

# Innovations

## Financial inclusion among the urban low income group: a study with special reference to Coimbatore, Tamilnadu, India

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### Abstract

The major purpose of study is, In India around 95% of the population fall under low-income category and they are the ones excluded from Access, Availability and Usage of financial services. Also to identify the factors influencing the low income group to use banking services, to find the level of financial inclusion in low income group and also to provide suggestive measures to banks to tap the unexplored market. The study was undertaken in Coimbatore district in Tamil Nadu, South India. The Simple percentage analysis, ANOVA test, MANOVA, & RANK ORDER tests were conducted to analyze the data and interpret findings out of the study. Key findings obtained from the study were awareness is the major factor that influences the low income group to use banking services, it was also found that 65.67 percent persons are financially included with respect to Access to Financial services and for 86.7% of the respondents the distance from bank is less than 3km.. The study also conveys that there is significant relationship between the awareness programs on financial products of the respondent and the for Experience, Perception over having minimum balance, awareness over mobile banking facility and trust over Credit Card and Mobile Banking facility.

**Keywords:** 1.Savings, 2.insurance, 3.ayment, affordable credit, 4.financial counselling and financial inclusion.

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### Introduction

Financial inclusion is the delivery of financial services at affordable costs to disadvantaged and low income segments of society .It ensures access to financial services and timely delivery of credit when needed by vulnerable and low income groups at an affordable cost (*Rangarajan Committee, 2008*).

The banking sector plays an important role in development of the Indian economy. Before the dawn of independence, the development of banking sector was not satisfactory. Initially the East India Company established the banks namely Bank of Calcutta in 1806, Bank of Bombay in 1840, and Bank of Madras in 1843, later in 1921, these banks were amalgamated and imperial bank of India was formed. Soon after independence, the banking sector got a remarkable change. Moreover, the government was unable to control the commercial banks and divert the funds in accordance with the expectation of the government. Hence these banks were brought under the control of government and the role of banks changed drastically after the nationalization of 14 major commercial banks in 1969 and 1980. In the present era the aim of the bank is to render services to the public at large rather than to earn profit.

One of the major considerations that led to the nationalization of the major commercial banks in India was the fact that banks, in general, had been indifferent to the vital sectors of the economy, viz., agriculture, small-scale industries, small businesses, etc. and also towards the weaker sections of the society. To give these elements of economy a greater boost, the Government of India classified them as 'priority sector' and set up certain targets for financing these sectors by the banks. Further, nationalization of major banks has facilitated the Reserve Bank of India (RBI) to involve them to fund the national programmes, the rural sector, and the planned priority sectors at differential rates of interest in order to generate employment opportunities and to help poverty alleviation programmes as a whole. The banking sector has undergone another major change in early 1990s after the implementation of 'economic reforms' and 'banking sector deregulations' which aimed at to improve the operational efficiency, creating competitive environment by allowing the entry of new private sector banks which operate through technologically driven processes to provide various delivery channels to enhance better customer services. The reform process was also aimed at adopting international best practices and prudential norms for increasing banking sector efficiency. With the result, the banks have become more customer-focused and service-oriented and operate with increased efficiency to maintain their competitive edge. The Authors Disha Bhanot, Varadraj Bapat and Sasadhar Bera (2012) explores the factors

which are crucial in determining the extent of financial inclusion in geographically remote areas and also aims to provide suggestive measures for banks to tap unexplored markets. The study was restricted to north India and the findings highlighted that the Level of financial inclusion in north-east India remains very low. Income, financial information from various channels and awareness of self help groups (SHGs), and education are influential factors leading to inclusion. Nearness to post office banks increases the likelihood of inclusion. Factors like area terrain and receipt of government benefit individually do not facilitate inclusion. However, recipients of government benefits in plain areas show increased level of inclusion. A study on 'no-frills account bank accounts in Palacode town by authors highlights Rajamohan.S and Durairaj.D highlights the socio-economic conditions of the beneficiaries, factors influencing the people to open this account , awareness of deposit scheme, opinion of the general utility services and attitude of the customers towards the services of the banks.

A study by Hema Divya (2013) on the impact of financial inclusion with reference to daily wage earners of Guntur district of Andhra Pradesh, South India revealed that the percentage of married people utilizing financial inclusion services when compared to unmarried daily wage earners and also found that there is more need to educate and create some new instruments for daily wagers. A study by Nitin kumar (2013) provides empirical analysis of status and determinants of financial inclusion in India. It employs annual information of 29 major states from 1995 to 2008. The empirical results indicate that supply side of inclusive efforts through branch network expansion is having intended impact of improved banking activity as reflected in penetration indicators. However, demand side pressure exists in system as penetration indicators are unable to match pace of population growth. Major policy inputs emanating from study are multi pronged strategies for enhancing employee base and industrial activity especially in backward states. It indicates that the Employment generating schemes have multiple benefits. A study on Initiatives taken by the banks by CA. Sarika Jain (2015), states that the financial inclusion in India will require an approach in totality on the part of the banks in creating awareness about financial products, education, and advice on money management, debt counselling, savings and affordable credit. The banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. One of the ways in which this can be achieved in a cost effective manner is through forging linkages with micro- finance institutions and local communities. Banks should give wide publicity to the facility of zero balance account. Debashish Kundu (2015) attempts to address the demand side issues through a study on the Global Financial Inclusion Models like BRADESCO of Brazil, MPESA of Kenya, Rakyat Bank Indonesia, Mzansi accounts of South Africa, Grameen Bank of Bangladesh etc to understand what makes them successful in their business and reveals that Maintaining low cost is a key criterion for generating high demand and to achieve high volume and scalability. In the context of financial inclusion the last mile coverage of financial services is major challenge in a country like India with huge geographical spread and poor infrastructure. The authors Dr. Sathish R.A and Patil P.A (2015) states that, often the main barrier to financial inclusion in rural areas is the great distances that rural residents must travel to reach a bank branch. In many developing countries there are fewer bank branches per rural resident than per urban resident. Non bank financial institutions like microfinance institutions help to fill this gap. Even though, in India, the microfinance model extends credit and savings to the poor, the challenges faced by the industry has to be rectified in due course for the effective working of the model.

