

Financial Sector and Sustainable Development



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AWARENESS ON FINANCIAL INCLUSION AMONG LOW INCOME HOUSEHOLDS

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Abstract

Financial inclusion mainly for the poor who have not brought under the umbrella of formal financial institutional support and getting them out of the clutches of local money leaders The Report of the Committee on Financial Inclusion in India, 2008 define financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable such as weaker sections and low income group at an affordable cost. The Government of India through the banking system derived important schemes meant to facilitate financial inclusion among its subjects, namely No frill account, Kisan Credit Card (KCC), General Purpose credit Card (GCC) and dispensing micro credit through formation and credit linkage of Self Help Group. The study employed stratified random sampling technique to select 318 respondents in urban and 282 respondents in rural and data were collected by well structured questionnaires and interview schedule. The Likert's scaling technique used for this study area. The result showed that, Low to moderate level awareness was prevailing among the entire sample respondents as to the features of these schemes. The study suggested that in order to cater to the needs of the urban respondents, Government should give special attention to financial schemes as it is not properly reached to huge both urban and rural low income population. Proper training to the agent, frequent inspection to avoid for fraud etc. One essential to create a awareness and provide education on financial services and also avoid in delay loan sanction and reduce the procedure, use of technology for spot collection and withdrawal of money, could be beneficial.

Keywords: *Financial Inclusion, No frill account, Kisan Credit Card (KCC), General Purpose credit Card (GCC), Self Help Groups*

Introduction

India, being a developed country, requires capital formation through saving and investment. In order to achieve this objective, there should be proper planned, promoted and channeled investment pattern among inhabitants. However, vulnerable groups, such as weaker section and low income groups continue to remain excluded from even the most basic opportunities and services provided by the financial sector (Sukdeve, 2008). With the progress of the Indian economy, especially when the focus is on the achievement of sustainable development, there must be an attempt to include maximum number of participation from all the sections of the society. But the lack of awareness on financial inclusion schemes among both urban and rural low income households is hindering the

growth of the economy as majority of the population does not have access to formal credit. In the year 2005, Government of India initiated to introduced various financial inclusion schemes such as No Frill account, Kishan Credit card, General purpose credit card and Self Help Groups etc.

Review of Literature

The Studies related to the problem selected encompasses financial inclusion. The unproductively purposes pushed the poor household to borrow from the informal sources at the high rate of interest (Sharma, 2011). Financial inclusion programme are not covered fully the development of social aspect of Banking customer for poor people (Natrajan, 2011). Financial inclusion did not take place due to lack of information and education (Arokia Jerold, 2008). The respondents did not have awareness about different service schemes due to lack of information and lack of education (Ganapathy, 2010). Majority of respondents were disbursed the payment through cheque only and also visit the bank monthly. All the respondents were opened no frill account and saved money only to meet emergency (Dhevan, 2010).

Statement of Problem

More important issue is that India's problem of financial inclusion is gargantuan. According to World Bank data, only 35% of Indians have an account with a formal financial institution. This is 42% in the case of men and 27% for women. Only 8% have debit cards and 2% credit cards. According to the government's 2011 Census, about 60 percent of rural and urban populations do not even have functional bank account and while the bank credit to GDP ratio in the country as a whole is a modest 70 percent, with regional variations. This has left a large part of the economy dependent on the informal sector for meeting its credit needs. Irrespective of all the Financial Literacy initiatives taken by the government, RBI(2005), commercial Banks(2005), Life insurance corporation of India(2008), SEBI(2007) and private banks(2010) the low income households still not yet reached and remains as financial excluded. Financial inclusion in India encouraged banks to penetrate into the urban and rural area through Business Facilitators (BF) models to reach low income household in urban and rural area.

Objectives of the Study

- ❖ To assess the awareness on financial inclusion programs among sample respondents.

