

# A STUDY ON FINANCIAL INCLUSION IN RURAL AREAS WITH SPECIAL REFERENCE TO KOLLAM DISTRICT

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## Abstract

Financial inclusion is a concept of providing appropriate financial services to weaker section peoples and low income groups at affordable cost in suitable way by financial institutions. It has become one of most critical aspects in the context of inclusive growth and sustainable development in the developing countries like India. The objective of financial inclusion is to offer the scope of activities of the organized financial system to vulnerable groups and low incomes. Through inclusive credit, the attempt must be to pick up the poor from one level to another so that they come out of poverty. It facilitates economical allocation of productive resources and so will probably scale back the price of capital. An inclusive financial system facilitates the role of informal sources of credit (such as money lenders) which are often found to be exploitative. The importance of an inclusive financial system is widely recognized in the policy is widely recognized in the policy circle and become a policy priority in many countries including India.

## INTRODUCTION

Finance is very essential for every economic activity. Without sufficient finance no activity can be undertaken. Finance is also necessary by each segment of the society. But from the commencement of the evolution, only the financial desires of the superior sector of the society were catered. Access to finance by the poor and weaker groups is very complex. This is because of several reasons such as lack of banking amenities, lack of knowledge about the schemes accessible for them, lack of ordinary or significant income etc. Furthermore, banks also give more significance to meet their financial targets. So they can concentrate on larger accounts. It is not money-making for banks to supply small loans and make a profit.

Financial inclusion is a newly emerged perception that helps to bring about the sustainable progress of the country, through reachable financial services to the unreached people with the help of financial institutions. The committee on financial inclusion of government of India, has defined financial inclusion as the practice of ensuring judicious access to financial services and sufficient credit where required by susceptible groups such as the weaker sections and low income groups at a reasonable cost (Rangarajan Committee, 2008).

Financial inclusion intensifies the economy. In the modern era of running for economic power and independence, it is crucial for any regime to generate pleasant conditions for individuals, households and private institutions which included the availability of banking services. The accessibility of banking services and wide branch network are the

major factors of developmental and expansionary activities. A well established and well-built financial system is a central point of economic growth, development and advancement of an economy.

## STATEMENT OF PROBLEM

The banking system has experienced phenomenal growth in terms of geographical spread, deposit mobilization and technological advancement. However bank credit remains by and largely inaccessible to the poor. The people of rural areas do not have the necessary capabilities to approach and negotiate with formal financial institution. The drive of rural folks to help themselves through self – employment is ignored by the formal financial sector. The proportion of rural people obtaining credit from the banking system has been lower than their share in the total proportion. Moreover there is a wide spread belief that they are unbankable. In this context the present study attempts to evaluate the extend of financial inclusion in Kollam District.

## OBJECTIVES OF THE STUDY

1. To study financial inclusion in rural areas with special reference to Kollam District.
2. To find out the reasons for the low financial inclusion in Kollam District.
3. To assess the satisfaction level of rural people of Kollam District towards banking services being provided to them.

## SIGNIFICANCE OF THE STUDY

Financial exclusion is a serious concern among the low-income households as well as small business, mainly located in semi-urban and rural areas. The formal financial system has to recognize the huge business potential coming from the unmet demand for financial services from those who normally tend to be excluded. Banks need to understand the markets and develop products suited to the clientele. Financial inclusion has to be viewed as a business tactic for intensification and banks need to pose themselves accordingly. It is imperative to make out that, in the policy structure for development of the formal financial system in India, the necessity for financial inclusion covering more and more of the excluded population by the formal financial system has always been intentionally emphasized. . In this background the present study titled “A STUDY OF FINANCIAL INCLUSION IN RURAL AREAS WITH SPECIAL REFERENCE IN KOLLAM DISTRICT” is – highly relevant.

## SCOPE OF THE STUDY

The present study is conducted to assess financial inclusion in Kollam District.

## RESEARCH METHODOLOGY

The study is empirical in nature and decided to use the following sampling and data collection procedure.

### 1. SOURCE OF DATA

Both primary data and secondary data were used for the study. Primary data were collected from the residents of Kollam District by using an interview schedule. Besides, secondary data were collected from various published reports and journals such as report on trend and progress of banking in India and economic review of government of Kerala and research journals viz..., economic and published weekly and southern economist.

### 2. SAMPLING

The sample for the study consists of 50 residing in rural areas of Kollam District. Simple random sampling method was used for selecting sample.

### 3. TOOLS FOR COLLECTION, ANALYSIS AND INTERPRETATION OF DATA

The survey was conducted with the help of an interview schedule. It was finalized after a pretest and modified in accordance with the findings their off. Discussions were also held with the expert's in the fields of banking. The

collected information was substantially used for drawing conclusions. Appropriate mathematical and statistical method and tools were used for analyzing data.

## LIMITATIONS OF THE STUDY

The present study is limited to Kollam District and it was conducted during a limited time frame of six months. The result of the study depends totally on the information collected through the field survey. In spite of this limitation, an honest attempt has been made to arrive at fairly objective and representative conclusion.

