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A STUDY ON EXTENT OF FINANCIAL INCLUSION AMONG RURAL HOUSEHOLDS IN KERALA

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ABSTRACT

Financial inclusion played a major role in driving a way the poverty from the country. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all section of society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost and in a faire and transparent manner by regulated mainstream institutional players .The objective of this study analyze the extent to which rural households access to saving facility and credit facility and to identify the reasons for not savings as well as not borrowing .Data are collected from both primary data and secondary data .Secondary data collected from various secondary sources i.e. published articles, journals, reports, books and websites, Primary data collected with the help of interview conducted among the rural households in Malappuram District. .The study revealed that most of the rural households are included formal financial system in terms of access bank account. Most of the rural households have accessed saving accounts and access to credit for Children education, uncertainty related to health, households' needs and for investing business .Some of the rural households do no save regularly and does not access to credit and suggested that the formal financial institutions should extend their hands to help the people regarding the financial aspects and change the existing policies.

KEYWORDS: Financial inclusion, savings, credit, financial products

INTRODUCTION

Financial inclusion has emerged as a strategy to bring the so called excluded people in to the mainstream. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. As banking services are in the nature of public goods, it is essential that the availability of banking and payment services to the entire population without discrimination should their prime objective of the public policy. Most recently the Rangarajan Committee (2008) defined financial inclusion as a process of ensuring access to financial services and timely and adequate credit were needed by vulnerable group at an affordable cost. Although credit is the most important component, financial inclusion covered various financial services such as savings, insurance, payments and remittance facilities.

In India drive for financial inclusion, initiated by the Reserve Bank of India, had thus far involved ensuring access to at least minimum balance'no-frills'saving bank account to every households .In this context ,at least one district in each state has been brought under the 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 the critical for achieving inclusive growth. The financially excluded sections largely comprise marginal farmers, landless labourers, self employed and unorganized sector enterprises, urban slum dwellers ,migrants ,ethnic minorities and socially excluded group senior citizen and women .The case for financial inclusion is not based on the principle of equity alone; access to affordable services is required for inclusion growth with stability..

Financial inclusion is delivering banking and financial services to all the people in the transparent and equitable manner at affordable cost to the vast sections of disadvantaged and low income group of people who have been excluded from it. By financial inclusion we mean the provision of affordable financial services viz. access to payment and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded. It is important to recognize that in the policy framework for development of the formal financial system in India, the need for financial inclusion and covering more and more of the excluded population that is underprivileged section in rural and urban area like farmers, small vendors, etc.

LITERATURE REVIEW

Ramji Minakshi(2009) conducted study to assess the implementation of the financial inclusion drive and usage of banking services by households in Gulbarga district, Karnataka. It was found that though the number of households with bank accounts doubled over the duration of financial inclusiondrive, 36% of the sample remained excluded from any kind of formal or semi formal saving account.

Dr B.C.M Patnaik, Dr.IP Seetha Satpathy, Nageswar Patnaik, Aroop Kumar Mohapatra (2012) have attempted to understand the perception of beneficiaries in general towards the basic banking services accessibility in the district of Ganjam Odisha.The study found that the lack of regular and substantial income is one of the reasons for the financial exclusion people with low income do not qualify for a loan and it concluded that while considering the ground reality ,lot of work to be done for including the rural people for the empowerment process in rural India.

Chirodip Majumdhar and Gautham Gupta (2013) in their study on financial inclusion in hoogly, observed that the extent of financial inclusion, identified the socio economic categories of households and the categories of households obtaining the benefit of no frill accounts. The rate of financial inclusion is only around 50%. Households belonging to minority communities, backward classes, people who are below poverty line, illiterate, people working as agricultural laboures were mostly excluded.

RESEARCH PROBLEM

Financial inclusion is provision of affordable financial services to those who tend to be excluded. This research paper discussed about extent of financial inclusion among rural households in terms of savings and credit.

OBJECTIVES OF THE STUDY

- To analyze the extent to which rural households access to saving facility and credit facility.
- To identify the reasons for not savings as well as not borrowing
- To test whether there is any relation between income with savings and credit.

HYPOTHESES

- There is no significant difference between income and access to saving account
- There is no significant difference between income of rural households and access to Credit

RESEARCH METHODOLOGY

The study was conducted in a descriptive style using both secondary and primary data.. Secondary data collected from various secondary sources i.e. published articles, journals, reports, books and websites, Primary data collected with the help ofinterview conducted among the rural households. Area of the study is confined to Malappuram District.150 respondents are randomly selected by using Multi stage random sampling. Percentage, ratios and Chi Square Test are used for analysis.

RESULTS AND DISCUSSION

Demographic information about the respondents are given below. Out of the total respondents 78 are male and 72 are female.57% of the respondents are aged between 51-60.29%oof the respondents do not have formal education .Most of the respondents are wage earners and having less than 5000 income.

