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A Comparative Study of Financial Literacy and Financial Needs of Unbanked and Banked Population

M. Gayathri, S. Saraswathi

Assistant Professors

Department of Commerce, Jaya College of Arts and Science, Thiruninravur, Chennai, India

CHAPTER I

INTRODUCTION

The term "financial literacy" refers to an individual set of skills andknowledge which allows them to make conversant and effectual decisionsfrom an understanding of finances. OECD has defined financial literacy as 'Agrouping of financial awareness, information, ability, approach and performancenecessary to make resonance financial decisions and ultimately achieveindividual financial security.

'Also financial inclusion relates exclusively toawareness, access and utilizing of financial products. Consistent with OECD,'Financialinclusion refersto the process of promote affordable, timely and ampleaccess to a large collection of synchronized financial products and services andenlargement of their use by all segments of society through the performanceof modified active and inventive approaches together with financial awarenessand education with a view to promote financial security along with economicand social enclosure.'

Financial inclusion and financial literacy are identicalsupport. Whereas financial inclusion perform from supply part if the financialproducts and services for which the individuals insist, financial literacy inspirethe insist side building conscious of the people for what they able to require. ISubbarao, D., 2010)n the beginning level economies as India, that facethe trouble of low level of literacy, poor convenience and low stipulate. Thestrength of the financial schemes in country desires the capability of its peopleto manage effectively their own finances. Over the ongoing years, financialliteracy has suit a major area of anxiety in India. The general population at lackof information about financial issue anxious with routine capital managementand saving for long period. The state of West Bengal in the eastern partIndia has been chosenwith the end goal of the investigation. One critical area of anxiety WestBengal is the recurring financial forgeries which hitthe state time and over again. The Sanchayita fraud in1979 and frauds involving

Sanchayani and Verona inthe late 1980's were few previous examples. In 2013,the fall down of the Saradha Group (incorporated in2008) bare a financial cheat with an approximate lossof Rs. 2000030000 crores. News are extensive aboutgroups like MPS, I Core, etc. residual unavailablein gathering currency from public at huge throughcomparable deposit plans. As well as reported inthe news, people from rural and semi-urban areas,particularly including the daily wages and erstwhileengaged in the unordered labour market be mostlyaffected in the most recent rip-offs so far peoplefrom the town areas have remained elusive in hirethe news and media persons know about their statusin this admiration. Therefore, in the surroundings ofthe scams in West Bengal, a study into the positionof financial literacy and its association with financialinclusion is mainly applicable.

Objectives of study

To become more acquainted with bits ofknowledge aboutsignificance of financialinclusion, reasons for financial exclusion. Itssuggestions and appropriation of therapeutic keyactivities for financial related consideration inIndia.
Review of writing on techniques for financialinclusion inIndia.
To provide necessary suggestions to cover everyIndian into formal banking system in FinancialSystem and Financial Inclusion.
To provide necessary suggestions to cover everyIndian into formal banking system in Meaningful.

Necessitate for Financial Inclusion in India:

India should be cognizant on destitutionmitigation, particularlyamongpowerless groups.
Equitable economic development from side toside enhancements in jobs, better than average.work openings, nourishment security.
Financial Inclusive (FI) assembles reserve fundsthat advanceeconomic development throughbeneficial venture.
Unrestrained access to open productsandEnterprises is a fundamental state of an open andEffective society.

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CHAPTER II

REVIEW OF LITERATURE

Various studies have been conducted from time to time on Financial Literacy and Financial Inclusion across the globe and also in India. Hilbert, **Hogarth and Beverly (2003)** have observed in an US based study that financial knowledge could be statistically linked to financial practices related to cash-flow management, credit management, savings and investment.

Campbell (2006) observes some US households making serious investment mistakes like nonparticipation in risky asset markets, under-diversification of risky portfolios and failure to exercise options for refinancing mortgages.

Throats (2007) in her paper opined that one common measure of Financial Inclusion was the percentage of adult population having bank accounts. On the basis of available data, it was found that on an all India basis, 59 per cent of adult population in the country has bank account or in other words 41 per cent of the population is unbanked. In rural areas the coverage is 39 per cent against 60 per cent in urban areas. The extent of exclusion from credit markets is much more, as number of loan accounts constituted only 14 per cent of adult population.Lusardi and

Mitchell (2011) measure financial knowledge across eight countries, i.e., Germany, New Zealand, United States, Japan, Sweden, Russia, Netherlands and Italy, and conclude that financial literacy is very low around the world, irrespective of the level of financial market development and the type of pension provided. They have further found that women and relatively older population were having less knowledge respect of financial matters.

