

## **NATURE OF FINANCIAL INCLUSION IN ADAT PANCHAYATH**

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### **ABSTRACT**

The study on “Nature of financial inclusion in Adat Panchayath” has been undertaken, with the objective of understanding the nature of financial inclusion in Adat Grama Panchayat of Thrissur District. For analyzing the nature of financial inclusion in the Adat Grama Panchayat of Thrissur district, primary data were collected from 60 households, 30 each from two wards of Adat Grama Panchayat. Data were analysed, using percentages and rank order scale. The study revealed that, PACS are more popular among farmers and other low income group of people compared to commercial banks. The frequency of visits to banks is much less. Those who are visiting banks on a monthly basis are mainly for repayment of loans. People are reluctant to borrow, even from institutional agencies. Electronic methods of banking are still not used by majority of the people. Membership in self help groups is also less. People who do not have bank accounts are also considerable implying that there is still scope for financial inclusion initiatives in Thrissur district.

**KEYWORDS:** Financial Inclusion, Credit, PACS

### **INTRODUCTION**

The recent developments in banking technology have transformed banking from the traditional brick and mortar infrastructure like staffed branches to a system supplemented by other channels like Automated Teller Machine (ATM), credit/debit cards, internet banking, online money transfers, etc. The moot point, however, is that access to such technology is restricted only to certain segments of the society. Indeed, some trends, such as increasingly sophisticated customer segmentation technology – allowing, for example, more accurate targeting of sections of the market – have led to restricted access to financial services for some groups. These people, particularly, those living on low incomes, cannot access mainstream financial products such as bank accounts, credit, remittances and payment services, financial advisory services, insurance facilities, etc. Financial inclusion is the solution to such groups of people.

### **Research Problem**

Financial inclusion is no less important than social inclusion. It is a complex issue, not simple. It is estimated that globally over two billion people are excluded from access to financial services of which one third is in India. The Committee on Financial Inclusion (Rangarajan Committee, 2006) observed that, in India 51.4 percent of farmer households do not access formal source of credit. Financial inclusion does not mean merely opening of savings bank account, but signifies creation of awareness about financial products, education and advice on money management, offering debt counseling etc. by banks. Against this background, an effort is made in this study to understand the nature of financial inclusion, in Adat Grama Panchayat of Thrissur District.

## Objective of the Study

To understand the nature of financial inclusion in Adat Grama Panchayat of Thrissur District.

## RESEARCH METHODOLOGY

For analysing the nature of financial inclusion in the Adat Grama Panchayat of Thrissur district, primary data were collected from 60 households, 30 each from two wards of Adat Grama Panchayat. While, selecting the sample, adequate care was taken to have a minimum of 30 farmer households. The other 30 is a mix of landless labourers, small traders and service providers. Data are analyzed using percentages and rank order scale.

## RESULTS AND DISCUSSIONS

Adat Grama Panchayat is a special grade panchayat in Puzhakkal Block Panchayat. It consists of 18 wards coming under four revenue villages of Chittilappilly, Puranattukara, Adat and Puzhakkal. The Panchayat has a geographical area of 23.02 sq. km. The total population of Adat Grama Panchayat as per 2001 census is 23,441. The majority of people in Adat panchayat are agriculturists and their major crops are paddy, coconut, arecanut and pepper. The literacy rate of the Panchayat is 92.7 percent. The panchayat office is situated at Puranattukara. Before the nature of financial inclusion in Adat Grama Panchayat is discussed, a brief picture about the socio – economic profile of the respondents is presented, in the ensuing section.

Table 1 reveals that majority of the respondents are above the age of 35. This implies that banking is still to penetrate into the younger generation of the Panchayat. Male are still dominant with respect to banking operations, which means that, there is ample scope for women initiatives like self-help groups and financial inclusion programmers to bring the women of the Panchayat, under the ambit of institutional banking. The dominance of male in banking operations might be due to the fact that agricultural activities are mainly done by the male and hence banking activities also. The educational status of the respondents is poor. Half of the respondents are farmers. More than half of the respondents have only primary education. Only eight per cent of the respondents have studied after SSLC. This reveals that those who undertake agriculture as their livelihood belong to the less educated category. Agriculture is still not an attractive profession for the educated people. Self employment is also seen in the panchayat. Majority of the respondents have a monthly income of less than Rs 5000/. This is because half of the respondents are farmers and agriculture is not a profitable Endeavour these days. Large farmers are negligible in the panchayat. Most of them have landholding of less than one acre.

