THE EXTENT OF FINANCIAL INCLUSION IN ADILABAD DISTRICT, TELENGANA

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Abstract

As the World is transforming into a Globalvillage, having free flow of goods, services, information and people, it has become necessary to stand on global footprint in the area of **Financial Inclusion** too. Financial Inclusion ensures timely and efficiently delivery of financial services and benefits of the government to the deprived sections of the society, at large mainly the low income earning group, landless farmers, etc. This study was conducted in 3 villages in Adilabad District, Telengana with the objective of measuring the extent of Financial Inclusion, impact of PMJDY , using the support services of the banks, and internet banking in that area. The results of the study found that though 95% of the population had bank accounts 75% of them do not use the banks for taking loans and are not aware of internet banking. Of the 95%, 70% of them have opened the bank accounts during the PMJDY and the youth among the sample population prefer using the Rupay and Debit card. The older population does not favour ATM services and believes in Traditional branch banking.

Key Words: Financial Inclusion, Financial Services, PMJDY, Savings, Bank Account, Debit Cards, Rupay Cards

Introduction

According to World Bank's Global Financial Inclusion Survey (2014)[1], only 53.1% of adults in India had access to a formal bank account and only 6.4% borrowed from institutional and formal sources, 12.6% from informal sources and 332.3% from family and friends. .In rural areas the count was 49.8%.Sections which do not have much access to financial institutions or financial products include Marginal farmers and landless labour, Migrants, Urban slum dwellers, self-employed, Unorganised industry and Women and old people.

[1] World Bank Financial Inclusion Data, 2014.

Financial access isa key macroeconomic need for marshalling economic growth, augmented investment and income, empower households in emancipation of poverty. Financial inclusion programme is a blueprint to minimize poverty and susceptibility by providing access to finance to all by embracing them in the banking system. In the words of Chakrabarty (2009)[2], "Financial inclusion will raise capacity for investment and develop saving and entrepreneurial abilities which lead to higher incomes and consequently better lives ".

Following ILO's[3]objective to have an in- focus programme for enhancing credit towards evolution of small enterprise, India reinforced the efforts made by rural credit cooperatives in the 1950s to promote banking in rural areas. Indian planning has persistently reiterated the requirement for amplifying transcend of formal finance and wanted to have a state control in the banking system. To this end, the government of India nationalised banks from the year 1969, in order to increase the outreach for the needs of the poorer sections in rural and urban areas. The establishment of Regional rural banks was followed by creation of a new body-Committee on Financial Inclusion (**CFI**), for creating new strategies to minimize the impediments to Formal financial access.

Review of Related Literature

Dr. A. Tamilarasu, Asst. Professor, AMBO UNIVERSITY- AMBO, ETHIOPIA- EAST AFRICA, (Feb 2014), "ROLE OF BANKING SECTORS ON FINANCIAL INCLUSION DEVELOPMENT IN INDIA – AN ANALYSIS"[4], counts the number of unbanked adults around the world, analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena and Fifty-six percent of adults do not have access to formal financial services.

Dr.ParulAgrawal, SonuGarg (Jun 2014),[5] "Financial Inclusion in India – a Review of Initiatives and Achievements", aims to find out the approaches adopted by banks, steps taken by the regulatory bodies and various government initiatives to achieve financial inclusion, to analyse the past years performance and achievements towards reaching out to the unbanked areas under financial inclusion etc. finds out that even though enough efforts are being made by all stake holders but the efforts are not yielding the kind of result expected. The bank's concern about profitability is to be addressed by the regulator as the entire process of financial inclusion would be a kind of social work in the first few years. The concerns of the government about the reach, feasibility and implementation of government policies to the last mile needs to be addressed & for this there is need to empower MSMEs, as they provide timely and adequate finance because MSME‟s are the best medium for achieving inclusive growth which generate local demand and consumption, provide employment to millions of people.

MandiraSarma and JesimPaise[6](2008) suggest that the issue of financial inclusion is a development policy priority in many countries. Using the index of financial inclusion developed in levels of human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Among socio-economic factors, as expected, income is positively

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[2] . Chakraborty, K. C., 2009, Financial Inclusion and the Role of Urban Cooperative Banks, RBI

[3] International Labour Organization, International Labour conference , Geneva, August 2015

[4]Dr A Tamilarasu, ROLE OF BANKING SECTORS ON FINANCIAL INCLUSION DEVELOPMENT IN INDIA – AN ANALYSIS", Galaxy International Interdisciplinary Research journal, Vol2(2), February 2014.

[5]Dr.ParulAgrawal, SonuGarg (Jun 2014),[5] "Financial Inclusion in India – a Review of Initiatives and Achievements, IOSR journal of business and management, Vol 16, Issue6, ver1, pg52-61

[6]MandiraSarma , Jesim Paise,2008, Financial Inclusion & development- A cross country analysis, Conference on Equality, Inclusion & Human Development, Sep2008

associated with the level of financial inclusion. Further physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play positive role in enhancing financial inclusion.

