An Ongoing Plan on Increasing Financial Literacy among Rural People by Valluvar College of Science & Management, Karur

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Abstract: Finance has become an vital element of an economy for progress of the society as well as economy of the nation. For which we required a strong financial system, not only in under-developed countries but also in developed countries for the sustainable growth. In Financial inclusion we can realize equitable and inclusive growth of the nation. It stands for delivering of appropriate financial services at an affordable cost, on timely basis to vulnerable groups such as low income groups and weaker section who lack access to even the most basic banking services. In this manuscript, the researcher makes attempts to understand financial inclusion and its importance for overall development of society and Nation’s economy. This study focuses on approaches adopted by Valluvar College towards achieving the ultimate goal of financial inclusion for inclusive growth in Karur and analyses of past years progress and achievements. Both primary and secondary data were used for analysis purpose.

Keywords: financial inclusion, financial literacy, saving, financial services

1. Introduction

The enlargement of the progress of any country depends on its financial system. For achieving the objective of the financial system, there is one accurate solution which is financial literacy. The association between financial literacy and financial inclusion is unified. Financial literacy is an device that will aid in achieving extensive financial inclusion and hence financial sovereignty. Financial literacy is awareness about personal management of finances. It gives you the doppelganger benefits of defensive you from financial frauds as well as planning for financially safe future. As financial literacy is increased financial inclusion is decreased so for mounting financial literacy, the basic knowledge of financial terms should be introduced at the school level, if from the school level people aware regarding financial literacy then they will be able to take apposite decisions about saving and investment, budget, pension funds etc. now it is the want of the hour that financial education should initiate at school level as early as possible, since the students are the prospect citizens so they should be educated about financial matters.

2. Importance of financial inclusion:

Easy admittance to financial services which will allow the population in leaving in lower strata, to save money carefully and help in preventing concentration of economic power with a few persons, thus extenuating the risks that the poor could face as a result of economic shocks. Therefore, providing access to financial services is becoming an area of concern for the policymakers as it has far reaching economic and social implications. In India, The single most frequently used source of loan for medium Indian
household is still moneylender. Large parts of our financial system are still hampered by political intervention and bureaucratic constraints, limiting their potential contribution. India's poor, many of who work as agricultural and unskilled semi skilled wage labourers and low salaried workers are largely excluded from the formal financial system. Even micro and small enterprises, find it difficult to have an access to formal sources of finance and thus are largely excluded from financial system. Over 40% of India working population earn but have no saving. Financial inclusion provides protection to poor from the control of the spurious money lenders.

3. Review of Literature

Albreedy & Gharleghi, (2015) found empirical results which depicted that there is a significant relationship between independent variables of education, and money attitude toward the dependent variable of financial literacy, while no relationship was found between financial socialization agents and financial literacy. Rizwan, Sadhik, & Kumar, (2015) The study analyses the level of financial literacy among the college students and to determine the need for financial literacy programs on college campus, and current student’s desires for these programs. This paper seeks to examine the role of Jnana Jyothi Financial Literacy Trust and their literacy programs in developing the financial knowledge among the college students.

Aggarwal & Gupta(2014) also identified areas where financial literacy may be lacking. Authors asserted that the determination of critical areas will assist educators, regulators and financial institutions to design financial planning courses with greater significance in helping adults to achieve greater financial freedom and be better equipped for retirement. Hira & Mugenda (2000), Surveying financial literacy among college students, researchers found out in a study that women generally have less knowledge about personal finance topics. It was observed that women generally have less enthusiasm, lower confidence and less willingness to learn about personal finance topics than men do. One more study aims to analyze the gap between financial literacy and saving/investment behavior among the working women. The findings of the study shows that women have expressed high degree of awareness

4. Statement of the Problem

Financial inclusion is the biggest problem in front of the financial system today in rural India and infrastructural bottlenecks are worsening it even further with each passing day. Hence the researcher intents to conduct a study of the extent to which the people having different demographic profile residing in a rural area are conversant with banking habits

5. Objective of the Study

1. To perform a conceptual study of financial inclusion
2. To provide future plan for increasing financial literacy among people through students.
3. To create awareness about unorganized money markets and moneylender
4. To study various factors affecting level of awareness about financial inclusion schemes among rural people.

