

Awareness of Banking Products /Forex and Trade Services in Rural areas of Kerala with Special Emphasis on Palakkad District

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Abstract

Banks are the back bones of the economy. In this era due to competition banks are providing different products and services., government policies are made the roles of banks more important, All the major banks are having their branches in all the main cities, but the penetration level of banks in rural area are very less, RBI has taken some steps to increase the banking services in villages and unbanked rural locations. This paper analyses the awareness of the banking products and services among the rural area and villages.

I. Introduction

At the beginning the major role of the banks were lending money and accepting deposits, but now the face of banking has been changed drastically, the digital banking makes the banking service more convenient. bank is inevitable in every one's life .Banks are broadly classified as Nationalized banks, Private sector banks, Foreign banks and Co Operative and urban sector banks.

II. Review of Literature

V.Deepa analyzed Financial Literacy is considered an important tool for promoting financial inclusion, consumer protection and finally financial stability of the global economy. Financial stability in simple words refers to avoidance of financial crisis. The global financial crisis is an example of lack of financial literacy that has had an impact on financial stability. The RBI objective of inclusive growth with financial stability can be achieved only by ensuring a widespread financial inclusion and access to finance by the poor and underprivileged - a prerequisite for inclusive growth [1]

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Lokesh Sharma, Parul D. Agarwal & Nikhilesh C. Sharma et al investigated that the Banking industry is playing vital role in rural development. Despite this, a large number of poor are not availing banking facilities. The problem of financial exclusion is very acute in India. According to the National Sample Survey, only 48% of the cultivable households availing credits from the formal sector. They are taking credit from money lenders for their social needs such as marriage etc. According to a recent NCAER–World Bank Rural Financial Access survey (RFAS), 70% of the marginal landless farmers do not have a bank account and 87% have no access to formal credit. There is lack of awareness of banking facilities, lack of financial literacy, lack of e-banking facilities in rural areas. The role of banks can be enhanced by the following means:

- Use of various IT based financial inclusion such as biometric smart cards, mobile phones, ATM etc. in rural area.
- Credit counseling centers should established in rural areas by the banks.
- Banks should also provide credit assistance to villagers to fulfill their social needs.
- Provide credit to weaker section on lower interest rate.
- Open zero balancing bank accounts of the people below poverty line.
- Credit card facilities in rural areas.
- Provide training to entrepreneurs for the use of credit facilities.
- E-banking will help eliminate several layers of middlemen who manage, and often siphon off, government-allocated funds earmarked for low-income workers.[2]

Dr. G Nagarajan, Mr. A. Asif Ali ,Mr. N. Sathyanarayana, Ms.Gowhar Jan.S et al suggested that The bank has to conduct awareness programs and loan melas to educate the customers about loan products and services.

The bank has to provide customer support services to make awareness about the EMI & Tax benefits they get out of loan they borrowed and prepayment penalty charges. The bank has to provide a check list method about documents required for processing the loan in order to identify financial strength & ability to repay the loan.

It is felt that more than offering good value added products the bank has to make proper reach of its innovative products & services to the customers by effective awareness strategies to increase the purchase and performance of the bank. On the basis of the findings of the present study some constructive, practicable and viable suggestions have been made. If the Administrative Policy Makers of the State Bank of India seriously considers all the suggestive measures, no doubt that even in the competitive trend State Bank of India will shine and it will continue to be a leading bank in India.[3]

Bhavesh J. Parmar, Darshan B. Ranpura, Chirag R. Patel, Naineshkumar P. Patel found that the concept & Technology are new to the rural consumer in recent year, mostly people are using nearer to one year. The different facilities of I-banking which are provided by the bank in that, balance inquiry are the mostly preferred out by its various facilities, the concept are not much developed so the other types of facilities are provided by the bank are not having much usage likes Term loan, online FD, Demand Draft facilities etc. Out of various hypothesis testing, mostly null hypothesis are accepted, except some hypothesis Age is not dependent on trustworthiness. Comparing the traditional banking with I banking it seems that most respondent are satisfying with I banking that I banking provide the different types of facility available to the respondent to use. Expectations of consumers towards I-banking are, it should be time saving and convenient to use, should be user friendly and best in security. Reasons for using I-banking facilities are, by having traditional account in the same bank and excellent services provided by it [4]

