

FINANCIAL INCLUSION IN KRISHNA DISTRICT: ANDHRA PRADESH- A STEP TOWARDS DEVELOPMENT

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ABSTRACT

The financial sector reforms in India have been playing a significant progress for the development of economy since the liberalization, privatization and globalization of Indian economy. As per RBI working paper series (2011) on the Index on Financial Inclusion (IFI) is based on three variables namely number of adults having bank account (penetration), number of banking branches per 1,000 populations and outstanding credit and deposit, the states Kerala, Maharashtra and Karnataka have achieved high financial inclusion while Tamil Nadu, Punjab, Andhra Pradesh, Himachal Pradesh, Sikkim and Haryana are identified as a group of medium financial inclusion and remaining 20 states fall under low-financial inclusion. Based on the above observations, this study investigates further status of financial inclusion among rural households in Krishna District, Andhra Pradesh and to examine the factors to motivate rural households for expansion of financial inclusion and reducing informal lenders in Krishna District, Andhra Pradesh.

KEY WORDS: Financial Inclusion, Informal borrowers, financial exclusion

INTRODUCTION

In India, financial market and banks play a major role by taking a number of initiatives in order to expand financial services towards weaker sections of the society. Financial inclusion is the delivery of formal banking services to the vast sections of lower income groups at an affordable cost. As stated by **Mr.Arun Jaitley (2014)** “at present more than 40 per cent of Indian households do not have access to banking services.” In developed countries, financial inclusion is a vital issue. “In USA, around 9 percent of the population does not have any bank account, (**Mohan, 2006**) whereas in Sweden and Germany, this is about 2 percent and 3 percent respectively.” Countries with high level of inequity record higher levels of banking exclusion. The Prime Minister of India, Shri Narendra Modi launched ‘Financial Inclusion Mission’ on the eve of Independence Day. The main objective is to ensure that every household in India has access to banking services such as savings accounts, credit, remittances, insurance and pension.

RESEARCH PROBLEM

Even after years of implementing mass banking in India, through committed and extended services of financial intermediaries to the poorest of the poor and the downtrodden, a vast majority of rural households are excluded from formal banking services including affordable credit, savings bank account, payments and remittance, financial advice, credit/debit cards, insurance facility and empowering Self Help Groups and are forced to remain in the grip of non-formal agencies. Due to lack of financial literacy in the backward and rural areas, financial services are yet to reach a vast majority of the population in rural and backward areas.

Since the nationalization of commercial banks in 1969, 60 percent of the country's population do not have bank accounts and nearly 90 per cent do not avail loans. Currently, India is in the second position in financially excluded households in the world. Out of the total population only 40 per cent have bank accounts, 10 percent have life insurance cover, and a meagre 0.6 percent has non-life insurance cover. Hence, financial inclusion will be needed for capacity building and livelihood-sustaining of the people.

NEED FOR THE STUDY

Banking network has been increasing, since 1969, ten-fold and has multiplied. In 1969 the number of branches was 8,000 and it was increased to 80,000 branches till-date. Despite this wide network of bank branches spread across the length and breadth of the country, banking has not reached a large section of population. A number of rural households are still not covered by banks. Particularly, rurally marginalized people met more than 90 per cent of their rural credit requirements from informal sources (such as money lenders and indigenous bankers), due to this (Financial Exclusion) the level of poverty is existing in the state.

The State and Central Government has been introducing number of sponsored schemes for financial welfare of rural people. However, it will not be effective if proper banking and risk management facilities are not available to the marginalized section of the society. In India nearly half of the rural households, even today, do not have any access to any source of funds from institutionalised funding agencies such as banks. Hence, there is a major task before banks to bring 75 percent of the rural households into the realms of banking services. This task is very difficult as most of the rural masses have lack of financial literacy, and are poor and unorganized. Therefore, there is a need for the formal financial system to look at increasing financial literacy and to focus on financial inclusion among the marginalized especially farmers. Hence, all commercial banks, financial institutions, non-

banking financial companies, insurance companies need to prioritise and promote financial inclusion as a part of their corporate social responsibility.