A study on financial inclusion through Mobile banking by authors Siddik, Md Nur Alam; Sun, Gang; Yanjuan, Cui; Kabiraj, Sajal (2015) explores and examines factors affecting behavioural intention to adopt (or continue to use) mobile banking. The analysis exhibited Perceived findings such as financial cost has been found as the most significant factor affecting the behavioural intention which indicates that banking via cell phone is considered costly to the people, thereby hindering them to adopt (or continue to use) mobile banking. Therefore, considering this factor, banks can make effective strategy to reduce cost to the customers so that they feel attracted to the service. The second most influencing factor is the subjective norm which can be thought of a positive sign for the banks. It indicates banks should try to emphasize more on broader dimension of services so that one peer group can have influence on other peers to conduct mobile banking transactions.

A study on financial inclusion in the state of Bengal in India by Chattopadhyay (2011) is credited for using a multidimensional approach for constructing an index of financial inclusion (IFI). The IFI used had three basic dimensions namely banking penetration, availability of the banking services and usage of the banking system. The study also focused, inter alia, on some socio-economic indicators like occupation, literacy, land holding pattern in rural areas, rural indebtedness and peoples' opinion about banking services. The study revealed that there although various measures have been undertaken for financial inclusion, the success is not found to be noteworthy with only one out of 116 Josiah Aduda and Elizabeth Kalunda eighteen districts having a high IFI value using the three dimension and the rest of the districts belonging to the low level of IFI value. This study brings out the question on the continued existence of moneylenders despite their high interest rates and in an environment of financial inclusion initiatives. This calls for a need to study critically the money lenders model and try to adopt its appealing features in financial inclusion models.

### Statement of the Problem:

In India 95% of the population fall under low income group and most of them are financially excluded. Under the government's ambitious financial inclusion scheme, Pradhan Mantri Jan Dhan Yojana (PMJDY) Banks have opened 19.21 Crore accounts ([http://articles.economictimes.indiatimes.com/2015-12-31/news/69426903\\_1\\_financial-inclusion-mantri-jan-dhan-yojana-formal-financial-services](http://articles.economictimes.indiatimes.com/2015-12-31/news/69426903_1_financial-inclusion-mantri-jan-dhan-yojana-formal-financial-services)) but nearly 42% of the accounts are dormant ([http://www.moneycontrol.com/news/features/hasperception-towards-financial-inclusion-changed\\_393728.html](http://www.moneycontrol.com/news/features/hasperception-towards-financial-inclusion-changed_393728.html)). On the flip side Transaction costs prevent banks from making this scheme profitable. If these transactions are at a bank branch, it costs Rs 45 a transaction. When a customer uses an ATM, the cost per transaction falls to Rs 9 and, in case of internet or mobile transactions, less than a rupee ([http://www.business-standard.com/article/finance/can-banks-see-profit-in-financial-inclusion-115082501002\\_1.html](http://www.business-standard.com/article/finance/can-banks-see-profit-in-financial-inclusion-115082501002_1.html)). Hence an attempt is made by the researcher to analyse the level of financial inclusion in Coimbatore and also the factors influencing the Usage of Bank Account by the low income group.

### Objectives

The study is undertaken with the following objectives:

- To find the level of financial inclusion in low income group.
- To study the lifestyle of low income group.
- To identify the factors influencing the low income group to use banking services.
- To provide suggestive measures to banks to tap the unexplored market.

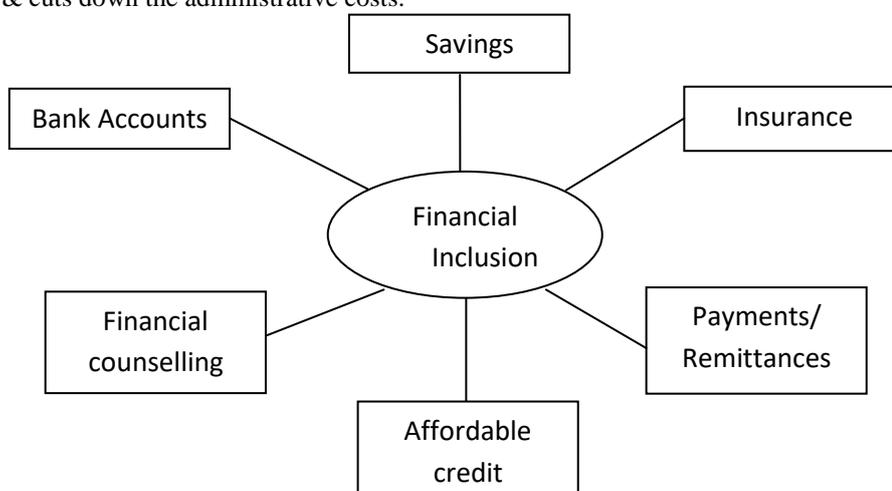
### Theoretical Framework:

It starts with definitions of financial inclusion and followed by the need, scope of financial inclusion. This forms the basis for the conceptual framework model derived at the end of the chapter. It summarizes some of the major theories in the area.