6. Scope of the Study

The study investigates to the strength of financial inclusion and financial literacy among people. The target group includes unemployed/house wife, agriculturalists, Government employees, Non –Government employees and people engaged in business.
Banking habits and awareness about financial products and services come within the purview of the study. The target groups are people residing in Karur District.

7. 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 Karur district a structured questionnaire.

8. Limitations of the study

The primary data is subject to personal bias and cannot be relied upon. The sample is taken according to researcher’s expediency and hence the sample does not represent the universe. The study is limited to a small area in Karur District and does not cover the whole area. Due to want of Time, entire universe of the study was not covered.

9. Problems and Challenges

Since independence, the government had been reliant on its machinery first and then, after nationalization, on banks to reach the poor. But government machinery suffered all the demerits of bureaucracy and corruption and hence, failed wretchedly; Banks also could not succeed in reaching the poor society because of many reasons. First, most of the Indians banks were in government hands till the late nineties their employees were looking for a "salary", not for achieving the 'national target'.

Second, banks have to pursue certain rules which sometimes create bottlenecks in their targets of reaching the poor. For example, no bank will give a cheque book of ATM facility to a poor man unless he has a least of Rs.1000 in his account, which means if a poor man opens a bank account, he stills remains in the "stone age".

Financial literacy is very low in India. Forget about BPL people, even the educated urban population is financially illiterate. Many educated people’s still cannot write cheques and a major part of white collar working class people need consultants to fill simple income tax returns.

10. Unorganized and Money lenders

A moneylender is a person or group who offers small personal loans at high rates of interest. Most of the time the borrower prefers to take loan without any collateral security. An Act respecting loans from Money-lenders may be cited as the Money-lenders act.

Interpretation in this Act,

1. "Interest” includes reduction and also includes charges in respect of which the Legislature has not power in this behalf,
2. "Loan” includes money advanced on account of a person in any transaction which, whatever form it takes, is considerably a loan to such person, or one securing the repayment by such person of the money advanced.
3. "Money-lender” includes any person carrying on a loaning business and any person who engages in any deals referred to in clause (b) and any person who carries on the business of money-lending, or advertises or announces himself or holds himself out in any way as carrying on that business and who makes a practice of lending money at a higher rate than ten percent per annum, but does not include a registered pawnbroker or a bank.
4. "Rate Permitted" means a rate that is a legal and valid rate in respect of the loan and is not in contravention of any act heretofore or hereafter enacted by the Parliament.

11. Factors affecting access to financial services

Some of the factors affecting access to financial services are:

1. Emotional and cultural barriers: Many people willingly excluded themselves due to emotional barriers and they think that they are excluded from accessing financial services. A very general emotional barrier can be easily noticed when older people find it difficult to use ATMs which is the most convenient form of banking today.

2. Legal identity - Lack of legal identity like voter Id, driving license, birth certificates, employment identity card etc. is also a major factor affecting access to financial services.

3. Level of income - low income people generally have the attitude of thinking that banks are only for the rich people.

4. Various terms and conditions - Since banks are profit making organisations they discourage the non-profitable customers (poor) by the minimum balance requirements. While getting loans or at the time of opening accounts, banks place many conditions, so the uneducated and poor people find it very difficult to access financial services.

5. Structural procedural formalities- It is very difficult for people to read terms and conditions and account-filling forms due to lack of basic education.

6. Limited literacy - Lack of financial literacy and basic education prevent people to have access to financial services. Financial literacy involves encouraging people to use various financial products through various economic agents like NGOs (Non-Profit Organizations), MFIs and Business correspondents etc. People do not know the importance of various financial products like insurances, finance bank accounts, cheque facility etc.