Seventy two percent of India's population lives in villages. However, out of a significant portion of 6, 38,588 villages, more than 3, 00,000 villages do not have a single bank branch. This leads to financial exclusion. Invariably financially-excluded people depend on money lenders. Further, these people are completely ignorant of financial products like loans and insurance, which may protect them in adverse circumstances. Consequently, the financial situation is aggravated due to their seasonal income, irregularity of work and job related immigration. In the light of the above arguments, the need to create a financial ecosystem that would prioritize financial awareness and inclusion in order to increase the standard of living is required and specifically there is a need for the following:

- To provide banking service to rural people.
- To support financially to meet their economic needs through basic financial products like savings, credit, remittance and insurance for 'obvious' reason.
- To prioritize financial inclusion all nationalization of banks, lead bank scheme, incorporation of RRBs, Service Area approach and formation of Self-Help Groups have to take initiative for providing banking service to the rural masses.

REVIEW OF LITERATURE

- 1) **Radhika Dixit and Munmun Ghosh (2013)** contend that attaining the objectives of inclusive growth is viable only through resource generation and mobilization. They argue that, inclusive growth attainment depends on equitable opportunities and benefits, and financial inclusion is one of the most crucial prerequisites for comprehensive growth.
- 2) **Dr. T. V. V. Phani Kumar (2013)** says that financial literacy provides the agential capacity to an individual to select from various financial products or savings in accordance with his/her needs. The main objective of this article is to focus on the importance of financial literacy for effective financial inclusion in India and its role in disseminating its benefits to everyone in the country.
- 3) **R.Viswanath (2013)** the committee recommendations are largely conceptual and some of them could even have serious negative consequences. It is to be hoped that the RBI will examine all the recommendations in depth before implementing them. These include universal electronic bank accounts, disclosure of stress tests, universal accessibility, payments through bank, and equity investments of banks in rural infrastructure companies. Finally, it is to conclude that many of them are not lending themselves to practical applications. Some recommendations such as

those on wholesale banks and creation of money market instruments for warehouse receipts could have divesting consequences.

4) Ashima Thapar (2013) opines that banks are complying with RBI norms in terms of opening branches in areas of at least 2000 population, offering No-Frills Accounts, Kissan Credit Card, simplifying Know-Your-Customer norms. But, there is a need for lot of efforts to be put in for financial inclusion progress.

5) Dr. Manoj Kumar (2014) in 'An Empirical Study of Financial Inclusion in India' explains that financial inclusion in its true sense contributes to rural development. Finally, he concludes that India is standing at a juncture of ongoing assessment of financial inclusion efforts in our country.

HYPOTHESIS: In relevance to the objectives stated below, it is more imperative to formulate hypothesis highlighting the level of financial inclusion by households, in Krishna District, Andhra Pradesh. Hence, the following hypotheses are made and tested wherever necessary in the study.

H1: The motivation of rural households regarding financial inclusion leads to get formal banking service benefits.

H2: The awareness of banking habits in the minds of rural people will lead to reduction of the informal borrowing of money.

OBJECTIVES OF THE STUDY

The research aims to cover the following objectives which are empirical in nature:

- To analyze the current status of financial inclusion among rural households in Krishna district.
- To estimate the factors influencing informal borrowings of households.
- To create awareness of financial inclusion in disadvantaged groups.

PRESENT STATUS OF FINANCIAL INCLUSION IN KRISHNA DISTRICT

Financial inclusion is one of the tools for sustainable growth of an economy. It not only increases deposits but also aids in economic development. The primary responsibility is to provide financial services in any country to vulnerable groups for the improvement of their standards of life. In this context, the World Bank has conducted a survey on financial inclusion during April-June 2011. The total respondents were 3,518 but the sample excluded north-eastern states and 10% of remote islands representing total population. The survey suggested that India is one of the developing countries lagged behind in opening bank accounts. As a result, the Reserve Bank of India (RBI) issued directions to commercial banks to promote the process of financial inclusion in India through the development of economically backward areas. Further, financial inclusion is a passport for other financial products and services such as short term credit facilities in order to get other financial

products such as insurance and pension products necessarily require to access bank account. Financial Inclusion provides a database for individual borrowers to capture loans, multiple lending and excess borrowings.

