

# Banking Awareness of The Residents in The Present Financial Inclusion ERA in Nagapattinam District, Tamil Nadu

**Dr. S. Rajaswaminathan**

Guest Faculty, Department of Commerce  
School of Management,  
Pondicherry University, Karaikal Campus

## Abstract

Reduction of poverty has been an essential objective of development policy since the inception of planning in India. Poverty Eradication, Employment Generation Programmes have been in operation since the post-independence of India, even though poverty and social exclusion continue to dominate socio-economic and political discourse in India. Financial Inclusion and Banking reforms attach vast significance to eradicate the poverty across states and the rural-urban areas. Despite being one of the ten fastest growing economies of the world, India is still home to one-third of the world's poor. In developing economies like India, the banks have been playing a major role as mobilisers of savings and allocators of credit for production and investment. In case of population who are being poor and illiterate, their banking awareness is supposed to be low due to their lack of knowledge of the financial services offered by the banks and financial exclusion. Henceforth, this paper attempts to identify the banking awareness of the residents in the present financial inclusion era in Nagapattinam district, Tamil Nadu.

## Keywords:

Banking Awareness, Financial Inclusion, Commercial Banks (CBs)

## Introduction

Financial crisis has had a significant negative impact on lives of individuals globally. Millions of people have lost their livelihoods, homes and savings. One of the major reasons for the crisis was that the financial system was focused on furthering its own interests and lost its linkage to the real sector and with the society at large especially vulnerable sections of society. Banking services are essentially for welfare of the public. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. It is imperative, therefore, that the availability of banking and payment services to the entire population without discrimination is the avowed objective of public policy. Therefore, Financial Inclusion has emerged as a policy imperative for inclusive growth in several countries across the globe.

Financial inclusion process starts with providing access to basic banking services is the first phase. The mainstream, regulated financial

players are capable of bringing about meaningful financial inclusion as they have the ability to make the necessary investment in the build up phase and also cross-subsidise the services in the initial stages till they become self-sustaining. Banks are focussed as the principal vehicle for financial inclusion, also stems from the fact that only they can offer the entire suite of products and services that would facilitate meaningful financial inclusion. Over the past five years, the Reserve Bank of India, as also other policy makers have resolutely pursued the agenda of financial inclusion and achieved discernible progress in improving access to financial services for the masses. However, the progress is far from satisfactory as evidenced by the World Bank Index Survey (2012).

Nobel Laureate Prof. Amartya Sen has also noted, the thrust of developmental policy in India has undergone a paradigm shift from an exclusive focus on efficiency to one on equity; from the rate and pattern of growth, and on inequalities, distribution of income and wealth to the extent to which people are deprived of the requirements for leading a fulfilling life and suffer 'capability deprivation'.

### Objective and Methodology

The study has the objective of the banking awareness of the residents in the present financial inclusion era in Nagapattinam district, Tamil Nadu. Agriculture and Fishing along with Para marine activities like dry fish, prawn farming are the major economies in the district. The people of Nagapattinam district having affected by TSUNAMI in the year 2004, and also the cultivable lands are affected

regularly by monsoon conditions, thereby the population are living in poor financial conditions with the lack of financial services accessibility. The district has around 103 branches of Nationalised Banks, 33 branches of Private Banks, 5 Pandian Grama Bank (RRB) and 208 Business Correspondents as operators and providers of financial services to the rural and semi-urban areas. The primary data is collected residents of selected blocks of Nagapattinam District through printed questionnaire (both in English and Vernacular language). Based on the population size of three blocks (semi-urban, coastal semi-urban and rural) of the district such as Mayiladuthurai, Nagapattinam and Sembanarkovil have been selected. The following villages (villages having population of more than 2000, population from 1600 to 2000, and population of less than 1600 were chosen as per the state level bankers committee, Tamil Nadu) viz., Varadampattu, Kurichi, Seruthiyur, Akkaraipettai, Agalangan, Andanapeetai, Kidarankondan, Chandrapadi, Visalur have been selected in the Sample blocks on the basis of maximum population in those category villages in the district. Simple random sampling method was adopted to collect the data from the respondent in Nagapattinam District, Tamil Nadu.

### Analysis and Interpretation

Cross tabulation is used to find out the associations and the chi-square test is applied to test the significance of associations. The significant relationship between the selected demographic, banking and borrowing variables and the Awareness on Banking of the residents in Nagapattinam District, Tamil Nadu were analysed.

