

# **CHAPTER VI**

## **SUMMARY OF FINDINGS AND SUGGESTIONS**

---

## SUMMARY OF FINDINGS AND SUGGESTIONS

The major findings of the study are summarised below:

### **6.1. Financial Inclusion and Development of Banking Sector during 2011-12 to 2016-17:**

- There is a steady increase in number of bank offices and steady decrease in population served per bank office.
- Tamilnadu contributed 6 per cent of the total Aggregate Bank Deposit and 9 per cent of the total Gross Bank Credit in the country.
- The Credit Deposit Ratio of Tamilnadu is higher than all India level in all the subsequent years.
- The key indicators of banking development reveal that there is a positive indication for banking sector development in Tamilnadu and India from 2011-12 to 2016-17.

### **The Extent of Financial Inclusion/Exclusion in the rural areas of Tamilnadu for the year 2015:**

- Ariyalur district have achieved the maximum score of financial inclusion and attained 1<sup>st</sup> rank.
- The district Perambalur has higher level of financial inclusion.
- The districts Sivaganga and Pudukottai have above average level of financial inclusion. The districts Nagapattinam, Tiruvarur, Karur, Krishnagiri, Ramanathapuram and Dharmapuri have financial inclusion in rural areas with below average level.
- All the other districts particularly Tirupur district have very low level of financial inclusion.
- It is found that no district is financially excluded in the year 2015.

## **6.2 Nature of Demand for Financial Services:**

### **Socio-cultural and economic profile:**

- Majority of the head of the households are male and Tamil speaking Hindu families.
- The non-migrants during the past five years are more in the surveyed villages and most of the households are below primary level and illiterates.
- Regarding household's occupation, majority of them are other daily wage labour and particularly Non-BPL households.

### **Availability of Financial services:**

- Majority of the households in Udumalpet and 100 per cent in Uthukuli are not availing any bank branch in their villages.
- Likewise, majority of the households in Udumalpet and 100 per cent in Uthukuli are not availing ATM center in their villages.
- Regarding the availability of post offices, the majority of the households in both the blocks are not availing post office in their villages.

### **Banking Profile:**

- In both the blocks, all the households have opened bank account(s). As per 'bare inclusion' concept 100 per cent of the rural household in the sample areas are found to be financially included.
- Majority of the households have opened bank account(s) mainly for doing savings and withdrawing money. On the other hand, MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) and other government schemes like Jan Dhan Yojana, cash benefits for birth in the Public Health Centre, old age pensions etc., also are contributing towards opening of bank accounts.
- In both the blocks, majority of the households are aware about the credit card facility but they are not using it.

- Majority are not aware of core banking.
- Regarding the payments and remittances facilities provided by the banks, majority of the households are using it.

**Savings Behaviour:**

- Majority of the households have the habit of savings in both blocks.
- The prime reasons for doing savings by the sample households are safety, future uncertainties and emergency requirements in both the blocks.
- In both the blocks, for safety purpose is the prime reason of the households doing savings is ranked as 1. For future uncertainties/emergency requirements is ranked as 2, followed by children's future and education (3<sup>rd</sup> rank). The purpose of savings is to purchase household goods is ranked as 4 and to get interest in income is ranked as 5. To invest in business, for social functions like marriage, child birth, and death rituals, etc., for insurance purpose, for constructing/renovating house and other purposes are ranked as 6, 7, 8, 9 and 10.
- The usage of the savings services by households across different institutions reveals that although savings bank accounts are most preferred source of savings in both the blocks, it is more prevalent in Udumalpet than in Uthukuli. Except savings bank accounts, the preferences of the households for savings are quite different in both the blocks.
- In both the blocks, post offices are not used as a source of savings at the desired level, despite its proximity to the people. Lack of SHG savings accounts in both the blocks indicates that SHG-Bank linkages campaign did not prove much successful in the selected blocks.
- It is found that the major reasons for savings with formal institutions are safety of savings and withdrawal facility in both the blocks.
- The majority of the households in both the blocks are not keeping savings with formal institutions because of the reason that other sources are more

convenient which is followed by insensitive/unfriendly staff members in formal institutions.

