



ROLE OF ATM'S IN FINANCIAL INCLUSION: WITH SPECIAL REFERENCE TO ELAPPARA PANCHAYAT

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Abstract

Financial inclusion is a means of providing banking and financial services to human beings. Its objective is to consider everyone in the society by giving them basic financial services without considering their income or earnings. It aims at proving financial transactions to the economically backwards. Now a days in a rural area lot of people lack access to financial services. Financial inclusion play a vital role to reach the unbanked and under banked areas through basic bank accounts for low income groups linked to an ATM(Automated Teller Machine) Card, It is an important tool toward the financial literacy of the poor. ATM helps the rural people to withdraw the cash at anytime and anywhere from their accounts and to make retail purchases, so it increases their spending capacity also. So Financial inclusion is not only a large challenge but also it is a necessity and the ATM has a significant role to play in achieving this goal. Therefore the researcher feels that it will be useful and interesting to make a study to know about the role of ATM'S in financial inclusion.

Key words: Financial inclusion, Automated Teller Machine (ATM) , Financial Literacy

Introduction

Financial inclusion refers to people and business firms have access to useful and affordable financial products and services that meet their needs. The transactions such as deposits, payments, fund transfer, credit and insurance are given in a suitable and sustainable way. Open a bank account is the first step towards the broader financial inclusion since it allows humans to save the money and send and receive the money. Since many sections of the Indian economy can't access the various banking transactions, financial inclusion was allowed to given them with these facilities. Lack of access to financial services in most of rural areas due to high informative barriers and low

awareness, poor functioning and financial history of financial institutions, near absence of insurance and pension service create the need and scope of financial inclusion. This study examines the role of ATMs in financial inclusion. Though the study itself is interesting for the practice of financial inclusion, it also presents an opportunity to critically evaluate the conceptual and practical contribution that the concept of financial inclusion might make in financial activities.

Statement of the Problem

The major technological development in the banking sector is the growth of ATM (Automated Teller Machine). Lack of access to financial services in most of the rural areas is due to high informative barriers and low awareness, poor functioning and financial history of financial institutions, near absence of insurance and pension service create the need and scope of financial inclusion. Apart from cash withdrawal and balance enquiry, ATM offers multiple facilities for the convenience of the bank customers. Therefore the researcher feels that it will be useful and interesting to make a study to know about the role of ATMs in financial inclusion. The researchers domicile is in Elappara Panchayat and it is also a rural area find it useful and viable to conduct a study about the role of ATMs in financial inclusion in Elappara Panchayat.

Objectives of the Study

1. To examine whether financial inclusion have any significant impact on the ATM usage of customers.
2. To identify the awareness level of people about the facilities offered through ATM.
3. To analyse the awareness level of customers about the various strategies implemented by banks as part of financial inclusion.

Hypothesis of the study

Ho: Financial inclusion does not have any significant impact on the customer's banking transactions using ATM facility.

Methodology

The study is a descriptive research as it is a fact finding study and based on the assessment of the role of ATMs in financial inclusion with special reference to Elappara Panchayat. The 60 samples were drawn from the accessible population. The random sampling is adopted for selecting the banks and its ATMs and the convenience sampling method is used for the selection of sample units based on the relative ease of access. The data and other information required for the study were collected from both primary and secondary data. Primary data will constitute the main source of information. The data were collected from the Local people, Govt. employees, Students, Business People, Private employees etc. of bank account holders of Elappara Panchayat. Secondary data were collected from Journals, News Papers, Magazines, Other Publications and websites. Structured interview schedules and Questionnaires will be administered to collect data from the respondents. The data collected were properly analysed to arrive at realistic results. Wilcoxon signed rank test is used for testing of hypothesis. The variables of the study is Income level, Banking Literacy, Type of customers, Satisfaction, ATM facility, frequency of usage etc.