**Table 1.1: Demographic Variables and Present Awareness on Banking of the residents**

H <sub>0,1</sub> : There is no association between Demographic Variables and Present Awareness on Banking of the residents							
Demographic Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
Region	Rural	222	251	473	25.84	2	.000*** Accepted
	Semi Urban	29	7	36			
	Total	251	253	509			
Villages	Varadampattu	17	34	51	152.58	16	.000*** Accepted
	Kurichi	6	37	43			
	Seruthiyur	19	22	41			
	Akkaraipettai	65	36	101			
	Agalangan	62	7	69			
	Andanapeetai	8	35	43			
	Kidarankondan	43	31	74			
	Chandrapadi	7	42	49			
	Visalur	27	11	38			
	Total	254	255	509			

Block	Mayiladuthurai	42	93	<b>135</b>	39.20	4	<b>.000*** Accepted</b>
	Nagapattinam	135	78	<b>213</b>			
	Sembanarkovil	74	87	<b>161</b>			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Age	18-30	59	91	<b>150</b>	37.98	6	<b>.000*** Accepted</b>
	31-45	87	103	<b>190</b>			
	46-60	95	53	<b>148</b>			
	Above 60	10	11	<b>21</b>			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Gender	Male	158	156	<b>314</b>	.33	2	<b>.847 Rejected</b>
	Female	93	102	<b>195</b>			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1% Level

The above cross tabulation 1.1, indicates that the association between demographic variables and the present awareness of the residents on banking in Nagapattinam District, Tamil Nadu. The maximum number of respondents having high awareness residing in regions, villages, block age group, and gender are rural (251), Varadampattu (34), Kurichi (37), Seruthiyur (22), Andanapeetai (35), Chandrapadi (42) and

Mayiladuthurai (93), Sembanarkovil (87), 18 – 30 (91), 31 – 45 (103), female (100) respectively. The chi-square test indicates that there is a significant association between region, villages, block, age and present awareness on banking at 1% level and whereas gender has no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

**Table 1.2: Demographic Variables and Present Awareness on Banking of the residents**

**H<sub>0,1</sub>: There is no association between Demographic Variables and Present Awareness on Banking of the residents**

Demographic Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
Education level	No Formal Education	98	57	<b>155</b>	28.44	8	<b>.000*** Accepted</b>
	School Education	111	118	<b>229</b>			
	Degree/Diploma	36	61	<b>97</b>			
	Post Graduation	7	8	<b>15</b>			
	Others	6	7	<b>13</b>			
	<b>Total</b>	<b>258</b>	<b>251</b>	<b>509</b>			
Marital status	Single	202	182	<b>384</b>	20.12	4	<b>.000*** Accepted</b>
	Married	34	71	<b>105</b>			
	Others	8	12	<b>20</b>			
	<b>Total</b>	<b>244</b>	<b>265</b>	<b>509</b>			
Family size	Less than or equal to 4	158	151	<b>309</b>	5.98	4	<b>.201 Rejected</b>
	Between 5 to 8	84	98	<b>182</b>			
	Above 8	8	10	<b>18</b>			
	<b>Total</b>	<b>250</b>	<b>259</b>	<b>509</b>			
Religion	Hindu	193	232	<b>425</b>	22.66	4	<b>.000*** Accepted</b>
	Christian	47	15	<b>62</b>			
	Muslim	11	11	<b>22</b>			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1% Level

The above cross tabulation 1.2, indicates that the association between demographic variables and the present awareness of the residents on banking in Nagapattinam District, Tamil Nadu. The maximum number of respondents with high awareness in the education, marital status, family size and religion are 18 – 30 (91), 31 – 45 (103), female (100), School education (118), Degree/Diploma (61), Post Graduation (8),

others (7), Married (71), others (12), between 5 to 8 (98), above 8 (10), Hindu (232) respectively. The chi-square test indicates that there is a significant association between educational level, marital status, religion and present awareness on banking at 1% level and whereas family size has no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

**Table 1.3: Demographic Variables and Present Awareness on Banking of the residents**

Demographic Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
Community	Scheduled Class	12	23	35	13.85	6	<b>.031** Accepted</b>
	Most Backward	182	152	334			
	Backward	51	75	126			
	Forward	6	8	14			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Occupation	Farmer	67	29	96	30.10	14	<b>.007*** Accepted</b>
	Agri Labour	54	69	123			
	Self Employed	33	55	88			
	House Wife	36	42	78			
	Land Lord	8	7	15			
	Fishing	37	38	75			
	Dry fish Mart	6	7	13			
	Employed	10	11	21			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Annual income	Less than 25,000	201	210	411	19.56	8	<b>.012** Accepted</b>
	25,001 to 50,000	21	32	53			
	50,001 to 75,000	7	8	15			
	75,001 to 1,00,000	10	7	17			
	Above 1,00,000	7	6	13			
	<b>Total</b>	<b>246</b>	<b>263</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\*/\*\* Significance at 1%/5% Level

