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Performance of Financial Inclusion through other Financial Services in Puducherry

Dr. C. PARAMASIVAN Assistant Professor & Research Supervisor

V. GANESHKUMAR Ph. D Full Time Research Scholar, PG & Research Department of Commerce, Periyar E.V.R. College, Trichurappalli – 23, Tamil Nadu, India

ABSTRACT

Financial inclusion is low banking penetration can be attributed mainly to low income, unemployment and under employment, low level of awareness, low level of financial literacy, and lack of access to banking facilities in remote areas. Those who have banking habit lack familiarity with vastly available financial products to select those suitable to them. They are left unprotected against decisions they make owing to inadequate financial education. Financial inclusion is receiving due attention in our country as a means to provide access to financial services to all the people in a fair, transparent and equitable manner at affordable cost. There is an imperative need to modify the credit and financial services delivery system to achieve greater financial inclusion. This paper highlight on performance of financial Inclusion through other financial services in Puducherry

KEYWORDS : Inclusive Growth, Financial Services, Know Your Customer, Credit Card Introduction

Introduction

The Reserve Bank of India setup a commission (Khan Commission) in 2004 to look into Financial Inclusion and the recommendations of the commission were incorporated into the Mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view of achieving greater Financial Inclusion to make available a basic "no-frills" banking account. In India, Financial Inclusion first featured in 2005, when it was introduced, that, too, from a pilot project in UT of Puducherry, by K C Chakraborthy, the chairman of Indian Bank.

The first village in India is Mangalam Village, where all households were provided banking facilities. In addition to this KYC (Know your Customer) norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50000. General Credit Cards (GCC) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators (BF) or business correspondents (BC) by commercial banks.

Statement of the Problem

Social & Economic position, low-income people normally do not feel the need to bank as the transaction carried out by them is mostly in cash that too with low amount. Secondly, many times people do not want to disclose the information which would be required for accessing any financial service. Thirdly, poor people, mostly, do not have any identification/introduction, which is accepted by banks to open an account (or) access other financial services. Fourthly, poor people do not have much absorptive capacity for all the financial services. Need for different financial services. Finally, the spread of customers is very thin which makes the operation of reaching out to them a costly affair.

Objectives

The main objectives to analyse financial inclusion through other financial services in Puducherry

Methodology

This study is an empirical one. The data and other information required for the study were collected from both primary and secondary sources. Primary data were collected from the no frill account holders directly, using a structured interview schedule and the secondary data were collected from various sources of books, journal, articles, magazines and related web sites information from retailers Other information pertinent to the study has been collected by means of interviews and discussions with the Government officials and Indian Bank Journals Office.

Sampling Design

There are 23 Public Sector Banks, 13 Private Sector Banks, and 2 Regional Rural Banks in operation in Puducherry as on March 2012. In order to collect primary data for the purpose of the study, multi-stage sampling technique is adapted. At the first stage, 7 banks which outnumber in number of branches were selected out of the 38 banks. In the second stage, 5 per cent of the branches i.e. 125 branches were selected out of the 7 selected banks. In the final stages, from each of the branch 80 no frill accounts holders were selected on the purposive basis. Therefore, the sample size consists of 500 respondents, of the following table shows the sampling distribution of the present study.

Table 1: Gender Vs Level of Interest in Local Financial Services

Ho: There is no relationship between gender and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table Value at 1%	Result
Between Groups	7.222	1	7.222	2.207	6.64	Not Significant
Within Groups	1629.650	498	3.272			
Total	1636.872	499				

The calculated F value is (2.207) less than the table value (6.64) at 1 per cent level of significant. Further, there is no significant relationship among the level of Interest in Local Financial Services of the respondents having different gender and Interest in Local Financial Services in Puducherry. Hence, the null hypothesis (Ho2) accepted.

