

Financial Inclusion and Role of Co-operative Bank

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ABSTRACT: _

Importance of co-operative bank has scored in recent years with the emergence of new banking policy “financial inclusion “. A large section of financially excluded people inhabit rural area, financial exclusion is widespread in urban and semi urban area. . In India drive for financial inclusion is initiated by reserve bank of India to ensure at least minimum balance no- frills saving bank account to every household. Financial inclusion is a strategy adapted to inclusive growth inclusive growth is a large subset of inclusive development service co-operative bank in India play vital role in financial inclusion.

The recent development in banking technology transforms the entire infrastructure of an banking institution many of the survey report reveals that that banking facility and service does not accessed by the low income people, this is termed as “ financial exclusion “. Financial inclusion is generally defined as the availability of banking services at an affordable cost to disadvantaged and low-income groups. The main purpose of this study to analyse the role of co-operative bank in the new banking policy of financial inclusion.

Keywords: Financial Inclusion, Financial exclusion, Role Co-Operative Bank, Banking Product and Service

INTRODUCTION

The importance of co-operative banks has soared in recent years with the emergence of financial inclusion as a key thrust of public policy in India. Financial inclusion is generally defined as the availability of banking services at an affordable cost to disadvantaged and low-income groups. According to the Rangarajan Committee (2008), "Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit were needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". The process of economic growth, especially when it is on high growth line, must attempt to take participation from all sections of society. Lack of access to financial services for small/ marginal farmers and weaker sections of the society has been recognized as a serious threat to economic progress, especially in developing countries.

The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure like staffed branches to a system supplemented by other channels like automated teller machines (ATM), credit/debit cards, online money transaction, internet banking, etc.. Many of research reports and surveys clearly show that large numbers of population does not have an access to basic banking and financial services not only in India but also whole world. This is termed “financial exclusion”. This study aimed to assess the role co-operative bank in the new field of financial inclusion.

STATEMENT OF THE PROBLEM

Financial inclusion is provision of affordable financial services to those who tend to be excluded. Poor people do not have access to banking services. The government has made it compulsory for every citizen to open up bank account. But still there are people who are unaware about banking services. Thus the research problem of this study is to examine the current status of financial inclusion among rural households in TrithalaPanchayat.

OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

- To examine the current status of financial inclusion among rural households in TrithalaPanchayat.
- To measure accessibility of finance to households
- To analyse the extent to which rural households access to saving facility and credit facility.
- To analyse the main reasons for financial exclusion.

RESEARCH METHODOLOGY

RESEARCH DESIGN

A research design provides framework for the collection and analysis of data. In this descriptive research design is used. This study intends to examine the current status of financial inclusion among rural households in Trithala Panchayat.

POPULATION OF THE STUDY

Here the universe constitutes, the households residing in different areas of Trithala Panchayat and who are below poverty line constitute the population

SAMPLING METHOD

Judgement sampling method is used to collect data for the study. This sampling design is used when the required information is possessed by a limited number/category of people.

SAMPLING TOOL

Questionnaire and Schedule are the main tools used for the collection of data.

SAMPLE SIZE : 100 samples are taken for the study.

SAMPLING UNIT

Sampling unit consist of households of Trithala area, who is below poverty line.

AREA OF THE STUDY

The study covers respondents from Trithala area, Palakkad district, Kerala.

SOURCES OF DATA

The study uses both primary and secondary data

Primary Data:

The primary data would be collected from the selected household by using a pre-structured interview schedule and by conducting focus group discussions and in depth interviews.

Secondary Data:

Secondary data are those data which have already been collected and presented in some or some other purpose. Such data used to prepare this report are obtained from,

- Data collected from articles, published books, company records and internet
- Data from brochures, pamphlet etc. has also been used.

