

**FINANCIAL INCLUSION AMONG RURAL  
HOUSEHOLDS IN CHITTOOR DISTRICT OF  
ANDHRA PRADESH**

**BY**

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**B.Sc. (Ag.)**

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## **DECLARATION**

I, **Ms. KATURU REVATHI**, hereby declare that the thesis entitled **“FINANCIAL INCLUSION AMONG RURAL HOUSEHOLDS IN CHITTOOR DISTRICT OF ANDHRA PRADESH”** submitted to Acharya N. G. Ranga Agricultural University for the degree of **MASTER OF SCIENCE IN AGRICULTURE** is the result of original research work done by me. I also declare that the material contained in this thesis has not been published earlier in any manner.

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No part of the thesis has been submitted by the student for any other degree or diploma. The published part and all assistance received during the course of the investigations have been duly acknowledged by the author of the thesis.

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## LIST OF SYMBOLS AND ABBREVIATIONS

%	:	Per cent
@	:	At the rate of
₹	:	Rupee
ADB	:	Asian Development Bank
APStCB	:	Andhra Pradesh State Cooperative Bank
BCs	:	Business Correspondents
C.A.R	:	Capital Adequacy Ratio
CSPs	:	Customer Service Points
DCCBs	:	District Cooperative Central Bank
<i>et al.,</i>	:	and other people
EBT	:	Electronic Benefit Transfer
Fig.	:	Figure
Flexi RD	:	Flexible Recurring Deposit
GCC	:	General Credit Card
GOI	:	Government of India
GSDP	:	Gross State Domestic Product
IBA	:	Indian Banks' Association
<i>i.e.</i>	:	That is
ICT	:	Information and Communication Technology
IFI	:	Index of Financial Inclusion
IRDP	:	Integrated Rural Development Programme
KCC	:	Kisan Credit Card
KCCB	:	Kumbakonam Central Cooperative Bank
KYC	:	Know Your Customer
MFI	:	Micro Finance Institutions
MGNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
NABARD	:	National Bank for Agriculture and Rural Development

NAFIS	:	NABARD All India Financial Inclusion Survey
NFA	:	No-Frills Banking Account
NPA	:	Non Performing Assets
NGOs	:	Non-Government Organisations
NHGs	:	Neighbour Hood Groups
NSDP	:	Net State Domestic Product
NSS	:	National Sample Survey
PACS	:	Primary Agricultural Credit Societies
PMJDY	:	Pradhan Mantra Jan Dhan Yojana
PMJJBY	:	Pradhan Mantri Jeevan Jyothi Bhima Yojana
PMSBY	:	Pradhan Mantri Suraksha Bhima Yojana
RBI	:	Reserve Bank of India
RRBs	:	Regional Rural Banks
SBI	:	State Bank of India
SGSY	:	Survodaya Gramin Savaroggar Yozna
SHGs	:	Self Help Groups
SSA	:	Sarva Shiksha Abhiyan
STDR	:	Special Term Deposit
U.Ts	:	Union Territories
<i>viz.,</i>	:	Namely

## **ABSTRACT**

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Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the low-income groups. Access to financial services by the poor and vulnerable groups is a prerequisite for eradication of poverty. The present study entitled “Financial inclusion among rural households in Chittoor district of Andhra Pradesh” was under taken to study the socio-economic profile, income and consumption expenditure of rural households, savings, pension, insurance and also to assess the awareness of households towards financial products. The study was conducted in Chittoor district of Rayalaseema region. The data required for the study was collected using a well defined and pre-tested schedule by the personal interview method. The detailed information was collected and it pertained to the financial year 2018-2019.

The results revealed that 84 per cent of the respondents are mainly depending on agriculture and rest were non-farm labour (5.00%), hotel (3.00%), LIC agent (2.00%), recharge (1.00%) and cooldrink shop (1.00%), kirana (1.00%), hardware (1.00%), ration dealer (1.00%), tailoring (1.00%). 9.53 and 56.25 per cent of the agricultural and non agricultural households were young aged. 17 per cent of respondents were educated up to high school level and 20.50 per cent were illiterates. Average land possessed by agricultural households was 1.57 ha higher than non-agricultural households (0.90 ha).

The annual income of the agricultural households was Rs. 194810.71 and for the non-agricultural households it was Rs. 214950. The consumption

expenditure for non-agricultural households was higher (Rs.1555637.50) as compared to that of agricultural households (Rs.109213.57).

The study revealed that 17.85 per cent of the agricultural households had borrowed from institutional sources (15.47 per cent from public sector banks and 2.38 from self help groups). In the case of non-agricultural households 18.75 per cent of the households had borrowed from public sector banks and 6.25 per cent from self help groups. In agricultural households 16.67 per cent of agricultural households were covered under old age pension scheme, 14.29 per cent were receiving widow pension, 1.19 per cent each had weavers pension and disability pension. In the case of non agricultural households only 18.75 per cent of the households were receiving old age pension of Rs.2000 from state government. The study further revealed that 54.76 per cent of the agricultural households had crop insurance i.e., Pradhan Mantri Fasal Bhima Yojana.

The study observed that agricultural households (41.66%) and non-agricultural households (43.75%) were assessed to be having sound financial knowledge. 92.85 per cent of the agricultural households and 100 per cent of the non-agricultural households were found to be having positive attitude. While behavioural assessment reflected that less percentage of agricultural households (52.38%) and non-agricultural households (56.25%) were exhibited good financial behaviour. Overall 27.38 per cent of agricultural households and about 25.00 per cent of non-agricultural households were found to have good financial literacy.



# *Chapter - I*

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*Introduction*



## **Chapter - I**

# **INTRODUCTION**

In the present era Financial inclusion and economic growth have become part of the common man's glossary as well as an important item in the development agenda. Gold Smith (1969) was one of the first economists who studied the relationship between financial development and economic growth. He demonstrated that financial development directly increases savings in the form of financial assets, encouraging capital formation and economic growth. Thus, financial inclusion has created a lot of interest and has become one of the major socio-economic challenges among the policy makers, financial institutions and government.

Globally 1.7 billion adults remain unbanked, without any account at a financial institution. Despite having relatively high account ownership, China and India claim large shares of the global unbanked population. India stood at 2<sup>nd</sup> position with 190 million unbanked populations after China (225 million). Out of the total unbanked population of India, 60 per cent of the unbanked adults are women.

Financial inclusion can be defined as “providing various financial products and services to all sections of the population especially those who are in need of them”. There are a plethora of definitions of Financial inclusion. Rangarajan Committee on Financial inclusion (2008) had defined Financial inclusion “as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”. The committee on financial sector reforms headed by Dr. Raghuram G. Rajan defined Financial inclusion as “universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products”.

## **1.1 INITIATIVES TAKEN FOR FINANCIAL INCLUSION IN INDIA**

The initiatives taken up towards financial inclusion in India were dates back to the Cooperative Movement in the year 1904. This had received further momentum with the nationalization of 14 private banks in 1969, soon after the lead bank scheme was introduced. With this there was a large expansion in the banking network and opening up of large number of branches across the country including some of the remote areas where it was very difficult to reach. Further six more banks were nationalized in the year 1980.

Realizing the consequences of the exclusion of a vast section of population out of the development process, the central Government of India has been taking up several steps to promote financial inclusion in India. The Reserve Bank of India has been complementing the Government's efforts through its numerous measures like introduction of priority sector lending requirements for banks, establishment of regional rural banks (RRBs), and self-help group-bank linkage programmes. Further, based on the Mid Term Review of Monetary Policy (2005-06), the RBI requested the banks to make financial inclusion as one of their prime objectives. In this perspective various policy measures were recommended by RBI, like opening of no-frill accounts, issuing of general purpose credit cards, etc.

Union Government and the Indian Banks' Association (IBA) in February 2011 had jointly launched a nationwide programme "Swabhimaan", a path-breaking initiative to bridge economic gap between rural and urban India. This programme mainly aimed at ensuring banking facilities in habitation with a population of 2000 by March 2012. With this initiative, it was expected that the banking facilities will reach over 74,351 villages in the country which were not served by any bank thus far. The banks in the villages were supposed to facilitate the opening of bank accounts by villagers, providing them need-based credit and remittance facilities besides helping in financial literacy.

On 15<sup>th</sup> August, 2014, the central Government of India had announced a flagship programme called the 'Pradhan Mantri Jan-Dhan Yojana' to envisage universal access to banking facilities with at least one banking account for every household in India, access to credit, financial literacy, insurance and pension facility. In addition to this the beneficiary will get RuPay debit card having accident insurance coverage of Rs.1 lakh. This programme also plans to channel all Government benefits (from Centre / State / Local Body) to the beneficiary's accounts directly.

Depending on the recommendations of the committee on "Comprehensive Financial Services for Small Businesses and Low Income Households", headed by Dr. Nachiket Mor, the RBI also taken up some initiatives in 2014 to boost financial inclusion, such as granting in-principle approval to the largest MFI in India to commence banking operations, permitting non-banking financial companies to act as business correspondents for banks, and issuing guidelines on differentiated banking licenses for small banks and payment banks.

## **1.2 BANKING PROFILE IN THE STATE OF ANDHRA PRADESH**

Andhra Pradesh has a network of 42 Commercial Banks (21 Public Sector Banks and 21 Private Sector Banks), 4 Regional Rural Banks (RRBs), 1 State Cooperative Bank (APSTCB), 13 District Cooperative Central Banks (DCCBs), 1 Scheduled Urban Cooperative Bank and AP State Financial Corporation. As on 31 March 2018, a total of 7,185 branches were spread out across the state with 2,730 branches in rural, 2,165 branches in semi urban and 2,290 branches in urban areas. Besides, the state has 8,981 on-site ATMs. The estimated population per bank branch in the state was 6,900. The cooperative structure permeates the social fabric of the state through a sizeable network of 2,051 Primary Agricultural Credit Societies (PACS). The aggregate deposits of banks in the state as on 31 March 2018 was Rs.2,85,858 crore, registering a growth of 8.88 per cent over the previous year. The aggregate loans outstanding increased noticeably by 21.45 per cent over the previous year and

was at Rs.3,32,021 crore as on 31 March 2018. The Credit Deposit Ratio (CD Ratio) of all banks put together was 116.15 per cent as on 31 March 2018, which is one of the highest in the country and deserves a special mention.

### **1.3 STATEMENT OF THE PROBLEM**

As per 2011 census out of 19.9 crore households in India, only 6.82 crore households have access to banking services. As far as rural areas are concerned, out of 13.83 crore rural households in India, only 4.16 crore rural households have access to basic banking services. In respect of urban areas, only 49.52 per cent of urban households have access to banking services. Over 41 per cent of adult population in India does not have bank account. There are number of components influencing access to financial facilities by weaker section of society in India. The lack of awareness of rural households, low incomes and assets, social alienation, illiteracy are the barriers from demand side. The distance from bank branch, branch timings, cumbersome banking procedure and requirements of documents for opening bank accounts, unsuitable banking products/schemes, language, high transaction costs and attitudes of bank officials are the barriers from supply side. Hence, there is a need for financial inclusion to build uniform economic development, both spatially and temporally, and ushering in greater economic and social equity.

The present study entitled 'Financial inclusion among rural households in Chittoor district of Andhra Pradesh' has been taken up with the following objectives.

### **1.4 OBJECTIVES OF THE STUDY**

1. To analyse the livelihood status in terms of occupational profile, sources of income, consumption expenditure and asset ownership.
2. To analyse the financial inclusion aspects like borrowings, savings, investments, pension, insurance, etc. and

3. To analyse the aspects related to knowledge, attitude and behaviour of rural populace towards financial products and services available in the market.

### **1.5 SCOPE OF THE STUDY**

The study comes up with the results on several aspects related to financial inclusion to all the concerned especially government, financial institutions and researchers. The results give a good feed back to the promoters of financial inclusion on the success or other wise of failure. Overall the present study yields information on banking outreach, financial knowledge, financial attitude and financial behaviour of rural households.

### **1.6 LIMITATIONS OF THE STUDY**

The poverty and poor education level of respondents posed difficulties in getting accurate data. The study relied heavily on respondent's memory to collect information pertaining to certain variables under study.

### **1.7 PLAN OF THE THESIS**

The present thesis is given in five chapters. Introduction along with objectives, scope and limitations of the study was presented in the first chapter. Review of literature was dealt in second chapter. Sampling procedure, methods of data collection and tools employed for achieving the objectives were given in third chapter. Results along with discussion were encompassed in fourth chapter. Summary and conclusions was presented in the last chapter.



# *Chapter - II*

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*Review of Literature*



## Chapter II

# REVIEW OF LITERATURE

A review of past research studies helps in identifying the conceptual and methodological issues relevant to the study. This will enable the researcher to collect relevant data, analyze and interpret the same so as to draw meaningful interpretations. This chapter attempts a brief review of the relevant studies related to the present study. Keeping in view the objectives of the study, reviews are presented under the following headings.

- 2.1 Studies on socio-economic characteristics of rural households.
- 2.2 Studies on financial inclusion aspects like borrowings, savings, investments, pension and insurance of rural households.
- 2.3 Studies related to awareness of the respondents towards financial products.

### **2.1 STUDIES ON SOCIO-ECONOMIC CHARACTERISTICS OF RURAL HOUSEHOLDS**

Lalitha (1997) in her study on rural women empowerment and development banking reported the profile of the effective women borrowers. Majority of them belonged to the middle age group of 31 to 40 years, married, illiterate, belonged to backward caste if Hindu religion and were agricultural labourers. Average size of the family was nearly five, while percentage of employed persons was around 28 and the dependency ratio was 1:2.56.

Nanda *et al.* (2004) had found that 31 per cent of the household members were landless agricultural labourers and 54 per cent small and marginal farmers.

Kumar *et al.* (2009) in their study revealed that 83 per cent of the members were less than 45 years of age and the average age of the members as 39 years. They found that 56 per cent of the sample members were either

illiterate or studied up to middle class only and 54 per cent of the sample respondents were landless.

