



FINANCIAL EXCLUSION OF ENTREPRENEURS IN RURAL NON- FARM SECTOR - A -STUDY IN NIZAMABAD DISTRICT.

Dr. K. Ravinder Reddy

Assistant Professor, Department of Applied Economics, Telangana University, Nizamabad.

S. Chandrika*

Research Scholar, Department of Applied Economics, Telangana University, Nizamabad. *Corresponding Author

ABSTRACT

There has been a widespread interest in minimizing the incidence of financial exclusion and ensuring financial inclusion of the hitherto under served population, given the obvious benefits of financial services for entrepreneurial firms and individuals. Lower finance of productive investment opportunities, business activities and trade always has negative consequences for growth and livelihoods. A developed financial system broadens access to funds. In its absence, people resort to high – cost informal sources. The lower the availability of funds and higher their costs, the fewer are the economic activities, resulting in lower economic growth. An attempt is made in this paper to measure financial exclusion of rural nonfarm entrepreneurs includes credit from banks, credit from unorganized sources, and ratio of credit from unorganized sources to organized sources.

KEYWORDS : Financial Exclusion, Unorganized Sources, Non-farm Entrepreneurs.

INTRODUCTION:

Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Further, access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit, thereby facilitating them to break the chain of poverty. Considering the high incidence of poverty in India and so much un banked populace, the need for financial inclusion is severely felt and the Reserve Bank of India in review of its annual policy statements emphasizing the need for a policy for initiating corrective steps for financial exclusion.

Financial exclusion can be defined as the unavailability of banking financial services to people with low income. The basic financial services mean saving account, money transfer, credit, insurance services. Financial exclusion forms Banking exclusion, Savings exclusion, Credit exclusion and Insurance exclusion.

Review of literature:

1. Jataav M and Sen S (2013), observed that the growth of rural nonfarm sector will promote financial development of the rural poor because the rural nonfarm sector has undergone major restructuring which resulted in increase in the share of casual labour in the nonfarm sector.
2. Hirway and Shah, (2011), observed that rural nonfarm employment will act as critical instrument for financial exclusion.
3. Kundu, A. Sarangi, N. and Dash, B. (2003), observed that the increased use of formal financial services leads to a reduction of usage of informal services.

STATEMENT OF THE RESEARCH PROBLEM:

Credit is the life blood of economic growth. It is not only the quantum of credit but also source of it will have its own bearing on the income distribution. Credit inequalities may also lead to income inequalities. When entrepreneurs in rural areas are not given adequate credit, they resort to indiscriminate borrowing from unorganized sources with unfair terms of reference.

OBJECTIVES OF THE STUDY:

1. To examine the socio-economic profile of the rural nonfarm entrepreneurs.
2. To measure the extent of financial exclusion of rural nonfarm entrepreneurs.

HYPOTHESE OF THE STUDY:

1. Financial exclusion is line of activity neutral in the case of rural nonfarm sector.

METHODOLOGY:

The present study makes use of primary data which is collected directly from the respondents by administering a pre-designed questionnaire.

SAMPLE DESIGN:

For the purpose of the present study, 130 rural non-farm entrepreneurs are also selected to study financial exclusion in the non-farm sector from Madhapur, Bonkanpally, Mullangi villages of Makloor mandal, and sampally village of Dichpally mandal of Nizamabad district. The criterion of stratification is line of activity.

Table - 1 Socio Economic Background of Selected Respondents of Non-farm Sector

Social Status	No. of Respondents	Percentage
FC	22	17
BC	58	44.6
SC	33	25.4
ST	17	13
Total	130	100
Age		
Up to 30	28	21.5
31-45	52	40
Above 45	50	38.5
Total	130	100
Gender		
Male	119	91.5
Female	11	8.5
Total	130	100
Education		
Literate	12	9.2
Up to school level	30	23
Above school levels	88	67.7
Total	130	100

Source: Field study

It can be noticed from Table- 1 that 17 percent of non-farm entrepreneurs are from FCs, 58 percent are from BCs, 33 percent are from SCs, and 17 percent are from STs. It also reveals that 21.5 percentage of nonfarm entrepreneurs are from the age group of up to 30 years, 40 percent are from the

age range of 31-45 years, and 38.5 percent are from the age range of above 45 years. It can be noticed that 91.5 percentage of sample respondents are male and 8.5 percentage are female.

