

Impact of Banking Services on Social Enhancement of Rural People in Kanniyakumari District

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Abstract

Banks are the most crucial part of the financial system of a country. Banking in India plays a vital role because a vast majority of the population resides in villages, and banks are one of the primary sources of meeting their financial needs. Since villages are considered the backbone of the nation, the improved socio-economic status of the rural population is vital to the development of the country. Through various efforts that the government and other policy makers had taken, some people remained outside the purview of the formal banking system. However, the financial inclusion program has brought a tremendous change in this situation. Today, most people are making use of the various banking facilities available. In that context, the researcher tries to throw some light up on the impact of banking services on rural people in the study area through this study. The researcher here aims at analyzing if the utilization of banking services has enhanced the lives of rural people in society. The study concludes with the finding that banking services impact rural lives; however, the impact is minimal and needs more focus to bring a considerable positive change in the lives of rural populations.

Key Words: Enhancement, Impact, Lifestyle, Empowerment, Social.

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1. Introduction

A bank is a financial institution licensed to receive deposits and make loans. The banking sector in India is flourishing with a large and broad account holder base. Back in the late 20th century, banking was not equally distributed. It was more accessible to the urban population. However, today the banking industries are concentrating more on rural areas to bridge the gap between urban and rural economic development. Thus, financial inclusion programs were launched over different years, and the vast majority of the rural population has started enjoying the benefits of banking services. The impact of utilization of these banking services on the rural population is being studied in this research.

2. Review of Literature

Burgess (2005) investigated the impact of rural banks on rural people's social upliftment in India. The study used a panel data-set for the sixteen central Indian states over the period 1961-2000. The findings revealed that the expansion of the rural banks in unbanked areas in India has a significant impact on lowering poverty in those rural areas and directly influences the social enhancement of the rural population in India.

Amrit Patel (2007) analyzed the impact of the Kisan Credit Card Scheme on the socio-economic empowerment of the rural population. The study found that the Kisan Credit Card Scheme imparted a noticeable effect on their life by providing shielding security to the farmers from informal sources and debt. Furthermore, the scheme also offers long-term and consumer credit. The study concluded by stating that the system worked as an essential tool that raised the social and economic status of the farmers.

Sharma (2011) explored the role of banking in the socio-economical upliftment of rural people in India. The study used secondary data gathered from the report published by RBI, NABARD, Central Statistical Organization, and Economic Survey of India. The findings revealed that the banks contributed to the empowerment of rural people through their various schemes and loans, which themselves help the rural population create employment opportunities, capital formation, poverty alleviation, etc. That will eventually lead to overall social upliftment.

Nipatalappalli (2013) analyzed the satisfaction level of customers of SBI. The study collected data from 120 customers through a questionnaire by using a random sampling technique. The study adopted exploratory research to explain customer behavior. The findings revealed overwhelming satisfaction shown by respondents regarding bank services, such as loans, security, core banking, and total service quality.

Rajnikanth and Shahulhameed (2014) studied customers' satisfaction with an Indian bank in Mayiladuthurai, Tamil Nadu. The research was conducted among a targeted population of 100 respondents selected by using random sampling. As per the findings, most respondents replied that they were satisfied with the bank services, specifically concerning loans.

Maheswary (2015) investigated customers' perception of banking habits in rural areas. The study collected data of bank customers in Coimbatore. An interview targeted to understand the banking habits, perception level, and satisfaction level of customers towards service quality provided by the banks was conducted. The findings indicated that 54.4% of the respondents had accounts with nationalized banks, 22.4 percent of the respondents held accounts in SBI and associate banks, 16 percent of the respondents had reported in old private sector banks, and 6.4 % of the respondents

were account holders of new private sector banks. It was observed that around 98% of the respondents used savings bank accounts and just 2 percent of them used current accounts. The results show a positive attitude and trustworthiness, as most of the respondents were bank customers for more than two years. The transaction rate of customers indicated that around 76% transacted at least once a month, signifying a positive signal about their attitude. In addition, the study also observed that 79.2% of the respondents used ATMs for cash transactions.

3. Objectives of the Study

This research aims at analyzing the impact of banking services, with particular reference to savings and loans, on the social enhancement of the rural population in the Kanniyakumari district. The study also aims at studying if any lifestyle improvements had occurred in the lives of the rural population as a result of utilizing the banking services.

4. Research Methodology

The study was conducted in the Kanniyakumari district of Tamilnadu. The primary data was collected from 600 bank customers of rural areas of Kanniyakumari district, who had availed loan at least once, either in the present or in the past, using a structured interview schedule with Likert scale, close-ended questions. The researcher has adopted the Multistage Random sampling method in this study. Out of the nine blocks in the district, six blocks were selected, and from six blocks, five villages were selected, and finally, from each town, twenty respondents were selected. Percentage and linear regression methods were used for the analysis.