Research Methodology

Sources of Data

The primary data for purpose of the study has been collected through a well structured interview schedule. Secondary data has been collected from journals, Government reports and publication.

Locale of the Study

Coimbatore district was selected as the locale of the study owing to the reason that it is one among the industrially developed and commercially vibrant districts of Tamil Nadu. The district administration consists of eight taluks, being urban areas namely, Avinashi, Coimbatore South, Mettupalayam, Pollachi, Udumalpet and Valparai and consists of eight taluks, being rural area namely Annur, Coimbatore North, Coimbatore South, Kinathukadavu, Mettupalayam, Pollachi, Sulur and Valparai. The urban agglomeration namely Coimbatore Corporation was selected in the study area. Annur having 30 revenue villages, out of which only five villages were selected.

Sampling

The method of sampling considered in this study was judgment sampling. 318 from urban area and 282 from rural area(Annur block) in Coimbatore District, Tamil Nadu. The data has collected well structured interview schedule from low income households.

Tools for Analysis

The tools were applied to analyses the data collected with uses of liker's scale technique.

Results and Discussion

The result of the data analysis are presented as below

Awareness towards Financial Inclusion Schemes among Sample Respondents

Financial inclusion mainly for the poor who have not brought under the umbrella of formal financial institutional support and getting them out of the clutches of local money leaders (Dhevan and Ravichandran, 2008). The Report of the Committee on Financial Inclusion in India, 2008 define financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable such as weaker sections and low income group at an affordable cost (Chandrasekar Babu, 2010).

The Government of India through the banking system derived important schemes meant to facilitate financial inclusion among its subjects, namely No frill account, Kisan Credit Card (KCC), General Purpose credit Card (GCC) and dispensing micro credit through formation and credit linkage of Self Help Group (Darling Selvi, 2010). There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to improve the financial economic growth (Anupama, 2013). Awareness is the antecedent of participation in such programmes. The respondents' awareness with respect to financial inclusion programmes were presented below:

No Frill Account Scheme

The banks in India were advised by Reserve Bank of India (RBI) to make available the basic banking namely, 'no frill' account with nil or low minimum stipulated balances as well as

charges to expand the outreach of such accounts to vast section of the population (Arokia Jerald, 2008). The table 1 indicates the various level of awareness about no frill account scheme among respondents.

Moderate awareness prevailed among the respondents for most of the features of 'No-frill' account. The very key feature of opening a bank account with nil or very low balance itself was not known to majority of the total sample respondents (61.80 percent). Among urban sample respondents (78 percent) and also among rural sample respondents (43.60 percent) low awareness was noted. The basic aim of this scheme itself did not reach the beneficiaries whom it was meant for.

Table 1
Respondents Awareness on No Frill Account

Features	Urban Respondents (n-318)						Rural Respondents (n-282)					
	High		Medium		Low		High		Medium		Low	
	N	%	N	%	N	%	N	%	N	%	N	%
Opening account with Nil or very low balance	26	8.20	44	13.80	248	78.00	45	16.00	114	40.40	123	43.60
Overdraft facilities	54	17.00	146	45.90	118	37.10	38	13.50	122	43.30	122	43.30
No penalty for non-maintenance of minimum balance	54	17.00	147	46.20	117	36.80	41	14.50	117	41.50	124	44.00
Without cheque book	55	17.30	150	47.2	113	35.50	43	15.20	148	52.50	91	32.30
Issue of debit card	57	17.90	146	45.90	115	36.20	43	15.20	115	40.80	124	44.00
Credit limit `1,00,000 pa	53	16.70	147	46.20	118	37.10	48	17.00	150	53.20	84	29.80

Source: Primary data ; N = Number of respondents; % = Percentage

About 44 percent of the respondents in all, 46 percent of the urban respondents and 40 percent of the rural respondents had moderate awareness about the features like overdraft facilities, no penalty for non maintenance of minimum balance, saving account without cheque book facility, availability of debit card and maximum limit to credit available on this account whereas a minimum of about 15 percent of total respondents, about 17 percent of urban respondents and about 16 percent of rural respondents were highly aware of these facilities.

