINANCIAL INCLUSION AND FINANCIAL LITERACY IN TAMILNADU**"

SIGNIFICANCE OF THE STUDY

The study of financial inclusion and financial literacy among people is of great importance in the current situations. Active participation of everyone in the financial system of the country is a requirement for the effective operation of the financial system. Financial system cases the needs of those who need money and those who have surplus money. Banking is the simplest way to enter into the financial system. Now more than 30% of the Indian population is also non-existent.

Therefore, the study aims to analyze the intensity of financial inclusion and financial literacy among the people.

OBJECTIVES OF THE STUDY

The main purpose of this study is to measure the intensity of financial inclusion and financial awareness among the people. With this in mind, the following specific objectives were set for the study.

- 1) To examine the awareness level of people about financial products and services.
- 2) To identify the major sources of information about financial products and services.

SCOPE OF THE STUDY

The study examines the intensity of financial inclusion and financial literacy among people. The target group includes unemployed / housewife, agriculturists, civil servants, non-government employees and people in the business world. The banking habits and awareness of financial products and services are under investigation. The target group is people living in Alanallur panchayath in Palakkad - Tamilnadu district

METHODOLOGY

The data required for study are collected from primary and secondary sources. Secondary data from published books, periodicals, journals etc. These sources are also used for to frame questionnaire required for collecting primary data. Primary data are collected from a sample of 100 respondents belonging to different occupational groups residing in Alanallur Panchayat by administering a structured questionnaire.

THE CONCEPT OF FINANCIAL INCLUSION

India occupies only 2.4 percent of the world's territory, but supports more than 16 percent of the world's population. About 70 percent of the Indian population lives in villages. There are diverse demographic patterns, living standards, education levels and income levels as parameters of economic development. Rural India has yet to see the light of development and the results of the planning process. The separation between rich and poor is wide. On the one hand, there are changes in the bank as a result of liberalization, privatization and globalization of the Indian economy. On the other hand, social responsibility, besides profit, is also one of the most important agenda of commercial banks. The fact remains that the country cannot progress unless and until the basic infrastructure facilities reach everyone and every citizen. One of the main purposes of Indian planning is socialism and upliftment of the poor. Even in independent India, the downtrodden and impoverished masses were socially and financially excluded when the planning and development process was intended for them. It must have been the beneficiaries of the development.

MEANING OF FINANCIAL INCLUSION

Financial inclusion is the provision of financial services at affordable costs to large parts of the disadvantaged and low-income groups. Unlimited access to public goods and services is at the heart of an open and efficient society. It is argued that, since banking is of a public interest nature, it is imperative that the availability of banking and payment services to the entire population without discrimination be the main objective of public policy. The term 'financial inclusion' has become important since the early 2000s, and is a result of findings on financial exclusion and its direct link to poverty. Financial inclusion is now a common goal for many central banks among developing countries.

ANALYSIS OF DATA

Table No: 1 Respondents having Bank account

Bank Account	No : of respondents	Percentage
Having bank a/c	194	97%
Not having bank a/c	6	3%
Total	200	100

Source : Primary data

The table show that out of 200 respondents, 194 respondents have bank account. And only 6 respondents do not have bank account.

Table No: 2 Reason for investing in banks

Reason	No : of respondents	Percentage
Location	20	10
Credit facility	20	10
ATM facility	30	15
Image of the Bank	5	2.5
Prompt service	15	7.5
Interest Rate	35	17.5
Security	75	37.5
Total	200	100

Source : Primary data

The majority of the respondents consider security as the main reason for investing in banks followed by Interest rate and Location. Image of the Bank is considered as the least important reason for inverting in bank account.

Table No: 3 Type of Bank Accounts Preferred by the Respondents

Bank account	No.of respondents	Percentage
Savings Bank account	130	65
Time Deposit	40	20
Recurring Deposit	25	12.5
Other	5	2.5
Total	200	100

Source : Primary data

The majority of the respondents have Savings bank account i.e.65%. only 25 respondents have a recurring bank account.

Table No: 4 Avenues of savings other than banks of the respondents

Avenues	No .of respondents	Percentage
Post office savings	30	15
Chits funds	40	20
Mutual funds	20	10
Life insurance	110	55
Total	200	100

Source : Primary data

As the table 4 shows, majority of the respondents have savings in the form of life insurance followed by chit funds and post office savings. Its clear that the mutual funds are less popular among the respondents.

