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IMPACT OF FINANCIAL INCLUSION ON SOCIO-ECONOMIC CONDITIONS OF CUSTOMERS OF TELANGANA GRAMEENA BANK

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Abstract
Financial inclusion and inclusive growth are pivotal topics in contemporary economic development. Inclusive growth seeks to empower individuals from vulnerable communities, with financial inclusion serving as its foundation stone. By providing reliable and accessible financial services to underserved populations, financial inclusion plays a critical role in fostering inclusive growth and alleviating poverty. In India, the government has launched various initiatives to extend formal financial services to previously unbanked households. This study aims to evaluate the impact of financial inclusion factors i.e., Accessibility of Banking Operations (ABO), Digitalization of Financial Inclusion (DFI), Affordability (AFF), Adequacy (ADE), and Awareness of Financial Inclusion (AFI) on the social and economic conditions of customers. Primary data was collected using structured questionnaires from 439 respondents of Telangana Grameena Bank (TGB) and using statistical tools such as ANOVA and multiple regressions for analyses of data. The findings reveal that ABO, DFI, AFF, and ADE factors have a significant positive impact on the socio-economic conditions of customers, whereas AFI does not exhibit a significant effect. These results underscore the importance of enhancing accessibility, affordability, and digitalization to promote inclusive growth in rural areas.

Keywords: Financial Inclusion, Economic Conditions, Regional Rural Banks, Social Conditions, Telangana Grammena Bank.

1.1 Introduction

Financial inclusion refers to the process of ensuring access to appropriate financial products and services needed by individuals and businesses, particularly those who are underserved or excluded from the formal financial system. Inclusive growth, on the other hand, is an economic philosophy that emphasizes the equitable distribution of the benefits of growth, ensuring that all segments of society can participate in and benefit from economic activities.

In India, the Reserve Bank of India (RBI) defines rural areas as locales with populations below 10,000. To address the unique financial needs of these regions, Regional Rural Banks (RRBs) were established. RRBs are jointly owned by the Government of India, the respective State Government, and sponsor banks, with ownership shares of 50%, 15%, and 35%, respectively.

Over the past three decades, RRBs have played a crucial role in the rural credit system, aiming to enhance the efficiency of loan distribution and promote financial inclusion in remote areas.

1.2 Significance of the Study

Despite numerous studies on financial inclusion and the performance of RRBs, there is a noticeable gap in research that specifically examines the interplay between RRBs and financial inclusion within the context of socio-economic development. This study seeks to fill this gap by focusing on Telangana Grameena Bank (TGB), evaluating how various financial inclusion factors influence the social and economic conditions of its customers. Understanding these dynamics is essential for policymakers, banking institutions, and stakeholders aiming to foster inclusive growth and alleviate poverty in rural India.

2. Literature Review

The literature on financial inclusion and its impact on socio-economic conditions is extensive, covering various dimensions and contexts. This section reviews key studies that have explored the relationship between financial inclusion, banking systems, and economic development.

2.1 Financial Inclusion and Economic Growth

Thampy and Tiwary (2021) investigated the relationship between local banking growth and the manufacturing sector in India using district-level data. Their findings suggest that the expansion of financial services at the local level significantly contributes to industrial growth. Specifically, sector-specific credit was found to positively influence local manufacturing output, particularly in regions with higher literacy levels, indicating that financial inclusion can drive economic development by facilitating access to credit for productive activities.

2.2 Financial Inclusion Programs in Rural India

Shaik (2021) examined the implementation of financial inclusion schemes in S. Kotturu Village, Andhra Pradesh. The study highlighted the positive effects of these programs on rural households and the broader rural economy. The research emphasized that financial inclusion is integral to India's development strategy, as evidenced by government reports indicating that 22% of the population still lives in poverty. Shaik underscored the necessity of expanding financial services to achieve equitable development across the country's diverse regions.

2.3 Institutions and Sustainable Banking

Úbeda, Javier, and Su (2021) explored how formal and informal institutions influence the relationship between sustainable banking and financial development. Using data from 46 countries between 2010 and 2018, they found that sustainable banking practices positively impact financial development, but this effect is contingent on the strength of formal institutions. In countries with robust institutional frameworks, sustainable banking contributes significantly to financial inclusion and economic growth.

2.4 E-commerce and Financial Inclusion in BRICS Countries

Haji (2021) analyzed the development of e-commerce in rural and remote areas of BRICS countries. The study identified potential areas for cooperation among these nations to enhance e-commerce infrastructure, which in turn can facilitate financial inclusion by providing new avenues for financial transactions and access to markets. However, challenges such as uneven e-commerce development and lack of coordination remain significant barriers.