General Purpose Credit Card

With view of helping the poor and disadvantaged with access to easy credit, banks have been asked to consider introduction of general purpose credit card facility up to `25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to bank customers based on the assessment of cash flow without insistence on security,

purpose or end use of the credit. This is in the nature of revolving credit entitling the holders to withdraw up to the limit sanctioned (Chandrasekar Babu, 2010). The table 2 indicates the various level of awareness about General Purpose Credit Card among respondents.

Table 2
Respondents' Awareness on General Purpose Credit Card

Features	Urban Respondents (n-318)						Rural Respondents (n-282)					
	High		Medium		Low		High		Medium		Low	
	N	%	N	%	N	%	N	%	N	%	N	%
Issued to rural, semi-urban branches & SHG members	65	20.40	119	37.40	134	42.10	39	13.80	123	43.60	120	42.60
Issued for genuine purpose	65	20.40	122	38.40	131	41.20	35	12.40	166	58.90	81	28.70
Credit limit `25000	66	20.80	119	37.40	133	41.80	40	14.20	127	45.00	115	40.80
No security	64	20.10	121	38.10	133	41.80	37	13.10	163	57.00	82	29.10
Cheque book	58	18.20	129	40.60	131	41.20	37	13.10	126	44.70	119	42.20

Source: Primary data ; N = Number of respondents; % = Percentage

The level of awareness of the features of the General purpose credit card scheme for financial inclusion among respondents about 17.30 percent of total respondents, 20 percent of urban sample respondents and about 13 percent of the rural sample respondents had high awareness about the scheme.

The moderate awareness was prevailing among 45 percent total sample respondents, 38 percent of urban sample respondents and about 37 percent of rural respondents about the feature like Issued at rural, semi-urban branches and SHG members, Issued for genuine purpose, Credit limit `25000, no security and no pass book facilities. A considerable percentage of respondents, 42 percent of total respondents, 41 percent of urban sample respondents and 35 percent of rural sample respondents had low awareness about the salient features of the scheme.

Kisan Credit Card

Kisan Credit Card has been issued by banks to small farmers to meet production and cultivation expenses (Chakrabarty, 2011). Awareness on the features of Kisan credit card among the respondents is presented in table 3

Table 3
Respondents' Awareness on Kisan Credit Card

Features	Urban Respondents (n-318)						Rural Respondents (n-282)					
	High		Medium		Low		High		Medium		Low	
	N	%	N	%	N	%	N	%	N	%	N	%
Production and cultivation expenses	74	23.30	110	34.60	134	42.10	39	13.80	156	55.30	87	30.90
Pass Book facilities	72	22.60	113	35.50	133	41.80	40	14.20	126	44.70	116	41.10
Revolving Credit	74	23.30	113	35.50	131	41.20	46	16.30	154	54.60	82	29.10
Validity up to 3 years	74	23.30	110	34.60	134	42.10	45	16.00	115	40.80	122	43.30
Need based credit enhancements	74	23.30	110	34.60	134	42.10	40	14.20	126	44.70	116	41.10
Personal accident insurance up to `50,000	75	23.60	111	34.90	132	41.50	52	18.40	118	41.80	112	39.70
Rescheduling of loan	75	23.60	110	34.60	133	41.80	57	20.20	145	51.40	80	28.40

Source: Primary data ; N = Number of respondents; % = Percentage

A high level of awareness of features of the Kisan credit card scheme was prevailing among 20 percent of total respondents, about 23 percent of urban respondents and about 16 percent of the rural sample respondents. The moderate awareness was noted among 35 percent of total respondents, 44 percent of urban sample respondents and 40 percent of rural respondents. on its feature like to providing loan to farmers to meet production and cultivation expenses, revolving credit facility, unlimited withdrawal and repayment with designated limit, credit pass book, repayment period of 12 months, three year validity subject to annual renewal, provision to enhance credit on need and permanent basis, personal accident insurance up to `50,000, whereas 39 percent of total respondents, 42 percent of urban sample respondents and on an average 37 percent of rural sample respondents had low awareness.

