



A STUDY OF FINANCIAL INCLUSION ON RURAL HOUSEHOLDS IN ANDHRA PRADESH

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Abstract

The main objective of the paper is to find out the differentials of financial inclusion on rural households in Guntur and Ananthapur districts of Andhra Pradesh. A major proportion of respondents were in the productive age group in both the districts. The total literates were more in Guntur compared with Ananthapur. Cultivators, agricultural laborers and private employees were significantly higher in Guntur while business, non agriculture labour and self employment were more in Ananthapur. The proportion of Semi medium, Small and medium farmers were significantly higher in Ananthapur district compared with Guntur district. The proportion of households with an asset value of less than one lakh and 2-4 lakhs were higher in Ananthapur compared with Guntur district. The proportion of commercial bank accounts considerably higher in Ananthapur where as such accounts in cooperatives, post offices and SHGs were more in Guntur district. Majority of the respondents have open their account in banks for doing savings and deposits purpose and for availing loan purpose. The main purpose of their savings for future emergencies followed by safety purpose and children's education. The respondents reported that purpose of their savings with formal institutions for easy withdrawal, for availing loan or credit and easy accessibility. The respondents prefer Government insurance was a major source in the both the districts. The study suggests that access campaigns for banking, financial literacy and other activities will have a profound influence on vulnerable groups and they should be added to the mainstream that truly represents the start of financial inclusion.

Keywords: banking, financial literacy, financial inclusion, financial behavior, savings, insurance,

Introduction

Financial inclusion is defined as the provision of banking and other financial services at little or no cost to large segments of the disadvantaged and low-income populations. The phrase "financial inclusion" has gained broad support in every conversation, both on the level of access to financial services and on a deeper study of processes. As a result, much of the research and discussion is focused on the expanding availability of banking and financial services to previously unbanked segments of society. A group of stakeholders who highlight the requirements of the working poor and the extent of 'real' financial inclusion are spread throughout the mainstream actors and agenda. Financial behaviours are characterised not only by access to finance but also by the environment and personal characteristics of individuals. Human capital, encompassing knowledge, abilities and attitudes, as well as physical, cultural, and economic characteristics such as health, social standing, and assets, determines whether a person has financial choices that help him or her and is willing and able to make them.

Financial inclusion is emerging, according to the World Banco of Roma report (2012), as an economic tool and a priority to regulators in the development of the financial

sector with an increasing number of countries introducing comprehensive measures to improve access to and use of designed financial services, based on an expansive range of experience and knowledge (Eswar Prasad., 2010). More than 60 nations have launched financial inclusion reforms as an international initiative in recent years. The rising focus on financial inclusion is shown in the financial regulators' commitments to financial inclusion and financial education under the Mayan statement, made by more than 20 developing nations (World Bank, 2012). Financial inclusion has been often viewed as a strategy for socio-economic development which is to be supported by the majority of the governments of developing nations. The Indian government requires, however, that all banks commit a specific amount of their loans to their socio-economic growth in "priority" areas including agricultural, social and marginal industries. Thus, all nations are widely recognised to be a very effective rural development approach for expanding access to financial services. It is also vital that governments in developing nations give great importance to the financial inclusion of the excluded households in rural regions. Many researchers and social scientists have conducted some of the studies on financial inclusion at the global level, the studies like Aghion, Philippe and Bolton, Patrick (1997), Kirkpatrick, C. (2000), Kempson, E., Whyley, C., Caskey, J., and Collard, S. (2000), Basu, P. (2006), World Bank (2008), ADB (2011), Financial Action Task Force (2011) and Babych, Y., Grigolia, M., and Keshelava, D. (2018) these studies have mentioned that market driven impediments to financial inclusion adjust both supply and demand side. The problem of financial inclusion for SC, ST, OBC and women households, between urban and rural, high transaction cost, physical and geographical barriers to financial inclusion etc.

Objectives

The main objective of the paper is to identify the differentials of financial inclusion on rural households in Guntur and Ananthapur districts of Andhra Pradesh.

The specific objectives of the paper are:

- To analyse the socio-economic features of the rural households in Guntur and Ananthapur districts
- To find out various sources of accounts, savings and reasons for savings among rural households in the study area
- To examine the demand for credit and also to identify the access and sources insurance.