Bihari (2011) pointed out that the major reasons for failure of financial inclusion in India in the past in spite of initiatives were: a) absence of technology, b) absence of reach and coverage, c) inefficient delivery mechanism, d) absence of business model, and e) lack of compassion for poor among rich. But, now there is an increase in focus on inclusive growth.Banking technology has progressed fast enough and more importantly the realization that the poor is bankable has arrived.

Nash (2012) observes inequalities in financial literacy across different sections of population in India. Ramakrishna (2012) has identified financial literacy in the demand side of financial inclusion in a theoretical model.

Diane and Villa (2012) have found widespread debt and financial illiteracy among people living under the poverty line in France. Insufficient financial literacy was visible more in women, elderly and also those who were divorced, separated or widowed.

Thilakam (2012) has observed that rural masses in India are comfortable with the conventional investment choices and are more risk-averters than risk-takers. Seshan and Yang (2012) have provided a savings-oriented financial literary workshop to the migrant Indian workers in Qatar and observed large positive effects on migrant savings and their remittance to their family after the workshop.

Wood, Downer, Lees and Toberman (2012) have found that couples in Britain do not typically enjoy managing their household finance and also that few people emerge to be truly active in putting retirement provision in place.

Mahajan and Tabiani (2013) have conducted an exploratory study in Malaysia which reveals that savings regularity, gender, income and educational level influence the probability of savings positively.

Bhushan and Medury (2013) observe that overall financial literacy level among the salaried Individuals in India is not encouraging. The level of financial literacy varies significantly among respondents Based on various demographic and socio-economic factors like gender, education, income, respondents based on various demographic and socio-economic factors like gender, education, income, nature of employment and place of work whereas it does not get affected by age and geographic region United Kingdom, Germany, Russia, Brazil and China. They have found, considering the vastness of India, that the progress was Too small compared to the other countries. They conclude that though financial inclusion has picked up in India In the last few years with many new innovations like mobile banking, ultra small branches etc., still it is far from Adequate. Bhushan (2014) has inferred that Indians with low level of financial literacy invest their money in Traditional financial products instead of new age financial products with higher returns.

CHAPTER III

PROFILE OF THE STUDY AREA

An estimated 4.5 percent of U.S. households (approximately 5.9 million) were “unbanked” in 2021, meaning that no one in the household had a checking or savings account at a bank or credit union.

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Between 2011—when the unbanked rate was at its highest level since the survey began— and 2021, the unbanked rate fell 3.7 percentage points, corresponding to an increase of approximately 5.0 million banked households.
Consistent with the results of previous surveys, unbanked rates in 2021 varied considerably across the U.S. population. For example, unbanked rates were higher among lower-income households, less-educated households, Black households, Hispanic households, working-age households with a disability, and single-mother households.
Differences in unbanked rates between Black and White households and between Hispanic and White households in 2021 were present at every income level. For example, among households with income between $30,000 and $50,000, 8.0 percent of Black households and 8.4 percent of Hispanic households were unbanked, compared with 1.7 percent of White households.

Unbanked Households: Reasons for Not Having a Bank Account
"Don't have enough money to meet minimum balance requirements" was cited by 21.7 percent of unbanked households as the main reason for not having an account—the most cited main reason.
"Don't trust banks" was the second-most cited main reason for not having an account in 2021 (13.2 percent), and "Avoiding a bank gives more privacy" was the third-most cited main reason (8.4 percent). Banked Households: Primary Method Used to Access Bank Accounts Among banked households: Use of mobile banking increased sharply (from 15.1 percent in 2017 to 34.0 percent in 2019 to 43.5 percent in 2021) and remained the most prevalent primary method of account access. Use of a bank teller declined considerably (from 24.8 percent in 2017 to 21.0 percent in 2019 to 14.9 percent in 2021) but remained prevalent among certain segments of the population, including lower-income households, less-educated households, older households, and households that did not live in a metropolitan area.