FINANCIAL INCLUSION IN KRISHNA DISTRICT: Krishna district in Andhra Pradesh is named after the river, Krishna which flows through the district at a length of 1,280 kms. The head quarter was located in Machilipatnam. The boundaries of the district are east side West Godavari district, Bay of Bengal in the south, Guntur and Nalgonda districts in the west and Khamam district in the north direction. The district consists of 50 mandals in 4 revenue divisions viz., Machilipatnam, Vijayawada, Guduwada, and Nuzvid. The main industries are Vijayawada Thermal Power Station, KCP sugar factory at Vuyyuru and Bharat Electrical Limited in Machilipatnam.

Table: 01 gives the details of age-wise classification of respondents during the study. Based on the survey of 747 respondents in Krishna District, 12 respondents are below 18 years (1.6%), 252 (33.7%) respondents are between 21-35 years, 259 (34.7%) respondents are under 36-50 years and 224 (30%) respondents are above 50 years.

Caste categories covered in this study are OC, BC, SC, and ST. Questionnaires were prepared in Telugu (regional language) for households, distributed and feedback was obtained from 747 households out of 750. It is a small sample size as many of them were unavailable due to agricultural season. The percentage of open, backward, schedule category, and schedule tribe respondents of the total households in the study are 22.2% (166), 36.1% (270), 28.5% (213) and 13.1% (98) who are OC, BC, SC and ST category respectively. This study explored that the schedule tribe respondents' contribution share is very low when compared to others due to migration from one place to another for employment purpose.

TABLE: 01 DETAILED INFORMATION ON RURAL HOUSEHOLDS

Sl. No.	Characteristics	No. Respondents	%
Q.1.	Age:		
	Below 20	12	1.6
	21-35 Years	252	33.7
	36-50 Years	259	34.7
	Above 50 years	224	30.0
	Total	747	100.0
Q.2.	Caste category		
	OC	166	22.2
	BC	270	36.1
	SC	213	28.5

	ST	98	13.1
	Total	747	100.0
Q.3.	Religion		
	Hindu	584	78.2
	Muslim	107	14.3
	Christian	55	7.4
	Others	1	.1
	Total	747	100.0
Q.4.	Literacy		
	Yes	448	60.0
	No	299	40.0
	Total	747	100.0
Q.5.	Education levels		
	Illiterate	302	40.4
	Primary	170	22.8
	Secondary	176	23.6
	Intermediate	50	6.7
	Degree	49	6.6
Total	747	100.0	
Q.6.	Type of Bank Account		
	No Account	106	14.2
	Yes (All saving account)	641	85.8
	Total	747	100.0
Q.7.	Monthly Income		
	Below Rs. 10000	725	97.1
	Rs. 10000- Rs. 20000	17	2.3
	Rs. 20000- Rs. 50000	5	.7
	Rs. Above Rs.50000	0	0.0
Total	747	100.0	
Q.8.	Monthly Expenditure		
	Below 10,000	731	97.9
	Rs. 10000- Rs. 20000	12	1.6
	Rs. 20000- Rs. 50000	4	.5
	Above Rs. 50000	0	0.00
Total	747	100.0	
Q.9.	Bank Account with a Cheque book		
	No Account	107	14.3
	Yes	22	2.9
	No	618	82.7
	Total	747	100.0