There is no universal agreement over what financial inclusion is and there are different views on what it means and entails as evidenced in available literature. The differences in definition emanate from the context in which it is used, geographical location and state of economic development of the area. Various scholars have attempted to define it and its components as detailed in the paragraphs below. Other scholars define it by stating what it is not, that is, financial exclusion. Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general, and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players (Chakrabarty, 2010). A committee on financial inclusion in India, under the chairmanship of Dr. Rangarajan, defined financial inclusion 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 (Agarwal, 2010). Hannig and Jansen (2011) defined financial inclusion as the absence of price or non-price barriers in the use of financial services. They further add that it aims at improving access of financial services, which entails improving the degree to which financial services are available to all at a fair price. These three definitions emphasize the issue of affordability in terms of cost. The target group is defined by the first two definitions while the first definition mentions the players. All these three definitions though different mean almost one and the same thing. Financial inclusion is defined as *“access for individuals to appropriate financial products and services”* (as cited by Hayton, Percy and Latimer, 2007 from Scottish Executive (2005). This includes having the capacity, skills, knowledge and understanding to make best use of those products and services. In advanced economies, Financial Inclusion is more about the knowledge of fair and transparent financial products and a focus on financial literacy. In emerging economies, it is a question of both access to financial products and knowledge about their fairness and transparency. Financial inclusion is the provision of affordable financial services, namely, access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded (Thorat, 2006). Poverty is a humiliation to humanity and globally efforts have been put in place to eradicate it. This can be demonstrated by country specific policy interventions and by international bodies' interventions. The United Nations', Millennium Development Goals (MDG's) initiative is an example of international intervention while Kenya's Economic Recovery Strategy of 2003 and Vision 2030 are examples of country specific intervention. Studies have shown that one way of eradicating poverty is through developing the financial sector and making it financial services and products available and accessible to all. Thus financial services are of immense importance in any economy. Schumpeter (1911) established that financial institutions play an important role in the resource allocation process. Diamond and Dybvig (1983) hypothesized that the primary role the banking sector plays is the provision of liquidity which enables more investments in productive assets and in so doing enhances the efficiency of capital accumulation and economic growth. Financial services

are capable of distributing opportunities more evenly to poorer households and economically disadvantaged geographical regions. Consequently, as the major players in the financial system, financial institutions occupy a significant place in the economy of every nation as revealed by Olugbenga and Olankunle (1998) and deliberate effort is needed to facilitate access to financial services by all. This deliberate effort is done through financial inclusion initiatives.

Financial Inclusion is an intervention strategy that seeks to overcome the market friction that hinders the markets from operating in favour of the poor and underprivileged. Financial inclusion offers incremental and complementary solutions to tackle poverty, to promote inclusive development and to address MDGs (Chibba, 2009). It aims at drawing the unbanked population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance. Financial inclusion or banking sector outreach can be defined broadly as the process of availing an array of required financial services, at a fair price, at the right place, form and time and without any form of discrimination to all members of the society. The objective of financial inclusion should be advantaging the poor majority of who do not use formal financial services. Proponents of financial inclusion opine that financial exclusion leads to loss of opportunity to grow, a retarded country's growth and increased poverty levels. According to Sinclair, McHard, Dobbie, Lindsay and Gillespie (2009) exclusion from the financial system brings real and rising costs, often borne by those who can least afford them. A well developed financial system accessible to all reduces information and transaction costs, influences saving rates, investment decisions, technological innovation, and the long-run growth rates (Beck et al. 2009 as cited by Kumar and Mishra (n.d)). This may be contested on the basis of the numerous customers with opaque information characteristics under flexible rules, who are the financial inclusion initiative target. Financial Inclusion has emerged as a powerful tool for the socioeconomic development. Research shows that well developed and inclusive financial system are associated with more rapid growth and better income distribution (Honohan, 2004). Egalitarian societies like Sweden and, Denmark have very high level of financial inclusion. Inclusive financing provides the poor people a window of opportunity for acquiring education, initiating entrepreneurial ventures, learning new skills and purchasing income generating assets for better standard of living. This in turn accelerates the growth in national income and an even distribution of wealth. Financial Inclusion also protects the poor during exigencies so that they do not slip into further poverty & distress. Direct benefit transfer to individual bank account ensures that social benefits reach the intended beneficiaries. Estimates say that at present only 16% of the government assistance reaches the poor beneficiaries. Inclusive Finance helps to replace product subsidies by cash subsidies which are easier to deliver & cuts down the administrative costs.



**Figure 1: Scope of Financial**

This information can be sourced either from the demand side, that is, at the individual, household, or firm level, or from the supply side, that is, at the level of a financial institution, or from a combination of both. Thus several indicators have been used to assess the extent of financial inclusion known as index of financial inclusion (IFI). They include Bank accounts per adult, Geographic branch penetration, Demographic branch penetration, Geographic ATM penetration, Demographic ATM penetration, Demographic Loan penetration, Loan-income ratio, Demographic deposit penetration, *Deposit-income ratio (or deposit-GDP Ratio) and Cash-Deposit Ratio* according to Conrad, et al. (2008). However, some indicators, while used individually, provide only partial information on the inclusiveness of the financial system of an economy (Chattopadhyay, 2011). Chattopadhyay (2011) opines that IFI 106 Josiah Aduda and Elizabeth Kalunda must satisfy the following criteria (i) It should incorporate information on as many aspects (dimensions) of inclusion as possible. (ii) It should be easy and simple to compute. (iii) It should be comparable across countries/states. Hannig and Jansen (2010) further opined that measurement of financial inclusion serves two primary objectives implying different data needs: first, measuring and monitoring levels of