The above cross tabulation 1.3, indicates that the association between demographic variables and the present awareness of the residents on banking in Nagapattinam District, Tamil Nadu. The maximum number of respondents with high awareness in the community, occupation and annual income are Scheduled (23), Backward (75), Forward (8), Agri labour (69), Self employed (55), House wife (42), Fishing

(38), Dry fish Mart (7), Employed (11) and 25001 - 50000 (32) respectively. The chi-square test indicates that there is a significant association between occupation and present awareness on banking at 1% level and community, annual income and awareness on banking at 5% level with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

**Table 2.1: Banking Variables and Present Awareness on Banking of the residents**

<b>H<sub>0,2</sub>: There is no association between Banking Variables and Present Awareness on Banking of the residents</b>							
<b>Banking Variables</b>		<b>Banking Awareness &amp; Pearson Chi-Square</b>					
		<b>Low</b>	<b>High</b>	<b>Total</b>	<b>Value</b>	<b>df</b>	<b>Sig. (2-sided) &amp; Results</b>
Bank Account	Yes	251	258	509	.02	2	<b>.990 Rejected</b>
	No	0	0	0			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Advantages of bank A/c	Yes	211	234	445	6.80	4	<b>.147 Rejected</b>
	No	40	24	64			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
No of Accounts	1	115	102	217	38.84	6	<b>.000*** Accepted</b>
	2 - 3	97	109	206			
	4 - 5	36	36	72			
	More than 5	6	8	14			
	<b>Total</b>	<b>254</b>	<b>255</b>	<b>509</b>			
Type of Account	No Frill A/c	35	24	59	20.67	10	<b>.023 Rejected</b>
	Savings Bank A/c	151	141	292			
	Current A/c	32	38	70			
	Recurring Deposit A/c	7	20	27			
	Fixed Deposit A/c	25	22	47			
	others	6	8	14			
	<b>Total</b>	<b>256</b>	<b>253</b>	<b>509</b>			
Info about No-frill A/c	Bank Officials	58	35	93	41.35	14	<b>.000*** Accepted</b>
	SHG Members	69	82	151			
	NGOs	23	16	39			
	Neighbours	48	36	84			
	Village Panchayat	10	34	44			
	Farmer Clubs Posters	6	7	13			
	Village Meetings	13	26	39			
	Newspapers/Advertisements	24	22	46			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1% Level

The cross tabulation 2.1, between banking variables and present awareness on banking indicates that the maximum respondents with high awareness having bank A/c, banker explained the advantages of bank A/c, number of A/c, type of A/c, and information about No-frill A/c (253), (234), having 2 - 3 accounts (109), More than 5 accounts (8), Current A/c (38), Recurring deposit A/c (20) and SHG members (82), Village panchayat (34), Village meetings

(26) respectively. The chi-square test indicates that there is a significant association between Number of accounts, Information about No – frills A/c and present awareness on banking at 1% level whereas Bank account, Bankers explained advantages of bank account, Type of account have no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

**Table 2.2: Banking Variables and Present Awareness on Banking of the residents**

<b>H<sub>0,2</sub>: There is no association between Banking Variables and Present Awareness on Banking of the residents</b>							
<b>Banking Variables</b>		<b>Banking Awareness &amp; Pearson Chi-Square</b>					
		<b>Low</b>	<b>High</b>	<b>Total</b>	<b>Value</b>	<b>df</b>	<b>Sig. (2-sided) &amp; Results</b>
Document asked for opening an A/c	Electoral card	99	153	252	33.12	6	<b>.000*** Accepted</b>
	Ration card	140	93	233			
	Aadar card	6	6	12			
	Others	6	6	12			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Reason for not having bank A/c	Lack of financial knowledge	49	42	91	15.21	8	<b>.055* Accepted</b>
	Difficulty in accessing banking services	35	36	71			
	Poor Financial condition	93	95	188			
	No Necessity	67	59	126			
	others	7	26	33			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Having bank A/c with cheque book	Yes	102	114	216	3.46	6	<b>.749 Rejected</b>
	No	154	139	293			
	<b>Total</b>	<b>256</b>	<b>253</b>	<b>509</b>			
Purpose of bank visit	Deposits	108	80	188	11.95	8	<b>.153 Rejected</b>
	Withdrawal	90	117	207			
	Loans	29	37	66			
	Repayment	10	8	18			
	others	14	16	30			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher \*\*\*/\* Significance at 1%/10% Level