5. Results and Discussions

I. Lifestyle Improvements and Economic Empowerment

Lifestyle improvements and economic empowerment in the lives of rural people as a result of using various banking services is studied using interview schedule, and its descriptive statistics are presented in table 1.

Table 1: Descriptive Statistics for Lifestyle Improvements and Economic Empowerment

Lifestyle Improvements and Economic Empowerment	Mean	Std. Deviation
Reduction of debts	2.85	1.219
Increased spending on education/training	3.81	1.316
Improved repayment of loans	2.74	1.327
Increased spending on health-related activities	3.70	1.369
Increased spending on agriculture/irrigation/livestock	2.61	1.500
Increased spending on retirement plans	2.17	1.250
Increased savings	2.42	1.286
Benefits of central govt. schemes received through banks (PM-Kisan Samman Nidhi, KCC scheme)	3.01	1.338
Improved stability of jobs	3.43	1.282
Increased opportunity to participate in leisure activities	3.44	1.377
Purchased gold/jewelry	3.22	1.287

Purchased land	3.37	1.193
Purchased house	3.37	1.160
Purchased vehicle	3.29	1.133
Started new business	3.55	1.091

Source: Primary data

In the present study, it was able to know that majority of the respondents expressed a neutral response towards the questions like reduction of debts, improved payment of the loan, increased spending on agriculture/livestock/irrigation, received benefits from central government schemes through banks, enhanced stability of jobs and received the opportunity to make various purchases. The non-denial of these statements shows that the respondents do not disagree with these statements. At one or the other point of time, they have benefitted by using various banking facilities. Also, the respondents have agreed that their spending on education has increased and agreed that banking services (loans) have helped start a business. During the data collection, it was clear that the respondents were least aware of most of the banking services. The study thus shows that if the awareness level of the respondents regarding banking services is increased, the respondents can experience a better lifestyle and economic empowerment.

II. Social Impact of Banks

The researcher included some questions to capture the respondents' answers regarding the changes brought out by various banking services in their quality of life. Table 2 provides the results of the descriptive statistics concerning the social impact of banks.

Table 2: Descriptive Statistics for Social Impact of Banks

Social Impact of Banks	Mean	Std. Deviation
Banks help in the education	3.73	0.311
Banks assist in training programs or seminars, like those about improved agricultural practices	1.93	0.297
The banking provides better mobility options for higher education	3.63	1.038
Banks assist in technical skill development, such as carpentry, weaving, etc.	2.00	0.961
Banks assist in the improvement of literacy rates.	2.88	1.164
Banks help students by reducing interest on educational loans.	2.28	1.101
Better education and employment prospects allow for an increased variety of jobs.	3.92	1.206
Better education and financial schemes allow for improved employment prospects for women.	3.77	1.380
Better education and financial conditions lead to increased self-confidence.	3.53	1.456
There is an improved sense of respect and acceptance from the family and the community	3.67	1.268

It improved marital prospects for family members owing to better education and jobs.	3.54	1.236
Reduced friction over financial issues with family	2.15	1.231
Banks have contributed to the development of the region	2.31	1.279
Increasing development in the region has improved access to hospitals and overall quality of life.	2.96	1.290
Increasing development in the region has increased access to good quality and consistent food.	2.97	1.266
Improved savings and better financial options have allowed me to assist elderly family members.	4.24	1.117

Source: Primary data

Table 2 shows that the respondents believe that banks help in education and provide better mobility options for higher education, thereby increasing the variety of jobs. Better education and financial schemes are allowing improved employment prospects for women and lead to increased self-confidence. Also, they admit that there is an enhanced sense of respect and acceptance from the family and the community. They are experiencing enhanced marital prospects for family members owing to better education and jobs. In addition, the respondents are highly satisfied that they can assist elderly family members because of improved savings and better financial options. Thus, table 2 depicts that the respondents have experienced at least some kind of benefits through the utilization of banking services.

III. Impact of Savings on Lifestyle Improvements and Economic Empowerment

Savings is one of the primary services of banking institutions, and its impact on the lifestyles and economic level of the respondents is studied and presented in table 3 and table 4. Linear regression analysis is used for the examination. Lifestyle improvement and economic empowerment were considered dependent variables, and savings were deemed to be independent variables.