Reji (2009) made a study to examine the impact of Neighbour Hood Groups (NHGs) in Nilambur block of Kerala. He brought to light that majority of the sample respondents (58.5 per cent) belonged to middle aged group (31 to 45 years), followed by younger (18 to 30 years) age group (23 per cent). About 51 per cent of the respondents were Hindus, 34.5 per cent Muslims and 14.5 per cent Christians. SC/ST communities constituted 11.5 per cent of the sample. The members with primary education level accounted for 38 per cent and those of secondary level 43 per cent. Only a few of them were reported to be illiterate. In the sample self employed constituted 47 per cent followed by unemployed 37.5 per cent and daily wage labourers 20.5 per cent.

Anju and Neetu (2011) studied socio-economic profile 211 households to investigate the financial inclusion of households in Hanumangarh district of Rajasthan. The major findings related to socio-economic profile of rural household was nearly half of the households were from backward caste (47.8%) followed by scheduled caste (29.9%) and remaining were from general caste. More than half of the households belonged to the nuclear families (54%) and remaining to joint families. Less than half of the households had pucca houses (44.5%) where as remaining were having kuccha and semi kaccha houses. 8 per cent of household were engaged in agriculture and farm implements were possessed by about one third of households (37.9%). Mass media exposure was found to be good and bicycle was found to common means of transportation in the study area. On the basis of the score obtained by rural households on socio-economic scale nearly half of the households belonged to low economic status (46.4%), one fifth to economic status (18.1%) and remaining were from medium economic status.

Mahendra (2011) studied the socio-economic profile of no frills bank account holders in Shimoga district, Karnataka. The results revealed that

average age of respondents was 37.7 years. 27 per cent of sample respondents were uneducated, average family income of respondents was nearly Rs.10700. The data indicated that majority of the households land holdings was 2.5-5 acres (50%). The data on the assets possessed revealed that about 98 per cent of respondents had bicycle, 72 per cent of respondents had television, 53 per cent and 6 per cent respondents had motor cycle and refrigerator respectively. None of them were having washing machine.

Aviral and Rakesh (2013) in their research paper entitled “Financial Inclusion in Uttar Pradesh and Bihar” have exhibited socio-economic profile of financially included and excluded households of Uttar Pradesh and Bihar state. Socio-economic comparison between financially included and excluded members has given ground level reality for financial exclusion. There was more financial exclusion of household headed by females than that of household headed by males. Caste wise analysis shows significant feature that there had more financial exclusion in lower category scheduled caste to other categories. The analysis on data related to education shows that financially excluded members were mostly illiterate or semiliterate. Data depicts that land holding has a significant factor, as exclusiveness high among low and medium land holdings. Family size did not appear to be a significant factor in financial inclusion.

Bajrang and Vipin (2013) conducted study on “Financial Inclusion through SHGs” in Narnaul block of Mahendergarh district in Haryana. Five SHGs were randomly selected from which data on financial literacy, pre and post financial condition of women in SHG was collected from pradhan members of each SHG by interview method. Socio-economic data like age, family income and education were also collected, which revealed that out of five pradhan members two were illiterate, age group of members was between 25-36 years and their family income was between 2000-5000 rupees.

Swamy (2014) analysed the impact of financial inclusion on gender equity and economic impact on poor rural households and revealed that the participation in the financial inclusion program has benefitted women to an amount of 60.36 per cent out of the total increase of 66.68 percent experienced during the period. Among the three social categories of impact analysis, the general categories experienced highest impact (10.72% for women and 5.96% for men) and the least was experienced by SC/ST categories ( 8.10% for women and 5.96% for men). His opinion that financial inclusion programs had a strong positive impact on the income of women participants across all the social categories. The findings have established that women use the resources in such ways that improve family well-being and contribute to significant increase in savings levels of the households. Further, these significant increase were largely attributed to the decision making influence of women.

Biman and Tanushree (2015) conducted a survey on 28 categorical variables from 150 rural people of West Bengal state to find the financial strategy of different people considering age and educational qualification as demographic profile, education qualification was taken as controllable variable over age. Cluster analysis was done to find different cluster for designing age specific financial policy to help policy maker prescribe financial product to help achieve financial inclusion.

Selvakumar *et al.* (2015) studied socio-economic profile of respondents in their study “Rural Perspective towards Financial Inclusion”. Among 198 respondent of Sivakasi taluk, Tamil Nadu, 112 respondents were male, 131 respondents were married, 88 respondents were in the age group of below 30 years, 166 respondents were illiterate, 63 respondents were having education below 10<sup>th</sup>, 126 respondents were having nuclear family, 59 respondents earn monthly income of Rs.10,001 to Rs.20000 and 78 respondents were salaried people.

Sriram and Sundharam (2015) conducted survey on 384 respondents in the economically most backward districts of Tamil Nadu to find financial inclusion index. They studied the demographic profile of respondents in their research and revealed that 68 per cent were male and 32 per cent were female, 34.6 per cent respondents fall under the age group of 25-35 years, 69.4 per cent were employed with salary/wages, 56.3 per cent were under the income group of RS.5000-10000. In case of education 349 respondents were educated and remaining 35 were found to be uneducated.

Taruna and Mohit (2015) conducted an exploratory research on “Contrasting Levels of Financial Capability in India” to find the levels of financial capability across the socio-economic profile. The analysis done on the data disclosed that male does not exercise a lot of control over financial matters. The findings also revealed that most people budget their expenses based on their revenues. The study stated that levels of financial capability vary across the socio-economic and demographic profile.

Sundaram *et al.* (2016) studied “Comprehensive Reach of Financial Inclusion by ICT” in Tamil Nadu state. Demographic profile was studied on 384 respondents selected from four districts of Tamil Nadu. It was depicted that 64.1 per cent were males, respondents of age group 25-35 were found to be 33.1 per cent, 39.3 per cent were undergraduates, 41.9 per cent were under income group of Rs. 5000-15000. Only 3.9 per cent of respondents were having professional qualification.

## **2.2 STUDIES ON FINANCIAL INCLUSION ASPECTS LIKE BORROWINGS, SAVINGS, INVESTMENTS, PENSION AND INSURANCE OF RURAL HOUSEHOLDS.**

Satyasai and Badtya (2000) proposed a total revamp of the Indian credit rural system, the aim of which should be satisfaction of the borrower at minimum cost. The cost reduction per unit of business can be achieved by the integration of short and long-term criteria, rationalization of cooperative structure, and exploiting the scope and scale of economics available in rural

leading. The limitations of cooperative systems, such as inability to offer the all types of financial services those commercial banks have to be overcome. It was proposed that real success comes when cooperative full advantage of their ability to have a close interface with the clientele. This ability closely matches the similar ability of non-institutional rural leaders, and can probably never be acquired by other institutional agencies.

Das (2001) studied the repayment behavior of 200 borrowers of the Arunachal Pradesh (India) State Cooperative Apex Bank Ltd was examined using data from questionnaire survey. The period of study was 1994/95-1998/99. Results indicate that defaulters were mostly those who were issued a loan for livestock production, who were issued a lower amount of loan (up to Rs.10000), and who have lower education attainment. Reasons for non-repayment include failure of the livelihood schemes, low earnings from the schemes, difficulty of going to the bank, diversion of loan and willful default.

Sarkar and Dodkey (2002) discussed the Kisan Credit Card (KCC) scheme, an innovative credit delivery mechanism for farmers in India. Relevant issues relating to the implementation of the KCC scheme were discussed. Also discussed were the credit transactions under the KCC scheme, its impact on crop yield, and the repayment performance.

Chopra (2003) discussed the importance of product innovation in rural financial institutions, based on experienced of Orissa (India) State Cooperative Bank. This bank was the first in the country to introduce the Kisan Credit Card scheme for the disbursement of loans. The findings of a survey conducted among good rural borrowers in Orissa were discussed as well.

Sharma and Chamla (2003) presented a framework that provided a holistic approach to the generation, extension and management of commercial credit for the development of small-scale agriculture and micro-enterprises by the rural poor in India. A stakeholders analysis was also provided. The major stakeholders were the government and political leadership, banking

institutions, the rural poor, micro-credit organizations, and international trade agencies. The stakeholder's perspective and the possible advantages of the proposed model to the different stakeholders were examined.

Singh and Sekhon (2005) examined the functioning of the KCCs in India Punjab. More specially, it examines: 1) the existence procedure of advancing credit under the KCCs, 2) the adequacy of credit extended by the KCCs, 3) the impact of the KCC on efficiency of the rural credit delivery system, 4) the major constraints, if any, on the KCCs. Data pertaining to year 2002-2003 were collected from a sample of 75 KCCs members and 25 non-KCCs members. It was shown that the KCCs were quite efficient especially when it comes to fulfillment of the short term production credit requirement of all farm-sizes classes.

Ramesh (2006) analysed the need for and importance of agricultural credit in view of agricultural modernization in Mahabubnagar district, Andhra Pradesh, India. It also examined the economic status and performance of the District Cooperative Central Bank (DCCB), Mahabubnagar. In view of the problem of over dues faced by DCCB, Maharashtra, suggestion was presented for the restricting of the institutional finance mechanism in agriculture.

Shankar (2006) studied transaction costs in group micro credit and observed that transaction costs were a major contributor to high interest rates on microcredit loans. Direct, indirect and life cycle transaction costs were examined. The results of the study indicate that the key drivers of direct transaction costs were field worker compensation and number of groups handled per field worker. The key drivers of indirect transaction cost for a Micro Financial Institution (MFI) were number of layers of fixed costs in the MFI system, geographical location of the MFI and proportion of mature branches. Life cycle transaction costs were found to be lower than first year transaction costs. She also opined that policymakers need to take into account transaction costs when examining the interest rates charged by microfinance institutions.

Kumar (2007) studied the performance of rural credit flow in India and identify the factors that influence the choice of credit outlet and the possession of Kisan Credit Cards by rural households. Using NSS data for three years 1991-1992 and 2002-2003, it was shown that access and distribution of rural credit, in general, increased but skewed in favour of more developed status credit and within these towards better off household. The poorer household were more dependent on non-institutional sources of finances the use of KCC was encouraging and its distribution was less skewed. Age, male headed household size, farm size, level of education and self-employment in agriculture appear as significant variables positively determining the choice of institutional sources of credit and possession of KCC.

Rangappa et al., (2007) in their study on SHG-Bank linkage programme and financial inclusion observed that normally percentage share of institutional sources in the total borrowing was more among the households with SHG than the households without SHG in all the farm size groups. But the difference had more among the landless and marginal farm size groups. They opined that the flow of institutional credit to vulnerable groups would increase with the SHG-Bank linkage programme. The percentage of households which saved with the formal institutions was hundred percent in the households with the SHG irrespective of their farm size group whereas for the households without SHG linkage it ranges from zero percent in case of landless to 50 per cent among large farm households. The percentage of households included in the financial services like SB accounts, recurring and/or fixed deposits and life insurance increases with the increase in farm size. The percentage of inclusion was relatively more among the households with SHG. It was particularly true in the case of landless and marginal farm size group. The percentage of households, which reached the higher degree of financial inclusion, was comparatively more among SHG member households compared to non-member households.

Ananth et.al (2008) in their study “Linking Financial Inclusion with Social Security Schemes” concluded that actual usage of bank accounts provided through the drive has far from what policy makers intended. It also called for a review in the current policy. Financial inclusion drive be jointly implemented with the government’s social schemes, particularly the National Rural Employment Guarantee Program (NREGP). The joint implementation of the drive and NREGP ensures the frequent usage of bank accounts while providing much needed financial products to poor. The study also concludes the use of technology such a smart card to enhance the efficiency and security of the transaction. Use of MFIs/NGOs/POs through a business correspondent scheme has a particular relevance in areas which do not have sufficient bank branches or have no other existing networks of these institutions.

Schweitzer (2008) focused on then need to increase investment in agriculture, highlights small farmers low access to credit, and points out that new instruments were needed to finance farming as the financing need of the sector cannot be met with the financial products and instruments currently available. Rising food have sparked fresh interest on the question of the food production in the developing world, and neglect of agricultural investment that has been a key factor in failure to tap productive potential.

Shetty (2008) conducted a study on the microfinance promise in financial inclusion and welfare of the poor in Karnataka and opined that a majority of the sample households in the pre-microfinance programme were vulnerable to access of both the financial and non-financial services. In the post-microfinance intervention, a large number of the member households were able to access the microfinance services and it has enhance the income, employment, assets, households expenditure, housing condition and empowerment of the poor. The microfinance has contributed in improving the access to credit for consumption and productive purposes. Various skill development trainings and awareness programs. Networking with various institutions etc., will make the welfare path soften towards poor. The

microfinance-plus services of microfinance not only uplifted the poor from income related poverty but also from the knowledge poverty.

Ramji (2009) in the study “Financial Inclusion in Gulbarga: Finding Usage in Access” found that proliferation of new accounts to excluded households has been quite small. Accounts have gone to households that already had access to savings and accounts. Thirty six percent of the sample continues to remain excluded from any form of formal or semi-formal savings mechanism such as a bank account and savings account with SHGs, Neighbour Hood Groups, MFIs or chit funds and close to 70% of the sample remained without a bank account. Most accounts opened during the financial inclusion drive were opened and used to receive these NREGP payments. While this has ensured transparency and reduced these NREGP payments. While this has ensured transparency and reduced corruption related to disbursement of NREGP funds, it has not increased formal savings amongst the beneficiaries as outlined in the drive’s objectives.

Awoyemi and Olowa (2010) revealed the problem of high incidence of default seem to be one common feature of the public credit schemes in developing countries approach on appraising previous focus on analyzing repayment from the implementation records. Little was however known about repayment from the producers point of view. Hence it was needful to identify and incorporate the relevant producers characteristics, determine repayment ability on producer perspective.

Khodke (2010) found the relationship between profile and loan utilization pattern of loan borrower farmers and to know the farm credit utilization pattern of farmers. From study, it was observed that majority of loan borrower farmers were having middle age, secondary level education, small land holding medium annual income, low social participation and medium mass media utilization. Regarding loan utilization pattern, majority of loan borrower farmers fully utilized the available loan for specific purpose.

Mass media utilization significantly related with the credit utilization pattern of loan borrower farmers.

