



FINANCIAL INCLUSION AMONG RURAL PEOPLE – A STUDY WITH SPECIAL REFERENCE TO PALAKKAD DISTRICT

CIYA. M

M.PHIL RESEARCH SCHOLAR, SREE NARAYANA GURU COLLEGE, K.G.CHAVADI, COIMBATORE -105

M.MAHESH KUMAR

M.Com, M.Phil, MBA, PGDCA. ASST.PROFESSOR OF COMMERCE, SREE NARAYANA GURU COLLEGE, K.G.CHAVADI, COIMBATORE - 105

ABSTRACT In India more than 75% of rural people are not engaged in the process of financial inclusion. Most of the rural people excluded from the country's main stream of banking sector. Still, now 45% of the people are living Below Poverty Line. Their monthly income is very low. The 11th five year plan (2007-12) re-emphasized the need for a more inclusive growth in order to ensure that the per capita income growth is broad based by implementing financial inclusion to rural area. This study is mainly intended to measure the awareness and impact of financial inclusion among rural people of Palakkad district. Questionnaire was used to collect primary data from 150 rural people and were analysed by using different statistical and hypothesis tests. The study reveals that rural people are aware about financial inclusion programmes but they are not getting adequate informations & services from authorities. Financial awareness programmes are too low in the sample area. The study suggests to provide more campaigns among rural people for accessing services easily and provide awareness programmes. The government and financial institutions must take steps to include all most all rural people in the purview of financial inclusion, then only the goal of government can be achieved easily.

KEYWORDS : Financial inclusion, Financial inclusion index, Financial literacy, PMJDY

INTRODUCTION

With the progress of Indian financial economy there is an attempt to include maximum number of participation from the whole sectors of the Indian society. But the lack of awareness and financial literacy among the rural people are preventing the growth of the financial service. Majority of the population do not have access to formal financial system. It is the serious issue of an economic progress of the country. In order to reduce these barriers the banking sector and other financial sectors initiated some technological innovation.

The term Financial Inclusion was explicitly used for the first time in the Annual Policy Statement of RBI for 2005&2006. The Financial Inclusion enables improved and better sustainable economic growth and social development of the country. It makes the under privileged, poor and women to enter into the main stream of financing and under developed rural areas.

Since 1949, RBI and Government, of India have been make efforts to increase financial inclusion in the country. So many banks moved to rural area to provide better financial service under the leadership of RBI. Financial inclusion may be defined as the process of access to financial services and timely and adequate credit where needed by the vulnerable groups as weaker sections and low income groups at an affordable cost. Financial inclusion means delivery of financial products and services to rural and weaker sections at a reasonable cost.

STATEMENT OF THE PROBLEM

The study gave more emphasis to analyze the financial literary level and awareness of financial matters of rural people. Indian government now initiates many financial programmes to improve the financial improvement of rural people. The study intends to analyze various financial programs implemented by RBI and other financial institutions to improve the financial security of rural people. It also measures the opinions of rural people towards the initiatives of various financial institutions to improve financial condition of rural people.

OBJECTIVES OF THE STUDY

The present study on the impact of financial inclusion among rural people had conducted with the following objectives

- To analyse various measures taken by banks and other financial institutions for the promotion of financial inclusion among rural people.
- To analyse the awareness of financial inclusion among rural people.
- To analyze the effectiveness of financial inclusion with special reference to Jan Dhan Yojana, Pradhan Matri Jeevan Jyothi Bima Yojana etc. and growth rate in the financial inclusion index among

the last 10 years.

- To analyse the impact of financial inclusion on the saving and investment habit of rural people.

RESEARCH METHODOLOGY

The present study is a descriptive one and the population of the study consists of all rural people in Palakkad District (taken part of financial inclusion). By using convenient sampling method, 100 rural people of Palakkad District form the sample of the study. Questionnaire and schedule was used for collecting data and it was analysed by using percentage method, Garrett ranking analysis, Chi-square test.

FINANCIAL INCLUSION

Financial Inclusion or Inclusive Financing is the delivery of financial services at an affordable cost to section of disadvantaged and low income segments of society, in contrast to financial exclusion where those services are not available or affordable.

