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THE EFFECT OF FINANCIAL ATTITUDE ON FINANCIAL INCLUSION AND THE INFLUENCE OF FINANCIAL SELF-EFFICACY CONTROLLED BY AGE AND EDUCATION: AN EMPIRICAL STUDY

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ABSTRACT

The inability of individuals to involuntarily or voluntarily access financial services of formal nature has been understood to be a major obstruction to socio-economic development of economies like Kerala that is a part of a developing nation. In spite of all the remarkable efforts and innovations by financial institutions and government to make better FI over the past few years, the economy in India still bears the provocation of FI levels that are low. This study attempts to understand the financial inclusion and its scope in Tamilnadu. The effects of financial self-efficacy on the financial attitude and financial inclusion relationships. A partial correlation shows the significance relationship with the controlled effect of age and education. So it is recommended from the study that the financial inclusion is affected by the financial self-efficacy which is influenced by the age and education. A well-educated adult and old age persons adoption of financial inclusion may vary.

INTRODUCTION:

Financial inclusion, includes the deliberate expansion to ingress and make use of financial services and products, insurance, credit, payments, savings and remittances to a large number of people, has a part to play as an intervening strategy that has been understood universally as a significant development strategy (World Bank, 2014). Development and finance theories further claim that access to and the usage of financial services at individual as well as firm levels are considered supreme in overcoming inequality in income, neediness within markets of formal nature and attaining wider growth in the economy (Pandey and Raman,2012; Comparato, 2015).

The inability of individuals to involuntarily or voluntarily access financial services of formal nature has been understood to be a major obstruction to socio-economic development of economies like Kerala that is a part of a developing nation (Demirguc-Kunt and Klapper,2012; Ardic et al., 2011; Johnson and Nino-Zarazua,2011; Ssonka,2010). In addition to this, despite markets of a formal nature attaining outlook that is admirable partly because the regulative system adjustments that is both proactive and innovative and this allows for technological advancements and FE (Financial Exclusion) is still consistent.

In spite of all the remarkable efforts and innovations by financial institutions and government to make better FI over the past few years, the economy in Kerala still bears the provocation of FI levels that are low. About 80% of the adult population in Kerala with a vast majority (about 60%) dwelling in rural areas have inaccessibility to financial services that are of a formal nature (Finscope,2013 ; Kasekende and Brownbridge,2011; Ssonko,2010).

Generally Financial inclusion has been evaluated from the side of supply but it is also essential to intercede into the demand side FI determinants. First hand proof shows that one of the main factors that impacts the financial behavior is the confidence level one has in their own ability to handle a financial institution without being engulfed (Lown,2012). FSE (Financial Self Efficacy) is the capacity to instigate the real confidence that an individual financial consumer needs to make use of financial services that are formal in nature and make them accessible to them to better their lives.

By usage of Sen's capability approach (Sen, 1970), the study evaluates an individual financial consumer's Financial Self Efficacy and its impact on financial inclusion past 2 separate rural and urban Kerala regions.

Density of Branch shows how the banks are spread and the comfort level, public ease to undertake banking pursuits. Branch density trends vary. 14.5 in 2009 to 14.0 (1000 per branch) is an improvement to be noted which is registered, although clear separation is present between urban and rural regions. ATMs (both on-site and off-site) are an inevitable element of the contemporary banking era. A look at ATM density in a country like India shows advancement over former years. Inter-country comparison of some indicators of financial inclusion shows that in India, branch density corresponds to other Asian countries, both private credit to Gross Domestic Product (GDP) ratio and ATM spread are at low levels in a country like India.

Financial exclusion after-effects vary on the nature and the extent to which there is services-denial. Small businesses may be in pain due to inaccessibility to middle class and high-earning consumers, higher money-handling costs and obstruction in remittances in cash that leads to social exclusion. The UK (among developed countries) was one among the earliest to understand the significance of financial inclusion. There were various reasons like distrust by people on differing margins of society, physical distance, low credit scores, terms and conditions and others. Existence of adults that are unbanked is far lower than in other developed countries, with approximations of just 3 % of adults that lack bank account.