III. Different products offered by banks

Broad Classification of Products in a bank:

The different products in a bank can be broadly classified into:

- Retail Banking.
- Trade Finance.
- Treasury Operations.
- Retail Banking and Trade finance operations are conducted at the branch level while the wholesale banking operations, which cover treasury operations, are at the head office or a designated branch.

Retail Banking

Deposits, Loans, Cash Credit and Overdraft

- Negotiating for Loans and advances
- Remittances
- Book-Keeping (maintaining all accounting records)
- Receiving all kinds of bonds valuable for safe keeping

Trade Finance

- Issuing and confirming of letter of credit.
- Drawing, accepting, discounting, buying, selling, collecting of bills of exchange, promissory notes, drafts, bill of lading and other securities.

Treasury Operations

- Buying and selling of bullion. Foreign exchange

- Acquiring, holding, underwriting and dealing in shares, debentures, etc.
- Purchasing and selling of bonds and securities on behalf of constituents.

The banks can also act as an agent of the Government or local authority. They insure, guarantee, underwrite, participate in managing and carrying out issue of shares, debentures, etc.

Apart from the above-mentioned functions of the bank, the bank provides a whole lot of other services like investment counselling for individuals, short-term funds management and portfolio management for individuals and companies. It undertakes the inward and outward remittances with reference to foreign exchange and collection of varied types for the Government.

Common Banking Products Available:

Some of common available banking products are explained below:

1) **Credit Card:** Credit Card is “post paid” or “pay later” card that draws from a credit line—money made available by the card issuer (bank) and gives one a grace period to pay. If the amount is not paid full by the end of the period, one is charged interest. A credit card is nothing but a very small card containing a means of identification, such as a signature and a small photo. It authorizes the holder to change goods or services to his account, on which he is billed. The bank receives the bills from the merchants and pays on behalf of the card holder. These bills are assembled in the bank and the amount is paid to the bank by the card holder totally or by installments. The bank charges the customer a small amount for these services. The card holder need not have to carry money/cash with him when he travels or goes for purchasing. Credit cards have found wide spread acceptance in the ‘metros’ and big cities. Credit cards are joining popularity for online payments. The major players in the Credit Card market are the foreign banks and some big public sector banks like SBI and Bank of Baroda. India at present has about 3 million credit cards in circulation.

2) **Debit Cards:** Debit Card is a “prepaid” or “pay now” card with some stored value. Debit Cards quickly debit or subtract money from one’s savings account, or if one were taking out cash. Every time a person uses the card, the merchant who in turn can get the money transferred to his account from the bank of the buyers, by debiting an exact amount of purchase from the card. To get a debit card along with a Personal Identification Number (PIN). When he makes a purchase, he enters this number on the shop’s PIN pad. When the card is swiped through the electronic terminal, it dials the acquiring bank system – either Master Card or Visa that validates the PIN and finds out from the issuing bank whether to accept or decline the transaction. The customer never overspread because the amount spent is debited immediately from the customer’s account. So, for the debit card to work, one must already have the money in the account to cover the transaction. There is no grace period for a debit card purchase. Some debit cards have monthly or per transaction

fees. Debit Card holder need not carry a bulky check book or large sums of cash when he/she goes at for shopping. This is a fast and easy way of payment one can get debit card facility as debit cards use one's own money at the time of sale, so they are often easier than credit cards to obtain. The major limitation of Debit Card is that currently only some 8000-10000 shops country wide accepts it. Also, a person can't operate it in case the telephone lines are down.

