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BASIC BANKING SERVICE'S A WAY FOR PAVE FINANCIAL INCLUSION DIMENSION

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Abstract

Basic banking services as a way to pave the dimension of financial inclusion" refers to the idea that providing basic banking services, such as savings accounts, credit facilities, and payment systems, to individuals and households can contribute to promoting financial inclusion. Financial inclusion refers to the access and use of financial services by all segments of society, particularly those who are underserved or excluded from the formal financial system. Providing basic banking services is a crucial step towards financial inclusion, as it allows individuals to access and use financial services that are essential for managing their day-to-day financial needs. Basic banking services can also enable individuals to save money, build credit, and invest in their future, thus contributing to their long-term financial stability and well-being. In many cases, individuals who are underserved or excluded from the formal financial system face various barriers to accessing basic banking services. These may include geographical barriers, such as living in remote or rural areas, or social barriers, such as a lack of financial education or awareness. Therefore, to pave the way for financial inclusion, efforts are needed to overcome these barriers and ensure that basic banking services are accessible and affordable for all segments of society. This study was undertaken to analyse the basic banking services in varied dimensions of financial inclusion. More than 400 sample respondents are selected for this study. Student t-test was employed to assess the hypothesis.

Keywords: Banking Services, Financial Inclusion, Access, Usage and Quality Dimension, Inclusion Strategy.

INTRODUCTION

Financial inclusion is essential in India because it can play a significant role in reducing poverty, promoting economic growth, and improving overall living standards. India has a large population of unbanked and underbanked people, meaning that a significant portion of the population lacks access to basic financial services, such as savings accounts, credit facilities, insurance, and payment systems. The lack of financial inclusion can lead to a range of negative consequences, such as limited access to credit for small businesses and entrepreneurs, reduced savings and investment opportunities, and increased vulnerability to financial shocks, such as illness or job loss. This can perpetuate poverty, inequality, and economic instability.

By promoting financial inclusion, India can create an environment where all individuals, regardless of their socio-economic status, have access to affordable and convenient financial services. This can help people build assets, manage risks, and invest in education and health, leading to improved living standards and economic growth. Furthermore, financial inclusion can also promote financial literacy and awareness, empowering individuals to make informed

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financial decisions and contributing to overall financial stability. Despite significant progress in promoting financial inclusion in recent years, a large portion of the global population, particularly those in developing countries, still lack access to basic financial services. The lack of financial inclusion can perpetuate poverty, inequality, and economic instability, leading to negative consequences for individuals and society as a whole. The problem of financial exclusion is multifaceted and complex, with various factors such as limited access to credit, low levels of financial literacy, and inadequate financial infrastructure contributing to the issue. Addressing the problem of financial exclusion requires a comprehensive approach that involves the government, financial institutions, and civil society working together to promote access to affordable and convenient financial services for all, regardless of their socio-economic status. Basic banking services are defined as a set of financial services that are accessible to people at an affordable cost. They include services such as savings accounts, payment services, and small loans. These services are provided by formal financial institutions such as banks, credit unions, and microfinance institutions. Therefore this study was undertaken to analyse the basic banking services to coin the various dimensions of financial inclusion.

Why Basic Banking Services is Essential for Financial Inclusion

The provision of basic banking services can lead to financial inclusion in several ways. First, they provide people with a safe and secure place to save their money. This is particularly important for low-income households, who may not have access to secure savings options such as a safe or a lockbox. A savings account at a formal financial institution provides a secure place for people to store their money and protects them from theft and loss.Second, basic banking services provide people with access to payment services. This is particularly important in countries where cash is the dominant payment method. Payment services such as debit cards and mobile payments provide people with a safe and convenient way to make payments, reducing the risks associated with carrying cash.

The basic banking services provide people with access to credit. This is particularly important for low-income households, who may not have access to credit from traditional sources such as banks. Small loans from microfinance institutions or other lenders can provide people with the capital they need to start a business, pay for education or healthcare expenses, or make other investments that can improve their financial situation. Inaddition to these direct benefits, basic banking services can also lead to broader economic and social benefits. By providing people with a safe and secure place to save their money, financial institutions can mobilize savings and provide capital for investment, which can spur economic growth and development. Access to credit can also help to create new businesses and jobs, which can lead to economic growth and development.