The cross tabulation 2.2, between banking variables and present awareness on banking indicates that the maximum respondents with high awareness were asked the document by the banker for opening an A/c, reason for not having A/c, Bank A/c with cheque book and Purpose of bank visit are Electoral card (153), Aadhaar card (6), Difficulty in accessing banking services (36), Poor Financial condition (95), No necessity (59), and Others (26), (114) and

withdrawals (117), loans (37), others (16). The chi-square test indicates that there is a significant association between document asked and present awareness on banking at 1% level, Reason for not having A/c and present awareness on banking at 10% level whereas Bank A/c with cheque book, Purpose of bank visit have no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

Table 2.3: Banking Variables and Present Awareness on Banking of the residents

Banking Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
Instructions in Tamil	Yes	164	200	364	10.58	4	<b>.032** Accepted</b>
	No	87	58	145			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
Reason for having bank A/c	To receive Govt. payments from MNREGS	110	133	243	20.94	10	<b>.021** Accepted</b>
	To receive Govt. payments from schemes	12	21	33			
	For receiving remittances	36	14	50			
	For saving money	64	50	114			
	To request a loan	25	25	50			
	others	6	13	19			
	<b>Total</b>	<b>253</b>	<b>256</b>	<b>509</b>			
Who help to open A/c	Village Panchayat Members (GRS)	80	78	158	3.61	8	<b>.890 Rejected</b>
	Bank Officials	42	43	85			
	Neighbour	29	30	59			
	Friends/Relatives	94	99	193			
	Others	6	8	14			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
How frequently save in A/c	Don't save / never	35	22	57	8.90	8	<b>.350 Rejected</b>
	At least once a month	55	76	131			
	Less than a month	44	37	81			
	I put in money as and when I can	111	115	226			
	others	6	8	14			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Advice about money matters	No, no where	30	24	54	40.95	10	<b>.000*** Accepted</b>
	Family/friends	114	133	247			
	Bank	31	47	78			
	Financial Adviser	50	13	63			
	Social worker	17	26	43			
	others	9	15	24			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1%/5% Level

The cross tabulation 2.3, between banking variables and present awareness on banking indicates that the maximum respondents with high awareness about instructions in Tamil, reason for having bank A/c, who helped to open an A/c, how frequently save in A/c and advice about money matters are (200), to receive Govt. payments from NREGS (133), to receive Govt. payments from schemes other than NREGS (21), to request a loan (25), others (13), bank Officials (43), neighbour (30), friends/relatives (99), others (8), at least once a month (76), I put in money as and when I

can (115), others (8) and family/friends (133), Bank (47), Social worker (26), others (15) respectively. The chi-square test indicates that there is a significant association between instructions in Tamil, reason for having bank A/c and present awareness on banking at 5% level, advice about money matters and present awareness on banking at 1% level whereas who helped to open A/c, how frequently save in A/c have no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

**Table 3.1: Borrowing Variables and Present Awareness on Banking of the residents**

Borrowing Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
House hold borrowed	Yes	167	174	341	.411	2	<b>.814 Rejected</b>
	No	84	84	168			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			
The place where borrowing the money	Not Availed	85	83	168	42.83	10	<b>.000*** Accepted</b>
	Banks	126	76	202			
	Relatives	25	49	74			
	Friends	7	26	33			
	Moneylenders	6	7	13			
	others	7	12	20			
	<b>Total</b>	<b>256</b>	<b>253</b>	<b>509</b>			
Reason for taking bank loan	Not Availed	135	172	307	39.71	12	<b>.000*** Accepted</b>
	Low rate of interest	79	38	117			
	Good deal/good rate	7	6	13			
	Offered/arranged by the banks	6	9	15			
	It is easy	6	6	12			
	Trustworthy lender	17	16	33			
	others	6	6	12			
	<b>Total</b>	<b>256</b>	<b>253</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1% Level

The cross tabulation 3.1, between borrowing variables and present awareness on banking indicates that the maximum respondents with high awareness about house hold borrowed, the place where borrowed, reason for taking bank loan are (174), relatives (49), friends (26), money lenders (7). The chi-square test indicates that there is a

significant association between the place where borrowed, reason for taking bank loan and present awareness on banking at 1% level whereas house hold borrowed has no association with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.