3) **Automatic Teller Machine:** The introduction of ATM's has given the customers the facility of round the clock banking. The ATM's are used by banks for making the customers dealing easier. ATM card is a device that allows customer who has an ATM card to perform routine banking transaction at any time without interacting with human teller. It provides exchange services. This service helps the customer to withdraw money even when the banks ate closed. This can be done by inserting the card in the ATM and entering the Personal Identification Number and secret Password.

ATM's are currently becoming popular in India that enables the customer to withdraw their money 24 hours a day and 365 days. It provides the customers with the ability to withdraw or deposit funds, check account balances, transfer funds and check statement information. The advantages of ATM's are many. It increases existing business and generates new business. It allows the customers.

- To transfer money to and from accounts.
- To view account information.
- To order cash.
- To receive cash.

Advantages of ATM's:

To the Customers

- ATM's provide 24 hrs. 7 days and 365 days a year service.
- Service is quick and efficient
- Privacy in transaction
- Wider flexibility in place and time of withdrawals.
- The transaction is completely secure – you need to key in Personal Identification Number (Unique number for every customer).

To Banks

- Alternative to extend banking hours.
- Crowding at bank counters considerably reduced.
- Alternative to new branches and to reduce operating expenses.
- Relieves bank employees to focus and more analytical and innovative work.
- Increased market penetration.

ATM's can be installed anywhere like Airports, Railway Stations, Petrol Pumps, Big Business arcades, markets, etc. Hence, it gives easy access to the customers, for obtaining cash.

The ATM services provided first by the foreign banks like Citibank, Grindlays bank and now by many private and public sector banks in India like ICICI Bank, HDFC Bank, SBI, UTI Bank etc. The ICICI has launched ATM Services to its customers in all the Metropolitan Cities in India. By the end of 1990 Indian Private Banks and public sector banks have come up with their own ATM Network in the form of "SWADHAN". Over the past year up to 44 banks in Mumbai, Vashi and Thane, have become a part of "SWADHAN" a system of shared payments networks, introduced by the Indian Bank Association (IBA).

4) **E-Cheques:** The e-cheques consists five primary facts. They are the consumers, the merchant, consumer's bank the merchant's bank and the e-mint and the clearing process. This cheaqing system uses the network services to issue and process payment that emulates real world cheaquiring. The payer issues a digital cheaques to the payee and the entire transactions are done through internet. Electronic version of cheaques are issued, received and processed. A typical electronic cheque transaction takes place in the following manner:

- The customer accesses the merchant server and the merchant server presents its goods to the customer.
- The consumer selects the goods and purchases them by sending an e-cheque to the merchant.
- The merchant validates the e-cheque with its bank for payment authorisation.
- The merchant electronically forwards the e-cheque to its bank.
- The merchant's bank forwards the e-cheque to the clearing house for cashing.
- The clearing house jointly works with the consumer's bank clears the cheque and transfers the money to the merchant's banks.
- The merchant's bank updates the merchant's account.
- The consumer's bank updates the consumer's account with the withdrawal information.

The e-cheaquiring is a great boon to big corporate as well as small retailers. Most major banks accept e-cheques. Thus this system offers secure means of collecting payments, transferring value and managing cash flows.

5) **Electronic Funds Transfer (EFT):** Many modern banks have computerised their cheque handling process with computer networks and other electronic equipments. These banks are dispensing with the use of paper cheques. The system called electronic fund transfer (EFT) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other

branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also permitted. The scheme has been in operation since February 7, 1996, in India. The other important type of facility in the EFT system is automated clearing houses. These are the computer centers that handle the bills meant for deposits and the bills meant for payment. In big companies pay is not disbursed by issued cheques or issuing cash. The payment office directs the computer to credit an employee's account with the person's pay.

6) **Telebanking:** Telebanking refers to banking on phone services; a customer can access information about his/her account through a telephone call and by giving the coded Personal Identification Number (PIN) to the bank. Telebanking is extensively user friendly and effective in nature.

- To get a particular work done through the bank, the users may leave his instructions in the form of message with bank.
- Facility to stop payment on request. One can easily know about the cheque status.
- Information on the current interest rates.
- Information with regard to foreign exchange rates.
- Request for a DD or pay order.
- DeMat Account related services.
- And other similar services.