2.5 Performance of Regional Rural Banks

Kathawala and Sharma (2021) assessed the financial performance of RRBs in India, focusing on data from the National Bank for Agriculture and Rural Development (NABARD). Their study concluded that RRBs play a vital role in rural development, contributing to agricultural financing and supporting small-scale enterprises. However, the performance of RRBs varies, with some struggling to achieve profitability and sustainability.

2.6 Gender and Financial Inclusion

Kaur and Kapuria (2020) investigated the determinants of financial inclusion in rural India, with a particular focus on gender differences. Their research revealed that increasing women's access to financial services is crucial for reducing poverty and economic inequality. Female-headed households (FHHs) exhibited different financial behaviors compared to male-headed households (MHHs), highlighting the need for gender-sensitive financial inclusion strategies.

2.7 Blockchain and Financial Inclusion

Schuetz and Venkatesh (2020) explored the potential of blockchain technology to enhance financial inclusion in rural India. They identified research opportunities to develop blockchain-based systems that connect rural populations to global supply chains, thereby improving access to financial services. The study emphasized the need to address knowledge gaps to leverage blockchain for sustainable financial inclusion.

2.8 Comparative Analysis of RRBs in Indian States

Adhikari and Chhotray (2020) conducted a comparative analysis of RRBs in Jharkhand and Chhattisgarh. Their findings indicated that while Chhattisgarh Grameena Bank (CGB) had the largest branch network, its productivity lagged behind other banks like DRGB and SKGB. The study highlighted the importance of strategic management and institutional support in enhancing the performance of RRBs.

2.9 Summary of Literature

The reviewed literature underscores the multifaceted nature of financial inclusion and its profound impact on socio-economic conditions. Key themes include the role of financial services in economic growth, the importance of institutional frameworks, gender considerations, technological advancements, and the performance of regional banking institutions. This study builds on these insights by specifically examining how financial inclusion factors influence the socio-economic conditions of customers of Telangana Grameena Bank.

3. Need for the study

Telangana Grameena Bank (TGB), formerly known as Deccan Grameena Bank (DGB), was established on March 24, 2006, through the amalgamation of four RRBs sponsored by the State Bank of Hyderabad: Sri Saraswathi Grameena Bank, Sri SatavahanaGrameena Bank, Sri Rama Grameena Bank, and Golconda Grameena Bank. Post-amalgamation, the sponsorship shifted from the State Bank of Hyderabad to the State Bank of India (SBI). With an authorized share capital of INR 2,000 Crores and a paid-up capital of INR 18.07 Crores, TGB operates across five districts in Telangana: Adilabad, Nizamabad, Karimnagar, Rangareddy, and Hyderabad (urban).

The primary mission of TGB is to provide transparent and efficient banking services at reasonable costs, ensuring 100% financial inclusion, empowering rural customers, and promoting the Self Help Group (SHG) movement with a special emphasis on women. Despite the critical role of RRBs like TGB in fostering financial inclusion, there is limited research exploring the combined impact of RRBs and financial inclusion strategies on socio-economic conditions, particularly within the context of Telangana. This study aims to address this research gap by evaluating the effectiveness of TGB's financial inclusion initiatives and their subsequent impact on the socio-economic well-being of its customers.

4. Scope of the Study

This study is descriptive in nature, focusing on the beneficiaries and employees of Telangana Grameena Bank in three regions: Karimnagar, Jagitial, and Mancherial in Telangana State. The research examines how various financial inclusion factors: Accessibility of Banking Operations (ABO), Digitalization of Financial Inclusion (DFI), Affordability (AFF), Adequacy (ADE), and Awareness of Financial Inclusion (AFI) affect the social and economic conditions of TGB customers. By concentrating on these specific regions and factors, the study provides a comprehensive understanding of the effectiveness of TGB's financial inclusion strategies in promoting inclusive growth.

5. Research Objectives and Hypotheses

5.1 Research Objectives

1. **To evaluate the effect of financial inclusion factors (ABO, DFI, ABO, AFF, AFI) on the social conditions of customers.**
2. **To assess the impact of financial inclusion factors on the economic conditions of customers.**

5.2 Hypotheses

The study formulates the following hypotheses to test the impact of financial inclusion factors on socio-economic conditions:

- **H1: Social Conditions**
  - **H0:** There is no impact of at least one independent variable on the social conditions of the customers.
  - **H1:** There is an impact of at least one independent variable on the social conditions of the customers.
- **H2: Economic Conditions**
  - **H0:** There is no impact of at least one independent variable on the economic conditions of the customers.
  - **H1:** There is an impact of at least one independent variable on the economic conditions of the customers.