Q.10	No-Frills Accounts		
	Yes	377	50.5
	No	370	49.5
	Total	747	100.0
Q.11	For what reasons have you not opened the bank account		
	Have a bank Account	655	87.7
	No identity	3	.4
	No Job	37	5.0
	Had to have a minimum amount	17	2.3
	had debts	35	4.7
	Total	747	100.0
Q.12	Reasons for not having the bank account		
	Have a Account	637	85.3
	No Money	46	6.2
	Too many charges	37	5.0
	Lengthy process	27	3.6
	Total	747	100.0
Q.13	If you have an account who has helped you to opened the account		
	No Account	110	14.7
	Village Panchayat officials	85	11.4
	Friends	289	38.7
	Banks	162	21.7
	Others	101	13.5
	Total	747	100.0
Q.14	Level of knowledge for using the bank account		
	Know deposit the money in the bank		
	No Account	100	13.4
	Yes	576	77.1
	No	71	9.5
	Total	747	100.0
	Granting loans by the banker to the account holders		
	No Account	100	13.4
	Yes	491	65.7
	No	156	20.9
	Total	747	100.0
	Payment of interest, dividend and insurance premium (Agency functions) services delivered by the banker		
	No Account	100	13.4
	Yes	188	25.2

	No	459	61.4
	Total	747	100.0
	Technological like fund transfer, online banking services, mobile banking etc. offered by the banker		
	No Account	100	13.4
	Yes	238	31.9
	No	409	54.8
	Total	747	100.0
	In time Grievances handling by the banker		
	No Account	100	13.4
	Yes	329	44
	No	318	42.6
	Total	747	100.00
	Q.16	Frequency of usage of the following banking services	
No. of times visited to bank for deposits, loans, drafts etc.			
No visit to bank		109	14.6
Once in a Year		115	15.4
Once in six months		199	27.9
Once in three months		307	41.1
Once in a month		16	2.1
Twice in a month		1	0.1
Total		747	100.0
Usage of banking services for other purpose like fund transfer, online services, locker services etc.			
No visit to bank		714	95.6
Once in a Year		3	0.4
Once in six months		12	1.6
Once in three months		13	1.7
Once in a month		5	0.7
Twice in a month	0	0	
Total	747	100.0	

15) Possible reasons for financial exclusion: (i) Not aware of banking services, (ii) Privacy of customer’s information, (iii) Most of the village people depends on informal sources, (iv) Charge High Fees (v) Lack of security (vi) Imposed terms and conditions (vii) Lack of identity (viii) Bankers behaviours (ix) Higher interest rate for loans and advances

Particulars	15		(i)		(ii)		(iii)		(iv)		(v)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
Strongly Agree	247	33.1	281	37.6	252	33.7	493	66.0	240	32.1	102	13.7
Agree	406	54.4	277	37.1	263	35.2	228	30.5	265	35.5	94	12.6
Neutral	57	7.6	45	6.0	49	6.6	11	1.5	127	17.0	101	13.5
Disagree	27	3.6	100	13.4	120	16.1	9	1.2	85	11.4	284	38.0
Strongly Disagree	10	1.3	44	5.9	63	8.4	6	0.8	30	4.0	166	22.2
Total	747	100	747	100	747	100	747	100	747	100	747	100

Particulars	(vi)		(vii)		(viii)		(ix)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%

Strongly Agree	284	38.0	416	55.7	422	56.5	291	39.0
Agree	402	53.8	306	41.0	257	34.4	241	32.3
Neutral	43	5.8	19	2.5	42	5.6	126	16.9
Disagree	12	1.6	4	0.5	15	2.0	50	6.7
Strongly Disagree	6	0.8	2	0.3	11	1.5	39	5.2
Total	747	100	747	100	747	100	747	100

17) Important to take banking services: (i) Avail loans from the banker, (ii) Convenient, (iii) To get more facilities, (iv) Generally cheaper, (v) More prestigious, (vi) Affordable cost (vii) Management of funds (viii) Safely transfer of funds

Particulars	17		(i)		(ii)		(iii)		(iv)		(v)		(vi)		(vii)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
No Account	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1
Strongly Agree	407	54.5	364	48.7	390	52.2	358	47.9	250	33.5	214	28.6	278	37.2	305	40.8