Methodology

The study has chosen two districts namely Guntur and Ananthapur based on the level of the financial inclusion index. Accordingly, one district (Guntur) from the state's top three districts and another one from (Ananthapur) the state's lowest three districts were selected. Two mandal from each district one with relatively strong financial access and the other with relatively weak financial access. Two mandals 'viz' Vatticherukuri and Nadendla in Gunturu district and Cheenakothapalli and Pamidi mandals from Ananthapur district were selected under each category. The same criteria followed for selection of villages two villages were covered from each mandal one village from strong financial access and the other one weak financial access altogether eight villages were covered under study. Ten percent of the households in each village were chosen at random, thus a sample of 914 rural households from two districts, 508 samples from Guntur and 406 sample households from Ananthapur district. The reference date is 31st March 2021 and all the information relates to the financial year of 2020-2021

Socio-Economic Features

Socio-economic features includes age literacy, occupation, landholding pattern, assets value etc were discussed. In Guntur district 50.4 per cent of the households were in the age group of 46- 60 years, 24.4 per cent of them in the age group of 31-45 and 3.1 per cent in 15-30 years while the corresponding figures for Ananthapur were 52.2, 31.8 and 4.7 per cent respectively. On the whole, it was observed that 51.2 per cent of the sample in the age group of 46-60, followed by 27.7 per cent between 31-45, 17.3 per cent come under 61 & above and 3.8 per cent of them in the age group of 15-30. The data on the age group shows that majority of them in the productive age group in the study area.

Considering the literacy is a requirement for raising investment awareness, it appears to be a vital instrument for financial inclusion. The literates were accounted for 62.1 out of which 28.1 per cent have completed secondary, 21.6 per cent completed primary level, higher secondary 7.8 4.9 per cent of them completed graduation and above in Guntur district. The literates in Ananthapur were accounted for 57.9 of which 31.5, 14.7, 7.6 and 3.9 per cent have completed secondary, primary, higher secondary and graduation & above respectively. In the study area, total illiteracy were accounted for 39.8 followed by secondary education 29.6, primary 18.2, higher secondary 7.7 and only 4.4 of them have completed graduation & above.

Table 1
Socio – Economic & Demographic Features of the Respondents

Item	Guntur (508)		Ananthapur (406)		Total (914)	
	No.	%	No.	%	No.	%
Age-Group (in years)						
15-30	16	3.1	19	4.7	35	3.8
31-45	124	24.4	129	31.8	253	27.7
46-60	256	50.4	212	52.2	468	51.2
61 & Above	112	22.1	46	11.3	158	17.3
Educational Status						
Illiterate	193	38.0	171	42.1	364	39.8
Primary	107	21.1	60	14.8	167	18.3
Secondary	143	28.1	128	31.5	271	29.6
Higher Secondary	40	7.9	31	7.6	71	7.8
Graduation & Above	25	4.9	16	3.9	41	4.5
Occupational Pattern						
Cultivator	191	37.6	120	29.6	311	34.0
Agricultural Labour	117	23.0	39	9.6	156	17.1
Business	22	4.3	80	19.7	102	11.2
Non- Agricultural Labour	38	7.5	53	13.1	91	10.0
Self	41	8.1	41	10.1	82	9.0
Govt. Employee	11	2.2	3	0.7	14	1.5
Private Employee	35	6.9	13	3.2	48	5.3
Others	53	10.4	57	14.0	110	12.0
Average Family Size	5.77		5.51		5.66	

Source: As ex ante

There is no better relationship between respondents employment and financial access. There are a number of occupational processes, which contribute to steady consumption, according to theoretical literature. Occupational pattern of the sample households shown in table -1. Cultivators accounted for 37.6 per cent and agricultural labourers 23 per cent, self employment 8.1 per cent and non-agricultural labourers 7.5 per cent in Guntur district whereas 29.6, 9.6, 10.1 and 13.1 per cent respectively in Ananthapur district. The data on occupational pattern clearly indicates that cultivators, agricultural laborers and private employees were significantly higher in Guntur while business, non agriculture labour and self employment were more in Ananthapur. Overall, 34 per cent of the cultivators followed by agricultural labourers (17.1%), business (11.2%), non agricultural labour (10%), self employed (9%) and private employees 5.3 per cent in the study area.

