



A STUDY ON FACTORS AFFECTING CONCERNS AND OBSTACLES IN THE EFFECTIVE IMPLEMENTATION OF FINANCIAL INCLUSION PRACTICES OF SELECT PUBLIC SECTOR BANKS (PSBs) IN COIMBATORE DISTRICT

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ABSTRACT

The paper allocated the basic research types related to the banking sector and banks: estimation and ranking of efficiency and competitiveness of the banks, problems in bank operations and security, analysis of banking sector, factors affecting banks activity. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. This article is a small seed to existing branch of knowledge in banking industry and is useful for bankers.

KEYWORDS: *Cronbach's Alpha test, Kaiser –Meyer-Olkin, Bartlett's test.*

INTRODUCTION

Indian economy is one of the fastest growing major economies in the world than any other developing country. The agricultural sector contributes a lot to the annual economic growth rate of the country. Similarly, the banking sector currently plays an important role in the economic contribution of the country, which is undoubtedly the backbone of the Indian economy. More than 70% of the people in the country live in rural areas and the banking sector focuses on the development of the marginalized. Most people in rural areas are dependent on money lenders and local bankers and people are struggling even for their daily bread due to high interest rates.

The private banks established their banks in urban and metropolitan areas, but never reached the rural peoples. In 1969, our government nationalized fourteen private banks and later six banks to provide

some solutions to these major problems. Even then, financial services and products did not reach the rural peoples. The new economic policy of Liberalization, Privatization and Globalization (LPG) brought about a paradigm shift in the banking system. This made the banking sector more efficient, energetic and service oriented than profit oriented groups. Financial inclusion is the existence of the banking sector, which aims to provide affordable financial services to the underprivileged and low-income community.

STATEMENT OF THE PROBLEM

Large sections of India's population are leaving the margins of India's financial system. But, the banker focused on the big profitable customer segments. Many areas such as farmers, landless labourers, self-employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic



minorities and social group's senior citizen and women are left unfocused. The reason for his phenomenon is financial inclusion is a complex issue. The banking sector has to deal with issues like access, credit crunch and bad debt. But commercial banks are advised by the RBI to use advanced technology and hire efficient people to achieve financial inclusion. It is important to know whether the financial inclusion of public sector banks is really reaching the limit. Because financial inclusion could contribute sufficiently to improve the well-being of the citizen, besides, the developing country like India can get developed society by self-reliance and self-development of the communication. Although commercial banks play an important role in rural development, they face many problems and a large part of the rural economy is still inaccessible to organized commercial banks. To address these issues, the present research work is being carried out to examine the financial inclusion of selected public sector banks in the Coimbatore district.

OBJECTIVES OF THE STUDY

- To identify the factors affecting concerns and obstacles in the effective implementation of financial inclusion practices of select public sector banks (PSBs) in Coimbatore.

METHODOLOGY

The present study is a descriptive research. The present study is based on primary data. The primary data of this study were conducted from the customers and bankers of public sector banks through a questionnaire method. Among 15231 total select public sector bank customers based on Krejcie Morgan table it is select 384 respondents from the Coimbatore district. Coimbatore district had 11 Taluks out of which 4 Taluks where selected using **Disproportionate stratified random sampling** method.

RESULTS AND DISCUSSION CONCERNS AND OBSTACLES OF BANKERS

Table 1
Cronbach's Alpha test of checking Reliability for concerns and obstacles

S.no	Variables	Cronbach's alpha	N of items
1	Literacy/Awareness barrier	0.756	3
2	Customer related barrier	0.743	3
3	Location barrier	0.841	4
4	Barriers by banks	0.721	4
5	Cost/Collateral barrier	0.818	2
6	Financial inclusion barrier	0.795	3
7	Technological barrier	0.754	3

Source: Primary data

Above table 1 shows the reliability of the questionnaire is also evaluated using Cronbach's alpha. Result shows that most of the Constructs have

reliability greater than 0.7. Hence the constructs are found to be reliable.

Table 2
K-S test of checking Normality for concerns and obstacles

S.no	Variables	Kolmogorov-Smirnov Z	P value
1	Literacy/Awareness barrier	0.912	0.372
2	Customer related barrier	1.123	0.481
3	Location barrier	1.234	0.066
4	Barriers by banks	1.146	0.074
5	Cost/Collateral barrier	0.525	0.372
6	Financial inclusion barrier	0.581	0.124
7	Technological barrier	1.357	0.176

Source: Primary data



The above table 2 **Kolmogorov-Smirnov test** is used to check the normality of data. If p-value is less than 0.05, reject the normality assumption, and if p-value is greater than 0.05 the data is normal.

Accordingly first the researcher conducts the K-S test and the following table gives the result of the K-S test. Hence the test indicates that the data is normal.

Table 3
Testing the sampling adequacy for factor analysis

KMO and Bartlett's test of sphericity		
Kaiser –Meyer-Olkin measure of sampling adequacy		0.864
Bartlett's test of sphericity	Approximate Chi-square	125.28
	Degree of freedom	4
	Significant	0.03

Source: Primary data

Table 3 shows the result of two preliminary tests, which indicate the suitability of the data for factor analysis. Two tests, namely Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or

not. The KMO value is higher than 0.8 which indicates the adequacy of collected data for factor analysis. A significant Bartlett's Test of Sphericity indicates the relationship between extracted factors. Hence the data is considered fit for performing factor analysis.