financial inclusion, and second, deepening understanding about factors that correlate with financial inclusion and, subsequently, the impact of policies. According to Sahrawat (2010), it should be emphasized that mere ownership of a financial product does not result in financial inclusion rather it is the usage of the financial product for economic self-reliance and growth which ultimately leads to financial inclusion. For example, opening a bank account by an individual is often treated as an indicator of financial inclusion. But a better indicator of financial inclusion would be the usage intensity of the bank account by the individual as it is ultimately the quantum of transactions and interaction variety between the individual and the financial institutions(s) which reflects the value derived by the individual from participating in the mainstream financial system. The quality of the service and products should also be evaluated when measuring FI as majority of the low-income population are left dependant on non-performing, unsustainable institutions, which in-turn are themselves dependant on Government subsidies. Thus measuring FI should be done in light of these views.

It reviews various empirical studies that have been conducted in the area of financial inclusion.

**Research Methodology**

The research design to be adopted is descriptive research designed as Quantitative mode in order to obtain the required data for the objectives. The convenience sampling techniques is used for sample selection. The sample size is 128 after deducting incomplete questionnaire.

Statistical tools used:

- Descriptive statistics
- One way ANOVA test
- MANOVA
- RANK ORDER Test

Simple percentage analysis:

$$\text{Percentage} = \frac{\text{Individual value}}{\text{Total}} \times 100$$

A percentage is defined as a fraction whose denominator is 100. Therefore in order to change a decimal into a percentage you will have to multiply the decimal by 100.

Chi-Square Test:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where O indicates the observed frequency

E indicates the expected frequency

The formula to calculate the expected frequency is,

$$E_i = \frac{\text{Row total } i \times \text{Column total } i}{\text{Grand total}}$$

One way ANOVA test:

$$F = \frac{MST}{MSE}$$

Where,

F = ANOVA Coefficient

MST = Mean sum of squares due to treatment

MSE = Mean sum of squares due to error.

Formula for MST is given below:

$$MST = \frac{SSE}{P - 1}$$

$$SSE = \sum (n-1) S^2$$

Where,

SSE = Sum of squares due to error

S = Standard deviation of the samples

N = Total number of observations.

For analyzing collected data, the Statistical tools such as a simple percentage, ANOVO has been used to test for significant relationship between age, gender, income, educational qualification, occupation, return, stock, experience and marital status with respect to few decision making process.

### Data analysis and Interpretations

Demographics all over the world keep changing with time and along with it the population. The questionnaire has included the following demographic contents that were requested from the respondents: gender, age, education, Work experience. Table shows the frequency and percentage of the demographic details of the sample collected and the values are thus exhibited.

**Table 1.1 Demographic details of the respondents**

Demographic Characteristics	Frequency	Percentage
Gender		
Male	57	44.5
Female	71	55.5
Age		
20-30	35	27.3
31-45	61	47.7
46-60	26	20.3
>60	6	4.7
Education		
School Level	74	57.8
Diploma	16	12.5
Bachelors	31	24.2
Masters	7	5.5
Marital Status		
Single	25	19.5
Married	103	80.5
No. of Family Members		
Adults	347	71.55
Children	138	28.45
No. of Account Holders		
Male	161	33.20
Female	157	32.37
Job Type		
Daily Wager	44	34.4
Monthly Income	70	54.7
Business	14	10.9
Monthly Family Income		
5001-10000	18	14.1
10001-15000	45	35.2
15001-20000	41	32
>20000	24	18.8

Type of Account mostly used for Transactions		
Salary Account	38	29.7
Zero-Balance Account	11	8.6
Normal Account	79	61.7
Do you prefer salary to be credited into Account		
Yes	108	84.4
No	20	15.6
Do you have Aadhaar ID card		
Yes	125	97.7
No	3	2.3
Reasons for Opening Account		
Savings	92	71.9
Loan	7	5.5
Business Transactions	4	3.1
Govt. Benefits	19	14.8
Proof	6	4.7
Salary	16	12.5
Pension	1	0.8
Financial Product/Service used in last 3 months		
ATM/Debit Card	103	80.5
Credit card	12	9.4
Deposits	10	7.8
Loan	10	7.8
Mobile Banking	12	9.4
Net Banking	14	10.9
Transaction at bank	19	14.8
Sources of Financial Information		
Government	12	9.4
Mass Media & Agent	82	64.1
Bank	9	7
Friends & Family	28	21.9
Credit Availed		
Personal Loan	7	5.5
Gold Loan	16	12.5
Education Loan	3	2.3
Business Loan	4	3.1

None	102	79.7
How Many times you have used the Account in the past 3 months		
None	7	5.5
<3	14	10.9
3-6	52	40.6
6-9	24	18.8
>9	31	24.2
Distance from Bank		
<3	111	86.7
>3	17	13.3
Do you know , how to use texting feature in Mobile		
Yes	96	75
No	32	25
Do you use internet service in Mobile		
Yes	65	50.8
No	63	49.2

In the given sample size of 128 households, with 485 Individuals, there are 318 bank accounts. Around 65.67 percent persons are financially included with respect to Access to Financial services. As shown in the above table, 44.5% are male and 55.5% are female in the sample respondents. Each respondent represented their family.