Agree	205	27.4	260	34.8	233	31.2	173	23.1	281	37.6	230	30.8	279	37.3	287	38.4
Neutral	24	3.2	15	2.0	15	2.0	92	12.3	74	9.9	76	10.2	57	7.6	35	4.7
Disagree	5	0.7	2	0.3	3	0.4	12	1.6	21	2.8	38	5.1	17	2.3	6	0.8
Strongly Disagree	1	0.1	1	0.1	1	0.1	7	1.9	16	2.1	85	11.2	11	1.5	9	1.2
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100	747	100

18) Factors are influencing informal borrowing of money in rural households: (i) Lack of awareness, (ii) Lack of proper guidance, (iii) No regularity in functioning (iv) Limited and poor usage of services (v) No trained staff (vi) Lack of guarantee on performance of the banker

Particulars	18		(i)		(ii)		(iii)		(iv)		(v)		(vi)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
Strongly Agree	308	41.2	441	59.0	377	50.5	384	51.4	428	57.3	385	51.5	367	49.1
Agree	423	56.6	259	34.7	261	34.9	339	45.4	294	39.4	328	43.9	314	42.0
Neutral	14	1.9	23	3.1	37	5.0	14	1.9	20	2.7	21	2.8	47	6.3
Disagree	2	0.3	16	2.1	31	4.1	8	1.1	3	0.4	7	0.9	11	1.5
Strongly Disagree	0	0	8	1.1	41	5.5	2	0.3	2	0.1	6	0.8	8	1.1
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100

(vii) Lack of uniformity (viii) Hidden costs, (ix) Risk of cyber-crime (x) Poor governance (xi) Poor customer response, (xii) Autocratic behaviour (xiii) Poor time management

Particulars	(vii)		(viii)		(ix)		(x)		(xi)		(xii)		(xiii)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
Strongly Agree	313	41.9	420	56.2	254	34.0	360	48.2	300	40.2	358	47.9	472	63.2
Agree	333	44.6	303	40.6	286	38.3	349	46.7	286	38.3	357	47.8	250	33.5
Neutral	70	9.4	21	2.8	172	23.0	28	3.7	67	9.0	16	2.1	12	1.6
Disagree	13	1.7	1	0.1	23	3.1	8	1.1	39	5.2	13	1.7	8	1.1
Strongly Disagree	18	2.4	2	0.3	12	1.6	2	0.3	55	7.4	3	0.4	5	0.6
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100

19) Motivated factors to used financial services offered by the banks (indicate your level of agreement): (i) Financial protection and safety of money (ii) Future money loss can be avoided, (iii) Administration of funds, (iv) Any time can be withdrawn, (v) Over Draft facility, (vi) Ease in financial transactions, (vii) Create awareness on banking services, (viii) Protection to the family due to getting financial service from the banker

Particulars	19		(i)		(ii)		(iii)		(iv)		(v)		(vi)		(vii)		(viii)	
	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%	No. of Respondents	%
No Account	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1	105	14.1
Strongly Agree	387	51.8	383	51.3	360	48.2	284	38.0	284	38.0	157	21.0	244	32.7	388	51.9	357	47.8
Agree	245	32.8	250	33.5	264	35.3	285	38.2	285	38.2	157	21.0	350	46.9	239	32.0	253	33.9
Neutral	9	1.2	5	0.7	12	1.6	64	8.6	64	8.6	228	30.5	39	5.2	13	1.7	16	2.1
Disagree	1	0.1	1	0.1	5	0.7	2	0.3	2	0.3	34	4.6	4	0.5	1	0.1	7	0.9
Strongly Disagree	0	0.0	3	0.4	1	0.1	7	0.9	7	0.9	66	8.8	5	0.7	1	0.1	9	1.2
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100	747	100	747	100