Anjugam (2011) attempted to analyze the gender equity in financial inclusion among the SHG members and non-SHG members. The results showed that access to savings in financial institutions was significantly higher amongst women (45 %) than men (15%) in case of SHG member households, whereas it was the reverse in case of non-SHG member households. With regard to availing of loan from formal institutions, participation of men folk was found to be high in non-SHG member households than SHG member households and woman participation was found to be negligible in non-SHG households, though overall, women have more access to borrowing from formal institutions. In terms of households who avail life insurance services, nearly 48 per cent availed these services in SHG households, whereas it has only 27 per cent in non-SHG households, also woman have more participation in availing of life insurance (20 per cent) than men. Hence it was inferred that there exists inequality between men and woman in terms of access to financial services. Based on these results, it can be concluded that SHG program has made a positive on the participation of woman in all available financial services.

Chattopadhyay (2011) conducted a study titled “Financial Inclusion in India: A case-study of West Bengal”. An Index of Financial Inclusion (IFI) has been developed in the study using data on three dimension of financial inclusion. It was revealed from the index that Kolkata district leads with the highest value of IFI, while rest of the districts show a very low level of financial inclusion. The survey conducted in the state in order to gauge the financial inclusion in rural Bengal and revealed that around 38 per cent of the respondents have not sufficient income to open a savings account in the bank.

Murthy (2011) studied the impact of SHG on financial inclusion. The study repeated that out of total respondents, 45 per cent of the respondents reported that the SHG have helped them in improving economic status, 35 per

cent of them noticed an improvement in their social status and 20 per cent said that the SHG helped them in self-reliance. It has been observed that both external and internal factors play an active role in making the groups of self-reliant. Beyond financial intermediation, SHGs can bring about drastic changes in the lives of the poor. It has been clearly established that delivering credit alone may not produce the desired impact.

Raja and Chandramohan (2011) in their study titled “Financing of Women Entrepreneurs by District Central Cooperative Banks in Tamil Nadu”. They examined study finding revealed that the women entrepreneurs considered for the study are deserving enough capacity to avail the loans, the borrowing and the repayment of study finding revealed that the women entrepreneurs considered for the study are deserving enough capacity to avail the loans, the borrowing and the repayment of loan did not make any hindrance. The borrowings of the select DCCBs were mainly focusing more on urban women empowerment. This trend must be acknowledgment and recognized effort need to be made to giving more In the case of financial inclusionary attitude, the select DCCBs have been rendering good services to the women community by providing loans in promoting new enterprises of the study area.

Sriharsha (2011) conducted “A Study on Extent of Financial Inclusion among Small Borrowers in Andhra Pradesh” studied the flow of credit to small credit to small borrowers with special reference to agricultural credit in Andhra Pradesh. The paper also evaluates the extent of financial inclusion in Andhra Pradesh based on the penetration of credit to small borrowers.

Cnaan et al., (2012) carried out a study on financial inclusion and revealed that majority of households had access to banks and only 23 per cent reported that no one in the households has a bank account. Generally accessible financial services were savings accounts (69 %) and loans (62%). These were followed by life insurance (34%). The least accessible financial services (<10%) were credit cards, money transfer and credit

counseling. The most commonly reported reasons as barriers of financial inclusion were no security to offer (34%), not aware of any bank (25%), no need for bank services(23%), bank has too far away (17 %) and not on mind/did not consider(14%). They also found great inconsistency in the manner by which those who do not use banks explain their exclusion in Karnataka the top answer was ‘fear of inability to pay’. The majority of those who were the members of SHG reported to have loans (64.50%), while fewer households with non-SHG members reported to have loans (64.50%).They found that middle class people, those who have informal loans and those with low levels of education were more likely to be financially excluded and membership in SHG aimed at micro-credit was not associated with increased financial inclusion.

Rama and Rupayan (2012) in their study titled “Income Related Inequality in Financial Inclusion and Role of Banks: Evidence on Financial Exclusion in India” analysed income related inequality in financial inclusion in India using a representative household level survey data, linked to State-level factors. The paper also provides estimates of the effects of various socio-economic and demographic characteristics of households on propensity of a household to use formal financial services and compare that for rural and urban sectors. A notable result is that greater availability of banking services fosters financial inclusion, particularly among the poor.

Razaullahkhan and Makeen (2012) in their study titled “Non-Performing Assets: Co-operative Banks in Jalna”. They examined the financial record of 6 Cooperative banks of Jalna and parbhani districts has been used in the form of Annual Reports from the year 2003-04 to 2009-2010,for the purpose of research Almost all the banks have shown a fluctuating trend of Net NPA. Some of the banks have succeeded in reducing the quantum of Net NPA in the entire period of the study period expect one bank in one year. The C.A.R of all the banks is above the prescribed limit of 9 per cent laid down by the RBI.

Rupa, *et al.* (2012) attempted to throw light on the SHG-Bank linkage model and its role in promoting financial inclusion. The study reported that SHGs have shown a decent growth rate of 6.1 per cent per annum. Further it was found that around 80 per cent of SHGs clients were women and the poor whereas 60 per cent of these poor were below the poverty line. The study concluded that groups improved in terms of social empowerment by 92 per cent. It concluded that there was a need of promotion of SHGs in tribal and poor regions and stakeholders like NGOs, Government, Banks etc., should take initiatives in building capacity as SHG have the potential to make financial inclusion a reality in rural India.

Sunitha and Raju (2013) in their study titled “A Comparative study of NPA’S of Banking Sector”, The study observed that the Indian banking sectors especially the private sector have been facing the big challenge of NPAs. NPAs were important parameters in the analysis of financial performance of banks. Reduction of NPAs was necessary to improve profitability of the banks and comply with capital adequacy norms. It has been observed that the banking sector in India has responded very positively in the field of enhancing the role of market forces regarding measured of prudential regulation of accounting. Income recognition, provisioning and exposure, introduction of CAMELS supervisory rating system and reduction of NPA and up gradation of technology. Problem of finance for agricultural and non-agricultural lending operation especially institutional finance has often give rise to controversies and paucity of finance has been a major irritant to the farming and non-forming community. It is learnt from the review of literature that the problem has received considerable attention from academicians and researches, while the number of studies on the need for increasing credit, evaluation of the performance of co-operative loans have not been given due importance. In recent years non-repayment of studies on the need for increasing credit, evaluation of the performance of co-operative loans have not been given due importance. In recent years non-repayment was posing an alarming problem to the co-operative due to which number of co-operative

banks were unable to disburse fresh loans. If these terms persist in future, the very existence of co-operative banks will be in jeopardy. Hence it was a need of the day examined that problem, arrive at definite conclusion and suggest remedies. Even such studies were not undertaken in Composite. Thanjavur District which was proclaimed as the Granary of Tamil Nadu declared as drought prone area for more than a half decade and subsequently worst hit by flood and Tsunami. Kumbakonam Central Co-operative Bank was located in the granary of Tamil Nadu. Hence loan assets management of Kumbakonam Central Co-operative Bank Limited Kumbakonam has been undertaken. The present study will fill the gap of knowledge about loan assets management in agricultural and non-agricultural credit in KCCB of Tamil Nadu state as no such study has been made so far in this respect.

Senapati (2018) aimed at analyzing the journey of Financial Inclusion in India. PMJDY program strived to achieve complete penetration of banking services and microfinance facilities to the weak and poor sections of the society. Though many financial inclusion schemes have been launched before, PMJDY commands high importance due to its magnitude, geographical reach, and scale of the impact and involvement of critical stakeholders i.e. the Government, banks, and regulators. The Pradhan Mantri Jan DhanYojana (PMJDY) has yielded results and nearly 98 per cent of households in India now have bank accounts. Till date, PMJDY has registered a remarkable performance and continues to be the main driving force towards the goal of absolute financial inclusion. The scheme aims at building a holistic framework by integrating the other critical elements such as Aadhar, Direct Benefit Transfer, and Direct Benefit Transfer for LPG. Cumulatively, these programs are transforming India and altering the socio-economic landscape and achieving inclusive growth

## **2.3 STUDIES RELATED TO AWARENESS OF THE RESPONDENTS TOWARDS FINANCIAL PRODUCTS.**

Chakraborty (2011) addressed the role of banks in promoting financial services. Access to financial products was restricted due to lack of awareness about the financial products, unaffordable products, high transaction costs and products which had inconvenient, inflexible, not customized and of low quality. Banks were expected to tackle these supply-side factors affecting financial inclusion. India's financial inclusion is designed as a bank led ICT based model. Four basic products viz, pure savings account, variable recurring deposit account, kisan credit card and a general purpose credit card were expected to be delivered through the above model. Relaxation of KYC norms, simplified branch authorisation, flexibility in pricing of advances and liberalization of business correspondents model were some of the key policy measures taken by RBI to promote financial inclusion.

Ghatak (2011) analysed the banking expansion, improvement in financial performance, greater competition and diversification of ownership of banks leading to both enhanced efficiency and systematic resilience in the banking sector, existing banking practices tend to exclude rather than attract vast sections of population. There was a host of factors contributing to financial exclusion. These factors may be both from supply side and demand side. The government and RBI take several measures to encourage the supply of financial services to the excluded sector. But the demand factors of financial inclusion attract very little focus. The main aim of this paper has to identify the various demand side factors of financial inclusion and to build a model for the same. Choosing a sample size of 500 using simple random sampling method, the study concludes that out of the several factors the most important factors influencing the demand for financial inclusion were accessibility, culture, assets, literacy and income. The study will be very useful for the administrative bodies like the government and RBI to frame rules and regulations and also to initiate several measures for boosting the demand factors of financial inclusion.

Singh and Tandon (2012) reviewed the status of financial inclusion in India and also measure the steps taken by the government of India and the Reserve Bank of India for the promotion of financial inclusion in India. The study revealed that for promotion of financial inclusion among the low income group, banks need to restructure and redesign their business strategies that should be aimed towards fulfilling corporate social responsibility which could also turn out to be a business opportunity.

Atakora (2013) analysed the effectiveness of financial literacy programs. The study was conducted in Ghana on petty traders in Kumasi central market. The study concluded that adequate financial literacy should be provided otherwise it would be difficult to hold public confidence in the financial sector. It was found that financial literacy was positively correlated with work experience and age. It was also found that financial literacy was associated with mother's education. The study also indicated that traders with a high level of education showed a higher financial literacy level than non-educated ones. The study suggested that policymakers should ensure that financial education must be provided to users so that they get access to the bank's activities.

Divya (2013) concluded that about 69 per cent of male and 31 per cent of female respondents were accessing the banking services. As per the study, about 10 per cent respondents were utilizing the services of SHGs, about 14 per cent were using the facility of no-frill accounts, and GCC scheme and around 8 per cent respondents used the facility of micro insurance. It was concluded that to enhance the financial inclusion drives, the awareness programs and smart card schemes should be started to educate and aware of the daily wages earners.

Kabita (2013) made a study titled, "Commercial Banks Financial Inclusion and Economic Growth in India", the objectives of the paper are to understand the present status of India's financial inclusion, to estimate the financial inclusion index for various states in India and to study the

relationship between financial inclusion index and socio-economic variables. It is found that 72.7 percent of India's 89.3 million farmer households were excluded from formal sources of finance. The C-D ratios of foreign banks is 85.0 per cent, of regional rural banks is 59.9 per cent and of Private sector banks has 74.7 per cent which have increased in 2011 from their levels in the previous year (72.9 %, 58.3% and 72.7% respectively). No state in India belongs to high IFI group. The two states namely Chandigarh and Delhi belong to medium IFI, and rest of the states has low IFI values. The coefficient of PNSDP was positively associated with financial inclusion. Regression results reveal that 34 percent of the change in financial inclusion index is explained by per capita net state domestic product

Vivekanandan (2013) in his study titled, "Financial Inclusion in India- A Path towards Inclusive Economic Growth", explained that India had experienced a rapid economic growth in the last decade. But the growth was not inclusive. One of the main reasons for poverty in India is that low income and disadvantaged groups were financially excluded. All kinds of financial services were enjoyed by few people in the country but still majority of the people lack access to the basic financial services such as savings, credit and insurance. Government has taken many steps such as nationalization of banks, credit to priority sector, opening of Regional Rural Banks (RRBs), Cooperative society, direct benefit transfers etc., during last six decades but still majority of rural households have not credit from formal source. This article gave the depth knowledge of financial inclusion, product initiatives, policy initiatives, recent initiatives taken by the Reserve Bank of India (RBI) and the future initiatives. It brings out whether the financial inclusion paves a way towards inclusive economic growth of the country.

Joseph (2014) examined the awareness level of people about financial products and services. The finding concluded that out of 100 respondents, majority of the respondents were of the opinion that bank ATM facility (43 respondents) and security (40 respondents) were the main reason for holding a

bank account, 15 per cent and 13 per cent respondents prefer location and interest rates respectively as the reason for the same. Credit facility and prompt services also attracted 12 per cent and 10 per cent respondents respectively whereas the image of the bank was least preferred by the respondents.

Sarania and Maity (2014) attempted to analyse the impact of SHG-bank linkage programme on promotion of financial inclusion in terms of access to banks, savings, borrowing and insurance by the SHG member participants as compared with non-participants. Results of the study showed that only those who was the member of SHGs were able to access more formal credit especially from SHG-bank linkage programme. However, other services of banking like use of cheque/DD, ATM, etc. or insurance are seldom taken care of by the microfinance providers as they were not fall in the mainstream category of formal financial service providers. The study further revealed that SHG's increased the flow of formal institutional credit to "with-SHG" households belonging to landless and marginal farm group and discouraged non-institutional borrowing through thrift creation and reached higher degree of financial inclusion when compared with "without SHG". Through SHGs cannot be considered as agencies that provide comprehensive access to financial services. However, SHG-bank linkage programme was one of the best solutions to the problem of bringing the excluded, disadvantaged not having collateral poor people under the ambit of financial inclusion.

Shabna Mol (2014) in her study investigated the level of awareness about financial inclusion forces and examined the extent of financial inclusion among below poverty line in Kerala households in terms of continuous usage of bank account and access. For this purpose, a survey was conducted on 200 respondents from Malappuram District, Kerala. The major findings of this work the literacy level and occupation of respondents were highly influenced to access and continuous usage of a bank account. Further BPL households have opened a bank account only for the enjoying the government benefits

and schemes and has to a certain extent aware of financial inclusion drives and a majority of respondents were fully aware of no-frill accounts, while very small no. of respondents has utilizing banking services like ATM, Kisan Credit Card, General Purpose Credit Card.