- The preference for savings with informal sources by the households, is because of their overall convenience, door step availability, easier accessibility, smallness of savings, easy withdrawal availability as the time of emergency, flexibility in services, etc., something which the formal institutions lack.
- While measuring the preferences of households for savings in various financial sources with the help of Multi Dimensional Scaling (MDS), two dimensions have been identified as Accessibility (Dimension 1) and Availability (Dimension 2). The Derived Stimulus Configuration of the Euclidean distance model map clearly segregates the six sources of savings in four quadrants.
- Post Office is placed in quadrant-1, SHGs and NBFCs in quadrant-2, money lenders and local committee in the quadrant-3 and Banks in quadrant-4. It is found that the savings is based on two major factors 1. Accessibility and 2. Availability.

#### **Credit Behaviour:**

- Majority of the households do not borrow from any of the sources of credit.
- Among the households who have credit accounts, majority have using credit services for housing in Udumalpet and agriculture loan in Uthukuli. The households having housing loan is high compare to other purposes in both the blocks.
- In both the blocks, the prime purpose of the households for borrowings from different sources is to renovate or construct their houses which are ranked as 1. It is followed by agriculture loan, vehicle loan, business loan, emergency like illness/accident and for repay old debt.
- In both the blocks, majority of the households are borrowed from formal sources. When compared to semi-formal and informal, borrowings from informal are higher than the semi-formal sources.

- Contrary to the general belief, moneylenders are not the major source of credit in both the blocks.
- During the time of emergency, households either draw money from their past savings or ask friends/family or go to money lenders and local committees in Udumalpet.
- Usage pattern of the credit services by the households across different institutions reveals that credit bank accounts are the most preferred source of credit in both the blocks.
- Except credit bank accounts, the preferences of the households for credit are considerably different in two blocks.
- Friends and relatives are the second most preferred option for households in Udumalpet and SHGs are in Uthukuli.
- The main reason for borrowing from formal institutions is trustworthy/reliable in both the blocks.
- Majority of the households from both the blocks are not borrowed from formal institutions because staffs are not friendly /courteous. The second next reason in Uthukuli is that the branch is too far to have credit and takes too much time to receive the loan in Udumalpet.
- It is found that no collateral/security/guarantees and not enough income to get a bank loan are considered as a most important reason for the households of both the blocks surveyed for borrowing from semi-formal institutions.
- The reasons like bank loan was rejected, easier procedure/lesser documentation, get the loan faster, availability of smaller loans as per requirement from the recipients, local availability and convenience are considered as the other reasons in both the blocks for borrowing from semi formal institutions.
- The demand for informal sources by the households is mainly due to their easy procedure/less documentation, door-step or locally availability, overall

convenience, easier accessibility, flexibility, quicker delivery, tailor-made products, etc., something which the formal sources lack.

- In contrast, the supply of institutional products and services by the formal sources are rigid, complicated, time consuming, unsuitable, inconvenient, etc. It is also revealed that there is mismatch between the supply of credit services by the formal (institutional) sources and the demand pattern of households.
- While measuring the preferences of households for savings in various financial sources with the help of Multi Dimensional Scaling (MDS), two dimensions have been identified as Accessibility (Dimension 1) and Availability (Dimension 2). The Derived Stimulus Configuration of the Euclidean distance model map clearly segregates the six sources of savings in the four quadrants.
- Banks are placed in quadrant-1, SHGs and MFIs/NGOs in quadrant-2, money lenders and local committee in the quadrant-3 and relatives/friends in quadrant-4. It could be concluded that the credit/borrowing is based on two major factors 1. Accessibility and 2. Availability.

#### **Insurance Behaviour:**

- Majority of the households are having access to any kind of insurance in Udumalpet and but not in Uthukulki.
- When compared to the private insurance companies, majority of the households who have insurance policies are from government institutions in both the blocks.
- Majority of the households are accessing life insurance in Udumalpet and vehicle insurance in Uthukuli.