20) Suggestion to improve the banking habits and awareness on financial services offered by the banks: (i) Development of proper infrastructure (ii) Popularization of banking products, (iii) Establishment of good administrative systems (iv) Proper maintenance and control (v) Improving the safety and security (vi) Creation of awareness on banking services (vii) Establishment of customer care centres (viii) Expansion of branches (ix) Involvement of NGOs, (x) Improvement of communication system

Particulars	20		(i)		(ii)		(iii)		(iv)		(v)		(vi)		(vii)	
	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%
Strongly Agree	423	56.6	441	59.0	377	50.5	384	51.4	428	57.3	385	51.5	366	49.0	313	41.9
Agree	311	41.6	259	34.7	261	34.9	339	45.4	294	39.4	328	43.9	315	42.2	333	44.6
Neutral	13	1.7	23	3.1	37	5.0	14	1.9	20	2.7	21	2.8	47	6.3	70	9.4
Disagree	0	0	16	2.1	31	4.1	8	1.1	3	0.4	7	0.9	11	1.5	13	1.7
Strongly Disagree	0	0	8	1.1	41	5.5	2	0.3	1	0.1	6	0.8	8	1.1	18	2.4
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100	747	100

(xi) Encouraging people to open the accounts (xii) Subsidies and incentives to the rural people (xiii) Awareness camps (xiv) Micro credit schemes (xiv) Encouraging co-operative system among SHGs and MFIs and NGOs.

Particulars	(viii)		(ix)		(x)		(xi)		(xii)		(xiii)		(xiv)		(xv)	
	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%	No. of Respon-	%
Strongly Agree	420	56.2	254	34.0	360	48.2	300	40.2	358	47.9	472	63.2	393	52.6	453	60.6
Agree	303	40.6	286	38.3	349	46.7	286	38.3	357	47.8	250	33.5	334	44.7	271	36.3
Neutral	21	2.8	172	23.0	28	3.7	67	9.0	16	2.1	12	1.6	13	1.7	17	2.3
Disagree	1	0.1	23	3.1	8	1.1	39	5.2	13	1.7	8	1.1	6	0.8	1	0.1
Strongly Disagree	2	0.3	12	1.6	2	0.3	55	7.4	3	0.4	5	0.7	1	0.1	5	0.7
Total	747	100	747	100	747	100	747	100	747	100	747	100	747	100	747	100

Religion plays an important role to determine the saving behaviour of the rural households. Different religious groups are engaged in different occupations and have different attitude tendency towards savings. Religion wise respondents of the field study and major religions covered in this study are Hindu, Muslim, Christian and Others. Households are surveyed and head of the household were considered and their opinions were collected as a part of the research. Out of 747 respondents, 584 (78.2%) are Hindu, 107 (14.3%) are Muslim, 55 (7.4%) are Christian and remaining 1(0.1%) are others. Majority of the respondents are from Hindu and Muslim, and a small share is from Christians and Others.

The education levels of households in Krishna District represent 448 respondents who are literates and 299 illiterates who shared their views out of 747 respondents. Their participation shares percentages of 60 and 40 respectively. A person was considered as literate if they could both read and write a simple message and understand at least one language. Cross table described 37% (106) of respondents do not have bank accounts though educated (primary level) due to lack of awareness. The study also highlights respondents' education levels recorded in terms of five levels - Illiterate, Primary, Secondary, Intermediate, Degree and above. Out of total, 302 respondents are majorly illiterates, 170 have primary education, 50 respondents are intermediate and graduates are 49 and the share is 40.4%, 22.8%, 23.6% and 6.7% respectively.