Sundaram and Sriram (2014) resulted that about 76.36 per cent of the respondents had their accounts in banks and 27.89 per cent of the respondents have loan accounts. It was found that 15.65 per cent of the respondents were accessing the cheque book facility, 84.69 per cent of the respondents were utilizing the ATM facility, 63.95 per cent of the respondents were accessing the life insurance facility, 9.52 per cent of the respondents were using the net banking and only 10.54 per cent of the respondents were utilizing the mobile banking services. The study concluded that the main drawbacks of financial inclusion were low income, unemployment and illiteracy of respondents in rural areas. The author suggested that the positive steps (like as Pradhan Mantri Jan Dhan Yojna) should be taken by the government to enhance the financial inclusion drive.

Kesavan (2015) in his study focused on the approaches adopted by various Indian banks towards achieving the ultimate goal of financial inclusion for inclusive growth in India and analysed previous years progress and achievements based on secondary data. The most important measure initiated by RBI has the use of local language in application forms and relaxing Know-Your-Customer (KYC) norms for small accounts with balances not exceeding Rs.50,000. Some of the other notable measures were the adoption of Information and Communications Technology (ICT), adoption of Electronic Benefit Transfer (EBT) and SHG Bank linkage model. SBI set up 45,487 BC Customer Service Points (CSPs) through alliances both at national and regional level and the bank has offering various technological enabled products through Business Correspondent (BC) channel, such as Savings Bank, Flexi RD, STDR, Remittance & SB-OD facilities. His also

suggested that the government and regulators will have to initiate a drive for insurance inclusion.

Pandaraiah and Sashidar (2015) conducted a study on farmers perception and awareness of crop insurance. They stated that data collected from 100 farmers in Kuram Palli village of Nalgonda District, Telangana where farmers were growing highly volatile commercial crops like cotton, chilly, maize, and rice from cereals. They employed a probit model to analyse the factors affecting awareness among the farmers. They observed that 80 per cent of farmers were not awareness about crop insurance and 83 per cent of respondents have not taken any crop insurance product. They reported that government role was restricted in advertising the risk mitigating strategies in Agriculture. For small farmers, short term loan was disbursed by Co-operative banks and medium-term loans by commercial banks. This indicated that encouraging social participation of farmers will increase the awareness of farmers about crop insurance schemes and education of respondents also plays an important role in enhancing awareness about innovative products of crop insurance. They recommended that there was a need to publicize the information of small and marginal farmers about crop insurance scheme and encourage the private sectors to offer crop insurance to the farmers.

Shukla and Singh (2015) attempted to identify the link between demographic characteristics and extent of awareness of banking products. It was found that substantial percentage of the surveyed respondents was aware of the banking product, saving accounts, but comparatively a smaller percentage were opened a bank account. The awareness about other financial products like bank loan, post office savings scheme, life insurance and motor insurance was also high but the percentage availing these respective facilities were not as high. It can be inferred that the awareness level for financial products were not very low for all the products but the market penetration was very low. In other words vast sections of the populations were financially

excluded. It can be concluded that the awareness levels do not necessarily translate into access.

Sethy (2016) in his study has proposed a financial inclusion index to measure the extent of financial inclusion across economies. Both supply-side dimensions like access to savings, insurance, bank risk and demand side dimensions like banking penetration, accessibility of banking services and usage of the banking system were used for the development of the index. It was founded that India has categorized on high financial inclusion on demand and low financial inclusion of the supply side. It was proposed that GOI and RBI adopt adequate policy measures to improve the supply-side dimension of financial inclusion.

Ghanghas (2018) found that nearly 70.00 per cent of farmers were aware on general information as well as premium-related information followed by seasonality discipline (40.23%) and risks coverage only 34.43 per cent. The most probable reason for high awareness on general information along with premium-related information may be compulsory proposals for loanee farmers. The low awareness on aspects related to prevented sowing, committee responsible for its assessment, localized calamities, cut-off date for receipt of yield data after harvest (5.00%), processing, approval and payment of final claims (3.3%) and period limit for on account proposal (1.66%) clearly indicate less active participation of implementing as well as service providing agencies. The majority (93.33%) of farmers adopted the compulsory proposal for loanee farmers while 6.67 per cent adopted it voluntarily.

# *Chapter* - III

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*Material and Methods*



## CHAPTER III

### MATERIALS AND METHODS

This chapter deals with the methodology utilized for the study. It deals with the selection of study area, collection of the data and analytical framework for achieving the objectives of the study.

#### 3.1 SAMPLING PROCEDURE

A multistage random sampling technique was employed for the present study. The details of the sampling procedure adopted are discussed below

##### 3.1.1 Location of the Study

Andhra Pradesh which is the eighth largest state and first linguistic state in India, where 70.5 per cent of population lives in rural areas was purposively selected for the study. Andhra Pradesh has a network of 42 Commercial Banks (21 Public Sector Banks and 21 Private Sector Banks), 04 Regional Rural Banks (RRBs), 01 State Cooperative Bank (APSTCB), 13 District Cooperative Central Banks (DCCBs), 01 Scheduled Urban Cooperative Bank and AP State Financial Corporation. As on 31 March 2018, a total of 7,185 branches were spread out across the state with 2,730 branches in rural, 2,165 branches in semi urban and 2,290 branches in urban areas. Besides, the state has 8,981 on-site ATMs. The estimated population per bank branch in the state was 6,900. The cooperative structure permeates the social fabric of the state through a sizeable network of 2,051 Primary Agricultural Credit Societies (PACS). The aggregate deposits of banks in the state as on 31 March 2018 was Rs.2,85,858 crore, registering a growth of 8.88 per cent over the previous year. The aggregate loans outstanding increased noticeably by 21.45 per cent over the previous year and were at Rs.3, 32,021 crore as on 31 March 2018. The Credit Deposit Ratio (CD Ratio) of all banks put together was 116.15% as on 31 March 2018, which is one of the highest in the country and deserves a special mention.

### **3.1. 2 Selection of the District**

Chittoor district was selected purposively as it is one of the agriculturally advanced districts of Rayalaseema region of Andhra Pradesh.

### **3.1.3 Selection of Villages**

From the district ten villages were selected based on the following criteria, which was followed by NABARD All India Rural Financial Inclusion Survey 2016-17.

1. Villages with less than 250 Households
2. Villages having a bank branch
3. Villages with no bank branch available

Number of villages selected from each strata were based on the proportion of number of villages in each of the 3 categories. Based on the first criteria Cheekatipalle, Parapatla, Dugiperi and Ayyavaripalem villages were selected. Mahal, Pallam and Santhavellore villages were selected based on second criteria and Gundloor, Vikruthamala and Kuvakoli were the villages with no bank branch available.

### **3.1.4 Selection of Households**

From each village 10 households were randomly selected and the total no. of samples for the study was 100.

## **3.2 COLLECTION OF DATA**

The information related to the present study was collected through personal interview method. The data collected was pertained to the year 2017-18.

### **3.2.1 Primary Data**

For achieving the specific objectives of the study, necessary data were obtained from the selected sample households through personal interview with the help of a well structured and pre-tested questionnaire.

### **3.2.2 Secondary Data**

Keeping in view of the objectives of the study, secondary data were obtained from various published and unpublished sources. The Information about villages with less than 250 households, villages with a bank branch, villages with no bank branch in Chittoor district were collected from Indian Bank i.e., the lead bank of the Chittoor district.

### **3.3 ANALYTICAL TOOLS USED**

To fulfil the specific objective of the study the data generated was subjected to statistical analysis using the following analytical tools and techniques.

#### **3.3.1 Descriptive Statistics**

Descriptive statistics was employed to compile the socio-economic profile of the respondents. Simple statistical tools like averages and percentages were used to compare and interpret the results properly.

#### **3.3.2 Methodology for Assessing the Level of Financial Knowledge, Attitude and Behaviour**

The present study adopted NAFIS framework for measuring the level of financial literacy, which usually connotes a combination of financial knowledge, attitude and behaviour which is necessary for making sound financial decisions. NAFIS frame work was taken as a base to design the scales for measuring the knowledge, attitude and behaviour of sample respondents.

##### **3.3.2.1 Assessing financial knowledge**

The sample respondents were questioned on their basic understanding of risk and return and inflation. The scale for measuring financial knowledge comprises of two statements on which the individual response was elicited. In order to assess the level of individual achievement on the scale of financial knowledge, a combined score was calculated considering the responses to the

two statements. For calculating the scores, first each respondent was awarded a score of '1' on a statement if he/she responded to it as 'true'. The response 'true' was considered correct or desirable from the point of view of measuring financial knowledge. Incorrect responses were scored as '0'. Thereafter, a combined score was calculated for each individual by summing the score on the two individual statements. The total score that could be achieved by respondents could vary from a minimum of '0' to a maximum of '2'. The respondents who scored '2' were rated as high achievers having good financial knowledge.

### **3.3.2.2 Assessing financial attitude**

The present study employed the financial attitude scale used in the NAFIS survey 2016-17, which comprised of three attitude related questions with responses captured on a five point Likert scale. The three scaled attitudinal questions included - 'I find it more satisfying to spend money than to save it for the long term', 'I tend to live for today and let tomorrow take care of itself', and 'Money is there to be spent'. The responses were elicited on a five point scale where '1' stood for 'completely agree' and '5' meant 'completely disagree'.

To measure the achievement on financial attitude scale, a combined financial attitude score was calculated. For this, first the scores for each of the respondent on all the three statements were added. Thereafter, the total score was divided by 3 to arrive at the financial attitude score for each individual. The average score could vary from a minimum of 1 to a maximum of 5. All respondents who scored 3 or above were considered to have a positive financial attitude i.e., a saving orientation.

### **3.3.2.3 Assessing financial behaviour**

The financial behaviour comprised of a total of 8 questions, which elicit information about various ways in which the respondents manage their money, make financial decisions, keep a tab on their expenses, and timeliness

in terms of paying bills etc. They also included questions on whether people set any long term goals, have a household budget and are personally or jointly responsible for it, the way they choose their financial products, and if they have borrowed anything to make ends meet. To understand the overall status of sample respondents with regard to financial behaviour, a combined score of these questions was calculated. The scoring mechanism has been explained in the Table 3.1. After allocating scores to each respondent on each of the behaviour related questions, the total score on financial behaviour was calculated for the individual respondents. The total score could vary from a minimum of 1 to a maximum of 9. To set a performance benchmark, individuals with a total score of 6 or above were counted as those having a positive financial behaviour.

**Table 3.1: Methodology adopted for calculating the score on financial behaviour**

<b>Behaviour</b>	<b>Discussion</b>	<b>Value towards the final score</b>
Carefully considers Purchases	This is a scaled response	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Timely bill payment	This is a scaled response	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Keeping watch of financial affairs	This is a scaled response	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Long term financial goal setting	This is a scaled response	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Responsible and has a household budget	This is a derived variable, created from the responses to two questions.	1 point if personally or jointly responsible for money management and has a budget. 0 in all other cases.

Active saving	This question identifies a range of different ways in which the respondent may save. People who refused to answer score 0.	1 point for any type of active saving (excluding saving money at home, giving it to family to save). 0 in all other cases
Choosing products	This is derived variable drawing information from 2 questions. It is only possible to score points on this measure if the respondent had chosen a product those with no score on this measure save either refused to answer, not chosen a product, or not made any attempt to make an informed decision.	1 point for people who had considered several products available in the market before making a purchase. 2 points for those who considered various products and also gathered independent Information from various sources like print media electronic media, friends/families, and banking correspondents/facilitators/agents. 0 in all other cases.
Borrowing to make ends meet	This question identified a range of different ways in which people deal with financial crisis. The variable indicates people who are making ends meet without borrowing (refusals will score 1).	0 if the respondent used credit/ charity to make ends meet. 1 in all other cases.

#### 3.3.2.4 Assessing financial literacy

Financial literacy was a combination of knowledge, attitude and behaviour, and so it makes sense to explore these three components in combination. Therefore, for assessing financial literacy, the scores on financial knowledge, attitude and behaviour worked out in the preceding sections were used to classify each respondent as having ‘good financial literacy’ or otherwise. Any respondent who was assessed ‘having good financial knowledge’ (score of 3); ‘having positive financial attitude’ (score 3 or above) and ‘having positive financial behaviour’ (score of 6 or above) were classified as having ‘good financial literacy’.

# *Chapter - IV*

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*Results & Discussion*



## **CHAPTER IV**

# **RESULTS AND DISCUSSION**

The results of the study together with critical discussion are presented in this chapter. The results are presented and discussed under the following sub-heads

- 4.1. Livelihood status of rural households.
- 4.2. Financial services like borrowings, savings, investment, pension, insurance of rural households.
- 4.3. Financial knowledge, attitude, and behaviour of rural households.

### **4.1 LIVELIHOOD STATUS OF RURAL HOUSEHOLDS**

The aspects considered under this objective are age, education of sample households and spouse, marital status, family size, caste, housing pattern, landholding and primary occupation, asset ownership, sources of income and consumption expenditure of sample households.