Joseph Massey (2010) [7]opined that, role of financial institutions in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further enhanced by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in fostering financial inclusion. National and international forum have recognized this and efforts are seen on domestic and global levels to encourage the financial institutions to take up larger responsibilities in including the financially excluded lot.

C. Parmasivan& V. Ganesh Kumar[8] (March 2013), "Overview of Financial Inclusion in India", discusses the overview of financial inclusion in India with regards to measuring India's position among other countries in financial inclusion, coverage of banking services in India, progress of action plans made so far to achieve financial inclusion etc., finds that maximum number of account holders are in South region (27%) followed by North East (23%). Among the nine countries surveyed (India, Austria, Brazil, France, Mexico, UK, US, Korea, Philippines), India is at 8th place in terms of number of branches per 0.1 million adults, at 9th place in terms of number of ATMs, at 3rd place in terms of Bank Deposits. They noted that branch density in a state measures the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence intuitively it seems to be a key tool for financial inclusion. But the above observations imply that literacy alone cannot guarantee high level financial inclusion in a state. Branch density has significant impact on financial inclusion. It is not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in an India.

Ms. Apurva A. Chauhan (Dec 2013)[9], "A Study on Overview of Financial Inclusion in India", noted that India is at moderate level regarding financial inclusion as compared to other countries regarding number of branches, ATMs, bank credit and bank deposits & it can be said that the banking sector plays a crucial role in promoting financial inclusion. To cope up with the challenges to spread financial inclusion, there is a need of viable and sustainable business models with focus on accessible and affordable products and processes, synergistic partnerships with technology service providers for efficient handling of low value, large volume transactions and appropriate regulatory and risk management policies that ensure financial inclusion.

Ms. AnuAgrawal, (Feb. 2014), "FINANCIAL INCLUSION IN INDIA: PROGRESS, PROBLEMS AND PATH AHEAD", notes that India lags behind developing countries in opening bank accounts but it is much closer to global average in terms of borrowing from financial institution. She also notes that southern region leads the financial drive in the country, this region has better credit penetration. Technological innovations, can speed up the progress. Mobile banking has played a key role in expanding financial inclusion in developing countries. It can be summarized that the future lies with those who see the poor as their customers as commerce for the poor is more viable than the rich. In this task, a concerted and structured effort by all stakeholders is necessary. Even though Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side.

Hurdles faced by the Government in expansion of Financial Inclusion

[7] Joseph massey,2010, Role of Financial Institutions in Financial Inclusion, FICCI banking & Finance Journal

[8] C. Parmasivan& V. Ganesh Kumar[8] (March 2013), "Overview of Financial Inclusion in India", International Journal of management & development studies,Vol2,Issue3

[9] Ms. Apurva A. Chauhan (Dec 2013), "A Study on Overview of Financial Inclusion in India, International Journal of Applied Research, Vol3, Issue12

1. The primary challenge lies in the lack of awareness, stakeholder co-ordination and consumer understanding of the products and services available to the beneficiaries.

2. Barriers to the entry in the form of Lack of robust technology (due to lack of proper telecommunication network)and non-availability of innovative products is one of the key challenges faced in the expansion in financial Inclusion.

3. High costs are involved in maintaining the bank accounts and it created a burden on the banks especially when they are dormant.

4. One of the greatest challenge would be handling of skill development of human resources as policy takes a long period of time to develop.

5. Exclusion of the urban poor was one of the most important issues overlooked by the banking industry which is further aggravated by the lack of reliable data.

6. A huge challenge for the formal financial sector while improving financial inclusion is the unorganized sector, given the fact that customers coming from this sector do not necessarily have the documents needed by banks for risk management and credit appraisal.

7. The key challenges also relate to recourse against defaulters which has a big bearing on financial inclusion.

8.. Another issue plaguing the banking system is the lack of credit available to those who had opened accounts under the financial inclusion agenda even before PMJDY came into being, “The credit facility is available to not even 10% of the current lot of customers. So there is financial inclusion in terms of account opening, but there is exclusion in the credit given to the same customer.”

Objectives of the study

1. To examine the effectiveness of PMJDY in the Adilabad district, Telangana.
2. To measure the extent of financial inclusion in Adilabad district, Telangana.
3. To analyse the efforts and measures adopted in the region for ensuring the success of financial inclusion

PMJDY Inclusion

Prime Minister Shri. Narendra Modi declared this scheme for all-inclusive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was officially launched on 28 August 2014, with a goal to provide 'universal access to banking facilities' beginning with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPayKisan Card & in next phase, micro insurance & pension etc. will also be additional. He personally mailed to CEOs of all banks to gear up for the colossal task of enrolling over 7.5 crore (75 million) families and to open their accounts. He emphatically declared that a bank account for each household was a "national priority”. Financial Inclusion does not essentially mean opening new brick and mortar branches of the banks in unbanked areas. Technology has widely transformed the way the branchless banks are viewed and is pivotal in Financial Inclusion program. In case of direct transfers of subsidies where it is mandatory to have a bank account, electronic accounts comes to the rescue.

