

“A STUDY ON FINANCIAL LITERACY TOWARDS FINANCIAL INCLUSION IN RURAL HOUSEHOLDS-SPECIAL REFERENCE TO THRISSUR DISTRICT”

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Abstract: financial inclusion initiated by the RBI, had thus far involved ensuring access to at least minimum balance ‘no-frills’ saving bank account to every households. Financial inclusion will enable the poor of our country to open a bank account to save and invest, to borrow and to repay, to insure and to take part in the credit. RBI announced policies were made to encourage bank to provide extensive banking services to the unbanked mass of country. Financial inclusion mainly focused on inclusive growth. In the scenario, the need for financial literacy is become more important than ever before it determines the success of financial inclusion programme of every country. The study explores to the intensity of financial inclusion and financial literacy among rural people. The target group mainly include agriculturalists, pensioners, Government employees, Non –Government employees, people engaged in business and others. Banking habits and awareness about financial products and services come within the purview of the study. The target group are people residing in Velur Grama panchayath, Thrissur district.

INTRODUCTION

The Rangarajan committee defined as financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. A simply financial inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income. Financial inclusion played a major role in driving away the poverty from the country.

In India drive for financial inclusion initiated by the RBI, had thus far involved ensuring access to at least minimum balance ‘no-frills’ saving bank account to every households. In this context, a least one district in each state has been brought under purview of this drive with public sector banks in the region taking the lead to open at least one bank account per family in the district. In fact providing access to finance is a form of empowerment of the vulnerable groups. Hence financial inclusion is considered to be critical for achieving inclusive growth. The financially excluded sections largely comprise farmers, landless labourers, self employed and unorganized sector enterprises, minorities, senior citizen and women. Financial inclusion will enable the poor of our country to open a bank account to save and invest, to borrow and to repay, to insure and to take part in the credit. RBI announced policies were made to encourage bank to provide extensive banking services to the unbanked mass of country. Even though, there are people who desire the use of financial services, but are denied access to the same. Financial inclusion mainly focused on inclusive growth. In the scenario, the need for financial literacy is become more important than ever before it determines the success of financial inclusion programme of every country.

Financial literacy means the ability of a person to understand financial matters. In other words it means the awareness, knowledge, skills of individuals to make decisions about saving, investments, borrowings, and expenditure in an informed manner. It is argued that as banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of public policy. The term “financial inclusion” has gained importance since the early 2000s, and is a result of findings about financial and its direct correlation to poverty. Financial inclusion is now a common objective for many central banks among the developing nations.

OBJECTIVES

- To study the banking practices among people
- To review the awareness of people about financial products and Services
- To identify the major source of information about financial products

STATEMENT OF THE PROBLEM

The Indian financial sector has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that the financial institutions have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic financial services. Reserve Bank of India and Central Government are making efforts to study the causes of financial exclusion and designing strategies to ensure financial inclusion of the poor and disadvantaged. The reasons may vary from country to country and hence the strategy could also vary but all out efforts are being made as financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged. The present study aims to analyse the extent of financial inclusion and level of financial literacy among rural households in Thrissur in Kerala

SIGNIFICANCE OF STUDY

The study on financial inclusion and financial literacy among people is a great importance in the present day situations. Active participation of each and everyone in the financial system of the country is prerequisite for the effective functioning of financial system. Financial system facilitates the needs of those who need money and those who have surplus money. Banking habit is the

simplest way to enter into the financial system. Now also there are more than 30% of the Indian populations are unbanked. Therefore the study proposes to analyse the intensity of financial inclusion and financial literacy among the people.

SCOPE OF THE STUDY

The study explores to the intensity of financial inclusion and financial literacy among rural people. The target group mainly include agriculturalists, pensioners, Government employees, Non –Government employees, people engaged in business and others. Banking habits and awareness about financial products and services come within the purview of the study.

The target group are people residing in Velur Grama panchayath, Thrissur district.

RESEARCH METHODOLOGY

Any study is based on appropriate methodology. Research methodology outlines the research plan. It describes what must be collected and how resources of data will be collected.

This project provides a room for understanding financial literacy towards financial inclusion. The research methodology step contains the details regarding the data collection. For the completion of this study both the primary as well as secondary data are collected, primary data are collected from 100 members.

RESEARCH DESIGN

Research design is a framework, which provides guidelines for the rest of research process. It is a blue print according to which, the research is to be conducted. The research design specifies the method of the study. A research design is prepared after formulating research problem. The problem is to know the level of financial literacy towards financial inclusion. The study follows Exploratory research and the sampling method used for this study is random sampling.

SAMPLING DESIGN

The sampling technique used for the study is convenience sampling. It is a probability sampling technique. It is not always possible to undertake a probability method of sampling, such as random sampling.

SAMPLE SIZE

Deciding sample size is a major problem faced by every researcher. If the sample size is high then cost and time will increase and when the sample size is small then the results obtained may be less accurate. An optimum sample may be defined as that size of sample, which fulfils the requirement of efficiency, reliability and flexibility. The study is conducted in the people residing in velur panchayath. The total number of respondents selected is 100 by random sampling method.

SAMPLE UNIT

Here the sampling unit represents the people residing in velur grama panchayath.

SOURCES OF DATA

The secondary data were collected from past records and published data on internet and journals. While the primary sources of data were mainly obtained by distributing questionnaire to people residing in velur panchayath. The data collected from both the primary and secondary sources were quantified and analysed in qualitative terms which revealed that there was considerable improvement in financial inclusion.

TOOLS FOR DATA COLLECTION

QUESTIONNAIRE SCHEDULE

Questions are framed in such a way that the answers reflect Ideas and thoughts of the respondents with regard to the level of financial inclusion through financial literacy.

TOOLS USED FOR ANALYSIS

For the proper analysis and interpretation of the collected data the following techniques were used

PERCENTAGE ANALYSIS

The percentage method is used for comparing certain feature. The collected data represented in the form of tables and graphs in order to give effective visualization of comparison made.

NON PARAMETRIC TEST

There are some situations when it is not possible to make any assumption about the distribution of the population from which the samples are drawn. In such situation we follow test procedure which is known as non parametric test. Chi square test is one of the simplest and most widely used non parametric test in statistical world. This test is developed by prof. Karl Pearson.

CHI SQUARE TEST

$$= \sum (O-E)^2/E$$

Test of goodness of fit

Chi- square test can be used to ascertain how well theoretical distributions fit the data. We can test whether there is goodness of fit between the observed frequencies (O) and expected frequencies (E).

O= actual data collected

E= The mean of the observed frequency

2 Testing independence of two attributes

With the help of Chi-square test we can find out whether 2 attributes are associated or not.