#### **4.1.1 Age Distribution**

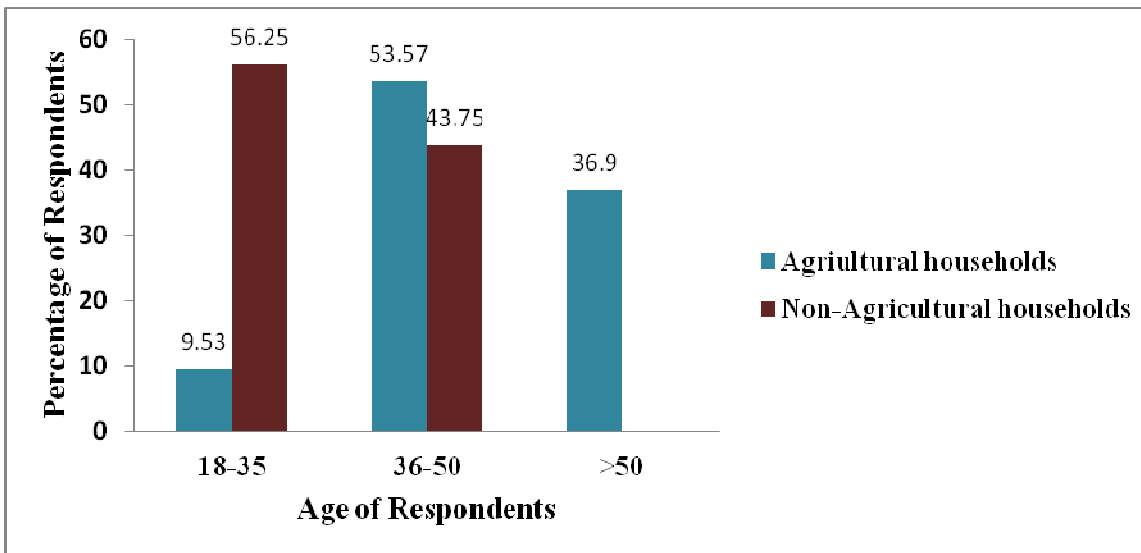
The age distribution pattern of sample households is presented in Table 4.1 and Fig. 4.1. It is clear from the table that 9.53 per cent of agricultural households belonged to the young age group and 53.57 per cent were under the middle age group, while old age people are 36.9 per cent. In the case of non-agricultural households, 56.25 per cent of the respondents were in the young age group and 43.75 per cent were found to fall in the middle age group. There were no respondents from the old age group. The average age of the sample rural households was 47.89 and 37.87 years for agricultural and non-agricultural households respectively. Taking all the households together 32.89, 48.66 and 18.45 per cent of rural households were young, middle and old age groups respectively.

**Table 4.1 Livelihood status of sample rural households**

S. No.	Particulars	Agricultural households		Non-agricultural households		Pooled	
		No	Per cent	No	Per cent	Average	Per cent
<b>I. Age group of sample respondent</b>							
1	Young age (18-35)	8	9.53	9	56.25	8.50	32.89
2	Middle age (36-50)	45	53.57	7	43.75	26.00	48.66
3	Old age (>50)	31	36.90	0	0.00	15.50	18.45
	Total	84	100.00	16	100.00		
	<b>Average age of the member</b>	47.89		37.87			
<b>II. Age group of the spouse</b>							
1	Young age (18-35)	24	33.8	11	68.75	17.5	51.27
2	Middle age (36-50)	38	53.53	5	31.25	21.5	42.39
3	Old age (>50)	9	12.67	0	0	4.5	6.33
	Total	71	100	16	100		
	<b>Average age of the spouse</b>	39.94		31.75			
<b>III. Marital status</b>							
1	Married	72	85.72	16	100	44	92.86
2	Unmarried	0	0	0	0	0	0
3	Widow	12	14.28	0	0	6	7.14
	Total	84	100	16			

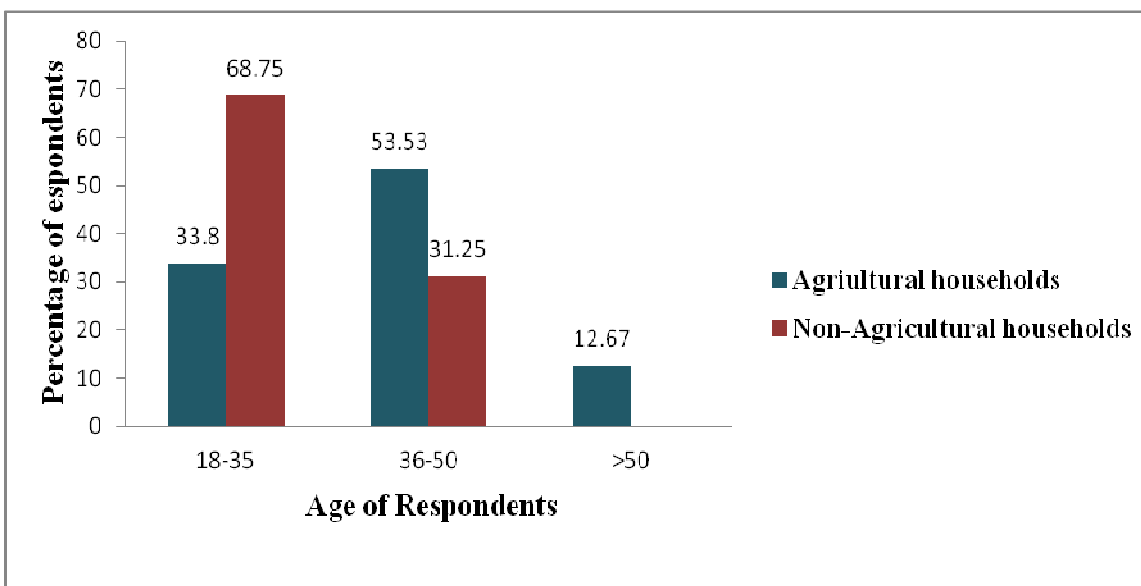
**Table 4.1 (Cont.).**

S. No.	Particulars	Agricultural households		Non-agricultural households		Pooled	
		No	Per cent	No	Per cent	Average	Per cent
<b>IV</b>	<b>Educational level of member</b>						
1	Illiterate	38	45.24	3	18.75	20.5	31.99
2	Primary	5	5.95	2	12.5	3.5	9.22
3	High school	29	34.53	5	31.25	17	32.89
4	Intermediary	4	4.76	2	12.5	3	8.63
5	Graduation	8	9.52	4	25	6	17.26
	Total	84	100	16	100		
<b>V</b>	<b>Educational level of spouse</b>						
1	Illiterate	25	35.22	3	18.75	24	26.98
2	Primary	22	30.98	2	12.5	12	21.74
3	High school	19	26.76	8	50	13.5	38.38
4	Intermediary	1	1.4	0	0	0.5	0.7
5	Graduation	4	5.64	3	18.75	3.5	12.19
	Total	71	100	16	100		



**Figure 4.1 Percentage distribution of respondents by age**

The age distribution pattern of spouses of sample respondents showed that nearly 33.8 per cent of the spouses from agricultural households were found in the young age group, 53.53 per cent had fallen in the middle age group, only 12.67 per cent from the old age group. In the case of non-agricultural households, 68.75 per cent in the young age group, 31.25 per cent of the spouses belonged to the middle age group and no one from the old age. The average age of the spouses was 39.94 and 31.75 years from agricultural and non-agricultural households respectively (Figure 4.2).



**Figure 4.2 Percentage distribution of spouses age**

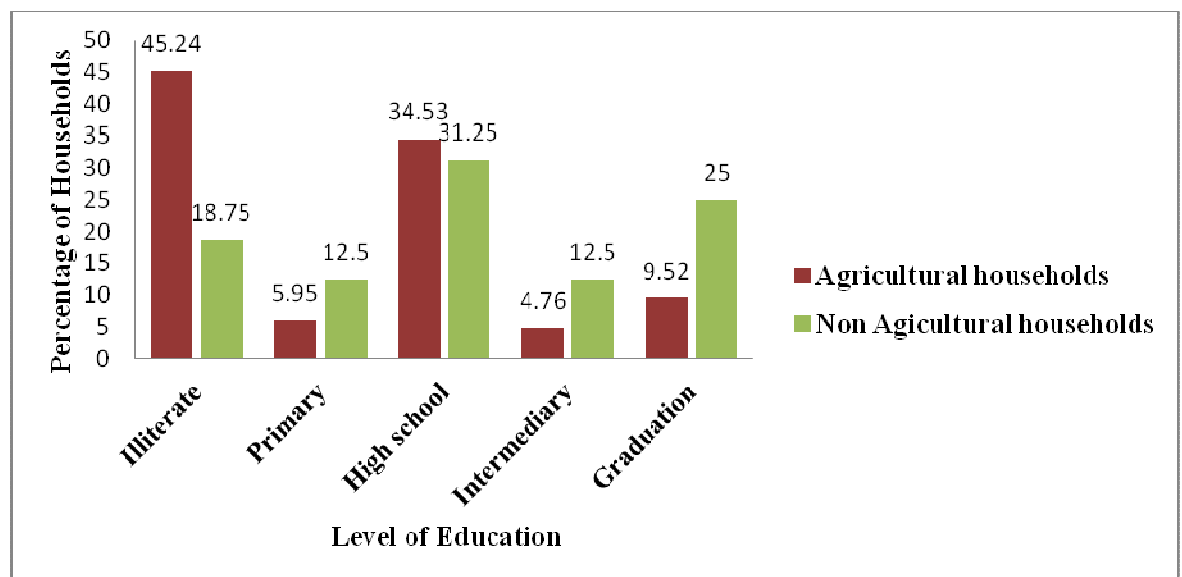
### 4.1.2 Marital Status

Majority of the respondents from both agricultural (85.72%) and non-agricultural (100%) households were married.

### 4.1.3 Educational Status

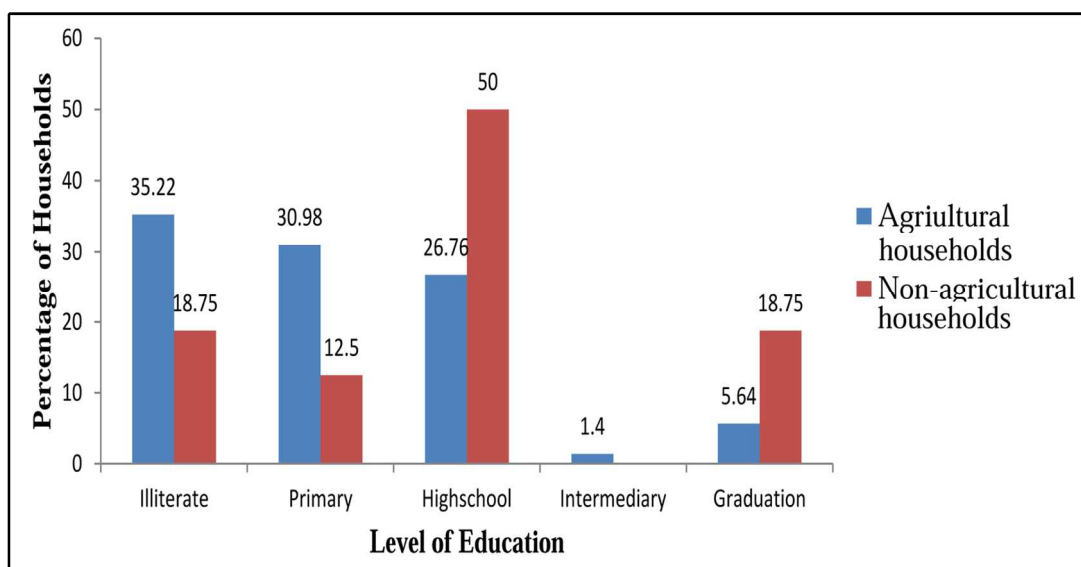
From the Table 4.1 and Fig 4.3 it was observed that 45.24 per cent of the sample respondents from agricultural households were illiterate, 5.95 per cent studied up to primary education, 34.53 per cent completed their high school education and 4.76 and 9.52 per cent of them studied up to intermediate and degree levels respectively. In the case of non-agricultural households, 18.75 per cent were illiterates, 12.50 per cent up to primary school, 31.25 per cent had studied up to high school, 12.50 per cent had education up to intermediate level and 25.00 per cent of the households up to degree level.

It can be concluded from the above table that by and large the respondents were progressive in education but they were still far away from the higher education which is so important today to create a knowledge-based society.



**Figure 4.3 Percentage of households and their educational qualification**

The education level of sample respondents was higher than their wives. The main reason behind this lack of awareness of the importance of education and negligence on the part of the girl child.



**Figure 4.4 Percentage of spouses and their educational qualification**

#### 4.1.4 Family Profile

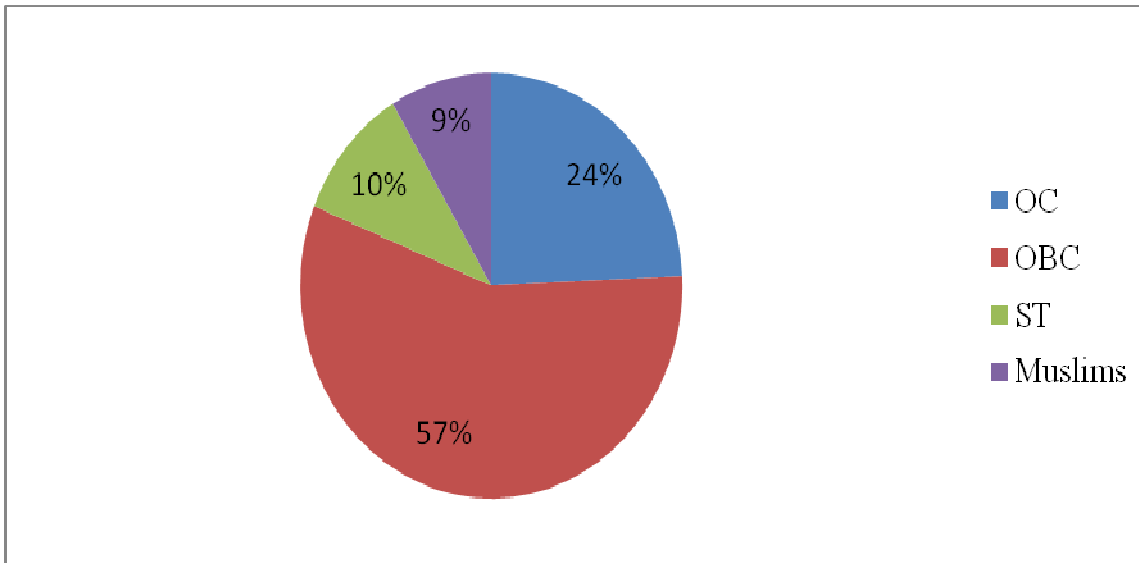
The average family size of the agricultural and non-agricultural households was 3.82 and 4.43 respectively. The ratio of earning to non-earning members was highest in agricultural households with 0.91 and lowest in non-agricultural households i.e. 0.54 (Table 4.2).

#### 4.1.5 Caste Profile

The distribution of sample households according to the caste indicated that 29.77 and 18.75 per cent agricultural and non-agricultural respondents respectively belonged to the general category. About 51.19 and 62.5 per cent of the sample respondents from agricultural and non-agricultural households belonged to a backward caste. None of the households in any of the two categories came from a scheduled caste, whereas 14.28 and 6.25 per cent of sample respondents from the said agricultural and non-agricultural households belonged to the scheduled tribe. About 4.76 and 12.5 per cent belonged to the Muslim community (Table 4.2 and Fig.4.5).