Accessibility to financial services for people with special respect to the poor and deprived is vital. The Indian legal system has been aware of this fact since time. Nationalization of banks provided first strenuous momentum for mass-banking. The idea behind RRBs (Regional Rural Banks) was also to confer banking services to the needy. RRBs and commercial banks have mushroomed from 8321 in the year 1969 to about 84504 branches nearing March end 2010. The figure of 'No frill' accounts has also shown growth over the past few years. With regards to branch network, RRBs and public sector banks have been able to accelerate their efforts by merely working on the existing capacity. In addition to this, the RBI's policy of authorizing new branches of banks motivates banks to start branches in regions that are unbanked. The new policy also places increased emphasis on RBI efforts to attain, among other things, financial inclusion and other objectives of the policy.

Aim of the study

From a wider perspective, Financial Inclusion is the distribution of banking services at reasonable cost to larger parts of less income earning groups. Financial Inclusion goals can be accomplished by banking sector's initiative to cut past various layers of society, gender, regions and income and motivate public to embrace the habit of banking. Apart from this, RBI (Reserve Bank of India) has interceded for financial inclusion's success by varied financial literary drives, enactments, leveraging technology, etc. Apart from banking system, the Indian financial web consists of insurance companies, SHGs (Self Help Groups), Indian postal department, CSOs

(Civil Society Organizations), NBFCs (Non-Banking Financial Companies), NGOs (Non-Governmental Organizations), and MFIs (Micro Finance Institutions), which are important financial intermediaries. The study aims at understanding the financial attitude towards the financial inclusion. The effect of financial self-efficacy on the relationship between financial attitude and financial inclusion in Tamilnadu.

LITERATURE REVIEW:

FI, the use and access of financial services and products, has been prioritized to policy makers across the world in the latest years (Demirguc-Kunt and Klapper, 2012a, Ardic et al.,2011; AFI, 2012). FI and FE were formerly used in the beginning of 1990 to grab attention to the finite access to financial services that are formal in nature (Leyshon and Thrift, 1994, Leyshon and Thrift, 1995, Kempson and Whyley, 1999). In this respect, FI is an intervening strategy that attempts to overcome the friction in the market which hinders these markets from functioning in a manner favouring the underprivileged and the poor with specific emphasis to developing economies (Aduda and Kalunda, 2012).

FI can be operationalized in varied environments among households, individuals, countries and even in firms. The discussion in this study is specific to individual level. At this level, analyzing the behavior of financial services is the main focus besides the usage level of these services among the households specific to the level of supply or provision of financial services by financial intermediaries. This is with respect to the aspect that FE extends not just past physical access generated by the deficiencies of financial service providers whereas it is inclusive of financial services' users.

FI plays a significant part in the development of the economy by facilitating economic growth and decreasing the inequality (Gupte et al., 2012). Thus, an all-encompassing financial system is more likely to complete this part and beneficial to the excluded segments. This will be possible when an economy makes use of a "balanced mediation effect" between the supply-side and demand-side, i.e., the financial services consumer as well as the financial services provider (Kumar and Mohanty, 2011, Agrawal, 2008). Peachey and Roe (2004) claimed that there is a powerful correlation between per-capita GDP and access across economies. It is thus presumed that, banking systems and economic development run parallel to each other. Thus, there is a need to establish enabling conditions for the growth of the economy through a "demand following" technique that assures growth through creating demand for financial services and products or "supply leading" technique that assures growth (Mohan, 2006).

FI is also important in socially and economically empowering the poor that may help them come out of poverty (Ardic et al., 2011, Demirguc-Kunt and Klapper,2012b, Peachey and Roe, 2004). Thus, FI positively impacts the future social and economic status but it also makes the monotonous financial life of a firm or individual better. If the poor needs to understand the merits of the financial services, the financial services and products must be of good quality and important to their respective needs (Thorat,2010, Beck and Demirguc-Kunt, 2008). FI changes the lives of the less income sections in a developing nation like Kerala. In this respect, Sarma and Pais (2011) made an observation that for each individual to understand the merits of financial services, the products need to be made of easy access, should be of right quality and important to the individual needs.

Elements of Financial Inclusion:

Massara and Mialou (2014) suggested that the idea of FI be forwarded through its 3 elements: usage, access and the quality of the financial services. Therefore, Hannig and Jansen (2010), Serrao et al. (2012) suggest that the quantification of FI should be able to check FI levels and secondly, increase the understanding about elements that relate with FI. These studies claimed that FI is often understood through the 3 elements.