The data in regard to educational qualification shows that 9.2 percent of the respondents are just literates, 23 percent are having up to school level education, and 67.7 percent are having above school level education.

Table -2 Line of Activity

Line of activity	No. of Respondents	Percentage
Brick Making	28	21.5
Flour Mill	26	20.0
Packed Drinking Water	14	10.8
Rural Engineering Services	31	23.8
Farm tools Supplying Services	17	13.1
Kiranam & General Stores	14	10.8
Total	130	100.0

Source: Field study

Table-2 reveals that 21.5 percent of rural non-farm entrepreneurs are involved in brick making activities, 20 percent involved in flour mill management, 10.8 percent are involved in packed drinking water and kiranam, 23.8 percent are involved in rural engineering services and 13.1 percent are involved in farm tools supplying services.

Table -3 Credit from Banks in Lakhs

Rs in Lakh	No. of Respondents	Percentage
Up to 5	54	41.5
5-10	33	25.4
10-20	33	25.4
Above 20	10	7.7
Total	130	100.0

Source: Field study

Table-3 reveals that average credit availed by rural non-farm entrepreneurs from banks is up to 5 lakh rupees in case of 41.5 percent, 5-10 lakh rupees in case of 25.4 percent, 10-20 lakh rupees in case of 25.4 percent and above 20 lakh rupees in case of 7.7 percent of the rural non-farm entrepreneurs.

Table -4 Credit from Unorganized Sources in Lakhs

Rs in Lakh	No. of Respondents	Percentage
Up to 5	46	35.4
5-10	41	31.5
10-20	36	27.7
Above 20	7	5.4
Total	130	100.0

Source: Field study

Table-4 reveals that average credit availed by rural non-farm entrepreneurs from unorganized sources is up to 5 lakh rupees in case of 35.4 percent, 5-10 lakh rupees in case of 31.5 percent, 10-20 lakh rupees in case of 27.7 percent and above 20 lakh rupees in case of 5.4 percent of the rural non-farm entrepreneurs.

Table -5 Ratio of Credit from Unorganized Sources to Organized Sources

Ratio	No. of Respondents	Percentage
<1	26	20.0
1	1	0.8
>1	103	79.2
Total	130	100.0

Source: Field study

Table-5 reveals that the ratio of credit from unorganized sources to organized sources which measures the extent of financial exclusion is found to be less than one (<1) in case of 20 percent of the rural nonfarm entrepreneurs and the same is one (1) in case of 0.8 percent and greater than one (>1) in case of 79.2 percent of the rural nonfarm entrepreneurs.

Table -6 Line of Activity and Credit from Banks

(Rs in Lakhs)

Line of activity	Credit from banks				Total
	Up to 5	5-10	10-20	Above 20	
Brick Making	27	1	0	0	28
	96.4%	3.6%	.0%	.0%	100.0%
	50.0%	3.0%	.0%	.0%	21.5%
Flour Mill	5	20	1	0	26
	19.2%	76.9%	3.8%	.0%	100.0%
	9.3%	60.6%	3.0%	.0%	20.0%
Packed Drinking Water	8	6	0	0	14
	57.1%	42.9%	.0%	.0%	100.0%
	14.8%	18.2%	.0%	.0%	10.8%
Rural Engineering Services	0	6	22	3	31
	.0%	19.4%	71.0%	9.7%	100.0%
	.0%	18.2%	66.7%	30.0%	23.8%
Farm tools Supplying Services	0	0	10	7	17
	.0%	.0%	58.8%	41.2%	100.0%
	.0%	.0%	30.3%	70.0%	13.1%
Kiranam & General Stores	14	0	0	0	14
	100.0%	.0%	.0%	.0%	100.0%
	25.9%	.0%	.0%	.0%	10.8%
Total	54	33	33	10	130
	41.5%	25.4%	25.4%	7.7%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square= 1.812, df= 15, p=0.000, r=0.453

Source: Field study

Table-6 reveals that correlation between line of activity and credit availed from banks by the rural non-farm entrepreneurs is found to be positive (r=0.453) and the relationship between the said variables at LOS=0.05 is found to be statistically dependent.