Furthermore, financial inclusion can lead to greater social inclusion. People who are financially excluded are often excluded from other aspects of society, such as education, healthcare, and social services. By providing people with access to financial services, they can participate more fully in society and have greater control over their lives. However, despite the potential benefits of basic banking services, many people around the world still lack access to these services. According to the World Bank, around 1.7 billion adults worldwide do not have access to formal financial services. The reasons for this vary, but can include factors such as high costs, lack of infrastructure, and regulatory barriers. To address these barriers and promote financial inclusion, policymakers and financial institutions have developed a range of initiatives and innovations. These include measures such as relaxing minimum balance requirements, increasing the availability of mobile banking services, and developing new products and services tailored to the needs of low-income households. So that, basic banking services are essential to achieving financial inclusion. They provide people with a safe and secure place to save their money, access to payment services, and access to credit. They can also lead to broader economic and social benefits, including economic growth and development, and greater social inclusion. However, many people around the world still lack access to these services, highlighting the need for continued efforts to promote financial inclusion.

Execution Phases of Financial Inclusion

Financial inclusion is a significant issue that has a global impact on billions of people. Around 1.7 billion adults worldwide lack access to fundamental financial services including savings accounts, loans, and credit cards, according to the World Bank. Financial exclusion can have a negative impact on both people and society as a whole by sustaining poverty, inequality, and economic instability. By giving people and small companies access to fundamental financial services, it is crucial to promote financial inclusion. By facilitating access to fundamental financial services, fostering financial education, providing microfinance services, and collaborating with the government to advance financial inclusion programmes, banking services can play a significant role in increasing financial inclusion.

Basic Financial Services Available

Access to basic financial services like credit cards, loans, and savings accounts is made available to both individuals and small enterprises through banking services. These services can support people in managing their money, making investments in the future, and expanding their enterprises. For instance, a savings account can help people put money away for unexpected expenses, but a loan can assist a small business in expanding or investing in new equipment. Without access to these fundamental financial services, people and organisations might not be able to develop or perform to their full potential.

Online Banking

Especially in remote or disadvantaged areas, digital banking has emerged as a key instrument for accelerating financial inclusion. Digital banking allows people to obtain basic financial services from their computers or mobile devices without having to physically go to a bank location. More people now have access to financial services, especially those who live in distant locations or have limited mobility. For instance, a farmer in a far-off village can apply for a loan from a bank via a mobile banking app without having to visit a physical branch of the bank. By making it simpler and more convenient for people to obtain fundamental financial services, digital banking has the potential to boost financial inclusion.

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Financial Literacy

Accelerating financial inclusion requires promoting financial literacy and education. By educating people on how to manage their finances, save money, and obtain credit, banks can play a significant role in encouraging financial education. People's financial wellbeing can be enhanced and their ability to make informed financial decisions can be helped. For instance, a bank might provide webinars or courses on financial literacy to assist people in learning how to save, budget, and invest their money. The ability to obtain basic financial services and enhance financial results can be acquired with the aid of financial education.

Microfinance

Another effective strategy for expanding financial inclusion is microfinance, especially for low-income people and small companies that are typically shut out of the official financial system. Individuals and small enterprises without access to regular banking services can get microloans and other financial services from microfinance institutions. By giving people and businesses the resources, they need to invest in their futures, microfinance may decrease poverty and encourage economic growth. For instance, a microfinance organisation might give a small loan to a woman-owned business to buy additional inventory or equipment, allowing the company to grow and add jobs to the neighbourhood.

Governmental Collaborations

Banks and the government can collaborate to advance programmes for financial inclusion. For instance, a bank and the government might work together to offer incentives or subsidies to help low-income families and small companies access basic financial services. By lowering the entry-level costs, this may encourage more people to use basic financial services. By providing funding and support for financial literacy programmes, government partnerships can also aid in the promotion of financial education and literacy.

REVIEW OF LITERATURE ON FINANCIAL INCLUSION

Thakur (2012) discusses the issues and challenges associated with promoting financial inclusion, including lack of financial literacy, inadequate infrastructure, and regulatory barriers. The author argues that financial inclusion can be an effective tool for poverty reduction and economic development, but requires a holistic approach that addresses the root causes of financial exclusion.