As stated by **Mr. Arun Jaitley (2013)** "at present more than 40 per cent of Indian households do not have access to banking services." Due to this the **Prime Minister Narendra Modi** will launch 'Financial Inclusion Mission' on Independence Day. The main objective is to ensure that every household in India has access to banking services such as savings accounts, credit, remittances, insurance and pension. Financial inclusion emphasizes various dimensions including availability, accessibility and usage of financial system. It helps to boost up an overall inclusive financial system. Finally, expanding the scope of organized financial system is within its ambit of people with low income. The day January 26th, 2015 is targeted by public sector banks for 7.5 crore new bank accounts. This would be an amount of Rs.37,500 crore under Jan Dhan Yojana. Under this scheme, the account holder will get Rs.5, 000/- over draft facility in the first phase. This facility will be provided only after watching 6 months of account holder's record, and then only he will get one lakh accident benefit and Rs.30, 000 life insurance facilities.

In Krishna district 641 households opened bank accounts i.e., 85.9% and 14.1% households do not have bank accounts. It is also observed that among those who have bank accounts, 641 households

i.e., 82.7% have very limited access to cheque book. Only 2.9% i.e., 22 of the respondents have access to cheque book because most of them are illiterates.

Income and consumption of monthly expenditure by rural households selected from mandals are categorised into four levels i.e., less than Rs.10, 000 of monthly income and consumption expenditure, between Rs.10, 000-Rs.20, 000, Rs.20, 000-Rs.50, 000 and those above Rs.50, 000. The households with income and consumption expenditure below Rs.10,000 per month hold the largest share in this study i.e., 725 respondents with 97.1% of income and 731 with 97.9% of consumption expenditure. The next segments 2.3% and 1.6% of the households are between Rs.10000 - Rs.20000. Lastly, 0.7% and 0.5% of households' income and consumption expenditure is between Rs.20, 000 - Rs.50, 000. It is found that a large section of the respondents have expressed that their monthly income and expenditure are below Rs.10, 000/- and most of the respondents those who do not have bank account belong to this category.

The RBI's decision to allow individuals to open the bank accounts with a permanent address will improve the process of financial inclusion. According to RBI, across the country 150 millions of households did not have bank accounts. With the relaxation of Know Your Customer (KYC) norms in the last seven years over 200 million no-frills bank accounts have been operated in nearly 3,00,000 villages. From the year 2005, norms for opening bank accounts have been simplified. All the banks are now following simplified procedure and accepting any evidence of customer as identification and as address proof. During the study, 50.5% of the respondents have expressed that they have awareness of no-frills accounts and 49.5% do not due to absence of awareness programme. Households have reported that bankers don't conduct awareness programmes for rural households at village level. The bankers are disassociated with the rural people regarding no-frills accounts campaign due to either the perception of guided democracy have become extended or part of unenlightened bureaucracy. In the present study, 38.7% (289) respondents are getting assistance from friends, 21.7 % (162) respondents obtained support from the bankers and 13.5% (101) are from others and 11.4% are helped by village panchayat officials to open bank accounts for the rural people. The survey clearly indicated that village officials and bankers are disassociated with rural people to open bank account.

Financial sector reforms have remarkable progress and its performance has become a major concern for planners and policymakers. The development of an economy depends on how efficiently the financial sector performs and linkup with the function of financial intermediation. In India, financial markets and banks have to play a predominant role and they are taking number of initiatives to

expand financial services towards weaker sections of the society. Financial inclusion is the delivery of formal banking services to the vast sections of lower income groups at an affordable cost. For achieving this, people need to have some basic knowledge i.e., depositing money in the bank, getting loans from the banker, agency services, usage of technology and procedure for grievances. These are called as financial literacy. This study reveals that 100 out of 747 do not have bank accounts i.e., 13.4%. Remaining respondents were 576 (77.1%) and they know how to deposit the money in bank and 71(9.5%) respondents have no knowledge of how to deposit money in accounts, whereas to obtain loans, agency services, offered technology by the banker and in time grievances handled by the banker as knowledge of the respondents are 65.7%, 25.2%, 31.9% and 44% respectively; and dissatisfaction expressed on the above financial knowledge by the respondents were 20.9%, 61.4%, 53.7% and 42.6% respectively. Most of the respondents do not have knowledge about usage of bank technology and agency services offered by the banks.

