



## International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 15 • Number 21 • 2017

### A Study on Issues Confronted by Bank Account Holders on Usage of Financial Products and Services in Vellore District, Tamil Nadu

M. Sriram<sup>1</sup>, N. Sundaram<sup>2</sup> and Desti Kannaiah<sup>3</sup>

<sup>1</sup>Research Associate, School of Social Sciences and Languages, VIT University, Vellore 632 014, Tamil Nadu, India. Email: [sriram89.m@gmail.com](mailto:sriram89.m@gmail.com)

<sup>2</sup>Professor and Head, Department of Commerce, School of Social Sciences and Languages, VIT University, Vellore 632 014, Tamil Nadu, India. Email: [nsundaram@vit.ac.in](mailto:nsundaram@vit.ac.in)

<sup>3</sup>Senior Lecturer, School of Business, James Cook University, 149 Sims Drive, Singapore 387380. Email: [kannaiah.desti@jcu.edu.au](mailto:kannaiah.desti@jcu.edu.au)

#### ABSTRACT

This paper discusses the issues confronted by bank account holders on the usage of financial products and services in Vellore district, Tamil Nadu. A total of 385 respondents were considered as the sample for this study using simple random sampling. Through survey method, a questionnaire was used to collect data. Variables such as high transaction charges, lack of help desk, transaction timeout, un-transparent transaction charges, security concern and complex procedures were used in this study. It was found that high transaction charges and lack of help desk were found as major problems to use financial services. It was suggested that technology could be modified according to vulnerable such as old age, women and illiterate so that entire population will able to use financial services.

**Keywords:** Financial Services; Usage; Issues; Bank Account Holders; Vellore District.

#### 1. INTRODUCTION AND STATEMENT OF PROBLEM

After enhancement of financial inclusion plan in the year 2014 by the Indian Prime Minister Mr. Narendra Modi (Pradeep, 2014) through Pradhan Mantri Jan Dhan Yojana Scheme and the criticism of 23<sup>rd</sup> RBI governor Dr. Raguram G. Rajan on the opening of duplicate bank accounts, the focus was turned from unbanked to the banked population. The threat that exists on banked population is that there is a chance of becoming under-banked in the future.

Before PMJDY, the government thought that people face financial transaction problem because they are unbanked but after the scheme was introduced and mass bank accounts were opened on a single day,

the contradiction has started by duplication of accounts. It leads to the un-identification of a number of bank account holders because most of the bank account holders have had two or more accounts after the scheme.

This study focuses on the issues confronted by bank account holders in the study area on usage of financial services. As the Indian government is focusing on unbanked population, it is mandate to conduct studies on banked population to detect their problems and find put solutions to such problems. The people who are struggling to financially transact in formal financial institutions like banks and post offices should be immediately focused else they will become financially excluded in future.

## **2. REVIEW OF LITERATURE AND RESEARCH GAP**

India falls under the income group of lower-middle level, where most of the people earnings suffice only to their daily basic spending. Though government focus on all income levels in India, there are income groups which needs additional focus (Shankar, 2013). People who struggles hardship in achieving financial inclusion will get deviated from the path of achievement and it will lead to fiancnial exclusion. If the status of exclusion shows consistency then it will lead to social exclusion where people will suffer to attain their basic needs.

People in India take risk to avail non-systematic source of income from non-regulatory lenders such as from neighbours, pawn brokers, and financial companies who are not registerd under regulatory body. People have many reasons to approach non-regulatory lenders such as lack of trust, constraints of liquidity and limited features (Cole et. al., 2013).

Countries like China has a limited internet banking transactions but the level of potential in those markets are very high, which is capable of affecting financial market to a greater extent through disruption. Asian countries face problem to access financial services because they lack creditworthiness and the banks also lack appropriate information and proof of the applicant or an existing customer. So it is very hard for banks to provide financial services to vulnerable (Kshetri, 2016).

After several attempts to combine population into financial stream, financial inclusion was found to be simple and effective. The role of financial inclusion has become one of the core policies for governments of different nations because it is capable to connect all the people into formal financial stream, which will reduce corruption and black money at once (Khuntia, 2014; Sachdeva and Gupta, 2014).