TOOLS FOR ANALYSIS

- Percentage Analysis, chi square test ,diagrams and charts

LIMITATIONS OF THE STUDY

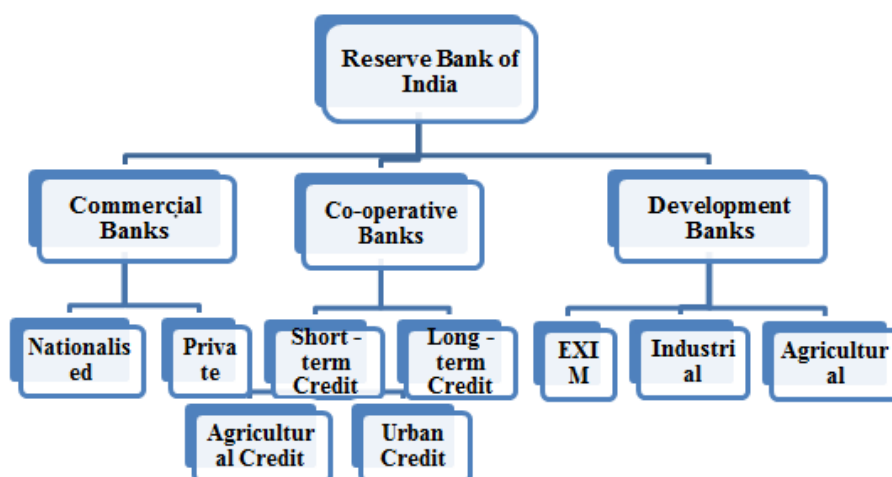
- The unwillingness of some respondents to give required information was a major obstacle for the study
- The findings of the research are based on what the respondents have stated as true.
- The study conducted by using pre- structured interview schedule method. The limitations of this method are also the limitations of the study.
- The sample size is limited to 100 which constitute only a very small portion of the actual population.
- Since majority of the respondents were on their work related activities, detailed questioning and understanding were not pos

THEORATICAL FRAME WORK

INTRODUCTION TO BANKING SECTOR

The Banking sector in India has always been one of the most preferred avenues of employment. Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc.

Structure of Indian Banking System



Co-operative Banks

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance.

The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one.

- A State Co-operative Bank works at the apex level (i.e. works at state level).
- The Central Co-operative Bank works at the Intermediate Level (i.e. District Co-operative Banks ltd. works at district level).
- Primary co-operative credit societies at base level (At village level)

TYPES OF CO-OPERATIVE BANKS

Co-operative banks are small-sized units which operate both in urban and non-urban centres. They finance small borrowers in industrial and trade sectors besides professional and salary classes. Regulated by the Reserve Bank of India, they are governed by the Banking Regulations Act 1949 and banking laws (co-operative societies) act, 1965. The co-operative banking structure in India is divided into following 5 components:

1. Primary Co-operative Credit Society
2. Central co-operative banks
3. State co-operative banks
4. Land development banks
5. Urban Co-operative Banks

FUNCTIONS OF CO-OPERATIVE BANKS

Co-operative banks also perform the basic banking functions of banking but they differ from commercial banks in the following respects:

- Commercial banks are joint-stock companies under the companies' act of 1956, or public sector bank under a separate act of a parliament whereas co-operative banks were established under the co-operative society's acts of different states.
- Commercial bank structure is branch banking structure whereas co-operative banks have a three tier setup, with state co-operative bank at apex level, central / district co-operative bank at district level, and primary co-operative societies at rural level.
- Only some of the sections of banking regulation act of 1949 (fully applicable to commercial banks), are applicable to co-operative banks, resulting only in partial control by RBI of co-operative banks and
- Co-operative banks function on the principle of cooperation and not entirely on

COMPANY PROFILE

Trithala service co-operative bank Ltd is one of the leading cooperative banks in Palakkad district is situated at Trithala a semi urban town on the side of the river Bharathapuzha. Our nearest railway station is pattambi and airport is Calicut.

When trithala was the part of British Malabar during the first decade of 20th century, a co-operative society namely trithalaiykkananayasangam No:F.154 was registered under 1912 (2) indian Act on 30-01-1918. After that two multipurpose co-operative societies was formed at Mezhatthur and Trithala. Again on 1946 Trithala producers and consumer society was formed and later it was converted into Trithala co-operative rural bank. Finally the above said co-operation societies had been amalgamated at various times and formed into Trithala service co-operation bank ltd.no.P.593.

Area of operation

Our bank covers the TrithalaPanchayath (except 5 wards) and by giving D class membership the bank can operate in Trithala and Pattambi revenue blocks (covering 17panchayath and 1municipality). Currently we have no branches, but we have submitted a by law amendment to open service centers and extension counters in the area of operation.