Table 3: Descriptive Statistics for Impact of Savings on Lifestyle Improvement and Economic Empowerment

	Mean	Std. Deviation
Impact on Lifestyle Improvement	3.84	0.656
Impact on Economic Empowerment	3.64	0.894
Savings	3.04	0.108

Table 4: Model Summary for Impact of Savings on Lifestyle Improvement

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.569a	0.672	0.667	0.63423	0.072	65.449	3	596	0.000

Predictors: (Constant), savings

According to the results, the determining factor R^2 (R Square) was found to be 0.672, and the F change value was 65.449 (df1, df2 : 3, 596). The determining value revealed a significant positive relationship between the dependent variable (lifestyle enhancement) and the independent variable (savings). The determining factor revealed that 67.2 percent ($p < 0.01$) of the respondents' lifestyle improvement was influenced by savings.

Table 5: Regression Analysis for Impact of Savings on Lifestyle Improvement

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	7.651	1.007		7.601	0.000
	Saving	0.615	0.305	0.101	2.017	0.044

Dependent Variable: Impact on Lifestyle Improvement

Table 5 depicts that the constant regression value is 7.651, and the B value of savings is 0.615. The table shows that savings significantly and negatively influence the lifestyle improvement of the respondents, and therefore, savings is considered a significant predictor of lifestyle improvement.

Table 6 unveils the model summary results for the impact of savings on economic empowerment. Savings was considered as a predictor variable for economic empowerment in linear regression analysis.

Table 6: Model Summary for Impact of Savings on Economic Empowerment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.436 ^a	0.556	0.551	0.87072	0.056	51.756	3	596	0.000

a. Predictors: (Constant), savings

According to the results, the determining factor R^2 (R Square) was found to be 0.556, and the F change value was found to be 51.756 (df1, df2: 3, 596). The determining value revealed a significant positive relationship between the dependent variable (economic empowerment) and the independent variable (savings). The determining factor revealed that 55.1 percent ($p < 0.01$) of the respondents' economic empowerment was influenced by their savings.

Table 7: Regression Analysis for Impact of Savings on Economic Empowerment

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	9.193	1.382		6.652	0.000
	Savings	0.880	0.419	0.106	2.101	0.036

Dependent Variable: Impact on Economic Empowerment

According to the results of regression analysis, the constant value was found to be 9.193. The B value of saving is 0.880. The independent variable savings displayed a significant positive impact on economic empowerment ($p < 0.05$). Therefore, savings is considered a significant predictor of economic empowerment.

IV. Impact of Savings on Social Enhancement

Savings is an important quality required in one's life to keep the future secured. Table 8 discloses the model summary results for the impact of savings on social enhancement. Savings is considered as a predictor variable for social enhancement in linear regression analysis.

Table 8: Model Summary for Impact of Savings on Social Enhancement

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.222 ^a	0.549	0.044	0.41995	0.049	60.261	3	594	0.000

a. Predictors: (Constant), saving.

According to the results, the determining factor R^2 (R Square) is 0.549, and the F change value is 60.261 (df1, df2: 3, 594). The determining value disclosed a significant positive relationship between the dependent variable (social enhancement) and the independent variable (savings). The determining factor revealed that 54.9 percent ($p < 0.01$) of the respondents' social enhancement was influenced by their savings.

Table 9: Regression Analysis for Impact of Savings on Social Enhancement

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.782	0.667		8.674	0.000
	Savings	0.498	0.202	0.125	-2.465	0.014

Dependent Variable: Social impact of banks (social enhancement)

Table 9 shows that the constant value is 5.782, and the B value of savings is 0.498. The independent variable savings displayed a significant positive impact on social enhancement ($p < 0.05$). Therefore, savings is considered a significant predictor of social enhancement.

V. Changes in Economic Status after Availing banking facilities

In an attempt to study the economic status of the respondents after availing of banking services to know if the loans, savings, and similar other services are effective in fulfilling their purpose of upliftment of the society, table 10 is represented.



Table 10: Change in Economic Status after Availing Banking Services

Economic Status	Frequency	Percent
Lower	20	3.3
About the same	268	44.7
Higher	312	52.0
Total	600	100.0

Source: Primary data

The majority of the respondents agreed that their economic status is higher after using banking services proving that banking services have a positive impact on them. Also, 44.5 percent of respondents' financial status remains the same, thereby indicating the need for banks' increased focus on the customers' economic enhancement by offering better services.

6. Conclusion

Rural empowerment is a significant objective of the government of India, and it is working well on it. Amidst various dimensional plans of the government for the same, banks are also doing their part in accomplishing rural empowerment. The extent of the impact of banking services on the rural population in the study area is analyzed here. It is found that there is a positive impact on the lives of rural people through the usage of various banking services. But, it is also found that the effect is minimal. The primary reason being the unawareness of the rural population regarding various banking services available and their advantages. Therefore, it is essential to educate the rural people regarding banking services so that the possibility for tremendous change in the social enhancement of the rural people will be unveiled undoubtedly.

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