**Table 1: Socio-Economic Characteristics of Respondents**

Sl. No.	Particulars	Number of respondents	Percentage
<b>1. Age</b>			
1.1	21 - 35	02	03.33
1.2	36 - 55	32	56.33
1.3	Above 55	26	43.34
<b>2</b>			
<b>Gender</b>			
2.1	Male	55	91.67
2.2	Female	05	08.33
<b>3</b>			
<b>Educational qualification</b>			
3.1	Illiterate	04	06.67
3.2	Primary education	31	51.66
3.3	SSLC	20	33.33
3.4	Plus Two	01	01.67

<b>Table 1: Contd...</b>			
3.5	Degree& above	04	06
<b>4</b>	<b>Occupation</b>		
4.1	Farmer	30	50.0
4.2	Govt.employees	02	03.33
4.3	Non-agricultural labour	12	20
4.4	Self-employment	09	15
4.5	Private sector	05	08.33
4.6	Business	02	03.34
<b>5</b>	<b>Average Monthly Income</b>		
5.1	Below Rs 5000	50	83.33
5.2	5000-10000	03	05
5.3	10000-20000	07	11.67
<b>6</b>	<b>Size of landholding</b>		
<b>6.1</b>	No land	03	05
<b>6.2</b>	Upto 50 Cents	29	48.34
<b>6.3</b>	50 Cents – 1 acre	20	33.33
<b>6.4</b>	1 -2 acre	04	06.66
<b>6.5</b>	2- 4 acre	03	05
	More than 4 acre	1	1.66

**Source:** Compiled from primary survey

#### Financial Inclusion in Adat Grama Panchayat

The banking operations of the respondents, determine the nature of the financial inclusion of the area. For finding this, eleven indicators, namely, category of bank in which account has been opened by the respondent, frequency of bank visit, mode operation of bank accounts, whether loan has been availed by the customer, default in repayment of loans, awareness of lower interest rate in banks compared to non – institutional sources, maintenance of minimum balance in deposit accounts, borrowings from non – institutional agencies, membership in SHGs/ Kudumbasree, interest to take loans in future and service attitude of bank personnel are considered. The values of each of these indicators are depicted in Table 2.

**Table 2 Financial Inclusion in Adat Grama Panchayat**

Sl. No	Particulars	No. of respondents
<b>1. Category of Bank</b>		
1.1	Public Sector Bank	8 (13.34)
1.2	Private Sector Bank	5 (8.33)
1.3	Primary Agricultural Credit Societies (PACS)	34 (56.67)
1.4	New Generation Bank (NGB)	1 (1.66)
1.5	No Bank Account	12 (20)
<b>2. Frequency of bank visit</b>		
2.1	Weekly	4 ( 6.67)
2.2	Monthly	33 (55.0 )
2.3	Rarely	23 (38.33)
<b>3. Mode of operation in Bank</b>		
3.1	Personal visit alone	42 (88)
3.2	ATM & Personal visit	06 (12)
<b>4. Availability of loan</b>		
4.1	Availed	20 (33.33)
4.2	Not availed	40 (66.67)

<b>Table 2: Contd...</b>		
<b>5. Default in repayment of loan</b>		
5.1	Repaid loan	15 (75)
5.2	Not repaid	5 (25)
<b>6. Awareness about lower interest rate of the bank</b>		
6.1	Aware	34 (56.67)
6.2	Unaware	26 (43.33)
<b>7. Maintenance of minimum balance in account</b>		
7.1	Maintaining	28 (46.66)
7.2	Not maintaining	20 (33.34)
<b>8. Borrowings from non – institutional agencies</b>		
8.1	Not borrowed	59 (98.33)
8.2	Money lenders	1 (1.67)
<b>9. Membership in SHGs/Kudumbasree</b>		
9.1	No membership	36 (60)
9.2	Kudumbasree	24 (40)
<b>10. Interest to take loans in future</b>		
10.1	Not interested	56 (93.33)
10.2	Interested to take from banks	4 (6.67)
<b>11. Service attitude of bank personnel</b>		
11.1	Friendly	31 (64.58)
11.2	Indifferent	15 (31.25)
11.3	Non – co-operative	2 ( 4.17)

**Source:** Compiled from survey data

**Note:** Figures in parenthesis represents percentage of each to total

Primary Agricultural Credit Societies is the most attractive bank among the respondents with nearly 57 per cent opting Adat Farmers Service Co-operative Bank (AFSCB), for maintaining their bank account. The main reason for this is the agricultural loans taken by these farmers and use of Kisan Credit Card (KCC). After AFSCB, State Bank of India, coming under public sector banks is favoured by the respondents. It is to be noted that, 20 percent of the respondents have not yet opened a bank account at all. Lack of awareness, low income and lack of interest are the main reasons pointed out for not opening bank accounts so far.