Landholding Pattern

Land holding refers to the amount of land that peasants farm. Economic growth is the ongoing improvement in the land's capacity to meet demand for goods and services as a consequence of increasing production size and better productivity. Information on landholding particulars of the sample households presented in table-2. Of the total sample lands less households reported at 34.4 per cent in Guntur district and it is 18.72 per cent in Ananthapur. The proportion of Semi medium, Small and medium farmers were significantly higher in Ananthapur district compared with Guntur district. It was observed that small and medium farmers are almost same proportion i.e., 21 per cent, 18.49 per cent of them come under medium farmers, 8.42 per cent belongs to marginal farmers and only 3.72 per cent were large farmers.

Table 2
Landholding Pattern of the Respondents

Formers	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Marginal	48	9.48	29	7.14	77	8.42
Small	94	18.5	102	25.12	196	21.44
Semi-Medium	87	17.12	110	27.1	197	21.55
Medium	85	16.72	84	20.69	169	18.49
Large	29	5.71	5	1.23	34	3.72
Land Less	165	32.48	76	18.72	241	26.37
All Holdings	343	67.52	330	81.28	673	73.63
Total	508	100.0	406	100.0	914	100.0

Source: As ex ante

Assets Value

Information was collected on the asset value of the sample households and these details are presented in table-3. The data reveals that majority 29.87 per cent of respondents holds an assets value of Rs 1 to 2 lakhs in both districts. With 21.55, 15.1 and 14.22 per cent of respondents are holding an asset value of 2 -3, 3-4 and 4-5 lakhs respectively in the study area. In Guntur district 31.30 per cent of households having an assets value of Rs 1 to 2 lakhs. Whereas 20.08 per cent in Ananthapur district. The proportion of households with an asset value of less than one lakh and 2-4 lakhs were higher in Ananthapur compared with Guntur district. On the whole, 12.25 per cent of respondents with an assets value of less than 1 lakh and 7 per cent of them 5 lakh and above in the study area.

Table 3
Assets Value of the Respondents (in Rs.)

Value	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Less than 1 Lakh	53	10.43	59	14.53	112	12.25
1,00,001-2, 00,000	159	31.3	114	28.08	273	29.87
2,00,001-3,00,000	102	20.08	95	23.4	197	21.55
3,00,001-4,00,000	61	12.01	77	18.97	138	15.10
4,00,001-5,00,000	82	16.14	48	11.82	130	14.22
5,00,000 & Above	51	10.04	13	3.2	64	7.00
Total	508	100.0	406	100.0	914	100.0

Source: As ex ante

Sources of Accounts

Access to banking services is viewed as a crucial determinant of financial well-being among ruralites, particularly in low-income groups. The adoption of formal banking products by a diverse range of respondents and individual characteristics is connected to regional differences in financial infrastructure development. As a result, having financial accounts, particularly in commercial banks or RRBs, may provide more accessible and cheaper services. As a result, the priority that respondents estimate on creating a banking account in any financial institution for getting financial access varies. These details are presented in Table-4.

In Guntur district mostly 42.32 per cent of respondents have their accounts in commercial banks followed by cooperative (21.06%), SHGs (15.75%) and Post offices (14.17%), while the corresponding figures for Ananthapur were 49.75, 18.97, 14.78 and 7.88 per cent respectively. Out of 914 respondents more than 45.0 per cent of them have their account in Commercial banks, with least 7.55 per cent in BCs centres and 11.38 per cent have their account in post offices, and 15.32 per cent have through SHGs whereas 20.13 per cent of respondents have in cooperative societies. The proportion of commercial bank accounts considerably higher in Ananthapur where as such accounts in cooperatives, post offices and SHGs were more in Guntur district.

Table 4
Distribution of the Respondents by Sources of Accounts

Bank / Type	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Commercial Banks	215	42.32	202	49.75	417	45.62

Co-operatives	107	21.06	77	18.97	184	20.13
Post Office	72	14.17	32	7.88	104	11.38
SHGs	80	15.75	60	14.78	140	15.32
BCs	34	06.69	35	8.62	69	7.55
Total	508	100.0	406	100.0	914	100.0
Availability of ATMs	310	61.02	232	57.14	542	59.3

Source: As ex ante

Reasons for Opening Bank Account

The importance that respondents place on creating a bank account in any financial institution for striking financial access varies. Table 5 shows the data on Reasons for Opening Bank Account. In Guntur district, 29.72 per cent of respondents have their account in banks for doing savings and deposits purpose, while 25.79 per cent were for availing loan purpose and 22.03 per cent for the sake of for safekeeping their assets, whereas 10.24 per cent have for receiving salaries through their accounts and 4.92 per cent of respondents for the purpose of receiving payments from various sources. In case of Ananthapur, more than 39.0 per cent of respondents have their bank accounts for doing savings and deposits purpose, while 29.31 for availing loan purpose and 12.56 for the sake of for safe keeping their assets, whereas 6.65 for receiving salaries through their accounts and 8.62 per cent of respondents for the purpose of receiving payments for various sources.