The PradhanMantri Jan DhanYojana (PMJDY)[10] is an aspiring scheme which will help the underprivileged, who were till now excluded, to have access to financial services. The unique aspect is that PMJDY will be the principal scheme with an original overdraft facility that may help the unbanked to come out of the control of informal channels for financing.

In the first phase (15 August 2014 to 14 August 2015) it will endeavour beneficiaries to have universal access through sub service areas in cluster of villages by utilizing the services of

[10]PradhanMantri Jan DhanYojana, Department of Financial Services, Ministry of Finance

business correspondents for facilitating smooth banking operations. The latest inclusion plan will have as its focus households rather than geographical areas. After satisfactory conduct of accounts it is proposed to offer reasonable need-based credit facilities for which overdraft facilities will be sanctioned. A smart card (RuPay card) will be issued to enable customers to operate their accounts even without Business Correspondents. Simultaneously suitable awareness will be created among the financially excluded.

In the second phase, there is a proposal to make available a pension scheme for identified individuals in the unorganised sector and offer microfinance products through government-owned insurance companies.

But the key cause of concern for the banks is the commercial viability and the danger of being saddled with dormant accounts if the facilities offered by bank are not utilized by the needy due to lack of proper incentives. Banks can extend Business Correspondent model in ensuring success and use Aadhar cards for opening of new accounts.

PradhanMantri Jan – DhanYojana
(Accounts opened as on 09-09-2015)
(All Figures in Crores)

S.No.		No. Of Accounts			No. Of Rupay Debit Cards	Balance in Accounts(In Rupees crore)	% of zero Balance accounts
		Rural	Urban	Total			
1)	Public sector Bank	7.82	6.39	14.22	12.88	18626.71	42.90
2)	Rural regional Bank	2.78	0.47	3.26	2.40	3956.66	44.17
3)	Private Banks	0.42	0.28	0.71	0.63	1116.47	42.25
	Total	11.03	7.15	18.18	15.91	23699.84	43.12

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs

Source: PMJDY.gov.in

Research Methodology

This study used primary and secondary data. Primary data was collected from three villages of Adilabad district, TelenganaViz

1) Aluru
2) **Vengya Pet**
3) **Kanhapur**

The data was collected through a primary survey**,**measuring the level of **financial inclusion** and also to analyse the efforts and measures adopted for ensuring the financial inclusion. The sample size of our survey was **430 respondents**within the age bracket of **21 years – 65 years**, showing the volatility in the demographic factor mainly in the age factor i.e. including the youth as well as the experienced people who were having the traditional beliefs about the financing needs and products. The results of the study are enumerated as follows:

- In the surveyed region, about 95 % people have access to formal financial institution in the form that they are having the **personal bank account**, which is mostly used for **saving purpose**. There are majorly public sector banks present but we found that people have their account mainly in **Andhra Bank**. The people who are not having the bank account cited **- Illiteracy**, **other person in the family having bank account** as the main reasons among few.
- Majority of the person surveyed has chosen formal financial system (banks) to take loan and advances, followed by money lenders but in the past one year around 75% of population has not taken the loan.
- There is a great scope of financial products to be used in the Rural & Semi urban areas, as we found that around 80% of the people most of them young adults surveyed uses one or other financial products provided by the government, mainly the **Rupay Card** followed by **Debit card**. Around 65 % people majorly the elder lot and females withdraw money through traditional method i.e. by going to the bank and about 25% people uses ATMs as a mean to withdraw money. The main reason for the less usage of ATMs is less availability of ATMs in the rural areas.
- There is saving habit among the Indians, and following this all the people surveyed, saved some part of their earnings, mainly for the purpose of the using in time of Emergency, followed by Wedding Purpose. With the passage of time, People have shifted their preference of keeping their money with money lenders or landlords to banks because many times they have not received their money in time of emergency when they needed.
- Government and other concerned authorities have taken sufficient measures to promote the new schemes launched viz. No frills Account under PradhanMantri Jan DhanYojana, PradhanMantriSuraksha Bema Yojana etc., almost every person, we surveyed knew about these schemes. Among them around 60 % - 70% have opted also for these schemes.
- Despite the increased use of formal financial systems, the use of **Online Banking** in villages is minimal or to the negligible extent due to the less availability of technology in the village, less comfort ability of people with the new technologies.