Table 1.Demographic profile of the respondent

Demographic variable	No. of Respondents		Total
	Male	Female	
Age			
Less than 30	8	6	14
30-50	20	19	39
50-60	45	41	86
More than60	5	6	11
Total	78	72	150
Marital status			
Married	72	68	140
Un married	6	4	10
Total	78	72	150
Education			
Illiterate	20	24	44
Primary level	28	29	57
Secondary Level	19	11	30
Higher secondary	7	6	13
Graduation	4	2	6
Total	78	72	150
Occupation			
Farmer	18	16	34
Wage earner	42	49	91
Salaried worker	7	3	10
Self employed	8	3	11
Business	3	1	4
Total	78	72	150
Income			
Less than 5000	49	57	106
5000-10000	19	11	30
10000-20000	6	3	9
More than 20000	4	1	5
Total	78	72	150

Access to saving account:-

76% of respondents have saving account and 24% of the respondents don't save regularly. Respondents are saving through opening bank account, post office account, SHG account etc .Most of the respondents are opened saving account for children education purposes.

Table2 Reasons for savings and not savings

Reasons	No. of Respondents	Percentage
Reasons for savings		
Children education	49	32.67
Uncertainty related to health	22	14.66
Households needs	28	18.67
For investing business	15	10
Total	114	76
Reasons for not savings		
Don't know about the service	8	5.33
Don't have enough money to save	28	18.67
Total	36	24
	150	100

Access to Credit:-

Out of the total respondents 70% of the respondents are borrowed through banks, microfinance institutions and money lenders.30% of the respondents are not borrow from any kind of institutions.

Table3 Reasons for access to Credit and not borrowing

Reasons	No. of Respondents	Percentage
Reasons for access to Credit		
Children education	43	28.67
Uncertainty related to health	22	14.67
Households needs	29	19.33
For investing business	11	7.33
Total	105	70
Reasons for not borrowing		
No collateral	19	12.66
No guarantor	16	10.67
Never needed	10	6.67
Total	45	30
	150	100

HYPOTHESES TESTING

- There is no significant difference between income and access to saving account.

Table 4 Income and Access to saving account

Income	Access to saving account.		Total
	Yes	No	
Less than 5000	74	32	106
5000-10000	28	2	30
10000-20000	8	1	9
More than 20000	4	1	5
Total	114	36	150

Table 5 Chi square Test

O	E	(O-E)2	(O-E)2/E
74	80.56	43.04	0.53
28	22.8	27.04	1.18
8	6.84	1.35	0.19
4	3.8	0.04	0.01
32	25.44	43.04	1.69
2	7.2	27.04	3.75
1	2.16	1.35	.62
1	1.2	.04	.03
Chi square Value			8

The Chi square Value 8 is more than the table value at 5% level of significance7.81.Therefore, null hypothesis is rejected.

- There is no significant difference between income and access to Credit.

Table6. Income and access to Credit

Income	Access to Credit		Total
	Yes	No	
Less than 5000	76	30	106
5000-10000	24	6	30
10000-20000	3	6	9
More than 20000	2	3	5
Total	105	45	150

Table7.Chi square Test

O	E	(O-E)2	(O-E)2/E
76	74.2	3.24	0.04
24	21	9	0.42
3	6.3	10.89	1.72
2	3.5	2.25	.64
30	31.8	3.24	.10
6	9	9	1
6	2.7	0.89	4
3	1.5	2.25	1.5
Chi square Value			9.42

Calculated value is 9.42 is more than the table value at 5% level of significance7.81.Therefore, null hypothesis is rejected.

MAJOR FINDINGS

- The study revealed that 99% of the rural households are included formal financial system in terms of access bank account.
- The result founds that 76% of the rural households accessed saving accounts for Children education, uncertainty related to health, households' needs and for investing business.24% of respondent don't save regularly because of lack of money and lack of awareness about services.
- Out of the total respondents 70% have borrowed for children education, uncertainty related to health, households needs and for investing business and remaining respondent does not accessed to formal credit

because of collateral security and guarantee problem.

- Income and saving habit of rural households are related. It states that if increasing the income of households it well leads to increase the saving habit of rural households.
- Most of the respondents accessed to credit because of low income .It indicate that rural households are depending formal financial system for credit.

SUGGESION AND CONCLUSION

Financial inclusion mainly focused on the poor who do not have formal financial institutional support and getting them out of the clutches of local money lenders. Financial inclusion index indicated that Kerala is highly on formal financial system on various aspects of financial inclusion such as banking penetration, availability of banking services and usage of the banking system .This study attempted to know the extent of financial inclusion among rural households. The study revealed that most of the rural households are included formal financial system in terms of access bank account. Some of the rural households do no save regularly and does not access to credit. To induce the saving habit among rural households and to extend credit through awareness programme on financial inclusion will be conducted by the formal financial institutions .The formal financial institutions should extend their hands to help the people regarding the financial aspects and change the existing policies .The service at the door of the rural households by the banks makes them borrow from the formal sector.

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