7) **Mobile Banking:** A new revolution in the realm of e-banking is the emergence of mobile banking. On-line banking is now moving to the mobile world, giving everybody with a mobile phone access to real-time banking services, regardless of their location. But there is much more to mobile banking from just on-line banking. It provides a new way to pick up information and interact with the banks to carry out the relevant banking business. The potential of mobile banking is limitless and is expected to be a big success. Booking and paying for travel and even tickets is also expected to be a growth area. According to this system, customer can access account details on mobile using the Short Messaging System (SMS) technology⁶ where select data is pushed to the mobile device. The wireless application protocol (WAP) technology, which will allow user to surf the net on their mobiles to access anything and everything. This is a very flexible way of transacting banking business. Already ICICI and HDFC banks have tied up cellular service providers such as Airtel, Orange, Sky Cell, etc. in Delhi and Mumbai to offer these mobile banking services to their customers.

8) **Internet Banking:** Internet banking involves use of internet for delivery of banking products and services. With internet banking is now no longer confined to the branches

where one has to approach the branch in person, to withdraw cash or deposits a cheque or requests a statement of accounts. In internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The Internet Banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services. As indicated by McKinsey Quarterly research, presently traditional banking costs the banks, more than a dollar per person, ATM banking costs 27 cents and internet banking costs below 4 cents approximately. ICICI bank was the first one to offer Internet Banking in India.

Benefits of Internet Banking:

- Reduce the transaction costs of offering several banking services and diminishes the need for longer numbers of expensive brick and mortar branches and staff.
- Increase convenience for customers, since they can conduct many banking transaction 24 hours a day.
- Increase customer loyalty.
- Improve customer access.
- Attract new customers.
- Easy online application for all accounts, including personal loans and mortgages

Financial Transaction on the Internet:

- Electronic Cash: Companies are developing electronic replicas of all existing payment system: cash, cheque, credit cards and coins.
- Automatic Payments: Utility companies, loans payments, and other businesses use on automatic payment system with bills paid through direct withdrawal from a bank account.
- Direct Deposits: Earnings (or Government payments) automatically deposited into bank accounts, saving time, effort and money.
- Stored Value Cards: Prepaid cards for telephone service, transit fares, highway tolls, laundry service, library fees and school lunches.
- Point of Sale transactions: Acceptance of ATM/Cheque at retail stores and restaurants for payment of goods and services. This system has made functioning of the stock Market very smooth and efficient.
- Cyber Banking: It refers to banking through online services. Banks with web site "Cyber" branches allowed customers to check balances, pay bills, transfer funds, and apply for loans on the Internet.

9) **Demat:** Demat is short for de-materialisation of shares. In short, Demat is a process where at the customer's request the physical stock is converted into electronic entries in the depository system. In January 1998 SEBI (Securities and Exchange Board of India) initiated DEMAT ACCOUNTANCY System to regulate and to improve stock investing. As on date, to trade on shares it has become compulsory to have a share demat account and all trades take place through demat.

According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalised and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well.

With a sense of optimism slowly creeping in, the banking industry expects that 2015 will bring better growth prospects. This optimism stems from factors such as the Government working hard to revitalise the industrial growth in the country and the RBI initiating a number of measures that would go a long way in helping the banks to restructure. The recent announcements of RBI, it is felt, are a clear pointer to the future of the restructured domestic banking industry. [5]

IV. Problem Definition

- Rural village people are not getting enough opportunity to access the banking products
- Bank employees are hesitated to explain products to people

V. Objectives of the Study

This study analyses the awareness of the banking products especially forex trade related products among rural village people.

VI. Research Methodology

Researcher used a well structured questionnaire to collect the data through interacting with different kind of people in the society.

VII. Data Analysis Tools

The data analysis has been done using the MS Excel and SPSS software and tests like Chi Square test and ANOVA are used for analysis and interpretation.