In this test expected frequency are taken as

E= Row total*column total/Grand total

PARAMETRIC TEST.

conventional statistical procedures are also called parametric test. In a parametric test a sample statistics is used to estimate the population parameter. These tests were based on the assumption that the samples were drawn from normally distributed population or in other words, the sample means are normally distributed.

'T' TEST

A 'T' test is any statistical hypothesis test in which the test statistics follows a 't' distribution if the null hypothesis is true. It is commonly applied when the test statistic would follow a normal distribution.

WEIGHTED MEAN RANKING METHOD

REVIEW OF LITERATURE

RBI (2014a) focused on the provision of financial Services to the small businesses and low income households. Among the main motives of the committee included designing principles for maximum financial inclusion and financial deepening and also framing policies for monitoring the progress in the development of financial inclusion in India. Thus, in order to achieve the goal of maximum financial inclusion and increased access to financial inclusion the committee proposed the following measures: provision of full-service electronic bank account; distribution of Electronic Payment Access Points for easy deposit and withdrawal facilities; provision of credit products, investment and deposit products, insurance and risk management products by formal institutions. The main findings of the report highlighted the following key issues. First, the majority of the small businesses were operating without the help of formal financial institutions. Second, more than half of the rural and urban population did not have access to bank account. Third, savings in terms of GDP have declined in 2011-12. To address these issues, the Committee recommended that each individual should have Universal Electronic Bank Account while registering for an Aadhar card. The committee also proposed for setting up of payments banks with the purpose of providing payments services and deposit products to small businesses and low income households. Also banks should purchase portfolio insurance which will help in managing their credit exposures. Further, the Committee recommended for setting up of a State Finance Regulatory Commission where all the state level financial regulators will work together. For the interest of the bank account holders, the committee recommended for the creation of Financial Redress Agency (FRA) for IIMB-WP NO. 474 12

Ghatak (2013) identifies the factors – Accessibility, Culture, Assets, Income and Literacy As the key factors that influence the demand for financial inclusion. The study observed that Accessibility has the highest correlation (0.650) which is followed by Literacy (0.447), Income (0.442), Culture (0.303) and Assets (0.054). To ensure accessibility the author suggests branch expansion policies in rural areas, penetration of ATMs and technology adoption, expansion of mobile banking and BC facilities etc. The level of financial literacy is to be enhanced to create an awareness among the younger generation about the several benefits of being financially included. The school curriculum should take care of the financial literacy needs.

CRISIL (2013) measured the extent of financial inclusion in India in the form of an index. It makes use of the non-monetary aggregates for calculating financial inclusion. The parameters used by the CRISIL Inclusix took into account the number of individuals having access to various financial services rather than focusing on the loan amount. The three parameters of the index were branch, deposit and credit penetration. These parameters were updated annually and based on the availability of data, additional services such as insurance and microfinance were added. The key findings of the report were as follows: one in two Indians has a savings account and only one in seven Indians has access to banking credit; CRISIL Inclusix at an all-India level stood at a relatively low level of 40.1 for 2011 (on a scale of 100). In short, CRISIL gave ground-level information regarding the progress of financial inclusion in the country's rural and also in urban areas.

Shankar (2013) argues that financial literacy and financial capability are regarded as important demand side factors that influence financial inclusion efforts. While financial literacy refers to the basic understanding of financial concepts, financial capability refers to the ability and motivation to plan financials, seek out information and advice and apply these to personal circumstances. The author cites the examples of microfinance institutions that maintain close relationship with the community and spread knowledge and literacy among the clients on the prudent usage of financial resources

Greg Fischer (2011) relates finance to financial inclusion by linking access to finance as central to risk management. Finance allows firms and farms to protect against loss of productive assets and insure against shocks arising out of natural disasters like flood or drought. A household that cannot respond to an investment opportunity for want of finance loses out on earning income and growth.

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Sadhan Kumar (2011) worked out an Index on financial inclusion (IFI) based on three variables namely penetration (number of adults having bank account), availability of banking services (number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra and Karnataka has achieved high financial inclusion (IFI >0.5), while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion (0.3 <IFI<0.5) and the remaining states have very low financial inclusion

Leeladhar V (2005) opined in his lecture that a holistic approach on the part of the banks in creating awareness about financial products, education, and advice on money management, debt counseling, savings and affordable credit will require for addressing financial exclusion. In his opinion Technology can be a very valuable tool in providing access to banking products in remote areas and ATMs cash dispensing machines can be modified suitably to make them user friendly for people who are illiterate, less educated or do not know English.

GOI (2008) examined financial inclusion as a delivery mechanism providing financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The recommendations of the report focused on the following areas. First, financial inclusion should include access to mainstream financial products. Second, banking and payment services should be available to the entire population without discrimination. Third, promotion of sustainable development and generation of employment in rural areas should be a priority. Fourth, financial inclusion must be taken up in a mission mode and thereby suggested the constitution of a National Mission on Financial Inclusion (NMFII) in order to achieve universal financial inclusion within a specific time frame. Fifth, the Committee also recommended for the constitution of two funds with NABARD – the

Financial Inclusion Promotion and Development Fund, and the Financial Inclusion Technology Fund for better credit absorption capacity among the poor and vulnerable sections of the country and also for proper and appropriate application of technology in order to facilitate the mandated levels of inclusion. In short, the report provided an understanding of one of the best ways to achieve inclusive growth through financial inclusion.

Kamath (2008) attempted to understand the impact of Micro-Finance Institution (MFI) loans on daily household cash flows by analyzing cash inflow and outflow patterns of borrowers of MFI and comparing with non-MFI households. The Financial diary methodology was used to collect the data and to keep track of 11 months expenditure pattern (September 2008 to August 2009) of the households of Ramanagar area, Karnataka, India, and the Principle Component Analysis (PCA) methodology was used to analyze the data. The findings of the study highlighted some critical issues. First, repayment of one MFI loan was done by using other MFI loans. Second, maximum repayment of MFI loan exceeded the average income of the households (as the loans were taken before September 2008). Third, none of the loans were used for productive purpose instead they are used for consumption purpose. Fourth, the households (MFI and non-MFI) did not find right option to save excess liquidity. Fifth, during the pre-ban, indebted households spent majority of income on loan repayment, food, fuel, etc. and very little was being spent on non-food items. Whereas, non-indebted households spent their income on clothes, accessories, cosmetics, travel, etc. after the food expenditure. Sixth, there was a shift in the expenditure pattern during the post ban, indebted and non-indebted households started spending more on non-staple food such as meat, snacks, rice, jewellery, medical expenses, and travel. Seventh, the expenditure pattern of households with multiple MFI's during post ban has provided the opportunity to buy more rice and grain. Eighth, majority of the indebted households found difficulty in repaying the loans. As a result, multiple MFI loans were taken to repay the debt. Ninth, tacit pressure was placed by loan officers on the group members to avoid potential default of loans. Tenth, MFI's did not adopt fare mechanism for charging interest rates. Eleventh, MFI had lent money without assessing borrowers' debt coverage ratio (credit worthiness). In short, the MFI crisis occurred due to indebtedness of the house holds to the multiple MFI's, and MFI repayments came at the cost of food and travel.