REVIEW OF LITERATURE

Introduction

Financial inclusion is new paradigm of economic growth which plays a major role in driving away the poverty. Lack of access to financial services in most of rural areas due to high informative barriers and low awareness, poor functioning and financial history of financial institutions, near absence of insurance and pension service create the need and scope of financial inclusion. Sometimes it is easier to define a phenomenon by stating what it is not, i.e. define financial exclusion (rather than inclusion). A target group can be considered as financially excluded if they do not have access to mainstream formal financial services such as banking accounts, credit cards, insurance, remittances and payment services. A World Bank report states that “financial inclusion or broad access to financial services is defined as an absence of price or non price barriers in the usage of financial services.” It recognises the fact that financial inclusion does not imply that all households and firms should be able to borrow unlimited amounts or transmit funds across the world for some fee. It makes the point that credit worthiness of the customer is critical in providing financial services **(Research explorer, 2013).**

Objectives of Financial Inclusion

1. To take banking services to everybody to meet their entire savings, credit and remittance needs initially.
2. To cater to the needs for all other financial products and services subsequently.
3. To focus on the villages with a population above 2000 initially.
4. To cover villages with a population below 2000 over a period of next 3 to 5 years.
5. To provide banking services to entire population residing in urban and metro areas through a functional approach.
6. To involve stakeholders like Non Government organisations (NGOs), industry associations, mutual fund companies and society at large.

Recent Initiatives

ATM- An Aid for Financial Inclusion

Micro ATMs: The presence of ATMs mostly found in Metro/Urban centers and banks are not keen to install ATMs at Rural/Semi Urban centers on account of high investment and low transaction volume. In order to make the ATMs viable at these centers, there is a need to deploy low cost ATMs with basic features such as cash withdrawal and balance enquiry and should be located at places where rural folk pays frequent visits such as petrol pumps, mandis etc. It is convenient and cost effective compared to paying visit to the bank branch located at nearby center.

Biometric ATMs: The penetration of ATMs into Rural / Semi-urban areas may not serve the envisaged purpose unless it is put to use by illiterates/semi-literates whose presence is predominant in rural areas. The existing ATMs are not being used optimally by rural folk on account of PIN and Password related issues. Introduction of Biometric ATMs enables the illiterate and semi-literate customers to avail ATM facilities on par with literate customers. Under this. Thumb impression of the cardholder will be scanned and transfer the same to central server as one time measure. ATM

dispenses cash and other services only after verifying the thumb impression of the cardholder with that of finger print available with the bank's server. Bio-metric ATMs are going to play an important role in the remote rural areas in the ensuing years.

Mobile ATMs are designed for providing ATM facility to the rural folk as well as other customers. The Van would move to the pre-determined places and also accessible to Biometric card holders. Opening of accounts also can be undertaken during the visits to the rural areas. (MINAKSHI RAMJI, 2009)

Strategies of Financial Inclusion

RBI wants to ensure that within three years, all villages with a population of at least 2005 should have access to banking through the following strategies

No Frill Accounts-RBI exhorted the banks, with a view to achieving greatest financial inclusion, to make available a basic banking 'no frills' account either with NIL' or very minimum balances as well as charges that would make such accounts accessible to vast sections of the population. All banks are urged to give wide publicity to the facility of such 'no frills' account, so as to ensure greater financial inclusion.

Simplified KYC Norms - Opening of account is an Herculean task for common man since it warrants to fulfill KYC norms i.e. submission of address proof and identity proof, whereas majority of rural urban poor do not possess them. To facilitate persons belonging to low income group both in urban rural areas, RBI introduced simplified norms (without documentary proof) to open accounts for those persons who intend to keep balances not exceeding Rs.50000 - in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100000/- in a year. However, these accounts requires introduction of existing KYC complaint account holder. Photograph and address of the customer who propose to the account need to be certified by the introducer.

Smart Cards-State Governments are actively looking at making pension payments as also disbunals under Employment Generation Program using through smart cards linked bank . Smart card provides biometric authentication, which would help in reducing frauds and ensure identity of customers. Such cards can also hold all transaction details on the card. In order to popularize smart cards, all agriculture short term loans and payment of security schemes are to be dispensed through Smart ards.

Aadhaar Project-Government of India established Unique Identification Authority of India (UIDAI) with an objective to issue a unique identification number known as Aadhaar to all Indian residents with intent to eliminate duplicate/fake identities and to put hassle-free, cost effective verification/authentication system in place thereby to save considerable resources of various User Departments as well as beneficiaries at large. UID project gives a big push to the government's financial inclusion agenda and also provides the strong foundation to deliver better services and paves the way to improve the operational efficiency of the system. All Public Sector Banks are acting as Registrars to undertake enrolment and authenticated services to their clientele and also other residents using technology embedded outsourced model.