**Table 3.2: Borrowing Variables and Present Awareness on Banking of the residents**

**H<sub>0,3</sub>: There is no association between Borrowing Variables and Present Awareness on Banking of the residents**

Borrowing Variables		Banking Awareness & Pearson Chi-Square					
		Low	High	Total	Value	df	Sig. (2-sided) & Results
Type of loan	Not Aailed	130	177	307	34.76	12	<b>.001*** Accepted</b>
	Housing loan	27	17	44			
	Agricultural loan	9	12	21			
	Educational loan	50	19	69			
	Vehicle loan	7	8	15			
	Personal loan	23	18	41			
	Business Loan	6	6	12			
	<b>Total</b>	<b>252</b>	<b>257</b>	<b>509</b>			
Amount of loan	Not Aailed	145	162	307	42.26	12	<b>.000*** Accepted</b>
	Up to Rs. 50,000	58	43	101			
	Rs. 50,001 to Rs. 1,00,000	18	18	36			
	Rs. 1,00,001 to Rs. 1,50,000	9	10	19			
	Rs. 1,50,001 to Rs. 2,00,000	8	8	16			
	Rs. 2,00,001 to Rs. 2,50,000	7	8	15			
	Rs. 2,50,001 & Above	7	8	15			
	<b>Total</b>	<b>252</b>	<b>257</b>	<b>509</b>			
Year of loan	Not Aailed	134	173	307	26.06	8	<b>.001*** Accepted</b>
	2001 - 2003	8	11	19			
	2004 - 2006	22	16	38			
	2007 - 2009	47	28	75			
	2010 - 2012	40	30	70			
	<b>Total</b>	<b>251</b>	<b>258</b>	<b>509</b>			

Source: Primary Data | Computed by Researcher

\*\*\* Significance at 1% Level

The cross tabulation 3.2, between borrowing variables and present awareness on banking indicates that the maximum respondents with high awareness about type of loan, amount of loan and year of loan are agricultural loan (12), vehicle loan (8), business Loan (6), Rs. 1,00,001 to Rs. 1,50,000 (10), Rs. 2,50,001 & Above (8) and 2001 - 2003 (11). The chi-square test indicates that there is a significant association between the type of loan, amount of loan and year of loan at 1% level with present awareness on banking of the residents in Nagapattinam District, Tamil Nadu.

### Conclusion

Banks have to play an extra role in promoting financial awareness and ensuring financial inclusion in collaboration with business correspondents and self help groups including

NGOs, can definitely help in effectively overcoming this task. Commercial banks have to concentrate on building a sustainable, scalable and cost-efficient business delivery model by leveraging upon technology. Financial inclusion and inclusive growth are no longer just policy choices, but are policy imperatives, which would determine the long-term financial stability and sustainability of the economic and social order, going forward. India and its population need to ensure that all are collectively willing to walk that extra mile to ensure that fellow countrymen get easy access to the financial system and are able to leverage this access to improve their economic and social well-being.

### References

Acharya, S. N. (2008). *India's Macroeconomic*



- Performance and Policies since 2000*. Indian Council for Research on International Economic Relations.
- BASIX. (2010). *Report on Conducting an Assessment Study of design and delivery of Financial Literacy among poor across 7 UN Focus states*. Submitted to UNDP.
- Demirguc-Kunt, A., & Klapper, L. (2012). *Measuring Financial Inclusion*, Global Findex Database.
- Mehrotra, N., Puhazhendhi, V., Nair, G. G., & Sahoo, B. B. (2009). *Financial Inclusion: An Overview*. National Bank for Agricultural and Rural Development.
- Rangarajan, C. (2008). *Report of the committee on financial inclusion*. Government of India report.
- Thyagarajan, S., & Venkatesan, J. (2008). *Cost-Benefit and Usage Behaviour Analysis of No Frills Accounts: A Study Report on Cuddalore District*. RBI College for Agricultural Banking and IFMR (December 2008), <http://www.microfinancegateway.org/p/site/m/template.rc/1.1,4146>.
- World Bank Group (Ed.). (2010). *Towards Universal Access: Addressing the Global Challenge of Financial Inclusion*. World Bank Publications.