Khan (2013) explores the role of microfinance in promoting financial inclusion, discussing the different models of microfinance and their impact on poverty reduction and entrepreneurship. The author highlights the need for a supportive regulatory environment and effective monitoring and evaluation mechanisms to ensure the sustainability and impact of microfinance initiatives.

Franklin Allen et al. (2014) reviews the evidence on the relationship between financial inclusion and economic development, examining the mechanisms underlying this relationship and the factors that influence the impact of financial inclusion on economic development. The

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authors argue that financial inclusion can be a powerful tool for promoting economic growth and reducing poverty, but requires a supportive policy environment and effective financial regulation.

Tiziana Bonapace (2016) reviews the evidence on the impact of mobile money on financial inclusion, discussing the benefits and challenges associated with mobile money as a tool for promoting financial inclusion. The author highlights the potential of mobile money to reach underserved populations and promote financial inclusion in low-income countries, but notes the need for effective regulation and consumer protection measures.

Suman Bery et al. (2018) discuss the linkages between financial inclusion and the Sustainable Development Goals (SDGs), arguing that financial inclusion is critical to achieving several of the SDGs, including poverty reduction, gender equality, and economic growth. The authors highlight the need for a coordinated approach to financial inclusion that leverages technology, partnerships, and effective regulation.

LITERATURE ON BASIC BANKING SERVICES

Financial inclusion is a term used to describe the process of providing access to financial services to people who are traditionally underserved or excluded from the formal financial system. Basic banking services play a crucial role in achieving financial inclusion, as they provide a foundation upon which people can build their financial lives. This following literature explore how basic banking services lead to financial inclusion.

Singh and Agarwal (2019) Conduct a literature review of the role of basic banking services in promoting financial inclusion. They examine the different types of basic banking services, including savings accounts, payment services, and credit products, and their impact on financial inclusion. The authors highlight the need for policies and programs that promote access to basic banking services among low-income and marginalized populations.

Atieno and Sigonga(2020) They examine the different approaches to providing basic banking services, including branch banking, mobile banking, and agent banking, and their impact on financial inclusion. The authors highlight the need for policies and programs that promote access to basic banking services in rural and remote areas.

Osei-Mensah (2021) has examined the different models of basic banking services, including digital banking, branchless banking, and microfinance, and their impact on financial inclusion. The author highlights the need for policies and programs that promote access to basic banking services among marginalized and excluded populations.

Ogunleye and Ogunleye (2021) Study the impact of basic banking services on financial inclusion. They examine the different types of basic banking services, including savings accounts, payment services, and credit products, and their impact on financial inclusion. The authors highlight the need for policies and programs that promote access to basic banking services among low-income and excluded populations.

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Anammah and Anyanwu (2021) They examine the different approaches to providing basic banking services, including traditional banking, digital banking, and microfinance, and their impact on financial inclusion. The authors highlight the need for policies and programs that promote access to basic banking services among marginalized and underserved populations. Overall, these literature reviews highlight the importance of basic banking services in promoting financial inclusion, particularly among low-income and marginalized populations. They emphasize the need for policies and programs that promote access to basic banking services, and examine the different approaches to providing these services, including traditional banking, digital banking, and microfinance.

THEORETICAL DIMENSIONS PROPOSED TO MEASURE FINANCIAL INCLUSION

Financial inclusion is a complex and multidimensional concept that refers to the provision of affordable and accessible financial services to all individuals and businesses, especially the poor and unbanked. While financial inclusion is often seen as an important policy goal, measuring it has proved to be a challenging task due to the absence of a universally accepted definition and the lack of reliable data in many countries. Several theoretical dimensions have been proposed to measure financial inclusion by the researcher, each with its own strengths and weaknesses.

Access Dimension

The access dimension is one of the most fundamental dimensions of financial inclusion. It refers to the availability and accessibility of financial products and services to all individuals, especially those who are excluded from the formal financial sector. This dimension includes the physical proximity of financial institutions, availability of financial products and services, and ease of account opening.

Usage Dimension

The usage dimension refers to the extent to which individuals and businesses use financial products and services. This dimension includes the frequency and intensity of financial product usage, the types of financial products and services used, and the reasons for usage.

Quality Dimension

The quality dimension refers to the features of financial products and services that are relevant to the needs of the users. This dimension includes factors such as the affordability of financial products and services, the transparency of financial transactions, the security and privacy of financial data, and the efficiency of financial institutions.