VIII. Data Analysis and Discussion

Hypothesis: 1

H0: There is no relationship between Gender and awareness about the trade and forex products and services.

H1: There is a positive relationship between the gender and awareness about the trade and forex products and services.

Table 1: Showing Gender wise awareness

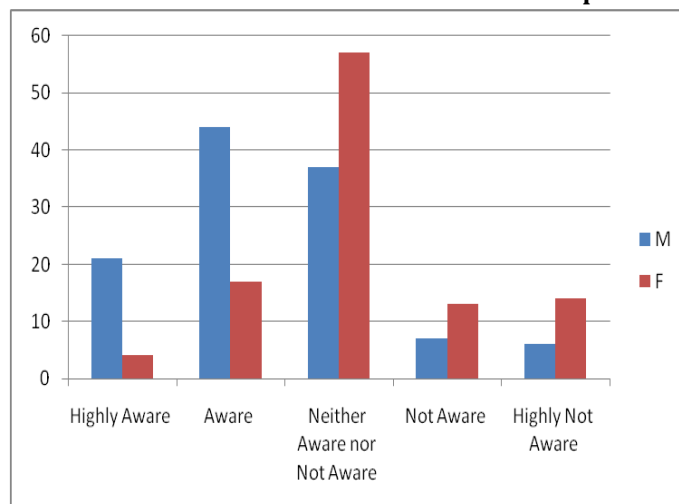
Particulars	Gender		Total
	M	F	
Highly Aware	21	4	25
%	9.5	1.8	11.4
Aware	44	17	61
%	20	7.7	27.7
Neither Aware nor Not Aware	37	57	94
%	16.8	25.9	42.7
Not Aware	7	13	20
%	3.2	5.9	9.1
Highly Not Aware	6	14	20
%	2.7	6.4	
Total	115	105	220
% of Total	52.3	47.7	100

Table 2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.378a	4	0
Likelihood Ratio	34.002	4	0
Linear-by-Linear Association	26.059	1	0
N of Valid Cases	220		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.55.

Graph 1: Gender wise awareness of forex and trade services products and services



From the above table we can identify that there are 115 male respondents and 105 female respondents. Out of 115 male respondents 20% comes under aware followed by neither Aware nor Not Aware with 16.8% and only 6% comes under the Highly Not Aware category. Out of 105 female respondents 25.9% by neither Aware nor Not Aware category followed by aware category 7.7% and least category is highly aware with 1.8%. This shows that male respondents are more aware than female respondents.

From the table 2 it can be identify that, the Pearson chi-square value is 32.378 and p-value is less than .05, ($p = 0.00$). So we can reject the null hypothesis, and say that Gender and awareness about loan products and services are related.

Hypothesis: 2

H0: Customer income and awareness about the trade and forex products is dependant.

H1: Customer income and awareness about the trade and forex products is independent.

Table 3: Income wise awareness of forex and trade services products and service

Particulars		Highly Aware	Aware	Neither Aware nor Not Aware	Not Aware	Highly Not Aware	Total	
Income per month	"Less than 15000"	Count	0	5	14	4	26	49
		% of Total	0.0%	2.3%	6.4%	1.8%	11.8%	22.3%
	15001 - 25000	Count	0	23	0	1	25	49
		% of Total	0.0%	10.5%	0.0%	0.5%	11.4%	22.3%
	25001 - 50000	Count	6	14	26	8	31	85
		% of Total	2.7%	6.4%	11.8%	3.6%	14.1%	38.6%
	50001 - 100000	Count	0	8	12	1	7	28
		% of Total	0.0%	3.6%	5.5%	0.5%	3.2%	12.7%
	100000 and above	Count	0	0	9	0	0	9
		% of Total	0.0%	0.0%	4.1%	0.0%	0.0%	4.1%
	Total	Count	6	50	61	14	89	220
		% of Total	2.7%	22.7%	27.7%	6.4%	40.5%	100.0%

Table 4: Pearson Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	75.345a	16	0
Likelihood Ratio	88.266	16	0
Linear-by-Linear Association	9.105	1	0.003
N of Valid Cases	220		