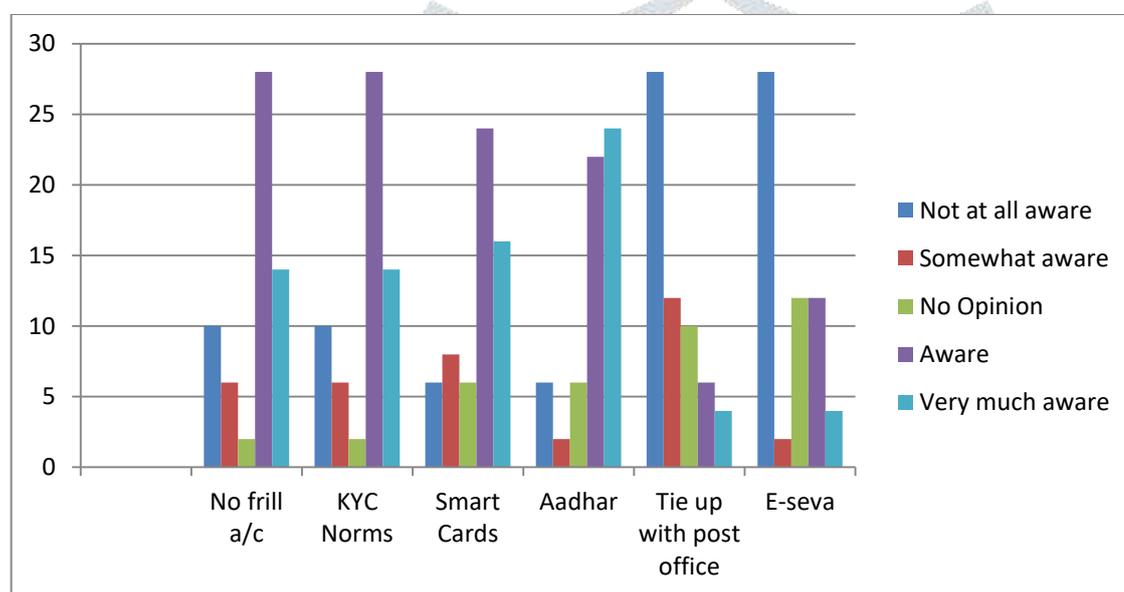
Tie-up with Post Offices- Modernization of Post Offices is in full swing and now they are well connected. Banks may make use of the presence of the post offices to extend banking services to the persons of unbanked areas. Smart Cards with bio-metric features will be delivered to them. The customer has to produce the Smart Card at post office for remitting cash or for withdrawal. F) E-Seva

Centers Banks may enter agreement with the respective state governments for sharing of resources, so that our rural/semi-urban customers can undertake financial transactions (Cash Deposit/Withdrawals) at these centers, which will be updated at Banks' server every day.

T-Banking- The presence of Television in all households is the order of the day and now it has become one of the most cost effective modes to disseminate information across the country. Banks may explore the possibility of making use of cable network to extend banking services to remote rural areas and this can be used as non-branch service delivery channel. **(Bagli, 2012).**