7. Place of living - Commercial banks operate only in profitable areas. Banks set their branches and offices only in the commercial areas. Therefore, people living in underdeveloped areas find it very difficult to go for any bank transaction in other areas again and again. Hence, they do not go for any banking services.

8. Social security payments- In those countries, where the social security payment system is not linked to the banking system, banking exclusion has been higher.

9. Types of occupation - Many banks have not developed the capacity to evaluate loan application of small borrowers and unorganised enterprises and hence tend to deny such loan requests.

10. Attractiveness of the product - Both the financial services/products (savings accounts, credit products, payment services and insurance) and how their availability is marketed are crucial in financial inclusion.

12. Awareness level of the people

Data on awareness levels among the respondents about various services of the banks has been collected and analysed. Awareness about various deposit services of the bank (viz., Savings Bank Account, Current Account, Fixed Deposit, Recurring Deposit), transaction facilities (viz., Cheque book, Pass book), Loan facilities (Credit cards, Home loan, Auto loan, Personal loan, Education loan, Loan for business purpose) and alternate channels of transactions (viz., A TM card, Debit card, Internet banking, Tele banking, Mobile banking) have been collected.

The awareness levels about various products and services of banks have been found to be very low among the respondents. The awareness level about Saving Bank account and ATMs is found to be relatively better where 42% and 14% of the respondents respectively
are ignorant. Further, 65% of respondents are ignorant about Current Account, a facility very suitable for petty traders and other business purposes.

Table no.1 Awareness levels about various services provided of banks

<table>
<thead>
<tr>
<th>Service</th>
<th>Not aware (%)</th>
<th>Somewhat Aware (%)</th>
<th>Adequately Aware (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Bank alc</td>
<td>16</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Current Alc</td>
<td>65</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>Fixed Deposit</td>
<td>27</td>
<td>43</td>
<td>30</td>
</tr>
<tr>
<td>Recurring Deposit</td>
<td>57</td>
<td>32</td>
<td>13</td>
</tr>
<tr>
<td>ATM</td>
<td>14</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Debit card</td>
<td>57</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Credit card</td>
<td>45</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>Home loan</td>
<td>41</td>
<td>40</td>
<td>19</td>
</tr>
<tr>
<td>Car Loan</td>
<td>44</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td>Personal loan</td>
<td>49</td>
<td>34</td>
<td>17</td>
</tr>
<tr>
<td>Education loan</td>
<td>51</td>
<td>35</td>
<td>18</td>
</tr>
<tr>
<td>Internet banking</td>
<td>80</td>
<td>05</td>
<td>7</td>
</tr>
<tr>
<td>Tele-banking</td>
<td>87</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Mobile banking</td>
<td>88</td>
<td>10</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Primary data

Recurring deposit is one of the very effective tools for regular savings in small amounts. However, it is found that majority of the respondents (57%) are not even aware about banks offering recurring deposit services. Likewise, 27% of respondents are ignorant about Fixed Deposits which provides ample opportunity to depositors for periodic investment with committed returns.

Awareness about various loan products of banks is found to be very low among the respondents. It is found that more than 40% of respondents are ignorant about Home loan, Car loan, Personal loan, Education loan facilities offered by banks.

Further, more than 60% of respondents are ignorant about Debit Cards and Credit Cards. Banking through cellular phones (popularly known as mobile phones) is emerging as a popular alternate way of banking. However, awareness about it is found to be very low among the respondents although 80% of respondents possess cellular phones. It was found that 89% of respondents are not aware about such service. Likewise, respondents are found unaware about other alternate channels of banking such as Internet banking and Tele Banking as 80% and 87% of respondents respectively are ignorant about it.