Banking and non-banking activities

Main banking activities including accepting deposits,lending loans to members for agricultural and non-agricultural activities, providing safe lockers to members, conducting MDS scheme. Our bank is implementing every government order at proper time. We had implemented government programmes like Entesangham, Unarvu 2012, Aswas 2014 for giving relief to loanes.

Besides these our bank is also doing non-banking activities like procurement of coconut and Copra from the farmers and members, procurement of paddy, purchase and selling of fertilizers, pesticides at subsidized rate. Our bank is also having Neethi medical shop for giving medicines at discount rates.

DEPOSITS

Aiding and encouraging members and non members is an objective of the bank. It helps to constitute deposits which are the main source of fund. The bank provides some facilities for all major type of deposits namely:-

1. Saving bank deposit
2. Fixed deposit
3. Daily deposit
4. Recurring deposit

Fixed deposit holders and daily deposit holders have loan facilities up to 80% and 75% of deposit respectively. Interest rate for such loan is higher than interest allowed on deposits. Fixed deposit bears highest rate of interest while daily deposit has the lowest. The bank offers over draft facilities to its members.

LOANS :-

The main loans provided by the bank are,

- Kissan credit card scheme
- Gold loans
- Housing loans
- Overdraft

NON AGRICULTURAL FINANCE

Non-agricultural loans are allowed for general purposes. It may either be short terms or medium terms. Usually it carry high rate of interest. The bank is following a well tired procedure for granting advance and allows on the basis of security of land. It requires producing title deed and certificate from revenue department to know whether the ownership is true or not.

THEORETICAL BACKGROUND

Before we understand financial inclusion we should have knowledge about financial exclusion. The word of financial exclusion first time used in 1993 by Leyshon and thrift who were concerned about limited access on banking services as a result number of bank branches were closed. In 1999, Kempson and Whyley defined financial exclusion in border sense which refers to those people who have excluded access to mainstream financial services and product till date numbers of analysts added their views to define financial exclusion.

Financial exclusion“ describes as a situation in which people do not have access to mainstream financial product and services such as banks accounts, credit cards and insurance policies, particularly home insurance, education loan. The effects of financial exclusion can include exclusion from other mainstream services, such as pension or saving schemes, and can also lead to debt and/or cut off from essential utilities.

In India, The Report of the financial inclusion in January 2008 by C Rangarajan, Financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services..

Meaning of Financial Inclusion

In India, Financial inclusion was launched by K.C. Chakraborty in 2005. Mangalam is the first village in India where all households had banking facilities. In India, the three states Kerala, Pondicherry and Himachal Pradesh are announced to have 100 percent of financial inclusion. The Committee on Financial Inclusion defined it as “the process of ensuring access to financial services timely and adequate credit needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost” **C. RangaRajan, (2008)**. “The delivery of credit and other financial services are at cost to the vast sections of the disadvantaged and low income groups. Financial inclusion refers to a wide range of financial services at reasonable cost. This includes not only banking services but also other financial services such as insurance and other services.” as denoted by **Raghu Ram Rajan, (2009)**.

Importance of financial inclusion:

Easy access to financial services will allow the population living in lower strata, to save money safely and help in preventing concentration of economic power with a few individuals, thus mitigating the risks that the poor could face as a result of economic shocks. Therefore, providing access to financial services is becoming an area of concern for the policymakers as it has far reaching economic and social implications.

In India, the single most frequently used source of loan for medium Indian household is still moneylender. Large parts of our financial system are still hampered by political intervention and bureaucratic constraints, limiting their potential contribution. India's poor, many of who work as agricultural and unskilled semi-skilled wage labours and low salaried workers are largely excluded from the formal financial system.. Financial inclusion provides protection to poor from the control of the spurious money lenders.

Various approaches to achieve financial inclusion

1. Product Based Approach

Reserve bank of India has been proactive, liberal and supportive while making policies so as to enable financial institutions to come up with innovative products for enabling a common man to get the benefit of the financial inclusion plan. Some products developed for fulfilment of this approach have been mentioned below.

No- Frills Account (NFAs),Kisan Credit cards (KCC)

General Purpose Credit Cards (GCC)

Saving account with Overdraft facility:

2. Bank Led approach

Self Help Group - Bank Led Initiative (SLBP):

Business Facilitators (BFs)/Business Correspondents (BCs):

3. Regulatory Approach

Simplified KYC Norms: Simplified bank saving account opening:Bank branch authorization

4. Technology Based approach

Mobile Banking :Kiosk / ATM based banking:

Branchless Banking:Aadhaar Enabled payment services:

5. Knowledge Based Approaches

Financial education, financial inclusion and financial stability are three elements of an integral strategy to empower people to make effective use of the financial services network.