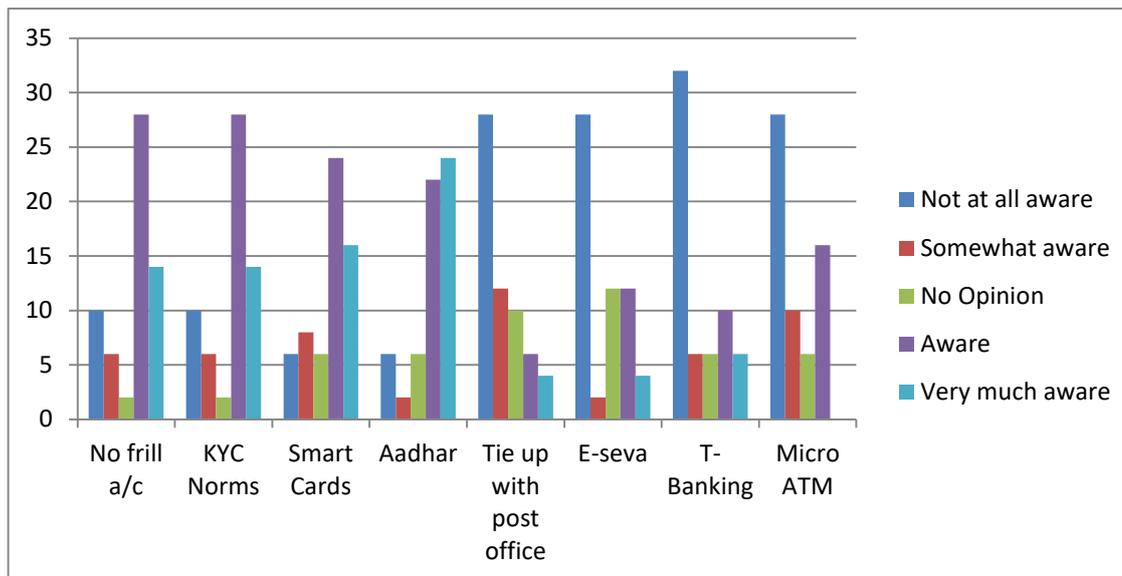
FINDINGS AND DISCUSSIONS

Awareness wise classification



This graph indicates that the respondent's awareness about various facilities offered through ATM. They are very much aware about Cash withdrawal and Balance enquiry through the ATM. And less than 10% of them are left with having not at all aware about this or of the 60 samples majority of them are not having much aware about loan, cash dispensing and fund transfer etc.

Awareness wise classification (About financial Inclusion)



The above figure shows that majority of the customers are aware about no frill accounts, simplified KYC Norms, Smart cards, Aadhar etc. Respectively. And also majority of them are not at all aware about T-banking, E-seva centres, Tie up with post office etc.. Out of 60 samples 24 among them are very much aware about aadhar facility.

Testing of Hypothesis

This section of analysis deals with the testing of tentative solutions put forward by the researcher with the help of statistical tools like percentages, mean, standard deviations etc. Here the testing of hypotheses cannot be done with the help of statistical tests including non parametric test. So the hypothesis is proved with the help of ranks obtained from the respondents.

Ho: Financial inclusion does not have any significant impact on the customer's banking transactions using ATM facility.

Descriptive Statistics

	N	MEAN	Std.Deviation	Minimum	Maximum
Before FI	60	.72	.691	0	3
After FI	60	1.37	.758	0	4

Ranks

	N	Mean Rank	Sum of Ranks
After FI Negative Ranks	1a	21.00	21.00
Before Fi Negative Ranks	40b	21.00	840.00
Ties	19c		
Total	60		

- After FI < Before FI
- After FI > Before FI
- After FI = Before FI

Test Statistics

	After FI - Before FI
Z	-6.091
Asymp.Sig (2 tailed)	.000

- a. Based on negative ranks
- b. Wilcoxon signed rank test

The data is collected from 60 respondents by using the convenience sampling method and the normality is checked and identified that the data is not normal. So the non parametric test, Wilcoxon Signed Rank Test is applied. The Sig value is less than 0.05 so we reject the null hypothesis and accept the alternative hypothesis. The Null hypothesis is that the financial inclusion does not have any significant impact on the customer's banking transactions using ATM facility. Therefore the alternative hypothesis is accepted that is financial inclusion have significant impact on the customer's banking transactions using ATM facility.

FINDINGS AND CONCLUSION

As per the data collected and analysed the major findings of the study are as follows:

- Financial inclusion has significant impact on the customers banking transactions using ATM facility.
- Majority of the customers are very much aware about cash withdrawal and balance enquiry
- Most of the customers are not much aware about various strategies implemented by banks as part of financial inclusion.

Conclusion

Financial inclusion is a process and ATM is an integral part of this process. It has lot of potentials. It is integral to the inclusive growth process and sustainable development of the country. The essence is to ensure holistic set of services to every individual and enable them to understand and access the financial services. So the unexplored areas can be explored and the benefits of the technology need to be reached to the unbanked section of the society, Therefore there must be enough efforts on the part of all concerned to spread the benefits of modern banking facilities to reach the marginalized and unbanked sections of the society.

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