Table 5
Distribution of the Respondents by Reasons for Opening Bank Account

Reasons	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
For doing Savings/Deposits	151	29.72	161	39.66	312	34.14
To earn interest	9	1.77	4	0.99	13	1.42
For Safe keeping	112	22.05	51	12.56	163	17.83
For availing loan	131	25.79	119	29.31	250	27.35
For receiving salary	52	10.24	27	6.65	79	8.64
For receiving Payments	25	4.92	35	8.62	60	6.56
To become eligible for others	28	5.51	9	2.22	37	4.05
Total	508	100.0	406	1000	914	100.0

Source: As ex ante

On the whole, more than 34.0 per cent of respondents have their account in banks for doing savings and deposits purpose, while 27.35 per cent for availing loan purpose and 17.83 per cent have opened accounts for the sake of for safekeeping their assets, whereas 8.64 per cent have for receiving salaries through their accounts and 6.56 per cent of respondents were for the purpose of receiving payments from various sources in the study area.

Purpose of Savings

Table-6 reveals the data on the nature of demand for savings in the study area. In Guntur district 25.39 per cent of respondents have reported that the major purpose of savings for future emergencies and it is 36.45 per cent in Ananthapur. Savings for safety purpose accounted for 23.23 per cent, social functions 16.93 per cent, children education 13.78 per cent and for insurance purpose 13.19 per cent among sample in Guntur district, while the corresponding figures were 14.29, 13.30, 24.63 and 4.68 per cent respectively in Ananthapur district. Overall, 30.31 per cent of respondents reported that the main purpose of their savings for future emergencies, while 19.26 and 18.60 per cent for safety purpose and children's education respectively. The respondents have given their least priority to get interest income and to purchase goods/assets, 15.32 per cent of them prefer savings on social functions in the study area. The respondents opined that 9.41 per cent shown their interest on insurance purpose and 5.3 per cent of them for business investment in the study area.

Table 6
Distribution of Respondents by Purpose of Savings

Purpose	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Future Emergency	129	25.39	148	36.45	277	30.31
Invest in Business	33	6.50	13	3.20	46	5.03
Safety purpose	118	23.23	58	14.29	176	19.26
Interest on income	3	0.59	1	0.25	4	0.44
Purchase goods/Assets	2	0.39	13	3.20	15	1.64
Children's Education	70	13.78	100	24.63	170	18.60
Social Functions	86	16.93	54	13.30	140	15.32
Insurance Purpose	67	13.19	19	4.68	86	9.41
Total	508	100.0	406	100.0	914	100.0

Source: As ex ante

Reasons for Savings with Formal Institutions

The nature of demand for savings with formal institutions shown in Table- 7. More than 30.0 per cent of respondents have the purpose of their savings with formal institutions for withdrawal available, while 26.57 per cent of them for availing loan or credit and 20.08 per cent for easy accessibility in Guntur district. In case of Ananthapur district, 35.71 per cent of respondents reported that the purpose of their savings for withdrawal available with formal institutions, followed by 32.51, 15.02, 11.33 per cent of respondents given their preference for availing loan or credit, easy accessibility and safety on savings respectively. It was observed that 32.60 per cent of respondents have mentioned that purpose of their savings with formal institutions for easy withdrawal available, while 29.21 per cent of them for availing loan or credit and 17.83 per cent reported for easy accessibility with formal institutions were the main reasons for savings. With 15.65 per cent and 3.06 per cent respondents preferred their saving with formal institution to get higher interest of earning and safety on savings respectively among sample.