## DATA ANALYSIS AND INTERPRETATION

**Table 1.1**

**Age wise distribution of Respondents**

Age	No. of respondents	Percentage (%)
20-30	10	20
30-40	25	50
Above 40	15	30
<b>Total</b>	<b>50</b>	<b>100</b>

**Source : Primary Data**

### Interpretation

The above table shows that majority (50%) of the people are in the 30-40 age group. 30% of the respondents belongs to above 40 and 20-30 age group are only 20%.

**Table 1.2**

**Gender wise distribution of respondents**

Gender	No. of respondents	Percentage (%)
Male	25	50
Female	25	50
<b>Total</b>	<b>50</b>	<b>100</b>

**Source : Primary Data**

### Interpretation

The above table shows that 50% of respondents were male and remaining 50% were female.

**Table 1.3**

**Marital status of respondents**

Marital status	No. of respondents	Percentage (%)
Single	18	36
Married	32	64
<b>Total</b>	<b>50</b>	<b>100</b>

**Source : Primary data**

**Interpretation**

From the above table it is clear that 64% of the respondents were married and 36% of the respondents were unmarried.

**Table 1.4**  
**Occupation wise classification**

Occupation	No. of respondents	Percentage (%)
Farmer	22	44
Own business	10	20
Jobs	12	24
Other	6	12
<b>Total</b>	50	100

**Source : Primary data**

**Interpretation**

The above table shows that 44% of the respondents were farmers, 20% of respondents have their own business, 24% has job and remaining 12 includes in other category.

**Table 1.5**  
**Educational qualification wise classification**

Educational qualification	No. of respondents	Percentage (%)
Below SSLC	6	12
SSLC	18	36
Graduation	11	22
HSE/Pre-degree	15	30
<b>Total</b>	50	100

**Source : Primary data**

**Interpretation**

The tables shows that majority respondents are SSLC (36%), 30% of respondents are HSE/Pre-degree 22% of respondents are graduates and remaining 12% are below SSLC.

**Table 1.6**  
**Income wise classification**

Annual income	No. of respondents	Percentage (%)
Less than 25000	28	56
25000-50000	10	20
Greater than 50000	12	24
<b>Total</b>	50	100

**Source : Primary data**

**Interpretation**

The above table shows that majority of the respondents have annual income less than 25000 (56%), 24% of respondents have annual income of greater than 50000, remaining 20% have annual income 25000-50000.

Table 1.7

## Number of respondents having bank account

Have bank account	No. of respondents	Percentage (%)
Yes	35	70
No	15	30
<b>Total</b>	50	100

Source : Primary data

## Interpretation

The above table shows that majority of the respondents have bank account (70%) and only 30% of respondents have no bank account.

Table 1.8

## Type of Bank Accounts by the respondents

Type of Account	Number	Percentage (%)
Current Account	8	22.9
Savings Account	23	65.7
Fixed Deposit	4	11.4
<b>Total</b>	35	100

Source : Primary data

## Interpretation

The above table and diagram shows that 65.7% of the respondents hold Savings Account. 22.9% of respondents are of the opinion that they are holding Current Account. Only 11.4% of respondents have the Fixed Deposits.

Table 1.9

## Type of Bank Account in which residents have an account

Type of Bank	Number	Percentage (%)
Public Sector Bank	10	28.6
Private Sector Bank	4	11.4
Co-operative Bank	17	48.6
Other	4	11.4
<b>Total</b>	35	100

Source : Primary Data

## Interpretation

The above table and diagram shows that majority (48.6%) of the respondents have their Bank account in Co-operative Banks. 28.6% of the respondents have account in Public Sector Banks, 11.4% of respondents have their Bank Accounts in Private Sector Banks. 11.4% of respondents have their Bank Accounts in other Financial Institutions.



**Table 1.10**  
**Amount of Initial deposits**

Amount of initial deposit	Number	Percentage (%)
No frill / Zero Balance	20	57.2
50-100	6	17.2
100-500	5	14.2
Greater than 500	4	11.4
<b>Total</b>	<b>35</b>	<b>100</b>

**Source : Primary data**

#### **Interpretation**

The above table and diagram shows that the majority (57.2%) of the account holders starts their account with Zero Balance. 11.4% of the account holders have their account with Greater Than 500. 14.2% of the respondents start their account between 100-500. Only 17.2% of respondents start their account between 50-100.

**Table 1.11**  
**Amount of monthly saving which is deposited**

Amount of monthly saving (Rs)	Number	Percentage (%)
Below 1000	15	42.9
1000-5000	12	34.3
5000-10000	5	14.3
Above 10000	3	8.5
<b>Total</b>	<b>35</b>	<b>100</b>

**Source : Primary Data**

#### **Interpretation**

The above table and diagram shows that majority (42.9%) of the respondents amount of savings is below Rs.1000. 34.3% of the respondents save their income between 1000-5000. 14.3% of the respondents save their income between 5000-10000. Only 8.5% of the respondents save their income more than Rs.10000.