THEORETICAL FRAME WORK

FINANCIAL INCLUSION

Meaning:

Financial inclusion is the delivery of financial services at affordable costs to vast section of disadvantaged and low income groups .unrestrained access to public goods and services is the sine of quonon of an open and efficient society. It is argued that as banking services are in the nature of public good, it is essential that availability of banking services to the entire population without discrimination is the prime objective of the public policy. The term “ financial inclusion” has gained importance since the early 2000s and is a result of findings about financial exclusion and its direct correlation to the poverty. Financial inclusion is now a common objective for many central banks among the developing nations.

Definition:

According to UNITED NATIONS, “ A financial sector that provides ‘access to credit for all “ bankable” people and firms and to savings and payments services for everyone. Inclusive finance does not require that everyone who is eligible use each of the services, but they should be able to choose use them if desired.

FINANCIAL EXCLUSION

Financial exclusion can be defined as the inability of individuals, groups and communities to access and use appropriate and affordable personnel, business and organizational financial products and services. The term financial exclusion was first coined in 1993 by geographers who were concerned limited physical access to financial services as a result of bank branch closures.

Illiteracy is one of the major drivers of financial exclusion in developing countries. Financial awareness and education is prerequisite for rural people. For a healthy financial system participation of every people in the financial activities is must.

Financial Inclusion – RBI Policy Initiatives

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts

Financial Inclusion Initiatives

- Advised all banks to open *Basic Saving Bank Deposit (BSBD)* accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.
- *Relaxed and simplified KYC norms* to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address⁹.
- *Simplified Branch Authorization Policy*, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions.
- *Compulsory Requirement of Opening Branches in Un-banked Villages*, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.

- *Opening of intermediate brick and mortar structure*, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
- Public and private sector banks had been advised to submit board approved three year Financial Inclusion Plan (FIP) starting from April 2010.
- These policies aim at keeping self-set targets in respect of rural brick and mortar branches opened, BCs employed, coverage of un-banked villages with population above 2000 and as well as below 2000, BSBD accounts opened, KCCs, GCCs issued and others. RBI has been monitoring these plans on a monthly basis.
- Banks have been advised that their *FIPs should be disaggregated and percolated down up to the branch level*. This would ensure the involvement of all stakeholders in the financial inclusion efforts.
- In June 2012, revised guidelines on *Financial Literacy Centres (FLCs)*. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

Dimensions of Financial Inclusion

The level of financial inclusion in India can be measured based on three tangible and critical dimensions. These dimensions can be broadly discussed under the following heads:

I. Branch Penetration

Penetration of a bank branch is measured as number of bank branches per one lakh population. This refers to the penetration of commercial bank branches and ATMs for the provision of maximum formal financial services to the rural population.

II. Credit Penetration

Credit Penetration takes the average of the three measures: number of loan accounts per one lakh population, number of small borrower loan accounts per one lakh population and number of agriculture advances per one lakh population.

III. Deposit Penetration

Deposit penetration can be measured as the number of saving deposit accounts per one lakh population. With the help of this measure, the extent of the usage of formal credit system can be analysed

FINANCIAL LITERACY

A number of definitions of financial literacy exist in the literature. Basically 'financial literacy' refers to the knowledge and understanding of financial concepts there by resulting in the ability to make informed, confident and effective decisions regarding money. Financial literacy can be interpreted broadly or narrowly. In a broader perspective, financial literacy can be stated as "understanding of economics and how economic conditions and circumstances affect household decisions" (Worthington, 2006). A narrow definition of financial literacy focuses on "basic money management tools such as budgeting, saving, investing and insurance" (Natalie, Newton and Chrisann, 2010). It is the narrow view of financial literacy that is particularly relevant to individual decisions concerning financial matters.

Different interpretations of financial literacy have been used in financial literacy studies resulting in no uniform definition. A number of studies have used financial literacy interchangeably with other names like financial capability, financial empowerment, debt literacy, financial knowledge, and economic literacy. Definitions used by major studies focus on knowledge and ability to make informed judgments to reach an intended outcome such as lifetime financial security and the skills required to realise those outcomes.

The consistent themes running through various definitions of financial literacy include:-

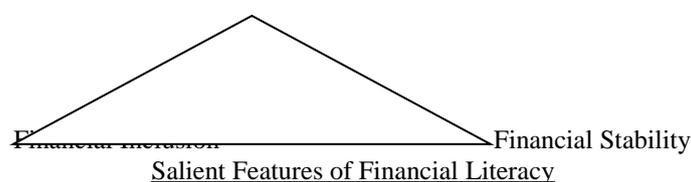
- (1) Being knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes,
- (2) Understanding the basic concepts underlying the management of money and assets; and
- (3) Using the knowledge and understanding to plan, implement, and evaluate financial decisions.

Financial Literacy Initiatives

□□ Financial education, financial inclusion and financial stability are three elements of an integral strategy, as shown in the diagram below. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability.

The Financial Tripod

Financial Education



i. Financial knowledge

Financial literacy is concerned with financial knowledge. To some authors, it is a specific form of knowledge (Hilgert, Hogarth and Beverley 2003) regarding financial products and services.

ii. Application of knowledge

Financial literacy involves use of the financial knowledge which has acquired. Financial literacy is acquired through practical experience and active integration of knowledge. Knowledge influences behaviour or action.

iii. Personal ability

Financial literacy is purely a personal quality. It is the ability to evaluate and make judgments on financial matters affecting day to day life of a person.

iv. Managing money

People cannot live without money. Hard earned money should effectively be utilized. Financially literate person knows well about managing his money so as to make life smooth.

v. Attitude

Attitude of a person about money has an important impact on his/her financial literacy. Attitude towards money, life style, social status, formal financial education etc influences personal financial literacy and thereby future prospects.

vi. Measurement

Measurement of financial literacy is not simple as that of measuring general literacy. The methods of measurement varies according to the socioeconomic back ground of the people whose financial literacy is studied, i.e., rich or poor either urban or rural.

vii. Universality

Financial literacy concepts are applicable to all sections of the society, rich or poor either in developed or developing or underdeveloped nations

Attributes Required for Financial Literacy

The research report by Capuano and Ramsay (2011) gives attributes required for financial literacy. The attributes are linked together to form a complete picture of financial literacy.