As shown in the above table 27.3% of the sample respondents' fall under the age group of 20-30 years, 31-45 years and 46-60 years age group constitute 47.7% and 20.3% respectively. Only 4.7% of the sample respondents are in the age group of above 60 years.

With regards to education the highest educated member of household is taken. Majority of the respondents (57.8%) had not continued beyond school level. 12.5% have Diploma. 24.2% continued to have bachelor's degree followed by only 5.5% continued to higher education. Of the total respondents 54.7% receive monthly income and 34.4% are daily wagers and only 10.9% of the respondents are doing business. Around 35.2% of the respondent's monthly income is between 10001 and 15000 and 32% between 15001-20000. But the sample respondent per person income falls between 1500-6000 and therefore the respondents fall under low income group.

A majority (61.7%) of the Account holders use the normal account for transactions and around 29.7% only hold salary account and only 8.6% are using Zero-Balance account. 84.4% of the respondents prefer salary to be credited into the account rather than giving in hand. 97.7% of the respondents hold Aadhaar card.

Majority (71.9%) of the respondents have opened the bank account with the motive to save 14.8% have opened to receive Govt. Benefits and 12.5% for the salary credited purpose. But, only 5.5% of the respondents have opened to receive loan. 80.5% of respondents have used ATM/Debit card for transactions and only 14.8% are doing a transaction at bank in the past 3 months. 64.1% of the respondents receive financial information through mass media & agent and followed by which 21.9% of the respondents receive it through friends & family.

A majority (79.7%) of the respondents do not prefer credit from bank due to reasons like inability to repay, lack of proofs which makes them ineligible to obtain loan. Followed by 12.5% of the respondents have taken gold loan and only 2.3% have availed Education loan Around 40.6% of the respondents have used the account for about 3-6 times in the past 3 months. 24.2% have used more than 9 times and only 5.5% haven't used the account itself.

For a majority (86.7%) of the respondents the bank is either closer to their work place or home. For 13.3% of the respondents the bank is far away. A majority of the respondents knows how to use the texting feature in mobile and almost 50.8% of the respondents use internet in their mobile.

**Table 1.2 Gender influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	.277	.600
Bank timings inhibits the use of bank services	2.192	.141
Bank staffs are friendly	1.114	.293
Access to banking service consumes much of my time	2.772	.098
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	2.331	.129
I feel banking helps in the betterment of life	.074	.786
Having a minimum bal. acc. is better than nil balance scheme	9.077	.003*
I feel doing a transaction directly at a bank is convenient than other modes	4.595	.034*
Availing loan is easier at bank	.839	.361
You are aware of mobile banking facility	.006	.939
You trust mobile banking facility	.250	.618
You are aware of credit card facility	.044	.835
You trust Credit card facility	.780	.379
You are aware of depositing money at ATM facility	2.431	.121
You trust depositing money at ATM facility	5.108	.026*

\* Significance level less than 5%

As the significant value is less than 5% for perception on minimum balance, Convenience over transaction at bank and trust over depositing money at ATM facility. So it is clear that there is significant association between Gender of respondents and the statement about perception on minimum balance, Convenience over transaction at bank and trust over depositing money at ATM facility.

**Table 1.3 Age influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	1.464	.228
Bank timings inhibits the use of bank services	5.987	.001*
Bank staffs are friendly	3.305	.023*
Access to banking service consumes much of my time	7.177	.000*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	7.084	.000*
I feel banking helps in the betterment of life	6.181	.001*
Having a minimum bal. acc. is better than nil balance scheme	1.176	.322
I feel doing a transaction directly at a bank is convenient than other modes	2.119	.101
Availing loan is easier at bank	1.443	.233
You are aware of mobile banking facility	.788	.503
You trust mobile banking facility	1.504	.217
You are aware of credit card facility	.988	.401
You trust Credit card facility	4.194	.007*
You are aware of depositing money at ATM facility	1.057	.370
You trust depositing money at ATM facility	3.194	.026*

\* Significance level less than 5%

As the significant value is less than 5% for Experience, perception on banking helps in betterment of life and Trust over Credit card and Depositing money at ATM facility. So it is clear that there is significant association between Age of respondents and

the statement about Experience, perception on banking helps in betterment of life and Trust over Credit card and Depositing money at ATM facility.

**Table 1.4 Education influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	4.413	.006*
Bank timings inhibits the use of bank services	5.177	.002*
Bank staffs are friendly	11.836	.000*
Access to banking service consumes much of my time	4.171	.007*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	5.745	.001*
I feel banking helps in the betterment of life	7.079	.000*
Having a minimum bal. acc. is better than nil balance scheme	1.671	.177
I feel doing a transaction directly at a bank is convenient than other modes	2.043	.111
Availing loan is easier at bank	7.191	.000*
You are aware of mobile banking facility	10.992	.000*
You trust mobile banking facility	3.635	.015*
You are aware of credit card facility	4.188	.007*
You trust Credit card facility	2.355	.075
You are aware of depositing money at ATM facility	6.133	.001*
You trust depositing money at ATM facility	1.286	.282

\* Significance level less than 5%

As the significant value is less than 5% for Awareness, Experience and Perception. So it is clear that there is significant association between Education of respondents and the statement about Awareness, Experience and Perception, except perception on Minimum balance and convenient mode of transaction.