Financial Inclusion can be constructed in two ways. One is countering the exclusion from the payment system or countering the exclusion from the formal financial services. "The Indian approach in recent years is 5A's of ensuring adequacy, availability, awareness, affordability and accessibility." (Harun R Khan, 2013). Present study discussed that 653 (87.5%) of the respondents agree with the statement of possible reasons such as no awareness of banking services, lack of security, terms and conditions of bankers (accessibility), high bank charges (affordability) as the reasons for financial exclusion. This study examines the relationship between the financial exclusion and other independent variables such as no awareness of banking services, privacy of customers' information, most of the village people's dependence on informal sources, high bank charges, lack of unity, terms and conditions, lack of identity, and high interest rates.

About 41.1% of households are visiting bank once in a month whereas majority of households i.e., 95.6% are not visiting for other purpose like fund transfer, online services, locker services etc. More than 90% of households have agreed on importance of banking services, whereas 97.8% respondents have expressed that motivated factors to use financial services offered by the banks, 98.2% respondents have suggested improving banking habits and 97.9% of respondents accepted factors that are influencing informal borrowing of money in rural households.

Access to finance is now being perceived as a public good. Financial inclusion has a special significance for a growing economy. It helps to improve the financial conditions of poor people as well as living standards and enable them to create financial assets, generate income and build resilience to meet macro-economic and livelihood shocks. Survey reveals that 695 respondents

agreed with the statement i.e., 93%, whereas 41 (5.5%) respondents are neutral. Hence, all the economic agents have actively participated in the financial system and reduced the role of informal sector which tends to impact monetary policy.

CORRELATION ANALYSIS

Table: 02 presents the significant levels of each variable correlated with other variables but the relationship between the variables are low. It is proved that the possible reasons for financial exclusion are influenced by no awareness, informal sources, high bank charges, lack of unity, more terms and conditions etc. For this 33.1% strongly agree, 54.4% households agreed and 7.6% households are neutral. Hence, it is clearly indicated that 87.5% of households are accepted for financial exclusion factors. It also clearly presents the information from the Table: 01 factors that are influencing informal borrowing i.e., 97.9% of households are accepted. And it also indicates from the following observations, in particular, that two variables are strongly correlated and they are important for banking services and factors that motivated to use financial services offered by the bank; the correlation between the two variables is 84.2%. The other two variables to improve banking habits, awareness on financial services and to reduce informal borrowings of money in rural households are about 98.5%. It is therefore from the analysis Table: 02 clearly indicated that 'to improve banking services to rural people results in motivating the use of financial services and in the same manner improve the banking habits and awareness on financial services influences reducing informal borrowing of money for rural households.' It is proved in table. 02. Hence, H1 and H2 are accepted.

TABLE: 02 CORRELATION ANALYSIS

Particulars		Q15 Total	Q18 Total	Q19 Total	Q17 Total	Q20 Total
Q15Total	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	746				
Q18Total	Pearson Correlation	.322**	1			
	Sig. (1-tailed)	.000				
	N	744	745			
Q19Total	Pearson Correlation	.172**	.115**	1		
	Sig. (1-tailed)	.000	.001			
	N	743	742	744		
Q17Total	Pearson Correlation	.207**	.193**	.842**	1	
	Sig. (1-tailed)	.000	.000	.000		
	N	743	742	741	744	
Q20Total	Pearson Correlation	.314**	.985**	.126**	.203**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	741	742	739	739	742

** . Correlation is significant at the 0.01 level (1-tailed).

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.847 ^a	0.717	0.715	0.29399	0.717	469.318	4	742	0

- a. Predictors: (Constant), Possible reasons for financial exclusion (Q.17), Factors motivated you to use financial services offered by the banks (Q.19), To improve the banking habits and awareness on financial services (Q.20), Important to take banking services (Q.17).

CONCLUSION

It is therefore to conclude that for expansion of financial inclusion there is a requirement to create awareness in the minds of rural households and motivate rural mass in order to get formal banking benefits as a result for the development of an economy.

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