World bank reported that it is possible to achieve universal financial access in the year 2020 whereas 70 percent of the account opened were found to be inactive, which shows that people are facing problems to access. Due to complexity in process of financial services acquirement, people switch over from banks to informal money lenders (Nair and Tankha, 2015).

For financial development in the society, financial inclusion need a macroeconomic focus. A nation wide achievement only will lead people to global level of financial access, which will pave the way for universal access (Sahay et. al., 2015). It is very hard for policy makers to find the information on financial inclusion due to scarce evidence.

Access to financial products and services is not only a problem for developing and under developed nations, it is also a problem for developed nations especially for small firms in developed economies. In some countries, the financial access and usage has a wider gap among genders. From the above reviews, it

is found that banked people face problems to access financial products and services and usage of financial products and services. This research is found missing in the study area hence the researchers plan to carry out in the mentioned area.

### 3. OBJECTIVE OF THE STUDY

This study discusses the issues faced by bank account holders in usage of financial products and services in Vellore district of Tamil Nadu, India.

### 4. METHODOLOGY

This study consists of Vellore district as whole population out of which, bank account holders were taken as study population. Primary and secondary source were used to collect data for this study. Using simple random sampling, a sample of 385 was collected. The derivation of the sample was made from the formula written by Yamane (1967). Questionnaire was used to collect primary data through questionnaire as a tool. The variables used in this study are high transaction charges, lack of help desk, transaction timeout, un-transparent transaction charges, security concern and complex procedures. Demographic variables such as gender, age, educational qualification, income and area of residence were used in this study. To analyse the data, Pearson's correlation was used. The reliability of the data were tested using Cronbach Alpha and the result is illustrated in Table 1.

**Table 1**  
**Reliability Statistics**

<i>Cronbach's Alpha</i>	<i>N of Items</i>
0.940	12

*Source:* Primary Data Compilation

The alpha value derived in the study was 0.940, which shows a high internal consistency. It has total of 12 variables that includes demographic variables.

### 5. RESULTS AND DISCUSSION

This section consists of two parts (a) demographic variables and (b) issues confronted on usage of financial products and services. Table 2 describes demographic variables.

**Table 2**  
**Demographic Variables**

	<i>Demographic Variables</i>	<i>Frequency</i>	<i>Percent</i>
Gender	Male	217	56.4
	Female	168	43.6
Age	18 to 25	58	15.1
	26 to 35	41	10.6
	36 to 45	135	35.1
	46 to 55	72	18.7
	55 and above	79	20.5

	<i>Demographic Variables</i>	<i>Frequency</i>	<i>Percent</i>
Income	Less than ₹5,000	73	19.0
	₹5,001 to ₹15,000	143	37.1
	₹15,001 to ₹25,000	82	21.3
	₹25,001 to ₹35,000	68	17.7
	₹35,001 and Above	19	4.9
Educational Qualification	Schooling	61	15.8
	Diploma	96	24.9
	Under Graduation	92	23.9
	Post Graduation	60	15.6
	Professional Qualification	39	10.1
	Others	37	9.6
Occupation	Salaried	265	68.8
	Business Owner	33	8.6
	Self-Employed	41	10.6
	Professionals	28	7.3
	Others	18	4.7
Area of Residence	Urban	90	23.4
	Semi-Urban	102	26.5
	Rural	193	50.1
Total of Each Demographic Variable		385	100.0

Source: Primary Data

From Table 2, it is found that 56.4 percent are male respondents, 35.1 percent are between the age 36 and 45, 37.1 percent earns between ₹5,001 and ₹15,000, 24.9 percent are qualified upto diploma, 68.8 percent are salaried and 50.1 percent are resided in rural region. In educational qualification, the ‘others’ group consists of illiterates and dropouts, similarly, in occupation, others belongs to unemployed. Variables other than demographics are used as inferential statistics through Pearson’s correlation, the results are illustrated in Table 3.