#### **Effectiveness of selected initiatives on Financial Inclusion:**

- Though 100 per cent of the households have the bank accounts, the majority do not have no-frills Accounts/PMJDY accounts.
- It has also been found that no overdraft facilities have been provided to any no-frill account holders in both the blocks.

- Although only around 1 per cent of households have KCC/GCC accounts, these accounts constitute of the total formal credit accounts in both the blocks. On the other hand, majority of the households are not having any kind of credit card due to any of the reasons like lack of awareness (or) the need for credit is very less (or) they fulfill their needs through other semi formal and informal sources, etc.

#### **Business Facilitator and Business Correspondent Model:**

- The awareness of BC/BF model is more in Uthukuli compared to Udumalpet.
- Among the households aware about BC/BF model in both the blocks, majority are aware through bank officials, followed by BC/BF persons with the help of their service centers or customer service points in villages.
- Majority of the households in both the blocks are aware about the operations of BC/BF model in their villages due to the initiatives taken by the Lead Bank in Tirupur District by conducting many financial awareness programmes in each village with the help of Financial Literacy and Counselling Centers (FLCC) to attain full financial inclusion in the district.
- Majority of households have not opened their bank account through BC/BF persons in both the blocks because they have opened their accounts before the implementation of BC/BF model in their villages.
- The households opened their bank accounts through BC/BF persons for various government schemes like MNREGA, Pradhan Mantri Jan Dhan Yojana Account (PMJDY Account), Pradhan Mantri Mudhra Scheme, Atal Pension Yojana (APY), Pension and Provident Fund (PPF), Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Accident Insurance, Life Insurance, etc.,
- Regarding the regular usage of BC/BF system, majority of the households are using less than monthly, followed by fortnightly and monthly basis in both the blocks. This reveals that the regular usage is based on the necessity for financial services by the households and availability of BC/BF persons in the villages.



- The major reasons for using BC/BF model by the households are to get financial advice and for withdrawing money.
- Majority of the households in both the blocks are unsatisfied with BC/BF model in their respective villages. This is mainly due to non-availability of BC/BF persons as per the convenience of households, operation of less customer service points or offices in the surveyed villages, etc.

#### **Financial Awareness and Literacy:**

- Majority of the households are aware about the benefits of banking services through friends/neighbours/relatives which is the prime reason in both the blocks. The next major reasons are through NGOs/MFIs, resource persons from their village and students. In particular, very low percentage of households is aware through SHG members in Udumalpet than in Uthukuli.
- Majority of the households are aware about the bank officials have conducted financial literacy drives in their villages. It reveals that the households in the surveyed blocks are having financial awareness through financial literacy programmes.
- Majority of the households are of the opinion that bank officials have not visited their house to open bank account.
- Majority of the households in both the blocks opined that there are no instructions given in pass books, bank forms and other receipts in vernacular language.

#### **Overall Expectations of the Households in Both the Blocks:**

- Majority of the households are satisfied with the services provided by the banks till now.
- Majority of the households expect to know more financial services provided by the banks and feel necessity of having access to formal financial institutions.

- Majority of the households expect to have financial literacy/awareness drive in their village and prefer to have a debt counselling center, bank/business correspondent ATM centers in their area to manage their financial condition.
- In particular, majority of the households feel protected from usurious rate of money lenders when they accessing the bank accounts.

### **6.3 Supply-side and Demand-side Constraints of financial inclusion:**

#### **Extent of Financial Inclusion of rural households at Village and Block**

##### **level:**

- At village level, the extent of financial inclusion among rural households is high in Velur. R (Udumalpet block). It is followed by Ganapathipalayam (Uthukuli block). At block level, it is high in Udumalpet.
- The extent of financial exclusion at village level, Modakkupatti village in Udumalpet block and Kurichi village in Uthukuli block are highly financially excluded. At block level, Uthukuli is highly financially excluded than Udumalpet.
- At household level, the extent of financial inclusion among the selected households is 78 per cent. That means, 78 per cent of the households have access to at least one financial service (out of the three considered for the study, i.e., savings, credit and insurance) from either formal or semi-formal sources.
- Moreover, 22 per cent of the households are found to be financially excluded, i.e., 22 per cent of the households do not have access to any financial services either from formal or semi-formal sources. The analysis shows that the extent of exclusion is less than expected.