**Table 1.5 Marital Status influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	.339	.562
Bank timings inhibits the use of bank services	3.908	.050*
Bank staffs are friendly	2.324	.130
Access to banking service consumes much of my time	13.126	.000*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	.001	.974
I feel banking helps in the betterment of life	4.564	.035*
Having a minimum bal. acc. is better than nil balance scheme	.777	.380
I feel doing a transaction directly at a bank is convenient than other modes	.942	.334
Availing loan is easier at bank	1.643	.202
You are aware of mobile banking facility	2.265	.135
You trust mobile banking facility	1.444	.232
You are aware of credit card facility	1.699	.195
You trust Credit card facility	.007	.932
You are aware of depositing money at ATM facility	.059	.808
You trust depositing money at ATM facility	.655	.420

\* Significance level less than 5%

The significant value is less than 5% for Bank timings inhibits the use of bank services, time consumed to access banking service and perception on banking service helps in the betterment of life. So it is clear that there is significant association between Marital Status of respondents and the statement about Bank timings inhibits the use of bank services, time consumed to access banking service and perception on banking service helps in the betterment of life.

**Table 1. 6 Job Type influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	4.342	.015*
Bank timings inhibits the use of bank services	1.646	.197
Bank staffs are friendly	3.301	.040*
Access to banking service consumes much of my time	4.490	.013*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	8.956	.000*
I feel banking helps in the betterment of life	.741	.479
Having a minimum bal. acc. is better than nil balance scheme	.357	.700
I feel doing a transaction directly at a bank is convenient than other modes	3.694	.028*
Availing loan is easier at bank	.013	.987
You are aware of mobile banking facility	4.842	.009*
You trust mobile banking facility	10.161	.000*
You are aware of credit card facility	8.162	.000*
You trust Credit card facility	1.039	.357
You are aware of depositing money at ATM facility	18.146	.000*
You trust depositing money at ATM facility	.329	.720

\* Significance level less than 5%

The significant value is less than 5% for Awareness, Experience, and trust over Mobile banking facility. It is clear that there is significant association between Job Type of respondents and the statement about Awareness, Experience, and trust over Mobile banking facility.

**Table 1.7 Monthly Income influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	6.478	.000*
Bank timings inhibits the use of bank services	.756	.521
Bank staffs are friendly	.908	.439
Access to banking service consumes much of my time	1.183	.319
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	7.605	.000*
I feel banking helps in the betterment of life	5.367	.002
Having a minimum bal. acc. is better than nil balance scheme	.420	.739
I feel doing a transaction directly at a bank is convenient than other modes	3.658	.014*
Availing loan is easier at bank	.538	.657
You are aware of mobile banking facility	1.542	.207
You trust mobile banking facility	2.237	.087
You are aware of credit card facility	.892	.447
You trust Credit card facility	11.348	.000*
You are aware of depositing money at ATM facility	2.797	.043*
You trust depositing money at ATM facility	4.756	.004*

\* Significance level less than 5%

The significant value is less than 5% for Awareness about savings, credit card and money depositing facility, Experience like lack of proof and convenience, and trust over Mobile banking facility. It is clear that there is significant association between Monthly family income of respondents and the statement about Awareness, Experience, and trust over Mobile banking facility.

**Table 1.8 Account Type influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware abt the savings/Loan info/Benefits in bank	2.678	.073
Bank timings inhibits the use of bank services	.234	.792
Bank staffs are friendly	.019	.981
Access to banking service consumes much of my time	1.104	.335
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	1.495	.228
I feel banking helps in the betterment of life	2.626	.076
Having a minimum bal. acc. is better than nil balance scheme	3.560	.031*
I feel doing a transaction directly at a bank is convenient than other modes	.909	.406
Availing loan is easier at bank	1.659	.195
You are aware of mobile banking facility	.090	.914
You trust mobile banking facility	2.073	.130
You are aware of credit card facility	3.919	.022*
You trust Credit card facility	5.552	.005*
You are aware of depositing money at ATM facility	3.783	.025*
You trust depositing money at ATM facility	.658	.520

\* Significance level less than 5%

The significant value is less than 5% for Awareness about credit card and money depositing facility, perception over minimum balance and trust over credit card facility. It is clear that there is significant association between Account Type of respondents and the statement about Awareness about credit card and money depositing facility, perception over minimum balance and trust over credit card facility.

**Table 1.9 Salary Preference influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	1.510	.221
Bank timings inhibits the use of bank services	13.415	.000*
Bank staffs are friendly	1.491	.224
Access to banking service consumes much of my time	6.137	.015*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	11.831	.001*
I feel banking helps in the betterment of life	.024	.877
Having a minimum bal. acc. is better than nil balance scheme	.383	.537
I feel doing a transaction directly at a bank is convenient than other modes	.717	.399
Availing loan is easier at bank	3.618	.059
You are aware of mobile banking facility	.118	.732
You trust mobile banking facility	6.423	.012*
You are aware of credit card facility	.003	.958
You trust Credit card facility	2.733	.101
You are aware of depositing money at ATM facility	.263	.609
You trust depositing money at ATM facility	8.045	.005*

\* Significance level less than 5%

The significant value is less than 5% for Experience except friendliness of bank staffs and trust over depositing money at ATM and Mobile banking facility. It is clear that there is significant association between Salary preference of respondents and the statement about Experience except friendliness of bank staffs and trust over depositing money at ATM and Mobile banking facility.

