

PROSPECTS OF FINANCIAL INCLUSION AMONG RURAL HOUSEHOLDS

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Abstract

Economic growth is an essential factor that determines the development of all the countries across the globe. Economic growth in turn depends upon the growth of the financial sector of the country. Growth of financial sector can only be achieved by maximum participation of the people of the country. For the progress of the economy it is very important to see that all the sections of the society are included. No sector should be excluded especially rural sector. Financial inclusion helps in improving the condition of underprivileged, poor and women in the society. In this study an attempt has been made to analyze the prospects of financial inclusion among rural households. 200 respondents of Anchal panchayat, Kollam dist are selected as sample. Percentage analysis was used to study the nature and extent of financial inclusion and its impact on them.

Key words : Financial inclusion, Rural households

INTRODUCTION

Economic growth is an essential factor that determines the development of all the countries across the globe. Economic growth in turn depends upon the growth of the financial sector of the country. Growth of financial sector can only be achieved by maximum participation of the people of the country. With the progress of the economy, it is very important to see that all the sections of the society is included. Attempt should be made to include all the sectors. No sector should be excluded especially rural sector. But as we know there is lack of proper knowledge and idea about the financial activities and awareness among the rural sections. Hence lack of awareness and financial literacy is the major hindrance in the economic growth. Financial inclusion is defined as availability of equal opportunities to access financial services. Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs that are delivered in a responsible and sustainable way. It helps in improving the condition of underprivileged, poor and women in the society. It makes them self sufficient to take better financial decisions. For this purpose Government is initiating various programmes like self help groups, micro finance institutions etc.

Poverty eradication is the aim of every policy makers. SHGs and Kudumbashree programmes helps in entrepreneurship development, women empowerment and poverty eradication. The Kudumbasree programmes initiated by Government of Kerala in 1998 with a mission of reaching out to families through women and reaching out to community through families. Financial inclusion is a tool used to create an awareness about the financial products and services which are provided by banks and different financial institutions. The main aim of financial inclusion is to extend the various financial activities to rural people having lowincome. It helps to provide an equitable opportunities to every individual to avail the facility of formal financial channel for better life, better living conditions and better income. Thus financial inclusion enables improved and better sustainable economic and social development .It helps in generating employment opportunities and reducing the problem of financial exclusion. As a part of National mission of financial inclusion, Pradhan Manthri Jan-DhanYojana-PMJDY is an integrated approach of Government of India to bring universal access to banking facilities to every rural households.

India is inching closer to become a developed country . Financial inclusiveness will enable all the earning citizens to participate in the country's development. Financial inclusiveness is essential in order to attain rapid and disciplined growth. Inclusive growth is necessary for sustainable development and equitable distribution of wealth . However for attaining the objectives of inclusive growth there is a need for resources. Finance is the life blood of every activity. It plays a very crucial role in the process of economic growth. Through appropriate financial services we can solve the problem of resource availability, mobilization and allocation particularly for those who do not have any access to such resources . Non-accessibility of banking and other financial services is the main drawback faced by the lower income group which causes hindrance in their social and economic development. So financial inclusion is very important for the growth of the nation.

REVIEW OF LITERATURE

Chakravarthy S.R & Pal.R (2013) in their study Financial inclusion in India concluded that the banking and other formal financial institutions such as post office and insurance companies has become an essential avenue for an individual to deposit , save ,invest and avail financial services.

V.Leeladhar (2005) concluded that banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. One of the ways in which this can be achieved in a cost effective manner is through linkages with microfinance institutions and local communities. Banks would give wide publicity of no frills account. Banks need to redesign their business strategies to promote financial inclusion of low income group treating it both as a business opportunity as well as a corporate social responsibility.

Shalla, S &Fazili ,A (2015) India's work fare programme and financial inclusion – an inter district analysis : portrayed that due to illiteracy and poverty, the people were unable to access the financial services provided by the banks and other institutions.

Progress of financial inclusion at a glance

Parameter of financial inclusion	March 2010	March 2016	March 2017
Number of Bank branches in villages	33,378	51,830	50,860
Number of Business Correspondents (BCs)	34,174	531,229	543,472
Number of other forms of banking touch points	142	3,248	3,761
Total number of banking touch points	67,694	586,307	598,093
Number of BSBDA* (in millions)	73	469	533
Deposits in BSBDA (Amount in Rs. billions)	55	636	977

Note: *Basic Savings Bank Deposit Account is a no-frill savings account without the need to maintain minimum balance and where no charges are levied.