6. Research Methodology

6.1 Data Collection

This research relies on primary data collected through a structured questionnaire administered to the respondents. The survey method was employed to gather information from the target population of Telangana Grameena Bank's beneficiaries and employees. The questionnaire was designed to capture responses related to the various financial inclusion factors and their perceived impact on socio-economic conditions.

6.2 Sample Size

A total of 450 beneficiaries were initially selected using purposive sampling techniques, ensuring that the sample represented the diverse customer base of TGB. After screening the responses for completeness and consistency, 439 valid responses were retained for analysis, yielding a response rate of approximately 97.5%.

6.3 Tools and Techniques

The collected data were analyzed using various statistical tools to test the research hypotheses and achieve the study objectives. The analysis was conducted using IBM SPSS Statistics Version 21. The following statistical methods were employed:

- **Descriptive Statistics:** Averages and standard deviations were calculated to summarize the data.
- **ANOVA (Analysis of Variance):** Used to determine whether there are statistically significant differences between the means of different groups.
- **Multiple Regression Analysis:** Employed to assess the relationship between independent variables (financial inclusion factors) and dependent variables (social and economic conditions).
- **Factor Analysis:** Conducted to identify underlying factors that explain the patterns of correlations within the set of observed variables.

7. Data Analysis

The multiple regression tests were performed to examine the above hypothesis and results were presented in table No.1. The results exhibit the F-ratio is 151.753 with 5, 433 degrees of freedom. The table value at given degrees of freedom is 2.23. As the F-calculated value is greater than F-table value and falls into rejection region. Further, p-value is $0.000 < 0.05$. Therefore, we reject the null hypothesis that there is no impact of at least one independent variable on Social conditions of the customers. This indicates that, there is an impact of one or more factors of financial inclusion on Social conditions of the customers. The Model summary of multiple regression of financial inclusion impact on Social conditions was presented in table No.2. The results of the model exhibit the R^2 value is 0.637 indicating the 63.7 percent of variance explained by the predictor variables.

Table No.1:
ANOVA result of Multiple regression of Social Conditions

	SS	df	MS	F	Sig.
Between Groups	120.055	5	24.011	151.753	0.000
Within Groups	68.511	433	0.158		
Total	188.566	438			
SS - Sum of Square; MS - Mean Square; df - Degrees of Freedom					

*(**Source**: Compiled from Primary Data)*

Table No.2:
Model summary of Multiple Regression of Financial Inclusion on Social conditions

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.798	0.637	0.632	0.39777
Predictors: (Constant), ADE, DFI, ABO, AFF, AFI				

*(**Source**: Compiled from Primary Data)*

Table No.3: Regression Coefficients

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	0.439	0.084		5.254	0.000
ABO	0.206	0.017	0.357	12.314	0.000
AFI	0.009	0.018	0.014	0.49	0.625
DFI	0.194	0.016	0.359	12.33	0.000
AFF	0.212	0.014	0.44	15.085	0.000
ADE	0.183	0.015	0.364	12.46	0.000

***(Source**: Compiled from Primary Data)*

The coefficient values of the regression results were presented in table No.3. The unstandardized beta values are statistically significant with p-value < 0.05 except for AFI (p-value = 0.625). The beta values of all independent variables are observed as positive indicating positive impact of independent variables on dependent variable. Positive beta values indicating one unit increase in Accessibility of Banking Operations, Digitalization of Financial Inclusion, Affordability, and Adequacy causes to increase social conditions of the customer by 0.206, 0.194, 0.212, and 0.183 units respectively.

The multiple regression test was performed to examine the above hypothesis and results were presented in table No.4. The results exhibit the F-ratio is 61.969with 5, 433 degrees of freedom. The table value at given degrees of freedom is 2.23. As the F-calculated value is greater than F-table value and falls into rejection region. Further, p-value is 0.000 < 0.05. Therefore, we reject the null hypothesis that there is no impact of at least one independent variable on Economic conditions of the customers. This indicates that, there is an impact of one or more factors of financial inclusion on economic conditions of the customers. The Model summary of multiple regression of financial inclusion impact on Economic conditions was presented in table No.5 The results of the model exhibit the R^2 value is 0.417 indicating the 41.7 percent of variance explained by the predictor variables.