Table 2: Age Vs Level of Interest in local Financial Services

Ho: There is no relationship between age and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table value at 1%	Result
Between Groups	233.603	3	77.868	27.523	3.78	Significant
Within Groups	1403.269	496	2.829			
Total	1636.872	499				

The calculated F value is (27.523) greater than the table value (3.78) at 1 per cent level of significant. Therefore, there is significant relationship among the level of Interest in Local Financial Services of the respondents having different age and Interest in Local Financial Services in Puducherry. Hence, the null hypothesis (Ho1) rejected.

Table 3: Marital Status Vs Level of Interest in Local Financial Services

Ho: There is no relationship between marital status and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table value at 5%	Result
Between Groups	45.050	3	15.017	4.679	2.60	Significant
Within Groups	1591.822	496	3.209			
Total	1636.872	499				

The calculated F value is (4.679) greater than the table value (2.60) at 5 per cent level of significant. Therefore, there is significant relationship among the level of Interest in Local Financial Services of the respondents having different marital status and Interest in Local Financial Services in Puducherry. Hence, the null hypothesis (Ho1) rejected.

Table 4: Qualification Vs Level of Interest in local Financial Service

Ho: There is no relationship between qualification and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table value at 5%	Result
Between Groups	39.456	5	7.891	2.440	2.21	Significant
Within Groups	1597.416	494	3.234			
Total	1636.872	499				

The calculated F value is (2.440) greater than the table value (2.21) at 5 per cent level of significant. Therefore, there is significant relationship among the level of Interest in Local Financial Services of the respondents having different educational qualification and Interest in Local Financial Services in Puducherry. Hence, the null hypothesis (Ho1) rejected.

Table 5: Occupation Vs Level of Interest in local Financial Services

Ho: There is no relationship between occupation and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table value at 1%	Result
Between Groups	141.687	3	47.229	15.667	3.78	Significant
Within Groups	1495.185	496	3.014			
Total	1636.872	499				

The calculated F value is (15.667) greater than the table value (3.78) at 1 per cent level of significant. Therefore, there is significant relationship among the level of Interest in Local Financial Services of the respondents having different Occupation and Interest in Local Financial Services in Puducherry. Hence, the null hypothesis (Ho1) rejected.

Table 6: Annual Income Vs Level of Interest in Local Financial Services

Ho: There is no relationship between annual income and interest in local financial service level of respondents of the customer and financial service related factors

Source of Variation	Sum of Squares	D.F	Mean Square	F	Table value at 1%	Result
Between Groups	26.621	2	13.311	4.108	4.60	Not Significant
Within Groups	1610.251	497	3.240			
Total	1636.872	499				

The calculated F value is (4.108) less than the table value (4.60) at 1 per cent level of significant. Therefore, there is no significant relationship among the level of Interest in Local Financial Services of the respondents having different annual income and Interest in Level of interest in local Financial Services in Puducherry. Hence, the null hypothesis (Ho2) accepted.

Suggestion

1. The banks may adopt a policy of assessing the genuine requirements of socially excluded group and cover all the needs of small and petty borrowers instead of providing a single loan only.
2. Steps may be taken by the government in the opening of more number of branches in those places where the average number of customer per branch is below the national average. Moreover, priority should be given to the rural and isolated backward areas while opening new branches.
3. Involvement of Education Sector for furthering Financial Inclusion Involving educational institutions, particularly college students for financial inclusion drive would not only be cost effective but also would create wide public awareness.
4. Hours of operation: Many of the times the branch timing are inconvenient for the poor people, as they have to visit their farmers or go for wage earning. In that case visiting branch during daytime would mean loss of wages for a day

Conclusion

Bank and financial institutions are the nerve system of the financial system of the country which meet the savings and utilisation of resource in a proper manner. Government can achieve its schemes and programme through banking and financial institutions. To providing financial services to unreached people, financial inclusion scheme was introduced. In this regards this articles concluded. Puducherry is one of the well structured financial systems with 38 banks with 186 branches which provide effective services to the needed and unreached people. Hence Puducherry could achieve 100% financial inclusion in a short period of time.

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