**Table 1.10 Account usage influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	3.269	.014*
Bank timings inhibits the use of bank services	8.037	.000*
Bank staffs are friendly	.942	.442
Access to banking service consumes much of my time	4.447	.002*
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	2.870	.026*
I feel banking helps in the betterment of life	8.167	.000*
Having a minimum bal. acc. is better than nil balance scheme	8.510	.000*
I feel doing a transaction directly at a bank is convinient than other modes	4.362	.002*
Availing loan is easier at bank	2.722	.033*
You are aware of mobile banking facility	5.602	.000*
You trust mobile banking facility	1.511	.203
You are aware of credit card facility	5.625	.000*
You trust Credit card facility	.864	.488
You are aware of depositing money at ATM facility	4.326	.003*
You trust depositing money at ATM facility	2.808	.028*

\* Significance level less than 5%

The significant value is greater than 5% for friendliness of bank staffs and trust over Credit Card and Mobile banking facility. It is clear that there is no significant association between Account usage of respondents and the statement about Experience except friendliness of bank staffs and trust over depositing money at ATM and Mobile banking facility.

**Table 1.11 Distance from Bank influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware abt the savings/Loan info/Benefits in bank	1.146	.287
Bank timings inhibits the use of bank services	5.334	.023*
Bank staffs are friendly	1.457	.230
Access to banking service consumes much of my time	1.290	.258
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	3.017	.085
I feel banking helps in the betterment of life	1.469	.228
Having a minimum bal. acc. is better than nil balance scheme	1.600	.208
I feel doing a transaction directly at a bank is convinient than other modes	.082	.775
Availing loan is easier at bank	2.161	.144
You are aware of mobile banking facility	3.418	.067
You trust mobile banking facility	1.089	.299
You are aware of credit card facility	1.963	.164
You trust Credit card facility	16.421	.130
You are aware of depositing money at ATM facility	.010	.920
You trust depositing money at ATM facility	.109	.742

\* Significance level less than 5%

The significant value is less than 5% for Experience over bank timings inhibiting its usage. It is clear that there is significant association between Distance from Bank and the statement about Experience over bank timings inhibiting its usage

**Table 1.12 Mobile phone texting influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware about the savings/Loan info/Benefits in bank	.046	.831
Bank timings inhibits the use of bank services	.421	.518
Bank staffs are friendly	1.555	.215
Access to banking service consumes much of my time	.006	.938
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	2.982	.087
I feel banking helps in the betterment of life	.557	.457
Having a minimum bal. acc. is better than nil balance scheme	4.171	.043*
I feel doing a transaction directly at a bank is convenient than other modes	13.760	.000*
Availing loan is easier at bank	.495	.483
You are aware of mobile banking facility	11.106	.001*
You trust mobile banking facility	12.911	.000*
You are aware of credit card facility	1.412	.237
You trust Credit card facility	.252	.616
You are aware of depositing money at ATM facility	4.025	.047*
You trust depositing money at ATM facility	2.203	.140

\* Significance level less than 5%

The significant value is less than 5% for perception over minimum balance, convenience of doing a transaction and awareness and trust over Mobile banking facility. It is clear that there is significant association between Mobile phone texting and the statement about perception over minimum balance, convenience of doing a transaction and awareness and trust over Mobile banking facility.

**Table 1.13 Using Internet influences the statement about Awareness, Experience, Perception and Trust**

	F	Sig.
Aware abt the savings/Loan info/Benefits in bank	2.584	.110
Bank timings inhibits the use of bank services	.858	.356
Bank staffs are friendly	1.646	.202
Access to banking service consumes much of my time	1.335	.250
Lack of Proofs/Docs inhibits you from using the financial pdts/Services	6.443	.112
I feel banking helps in the betterment of life	3.773	.054
Having a minimum bal. acc. is better than nil balance scheme	.065	.799
I feel doing a transaction directly at a bank is convinient than other modes	2.572	.111
Availing loan is easier at bank	2.792	.097
You are aware of mobile banking facility	31.210	.000*
You trust mobile banking facility	54.616	.000*
You are aware of credit card facility	9.988	.002*
You trust Credit card facility	.005	.943
You are aware of depositing money at ATM facility	20.362	.000*
You trust depositing money at ATM facility	7.880	.006*

\* Significance level less than 5%

The significant value is less than 5% for awareness of depositing money at ATM, Credit Card and Mobile banking facility. And Trust over depositing money at ATM and mobile banking facility. It is clear that there is significant association between Internet Usage and the statement about awareness of depositing money at ATM, Credit Card and Mobile banking facility. And Trust over Depositing money over ATM and mobile banking facility.

**Table 1.14 Awareness Programs influences the statement about Awareness, Experience, Perception and Trust**

Source	Dependent Variable	F	Sig.
Awareness Program	Aware about the savings/Loan info/Benefits in bank	1.883	.118
	Bank timings inhibits the use of bank services	6.344	.000*
	Bank staffs are friendly	3.804	.006*
	Access to banking service consumes much of my time	7.832	.000*
	Lack of Proofs/Docs inhibits you from using the financial pdts/Services	2.163	.077
	I feel banking helps in the betterment of life	1.969	.103
	Having a minimum bal. acc. is better than nil balance scheme	4.095	.004*
	I feel doing a transaction directly at a bank is convenient than other modes	.611	.656
	Availing loan is easier at bank	.596	.666
	You are aware of mobile banking facility	4.892	.001*
	You trust mobile banking facility	2.489	.047*
	You are aware of credit card facility	1.582	.183
	You trust Credit card facility	9.794	.000*
	You are aware of depositing money at ATM facility	2.185	.074
You trust depositing money at ATM facility	1.162	.331	

\* Significance level less than 5%

As shown in the above results, the significant value is less than 5% for Experience, Perception over having minimum balance, awareness over mobile banking facility and trust over Credit Card and Mobile Banking facility. So there is significant relationship between the Awareness programs on financial products of the respondent and the for Experience, Perception over having minimum balance, awareness over mobile banking facility and trust over Credit Card and Mobile Banking facility.  
Rank Order Test:

N	128
Chi-Square	310.956
Df	4
Asymp. Sig.	.000
* Significance level less than 5%	

Null Hypothesis (H<sub>0</sub>): Means are equal

Alternate Hypothesis (H<sub>1</sub>): Means are not equal

	Mean Rank
ATM/DebitCard	1.25
Credit Card	4.46
Mobile Banking	2.94
Net Banking	3.81
Transaction at bank	2.54

As shown in the above result, the significant value is less than 5% and hence the means are not equal. The least mean has the highest rank, so ATM/Debit card is highly preferred and Credit Card is least preferred.

