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Empirically Testing Income-wise Perception of Different Beneficiaries Regarding Access to Financial Services through Cooperative Banks

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Abstract

The present study aims at empirically testing the perception of different respondents belonging to various income groups, regarding the access to financial services through cooperative banks. In order to fulfil the objectives of the study, both primary and secondary data are collected. The primary data are collected personally from beneficiaries of cooperative banks covered under financial inclusion drive of RBI operating in Jammu region and beneficiaries of cooperative banks operating in neighbouring tehsils of Himachal & Punjab. The responses are collected using a self-developed schedule sub-divided into socio-economic variables and specific information regarding access to financial services. The findings of the study, reveals that there exists significant difference between the perception of beneficiaries belonging to different income groups regarding the access to financial services through cooperative banks.

Keyword: Income, Data, Financial Services, Cooperative Banks, Access, Perception, Financial Inclusion, RBI

Introduction

Financial inclusion refers to providing every household with access to a suite of modern financial services, including savings, credit, insurance, and payments, as well as sufficient education and support to help customers make good decisions for themselves (Goland, Bays, & Chaia, 2010). Access to financial services through cooperative banks by the poor and vulnerable section of the society is an important strategic measure for poverty alleviation. It refers to the delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups (Thorat, 2006). The financial system in all over the world has grown rapidly in the last decade. In-spite of making significant improvements in all the areas, there are concerns that banks have failed to provide sufficient access to financial services to the bulk of the population even after introduction of inclusive banking initiatives through measures such as the cooperative movement, nationalisation of banks, creation of regional rural banks, etc (Chakrabarty, 2013; Beck, Cull, Fuchs, Getenga, Gatere, Randa, & Trandafir, 2010). Internationally, efforts are being made to study the causes of financial exclusion and designing strategies to ensure financial inclusion of the poor and disadvantaged. The present study is undertaken to test empirically the income-wise perception of different beneficiaries regarding access to financial services through cooperative banks. Most of the studies reviewed are conceptual in nature and few of them have been based on secondary information. No empirical study has been found on testing the income-wise perception of different beneficiaries regarding access to financial services through cooperative banks. Thus, the aforesaid gap in the existing literature necessitated the present work which can prove to be an asset to the policy makers, researchers and academicians both at the national and international level.

Literature Review

Access to banking services is important for achieving ample growth in the country. It is essential for bettering

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the living conditions of poor farmers, rural non-farm enterprises, and other susceptible sections of the society. In the present study, an attempt has been made to present the review of various studies carried on by scholars, researchers, and academicians in the field of financial inclusion through cooperatives.

Financial inclusion through cooperatives is an intervention strategy that aims at drawing the unbanked population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance (Chibba, 2009). Financial inclusion through cooperatives is a tool for empowering financial users (Cosgun & Bekirogolu, 2009; Jha, 2008; Barik, 2009). Financial inclusion increases the economic opportunities for the poor and low income people, which leads towards positive result in social progress, economic development, economic empowerment, and social/ political/ legal empowerment (Samikha, 2004; Ali & Hatta, 2012; Mishra, 2012; Voore & Taitt, 2010). Financial inclusion in cooperatives is the key to empowerment of poor, underprivileged, and low skilled rural households (Malimba, 2011). Access to financial services through cooperatives provides monetary fuel for economic development and is considered critical for achieving inclusive growth (Sharma, 2009). Macroeconomic evidence indicates that well-developed financial systems have a strong positive impact on economic development over long periods (Pashkova, 2009; Coon & Leistritz, 2012; Thorsten, 2007; Cull, Kunt, & Lyman, 2012). Financial inclusion through cooperatives is a key factor in shaping the growth process of the economy (Inan, 2008; Dilmen). It enables the downtrodden in the rural areas to become self-reliant and obtain financial independence and freedom so that they can play an active role in the process of development. Manju and Mohika (2014) emphasised that concentrated efforts has been made by the Government of India and the Reserve Bank of India to promote financial inclusion with the sole objective of reaching the large segments of the Indian population which up until now was financially excluded. They observed that presently India is one of the leading incubator of more than 6 lakh cooperative societies constituting of 250 members, covering more than 97% villages and 71% rural households and advancing agricultural credit amounting to over 70 thousand crore rupees and making up around 19% of the institutional agricultural credit in the country. They believe that cooperatives have an immense potential for poverty reduction, social integration and employment generation. They suggested that the government should provide an environment in which cooperative banks are free to pursue the innovations necessary to reach low income consumers and still make a profit.

As a result, these reviews provides an acquaintance about the financial aspects of cooperatives which would be of enormous help in measuring income-wise perception of beneficiaries regarding access to financial services through cooperative banks.

Hypothesis

The present study is based on the following hypothesis:

H_0: Income-wise beneficiaries do not differ in their perception about access to financial services through cooperative banks.