Table 7
Distribution of Respondents by Reasons for Savings in Formal Institutions

Reasons	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Safety for Savings	97	19.09	46	11.33	143	15.65

Earning higher interest	12	2.36	3	0.74	15	1.64
Withdrawal available	153	30.12	145	35.71	298	32.60
Easy accessibility	102	20.08	61	15.02	163	17.83
Availing loan/Credit	135	26.57	132	32.51	267	29.21
Reliable	9	1.77	19	4.68	28	3.06
Total	508	100.0	406	100.0	914	100.0

Source: As ex ante

Purpose of Credit/Borrowing

Information was elicited from the sample respondents on the nature of demand for credit and these details are presented in Table-8. A total of 370, 45.41 per cent of respondents have credit account for the purpose of avail agricultural loan, 11.89 for business purpose and 9.19 per cent as to purchase respondents goods among sample in Guntur district. In Ananthapur district, 38.50 per cent of respondents have credit account for the purpose of avail agricultural loan, 13.64 per cent for business purpose and 12.03 as social functions and less than 6 per cent respondents prefer for credit on educational loan. The data indicates that out of 914, 744 respondents avail credit from the formal institutions. Of which 41.94 per cent of them have credit account for the purpose of avail agricultural loan, 12.77, 9.27 and less than 6 per cent for business, social functions and educational loans etc. respectively in the study area.

Table 8
Distribution of Respondents by Nature of Demand for Credit

Purpose of Credit (Loan)	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Business	44	11.89	51	13.64	95	12.77
Agriculture	168	45.41	144	38.50	312	41.94
Housing	55	5.68	24	6.42	79	6.05
Vehicle	24	6.49	22	5.88	46	6.18
Education	20	5.41	24	6.42	44	5.91
Purchase of Assets	9	3.78	31	8.29	40	6.05
Respondents goods	5	9.19	9	2.41	14	5.78
Repay old debt	7	1.89	6	1.60	13	1.75
Emergency	10	2.70	14	3.74	24	3.23
Social Functions	24	6.49	47	12.03	71	9.27
Others	4	1.08	2	0.53	6	0.81
Total	370	100.0	374	100.0	744	100.0
% to the total respondents		72.83		92.12		81.40

Source: As ex ante

Respondents' Access to insurance

Access to remote areas' insurance services and transfers of insurance products between rural families are quite challenging. In the informal economy, rural respondents have no access to social security and their incomes are regularly threatened by health shocks that drive them into emergency lending and debt. The details on access of various sources of insurance are presented in Table-9. In Guntur district, 87.20 per cent of respondents have avail insurance, and it is 72.66 per cent in Ananthapur. Government insurance was the major sources of insurance which is accounted for 76.97 per cent among sample in Guntur district compared with 67.24 per cent in Ananthapur district. This shows that government insurance

was a major source in the both the districts, but the same source was considerably higher among respondents in Guntur district. It was observed that more than 80 per cent of the respondents were avail of insurance services and more than 72 per cent of them have access government insurance and only less than one per cent of them avail private insurance in the study area.

Table 9
Distribution of Respondents by Access of Various Sources of insurance

Agency/ Source	Guntur		Ananthapur		Total	
	No.	%	No.	%	No.	%
Avail of Insurance						
Yes	443	87.20	295	72.66	738	80.74
No	65	12.80	111	27.34	176	19.26
Total	508	100.0	406	100.0	914	100.0
Sources of Insurance						
Government	391	76.97	273	67.24	664	72.65
Private	4	0.79	2	0.49	6	0.66
Both	34	6.69	10	2.46	44	4.81
None	79	15.55	121	29.80	200	21.88
Total	508	100.0	406	100.0	914	100.0

Source: As ex ante

Conclusion

To sum up, more than half of the respondents were in the age group of 46-60 years, 60.2 per cent of them were literate and nearly 30 per cent have completed secondary level education. About 51 per cent of the respondents with an asset value of 1-3 lakh. A major proportion of respondents have their accounts with commercial banks in both the districts, and for opening their accounts particularly availing loans, savings/deposits and safe keeping and the reason for savings were for future emergency. Government insurance was the major source of insurance among the samples in both the districts. Based on the field observations the study suggests that to improve vulnerable people's financial inclusion, the government and banking system should enhance research funding into the long-term viability of existing mechanisms that provide financial services to them. Financial inclusion of disadvantaged families decides to accelerate the growth process and to distribute resources equitably in the current stage of economic development. There is a need to access and availing of formal financial services for the benefit of the poor, which reduces the income inequality.

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