- Knowledge of financial information and core competencies
 - which are understood;
 - which can be communicated;
 - that can be applied;
 - with experience and skills;
- knowing where to go for independent and trustworthy help when necessary;
- with the ability to assess long term and short term goals, to make informed judgments and to plan and make decisions relating to finance;
 - with confidence and motivation to take action;
 - in a way that can be measured by knowing the core competencies of financial literacy;
- where a decision is considered in light of its context, such as economic conditions or forecasts;
- in an environment that allows the opportunity to acquire and exercise financial literacy skills;
 - and the action results in positive outcomes;
 - Thereby increasing lifetime wellbeing.

Financial capability includes the ability and opportunity to use the knowledge and skills implied in financial literacy. Financial capability is a broader concept that takes care of an individual's capacity to make use of the financial product and its availability.

Thus, the concept financial capability warrants building the capacity for an individual to make use of the financial services together with the required knowledge, skills and attitudes. Cohen and Nelson (2011) argues that while consumers have a responsibility to inform themselves about products they are purchasing, financial service providers have a responsibility to understand their market, and respond with a range of appropriate and affordable services. Financial capability brings together informed clients and appropriate products in the market place together.

Recent Measures –

- Licensing of New Banks: The present round of licensing new banks is essentially aimed at giving further fillip to financial inclusion efforts in our country. Innovative business models aimed at furthering financial inclusion efforts would be looked into closely in processing applications for banking license. Financial inclusion plan would be an important criterion for procuring new bank licenses (Dr. D Subbarao).
- Discussion Paper on Banking Structure in India – The Way Forward: The RBI has put out a discussion paper in August 2013 on Banking Structure for public comments. One of the main issues relates to “Differentiated Banking Licenses”. The subject of licensing ‘small banks and financial inclusion’ has been discussed therein. A view will be taken by RBI after factoring in the comments/suggestions received from the general public.
- In this context, it needs to be mentioned that Urban Co-operative Banks (UCBs), Regional Rural Banks (RRBs) and Local Area Banks (LABs) numbering 1606, 64, and 4 respectively are, in fact, Small Finance Banks operating in this country. These apart, there is a 3-Tier rural co-operative structure with State Co-operative Central Banks (SCCBs) at the apex, District Central Co-operative Banks (DCCBs) at the intermediary level and Primary Agricultural Credit Societies (PACs) at the grass root level, which number 31, 371 and 92,432 respectively. Furthermore, we have around 12,225 NBFCs as on March 2013, which could be conceptually construed as semi-banks undertaking predominantly credit/investment activities.

Progress in Financial Inclusion

- Progress of financial inclusion since the launch of financial inclusion plans clearly indicates that banks are progressing in areas like opening of banking outlets, deploying BCs, opening of BSBD accounts, grant of credit through KCCs and GCCs. Detailed trends are furnished in the following charts.

Need for Financial Inclusion in India

- India needs to be conscious on poverty alleviation, especially among vulnerable groups,
- Equitable economic growth through improvements in livelihoods, decent employment opportunities, food security
 - Financial Inclusive (FI) mobilizes savings that promote economic growth through productive investment.
- FI promotes financial literacy of the rural population and hence guides them to avoid the expensive and unreliable financial services.
 - This helps the weaker sections to channelize their incomes into buying productive resources or assets.
- In the situations of economic crisis, the rural economy can be a support system to stabilize the financial system. Hence, it helps in ensuring a sustainable financial system.
 - Financial inclusion supports both economic efficiency and equity and self reliance,
- Unrestrained access to public goods and services is an essential condition of an open and efficient society

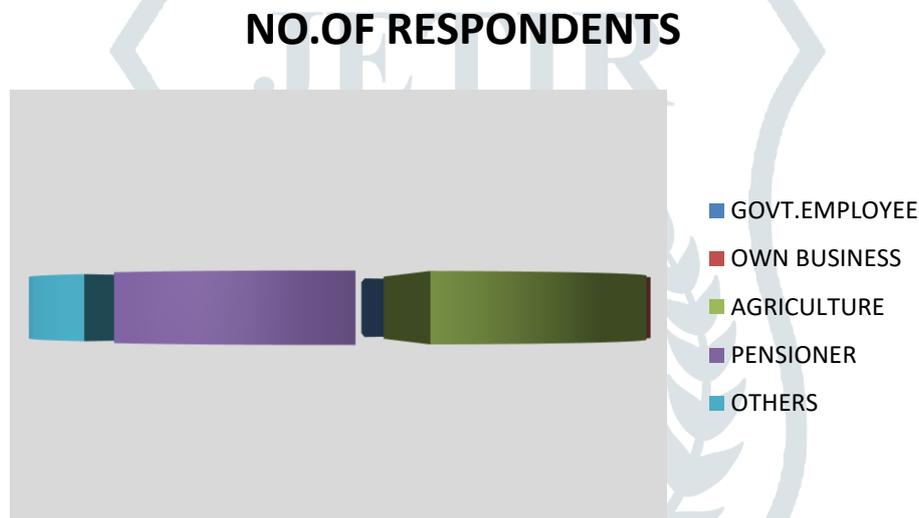
ANALYSIS AND INTERPRETATION OF DATA

PART 1 PERCENTAGE ANALYSIS

TABLE 4.1 SHOWING CATEGORISATION OF GENDER

GENDER	NO.OF RESPONDENTS	PERCENTAGE
MALE	43	43%
FEMALE	57	57%
TOTAL	100	100

Source: primary data
CHART 4.1



INTERPRETATION: This table 4.1 shows the gender wise classification of respondents. There is a slight change in gender category, 57% of the respondents are female and 43% are male. So it is clear that the women respondents are more than male for included in this study.