Table No.2 Various reasons for needing bank accounts

<table>
<thead>
<tr>
<th>Basis</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Don't know</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>It provides safety of deposits</td>
<td>0.2</td>
<td>0.2</td>
<td>2.12</td>
<td>30</td>
<td>42.69</td>
</tr>
<tr>
<td>It offers saving avenue</td>
<td>2</td>
<td>0.3</td>
<td>7</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>It helps in getting loans</td>
<td>0.7</td>
<td>3.9</td>
<td>25</td>
<td>35</td>
<td>11</td>
</tr>
<tr>
<td>It provides</td>
<td>2.33</td>
<td>6</td>
<td>8</td>
<td>50</td>
<td>11</td>
</tr>
</tbody>
</table>
'Safety of deposit' is found to be a important reason for feeling the necessity of a bank account by the respondents. Only a mere 0.4% of respondents do not agree to it.

Many respondents feel that they are unable to save as there are few reliable saving options available for them. Saving in cash at home has not been effective due to its inherent problems, mainly easy accessibility and unsafe. These respondents expressed the need of a bank account so that they can use it for saving. Majority of respondents agrees to the fact that they feel the need of a bank account due to the saving avenue attached with it. Only a mere 3% of respondents did not agree to it and 7% of respondents are in 'cannot say' category.

Majority of the respondents (69.2%) feel the need of a bank account as it will make their monetary transactions convenient. In most of the banks, banking relation of the loan applicant is weighted well while appraising the loan application. Many a respondents feel to have a bank account on the anticipation of getting a loan in future. Only 5% of respondents do not agree to the fact, 45% agrees to it and 25% of respondents belong to 'cannot say' category.

It is widely believed that in marginal sections of the society, having a bank account improves an individual's status among peers. Analysis shows that the myth of considering bank account as a symbol for self-respect or social status is wrong among the respondents of this survey. Only 15% of respondents agree to it against 32% of respondents disagreeing to the same.

As observed above, the need for bank account is felt due to various reasons starting from safety of deposits to improvement of social status. Various reasons were ranked by the respondents in a five-point scale from 'Strongly Disagree (-2)' to 'Strongly Agree (+2)'.

### Table No. 3 Perception about not having bank accounts

<table>
<thead>
<tr>
<th>Basis</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Don't know</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no necessity</td>
<td>33</td>
<td>36</td>
<td>9</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Unaware about facilities</td>
<td>7</td>
<td>51</td>
<td>10</td>
<td>26</td>
<td>8</td>
</tr>
<tr>
<td>Banking transactions are complicated and time consuming</td>
<td>2</td>
<td>18</td>
<td>37</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>Bank is not conveniently located</td>
<td>16</td>
<td>65</td>
<td>13</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Cumbersome account opening process</td>
<td>16</td>
<td>64</td>
<td>14</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Lack of documents</td>
<td>12</td>
<td>25</td>
<td>29</td>
<td>23</td>
<td>13</td>
</tr>
<tr>
<td>Unable to meet minimum balance requirement</td>
<td>7</td>
<td>26</td>
<td>9</td>
<td>40</td>
<td>20</td>
</tr>
</tbody>
</table>
It is observed that the respondents have agreed to the following factors as influential for not having any bank account

1. Cumbersome account opening process - Majority of respondents (54.5%) agree that among other reasons they are unbanked because they perceive that they need to go through a cumbersome process for account opening.

2. Unable to meet the minimum account balance requirement – Banks specify periodic minimum balance to be maintained in various types of account. It differs from bank to bank. Majority of respondents (58.4%) agrees that they are unbanked as they cannot keep this minimum balance. This clearly shows the unawareness among the respondents about no frills accounts where eligible customers are offered accounts with minimum or nil balance by every bank. There may also be the possibility that banks do not offer the suitable account to the customer though available.

3. Complicated and time consuming transactions - Perception about banking services/transactions also play an important role in whether to have a bank account or not. This statement is included to capture the responses of respondents who are unbanked as they perceive that banking transactions are complicated and time consuming. It is found that out of the unbanked respondents surveyed, 44.7% of respondents agree that they are unbanked because they think it involves longer time and it is complicated too.

4. Unsuitable products - Majority of respondents (63%) is in 'Don't Know' category here. However, 21.6% of respondents feel that they are unbanked as banks' services are not suitable for them. 15.5% disagrees to the statement.