Source: Annual Report of RBI, 2016-17

SIGNIFICANCE OF STUDY

For removing poverty financial inclusion is the best solution. Participation of all class of people especially poor and marginalized class is very essential. Without inclusive financial systems poor households come under the clutches of money lenders. The poor house holds depend on their small savings for education of their children, to start a business for their livelihood or to reap the benefits of growth opportunities. So policies taken in financial sector are very crucial. The policies taken by the policy makers should provide the right incentive to individuals especially the rural people to overcome the financial illiteracy and access barriers. Financial inclusion is very essential to the stability and growth of a nation. Equal opportunities and equitable distribution of resources can be made only when there is financial inclusion in the nation. Majority people of India depends

on agriculture and they live in rural areas. Therefore it is significant to study the nature, extent and impact of financial inclusion among rural house holds

OBJECTIVES

1. To analyze the nature and extent of financial inclusion among rural households.
2. To assess the economic and social impact of financial inclusion on rural households.
3. To analyze the extent to which rural households access to saving facility and credit facility.

METHODOLOGY

The study is an empirical one based on data collected from both primary and secondary sources. The primary data has been collected by conducting field survey. A questionnaire was drafted and the survey was conducted among 200 respondents in Anchal panchayat, Kollam District, all are beneficiaries of financial services. Secondary data collected from various books and periodicals. Percentage analysis was used to analyze the data collected through questionnaire.

TABLE 1. DEMOGRAPHIC FACTORS

Gender	No.of respondents	Percentage
Male	88	44
Female	112	56
Total	200	100
Age		
<25	20	10
25-30	44	22
30-35	60	30
>35	76	38
Total	200	100
Occupation		
Agriculturist	70	35
Labour	50	25
Pvt.employee	30	15
Govt. employee	32	16
Others	18	9

Total	200	100
Type of ration card		
APL	140	70
BPL	60	30
Total	200	100
Monthly Income		
<10000	60	30
10,000-15,000	48	24
15,000-20,000	56	28
20,000-25,000	20	10
>25000	16	8
Total	200	100

Source : Primary data

TABLE 2 TYPE OF FINANCIAL SERVICES AVAILED

FINANCIAL SERVICES	NO.OF RESPONDENTS	PERCENTAGE
Deposit	50	25
Loans	34	17
Insurance	30	15
Scholarships	12	6
Pension	20	10
More than one	54	27
Total	200	100

Source : Primary data

FINDINGS

The number of respondents taken for the study is limited to 200. Out of which 112 respondents (56%) are female. Majority of respondents (27%) are availed more than one financial services.

Deposits- Respondents have deposits in formal financial institutions i.e in commercial banks, Post office, co-operative banks etc .45 % have one account (SB a/c) . 30% of respondents have SB a/c and Recurring deposits. 25% have SB a/c and fixed deposit.

Most of the respondents took SB a/c for getting remuneration under MNREG programme.

Loans- Different types of loans are taken by the respondents. 40% of respondents have taken agricultural loan as agriculture is the main source of income for rural house holds.30% took housing loan .12% took vehicle loan and 8% took education loan. 10% of respondents took more than one loan. 50% of them gives land and house as security.24 % of them use gold and 13% of respondents use more than one security for taking loan.

Insurance- 46 % of the respondents have life insurance. 24% have vehicle insurance. 10% have health insurance.Only8% have crop and livestock insurance.12% have more than one insurance. All government employees took life insurance /health insurance as they can reduce their tax liability.

Scholarship- 6% of respondents have opened bank account for getting e-grant and different types of scholarships . In early days lack of money was one of the hindrance to education. By getting scholarships they can join for higher education there by increasing the standard of living of the community.

Pension- For getting different types of social welfare pension such as agriculture pension, widow pension etc,20 % the rural house holds took bank account or post office account.

TABLE 3 IMPACT AFTER FINANCIAL INCLUSION

After availing formal financial inclusion my household are capable of	Strongly agree (%)	Agree (%)	Not sure (%)	Disagree (%)	Strongly disagree(%)
Generating new income	40	25	20	10	5
Got better dwelling condition	30	28	25	11	6
Got better employment	28	35	30	5	2
Attaining additional skills	26	34	25	8	7

Source: Primary data

SUGGESTIONS

- Every house hold should be encouraged to be a part of the employee guarantee programme provided by the Government.
- An awareness about zero balance account and its various advantages should be promoted.
- People should be encouraged to take loans from banks and not from informal sources.
- Each and every individual should be encouraged to have an insurance coverage.
- Saving habits should be promoted.

- Commercial banks should include in their portfolio ,provision for granting small loans with lower rate of interest. Procedure for loan taking should be minimized.

CONCLUSION

In a 100 % literate state Kerala the financial literacy is low. Financial institutions should aim to improve the financial literacy of the people giving due importance to rural households. The rural households should be made aware of the various schemes of the central and state governments and banks which will keep them away from the clutches of local money lenders. Financial institutions by providing loans at lower interest to rural households help in improving their life style and thus achieve the aim of poverty eradication. The study revealed that majority of the respondents do not save regularly and does not access credit from formal financial network. To induce the saving habit and to extend credit among rural households an awareness programme should be conducted by formal financial institutions.

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