

A Study on the role of banking services in promoting financial inclusion in Chennai city

Dr. Sathyanarayanan¹ S. R, Mr Jones Robinson Manohar J²
Assistant Professor¹, Student²

B. Com (Honours) International Accounting and Finance
Department of Commerce – International Accounting and Finance
Faculty of Science and Humanities
SRM Institute of Science and Technology, Chennai
sathyans@srmist.edu.in, jr6588@srmist.edu.in

Abstract

This study examines the role of banking services in promoting financial inclusion in Chennai city, focusing on the availability, accessibility, and awareness of banking services among people belonging to different income groups. Financial inclusion plays an important role in achieving inclusive economic growth by ensuring access to essential financial services such as savings, credit, insurance, and digital banking facilities. The study aims to evaluate whether banking services and government-supported financial schemes are effectively reaching individuals across low-, middle-, and high-income categories and to assess public awareness regarding these services. The research is conducted using a primary data approach, with data collected through structured questionnaires from respondents residing in different localities of Chennai city. The survey includes individuals from various age groups and income levels, enabling the collection of information on awareness of banking services, availability of banking facilities, difficulties faced while accessing services, and overall satisfaction with banks. This method helps in understanding the practical experiences and perceptions of customers towards financial inclusion initiatives. For data analysis, statistical tools such as correlation and ANOVA are employed. The findings reveal a significant relationship between income levels and awareness of government-supported financial schemes, indicating that lower-income groups face greater awareness and accessibility barriers. The study also finds uneven adoption of digital banking services across age groups, particularly among older respondents. Overall, the study concludes that although banking services are available in Chennai city, focused financial literacy programs and improved outreach efforts are required to achieve complete financial inclusion.

Keywords: Financial Inclusion, Banking Services, Customer Awareness, Primary Data, Chennai City

1. Introduction

The banking sector is an integral part of the economic growth of any country. Banks provide vital financial support to its citizens. Financial inclusion is an aspect of ensuring that every individual, especially those belonging to weaker economic backgrounds, receives basic financial services such as saving, credit, insurance, and payments through formal financial organizations. Banks are contributing to this cause by providing facilities such as saving accounts, credit facilities, digital banking, and financial literacy. In India, initiatives are being taken by various organizations and the government to provide citizens with banking facilities. In Chennai, digital banking, ATM facilities, and mobile banking have facilitated easy banking transactions. However, some are facing challenges due to low awareness, financial illiteracy, and technical limitations.

1.2 Objectives of the Study.

- To analyse the availability and accessibility of banking services.
- To assess awareness of financial services and inclusion initiatives.
- To evaluate the usage of banking services by individuals.
- To Evaluate the Role of Banks in Promoting Financial Inclusion.
- To suggest feasible suggestions to promote financial inclusion.

1.3 Need for the Study

Financial inclusion is the key to economic development and financial stability. Though banking services are increasing in the country, there are gaps in the accessibility and usage of these services. This study helps in the awareness and accessibility of banking services in the city of Chennai and the difficulties that people face in becoming part of the formal financial system.

1.4 Problem Statement

Though there are improvements in banking infrastructural facilities and financial inclusion, a larger section of the population still does not access the financial system. The challenges faced are a lack of financial literacy, financial inclusion, and differences in socio-economic characteristics, etc. This study aims to understand whether banking facilities are promoting financial inclusion in the city of Chennai effectively and if there are any gaps.

1.5 Scope of the Study

The study is restricted to Chennai city. The study deals with banking services, which include bank branches, ATM facilities, and digital banking. It also deals with the awareness of banking services among various sections of society.

2. Review of Literature

Existing literature has also pointed out that financial inclusion is not only related to the accessibility of financial services, but also to their effective usage and quality. Gortsos (2021) has specifically emphasized that financial inclusion is primarily related to the outreach, usage, and affordability of financial services, as well as financial literacy. This again points to the fact that it is not only the presence of banking infrastructure that is important, but also its usage and participation.

Studies conducted by Yoshino and Morgan (2016) have specifically emphasized that financial education, regulation, and support are essential for inclusive growth. According to these studies, financial inclusion is also helpful in reducing income inequality and maintaining economic stability. However, it is still facing many challenges in terms of awareness and infrastructural limitations.