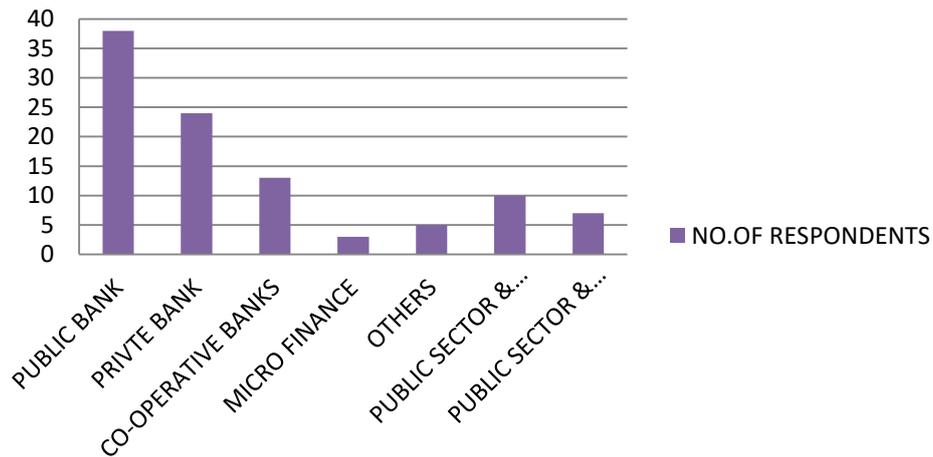
TABLE 4.2 SHOWING THE EDUCATIONAL QUALIFICATION OF RESPONDENTS

EDUCATIONAL QUALIFICATION	NO.OF RESPONDENTS	PERCENTAGE
PRIMARY	22	22%
HIGHER SECONDARY	24	24%
GRADUATION/DIPLOMA	35	35%
POST GRADUATION	19	19%
TOTAL	100	100

Source: primary data

CHART 4.2

NO.OF RESPONDENTS



Source: primary data
INTERPRETATION:

Table 4.2 shows the categorization of educational qualification of respondents.among the total respondents 22% of members have only primary education,22% attained higher secondary, 37% are graduates and 19% are post graduates. There is only a slight change in this category.this study shows that most of the respondents are graduates And least of them are post graduates.

TABLE 4. 3 SHOWING THE OCCUPATIONAL STATUS OF RESPONDENTS

OCCUPATIONAL STATUS	NO.OF RESPONDENTS	PERCENTAGE
GOVT.EMPLOYEE	14	14%
OWN BUSINESS	13	13%
AGRICULTURE	21	21%
PENSIONER	14	14%
OTHERS	38	38%
TOTAL	100	100

Source: primary data
CHART 4.3

ZERO BALANCE ACCOUNT HOLDERS

■ HAVING ZERO BALANCE ACCOUNT ■ NOT HAVING ZERO BALANCE A/C



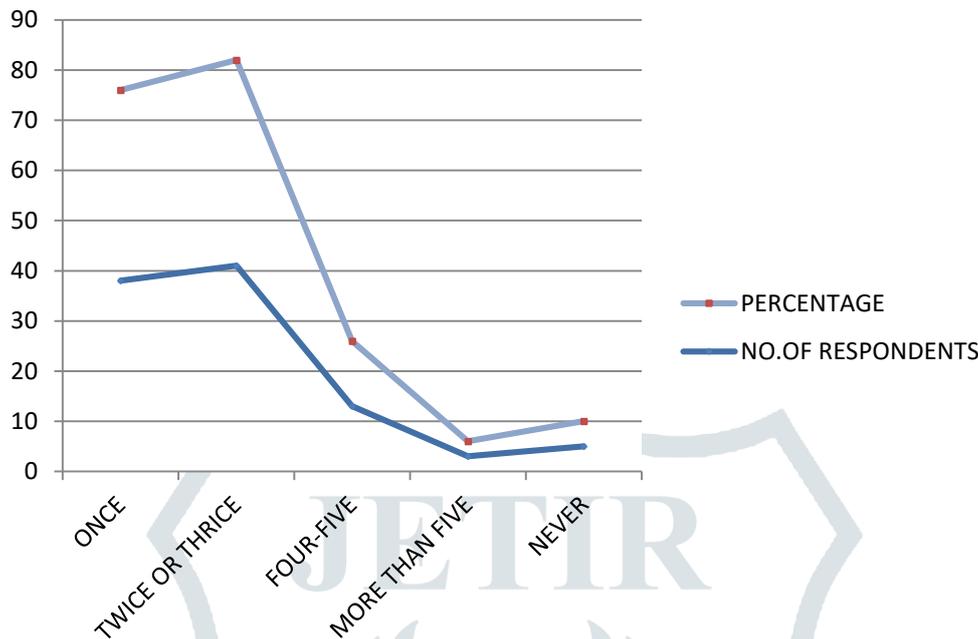
Source:primary data.
INTERPRETATION:

This table shows the occupational status of an individual.according to this data 14% are govt, employees, 13% doing own business,21% engaged in agriculture,14% are pensioners, and 38% doing other jobs . majority of respondents are doing other jobs that not included in the above like private employments etc.And least of the respondents belongs to own business category.

CHART 4.4 SHOWING THE MONTHLY INCOME OF RESPONDENT

MONTHLY INCOME	NO. OF RESPONDENTS	PERCENTAGE
BELOW 10000	20	20%
10000-20000	46	46%
ABOVE 20000	34	34%

Source: primary data
CHART 4.4



INTERPRETATION:

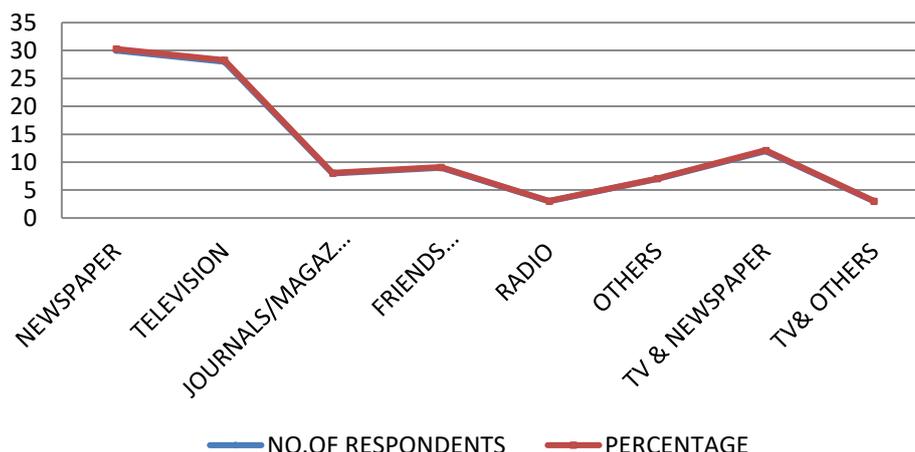
This table shows the monthly income of respondents. It is found that 20% respondents have the income of below 10000. 46% of respondents hold income of 10000-20000. 36% of the respondents have income of more than 20000. It is clearly shows that majority of the respondents are belongs to a middle income group.