The access element means the breadth and the physique of the financial services, and the individual's ability to make use of the existing financial services and products at a service point.

They go on to state that the lack of service points of a financial nature is considered chief in rural areas in comparison to the individuals in the urban areas. Secondly, we have the usage element that measures the ability of an individual to extract permanent object and utility from a certain financial service and product. Thirdly, we have the quality element that measures the importance of the financial services or products in the routine needs of financial consumers.

To make known the anomaly for attaining complete inclusion, problems of frequency of usage by the individuals and the financial services' quality towards meeting their needs effectively must give better perspectives and results. Thus, inclusion of the usage and quality in the measurement and quality of FI other than access that is quite simple which is believed to provide evidence that is more useful for scientific elucidation to FI which the study assumed.

FSE (Financial Self Efficacy):

The SCT (Social Cognitive Theory) explores the part cognitive theory has to play in acting as a guide to the motivation of individuals and financial behavior (Sandler, 2000) which has connection to FSE. Now, FSE means the estimate of confidence possessed by an individual to make use of financial services that was moored in the environment of the domain of finance. Bandura, (2005) claimed that a 'one measure fits it all' method normally has very limited explanatory and value that can be predicted since most of the items in an all-encompassing test might have negligible significance to the functioning of the domain. Kinard and Webster (2010) in one of their studies that examines the relation between unhealthy consumption behavior and self-efficacy discovered that self-efficacy is a predictor that is weak to predict the behaviors of risks. The lack of predominance was related to the use of a scale that is general rather than the measure that is specific to each domain.

FSE is recommended to predict the individual's likelihood to be able to access and make use of financial services of a formal type. Investigating the self-efficacy concept and its connection with FI is important since a financial consumer's cognitions as well as behaviours may have influence that is notable by belief in their potential to engage in a particular task or activity. Due to the remarkable influence, self-efficacy has on an individual that is quite positive, and afterwards on their behavior, a lot of researchers, albeit limited comparisons with other regulations, have found that the relation between the higher financial well-being levels and self-efficacy precepts (Lown, 2012). Tokunaga (1993) came to a conclusion that self-efficacy (financial self-efficacy) seemed to be the link that was missing between effective financial outcomes and actions and the knowledge that individuals possess.

In check with certain other scholars, Danes and Haberman (2007) put emphasis that self-efficacy profoundly influenced the financial behavior basically when teens possessed financial knowledge. Tokunaga (1993) and Engelberg (2007) also discovered that amongst other psychological abilities, self-efficacy assisted in predicting the likely occurance of credit issues. In that respect, such findings are in par with the perspective that is hypothesized that the relevance of such a financial confidence needed by a financial consumer to catapult them into taking into consideration the usage of financial services and products that is quite significant. Thus, by referring to FI, a greater level of self-efficacy is much likely to make a positive impact on the financial consumer's actions to gain accessibility to the financial services. Ozmete and Hira (2011) undertook a conceptual analysis of the theories that are behavioral in nature and their discharge on financial behavior. They discovered that self-efficacy was one important determinant of financial behavioral changes in varied environments. This shows that as an individual consumer has greater self-efficacy levels, it may have an impact on them to make use of and access a financial institution parallel to choice, services and products.

Thus, people with great self-efficacy has a tendency to focus on the opportunities and cut off obstacles in pursuit of an outcome that is positive (Locke and Baum, 2007). A financial consumer having great self-efficacy will foretell the welfare improvements if they could save, attain insurance services, credit and undertake payments and make investments and see the difficulties towards inclusion just as a part of a game.

Methodology and Findings

The study is undertaken among the individual investors. Purposive sampling were used to select the samples and 255 samples are collected. The study focuses on the effect of financial self-efficacy on financial inclusion and eventually the financial attitude of the individuals in Kerala. The age and the education is taken as the control variable. The independent variable is financial inclusion and the dependent variable is financial attitude. The self-efficacy mediates the relationship between the financial inclusion and financial attitude. The study thus, hypothesizes that:

H_1: Financial self-efficacy profoundly makes an impact on financial inclusion and it is controlled by age and education.