Objectives of the Study

The present study is based on the following objectives:

1. To measure the income-wise perception of different beneficiaries regarding access to financial services.
2. To identify the factors affecting access to financial services through cooperative banks.

Research Methods

The various aspects of research methods are discussed as under:

Instrument

In order to fulfil the objectives of the study, the primary data was collected through self-developed schedule after meticulous review of literature and detailed discussions with the subject experts. The technique of factor analysis has been used through SPSS (version 17.00) with Principal Component Analysis along with varimax rotation for summarisation of the total data into minimum factors (Field, 2003). The statements with factor loadings less than 0.5 and Eigen values less than 1 were ignored for the subsequent analysis (Malhotra, 2008). Regarding access to banking services, the suitability of raw data obtained from beneficiaries of financial inclusion through cooperatives is examined through KMO value, Bartlett test of sphercity and p-value=0.000, indicating sufficient common variance and correlation matrix (Field, 2000). The first round of data processing, showed a variance of 69.529 percent having 20 iterations resulting in to the deletion of seven items because of factor loading below 0.5. Thus, finally seven factors emerged. The process of principal component analysis (PCA) with Varimax rotation brought the construct to the level of 18 statements out of 36 statements originally kept in the domain of access with variance explained at 71.316 percent and KMO value above 0.7 and Bartlett value of 3603.117 (Table 1). The factor loadings range from 0.567 to 0.855 and the cumulative variance explained ranges from 12.700.

Physical accessibility, convenience, information accessibility, access to the poor, ease of access, approachability, and employee attitude are the various constructs of access to financial services through cooperative banks.

Table 1: Factor Analysis of Access to Financial Services

Rounds	Variance Explained	Items Emerged	No of Factors Extracted	Iterations	No of Items Deleted	KMO	Bartlett.
1	69.529	36	13	20	7	.712	7691.089
2	63.065	29	9	19	6	.718	5534.609
3	64.577	23	8	10	3	.698	4972.800
4	70.197	20	8	08	1	.706	3671.890
5	73.116	19	8	19	1	.703	3619.494
6	71.316	18	7	7	--	.703	3603.117

Pretesting

In order to arrive at the final sample size, pretesting is done on 75 beneficiaries covered under the financial inclusion drive of RBI. The respondents are selected on judgement basis, selecting 25 respondents each from three states viz., J&K, Himachal Pradesh and Punjab. The initial schedule was prepared in the year 2013. After tabulation of pre-testing results, some items are modified and few are deleted. Ultimately 36 items are retained for final survey. The final sample size arrived at 789 using following formula (Malhotra, 2002), which is round off to 800.

$$n = \sigma^2 * z^2 / D^2$$

Data

Multi-stage sampling technique was followed to collect the primary data for the present study. In the first stage, the Jammu division was sub-divided into hilly and non-hilly districts. Hilly districts were identified as Udhampur, Doda, Kishtwar, Rajouri, Reasi, Ramban, and Poonch and non-hilly districts were identified as Jammu, Samba, and Kathua. In the second stage, out of seven hilly districts, two districts i.e. Udhampur and Doda were selected and others were ignored due to inability to contact beneficiaries because of law and order problem. Due to high concentration of financial inclusive beneficiaries, all the non-hilly districts namely, Jammu, Samba, and Kathua were included for the final survey. In the third stage, selected districts were further sub-divided into tehsils and those tehsils having maximum density of financial inclusion beneficiaries were selected. Census method was adopted in contacting beneficiaries in selected tehsils. For comparative analysis, beneficiaries of cooperative banks operating in neighbouring tehsils of Himachal Pradesh and Punjab states, having similar topography are also contacted on judgement sampling, criteria adopted is availability and willingness to respond. Questionnaires were distributed to 800 beneficiaries, but 557 responded back. Out of 557 respondents, 17 questionnaire were rejected because of incomplete response, so the final sample size came to 540 respondents. The effective response rate came out to be 67.5 percent. The responses were collected using a self-developed schedule sub-divided into socio-economic variables and specific information regarding access to financial services. Five point Likert scale was used in collecting information, where “5” denotes “strongly agree” and 1 denotes “strongly disagree. Suggestions were kept in open-ended form. Secondary information was collected from published sources i.e. books, journals, files, cooperative bulletins, organisational reports, annual drafts of Planning and Statistical Department

(Government of J&K, Himachal Pradesh, and Punjab) RBI reports, magazines, and Internet.