**Table 4.2 Family profile of sample respondents**

S. No.	Particulars	Agricultural households		Non-agricultural households		Pooled	
		No	Per cent	No	Per cent	Average	Per cent
	<b>Family size</b>						
1	Adults	2.28	59.84	2.43	54.85	2.35	57.34
2	Children	1.53	40.16	2	45.15	1.76	42.65
	Average size of the family	3.82	100.00	4.43	100.00	4.12	100.00
	Earning members	1.82	47.64	1.56	35.21	1.69	41.42
	Ratio of earners to non earners	0.91		0.54		0.72	
	Average no of children studying	1.05	27.48	1.87	42.21	1.46	34.84
	<b>Caste</b>						
1	OC	25	29.77	3	18.75	14	24.26
2	OBC	43	51.19	10	62.5	26.5	56.84
3	SC	0	0	0	0	0	0
4	ST	12	14.28	1	6.25	6.5	10.26
5	Muslims	4	4.76	2	12.5	3	8.63
	Total	84	100.00	16	100.00		



**Figure 4.5 Percentage distribution of social category of rural households**

#### **4.1.6 Asset Holding of Sample Respondents**

##### **4.1.6.1 House**

It is interesting to note that all the respondents (100 per cent) from agricultural and non-agricultural households had dwelled in their own houses (Table 4.3). Further they were residing in pucca houses.

##### **4.1.6.2 Land holding**

The information on land holding position of the sample respondents was presented in Table 4.4. It revealed that in agricultural households, 32.14 per cent of respondents had marginal land holding. While 47.61, 19.04 and 1.19 per cent of households had small, medium and large land holdings respectively.

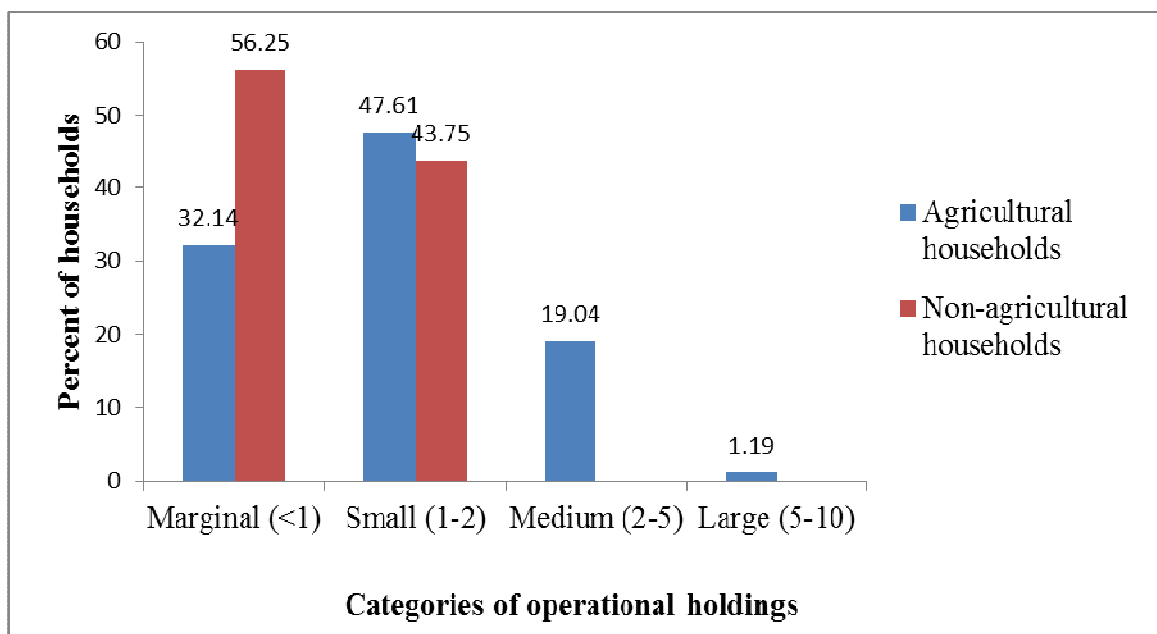
The average size of the landholding for the sample respondents from agricultural and non-agricultural were 1.57 ha and 0.90 ha respectively.

**Table 4.3 Asset holding of sample respondents**

S. No.	Particulars	Agricultural households		Non-agricultural households		Pooled	
		No	Per cent	No	Per cent	No	Per cent
<b>Dwelling houses</b>							
1	Owned	84	100.00	16	100.00	100	100.00
2	Rented	0	0.00	0	0.00	0	0.00
	Total	84	100.00	16	100.00		
<b>House type</b>							
1	Pucca house	84	100.00	16	100.00	100	100
2	Kutcha house	0	0.00	0	0.00	0	0.00
	Total	84	100.00	16	100.00		

Table 4.4 Land holding pattern of sample rural households

S. No.	Land holding (Hectare)	Agricultural households			Non-agricultural households			Pooled		
		No	Per cent	Average area (ha)	No	Per cent	Average area (ha)	No	Per cent	Average area (ha)
1	Marginal (<1)	27	32.14	0.52	9	56.25	0.42	36	36.00	0.49
2	Small (1-2)	40	47.61	1.61	7	43.75	1.51	47	47.00	1.60
3	Medium (2-5)	16	19.04	2.98	0	0.00	0.00	16	16.00	2.98
4	Large (5-10)	1	1.19	6.09	0	0.00	0.00	1	1.00	6.09
	Total	84	100.00	1.57	16	100.00	0.90	100	100.00	1.47



**Figure 4.6 Percentage of households under different categories of Operational holdings**

#### 4.1.6.3 Agricultural assets

Among the sample households 8.33 per cent had tractor and the average value of tractor was Rs.321429. Only 1.19 per cent of the households had power tiller and its present value was Rs. 17000 and 7.14 per cent of the members had each sprinkler and drip irrigation system with an average value of Rs.2500 and Rs.7500 respectively. Further 2.38 per cent of the members owned the harvester and its average value was Rs. 383334. Only 7.14 per cent of the farmers had wooden plough with an average value of Rs. 506 and only 1.19 per cent of the households owned improved disc plough and the present value was Rs.30000. While 70.23 per cent, 89.28 per cent and 58.33 per cent of the households possessed pumpset (Rs.43402), handtools (Rs.176) and sprayers (Rs.2825) respectively (Table4.5).

From the results it was revealed that only few farmers had the high value agricultural assets i.e. tractor, power tiller, sprinkler, drip irrigation, and harvester. The reason was majority of households i.e., 79.75 per cent of agricultural households were small and marginal farmers further their holdings are fragmented. Due to these small and scattered operational holdings, mechanized cultivation was difficult and implements and irrigation facilities were not properly utilized.

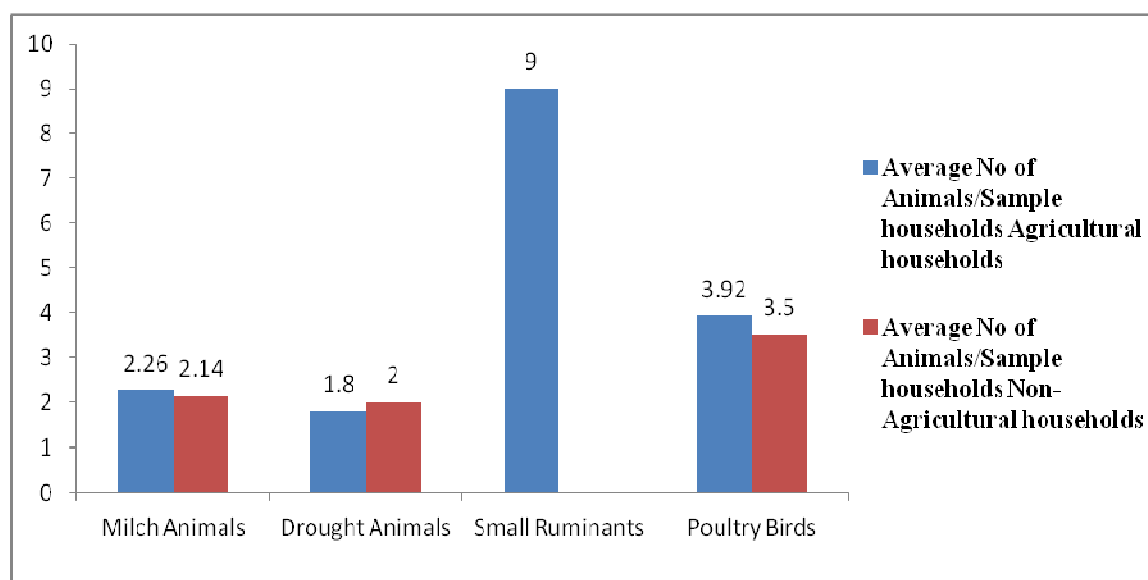
**Table 4.5 Agricultural assets**

<b>S. No.</b>	<b>Particulars</b>	<b>Per cent</b>	<b>Value (Rs.)</b>
1	Tractor	8.33	321429
2	Power tiller	1.19	17000
3	Sprinkler	7.14	2500
4	Drip irrigation system	7.14	7500
5	Harvester	2.38	383334
6	Wooden plough	7.14	506
7	Improved disc plough	1.19	30000
8	Pumpset	70.23	43402
9	Hand tools	89.28	176
10	Sprayers	58.33	2825

#### 4.1.6.4 Livestock assets

Table 4.6 and Fig 4.7 presented about the number of various types of animals owned by the households for commercial purposes like milch animals like buffaloes and cows, draught animals like oxen, small ruminants like sheep and goat and poultry birds.

The sample households reported that ownership of livestock assets forms an important source of livelihood for them. In the case of agricultural households, 61.90 per cent members had milch animals and the average value was Rs.27593, draught animals, small ruminants and poultry birds were owned by 17.85 per cent, 15.47 per cent and 30.95 per cent of the farmers with an average value Rs.21445, Rs.6752 and Rs.196 respectively. Average no. of animals per agricultural household like milch animals, draught animals, small ruminants and poultry birds were 2.26, 1.8, 9 and 3.92 respectively. In the case of non-agricultural households 43.75 per cent, 12.50 per cent and 25.00 per cent of the members had milch, draught and poultry birds with an average value of Rs.24667, Rs.22500, Rs.200 respectively. None of the non-agricultural households had small ruminants.



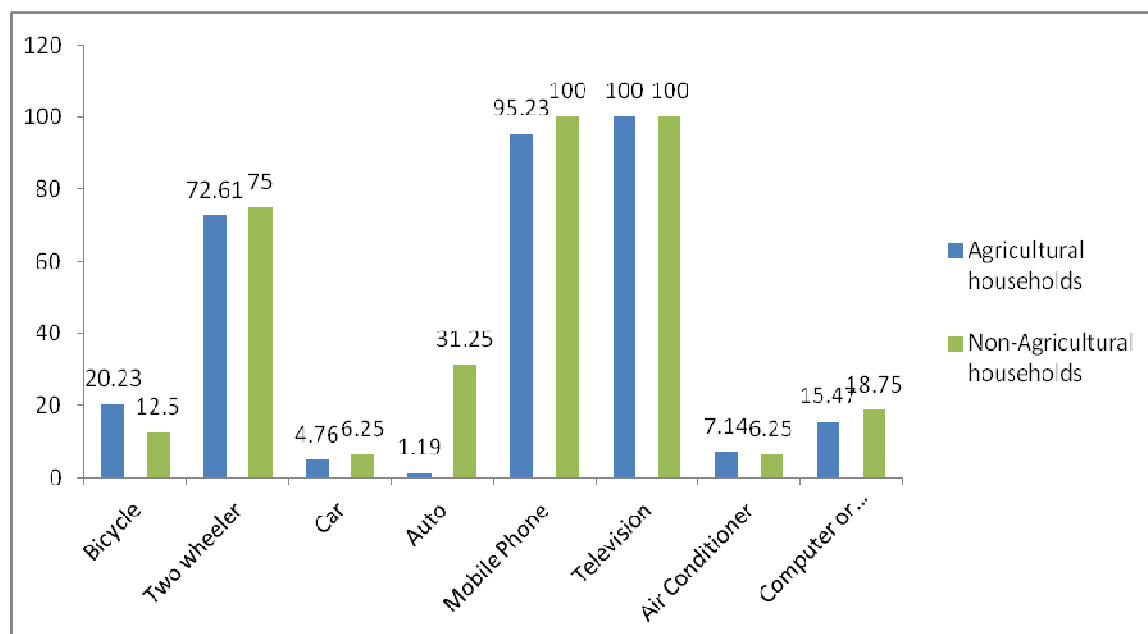
**Figure 4.7 Average no. of animals per sample household**

Table 4.6 Livestock assets

S. No.	Particulars	Agricultural households			Non-agricultural households		
		Per cent	Average no of animals/sample households	Average value (Rs.)	Per cent	Average no of animals/sample households	Average value (Rs.)
1	Milch Animals	61.90	2.26	27593	43.75	2.14	24667
2	Drought Animals	17.85	1.80	21445	12.50	2.00	22500
3	Small Ruminants	15.47	9.00	6752	0	0.00	0
4	Poultry Birds	30.95	3.92	196	25.00	3.50	200

#### 4.1.6.5 Consumer durables

The present study collected information about the ownership of various consumer durables like bicycle, two wheeler, car, auto, mobile phone, television, air conditioner, and computer or laptop. Table 4.7 concluded that almost all agricultural households i.e.100 per cent owned the television, followed by mobile phones (95.23%) and two wheelers (72.61%). The remaining consumer durables like bicycle, computer or laptop, air conditioner, car and auto were possessed by 20.23, 15.47, 7.14, 4.76 and 1.19 per cent of the households respectively. In the case of non-agricultural households all the households owned the television and mobile phone. Two wheeler and auto were owned by 75.00 and 31.25 per cent of the households respectively. The other consumer durables hold by the households were computer or laptop (18.75%), bicycle (12.50%), car (6.25%) and air conditioner (6.25%).