6. Governments Initiatives: -SHGS ,(PMJDY), SGSY), (NRLM), (UIDAI), (MGNREGS)

REVIEW OF LITERATURE

Mira mendoz (2009) says that “the state of financial inclusion using the case of Madhya Pradesh and suggests micro finance as a tool for successful financial inclusion.” This article analyzes the status of efforts in financial inclusion by banks, micro finance institutions (MFI) in the state Madhya Pradesh in India. Finally, this article recommends that policy makers use micro finance and preferably so-called livelihood models, as a tool to achieve greater financial inclusion..

AnandSinha (2012).Urban co-operative banks have a duty to rise up to the aspirations of the nation to convert the perceived weakness into an exciting opportunity and facilitate inclusive growth. He also advocates a business delivery model through the involvement of all stakeholders to make financial inclusion a reality. Finally, he explicates on the successful experiments from Non-Government Organizations such as Self- employed Women’s Association (SEWA) which has started a financial counseling training service for self-employed women, including training trainers and identifies how these run-off successes can be replicated on a larger scale in a cost effective way.

K.C. Chakrabarthy (2012) highlights the meaningful partnership among banks, Micro Finance Institutions and committees for promoting financial inclusion. He also opines that technology interface is not user-friendly for rural people due to lack of financial literacy. Hence, bankers’ frontline staff, managers and business correspondents create friendly environment on the human side of banking.

H.R.Khan (2012) expressed that financial stability and financial inclusion are two sides of a coin but that a healthy risk-mitigating framework which exploits their complementarities is in-place to ensure that work with each other. He also argues that a combination of business strategies targeted towards the population at the bottom of the pyramid, along with transactions regulatory environment will foster greater financial inclusion stability.

Arup Mukherjee and Sabyasachi Chakravorty (2012) critically examined the capacity and the role of other institutions. Finally, they conclude that higher level of performance of the commercial banks is mandatory to ensure financial inclusion in that area.

The Census of 2011 estimated that 833 million people continue to live in rural India. A very large proportion of them are either wholly or significantly dependant on their livelihoods on farm activities mainly on agriculture, horticulture, animal husbandry or fisheries. Even after 60 years of independence the budgetary allocations never reach the poor and no change is noticed in their life style.

Fernando(2007)studies that a significant proportion of people excluded from the formal financial system across countries find access to informal markets driven by a host of factors such as the stage of financial sector development, perceptions of dominant financial institutions regarding the business case for providing financial services for the excluded, financial policy and regulatory system and the institutional composition of the financial system.

Report of the Committee on Financial Inclusion defines financial inclusion as delivery of financial services at an affordable cost to vast sections of disadvantaged and low-income groups(**GOI, 2008**). Unrestrained access to public goods and services is the sine qua non of an open and efficient society.

Financial inclusion is characterized primarily as either general access to loans or access to savings accounts. Very few risk management and vulnerability reducing products are available to small

holder producers. Financial inclusion cannot be restricted merely to opening savings accounts and/or providing credit for consumption/consumer spending but should also encompass delivering financial products tailor-made to cope with the fluctuating earning pattern of the poor. (Arunachalam R.S, 2008)

The reasons for financial inclusion are many. This is promoted by a confluence of multiple barriers including constraints to access, physical and social infrastructure, understanding and knowledge, newer technology, support and confidence among others (Subbarao, 2009).

RamjiMinakshi (2009) conducted study to assess the implementation of the financial inclusion drive and usage of banking services by households in Gulbarga district Karnataka. It was found that though the number of households with bank accounts doubled over the duration of financial inclusion drive, 36% of the sample remained excluded from any kind of semi-formal saving account.

Dr B.C.M Patnaik, Dr I.P SeethaSatpaty, NageswarPatnaik, Aroop Kumar Mohapatra (2012) has attempted to understand the perception of beneficiaries in general towards the basic banking services accessibility in the district of Ganjam, Odisha. The study found that the lack of regular and substantial income is one of the reasons for the financially excluded people with low income do not qualify for a loan and it concluded that while considering the ground reality, lot of work to be done for including the rural people for the empowerment process in rural India.