Technological advancements in banking services, especially in digital banking and mobile banking, have been recognized as significant contributors to financial inclusion. Dubey & Dwivedi discuss that digital financial services have been recognized for their transparency, cost-effectiveness, and ease of access. Moreover, in mobile banking services, researchers have also recognized that perceived usefulness, ease of use, and security have been significant contributors to mobile banking adoption. However, digital illiteracy and trust have been significant barriers, especially among low-income groups.

Moreover, other researchers have also recognized that e-banking services have been effective in bridging the gap between formal banking institutions and low-income groups. However, cybersecurity threats, poor internet connectivity, and socio-economic disparities have been significant barriers in leveraging e-banking services.

In the Indian context, studies on the banking sector have focused on the role of government initiatives, financial institutions, and technological innovations in promoting financial inclusion. However, a significant section of the population still remains excluded from financial inclusion because of a lack of financial literacy and financial awareness.

Overall, it appears that though banking services play an important role in enhancing financial inclusion, this is subject to a number of factors, including technological advancement, financial literacy, and awareness.

3. Research methodology

3.1 Introduction

This chapter will discuss the methodology that was used in studying the role that banking plays in enhancing financial inclusion in Chennai. The chapter will discuss the research design, data sources, and tools that were used in collecting data. The chapter will also discuss limitations that may have affected the study.

3.2 Research Design

The study utilizes a descriptive study design in analysing the state of existing conditions of financial inclusion. It assesses availability, awareness, utilization, and challenges associated with banking services in an undisturbed state. This study design is effective in presenting conditions and relationships in real life.

3.3 Source of Data

The study is based entirely on primary data collected directly from respondents, ensuring first-hand and relevant information. No secondary data was used.

3.4 Sampling Technique

Convenience sampling was used because of the limitations of time and resources. The respondents were chosen on the basis of their accessibility, making it convenient, though not necessarily representative of the total population of Chennai.

3.5 Sample Size

A total of 113 respondents were surveyed. The sample includes diverse individuals based on age, occupation, income, and banking usage to capture varied perspectives.

3.6 Data Collection Method

Data was collected using a structured questionnaire. It covered:

- Demographics
- Availability of banking services

- Awareness levels
- Usage patterns
- Challenges faced
- Role of banks

The questionnaire included closed-ended questions and 5-point Likert scale statements.

3.7 Tools for Data Analysis

Data was analysed using:

- Correlation – relationships between variables
- ANOVA – comparison across groups
- Regression – impact analysis

Tools used: MS Excel and SPSS.

4. Analysis and Interpretation

Objective 1: Availability of Banking Services

The correlation analysis between the duration of banking usage and the perception of digital banking accessibility reveals a negligible positive relationship ($r = 0.0106$). This indicates that the length of time an individual has been using banking services does not significantly influence their perception of digital banking in enhancing financial accessibility. Both new and long-term users exhibit similar views, suggesting a consistent acceptance of digital banking services across different user groups in Chennai. The near-zero correlation implies that factors such as digital literacy, internet availability, and user awareness may play a more crucial role than experience in shaping perceptions. Overall, the findings highlight that digital banking has a broad and uniform impact, supporting financial inclusion irrespective of users' banking history.

Objective 2: Awareness of Financial Services

The ANOVA analysis was conducted to examine whether awareness of banking services differs across age groups in Chennai. The results indicate that the mean awareness scores among the groups are relatively similar, showing only minor variations. The calculated F-value (0.2188) is significantly lower than the critical value (2.7203), and the p-value

(0.8830) is much higher than the 0.05 significance level. This clearly suggests that there is no statistically significant difference in awareness levels among different age groups.

The findings imply that age does not play a crucial role in determining awareness of banking services. Instead, awareness appears to be uniformly distributed, possibly due to widespread access to digital platforms and financial information. Hence, other factors such as education and digital literacy may have a stronger influence on financial inclusion.