TABLE 4.5: SHOWING TYPE OF BANKS PREFER FOR INVESTMENT

TYPE OF BANKS	NO.OF RESPONDENTS	PERCENTAGE
PUBLIC BANK	38	38%
PRIVTE BANK	24	24%
CO-OPERATIVE BANKS	13	13%
MICRO FINANCE	3	3%
OTHERS	5	5%
PUBLIC SECTOR & PRIVATE SECTOR	10	10%
PUBLIC SECTOR & COOPERATIVE BANKS	7	7%
total	100	100

Source: primary data
CHART 4.5

SOURCE OF INFORMATION



INTERPRETATION: This table shows the types of banks where the investment made by the respondents. Here some respondents have selected more than one bank. 38% of the respondents invested in public sector banks, 24% opt private sector, 13% selected cooperative, 3% selected micro finance and 5% opted other institution for investment. This table clearly shows that some respondents are selected more than one bank for investment.

TABLE 4. 6 SHOWING TYPE OF ACCOUNTS PREFER FOR INVESTMENT

TYPE OF ACCOUNT	NO.OF RESPONDENTS	PERCENTAGE
FIXED DEPOSIT	20	20%
SAVINGS	36	36%
CURRENT	10	10%
OTHERS	8	8%
SAVING&FIXED	24	24%
SAVINGS AND CURRENT ACCOUNT	2	2%
TOTAL	100	100

Role of employment



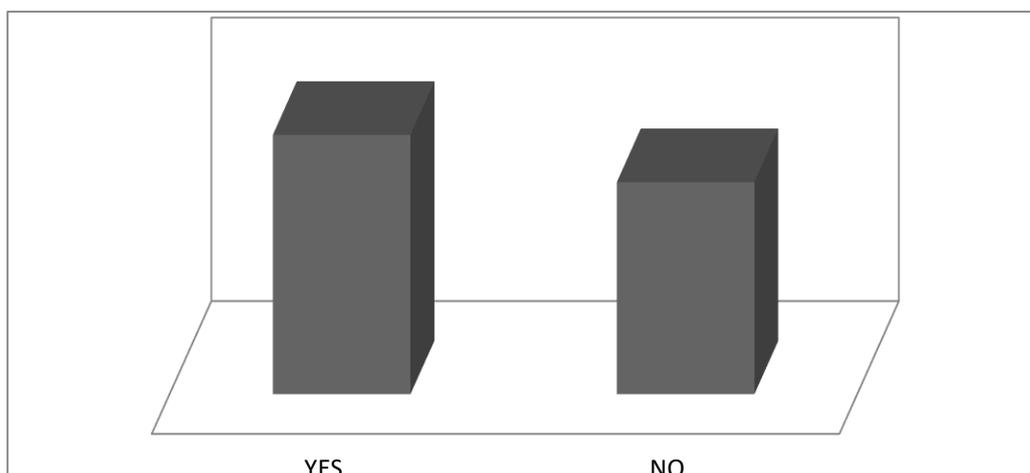
INTERPRETATION: This table shows the type of account selected by customers. Some respondents have more than one account. Majority of the respondents are invested in savings account (36%). 20% of respondents invested in fixed deposits. Own business holders invested in current account and some people invested other than all these accounts. Some respondents selected both fixed and savings and savings and current account.

CHART 4. 7: ZERO BALANCE ACCOUNT HOLDERS

HAVING ZERO BALANCE ACCOUNT	54%
NOT HAVING ZERO BALANCE A/C	46%
TOTAL	100

Source: primary data

awareness about new schemes.



INTERPRETATION: This table shows that 54% of the respondents have a Zero balance account. 46% of the respondents not have Zero balance account. it shows that more than half respondents are the part of financial inclusion through opening the Zero balance account.

TABLE 4. 8 SHOWING DISTANCE OF NEAREST BANK FROM RESIDENCE

RATE	DISTANCE FROM BANK	NO.OF RESPONDENTS	PERCENTAGE
1	VERY FAR AWAY	3	3
2	FAR AWAY	6	6
3	NEUTRAL	20	20
4	NEAR	47	47
5	VERY NEAR	24	24
	TOTAL	100	100

Source: primary data

INTERPRETATION: This table shows the distance from bank, 47% of the respondents have near distance from bank, 24% of the respondents have very near distance from bank, 20% have neutral distance. 6% have far away distance and 3% have very far away distance. Which shows more than 50% of the respondents will get financial services and products at a near distance.

TABLE 4. 9: SHOWING HOW MANY TIMES VISIT THE BANK BRANCH

PARTICULARS	NO.OF RESPONDENTS	PERCENTAGE
ONCE	38	38
TWICE OR THRICE	41	41
FOUR-FIVE	13	13
MORE THAN FIVE	3	3
NEVER	5	5
TOTAL	100	100

Source: primary data

INTERPRETATION:

This table shows that how many time visit a bank. According to this 41% of the respondents are visit twice or thrice in a month. 38% of them are only visit once in a month. 13% of them are visits four –five time, 3% of them are visit more than five and 5% of them are never visit a branch in a month. this table shows the reduction of visiting the branch in a month.

TABLE 4.10: SHOWING THE MAJOR AVENUES OF SAVINGS OTHER THAN BANKS

AVENUES	NO.OF RESPONDENTS	PERCENTAGE
POST OFFICE	30	30
CHIT FUNDS	24	24
MUTUAL FUNDS	3	3
LIFE INSURANCE	16	16
OTHERS	6	6
POST OFFICE&CHIT FUNDS	3	3
POST OFFICE &LIFE INSURANCE	18	18
TOTAL	100	100

Source: primary data

INTERPRETATION: This table shows that many people opted avenues other than banks for investment. Some respondents have more than one avenue for investment. Majority of the respondents are selected post office for investment (30%). Least of them selected mutual funds for investment, 24% opted chit funds and 16% opted life insurance are other avenues of savings, 6% selected other avenues for investments.

TABLE 4.11 SHOWING THE SOURCE OF INFORMATION ABOUT FINANCIAL PRODUCTS AND SERVICES

SOURCE OF INFORMATION	NO.OF RESPONDENTS	PERCENTAGE
NEWSPAPER	30	30%
TELEVISION	28	28%
JOURNALS/MAGAZINES	8	8%
FRIENDS &RELATIVES	9	9%
RADIO	3	3%
OTHERS	7	7%
TV & NEWSPAPER	12	12%
TV& OTHERS	3	3%
TOTAL	100	100

INTERPRETATION: This table reveals the sources of information gets for adequate Investment. some respondents get information from more than one sources. majority of the respondents gets information from newspaper(30%) and least of them get source of information from radio(3%). 28% of them states that television second most information provider.