Table -7 Line of Activity and Credit from Unorganized Sources

(Rs in Lakhs)

Line of activity	Credit from Unorganized Sources				Total
	Up to 5	5-10	10-20	Above 20	
Brick Making	24	4	0	0	28
	85.7%	14.3%	.0%	.0%	100.0%
	52.2%	9.8%	.0%	.0%	21.5%
Flour Mill	3	22	0	1	26
	11.5%	84.6%	.0%	3.8%	100.0%
	6.5%	53.7%	.0%	14.3%	20.0%
Packed Drinking Water	5	9	0	0	14
	35.7%	64.3%	.0%	.0%	100.0%
	10.9%	22.0%	.0%	.0%	10.8%
Rural Engineering Services	0	5	25	1	31
	.0%	16.1%	80.6%	3.2%	100.0%
	.0%	12.2%	69.4%	14.3%	23.8%
Farm tools Supplying Services	0	1	11	5	17
	.0%	5.9%	64.7%	29.4%	100.0%
	.0%	2.4%	30.6%	71.4%	13.1%
Kiranam & General Stores	14	0	0	0	14
	100.0%	.0%	.0%	.0%	100.0%
	30.4%	.0%	.0%	.0%	10.8%
Total	46	41	36	7	130
	35.4%	31.5%	27.7%	5.4%	100.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square=1.828, df=15, ρ=0.000, r=0.411

Source: Field study

Table-7 reveals that correlation between line of activity and credit availed from unorganized sources by the rural non-farm entrepreneurs is found to be positive (r=0.411) and the relationship between the said variables at LOS=0.05 is found to be statistically dependent.

Table -8 Line of Activity and Ratio of Credit from Unorganized sources to Organized Sources

Line of activity	Ratio of credit from unorganized sources to organized sources			Total
	<1	1	>1	
Brick Making	2	1	25	28
	7.1%	3.6%	89.3%	100.0%
	7.7%	100.0%	24.3%	21.5%
Flour Mill	9	0	17	26
	34.6%	.0%	65.4%	100.0%
	34.6%	.0%	16.5%	20.0%
Packed Drinking Water	2	0	12	14
	14.3%	.0%	85.7%	100.0%
	7.7%	.0%	11.7%	10.8%
Rural Engineering Services	6	0	25	31
	19.4%	.0%	80.6%	100.0%
	23.1%	.0%	24.3%	23.8%
Farm tools Supplying Services	7	0	10	17
	41.2%	.0%	58.8%	100.0%
	26.9%	.0%	9.7%	13.1%
Kiranam & General Stores	0	0	14	14
	.0%	.0%	100.0%	100.0%
	.0%	.0%	13.6%	10.8%
Total	26	1	103	130
	20.0%	.8%	79.2%	100.0%
	100.0%	100.0%	100.0%	100.0%

Chi-Square=18.305, df=10, ρ=0.041, r=-0.022

Source: Field study

Table-8 reveals that correlation between line of activity and ratio of credit from unorganized sources to credit from organized sources is found to be negative (r=-0.022) and the relationship between the said variables at LOS=0.05 is found to be statistically dependent. Hence, **the hypothesis "Financial exclusion is line of activity neutral in the case of rural nonfarm sector" is rejected.**

Concluding Remarks:

It is evident from above analysis there is no strong reason for selected various rural non- farm activities, it's depends up on only by chances with help of local representatives and authorities and found that variation is marginal. It is further concluded that average credit availed by rural non-farm entrepreneurs from banks is up to 5 lakh rupees is 41.5 percent and from unorganized sources is 35.4 percent of the entrepreneurs, the ratio of credit from unorganized sources to organized sources which measures the extent of financial exclusion is greater than one (> 1) in case of 79.2 percent of the rural non-farm entrepreneurs.

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