### Findings

- The sample size of 128 households, with 485 Individuals, there are 318 bank accounts. Therefore, around 65.67 percent persons are financially included with respect to Access to Financial services. 33.2% male and 32.37% female have access to Bank Accounts. It implies there is no gender bias among the low-income group towards opening bank account.
- For only around 29.7% receive salary through Bank account and others receive cash in hand. However, almost 84.8% prefer salary to be credited into the bank account. It means the government will have to make amendments in the policies regarding paying salary to temporary workers. 57.8%, of the respondents, Education is up to school level only. 24.2% up to Bachelors and 12.5% are Diploma holders. Education and Job Type has a significant impact over the Awareness about financial products, Experience, Perception over the Banking services and trust over banking services. Also has an impact on the reason to open account. People with school Education open account for Government benefits and people with bachelors and Masters prefer savings and Loan. 71.9% of the respondents have opened the Bank Account with the intention to save. This is in line with the vision of the Government and RBI. Of the 71.9%, mostly people of the age group 31-45 are only investing in deposits to have a saving. Saving habit has to be instilled into people of younger age. Also this is the age group using most of the banking services. 79.7% of the respondents have not availed any loan either due to ineligibility (lack of proofs) or with the understanding they will not be able to repay. The ineligibility could be eliminated with the use of linking Aadhaar card to the bank Accounts for verification of proofs. 97.7% of the respondents hold Aadhaar Id card, which could be used as a single proof that can be used for validation, which in turn reduces the processing time of loan.
- For respondents involving in Business prefer bank for loan and business transaction, when distance from bank is less than 3km. Also all other types of loans are taken more when distance is less than 3km. For 86.7% of the respondents the distance from bank is less than 3km. This is a sign of Availability of Financial Services.
- Respondents with income more than Rs.20000 take education loan and only 2.3% of the respondents have taken Education loan (It is taken by people falling under selective income bracket). Hence, there is some problem in the reach of the same to people with lower income. ATM/Debit card is the highly preferred financial Product followed by transaction at bank. And people perception is they don't have any need to use the services like Mobile banking and net banking. Around 75% use texting feature in Mobile and around 50% use internet service. There is a significant relationship between Mobile and internet users over the awareness and trust in financial products. There is significant relationship between the Awareness programs on financial products of the respondent and the for Experience, Perception over having minimum balance, awareness over mobile banking facility and trust over Credit Card and Mobile Banking facility. Credit Card is least preferred and people have a great aversion towards this product.

Based on the findings, A 5 point suggestion plan has been drafted which can be executed by financial service provider or through Government and RBI policies to the low income sectors for converting them into customers:

- Awareness: Creation of awareness on financial products like mobile banking, using ATM machines for depositing money. Mutual cost saving benefit has to be educated among the target customers. Availability and Reachability: Once awareness is created, the availability of banks and reachability of banks has to be closer to the customers, so increasing number of branches in urban areas is recommended. Easy Approval process: Once the customer reaches the bank, opening up an account and approval of bank loans has to be done easily with feasible proofs like Aadhar card, which is made available throughout country and with all class of people.
- Education loan: Let the bank provide loan to students, student should pay approximate 10% of the loan yearly (principal). If the students are regular in repayment of principal till the end of Semester fee payment schedule, then the bank can provide a discount in interest rate for the subsequent Education loans provided by the bank. The benefits

through these suggestions are: Bank get 10% of loan amount by the time the student completes his course. It inculcates repaying habit into students and also develops a responsible citizen. Direct Bank Transfer: Transfer salaries of temporary employees, low income sector to their respective bank account. This creates a path for low income sector people to mandatorily use banks and through that financial services provided by banks.

### Implication for the Study

In India around 95% of the population fall under low income category and they are the ones excluded from Access, Availability and Usage of financial services. Also to identify the factors influencing the low income group to use banking services, to find the level of financial inclusion in low income group and also to provide suggestive measures to banks to tap the unexplored market. The study was undertaken in Coimbatore district in Tamil Nadu, South India. The scope of data collection was restricted to only 128 low income group located in Coimbatore. Convenience sampling methodology was used to collect data through self administered questionnaire. Key findings obtained from the study were awareness is the major factor that influences the low income group to use banking services, it was also found that 65.67 percent persons are financially included with respect to Access to Financial services and for 86.7% of the respondents the distance from bank is less than 3km. This is a sign of Availability of Financial Services. The study also conveys that there is significant relationship between the Awareness programs on financial products of the respondent and the for Experience, Perception over having minimum balance, awareness over mobile banking facility and trust over Credit Card and Mobile Banking facility. Few of the recommendations based on findings were suggested in the area of Awareness, Availability and Reachability, Easy Approval process, Education loan and Direct Bank Transfer.

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