From the table 3 showed the classification based on Income per month and awareness of forex and trade services products and service. It can be identified that, based on Income per month majority of respondents fall under Rs 25,001 to Rs 50,000 category ie., 85 (38.6%) followed by Rs 15,000 to Rs 25,000 category with 49 respondents (22.3) and the

lowest level of respondents fall under Rs 1,00,000 and above category with 9 respondents (4.1%). Based on awareness of forex and trade services products and service majority of respondents fall under highly aware 89 (40.5%) followed by neither aware nor not aware 61 (27.7%) followed by aware 50 (22.7%) and the lowest level of respondents fall under highly aware category are 6 (2.7%). It can be inferred that majority of respondents falling under the income group of less than Rs 15,000 to Rs 50,000 are highly not aware awareness of forex and trade services products and service.

From the table 4 it can be identify that, the Pearson chi-square value is 75.345 and p-value is less than .05, (p = 0.00). So we can reject the null hypothesis, and say that, there is no relationship between the customer's income and awareness of forex and trade services products and service.

Hypothesis: 3

H0: There is a significance relationship between the customer's occupation and awareness forex and trade services products and service

H1: There is no significance relationship between the customer's occupation and awareness about forex and trade services products and service.

Table 5: Occupation wise awareness forex and trade services products and service

Particulars		Highly Aware	Aware	Neither Aware nor Not Aware	Not Aware	Highly Not Aware	Total	
Occupation	Employee	Count	0	62	55	3	0	120
		% of Total	0.0%	28.2%	25.0%	1.4%	0.0%	54.5%
	Employer	Count	0	0	4	0	0	4
		% of Total	0.0%	0.0%	1.8%	0.0%	0.0%	1.8%
	Self Employed	Count	0	28	29	28	5	90
		% of Total	0.0%	12.7%	13.2%	12.7%	2.3%	40.9%
	Others	Count	0	2	1	3	0	6
		% of Total	0.0%	0.9%	0.5%	1.4%	0.0%	2.7%
	Total	Count	0	92	89	34	5	220
		% of Total	0.0%	41.8%	40.5%	15.5%	2.3%	100.0%

Table 6:Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	53.517a	9	0
Likelihood Ratio	58.99	9	0
Linear-by-Linear Association	31.263	1	0
N of Valid Cases	220		

From the table 5 showed the classification based on occupation of the respondents and awareness about forex and trade services products and service. It can be identify that, based on occupation majority of respondents fall under employee category is 120 (54.5%) followed by self-employed category is 90 (40.9%) and the lowest level of respondents fall under employer category is 4 (1.8%). Based on awareness about forex and trade services products majority fall under aware 92 (41.8%) followed by neither aware nor not aware 89 (40.5%) followed by not aware 34 (15.5%) and no respondent fall under highly aware category. It can be inferred that majority of respondents falling under the occupation group of Employee and self-employed are aware 90 (40.9%) and neither aware nor not aware 84 (38.20%) about forex and trade services products and

From the table 6 it can be identify that, the Pearson chi-square value is 53.517 and p-value is less than .05, ($p = 0.000$). So we can reject the null hypothesis, and say that, there is no significance relationship between the customer's occupation and awareness about forex and trade services products.

Findings

- ✓ Most of the female respondents are not aware about the forex and trade services when compared to male respondents
- ✓ The knowledge about the forex and trade services products are not having any relation with the income of the customer.
- ✓ There is no significance of job and the awareness of forex and trade services
- ✓ Gender and awareness about forex and trade services products are related.

IX. Conclusion

Banks are having wide spread coverage of its branches and corresponding offices but now also in the rural villages the penetration level of the banks are very less and as a result of the same people from the rural area are not aware about the innovative products and services offered by the banks, as strategy to resolve the issue banks has to take necessary steps and make awareness through campaigns, trainings and through corresponding business agents etc, this will help the banks to get more business from the rural areas also, which is an untapped location for banking products.

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