5. Lacks documents - There are some mandatory documents required to open accounts in the country as per guidelines of the RBI. 35.30% of respondents agree that they are unbanked because they do not possess the required documents to open an account. It also might be due to the unawareness about the minimum KYC applicable for 'no-frills account'.

6. Inconvenient location - Inconvenient location of banks may affect the respondent's choice of banking. By including this issue in the questionnaire, it is tried to find out to which extent, the inconvenient location of banks might have affected the decision of respondents of remaining unbanked. It is found that out of the unbanked respondents surveyed, only 7.1% of respondents agree that they are unbanked because of inconvenient location of banks. It implies that banking infrastructure is not a reason for the financial exclusion in the urban centres of the state.

Initiative taken by Valluvar College of Science and Management for increasing financial literacy

- Awareness programme regarding financial inclusion has to be conducted on radio and television and simple messages about the rights and duties of policy holders, channels available for dispute redressed etc have been disseminated through television, radio as well as print media.
- To conduct seminar on awareness and importance about savings.
- To undertake financial education to various segment viz. school and college students, working executives, middle income group, homemakers, retired persons.
- The conduct workshop to the target segments on various aspects like savings, investment, financial planning, banking insurance, retirement planning etc
- Financial education should start at school, so college management takes many initiatives in order to motivate the school students to save money and at the initial
stage the management will give 100 rupees and provide a chick to the school students as they have to feed it and in future they can sell it and the money that they get from it can save in their savings account.

13. Findings

1. Banking and other infrastructure is available and it is not a bottleneck for financial inclusion.
2. Awareness about banking services is very low except saving bank account and ATM cards. Especially awareness about basic banking services which are relevant for the underprivileged is found to low (e.g., Recurring Deposit).
3. There is very low level of awareness about 'No frill account' - the main device for combating financial exclusion in the country among the people to whom it is intended.
4. The problem of exclusion is mostly in-voluntary in nature. The voluntarily excluded ones are excluded mostly due to unawareness. Most of them feel that they lack money to save in a bank or to maintain minimum balance. It is followed by the perception that the account opening process is very cumbersome.
5. Most of the unbanked feels the need of having a bank account as it is perceived to provide safety of deposits and saving avenue, to help in getting loans and makes financial transactions convenient. However, the respondents do not feel having bank account as a mean of improving social status.
6. The respondents expect to avail mainly savings bank account and transaction services as without these services they are facing day-to-day management problem. It is followed by Loans, Fixed Deposits, Daily deposits, Current Accounts and Recurring Deposits and lastly the value added services like Internet, Tele and Mobile Banking services. The preference of services is directly linked with the awareness levels and suitability of such services.
7. Banks are lagging behind in approaching the unbanked people to bring them to the banking fold.
8. Likewise very few unbanked approached a bank and their applications got rejected mostly due to lack of documents.
9. It is felt by many unbanked that banks' service standard differs depending on the economic class of the customers. Alarmingly, majority of erstwhile banked also have the same perception.
10. To bring more and more people from the unprivileged sections of the society to banking fold, change in the attitude of bank staff towards them is required as felt by most unbanked.
11. Erstwhile banked people stopped transactions mainly as they failed to maintain the minimum balance in accounts. Many open accounts for specific purpose and stops transacting once the purpose is over.

14. Conclusion

Due to financial illiteracy, most of the people do not maintain proper records or books of accounts. The banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income groups treating it both a business opportunity as well as a corporate social responsibility. The study has brought some very important insights on the issue of Financial Inclusion from the perspective of the population who are outside the ambit of banking. The sample consists of respondents of varied socio-economic background.
These respondents are found to be mostly involuntarily excluded. Further, analysis shows that the exclusion is mostly caused due to unawareness of the respondents and their perceived impression about banking. Banks have also found to traditionally exclude such marginal segments of urban areas. It might be due to lack of policy focus on Financial Inclusion in urban areas unlike the rural areas.

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