Recommendations: -

1) Formal Financial system can make the use of e-commerce to enhance the process of financial inclusion. It can be viewed as – Today use of internet is increasing at a very high pace and is being used in every aspect of day to day life, be it from online shopping, booking travel tickets, paying bills and statutory dues etc.

   So, the fund collected through various micro finance schemes like Pradhan mantra Jan DhanYojana can be lent to the various dealers who are associated with these online service providers like Snap deal, Flip kart, Amazon etc. to fund their needs who are credit worthy as per the track record of these service providers, who face difficulties in getting the loan sanctioned. It is a double edged sword which will serve two purposes in one shot viz. Development of small dealers enhancing the production and capacity of these firms as well as proper utilization of funds giving adequate returns.
2) The technological access among people at large needs to be improved in order to execute the plans and policies formulated by the government and authorities. The people have bank

account, Rupay debit card and other formalities fulfilled, the need of the hour is technical access.

3) The other models of banking like Business Correspondent, Rural regional Banks, Co - Operative banks i.e. at rural or district level are needed to be maintained and supervised properly and many development has taken place in this regard so far, like – now almost all Co- Operative banks are on Core Banking System (CBS).
4) Micro finance is the emerging arena in context of enhancing financial inclusion. In this type, small needs for funds are satisfied by formal financial institutes at local level, district level and state level respectively. There is a long way to capture the rural market where funds are required for specific purposes. Government has launched various schemes under this branch, namely -
   a) PradhanMantri Jan DhanYojana
   b) PradhanMantriSurakshaBimaYojana
   c) Mudra Bank Yojana
   d) Atal Pension Yojana

Now the main challenge lies in maintaining and properly execution of these schemes. So in order to fulfil these obligations, some legal work has to be done by financial institutions in order to provide the loan as well as to generate some profit out if the lending facility.

5) There is great need and opportunity to tap the rural unbanked people, so more Bank Branches are to be opened in Village areas, or more Business Correspondents needed to be deployed. As there are majorly public sector banks in rural areas, Private sector banks are required to penetrate more in these areas and have to take initiative.
6) Awareness camps needs to be organised in villages as people are willing to know more about the financial education and want to be out of the traps of money lenders or landlords.
7) As the availability of the ATMs is very less, More ATMs need to be established as it will be helpful for the people to withdraw the money, to know their account balance etc. as these facilities are provided by the ATMs.
8) There is a great scope of Online Banking to be used in village areas, so technological development has to be take place evenly and the population in these areas need to be provided technical assistance.
9) The Banking Staff and environment at Banks, should be made more customer friendly as around 70% of the people surveyed, reported these issues.

Conclusion

The primary objective of financial inclusion is to extend these services to the un-served people of the country to enhance the growth potential and making finance available to the poor people in particular. Favourable environment has been created for the enhancement of financial inclusion, as various macro and micro factors are being altered by the concerned authorities, more and more share of financial spending's of the government (financial budget) is being allocated for the betterment of service sector which in turn ensures timely and efficiently delivery of services to the people. Simultaneously, various technological developments are taking place ensuring paperless and quicker completion of tasks, mutual understanding between banks & customer through the complete details through KYC norms, new financial products and services to cater to the needs of smaller section of the society through pooled resources i.e. **Mutual funds**, **Self Help Groups (SHG) etc.** Besides this, government and concerned authorities are fully marketing the new schemes and programs which are launched for the betterment of people at large as well as for the government and full Indian economy. Through these micro finance schemes, the government is able to generate huge funds which are used judiciously to generate good returns and are beneficial in increasing the **GDP** of the country as well as disposable income in the hands of the people.

Through these continued exertions, our country has covered a determinate path, but still there is a long way to realize the goal of financial inclusion fully. In order to ensure sustainable growth and development, we have to make sure the holistic view of development takes place i.e. only growth in the standard of few people will not work rather inclusive growth of all is required and it is possible only through proper mechanism channelizing the all resources from top to bottom.

By far the principaltrial is one of varying the mind-set — of banks, policy makers and bank customers, both prospective and current,paradigm modification in thinking was prerequisite and that financial service providers must see inclusion as prospect rather than an onus. The future lies with the newly sanctioned niche banks in bringing in the unbanked into the purview of formal banking.

To quote RBI Governor Mr. Raghu RamRajan , "Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services and from venal politicians. "in order to draw in the poor, the products should address their needs — a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender, easy to understand life and health insurance and an avenue to engage in savings for the old age."

Abbreviations –

1) ATM – Automated Teller Machine
2) CBS – Core Banking System
3) CFI – Committee of Financial Inclusion
4) GDP – Gross Domestic Product
5) ILO – International Labour Organization
6) MSME – Micro Small & Medium Enterprises
7) PMJDY – PradhanMantri Jan DhanYojana
8) SHG – Self Help Group

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