#### **Depth of Financial Inclusion of rural households at Village and Block**

##### **level:**

- At village level, there is wide variation in the extent and depth of financial inclusion and exclusion in all the selected villages. Erisanampatti is the moderately included village whereas Ganapathipalayam is the least one.

- The villages, Velur, R, Erisanampatti and Deepalapatti in Udumalpet and Kammalakuttai, Sundakkampalayam, Anaipalayam, Vadugampalayam and Kuruchi in Uthukuli block are moderately included.
- The rest of the villages viz., Ganapathipalayam (in both Udumalpet and Uthukuli blocks), Anthiyur and Modakkupatti in Udumalpet block are partially included.
- At block level, both Udumalpet and Uthukuli are moderately included.
- It has been found that although the extent of financial inclusion is highest in Udumalpet block, the depth of financial inclusion is higher in Uthukuli block. This happens because more percentage of households belongs to moderately included category in Uthukuli than in Udumalpet. The result indicates that the higher extent of financial inclusion does not necessarily make the depth of financial inclusion higher.

### **Depth of Financial Inclusion among Socio - cultural and Economic**

#### **Groups:**

- The households belonging to OBC category are the least financially included followed by general category. The households belonging to ST are the most financially included followed by the SCs.
- As regards religion, Muslim households are financially excluded.
- The depth of financial inclusion is higher in rest of the religions. Tamil speaking households were more financially included than Telugu speaking households and the depth of financial inclusion is also higher among them.
- Households headed by female members are found to be more financially excluded. Similarly, the extent and depth of financial exclusion is higher among the households who have settled in the respective villages.
- As regards the number of adult members, there is a positive correlation between the number of adult members of the household and the level of financial inclusion.
- Households with under graduation, graduation and above, illiterates and Primary to Higher Secondary are moderately included.

- The below primary level households are partially included.
- Households from Service sector (public and private sector) are moderately financially included.
- It also found that BPL households are partially included and Non BPL households are moderately included.
- Regarding the monthly income and expenditure, the households with lower income are partially included whereas the higher income groups are moderately included.
- The households with less monthly expenditure are financially excluded, whereas households having high expenditure are moderately included.

**Extent and Depth of Financial Inclusion among Households with Different Economic Status:**

- Majority of the households with ‘Very Low’ economic status index value are either fully excluded or partially included. In contrast, the households with ‘Very High’ economic status index value are highly financially included or moderately included. As a result, it has been observed that the extent of financial exclusion reduced with the increase in the level of economic status.

**The Supply-side and Demand-side Constraints of Financial Inclusion:**

- The preference of the households for informal institutions are due to their overall convenience, door-step availability, easy accessibility, flexibility, quicker delivery, less documentation, tailor-made products, etc. which are assumed as lacking in formal institutions.
- On the contrary, the supply of institutional products and services by the formal institutions are rigid, complicated, time consuming, unsuitable, inconvenient, etc. Therefore, it is assumed that the mismatch exists between the supply of institutional products and services and demand pattern of the rural households.

### **Distribution of Households according to the Access to Financial Services from various Sources:**

- By combining all the three services, it has been found that majority of the households having access to all the sources for all the services, followed by the households have access to at least one financial service either from formal institutions or semi-formal institutions. Hence, majority of the households are financially included.
- Further, it can be inferred from the analysis that more than the extent of financial exclusion, the mismatch has contributed towards the depth of financial exclusion.