Table No: 5 Financial Products and Services Awareness among Respondents

Options	Frequency	Percentage
Very high	12	6%
High	20	10%
Average	154	77%
Low	14	7%
Very low	0	0%
Total	100	100

Source : Primary data

It is evident from Table that majority of the respondents have only average awareness about financial products and services. This shows that the awareness need to be improved.

Table No: 6 Sources of Information about Financial Products and Services

Sources	No : of respondents
Newspaper	74
Television	38
Journals	22
Friends & relatives	66
Radio	0
Total	200

Source : Primary data

The table shows that newspapers and friends and family are the most important sources of information on financial products and services. Television and magazines also provide information on financial products and services to a certain extent. None of the respondents said about radio as a source of information about financial products and services.

Testing of hypotheses

Hypothesis 1 : Type of Bank Account and Level of Incomes

Ho: Type of Bank Account and Level of Income are independent

Table No: 7 Type of Bank Account and Level of Income of Respondents

	Type of Bank Account			Total
	Savings Bank A/c	Time Deposit	Recurring Deposit	
BELOW 10000	0	0	20	20
10000-20000	80	0	0	80
20000-30000	20	0	0	20
Above 30000	20	60	0	80
Total	120	60	20	200

Chi-square Tests

	Value	df	Asymp.sig.(2- sided)
Pearson chi-square	325.000 ^a	6	.000*
Likelihood Ratio	269.205	6	.000
Linear –by- Linear Association	.000	1	1.000
N of Valid Cases	200		

*significant at 5%

As the P value is less than .05, we reject the null hypothesis and accept the alternative hypothesis, so there exist as an association between type of bank account and level of income.

Hypothesis 2: Type of Bank Account and Level of education

Ho : Type of Bank Account and Level of Education are independent

		Type of Bank Account			Total
		Savings Bank A/c	Time Deposit	Recurring Deposit	
Educational Qualification	SSLC	40	0	0	40
	PLUS TWO	40	0	0	40
	DEGREE	20	20	20	60
	POST	20	0	0	20
	GRADUATE	0	40	0	40
Total	OTHERS	120	60	20	200

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-square	200.000 ^a	8	.000
Likelihood Ratio	227.345	8	.000
Linear-by-Linear Association	47.381	1	.000
N of Valid Cases	200		

As the P value is less than .50, we reject the null hypothesis and accept the alternative hypothesis, so there exist as an association between type of bank account and level of education.

Hypothesis 4: Awareness Level of Respondents

Ho : Respondents are well aware of the financial products and services

The responses are measured at 5 point likert scale.

Option	weight	Frequency	Weighted Score
Very high	5	12	60
High	4	20	80
Average	3	154	462
Low	2	14	28
Very low	1	0	0
Total	15	200	630

Weighted mean score =3.15, (630/200) Expected mean value=3.0

Since the calculated mean score (3.15) is higher than the expected mean score (3.00), the null hypothesis is accepted. This means that the respondents have above average awareness level about the financial products and services offered through the banking system

SUMMARY OF FINDINGS

1. out of 200 respondents, 194 respondents have bank account. And only 6 respondents do not have book account
2. The majority of the respondents consider security as the main reason for investing in banks followed by Interest rate and Location. Image of the bank is considered as the least important reason for investing in bank account
3. The majority of the respondents have Savings bank account i.e. 65%. Only 25 respondents have a recurring bank account.
4. majority of the respondents have savings in the form of life insurance followed by chit funds and post office savings. It's clear that the mutual funds are less popular among the respondents.
5. there exist as an association between type of bank account and level of education.
6. the respondents have about average awareness level about the financial products and services offered through the banking system.

CONCLUSION

A major change has taken place over the last ten years to overcome financial exclusion. A policy framework stems from an inclusive process of discussion and debate. Initiatives and experimental services were launched to implement the policy. We cannot be satisfied and become victims of our own success. Not only do people need access to basic financial services, but they also need to use them actively. However, much more needs to be done: stimulating the use of financial services as well as access; ensure the sustainability of currant initiatives in the long term and tackle new forms of exclusion and marginalization as they occur.

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