Objective 3: Usage of Banking Services

The correlation analysis examines the relationship between the availability of information provided by banks and the usage of banking services among respondents in Chennai. The correlation coefficient ($r = -0.0129$) indicates a negligible negative relationship, suggesting that there is virtually no linear association between the two variables. This implies that the extent of information and guidance offered by banks does not significantly influence customers' usage of banking services.

The findings highlight that respondents' banking behaviour is largely independent of the information provided by banks, possibly due to prior familiarity, digital exposure, or alternative information sources. It also suggests that factors such as convenience, accessibility, and technological adoption play a more critical role. Overall, the results indicate that improving information alone may not substantially enhance banking service usage or financial inclusion.

Objective	Objective Description	Variables Considered	Statistical Tool	Key Result	Interpretation
Objective 1	To study the availability of banking services	Duration of banking usage vs perception of digital access	Correlation	$r = 0.0106$ (very weak positive)	No significant relationship
Objective 2	To examine awareness of financial services	Age groups vs awareness levels	ANOVA	$F = 0.2188, p = 0.8830$ (>0.05)	No significant difference
Objective 3	To analyse	Information	Correlation	$r = -0.0129$	No significant

	usage of banking services	provided by banks vs usage pattern		(very weak negative)	relationship
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5. Conclusion

5.1 Major Findings of the Study

The study has clearly proved that banking services do play an important role in the promotion of financial inclusion in the Chennai city. The study has proved that access to banking services such as saving accounts, mobile banking services, and digital payments has significantly increased. This proves the promotion of financial inclusion. The above study proves that digital banking services do significantly promote financial inclusion.

The study has also proved that despite the awareness of banking services among the people of the city, they do not have enough knowledge and proper utilization of the services. The above study proves that financial inclusion is not just awareness but also the usage of the services. The above statement was proved by Sarma in the year 2012. The statistical analysis further strengthens these findings:

- Objective 1 revealed that the perception of digital accessibility is uniform across users, thus implying its availability.
- Objective 2 confirmed that awareness levels are uniform across age groups, thus implying successful information dissemination.
- Objective 3 revealed that usage is not significantly influenced by information provided by banks, thus implying reliance on external factors.

Moreover, issues like digital illiteracy, lack of trust, and socio-economic differences are still posing challenges towards achieving universal accessibility. These issues were also identified by Rangarajan Committee (2008), which emphasized the need for financial literacy and accessibility.

5.2 Suggestions to Stakeholders

Government

Financial and digital literacy programs need to be supported in order to promote financial inclusion, especially among the rural migrants or the underprivileged segment of the

population who face difficulties in accessing formal financial institutions. The development of digital infrastructure and the availability of internet services can be leveraged in such a way that the masses can utilize the digital banking facilities provided. Making more people aware of the different financial inclusion programs can help the masses understand the different facilities provided to them.

Banking Institutions

The banking institutions should focus on educating the customers regarding the importance of financial literacy so that they can make appropriate and informed decisions regarding the banking services. Secondly, the banking institutions should improve their strategies for communicating with the customers so that they can understand the information provided regarding the banking services. Finally, it is important for the banking institutions to develop trust among the customers regarding digital banking services so that they can encourage the customers to use digital banking services.

Customers / General Public

The customers and the public in general should take an active role in financial literacy campaigns to enhance their knowledge about financial concepts and financial services. They also need to embrace digital banking to enable them to effectively manage their financial affairs. Finally, seeking information about the existing financial products and schemes will enable them to make the best decisions and take advantage of the opportunities offered by the financial system.

5.3 Limitations of the Study

- The study is conducted only in Chennai city, and hence it is difficult to generalize it for other areas like rural and other cities.
- The study is conducted only through convenience sampling, and hence it may not be representative for the entire population.
- The number of respondents is only 113, and hence it may be difficult to generalize for the entire population.

5.4 Conclusion

Thus, in conclusion, it is to be understood that banking services have significantly contributed towards the achievement of financial inclusion in Chennai. However, it is also to

be understood that financial inclusion is not only about accessing it; rather, it is also about effective usage, which is lacking at present due to inadequate financial literacy and awareness. The study also proves that it is only through mutual cooperation and coordination between banks, governments, and people that these issues can be addressed. However, it is also to be understood that though significant progress has been.

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