### **6.4 View of Bankers and Business Correspondents on Financial Inclusion Initiatives:**

#### **Demographic Profile and Views of Bankers:**

- Majority of the respondents are from public sector banks, followed by private sector banks and regional rural banks.
- Majority are young and male respondents with less than five year of experience.
- There is a significant difference in the view of the bankers based on their designation, the type of bank they work with, the place of operation of the bank, the age of the manager, the education level of the manager, and the years of experience. Hence, alternate hypothesis,  $H_1$ ,  $H_2$ ,  $H_3$ ,  $H_4$  and  $H_6$  are accepted and null hypothesis are rejected. But the analysis shows that gender does not have any significant difference on the views of financial inclusion. Therefore, alternate hypothesis,  $H_5$  is rejected and null hypothesis is accepted.
- With respect to the level of opinion, the chief managers, RRBs, the branches in the semi- urban areas, with the age group between 46-60 Years, professionals and the bankers with their years of experience in service have higher views on financial inclusion initiatives.

### **Demographic Profile and Views of BCs:**

- Majority of the respondents are from Public Sector Banks and located in rural areas.
- Majority are young and male respondents with only school education
- Majority are unmarried and four years and above of service.
- There is a significant difference in the view of the BCs based on their the type of bank they work with, the age of the BCs, the education level of the BCs, years of experience and monthly income. Hence, alternate hypothesis, H<sub>1</sub>, H<sub>3</sub>, H<sub>5</sub>, H<sub>7</sub> and H<sub>8</sub> is accepted and null hypothesis is rejected. But the analysis shows that the place of operation of the bank, gender and marital status does not have any significant difference on the views of financial inclusion. Hence, null hypothesis is accepted and alternate hypothesis is rejected.
- With respect to the level of opinion, the BCs with private sector banks, the age group between 46-60, post graduates, 4 years and above and monthly income of Rs. 20,000 are higher views on financial inclusion initiatives.

### **6.5 Suggestions:**

- Though there is a positive indication for banking sector development in Tamilnadu and India from 2011-12 to 2016-17, the Government of India, RBI and the State Government should direct the banks to expand the branches and ATM centers in unbanked villages with proper infrastructure.
- The banks in the districts with high level of financial inclusion must be retaining the higher level in the upcoming years.
- Though no districts are financially excluded in 2015, the banks in the districts with above average level and low level of financial inclusion are the concerns. They must be taken care with action to increase the branch penetration, deposit penetration and credit penetration. This paves the way to achieve high level of financial inclusion in the forthcoming years.
- Though 100 per cent of the households as per the 'bare inclusion' concept (with account) is found in the selected villages, it is essential to have access and usage of the bank accounts to attain full financial inclusion. For this

purpose, banks must introduce cash incentives to female headed, downtrodden households members with below primary level of education, etc.,

- The awareness on core banking, usage of credit cards must be increased by often conducting the financial literacy drives in rural areas.
- The Government of India can introduce special cash incentive schemes for the benefit of households in villages having children and adults who are maintaining savings account with post offices.
- Banks can introduce schemes with easy accessibility and user friendly to make the people to approach the formal sources for credit.
- The bankers and BCs should be more talented to take efforts to bring all the households under the ambit of full financial inclusion. In this connection the concern should be there on Muslim households, female headed and the households with less expenditure in villages with a different strategy.
- Households from Other Backward Community, under graduation, graduation and above, illiterates and Primary to Higher Secondary need to be highly included.
- Households from Service sector (public and private sector) and Non BPL need to be highly included.
- The households with lower income as well as the higher income groups need to be highly included.
- Households with low economic status who are fully excluded or partially included must be at a better financial inclusion. The bankers should identify intensive oriented measures for the financial inclusion of the above said excluded groups.
- Within financially included households, there are certain categories which may require certain level of policy intervention for effective utilization of financial services available.

## **6.6 Conclusion:**

In India a number of initiatives towards financial inclusion started prior to independence and the efforts have intensified since late 1960s. Only since 2005, 'financial inclusion' was clearly made as a chief policy objective with transformed emphasis on the goals of bringing financially excluded people within the fold of the banking sector. Though a multi-faceted strategy has been adopted in India to promote financial inclusion in recent years, the financial exclusion in rural households is the concern. There is a wide difference in the level (extent and depth) of financial inclusion across different geographical regions and among different socio-cultural and economic groups. It is concluded that the introduction of suitable supply of financial products and services to match the demand and focus on increasing the extent of inclusion by bringing large number of rural households under the ambit of formal sources are the need of the hour.