Table 1 : Correlation between aspects of Financial Inclusion

Control Variables			**Financial Self-efficacy**	**Financial Inclusion**	**Type of Listing**
-none-[a]	Financial Self-efficacy	Correlation	1.000	.168	-.068
	Financial Inclusion	Correlation	.168	1.000	.004
	Type of Listing	Correlation	-.068	.004	1.000
Type of Listing	Financial Inclusion	Correlation	1.000	.168	
	Age and education	Correlation	.168	1.000	

a. Cells contain zero-order (Pearson) correlations.

From the partial correlation analysis, it is understood that the effect of financial self-efficacy on financial inclusion is controlled by the age and education. That denotes that the different age group people are influenced by the different levels of financial self- efficacy and low correlation(r =.168) between the financial self-efficacy and financial inclusion. First hand evidence reveals that one of the main elements that has an impact on the financial conduct is self-efficacy which means the confidence level one has in one's ability to handle a financial situation without being engulfed (Amatucci and Crawley; 2011; Forbes and Kara, 2010; Lown, 2012; Engelberg, 2007; Dietz et al.,2003). FSE (Financial Self Efficacy) is hinged by a theory called the social cognitive theory which states the part cognitive thinking has to play in governing financial behavior and individual's motivation (Sandler, 2000). FSE construct is in correspondence with the social cognitive theory which claims that self-efficacy has a larger power to predict when it is domain-specific and impacts individual choices or tasks both directly and indirectly to realize outcomes that are positive that individuals commonly anticipate (Bandura, 2005). Additionally, a 'one measure fits it all' outlook has finite explanatory and predictive value since many items in an all-purpose trial may have negligible relevance to the functioning domain (Bandura, 2005). As such, self-efficacy being harbored in the environment of the finance domain is stated as the FSE construct that is examined consequently to elucidate its impact on FI.

In par with this, self-efficacy had been used in certain studies as a conciliating variable and has been noted as a predictor that is consistent in predicting behavior and behavior related changes (Bandura, 1986; Zimmerman et al., 1992; Zhao et al., 2005; Bailey and Austin, 2006). It is worth noting that few studies have intervened into studying the mediating part self-efficacy has to play in a financial climate.

First-hand findings over the years have stood with Bandura's argument that self-efficacy credence actually balances the relation between varied variables and attainments of performance in specific sections. For instance, Hejazi et al. (2009) has found that self-efficacy in separate domains played an indirect role that was facilitative in cognitive engagement to understand more successful performance precipitated by the will to attain besides the possession of their skills. In the same mannerism, Zhao et al. (2005), discovered that the consequences of conscious learning from entrepreneurial courses, before entrepreneurship experience and risk susceptibility on entrepreneurship related intentions were wholly mediated by self-efficacy of entrepreneurs.

Thus, self-efficacy is a changing characteristic that individuals may have in varied environments and thus, can be altered by individual behavior, the environment in which interactions take place and biological events (Stajkovic and Luthans, 1998). Currently, a discussion on FSE that is detailed is almost not in existence, taking into consideration the fact that in many other fields, it has been discovered that self-efficacy has a moderating and mediating association that is positive to individual's behaviors and attitudes. Based on before-hand findings, the study shows that:
Scope for future studies

Accessibility to financial services for people with special respect to the poor and deprived is vital. The Indian legal system has been aware of this fact since time. Nationalization of banks provided first strenuous momentum for mass-banking. The idea behind RRBs (Regional Rural Banks) was also to confer banking services to the needy. RRBs and commercial banks have mushroomed from 8321 in the year 1969 to about 84504 branches nearing March end 2010. The figure of 'No frill' accounts has also shown growth over the past few years. With regards to branch network, RRBs and public sector banks have been able to accelerate their efforts by merely working on the existing capacity. In addition to this, the RBI's policy of authorizing new branches of banks motivates banks to start branches in regions that are unbanked. The new policy also places increased emphasis on RBI efforts to attain, among other things, financial inclusion and other objectives of the policy.

Conclusion

Density of Branch shows how the banks are spread and the comfort level, public ease to undertake banking pursuits. Branch density trends vary. 14.5 in 2009 to 14.0 (1000 per branch) is an improvement to be noted which is registered, although clear separation is present between urban and rural regions. ATMs (both on-site and off-site) are an inevitable element of the contemporary banking era. A look at ATM density in a country like India shows advancement over former years. Inter-country comparison of some indicators of financial inclusion shows that in India, branch density corresponds to other Asian countries, both private credit to Gross Domestic Product (GDP) ratio and ATM spread are at low levels in a country like India.

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