In other words, Financial Inclusion is the delivery of banking services at an affordable cost (no frills account) to the vast section of disadvantaged and low income groups. Unrestricted access to public goods and services is the good character of an open and efficient society. As banking services are in the nature of public goods, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of public financial policy.

DEFINITION

According to Dr.K.C.Chakrabarty, Deputy Governor, Reserve Bank of India, Financial Inclusion is the process of promising access to the financial product and services at affordable prices to all the members of the society, including even the weaker sections and low income groups and keeping the transparency by the institutional law maker.

Rangarajan committee {2008} on Financial Inclusion explained that, Financial Inclusion is the process of providing benefits to vulnerable groups such as weaker sections and low income groups through financial services and timely and adequately credit whenever needed at reasonable cost. The financial services do not constitute banking services alone, but also include the complete range of financial services like insurance, loans, payments, credits etc. The main aim of providing these services to help these sections of the society to come out poverty.

FEATURES OF FINANCIAL INCLUSION

- Creating a plat form for inculcating the habit to save money.
- Provide formal credit to vulnerable and rural people.

- Maximum productive use of subsidies and welfare programs.
- Boost up savings of rural people and productive use deposited money.
- Efficiently use the deposited money for the improvement of living standards of poor people.
- Helps in satisfying the basic need of poor people.

BARRIERS OF FINANCIAL INCLUSION

• Physical access difficulties:-

In Indian rural areas like remote hilly and sparsely areas within adequate financial infrastructure is a barrier to access financial inclusion.

• Demand side:-

Due to the lack of awareness, low income of rural people, social exclusion and lack of literacy of Indian rural people reduced the demand for Financial Inclusion in India.

• Supply side:-

Supply side of the Financial Inclusion is very bad, because the banks are situated distant from the rural people of India, branch timing problems, unsuitable products, regional language problems and staff attitude to rural people etc are reduced the supply of financial services among Indian rural people.

• Effect:-

The high transaction cost and procedure to access formal financial system is an import barrier to access Financial Inclusion.

MICRO FINANCE BENEFITS IN FINANCIAL INCLUSION

• High and better productivity.

Due to the proper functioning of Micro Finance agencies, it provides better credit facilities to disadvantaged people. This facility make high and better productivity in the rural areas and it leads to increase in the National Income.

• Reduce income inequalities.

Micro finance agencies and institutions provide better and sufficient credit facilities to whole communities. It reduces income inequalities among the people.

• Wide spread development.

The proper crediting of loans and advances by the microfinance institutions and agencies provide a wide spread development to the whole economy and also to the nation.

• Break the barriers of location.

Establishment of microfinance agencies at the nook and corner of every rural area break the barriers of location and reach financial facilities and services to the whole area of the country.

• Faster growth of economy

Establishment of micro credit institutions and providing of proper and adequate credit to the rural industrialists, entrepreneurs and small business groups help to the growth of the economic condition of the country.

• Effective utilization of subsidies

Through the microfinance agencies and institutions, the government can grant subsidies and other welfare programs for the development of rural house hold and rural farmers.

• Increase in national income.

The effective functioning of microfinance agencies and institutions help to the small business and traders to meet their financial needs and wants, it helps to increase the productivity of the businesses and it also leads to the increase in national income of the country.

• Increase employment and income opportunities.

Through the proper credit granting of loans will increase the production and other related functioning. It leads to the generating of income opportunities. This opportunity results a highly improved income and also a good living standard

.SCOPE OF FINANCIAL INCLUSION

Recent technological improvement and developments have transformed the formal financial system faster, easier and timely accessible to the rural people and it facilitates the progress of formal financial access. The modern channels like Automatic Teller Machines (ATM), Credit Card, Debit Card, Online Money Transfer, Remittance facilities, Internet Banking, Demat Accounts etc. are make a wide scope in to financial service in banking and also formal financial system of the country.

WHAT TO DO RBI FOR THE FAST GROWTH OF FINANCIAL

INCLUSION IN INDIA?