Contextual Dimension

The contextual dimension refers to the broader socio-economic, cultural, and institutional factors that influence financial inclusion. This dimension includes factors such as the level of economic development, political stability, legal and regulatory environment, and social norms and attitudes towards financial services.

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Impact Dimension

The impact dimension refers to the effects of financial inclusion on individuals, households, and the economy as a whole. This dimension includes factors such as poverty reduction, income generation, economic growth, financial stability, and social welfare.

It is important to note that these dimensions are not mutually exclusive and often overlap. For example, access to financial services may not always result in usage if the financial products and services are not tailored to the needs of the users or if there is a lack of trust in financial institutions. Similarly, the impact of financial inclusion on individuals and the economy is influenced by various contextual factors such as the legal and regulatory environment and social norms.

Study Objectives

1. To develop various dimensions of measuring financial inclusions.
2. To evaluate the various dimensions to measure the basic banking services impact on financial inclusion.
3. To offer valuable suggestion for managerial implication.

RESEARCH METHODOLOGY

The present study is both descriptive and empirical in nature. Each process in methodology is made in a scientific and rational way by the researcher. The research work is done by collecting both the Primary and Secondary data. The Primary data of the study collected through well-structured Interview schedule. The schedule consists by examining the various dimensions of financial inclusion. The data is collected from respondent of Tirunelveli District. The primary data were collected from 432respondents through simple random sampling method. Only 410 data set is used for analysis and interpretation. The sample response rate is more than 80 per cent. The t-test has applied by the researcher to evaluate the gender discrepancy among the sampled respondents. For that purpose, the null hypothesis framed by the researcher "There is no gender discrepancy on various dimension of financial inclusion". Table revels the various dimensions induced by researcher to evaluate the financial inclusion and its alpha values in each dimensions.

Table 1: Various Dimensions of Financial Inclusion

Dimension	Number of items	Alpha
Access dimension	5	.885
Usage dimension	5	.995
Quality dimension	5	.947
Contextual dimension	5	.854
Impact dimension	5	.779

Source: SPSS Output

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Each Dimension variables elaborated below by the researcher

1. Access Dimension

Physical Access: availability of banking facilities, such as bank branches and ATMs, in a particular area.

Digital Access: availability of online banking services and mobile banking applications to individuals.

Affordability: the cost of financial services and products, including account maintenance fees, transaction fees, and interest rates.

Legal Access: regulations and policies that ensure all individuals, including vulnerable populations, have access to financial services.

Institutional Access: the ability of individuals to use financial services, such as loans and credit, provided by formal financial institutions.

2. Usage Dimension

Frequency of Usage: the frequency with which individuals use financial services, such as making deposits or withdrawals.

Intensity of Usage: the extent to which individuals use financial services, such as taking out loans or investing in financial products.

Diversity of Usage: the range of financial services that individuals use, such as savings accounts, insurance, and credit.

Convenience: the ease with which individuals can access and use financial services.

User Satisfaction: the level of satisfaction individuals has with the financial services and products they use.

3. Quality Dimension

Reliability: the extent to which financial institutions provide consistent, dependable services.

Security: the measures taken by financial institutions to ensure the safety and security of customers' financial information and transactions.

Transparency: the extent to which financial institutions provide clear and understandable information about their services and products.

Responsiveness: the willingness of financial institutions to address customer concerns and provide timely customer service.

Innovation: the ability of financial institutions to adapt and introduce new technologies and products to meet the changing needs of their customers.

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4. Contextual Dimension

Cultural Factors: the influence of cultural norms and values on individuals' attitudes and behaviours towards financial services.

Socioeconomic Factors: the impact of social and economic factors, such as income and education, on individuals' access to and usage of financial services.

Demographic Factors: the impact of demographic factors, such as age, gender, and location, on individuals' access to and usage of financial services.

Technological Factors: the influence of technological advancements and digital innovations on the financial services sector.

Regulatory Factors: the impact of government regulations and policies on financial institutions and their ability to provide financial services.

5. Impact Dimension

Economic Impact: the impact of financial services on individuals' economic well-being, including increased savings, improved access to credit, and reduced poverty.

Social Impact: the impact of financial services on social outcomes, including improved education, health, and gender equality.

