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A Study on Level of Awareness towards Digital Financial Services in Rural Households

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ABSTRACT

Financial Inclusion is the roadmap to bring the rural people from the unbanked and unreached segments in the society into the formal financial system. Digital financial services involves the deployment of the cost-saving digital means to reach currently financially excluded and underserved populations with a range of formal financial services suited to their needs that are responsibly delivered at an affordable cost to customers. This paper analyzes the significance of socio-economic factors of the respondents on awareness of digital financial services among 150 respondents belonging to rural households of Coimbatore using one way-Anova. The study found that all socio economic factors significantly influence the awareness of the digital financial services except number of adults in the household and ownership of land.

Keywords: Digital Financial service, financial inclusion and rural households.

1. INTRODUCTION

1.1 DIGITAL FINANCIAL SERVICES

Digital financial services can be defined as digital access to and use of formal financial services by excluded and underserved populations. Such services should be suited to the customers' needs and delivered responsibly, at a cost both affordable to customers and sustainable for providers.

India has realized the potential of mobile as well as digital technology to be game changers vis-à-vis the financial inclusion drive. A number of schemes aim to cash in on the proliferation of mobile technology, especially to include rural customers in the organized financial system. And the digital India initiative is all set to boost infrastructure, technology accessibility, and last-mile connectivity. These would not only improve cash flow to boost the economy, but also help the government facilitate rural development through various services such as gas subsidies (Sadakkadulla & Subbarao, 2016).

Digital financial services introduces new market participants and allocates roles and risks (both new and well-known) in different ways compared to traditional approaches to retail financial service delivery. The three key components of digital financial inclusion models correspond to the three main triggers of new or shifting risks:

- The new parties and arrangements involved in the digital transactional platform, and specifically in the management and storage of account data and the holding of customer funds;
- The technology used by the device and the digital transactional platform; and the use of agents as the principal customer interface. (Graham &Wright, 2016)

2. OBJECTIVE OF THE STUDY

- To analyze the significance of socio-economic profile of the respondents towards awareness of digital financial services.

3. REVIEW OF LITERATURE

Indian Finance Corporation (2017) reported that digital financial services challenge the opportunities for emerging market banks. The study found that digital transformation has opened industries from retail and media to transport and business-to-business commerce is now sweeping the financial services industry. Though financial services are computerized using digital channels. , digital transformations of other industries have made customers more trusting and comfortable with tech-based financial solutions.

World Investment Report (2017) examined that investment and the digital economy and found that the digital economy is becoming an ever more important part of the global economy. The study identified that digital transformation of international production has important implications for investment promotion and facilitation, and for regulations governing investor behavior. Some countries have already taken steps to modernize policies and others face the risk of letting rules become obsolete or of unintentionally slowing down digital development.

Report of International Telecommunication Union (2016), found that digital financial inclusion takes more effort to digitize cash transactions, there are still significant challenges to effectively leverage enhancement of financial

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inclusion. The study found that full potential of mobile money has not yet been achieved, with 2 billion people in developing countries still lacking viable alternative to the cash economy and informal financial services. 1.7 billion People have mobile phones, but the industry has found it challenging to launch and scale services for the unbanked due to many policy and regulatory environments.

G20 turkey (2015), identified that digital financial services are instrumental in achieving women's financial autonomy, support women's participation in the labor force, and improvement in the performance of their businesses. The study found that digital financial services also advance the third G20 Principle for innovative financial inclusion, which advocates the use of technological and institutional innovations to expand access to financial services. In high-income OECD countries, 83 percent of households have access to the internet within their homes.

RBI (2014) studied the various challenges and alternatives in the domain of technology that can help large scale expansion of mobile banking across the country. The report divided the challenges into 2 broad categories customer enrollment related issues and Technical issues. The study concluded that detailed comparison of four channels of mobile banking - SMS, USSD, IVRS and mobile banking application, and evaluated each one of them based on accessibility, security and usability and suggested development of common mobile application, using sms and GPRS channels, for all banks and telecom operators. For customers already using sim cards, the application can be transferred "over the air" using a dynamic facility provided by banks to use the financial services.

4. RESEARCH METHODOLOGY

Research methodology describes how the research study was undertaken. This includes the specification of research design, source of data, and methods of primary data collection and the sampling method.

4.1 Type of Research

The present study is descriptive research.

4.2 Area of the study

The study was conducted among the people in Coimbatore.

4.3 Sample size

A sample size of 150 respondents was selected using stratified sampling is a type of non-profitability which involves the sample being drawn from the part of the population which is close to the hand.