CHAPTER IV
DATA ANALYSIS AND INTERPRETATIONS

Scope of the study:
The main focus of the study would be on functioning of the Merchant Banking companies. The study would have information and details of Merchant Banking of public sector and private sector companies and then an analysis will be done on the collected information and finally a comparison between these two categories will be done. After comparison it would be find out which category has more growth potential in present scenario as well as in future.

Objectives of the study:

- To compare the 5 years of Operating profits, Profit after tax, Gross profit of merchant banking in Private sector and Public sector.
- To Study the services offered by Public sector & Private sector bank in merchant bank.
- To analyze the financial position of Public & Private sector.

Historical Banking Rates
Our historical datasets enable us to produce estimates of unbanked rates in the United States across nearly 40 years, building on existing estimates for single-years and shortrun time series. We provide sin- gle-year unbanked rates for each of our surveys and pool banking rates for the start (1980s) and end of the series (2010s) to capture more general long-run trends and increase statistical power. For estimates for the 2010s, we use all available estimates for 2013-2019 as 2013 was the first year that all three surveys provided banking rates in the same calendar year. As discussed in Section 2, SIPP banking estimates from 1996-2012 likely do not identify some respondents who are banked due to changes in the asset question- naire.17 To reflect this, SIPP unbanked rates from these years are denoted by a shape with no fill. For poverty rate changes over time, we present figures, while providing annual unbanked rates from each survey in Appendix Table A3 and annual unbanked rates by poverty status for those in poverty (Appendix Table A4) and those not in poverty.

Banking Rates and Poverty
Much of the literature has used a set value of household income to define low-income populations when examining the relationship between economic well-being and unbanked rates (Hogarth, Anguelov and Lee 2003; Washington 2006; Rhine, Greene and Toussaint-Comeau 2006; Barr, Dokko and Keys 2012; Bar cellos and Zamarro 2019). While easily defined in most household surveys, household incomealone does not account for household size. For example, smaller households with the same income as larger households are likely better off, holding all other factors the same.

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To show this, Figure 3 displaysthe unbanked 18 Unbanked rates between SCF and FDIC ASEC are not statistically different.19 Asians had lower unbanked rates than other groups including Whites with an unbanked rate of 1.1% for 2019 from the FDIC ASEC linked sample. Asian identifiers are not available in the public-use SCF.rates for three household income levels ($25,000; $35,000; $50,000) in 2019 dollars as well as the households OPM. For the FDIC ASEC and SIPP, we also include unbanked rates for the Supplemental Poverty Measure (SPM). The SPM builds on the OPM by capturing noncash benefits, taxes, differences in cost of living, and necessary expenses including childcare, medical, and work-related expenses, which are not accounted for in the OPM.

CHAPTER V
FINDINGS, SUGGESTIONS AND CONCLUSION
Suggestions

Government organizations and NGOs mayEmbrace financialawareness programs among
The inbornindividuals to build their financial Literacy.
Banks, Insurance organizations and otherFinancial service providers may focus more onThe ancestral individuals since they are not yetCompletely financially included. It will assist theOffices with increasing their client base.
Specialists may find a way to incorporateFinancial literacy education programs in theSchool educational modules. It will shape a Financially educated new generation. While undertaking any inborn improvementPrograms, more focus might be given to Mahdi People group since they are a long ways behindThan other tribal communities definitely.
Government organizations and NGOs mayembrace financial awareness programs amongthe inborn individuals to build their financialliteracy. That will be useful to bring a routinewith regards to recording of wages and usesamong them.
Banks, Insurance organizations and otherfinancial service providers may focus more onthe ancestral individuals since they are not yetcompletely financially included. It will assist theoffices with increasing their client base.
Specialists may find a way to incorporatefinancial literacy education programs in theschool educational modules. It will shape afinancially educated new generation. While undertaking any inborn improvementprograms, more focus might be given to Mahdi people group since they are a long ways behindthan other tribal communities definitely.

Conclusion

- ◊ Financial literacy is considered as a noteworthconnection for advancing promoting financialinclusion and at last financial constancy.
- ◊ Alongthese lines, government experts are giving a lotsconsideration to financial literacy programmes.
- ◊ Anyway the issue is that, these programmes arenot making any contact with an extensive area ofthe populace which is inside society and effectivelyin reverse.

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