Profile of Respondents

In the present study, the primary data are collected from the beneficiaries of cooperative banks from three northern states i.e. J&K, Himachal Pradesh, and Punjab. As far as income is concerned, it is found that out of 540 respondents 23 percent (124) of the total respondents are having monthly income of INR 10,000-20,000 and 21.7 percent (117) respondents are having monthly income INR 20,000 -30,000. 21.5 percent (116) of the respondents are having monthly income of INR 5000-10,000 and 20 percent (105) respondents are having income above INR 30,000 whereas only 14.4 percent (78) respondents are having monthly income up to INR 5,000. Thus, it is concluded that maximum respondents are having monthly income up to INR 10,000-20,000. As far as gender-wise analysis is concerned, it is found that 81 percent (437) respondents are male and 19 percent (103) are female which indicates that males are more interested in opening the bank account with the cooperative bank as compared to their female counterparts.

Table 2: Demographic Profile of Respondents

Variables	*Frequency*	*Percentage (percent)*
Age:		
20---30 years	98	18.1
30—40 years	194	35.9
40---50 years	163	30.2
Above 50 years	85	15.8
Total	**540**	**100**
Gender:		
Male	437	80.9
Female	103	19.1
Total	**540**	**100**
Qualification:		
Under matriculation	79	14.6
Matriculate	94	17.4
10+2	137	25.4
Under graduate	59	10.9
Graduate	118	21.9
PG & above	53	9.8
Total	**540**	**100**
Marital Status:		80.7
Married	436	19.3
Unmarried	104	**100**
Total	**540**	
Occupation:		23.5
Service	127	32.2
Business	174	11.3
Farmers	61	33.0
Others	178	**100**
Total	**540**	
Monthly Income:		14.4
Up to INR 5,000	78	21.5
INR 5,000-10,000	116	23.0
INR 10,000-20,000	124	21.7
INR 20,000-30,000	117	19.4
Above INR 30,000	105	**100**
Total	**540**	
Religion:	410	75.9
Hindu	44	8.1
Muslim	76	14.1
Sikh	10	1.9
Others	540	100
Total		
State:	244	45.2
J&K	161	29.8
Punjab	135	25.0
Himachal	540	100
Total		
Bank:	97	17.96
Central Cooperative	103	19.08
Bank, Jammu	44	8.15
Citizen Cooperative	135	25.00
Bank, Jammu	58	10.74
Women Cooperative	49	9.07
Credit Society, Jammu	54	10.00
Kangra Central Cooperative Bank, Himachal Pradesh	540	100
TACCBLP	243	45.0
TGCCBLP	297	55.0
THCBLP	540	100
Total		

Loan Availed	81	33.33
Yes	**34**	13.99
No	**51**	20.99
Total	**15**	**6.18**
	18	**7.41**
Purpose of Loan:	**17**	**6.99**
Agriculture	**27**	**11.11**
Dairy farming	**540**	**100**
Business		
Education		
Marriage		
Health		
Others		
Total		

**Source*: Survey

Reliability and Validity

To check the internal consistency of the data, reliability and validity have been duly assessed. All the values of Cronbach Alpha came to be above 0.6 which confirms the reliability of the data. The content validity has also been checked through threadbare discussions with the knowledgeable person and through wide ranging literature. The convergent validity has also been confirmed as all the items are having factor loadings >.50. Finally, the discriminant validity has also been checked as the correlations among various constructs came out to be <.30.

Analysis of Variance (ANOVA) for Beneficiaries

In the present study, ANOVA has been applied to check the significant mean difference between the perception of beneficiaries belonging to different income groups regarding access to financial services through cooperative banks. The analysis done on the basis of ANOVA reveals the following results:

Income-wise Analysis

In order to empirically testing the perception of beneficiaries belonging to different income groups, regarding access to financial services through cooperative banks, beneficiaries have been grouped in the income group of INR 10,000-20,000 which constitutes 23 percent of the total respondents, respondents in the income group of INR 20,000-30,000 and INR 5,000-10,000 constitute only 21.7 percent and 21.5 of the total respondents respectively, whereas respondents in the income group of INR 5,000 and above INR 30,000 constitute 14.4 percent and 19.4 percent respectively of the total respondents (Table 2). ANOVA results showed significant mean differences in responses of the beneficiaries belonging to different income groups (F=3.809, sig.=.005, Table 3) with regard to access to financial services through cooperative banks. The ANOVA results for individual factors of access to financial services through cooperative banks show significant mean difference for factor 1,2,5,6 and factor7 i.e. for physical accessibility (F1=.032), convenience (F2=.017), ease of access (F5=.001), approachability (F6=.028), and employee attitude (F7=.040) whereas factors 3 and 4 show insignificant mean difference i.e. information accessibility (F3=.987), access to the poor (F4=.781). The overall ANOVA result (.005) shows significant mean difference with regard to access to financial services through cooperative banks. Overall, the beneficiaries in the income group of INR 10,000-20,000 and above INR 30,000 accorded highest mean score i.e. 3.86 and 3.85 (Table 4) respectively to access to financial services through cooperative banks.