**Figure 4.8 Percentage of respondents on ownership of various consumer durables**

#### 4.1.7 Primary Occupation of Sample Rural Households

The primary occupation of the sample rural households was analyzed and presented in Table 4.8. From the table, it was found that for the majority of the sample rural households, agriculture (84%) was the primary occupation. And the other households, non-farm labour (5%), hotel (3%), LIC agent (2%).

Table 4.7 Consumer durables

S. No.	Particulars	Agricultural households		Non-agricultural households	
		Per cent	Average value (Rs.)	Per cent	Average value (Rs.)
1	Bicycle	20.23	923.52	12.50	1250
2	Two wheeler	72.61	24032.78	75.00	26083.33
3	Car	4.76	637500	6.25	300000
4	Auto	1.19	60000	31.25	93200
5	Mobile phone	95.23	1345	100.00	1937.5
6	Television	100.00	4667.85	100.00	6512.5
7	Air Conditioner	7.14	21500	6.25	10000
8	Computer or Laptop	15.47	18461.53	18.75	13333.33

**Table 4.8 Occupational profile of sample households**

<b>S. No</b>	<b>Particulars</b>	<b>Per cent</b>
1	Agriculture	84.00
2	Non-farm labour	5.00
3	Recharge shop	1.00
4	Hotel	3.00
5	Cool drink shop	1.00
6	Kirana	1.00
7	Hardware	1.00
8	Ration dealer	1.00
9	Tailoring	1.00
10	LIC agent	2.00
	Total	100.00

One per cent each of other households like recharge shop, cool drink shop, kirana, hardware, ration dealer and tailoring etc.

#### **4.1.8 Annual Income and Consumption Expenditure of the Sample Respondents**

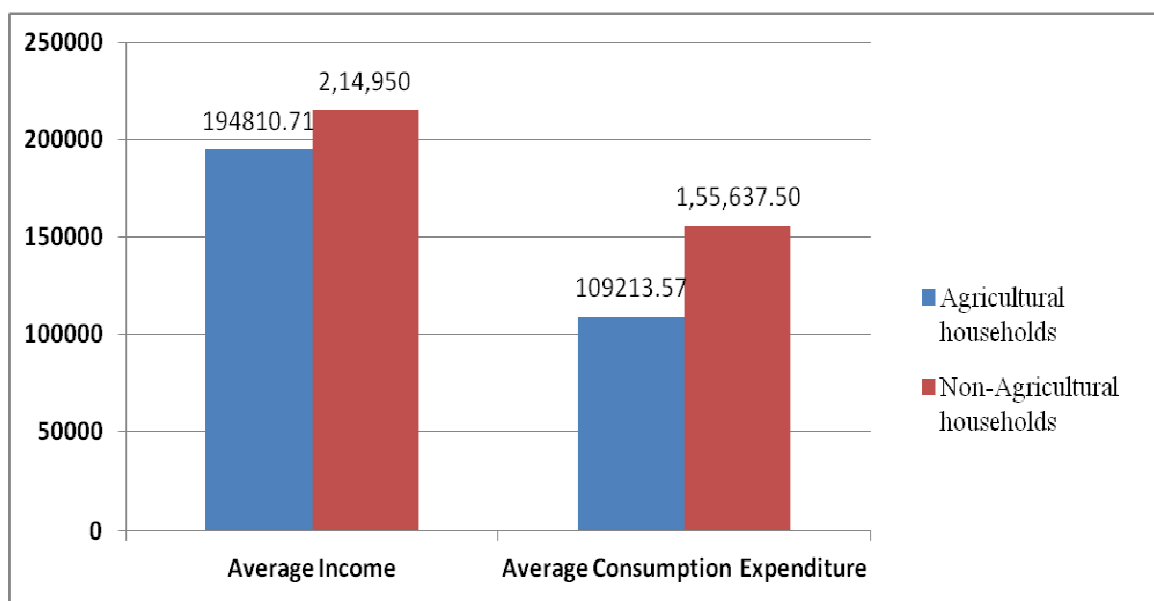
From the Table 4.9 it was observed that the annual income of the agricultural households was Rs. 194810.71 and for the non-agricultural households it was 214950. Overall, the annual income of the sample respondents was Rs. 198033.

The average annual consumption expenditure was estimated and presented in Table 4.9. From the table it was observed that the average annual consumption expenditure was Rs. 109213.57, Rs. 155637.5 and Rs. 116641.4 for the agricultural, non-agricultural and overall sample respectively. Further, the average annual consumption expenditure on food items of the agricultural households (34.07%) was greater than the non-agricultural households (24.82%) and expenditure on non-food items was greater in the case of non-agricultural households (75.18%) compared to agricultural households (65.93%).

**Table 4.9 Annual income and consumption expenditure of occupational groups**

S. No.	Occupational groups	Average income (Rs.)	Average annual consumption expenditure			Consumption Income ratio
			Food	Non-Food	Total	
1	Agricultural households	194810.71	37214.28 (34.07)	72008.21 (65.93)	109213.57	0.56
2	Non-Agricultural households	214950	38625 (24.82)	117012.5 (75.18)	1,55,637.5	0.72
	Pooled	198033	37440 (22.47)	79201.4 (77.53)	116641.4	0.58

**Note :** Figures in the parenthesis indicates percentages.



**Figure 4.9 Annual income and consumption expenditure of rural households**

## **4.2 FINANCIAL INCLUSION ASPECTS LIKE BORROWINGS, SAVINGS, INVESTMENT, PENSION AND INSURANCE OF SAMPLE HOUSEHOLDS**

In this section an attempt was made to know the financial inclusion components like borrowings, savings, investments, pension and insurance of sample respondents.

### **4.2.1 Borrowings**

From the Table 4.10 it was revealed that 17.85 per cent of the agricultural households had borrowed from institutional sources (15.47% from public sector banks and 2.38% from self help groups) and 10.71 per cent had availed loan from non-institutional sources like money lenders (8.33%) and relatives (2.38%). One important finding of the study was 63.09 per cent of the agricultural respondents had availed loan from multiple sources.

Average amount of loan borrowed by the agricultural households from public sector banks and SHG's as Rs.269230 and Rs.50000. While it was Rs. 65714, Rs. 150000 and Rs. 356698 from money lenders, relatives and multiple sources respectively.

#### 4.10 Borrowings of the sample respondents

S.No	Sources of credit	Agricultural households			Non-agricultural households		
		No. of respondents	Average of loan (Rs.)	Average amount outstanding	No. of respondents	Average of loan (Rs.)	Average amount outstanding
1	Public sector banks	13 (15.47)	269230.8	193846.15	3 (18.75)	273333.3	230000
2	SHGs	2 (2.38)	50000	28750	1 (6.25)	50000	12500
3	Money lenders	7 (8.33)	65714.28	65714.28	- (0.00)	-	-
4	Relatives/Friends	2 (2.38)	150000	150000	2 (12.50)	125000	90000
5	Multiple sources	53 (63.09)	356698.1	270877.35	9 (56.25)	4022220	352777.78
	No borrowings	7 (8.33)			1 (6.25)		
	Total	84			16		

**Note :** Figures in the parenthesis indicates percentages.

In the case of non-agricultural households 18.75 per cent of the households had borrowed from public sector banks and 6.25 per cent from self help groups. No one had a loan from money lenders and 12.5 per cent from relatives. Like the agricultural households 56.25 per cent had borrowed from multiple sources of finance.

Non-agricultural households had borrowed an amount of Rs. 273333 and Rs. 50000 from public sector banks and self help groups respectively. The average loan amount borrowed from relatives and multiple sources was Rs.125000 and Rs. 402222 respectively.

From the above results it was revealed that most of the sample respondents had borrowed from multiple sources. Here multiple sources include public sector banks, self help groups, money lenders, relatives etc.,

#### 4.2.2 Savings

53.57 per cent of the agricultural households and 50 per cent of the non-agricultural households have savings. One important key observation in the study was these savings were monthly savings in the self help group. The average monthly savings of both agricultural and non-agricultural households was Rs. 100 and the interest rate earned on these savings was 4 per cent. Rs. 1284 and Rs.1162 were the average total savings of both agricultural and non-agricultural households.(Table 4.11).

**Table 4.11 Savings**

S. No	Particulars	Agricultural households	Non-agricultural households	Pooled
1	Number of respondents have savings	45 (53.57)	8 (50.00)	53 (53.00)
2	Regularity of savings	Monthly	Monthly	Monthly
3	Average savings per month (Rs.)	100	100	100
4	Interest rate	4%	4%	4%
5	Average total savings	1284.45	1162.5	1266.03

**Note :** Figures in the parenthesis indicates percentages.

Table 4.12 Pension

S. No	Type of pension	Name of pension scheme	Agricultural households		Non-agricultural households	
			No. of households	Average amount (Rs.)	No. of households	Average amount (Rs.)
1	Old age pension	NTR Bharosa Pension	14 (16.67)	2000	3 (18.75)	2000
2	Widow pension	NTR Bharosa Pension	12 (14.29)	2000	- (0.00)	-
3	Weavers pension	NTR Bharosa Pension	1 (1.19)	2000	- (0.00)	-
4	Disability pension	NTR Bharosa Pension	1 (1.19)	2000	- (0.00)	-

**Note :** Figures in the parenthesis indicates percentages.

### 4.2.3 Investment

The present study none of the respondents found under investment

### 4.2.4 Pension

The present study information collected information related to coverage of sample households under various forms of pension scheme. The data was analysed and presented in Table 4.12.

In the case of agricultural households 16.67 per cent had covered under old age pension scheme, 14.29 per cent households were receiving widow pension, 1.19 per cent each had weavers pension and disability pension of the state government. All the pensions were receiving an amount Rs.2000.

In the case of non-agricultural households only 18.75 per cent of the households were receiving old age pension of Rs.2000 from state government.

### 4.2.5 Insurance

#### 4.2.5.1 Crop insurance

From the Table 4.13 it was observed that 54.76 per cent of the agricultural households had crop insurance. These farmers crops were insured under Pradhan Mantri Fasal Bhima Yojana.

**Table 4.13 Crop insurance**

<b>Name of Insurance scheme</b>	<b>PMFBY</b>
No. of households	46 (54.76)

**Note :** Figures in the parenthesis indicates percentages.

#### 4.2.5.2 Life insurance

The information collected on Life insurance was presented in Table 4.14 showed that about 25.00 and 50.00 per cent of the agricultural and non-agricultural respondents were insured under the Pradhan Mantri Suraksha Bhima Yojana scheme (PMSBY) with Rs.12 premium per annum. Under Pradhan Mantri Jeevan Jyothi Bhima Yojana (PMJJBY) 14.28 and 6.25 per

cent agricultural and non-agricultural respondents were insured with a premium amount of Rs.330 per annum.

**Table 4.14 Life insurance**

S.No	Type of households	PMSBY	PMJJBY
1	Agricultural households	21 (25.00)	12 (14.28)
2	Non-agricultural households	8 (50.00)	1 (6.25)

**Note :** Figures in the parenthesis indicates percentages.

#### 4.2.5.3 Vehicle insurance

15.47 and 43.75 per cent of the respondents were taken vehicle insurance (Table 4.15) like tractor and two wheeler for agricultural households and car and auto for non-agricultural households.

**Table 4.15 Vehicle insurance**

S.No	Type of households	No. of households
1	Agricultural households	13 (15.47)
2	Non-agricultural households	7 (43.75)

**Note :** Figures in the parenthesis indicates percentages.

Most of the respondents who were not taken insurance policy the reasons might be they were not aware of the concept of insurance and also they had a lack of adequate money.

### 4.3 FINANCIAL KNOWLEDGE, ATTITUDE AND BEHAVIOUR OF RURAL HOUSEHOLDS

Financial literacy in context of this study is taken to connote a combination of knowledge, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

### **4.3.1 Financial Knowledge**

The proportion of respondents found to be knowledgeable about the financial products and services were shown in Table 4.16. 47.62 per cent of the agricultural households and 43.75 per cent of the non-agricultural households were given true response to the question, if someone offers you the chance to make a lot of money, there is also a chance that you will lose a lot of money. This clearly indicated that these respondents were knowledgeable about the potential risk and returns associated with money.

For the second question “high inflation means that the cost of living is increasing rapidly”. 75.00 per cent and 81.25 per cent of the agricultural and non-agricultural households were given the true responses. This represents that these respondents were aware of the meaning of inflation. The status of respondents with respect to achievement on financial knowledge score as discussed in the methodology presented in Table 3.1. From the table it was revealed that only 41.66 and 43.75 per cent of the agricultural and non-agricultural households were found to have sound financial knowledge as they got the score of 2.

### **4.3.2 Financial Attitude**

Attitude means a settled way of thinking or feeling about something. Financial attitude can be understood as individuals inclination towards the use of financial resources.

The detailed responses received from rural households related to each of the 3 statements used for assessing financial attitude were presented in Table 4.17. 76.19 per cent and 75.00 per cent of the agricultural and non-agricultural households were put themselves of the completely disagree of the first statement “I find it more satisfying to spend money than to save it for the long time”, and 11.90 and 25.00 per cent of agricultural and non-agricultural households responded somewhat disagree. Only 2.38 per cent of agricultural respondents answered neither agree nor disagree it indicated that they found equal satisfaction in spending money and saving. About 8.33 and 1.19 per

**Table 4.16 Proportion of respondents to the statements related to financial knowledge (in percentage)**

S.No	Respondent characteristics	If someone offers you the chance to make a lot of money, there is also a chance that you will lose a lot of money			High inflation means that the cost of living is increasing rapidly			% Respondents with a total score of 2
		True	False	Don't known	True	False	Don't known	
1	Agricultural households	40 (47.62)	15 (17.86)	29 (34.52)	63 (75.00)	-	21 (25.00)	35 (41.66)
2	Non-agricultural households	7 (43.75)	3 (18.75)	6 (37.5)	13 (81.25)	-	3 (18.75)	7 (43.75)

**Note :** Figures in the parenthesis indicates percentages.

cent of agricultural households addressed the somewhat agree and completely agree revealing that they found to be satisfied to spend money than save. None of the non-agricultural households were found under completely agree, somewhat agree and neither agree nor disagree. The responses to the second attitude statement “I tend to live for today and let tomorrow take care of itself”, showed that most of the agricultural households (84.52%) and all the non agricultural households (100.00%) tended to take care of tomorrow. Nearly 7.14 per cent of agricultural respondents answered each of the somewhat agree and somewhat disagree and only 1.19 per cent of agricultural households responded neither agree nor disagree. In the case of non-agricultural households no one found under completely agree, somewhat agree, neither agree nor disagree and somewhat disagree.