**Table 3**  
**Correlations**

<i>Issues confronted to use financial products and services</i>		<i>High transaction charges</i>	<i>Lack of help desk</i>	<i>Transaction time out</i>	<i>Un-transparent transaction charges</i>	<i>Security concern</i>	<i>Complex procedures</i>
High transaction charges	r	1	.848	.760	.676	.950	.910
	Sig.		.000	.000	.000	.000	.000
Lack of help desk	r	.848	1	.853	.560	.856	.872
	Sig.	.000		.000	.000	.000	.000
Transaction time out	r	.760	.853	1	.731	.811	.835
	Sig.	.000	.000		.000	.000	.000
Un-transparent transaction charges	r	.676	.560	.731	1	.664	.632
	Sig.	.000	.000	.000		.000	.000

<i>Issues confronted to use financial products and services</i>		<i>High transaction charges</i>	<i>Lack of help desk</i>	<i>Transaction time out</i>	<i>Un-transparent transaction charges</i>	<i>Security concern</i>	<i>Complex procedures</i>
Security concern	r	.950	.856	.811	.664	1	.919
	Sig.	.000	.000	.000	.000		.000
Complex procedures	r	.910	.872	.835	.632	.919	1
	Sig.	.000	.000	.000	.000	.000	

Source: Primary Data Compilation

It was found from the correlation results in Table 3 that there is a very strong relationship between high transaction cost and security concern ( $r=0.950, p=0.000$ ). Similarly, there is a very strong relationship found between high transaction charges and complex procedures ( $r=0.910, p=0.000$ ). Correlation between lack of help desk and un-transparent transaction charges show a moderate relationship ( $r=0.560, p=0.000$ ).

## 6. CONCLUSION AND SCOPE FOR FURTHER RESEARCH

From the results, it is found that, due to high security, the transaction cost is also high. As the system of financial transactions are highly secured, a customer needs to pass on many gateways like one-time password and ATM pin, to ensure that the account is accessed by authorized user. In this study, more than 20 per cent of the respondents were above 50 years old, who are not able to transact properly even in an ATM. It is suggested that the current technology should be tailored as per the needs of vulnerable like old age people, women and illiterates, for instance, biometric ATM can be wide spread so that remembrance of password will not be required for old age and illiterates. This study can be further extended to other neighbouring districts and other states, to know the status of issues confronted by people on usage of financial products and services.

## References

- Shankar, S. (2013). Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers. *ACRN Journal of Entrepreneurship Perspectives*, 2(1), 60-74.
- Cole, S., Giné, X., Tobacman, J., Topalova, P., Townsend, R., & Vickery, J. (2013). Barriers to household risk management: Evidence from India. *American Economic Journal: Applied Economics*, 5(1), 104-135.
- Kshetri, N. (2016). Big data's role in expanding access to financial services in China. *International Journal of Information Management*, 36(3), 297-308.
- Khuntia, R. (2014). Pradhan Mantri Jan Dhan Yojana (PMJDY): A new drive towards financial inclusion in India. *Zenith International Journal of Business Economics & Management Research*, 4(11), 10-20.
- Nair, T. S., & Tankha, A. (2015). *Inclusive Finance India Report 2014*. New Delhi: Oxford University Press.
- Sahay, R., Cihak, M., N'Diaye, P., Barajas, A., Mitra, S., Kyobe, A., ... & Yousefi, S. R. (2015). Financial Inclusion: Can It Meet Multiple Macroeconomic Goals?. *IMF Staff Discussion Note, International Monetary Fund, Washington, DC*.
- Sachdeva, M. T., & Gupta, S. (2014). Financial Inclusion: Triggers and Barriers in Rural India. *International Journal of Multidisciplinary Approach & Studies*, 1(6), 1-7.
- Pradeep, S. M. (2014). Future of Jan Dhan Yojana, *Opinion, OP ED*, Deccan Chronicle.
- Yamane, Taro. (1967). *Statistics, An Introductory Analysis*, 2nd Ed., New York: Harper and Row, p. 886.