TABLE 4.11 SHOWING AVAILING OF SERVICES TO THE RESPONDENTS

AVAILING OF SERVICES	NO. OF RESPONDENTS	PERCENTAGE
ALWAYS	32	32%
CONSIDERABLY	39	39%
OCCASIONALLY	22	22%
NEVER	7	7%
TOTAL	100	100%

Source: primary source

INTERPRETATION: This table shows the availing of services to the respondents, 32% of them says that they always avail services, 39% of them says that they considerably avail services, 22% of them occasionally availing services, 7% states that they never avail services. This shows that there is a mixed response to the availing of services.

TABLE 4.12 SHOWING THE ROLE OF EMPLOYMENT IN ACCESS OF SERVICES.

ROLE OF EMPLOYMENT	NO.OF RESPONDENTS	PERCENTAGE
YES	61	61%
NO	39	39%
TOTAL	100	100%

Source: primary data

INTERPRETATION:

This table shows that role of employment in your access of services. 61% of the respondents says that there is a role of employment in access of services. 39% of them are say no role of employment.

TABLE 4.13 SHOWING THE ROLE OF INCOME IN ACCESS OF SERVICES .

Role of income	No.of respondents
YES	66
NO	34
TOTAL	100

Source: primary data

INTERPRETATION: This table shows the role of income in access of services, 66% of the respondents says that there is a great role of income in access of services, 34% says that there is no role of employment in access of services.

TABLE 4.14 SHOWING THE SATISFACTION LEVEL WITH THE PRODUCTS AND SERVICES

SATISFACTION LEVEL	NO. OF RESPONDENTS	PERCENTAGE
VERY HIGH	10	10%
HIGH	45	45%
AVERAGE	37	37%
LOW	5	5%
VERY LOW	3	3%
TOTAL	100	100

Source: primary data

INTERPRETATION: This table shows the satisfaction level of respondents with products and services. according to this table 45% of them are highly satisfied with products and services. 3% of the respondents have very low satisfaction level. this table shows that majority of respondents have more than average level of satisfaction.

TABLE 4.15 SHOWING THE AWARENESS ABOUT NEW SCHEMES TAKEN BY GOVT.

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
YES	55	55
NO	45	45
TOTAL	100	100

INTERPRETATION: This table shows the awareness about new schemes taken by Government. 55% of the respondents are aware about new schemes and 45% of them are not aware about new schemes. more than half respondents are aware about new schemes.

TABLE 4.16 NEED FOR FURTHER DEVELOPMENTS

PARTICULARS	NO.OF RESPONDENTS	PERCENTAGE
YES	9	9%
NO	91	91%
TOTAL	100	100

Source: primary data

INTERPRETATION: This table shows the need for further developments. According to this majority (91%) of the respondents says that there is no suggestions for further developments. A few of them (9%) of the respondents says that there is need for further developments.

PART -2: CHI- SQUARE TESTING

Chi square testing 1:

H0: There is no significant difference between education qualification of respondents and type of accounts

H1: There is significant difference between education qualification of respondents and type of accounts

Calculation of observed frequency:

Education qualification	Type of account available						total
	Savings	F.D	Current	others	Savings& F.D	Current & savings	
Primary	7	3	2	1	10	0	23
Higher secondary	5	2	5	2	6	1	21
Graduation	15	10	2	3	6	1	37
Post graduation	9	5	1	2	2	0	19
Total	36	20	10	8	24	2	100

Degree of freedom=(r-1) (c-1)
 =(4-1)(6-1)
 =3*5=15

Table value at 5% level of significance for 15 d.f is 24.99

Calculated value $\sum(O-E)^2/E=18.7205$

INTERPRETATION:Table value at 5% level of significance for 15 degree of freedom is 24.99.Here the calculated value is less than table value.That means we have to accept null hypothesis and reject the alternative hypothesis.That means the educational qualification of respondents are not directly related to selection of accounts.

Conclusion : the test revealed that there is no significant relationship between educational qualification and type of accounts.

Chisquare testing 2

H0: there is no significance relationship between level of satisfaction and monthly income.

H1: there is significance relationship between level of satisfaction and monthly income.

Calculation of observed frequency:

Levelof satisfaction	Monthly income			total
	< 10000	10000-20000	>20000	
Very high	0	6	6	12
High	11	13	13	37
Average	8	20	10	38
Low	4	4	1	9
Very low	2	2	0	4
total	25	45	30	100

Source: primary data

Degree of freedom: (r-1) (c-1)
 =(5-1) (3-1)
 =4*2=8

Table value at 5% level of significance for 8 is 15.507

O	E	(O-E) ²	(O-E) ² /E
0	3	9	3
6	5.40	.36	.067
6	3.60	5.76	1.6
11	9.25	3.063	.331
13	16.65	13.23	.80
13	11.10	3.61	.325
8	9.50	2.25	.237
20	17.10	8.41	.492
10	11.40	1.96	.172
4	2.25	3.063	1.36
4	4.05	.0025	.00062
1	2.70	2.89	1.07
2	1	1	1
2	1.80	.04	.022
0	1.20	1.44	1.2
TOTAL		$\sum(O-E)^2/E$	11.68

Calculated value $\sum(O-E)^2/E= 11.68$

INTERPRETATION:Table value at 5% level of significance for 8 degree of freedom is 15.507.here the calculated value is less than table value. That means we have to accept null hypothesis and reject alternate hypothesis.

CONCLUSION: The test revealed that there no significant relationship between level of satisfaction and monthly income of respondents.

CHI SQUARE TESTING 3

H0: There is no association between awareness of respondents and education level of respondents

H1: There is association between awareness of respondents and education level of respondents

awareness * education Crosstabulation

		Education				Total
		1	2	3	4	
awareness	1.00	15	12	20	10	57
	2.00	7	10	17	9	43
Total		22	22	37	19	100

INTERPRETATION:

Test statistic	P value	Action
Chi square	0.693	Accepted

If the p value is higher than .05, we will accept the null hypothesis. Otherwise we will reject null hypothesis. Here the null hypothesis is higher than .05. So we will accept null hypothesis. So it is clear that there is no association between the awareness level of financial products and services.

PART 3: RANKING METHOD

Major motives for investing in banks

motives	Rank						MEAN	RANK
	1 (6)	2 (5)	3 (4)	4 (3)	5 (2)	6 (1)		
location	15	24	21	12	13	15	3.71	IV
credit	6	2	18	4	21	49	2.21	VI
ATM's	27	20	15	24	13	1	4.21	I
Security	24	16	34	10	9	7	4.15	II
Interest	12	32	10	18	20	8	3.74	III
Prompt service	16	6	2	32	24	20	2.98	V

INTERPRETATION: This table represents the major motives for investing in banks. Through the ranking method assigned rank to each major motive for investment according to the respondent's opinions. Then calculate its mean on the basis of ranks provided by respondents. On the basis of this mean interpretation has been made. This table shows that ATM facility is the major motives for investing because ATM got first rank. Second rank got by security because it is most essential for an investment. Return on investment is another important motive, so interest got third rank. Location is another motive for rural people. Prompt service from banks and credit facilities are less important than other motives for respondents, because they provide fifth and sixth rank respectively.