Self Help Group- Bank Linkage Programme

National Bank for Agriculture and Rural Development (NABARD) has been compiling and analyzing the data on progress made in microfinance sector based on returns furnished by commercial bank (CBS) Regional Rural Bank (RRB) Co-operative Bank in the country since 2006-2007 (scribed.com). According to NABARD (2012) altogether the 8 million SHGs maintain a balance of over `22000 crore in the savings bank accounts with the banks, while they are estimated to have harnessed savings, of which nearly 70 percent goes for internal lendings (Vighneswara, 2012). The table 4 attempted to analyses SHG Bank Linkage programme awareness prevailing among the respondents.

Table 4
Respondents' Awareness on Self Help Group - Bank Linkage Programme

Features	Urban Respondents (n-318)						Rural Respondents (n-282)					
	High		Medium		Low		High		Medium		Low	
	N	%	N	%	N	%	N	%	N	%	N	%
Formation of SHG	68	21.40	114	35.80	136	42.80	55	19.50	112	39.70	115	40.80
Microfinance to SHG only	66	20.80	120	37.70	132	41.50	49	17.40	155	55.00	78	27.70
Encouraging saving by SHG by bank	72	22.60	116	36.50	130	40.90	44	15.60	120	42.60	118	41.80
Microfinance without collateral security	69	21.70	114	35.80	135	42.50	45	16.00	155	55.00	82	29.10
Microfinance provided by NGO also	67	21.1	120	37.70	131	41.20	50	17.70	121	42.90	111	39.40
Microfinance reduce dependence on money lenders	71	22.30	151	47.50	96	30.20	41	14.50	154	54.60	87	30.90

Source: Primary data ; N = Number of respondents; % = Percentage

While analyzing the level of awareness on SHG-Bank linkage Programme prevailing among respondents, 19 percent of total respondents, 17 percent of urban respondents and about 21 percent of the rural sample respondents have high awareness about the scheme. The moderate awareness was noted among 38 percent of urban sample respondents and 30 percent of rural respondents. Only 35 percent of total respondents had low awareness on its features in the order of micro finance to SHG only, microfinance is given without collateral security, encouraging saving by SHG, Microfinance provided by NGO also and microfinance reduce dependence on money lender.

Findings of the Study

It is inferred from the above discussion that in general, moderate level of awareness about all the financial inclusion programmes initiated by the Government of India was prevailing among the respondents representing low income households. Less than one-fifth percentage of the respondents was highly aware about the No Frill account, General purpose credit card and Self-Help-Group linkage programme. About one-third of the rural respondents highly aware of Kisan credit card.

Suggestion and Recommendation

- ❖ Government should give special attention for applicable of financial schemes of low income households.
- ❖ Awareness programs and education of financial services should be in reach to low income households through agents.
- ❖ Mobile financial services could be implemented on market in rural areas.

- ❖ Promotion of Self Help Groups and linkage with banks should be encouraged.
- ❖ Opportunity for study and earning through apprenticeship training to be conducted.
- ❖ Insurance to be provided to old age, survival and disability of low income households.
- ❖ Medical insurance to be implemented among family members.

Conclusion

In this study conclude that only one third of the sample respondents were highly prevailing awareness on financial inclusion schemes. Financial inclusion is an essential part which can be achieved through creating awareness about the savings and investments pattern among low income households. In order to achieve high rate of economic development, prosperity and improving quality of work among low income households. Because the authors of this study strongly believe that providing credit to poor women and enhancing their saving habits is a great way to enable the financial stability and economic progress of low-income household.

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