- RBI should try to recommend the commercial banks to increase opening branches in rural areas.
- Conduct regular surveys and studies in the rural areas for financial allocation.
- RBI should try to transfer all social welfare funds directly to beneficiaries as per the direction of government.
- Government should implement technologies to improve Financial Inclusion with the help of RBI.
- Government should implement smooth delivery models for improving the financial standards of the rural people as per the rules of RBI.
- Provide government initiated insurance programmes to rural people through the commercial banks with minimum cost.
- Government should initiate new social welfare and life security schemes concentrating on rural people with RBI.

FINANCIAL INCLUSION INDEX

On June 25, 2013 CRISIL, India's leading credit rating and Research Company launched an index to measure the status of financial inclusion in India. The index-inclusix-along with a report, was released by the Finance Minister of India, P.Chidambaram at a widely covered programme at New Delhi. CRISIL inclusix is one of its kind tool to measure the extend of inclusion in India, right down to each of the 632 districts. CRISIL inclusix is a relative index on a scale of 0-100, and combines 3 critical parameters of basic banking service-branch penetration, deposit penetration and credit penetration- in to one metric. The report highlights many hitherto unknown facets of inclusion in India. It contains the first regional, state-wise, and district-wise assessment of Financial Inclusion ever published, and the first analysis of trends in inclusion over a three year time frame. Some key conclusions in the study are:

- The all-India CRISIL inclusive score of 40.1 is low, though there are clear sign of progress-this score has improved from 35.4 in 2009
- Deposit penetration is the key driver of financial inclusion- the number of savings account (624 million) is almost four times the number of loan accounts. (160 million)
- 618 out of 632 districts reported an improvement in their scores during 2009-2011
- The top 3 states and union territories are Puducherry, Chandigarh and Kerala; the top three districts are Pathanamthitta (Kerala), Karaikal (Puducherry) and Thiruvananthapuram (Kerala)

FINDINGS OF THE STUDY

The major findings of the study can be summarized as follows

1. The people engaged in Financial Inclusion are only get an income lower than 10,000.
2. It is found that 63% of respondents are aware about financial inclusion measures.
3. 73% of the respondents opinioned that financial inclusion affects their life.
4. Majority of the respondents (48%) use their below 20% of monthly income to involve in Financial inclusion.
5. 85% of the respondents replied that the financial inclusion

positively affect their standard of living.

6. More than 50% of the respondents are satisfied with financial inclusion.
7. 56% of the respondents effectively use financial services provided by the bank.
8. 50% of the respondents using the financial services provided by the bank.
9. Most of the respondents choose Pradhan Mantri Jeevan Jyoti Bhima Yojana, as the best new financial inclusion tool.
10. 81% of the respondents responded that financial inclusion is helpful.
11. Villages of 51% of the respondents have high rate of financial inclusion.
12. Most of the respondents opinioned that they have financial development due to the implementation of financial inclusion.
13. It is found that the 50% of the respondents replied that they feel difficulties in the procedure of getting financial services from the government.
14. Most of the respondents agreed that the government has been taking adequate measures for the development of rural people.
15. Most of the people opinioned that lack of awareness is the main problem of getting financial assistance from the government.
16. 63% of the respondents opinioned that the financial inclusion is benefit for the economic development of the country.
17. There is a positive relation among the educational level, occupation, income and accessibility towards financial inclusion

SUGGESTIONS

- The government should advertise about the new financial inclusion programs through famous Tele Vision channels and other Medias in Malayalam language.
- Post offices should also be included in the programme of financial inclusion because of their great accessibility and widespread net work.
- According to the report of TRAI, number of mobile users as increased tremendously , mobile banking can be a step ahead to financial inclusion.
- The banks and other financial institutions should implement new financial programmes to involve SC/ST category.
- Biometric Teller Machine should be available for illiterate class of the society who do not write the names, authenticate the transaction via their thump prints.
- The government should implement financial literacy programme aiming at improving the financial knowledge of rural people.
- Special financial requirement of rural section should be created by rural bank branches like crop insurance etc.
- The micro finance institutions should try to involve in the financial inclusion process by providing advance credit, provide loans etc. to the rural people for meeting their financial requirements.
- Private Banks and private financial institutions should also be made a part of programme at least to raise the level of financial literacy and introduce financial instruments which meet the needs of the poor section of the society.
- The government should try to abolish the corruption and red-tapism in the government institutions by implementing proper internal checking and external control.

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