Table 3: Age-wise ANOVA

		Sum of Squares	*df*	*Mean Square*	*F*	*Sig.*	*Remarks*
F1: **Physical accessibility**	Between Groups	16.788	4	4.197	2.657	.032	Significant
	Within Groups	845.145	535	1.580			
	Total	861.933	539				
F2: Convenience	Between Groups	5.395	4	1.349	3.052	.017	Significant
	Within Groups	236.448	535	.442			
	Total	241.843	539				
F3: Information accessibility	Between Groups	.082	4	.020	.085	.987	Insignificant
	Within Groups	129.042	535	.241			
	Total	129.123	539				

F4: Access to the poor	Between Groups	.552	4	.138	.439	.781	Insignificant
	Within Groups	168.357	535	.315			
	Total	168.909	539				
F5: Ease of access	Between Groups	6.252	4	1.563	4.460	.001	Significant
	Within Groups	187.491	535	.350			
	Total	193.743	539				
F6: Approachability	Between Groups	7.944	4	1.986	2.741	.028	Significant
	Within Groups	387.617	535	.725			
	Total	395.561	539				
F7: Employee attitude	Between Groups	1.781	4	.445	2.524	.040	Significant
	Within Groups	94.358	535	.176			
	Total	96.138	539				
Overall	Between Groups	2.628	4	.657	3.809	.005	Significant
	Within Groups	92.257	535	.172			
	Total	94.885	539				

Table 4: Income-wise Factorial Mean for Beneficiaries

Monthly Income	**F1**	*F2*	*F3*	*F4*	*F5*	*F6*	*F7*	*Overall access*
Up to INR 5,000	2.51	3.77	4.20	3.98	3.44	3.42	4.22	3.65
INR 5,000-10,000	2.78	3.86	4.34	4.08	3.63	3.53	4.34	3.77
INR 10,000-20,000	3.01	4.03	4.37	4.06	3.80	3.60	4.37	3.86
INR 20,000-30,000	2.85	4.05	4.25	4.02	3.66	3.70	4.25	3.82
Above INR 30,000	3.06	3.97	4.24	4.03	3,64	3.80	4.24	3.85

Note: (F1 =Physical accessibility, F2= Convenience, F3= Information accessibility, F4= Access to the Poor, F5= Ease of access, F6= Approachability, F7= Employees attitude)

Conclusion

The present study empirically test the perception of beneficiaries belonging to different income groups regarding access to financial services through cooperative banks. The study is both expressive and evaluative in nature. The scope of the present study is restricted to three northern states viz., J&K, Punjab, and Himachal Pradesh. To fulfil the purpose of the study, primary data are collected from beneficiaries of cooperatives banks covered under the financial inclusion drive of RBI operating in Jammu region and three cooperative banks from Punjab i.e, The Amritsar Central Cooperative Bank Limited, Punjab (TACCBLP); The Gurdaspur Central Cooperative Bank Limited, Punjab (TGCCBLP), The Hindu Cooperative Bank Limited, Punjab (THCBLP) and The Kangra Central Cooperative Bank (KCCB) from Himachal Pradesh. For empirically testing the significant mean difference between the perception of beneficiaries belonging to different income groups regarding access to financial services through cooperative banks, ANOVA has been applied. Income-wise ANOVA results depicts that that beneficiaries in the income group of INR 10,000-20,000 and above INR 30,000 are more satisfied as compared to other beneficiaries regarding access to financial services. Overall ANOVA results shows that majority of the beneficiaries differs significantly with regard to access to financial services through cooperative banks. The reasons identified are poor infrastructure, lack of awareness among the masses, inadequate management quality, over-dependence on government, abeyant membership, non-conduct of elections, lack of strong human resources policy, neglect of professionalism, interference of government, lack of awareness among masses, inadequacy of trained personnel, lack of efficient leadership, unplanned growth of societies, inadequacy of finances, social exclusion, illiteracy, distance from branch,

branch timings, awkward procedure, over requirement of documents for opening accounts, unsuitable financial products/schemes, language and attitudes of cooperatives officials, restricted coverage. The overall result is shown in Table 5. The present study is exceptional and shall prove to be an asset for the policy makers, researchers and interested academicians both at the national and international level.

Limitations and Future Research

The present study suffers from the following limitations:

- The scope of the study is restricted to northern states only and further be extended to other parts of the country.
- The present study is based on cross-sectional data and further be extended on longitudinal data.
- The study is limited to perception of beneficiaries belonging to different income groups regarding access to financial services through cooperative banks only which in future could be carried further on the perception of other stakeholders such as bank officials, business correspondents etc.

Table 5: Overall Results

	Hypothesis	*Accepted/ rejected*
H_0	Income-wise beneficiaries do not differ in their perception about access to financial services through cooperative banks.	Rejected

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