Table No.4:
ANOVA result of Multiple regression of Economic Conditions

	SS	df	MS	F	Sig.
Between Groups	92.396	5	18.479	61.969	0.000
Within Groups	129.121	433	.298		
Total	221.517	438			
SS - Sum of Square; MS - Mean Square; df - Degrees of Freedom					

***(Source**: Compiled from Primary Data)*

Table No.5:
Model summary of Multiple Regression of Financial Inclusion on Economic conditions

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.646[a]	.417	.410	.54608
a. Predictors: (Constant), ADE, DFI, ABO, AFF, AFI				

***(Source**: Compiled from Primary Data)*

Table No.6: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.764	.115		6.658	.000
ABO	.213	.023	.341	9.277	.000
AFI	-.029	.025	-.043	-1.165	.245
DFI	.159	.022	.272	7.375	.000
AFF	.172	.019	.329	8.909	.000
ADE	.162	.020	.296	8.010	.000

***(Source**: Compiled from Primary Data)*

The coefficient values of the regression results were presented in table No.6. The unstandardized beta values are statistically significant with p-value < 0.05 except for AFI (p-value = 0.245). The beta values of all independent variables are observed as positive indicating positive impact of independent variables on dependent variable. Positive beta values indicating one unit increase in Accessibility of Banking Operations, Digitalization of Financial Inclusion, Affordability, and Adequacy causes to increase social conditions of the customer by 0.213, 0.159, 0.172, and 0.162 units respectively.

8. Findings and Summary

8.1 Reliability of the Constructs

The Cronbach's Alpha values for all constructs exceeded the threshold of 0.7, indicating good internal consistency and reliability of the scales used in the study. This ensures that the measurement instruments accurately capture the intended financial inclusion factors and socio-economic conditions.

8.2 Factor Analysis

Factor analysis identified two primary factors representing social and economic conditions, with eigenvalues of 3.201 and 2.527, respectively. This suggests that the socio-economic conditions of customers can be effectively measured through these two dimensions, providing a clear framework for analyzing the impact of financial inclusion.

8.3 Impact on Social Conditions

The multiple regression analysis revealed that Accessibility of Banking Operations (ABO), Digitalization of Financial Inclusion (DFI), Affordability (AFF), and Adequacy (ADE) significantly enhance the social conditions of customers. These findings align with the notion that improved access to banking services, affordable financial products, adequate financial support, and the integration of digital technologies contribute to better social well-being. The insignificance of Awareness of Financial Inclusion (AFI) suggests that while customers may not be fully aware of financial inclusion initiatives, other factors still drive social improvements.

8.4 Impact on Economic Conditions

Similarly, ABO, DFI, AFF, and ADE were found to positively influence the economic conditions of customers. Enhanced accessibility and affordability of banking services enable customers to engage in economic activities, invest in businesses, and improve their financial stability. The lack of significance of AFI indicates that economic benefits can be realized even without high levels of awareness, possibly due to the tangible advantages of accessible and affordable financial services.

8.5 Implications for Policy and Practice

The study's findings have several implications:

- **Enhancing Accessibility:** Efforts should continue to increase the number of banking branches and ATMs in rural areas to ensure that customers can easily access financial services.
- **Promoting Digitalization:** Investing in digital banking infrastructure can facilitate easier and faster financial transactions, thereby improving financial inclusion.
- **Ensuring Affordability:** Financial products should remain affordable to encourage uptake among rural populations, who may have limited financial resources.
- **Adequacy of Services:** Financial services must be comprehensive and tailored to meet the specific needs of rural customers, ensuring that they are sufficient to support socio-economic development.
- **Rethinking Awareness Campaigns:** Since awareness did not significantly impact socio-economic conditions, future initiatives might focus more on improving the actual delivery and quality of financial services rather than solely on raising awareness.

8.6 Limitations of the Study

The study is limited to three regions within Telangana, which may not fully represent the diverse rural contexts across India. Additionally, the reliance on self-reported data may introduce biases.

Future research could expand the geographical scope and incorporate longitudinal data to assess the long-term impact of financial inclusion initiatives.

9. Conclusion

This study examined the impact of financial inclusion factors—Accessibility of Banking Operations, Digitalization of Financial Inclusion, Affordability, Adequacy, and Awareness of Financial Inclusion—on the social and economic conditions of customers of Telangana Grameena Bank. The findings indicate that ABO, DFI, AFF, and ADE significantly enhance both social and economic conditions, underscoring the importance of accessible, affordable, and adequate financial services in promoting inclusive growth. However, Awareness of Financial Inclusion did not show a significant impact, suggesting that direct improvements in service delivery may be more effective than awareness campaigns alone.

The results highlight the critical role of RRBs like TGB in driving financial inclusion and, consequently, socio-economic development in rural areas. Policymakers and banking institutions should prioritize enhancing accessibility, affordability, and digitalization to sustain and expand the benefits of financial inclusion. By doing so, they can foster an environment conducive to inclusive growth, ultimately contributing to poverty alleviation and economic stability in rural India.

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