PART 4 :WEIGHTED MEAN

5point likert scale has been used to find out the opinion of respondents

- very aware-5
- aware -4
- fairly aware-3
- poorly aware -2
- not aware -1

analysis of the awareness of services available in banks on the basis of weighted mean

No.	Services	Weighted Mean
1	Loans	3.51
2	Deposits & withdrawals	4.04
3	Credit cards	3.24
4	Over draft	2.42
5	ATM's	4.15
6	Insurance	3.41
7	Cheque book	3.54
8	Motgage	2.37
9	Internet banking	2.92
10	Mobile banking	2.96
11	NEFT	2.06
12	RTGS	1.89
	OVERALL	3.04

Interpretation: Expected mean 3.0

Since the overall weighted mean is higher than expected mean score, it is favourable situation. This means that the respondents have above average awareness level about the financial products and services offered through the banking system. If the overall weighted mean is less than expected mean score, this means that the respondents have below average awareness level.

Here the overall mean is 3.04. So it means that the respondents have above average awareness level about financial products and services. Particularly respondents have more aware about ATM's, Deposits & Withdrawals, Loans, Credit cards, Insurance, Cheque book. But they are less aware about Overdraft, Mortgage, Internet banking, Mobile banking, NEFT, RTGS.

PART 5:T test-1

Ho: There is no significance difference between male & female awareness level of financial products & services

H1: There is no significance difference between male & female awareness level of financial products & services

Group Statistics

	gender	N	Mean	Std. Deviation	Std. Error Mean
awareness	1	43	1.3488	.48224	.07354
	2	57	1.4912	.50437	.06681

Independent Samples Test

	Levene's Test for Equality of Variances	t-test for Equality of Means								
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
awareness	Equal variances assumed	5.554	.020	-1.424	98	.158	-.14239	.09999	-.34081	.05603
	Equal variances not assumed			-1.433	92.616	.155	-.14239	.09935	-.33970	.05492

INTERPRETATION:

Test statistic	P value	Action
T test	0.158	Accepted

If the p value is higher than .05, we will accept the null hypothesis. Otherwise we will reject null hypothesis. Here the P value is higher than .05. So we will accept null hypothesis. It shows that there is no gender wise difference in the awareness level of financial products and services.

T test -2

H0: There is no significance difference between male and female with satisfaction

H1: there is significance difference between male and female with satisfaction

Group Statistics

	gender	N	Mean	Std. Deviation	Std. Error Mean
satisfaction	1	43	3.5116	.88296	.13465
	2	57	3.5088	.86855	.11504

Independent Samples Test

	Levene's Test for Equality of Variances	t-test for Equality of Means								
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
satisfaction	Equal variances assumed	.001	.977	.016	98	.987	.00286	.17669	-.34778	.35350
	Equal variances not assumed			.016	89.807	.987	.00286	.17710	-.34900	.35471

INTERPRETATION:

TEST STATISTIC	P VALUE	ACTION
T test	.987	Accepted

If the p value is higher than .05, we will accept the null hypothesis. Otherwise we will reject null hypothesis. Here the P value is higher than .05. So we will accept null hypothesis. It shows that there is no gender wise difference in the satisfaction level of financial products and services.

FINDINGS SUGGESTION AND CONCLUSION

5.1 FINDINGS

Majority of the respondents are female than men. Female participation is higher in this study. Literacy of people is increasing nowadays. Because most of the respondents are graduates. They have the capacity to identify all factors. Most of them are selecting public sector banks for investment because of safety. They have the rational thinking while selecting banks for investment. Most of them are included in a middle income category, so they select savings account for investing because of its ease of access. More than half of respondents have Zero balance account. It shows the financial inclusion of people. This study shows that many people opted avenues other than banks for investment. Some respondents have more than one avenue for investment. Majority of the respondents are selected post office for investment (30%). Least of them selected mutual funds for investment. Most of the respondents have above average knowledge about the financial products and services offered through the banking system. It shows their financial literacy on goods and services. The study reveals that there is no significant difference between male and female with awareness of financial products and services. This study reveals that there is no significant difference between male and female with satisfaction. Respondents shows that the educational qualification of respondents are not directly related to the selection of accounts. More than half of the respondents have knowledge about the new schemes taken by govt. It is found that more than half percent of the respondents have above average satisfaction level with the financial products and services.

SUGGESTIONS

1. Government agencies and NGOs may undertake financial awareness programmes among the rural people to increase their financial literacy. That will be helpful to bring a practice of recording of incomes and expenditures among them.
2. Banks, Insurance companies and other financial service providers may concentrate more on the rural people because they are not yet fully financially included. It will help the agencies to increase their customer base.
3. Authorities may take necessary steps to include financial literacy programmes in the school curriculum. It will help to mould a financially educated new generation.
4. While undertaking any rural development programmes, more focus may be given to uneducated people because they are far behind than other educated communities by all means.
5. Some of the respondents suggests that they want door to door delivery services.
6. Govt. and necessary financial institutions should take necessary steps to reduce the cost of financial products and services.

CONCLUSION

Financial Literacy education which is aimed at enhancing a person's level of knowledge or ability should be tailored to suit different demographics, life stages and learning styles and not to be treated as a one-size-fits-all approach. In a world of increased individual financial responsibility, where workers are in charge of their financial well-being and where financial markets offer new and complex financial products, financial literacy is essential. It has proven to be impossible to succeed in the modern world without the ability to read and write, so it will be impossible to succeed in the present-day financial system without knowing the abc's of economics and finance.

Financial education should go hand-in-hand with improving access to financial markets and services. Financial Literacy aids financial inclusion initiatives as it creates awareness about the benefits of linking with the formal financial system and hence, creates demand for financial products. Financial literacy supports consumer protection as it aids consumers better understand the features and risks inherent in financial products, thereby reducing the risk of mis-selling. It also generates awareness and willingness to approach the grievance redressal system available, in case of disputes connected with the financial products. This paper makes a new contribution to the existing literature through bringing to light the gravity of the incidence of financial exclusion and justifying the need for better financial education programmes. The findings of the study would enable the policy makers to focus added attention to financial literacy and education. At a time when the nation is implementing Prime Minister's Jan Dhan Yojana (PMJDY) to achieve meaningful financial inclusion, efforts are to be made to pursue financial education efforts so that the public at large understand the benefits of accessing and using financial services.

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