4.4 Tools used for analysis

Anova have been used to analyze and drawn conclusion.

5. DATA ANALYSIS AND INTERPRETATION

The collected data is processed, classified and interpreted using the following statistical analysis.

1. One way Anova

ANOVA is done to analyze the significance of socio economic factors of the respondents on awareness towards digital financial services.

A) Analysis of significance of socio-economic factors of the respondents towards awareness of digital financial services:

Table 1: socio-economic factors of the respondents towards awareness of digital financial services

Current Status of employment		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	3.694	38	.616	6.509	**.000**
	Within Groups	69.613	112	.095		
	Total	73.307	150			
	Total	105.459	150			
Nature of work		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	5.462	30	.910	6.700	**.000**
	Within Groups	99.997	120	.136		
	Total	105.459	150			
Type of Income earned		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	2.276	15	.325	3.364	**.002**
	Within Groups	71.031	135	.097		
	Total	73.307	150			
Monthly income of the		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**

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family	Between Groups	13.394	50	4.465	55.070	**.000**
	Within Groups	59.913	100	.081		
	Total	73.307	150			
Number of adults in your household		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	.063	40	.063	.641	.424
	Within Groups	75.243	110	.099		
	Total	73.307	150			
Literate		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	.938	12	.313	3.194	**.023**
	Within Groups	72.368	138	.098		
	Total	73.307	150			
Period of Saving		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	.932	40	.311	3.173	**.024**
	Within Groups	72.374	110	.098		
	Total	73.307	150			
Owns a piece of land		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
	Between Groups	.255	30	.093	.987	.764
	Within Groups	73.052	120	.099		
	Total	73.307	150			

INTERPRETATION

Current employment status: The f value is 6.509 and the significant value is .000 which is less than the acceptable value of 0.05 and it is inferred that current status of employment does influences the awareness of digital financial services.

Type of income earned: The f value is 3.364 and the significant value is .002 which is less than the acceptable value of 0.05 and it is inferred that type of income earned does influences the awareness of digital financial services.

Monthly income earned: The f value is .858 and the significant value is .462 which is greater than the acceptable value of 0.05 and it is inferred that monthly income earned does not influences the awareness of digital financial services.

Number of adults: The f value is .641 and the significant value is .424 which is greater than the acceptable value of 0.05 and it is inferred that number of adults does not influences the awareness of digital financial services.

Literate: The f value is 3.194 and the significant value is .023 which is less than the acceptable value of 0.05 and it is inferred that literacy of the family influences the awareness of digital financial services.

Period of Saving: The f value is 3.173 and the significant value is .024 which is less than the acceptable value of 0.05 and it is inferred that period of savings influences the awareness of digital financial services.

Owns piece of Land: The f value is .987 and the significant value is .764 which is greater than the acceptable value of 0.05 and it is inferred that owns piece of land does not influences awareness of digital financial services.

5. FINDINGS OF THE STUDY

- It is found that current status of employment, nature of work, type of income earned monthly income of the family, literacy and period of saving of the respondents significantly influences the awareness of digital financial services.
- It's also found that number of adults in the family of the respondents does not influence the awareness level of digital financial services.
- The study found that socio economic factors of the respondents influence the awareness of digital financial services.

6. CONCLUSION

Digital financial services aims unbanked individuals to gain access to financial services through digital channels. Digital financial services are win–win for users and providers. People are able to migrate their money to secure environment, transact and manage their account in a more convenient and immediate manner, in a way that frequently saves the money. Digital financial services have significant potential to provide a wide range of affordability convenient and secure use financial services to rural people in developing countries. Digitization of cash-payments is introducing more people to transaction accounts. Mobile-based financial services bring convenient access even to remote area.The Government of India and the Reserve Bank of India have been making efforts to promote financial inclusion as one of the important national objectives of the country. This will help improve the access of the poor and low income families to financial services and prevent serious problems related to non-availability of credit. It is evident that the extension of payments through digital platforms offers the opportunity to connect the needy with service providers. Considering the strong linkage between financial inclusion and the payment systems, RBI has taken several steps for digital financial services some of these include encouraging use of Mobile Banking, pre-paid instruments in the form of digital wallets and mobile wallets, Operationalisation of the Aadhaar Bridge Payment System (ABPS) and Aadhaar-Enabled Payment system (AEPS). Here the study found that all socio economic factors significantly influence the awareness of the digital financial services except number of adults in the household and ownership of land.

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