With respect to frequency of visits, there are no respondents visiting banks on daily basis. The frequency of bank visits is much less with more than 50 per cent going to the bank once in a month which indicates poor banking and saving habits of the people. Even the monthly visit in many cases is for repayment of installments of agricultural loans. The weekly visit by farmers is also mainly for repayment of loans. Thus the main purpose of the bank visit by the farmers is for repayment of loans. This is the reason for the limited use of electronic methods, which is made use of only by 12 per cent. Through ATMs loans cannot be repaid, only cash can be withdrawn and hence not used by farmers. There are seven bank branches in the area selected for the study. The maximum distance between the respondents and a bank branch is nearly 3 - 4 km. So distance is not a problem for opening and operation of accounts.

Only one – third of the respondents have availed loans, of which 75 per cent have fully repaid their dues. The purposes for which loans have been availed include housing, education, agriculture, medical, business, consumption needs and repayment of old debts. Adat Farmers' Service Co-operative Bank has its own method for minimizing the overdues of agricultural loans. Manuring of crops and harvesting are done at the bank's initiative in a combined manner and the produce, marketed after the harvesting. The Bank will recover the amount from the sale proceeds and return the balance

amount to the farmer. This is the major reason why the farmers are making prompt repayment in case of agricultural loans.

More than 40 per cent of the respondents are unaware about the lower interest rate charged by banks. The borrowers who are taking loans from the bank are aware about the various loan facilities. But the respondents who are dealing with the bank, by KCC cum pass book are not fully aware about technical aspects of Kisan Credit Card. They are not fully aware about the No-Frills Account and money transfer facility. This lack of awareness has already been pointed out as one of the reasons for not approaching banks for opening accounts. In many cases, even the family members of the borrowers are not informed about the loans taken. Even one-third of those having bank accounts are unable to maintain minimum balance in their accounts as stipulated by the bank due to their low income.

It is noteworthy that only one respondent has borrowed from non-institutional agencies, viz., money lender. None of them have borrowed even from friends and relatives. The purpose of borrowing from money lender by the respondent was for purchase of a second hand vehicle, for which banks have not provided loans to him. The non – dependence on money lenders and other non – institutional agencies by the respondents in the study area can be considered as the fruits of financial inclusion.

Only 40 per cent of the respondents have membership in Kudumbasree. They are not members of any other SHG. It is already seen that male are dominant with respect to banking operations in Adat Grama Panchayat (Table 1) and there is ample scope for women initiatives like self-help groups and financial inclusion programmes, to bring the women of the Panchayat under the ambit of institutional banking. Since, 60 percent of the respondents are not members of any SHG and half of them are farmers, with low level of income, there is scope for promotion of SHGs and financial inclusions programmes to eradicate poverty, generate self-employment and inculcate the habit of thrift and savings not only among women but among the male population of the Panchayat.

It is already seen that, only one- third of the respondents have availed loans. With regard to further loans, 93 per cent have opined that they are not interested to take any loans. Less than seven per cent are interested to take loans from banks.

With respect to the service attitude of the bank personnel, 65 per cent of those who have accounts with banks are of the view that they are very friendly, while 31 per cent feels that they are indifferent. It is important that the banks take necessary steps for motivating the people to open accounts with them, thus inculcating the habit of thrift among the people so that finally the banks will also be benefited.

The analysis of the nature of financial inclusion would be incomplete without having a brief discussion about the problems faced by the respondents while dealing with banks. The identification of these problems will enable the banks to take corrective steps so as to have better dealings with customers resulting in better financial inclusion. The problems identified during the survey along with their respective rank are depicted in Table 3.

**Table 3 Problems Faced by the Respondents**

Sl. No.	Problems	Number of respondents	Rank
1	No problem	25 (52.08)	1
2	No technical knowledge for preparation of application	10 (20.83)	2
3	Procedural formalities	5 (10.42)	3
4	Lack of timely sanctioning of the loan	5 (10.42)	4
5	Officials are not interested	3 (6.25)	5

**Source:** Compiled from survey data

**Note:** Figures in parenthesis represents percentage of each to total

Majority of the respondents (52%) face no problems while dealing with the bank. Lack of technical knowledge in the preparation of application and other technical formalities, especially for loans, is the most important problem faced by customers. Requirement of too much documents, delay or non - sanctioning of loans after visiting the banks many times are also pointed out as factors preventing them from approaching banks.

## CONCLUSIONS

The analysis of nature of financial inclusion in Adat Grama Panchayat of Thrissur district revealed that, PACS are more popular among farmers and other low income group of people compared to commercial banks. The frequency of visits to banks is much less. Those who are visiting banks on a monthly basis are mainly for repayment of loans. People are reluctant to borrow, even from institutional agencies. Electronic methods of banking are still not used by majority of the people. Membership in self-help groups is also less. People who do not have bank accounts are also considerable implying that there is still scope for financial inclusion initiatives in Thrissur district.

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