**Table 3.12**  
**Documents asked for opening an account**

Type of Document	Number	Percentage (%)
Ration Card	6	17.1
Electoral card	4	11.4
Others	5	14.3
H ration card and electoral card	20	57.2
<b>Total</b>	<b>35</b>	<b>100</b>

**Source : Primary Data**

**Interpretation**

From the above table it is clear that 57.2% of respondents open an account with the help of both ration card and electoral card and 17.1% of the respondents open an account with the help of ration card 11.4% of the respondents open an account with electoral card and 14.3% open an account with other documents.

**Table 1.13**  
**Frequency of visiting the bank branch**

Frequency of visiting	Number	Percentage (%)
Once a week	3	18.7
Once a month	11	31.4
Once a 6 month	17	48.6
Once a year	4	11.4
<b>Total</b>	<b>35</b>	<b>100</b>

**Source : Primary Data**

**Interpretation**

From the above table it is clear that 48.6% of respondents visit branch once in 6 month, 31.4% of the respondents visit branch once a month, 18.7% of the respondents visit branch once a week and 11.4% of the respondents visit branch once a year.

**Table 1.14**  
**Evaluation of reasons for not having a bank account**

Reasons	Agree		Disagree		Neutral		Total
	Number	Percentage	Number	Percentage	Number	Percentage	
Lack of financial knowledge	8	53.33	5	33.33	2	13.34	15
Illiteracy	5	33.33	6	40	4	26.67	15
Low income	7	46.67	6	40	2	13.33	15
Banking procedure	6	40	6	40	3	20	15
Attitude of bank officials	4	26.67	8	53.33	3	20	15
Documents required	5	33.33	8	53.33	2	13.34	15

**Source : Primary Data**

### Interpretation

The above analysis reveals that 53% of the respondents doesn't have an account due to lack of Financial Knowledge. Low Income and illiteracy were also identified as reasons for financial exclusion. However 54% disagreed on the opinion that attitude of bank officials as a reason behind low financial inclusion.

**Table 1.15**  
**Level of customer satisfaction on the banking services**

Level of satisfaction	Number	Percentage
Satisfied	25	71.4
Dissatisfied	10	28.6
Neutral	-	-
Total	35	100

### Source Primary Data

### Interpretation

From the above table shows 71.4% of the respondents are satisfied with the banking services, 28.6% of the respondents are dissatisfied with the banking services.

### FINDINGS

The major findings are listed below;

1. Majority of the respondents have savings account and only 11.4% possess fixed deposit.
2. 48.6% of the respondents have an account with co-operative bank and 28.6% have an account with public sector bank.
3. Most of the people start their account with a zero balance.
4. 42.9% of the people deposit their monthly saving of Rs. 1000 and only 8.5% deposits a monthly saving of above Rs. 10000.
5. Majority of the banks ask both ration card and electoral card as document for open an account.
6. 48.6% of respondents visit the bank branch once in 6 months only.
7. 71.4% of the respondents are satisfied with banking services being provided to them.
8. 53% of respondent agree that lack of financial knowledge is a major reason for financial exclusion
9. 55% of the respondent does not believe that attitude of bank officials is a reason for financial exclusion.
10. It was also found that illiteracy and low income are prominent reasons behind people not opening an account.

### SUGGESTIONS

Based on the findings of the study the followings suggestions were made.

1. There have been incidents of state government imposing restrictions on micro-finance institutions in a manner which does not reflect an appreciation of the realities on the ground. Excessive regulations and control of this sector may be particularly dangerous as it can prevent the development of a healthy and competitive micro-finance sector which could compete with usurious money lenders particularly in rural areas.



2. Financial inclusion initiatives might come a cropper if associated social issues are not addressed simultaneously. Although women are known to be more savings savvy than men, a large percentage is not permitted to own a savings account.
3. Establishment of rural infrastructure is a prerequisite for financial inclusion and all stakeholders. Banks should also endeavor to bound with the rural community by initiating programs to adopt schools, conduct vocational courses for the youth and so on.
4. For the success of its financial inclusion program, the government should make subscription to financial services mandatory. At the same time, it should also realize that simplification of procedure will encourage more people to use banking services.

## CONCLUSION

Extending the reach of financial inclusion services to the poor through new technologies and simplification branch regulations hold promise. Bringing financial services to rural customers is the major challenge in the expedition for sophisticated financial inclusion. Often the main obstruction to financial inclusion in rural area is the enormous distance that rural residents must travel to reach a bank branch. In many developing countries there are many fewer bank branches per rural resident than per urban resident. Nonbanking financial institutions help to fill this gap. Even though, in Kerala, the micro finance model extends credit and saving to the poor, the challenges faced by the industry has to be certified in due course for the effective working of the model. Financial inclusion of the unbanked heaps is a significant step that requires political will, bureaucratic support and persistent affiliation by RBI. It is probable to unleash the hugely untouched prospective of the bottom of pyramid section of Indian economy. Perhaps, financial inclusion can bring the next revolution of growth and prosperity.

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