The third statement related specifically to households attitude towards money. Here a large portion of agricultural households (44.05%) and non-agricultural households (50.00%) responded somewhat agree to the statement “money is there to be spent”. Around 20.24 per cent and 11.09 per cent of agricultural households and of the non-agricultural households 25.00 and 6.25 per cent were found to be completely disagree and somewhat disagree. Agricultural households (17.86%) and non-agricultural households (6.25%) were ambivalent followed by 5.95 and 12.5 per cent of the agricultural and non-agricultural households were answered completely agree.

92.85 per cent and 100.00 per cent of the agricultural and non-agricultural households showed that a positive attitude towards planning for the future and that was considered to be positively related to financial wellbeing.

### **4.3.3 Financial Behaviour**

The financial behaviour comprised of a total of eight questions, which obtained information about various ways in which the respondents manage their money, make financial decisions, keep a tab on their expenses, and timeliness in terms of paying bills, etc. And also included questions on

**Table 4.17 Distribution of respondents by their response to the financial attitude statements (in percentage)**

S.No	Statements	Completely agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Completely disagree
<b>Agricultural households</b>						
1	I find it more satisfying to spend money than to save it for the long term	1 (1.19)	7 (8.33)	2 (2.38)	10 (11.90)	64 (76.19)
2	I tend to live for today and let tomorrow take care of itself	-	6 (7.14)	1 (1.19)	6 (7.14)	71 (84.52)
3	Money is there to be spent	5 (5.95)	37 (44.05)	15 (17.86)	10 (11.09)	17 (20.24)
4	Percentage of respondents with a total score of 3 or higher	78 (92.85)				
<b>Non-agricultural households</b>						
1	I find it more satisfying to spend money than to save it for the long term	-	-	-	4 (25.00)	12 (75.00)
2	I tend to live for today and let tomorrow take care of itself	-	-	-	-	16 (100.00)
3	Money is there to be spent	2 (12.5)	8 (50.00)	1 (6.25)	1 (6.25)	4 (25.00)
4	Percentage of respondents with a total score of 3 or higher	16 (100.00)				

**Note :** Figures in the parenthesis indicates percentages.

whether people set any long term goals, had a household budget and the way they choose their financial products. The responses obtained for each of the eight financial behaviour related statements were presented in Tables 4.18, 4.19 and 4.20.

The present study revealed that 73.80 per cent of the agricultural households and 75.00 per cent of non-agricultural households were carefully consider their purchases before they buy something, while 67.85 and 50.00 per cent of agricultural and non-agricultural households regularly paid their bills on time and 34.52 per cent of agricultural households and 12.50 per cent of non-agricultural kept a close watch on their financial affairs and only 13.09 per cent of agricultural households and only 6.25 per cent of non-agricultural households set long term goals and strive to achieve them (Table 4.18).

Table 4.19 showed that only 1.19 per cent of agricultural households observed that several products are available in the market before making any decision, and none of the non-agricultural households were found under this response. While agricultural (67.85%) and non-agricultural households (62.50%) depended on the advice of friends/family etc., followed by 25.00 per cent of the agricultural households and 37.50 per cent of non-agricultural households were sought opinion of experts/agents dealing with such issues and 5.95 per cent of agricultural households didn't consider any other product/service other than one which they knew about since long. None of the non-agricultural households were found under this response.

The proportion of respondents that were found to have a positive financial behaviour i.e., score of 6 and above across various categories was presented in Table 4.20.

The table reveals that 52.38 per cent of agricultural households and 56.25 per cent of the non-agricultural households could score 6 or more on the financial behaviour scale. This indicated that there was a need to be educated about the optimal ways of managing their finances to maintain their overall wellbeing.

**Table 4.18 Distribution of respondents by their response to the financial behaviour statements (in percentage)**

S.No	Statements	Completely agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Completely disagree
<b>Agricultural households</b>						
1	Before I buy something I carefully consider whether I can afford it	62 (73.80)	15 (17.85)	6 (7.14)	1 (1.19)	-
2	I pay my bills on time	57 (67.85)	24 (28.57)	2 (2.38)	1 (1.19)	-
3	I keep a close personal watch on my financial Affairs	29 (34.52)	26 (30.95)	13 (15.47)	3 (3.57)	13 (15.47)
4	I set long term financial goals and strive to achieve them	11 (13.09)	33 (39.28)	13 (15.47)	11 (13.09)	16 (19.04)
<b>Non-Agricultural households</b>						
1	Before I buy something I carefully consider whether I can afford it	12 (75.00)	4 (25.00)	-	-	-
2	I pay my bills on time	8 (50.00)	7 (43.75)	-	1 (6.25)	-
3	I keep a close personal watch on my financial Affairs	2 (12.5)	2 (12.5)	-	-	12 (75.00)
4	I set long term financial goals and strive to achieve them	1 (6.25)	5 (31.25)	1 (6.25)	5 (31.25)	4 (25.00)

**Note :** Figures in the parenthesis indicates percentages.

**Table 4.19 Distribution of respondents by their response to the financial behaviour statement, ‘How do you choose a financial product or service’?**

S.No	Responses	% Respondents by the ways in which they choose the financial product or service	
		Agricultural households	Non-agricultural households
1	Consider several products available in the market before making my decision	1 (1.19)	-
2	Consider the advice of friends/family, etc.	57 (67.85)	10 (62.50)
3	Seek opinion of experts/agents dealing with such issues	21 (25.00)	6 (37.50)
4	I don't consider any other product/service other than I have known about since long	5 (5.95)	-

**Note :** Figures in the parenthesis indicates percentages.

**Table 4.20 Proportion of respondents with a high score on financial behaviour (in percentage)**

S.No	Respondent characteristics	% Respondents with a total score of 6 or higher
1	Agricultural households	44 (52.38)
2	Non-agricultural households	9 (56.25)

**Note :** Figures in the parenthesis indicates percentages.

#### 4.3.4 Financial Literacy

The result of the analysis of financial literacy status of respondents has been presented in Table 4.21. Overall assessment of respondents on financial literacy indicates that only about 27.38 and 25.00 per cent of the agricultural and non-agricultural households could fare in the category of having ‘good financial literacy’. This indicates that agricultural (27.38%) and non-agricultural households (25.00%) had sound knowledge (score of 3 on financial knowledge score), positive financial attitude (score of 3 or above on financial attitude scale), and having positive financial behaviour (score ‘6’ or above on financial behaviour scale). On the whole, the current status of financial literacy leaves much to be desired in order to reach an acceptable level, making individuals capable of making sound financial decisions for themselves as well as their households.

**Table 4.21 Proportion of respondents with good financial literacy (in percentage)**

S.No	Respondent characteristics	% Respondents with Good financial literacy
1	Agricultural households	23 (27.38)
2	Non-agricultural households	4 (25.00)

**Note :** Figures in the parenthesis indicates percentages.

# *Chapter - V*

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*Summary & Conclusions*



## CHAPTER V

### SUMMARY AND CONCLUSION

The present investigation entitled “Financial inclusion among rural households in Chittoor district of Andhra Pradesh” was intended to probe into the following objectives.

#### 5.1. OBJECTIVES

- 5.1. To analyse the livelihood status in terms of occupational profile, sources of income, consumption expenditure and asset ownership.
- 5.2. To analyse the financial inclusion aspects like borrowings, savings, investments, pension, insurance, etc. and
- 5.3. To analyse the aspects related to knowledge, attitude and behaviour of rural populace towards financial products and services available in the market.

#### 5.2 METHODOLOGY

The sample size of the survey was 100 rural households selected through multi-stage stratified random sampling from 10 villages of Chittoor district of Andhra Pradesh. Villages were stratified into three: i) those having a population of less than 250, ii) villages having bank branch and iii) villages not having bank branch. Both agricultural and non-agricultural households are included in the sample. Information on all members of the household is collected through detailed structured questionnaire.

#### 5.3 MAJOR FINDINGS OF THE STUDY

The present study focussed on financial inclusion aspects besides livelihood aspects of rural households. Financial inclusion is covered in terms of borrowings, savings, investment, insurance and pension etc., Besides financial inclusion aspects, financial knowledge, attitude and behaviour of the

family members who usually undertakes financial decisions are also measured.

### **5.3.1 Livelihood status of rural households**

The aspects considered under this objective are age, education of sample households and spouse, marital status, family size, caste, housing pattern, landholding, primary occupation, asset ownership and income and consumption expenditure of sample households.

#### **5.3.1.1 Age Distribution**

The average age of the sample rural households was 47.89 and 37.87 years for agricultural and non-agricultural households respectively. Taking all the households together, 32.89, 48.66 and 18.45 per cent of rural households were young, middle and old age groups respectively. The average age of the spouses was 39.94 and 31.75 years for agricultural and non- agricultural households. The age distribution pattern of spouses of sample respondents revealed that nearly 33.8 per cent of the spouses from Agricultural households were from young age group, 53.53 per cent from the middle age group, only 12.67 per cent were old aged. In case of non-agricultural households, 68.75 per cent from the young age group, 31.25 per cent belonged to the middle age group and none from the old age. The average age of the spouses was 39.94 and 31.75 years from agricultural and non- agricultural households respectively.

#### **5.3.1.2 Educational Status**

45.24 per cent of the sample respondents from agricultural households were illiterate, primary education (5.95 %), high school (34.53 %) and intermediate (4.76 %) and degree levels (9.52 %) respectively. In the case of non-agricultural households, illiterates (18.75 %), primary school (12.50 %), high school (31.25 %), intermediate level (12.50 %), degree level (25.00%).

In the case of non-agricultural households, 18.75 per cent were illiterates, 12.50 per cent up to primary school, 31.25 per cent had studied up

to high school, 12.50 per cent had education up to intermediate level and 25.00 per cent of the households up to degree level.

### **5.3.1.3 Land holdings**

It revealed that in agricultural households, 32.14 per cent had marginal land holding. While, 47.61, 19.04 and 1.19 per cent of households had small, medium and large land holdings respectively.

The average size of the landholding for the sample respondents from agricultural and non-agricultural were 1.57 ha and 0.90 ha respectively.

### **5.3.1.4 Agricultural Assets**

Among the sample households 8.33 per cent had tractor. Only 1.19 per cent of the households had power tiller and 7.14 per cent of the members had each sprinkler and drip irrigation system respectively. Further 2.38 per cent of the members owned the harvester. Only 7.14 per cent of the farmers had wooden plough and 1.19 per cent of the households owned improved disc plough. While 70.23 per cent, 89.28 per cent and 58.33 per cent of the households possessed pump set, hand tools and sprayers respectively.

### **5.3.1.2 Income level and Consumption Expenditure of rural households**

It was observed that the annual income of the agricultural households was Rs. 194810.71 and for the non-agricultural households it was Rs.214950. Overall, the annual income of the sample respondents was Rs. 198033.

Average annual consumption expenditure was Rs. 109213.57, Rs. 155637.5 and Rs.116641.4 for the agricultural, non-agricultural and overall sample respectively.

### **5.3.2. Financial services like borrowings, savings, investment, pension, insurance of rural households.**

#### **5.3.2.1. Borrowings**

About 17.85 per cent of the agricultural households had borrowed from institutional sources (15.47 per cent from public sector banks and 2.38 from self help groups) and 10.71 per cent had availed loan from non-institutional sources like money lenders (8.33%) and relatives (2.38%). One important finding of the study was 63.09 per cent of the agricultural respondents had availed loan from multiple sources.

It was revealed that most of the sample respondents had borrowed from multiple sources. Here multiple sources include public sector banks, self help groups, money lenders, relatives etc.,

#### **5.3.2.2. Savings**

53.57 per cent of the agricultural and 50.00 per cent of the non-agricultural households had savings.

#### **5.3.2.3. Pension**

In the case of agricultural households 16.67 per cent had covered under old age pension scheme, 14.29 per cent households were receiving widow pension, 1.19 per cent each had weavers pension and disability pension of the state government. While non-agricultural households only 18.75 per cent of the households were receiving old age pension. All the pensions were receiving an amount Rs.2000.

#### **5.3.2.4 Insurance**

It was observed that 54.76 per cent of the agricultural households had crop insurance. These farmers crops were insured under Pradhan Mantra Fasal Bhima Yojana. About 25 and 50 per cent of the agricultural and non-agricultural respondents were insured under the PMSBY (Pradhan Mantri Suraksha Bhima Yojana) scheme with Rs.12 premium per annum. Under

PMJJBY (Pradhan Mantri Jeevan Jyothi Bhima Yojana) 14.28 and 6.25 per cent agricultural and non-agricultural respondents were insured with a premium amount of Rs.330 per annum. 15.47 and 43.75 per cent of the respondents were taken vehicle insurance (Table 4.16) like tractor and two wheeler for agricultural households and car and auto for non-agricultural households.

### **5.3.3. Financial knowledge, attitude, and behaviour of rural households**

It was revealed that only 41.66 and 43.75 percentage of the agricultural and non-agricultural households had sound financial knowledge. 92.85 per cent and 100.00 percentage of the agricultural and non-agricultural households were showed a positive attitude towards planning for the future that was considered to be positively related to financial wellbeing. About 52.38 and 56.25 per cent of the agricultural and non-agricultural households could score 6 or more on the financial behaviour scale. This indicated that there was a need to be educated about the optimal ways of managing their finances to maintain their overall wellbeing.

Overall assessment of respondents on financial literacy indicates that only about 27.38 and 25.00 percentage of the agricultural and non-agricultural households could fare in the category of having ‘good financial literacy’.

### **5.4. Policy Implications**

1. Majority of the simple respondents were obtaining loans from multiple resources, which may lead to over financing. Hence the government has to taken certain policy measures to avoid over financing.
2. Initiatives has to be taken by the Government to cover all the households under pension and insurance schemes.
3. There was a need for taking up various financial literacy programmes in rural areas, so that the upliftment of rural population can be possible.



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*Literature Cited*

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