Table 4
Communalities of data

S. no	Measuring statements	Extraction
1	Limited literacy about financial services and products	.767
2	Customers should have basic financial education	.629
3	Lack of awareness among rural peoples	.729
4	Deliberate exclusion of specific peoples	.697
5	KYC norms are difficult to low income peoples	.652
6	Bank do not have customer feedback	.722
7	High transaction	.721
8	Lack of collateral security	.700
9	Lack of bank branches	.648
10	No sufficient bank branches	.516
11	Distance problem	.751
12	Improper location	.643
13	Lack of proper communication	.579
14	Lack of human resource	.619
15	Problem of documentation	.642
16	Non availability of banking products	.561



17	Branchless banking	.719
18	NGOs propagate the financial services	.670
19	Bank provides financial advice	.656
20	BFs/BCs don't have technological support	.700
21	M-banking to know customers	.499
22	ICT based services	.578

Source: Primary data

The above table 4 shows that communalities of each item loaded in factor analysis. This value which should be greater than 0.3 indicates the extraction or

variance explained by each item. From the result, it can be observed that all the values are greater than 0.3 confirming communalities of all the items.

Table 5
Literacy barrier

S.NO	Variables	Factor Loadings	Percentage Variance
1	Limited literacy about financial services and products	0.761	20.88%
2	Customers should have basic financial education	0.783	
3	Lack of awareness among rural people	0.772	

Source: Primary Data

Table 5 depicts the first factor identified as "Literacy barrier". The factor of three statements such as Limited literacy about financial services and products (0.761), Customers should have basic financial education (0.783), Lack of awareness among rural people (0.772).

The highest factor loading was for Customers should have basic financial education and Lack of awareness among rural people has the lowest factor loading. This factor explains 20.88 % of total variance.

Table 6
Customer related barrier

S.NO	Variables	Factor Loadings	Percentage Variance
1	Deliberate exclusion of specific peoples	.726	14.74%
2	KYC norms are difficult to low income peoples	.730	
3	Bank do not have customer feedback	.787	
4	High transaction	.783	
5	Lack of collateral security	.720	

Source: Primary Data

Table 6 depicts the second factor identified as "Customer related barrier". The factor of five statements such as deliberate exclusion of specific peoples (0.726), KYC norms are difficult to low income peoples (0.730), Bank do not have customer

feedback (0.787), High transaction (.783), Lack of collateral security (.720) . The highest factor loading was for Bank does not have customer feedback and Lack of collateral security has the lowest factor loading. This factor explains 14.74 % of total variance.

**Table 7**
Location barrier

S.NO	Variables	Factor Loadings	Percentage Variance
1	Lack of bank branches	0.692	11.82%
2	No sufficient bank branches	0.644	
3	Distance problem	0.659	
4	Improper location	0.648	

Source: Primary Data

Table 7 depicts the third factor identified as “Location barrier”. The factor of four statements such as lack of bank branches (0.692), No sufficient bank branches (0.644), distance problem (0.659), improper

location (.648). The highest factor loading was for lack of bank branches and no sufficient bank branch has the lowest factor loading. This factor explains 11.82 % of total variance.

Table 8
Barrier by banks

S.NO	Variables	Factor Loadings	Percentage Variance
1	Lack of proper communication	0.712	13.24%
2	Lack of human resource	0.724	
3	Problem of documentation	0.692	
4	Non availability of banking products	0.612	

Source: Primary Data

Table 8 depicts the fourth factor identified as “Barrier by banks”. The factor of four statements such as lack of proper communication (0.712), lack of human resource (0.724), problem of documentation (0.692), non availability of banking products (.612). The highest

factor loading was for problem of documentation and non availability of banking products has the lowest factor loading. This factor explains 13.24 % of total variance.

Table 9
Financial inclusion barrier

S.NO	Variables	Factor Loadings	Percentage Variance
1	Branchless banking	.688	9.53%
2	NGOs propagate the financial services	.690	
3	Bank provides financial advice	.692	
4	BFs/BCs don't have technological support	.702	
5	M-banking to know customers	.608	
6	ICT based services	.767	

Source: Primary Data

Table 9 depicts the fifth factor identified as “Financial inclusion barrier”. The factor of six statements such as branchless banking (0.688), NGOs propagate the financial services (0.690), bank provides financial advice (0.692), BFs/BCs don't have technological support (.702), M-banking to know customers (.608) and ICT based services (.767). The highest factor loading was for NGOs propagate the financial services and BFs/BCs don't have technological support has the

lowest factor loading. This factor explains 9.53% of total variance.

CONCLUSION

The present study found the positive impact of the number of branches and amount of deposits may increase the number of customers of the bank is another indicator of financial inclusion. At the same time, SBI and Canara banks are serving their customers in the



same manner. At present, the customers are delighted in almost all services and efficiency in banking services. Nowadays banks are facing many concerns and obstacles as regards the effective implementation of financial inclusion services. However, two barriers are high were detected from the factor analysis they are literacy barrier and customer-related barrier. Concluded that to a great extent the banks are challenging these obstacles, but some more efforts are needed for the perfect and meaningful inclusion to Coimbatore as a whole. Thus, financial inclusion is a big road which India needs to travel to make it completely successful.

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