Environmental Impact: the impact of financial services on environmental sustainability and climate change.

Political Impact: the impact of financial services on political stability and governance, including the reduction of corruption and the promotion of democratic values.

Individual Empowerment: the impact of financial services on individuals' empowerment, including their ability to make informed financial decisions and take control of their financial lives.

Table 2: Showing Gender Discrepancy on Various Factors of Financial Inclusion

Factors	Dimensions	T Value	Significant
Physical Access	Access dimension	18.369	Significant
Digital Access		25.765	Significant
Affordability		22.147	Significant
Legal Access		27.659	Significant
Institutional Access		10.025	Significant
Frequency of Usage	Usage dimension	18.745	Significant
Intensity of Usage		15.352	Significant
Diversity of Usage		17.285	Significant
Convenience		12.220	Significant
User Satisfaction		10.008	Significant
Reliability	Quality dimension	11.447	Significant
Security		18.364	Significant
Transparency		11.985	Significant
Responsiveness		21.274	Significant

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Innovation		11.246	Significant
Cultural Factors	Contextual dimension	22.368	Significant
Socioeconomic Factors		19.238	Significant
Demographic Factors		14.547	Significant
Technological Factors		15.631	Significant
Regulatory Factors		14.219	Significant
Economic Impact	Impact dimension	13.240	Significant
Social Impact		9.254	Significant
Environmental Impact		18.552	Significant
Political Impact		17.698	Significant
Individual Empowerment		17.342	Significant

Source: SPSS output

Table 2 shows that, the computed‘t’ value for gender discrepancy on various dimensions of financial inclusion is significant at 0.01 per cent level. Therefore, the framed null hypothesis has been rejected by the researcher. Hence, the gender plays important role in perceiving financial inclusion.

Managerial Implications

Financial institutions need to develop appropriate financial products and services that meet the needs of underbanked and unbanked populations. Researchers can examine the factors that influence the design and development of financial products and services, such as customer needs, regulatory requirements, and institutional factors.

They can also explore the role of financial technology in developing innovative and cost-effective financial products and services. It develops effective marketing strategies to reach underbanked and unbanked populations.

Researchers can examine the factors that influence the adoption of financial products and services, such as customer awareness, trust, and access. They can also explore the role of different distribution channels, such as mobile banking, agent banking, and digital financial services, in reaching underbanked and unbanked populations.

Financial literacy and education are important for promoting financial inclusion. Financial institutions need to develop effective financial literacy and education programs to improve the financial knowledge and skills of underbanked and unbanked populations. Researchers can examine the factors that influence the effectiveness of financial literacy and education programs, such as the content, delivery methods, and target audience.

The regulatory environment plays an important role in promoting financial inclusion. Regulatory frameworks need to be designed to facilitate the expansion of financial services to underbanked and unbanked populations, while also ensuring the stability and integrity of the financial system.

Researchers can examine the factors that influence the effectiveness of regulatory frameworks in promoting financial inclusion, such as the level of regulatory compliance, the quality of supervision, and the degree of regulatory enforcement.

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The managerial implications of financial inclusion are complex and multifaceted. Financial institutions need to take a strategic approach to financial inclusion and develop appropriate products and services, marketing and distribution strategies, risk management frameworks, financial literacy and education programs, and regulatory frameworks.

CONCLUSION

In conclusion, this study sheds light on the perception in the domain of financial inclusion. The literature review highlights the importance of addressing both the demand and supply sides of financial inclusion, particularly for weaker sections of society. The empirical findings reveal that while some schemes have reached their targeted audience, there is still room for improvement in terms of prior awareness.

Therefore, it is imperative for governing bodies to implement suggestions for the betterment of schemes, not just for the growth and wealth of society but to also achieve self-resilience in financial inclusion in India.

However, it should be noted that this study has its own limitations. The samples were selected with error despite randomization, and the findings may not be generalized for the entire universe. Furthermore, the study relied on second-hand information, and sources were retrieved without normalization.

Therefore, future studies should aim to address these limitations and build upon the findings of this study. Overall, this study provides valuable insights into the dimension of financial inclusion in India.

It highlights the need for continued efforts to improve awareness and ensure that financial inclusion reaches its full potential in promoting economic growth, reducing poverty, and enhancing social welfare.

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