ChirodipMajumdar and Gautam Gupta (2013) in their study on financial inclusion in Hoogly, observed that the extent of financial inclusion, identified the socio economic categories of households and the categories of households obtaining the benefits of no frill accounts. Households belonging to minority communities, backward classes, people who are below poverty line, illiterate, people working as agricultural labourers were mostly excluded.

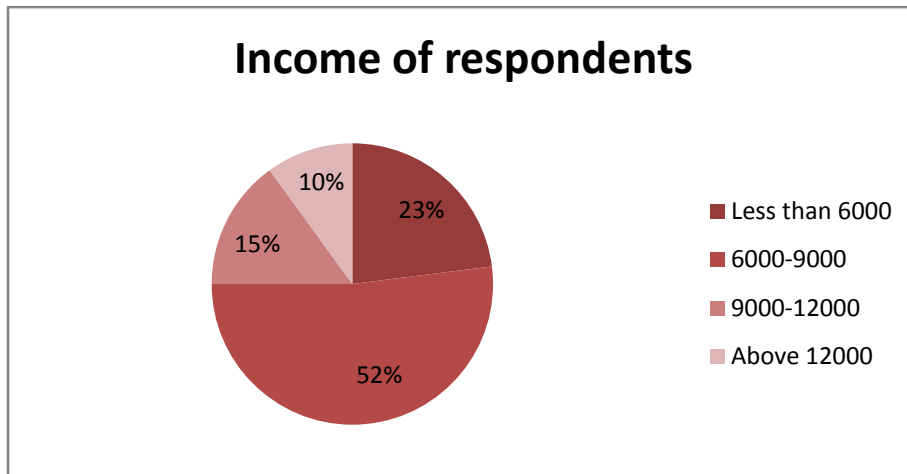
DATA ANALYSIS AND INTERPRETATION

Income of respondents:

Income of respondents

Opinion	No. Of Respondents	Percentage (%)
Less than 6000	23	23
6000-9000	52	52
9000-12000	15	15
Above 12000	10	10
Total	100	100

Source: Primary data : Income of respondents



Interpretation: From the above chart and table it can be inferred that 52% earns between 6000 – 9000, 23% between 6000-12000. Only 10% of them earns above 12000.

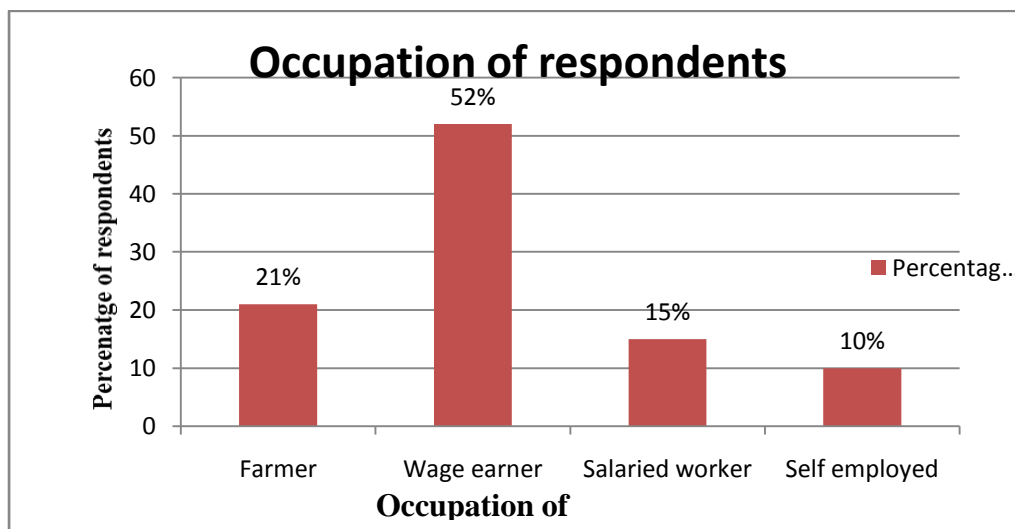
Occupation of respondents:

Occupation of respondents

Opinion	No. Of Respondents	Percentage (%)
Farmer	21	21
Wage earner	52	52
Salaried worker	15	15
Self employed	10	10
Total	100	100

Source: Primary data

Occupation of respondents



Interpretation:

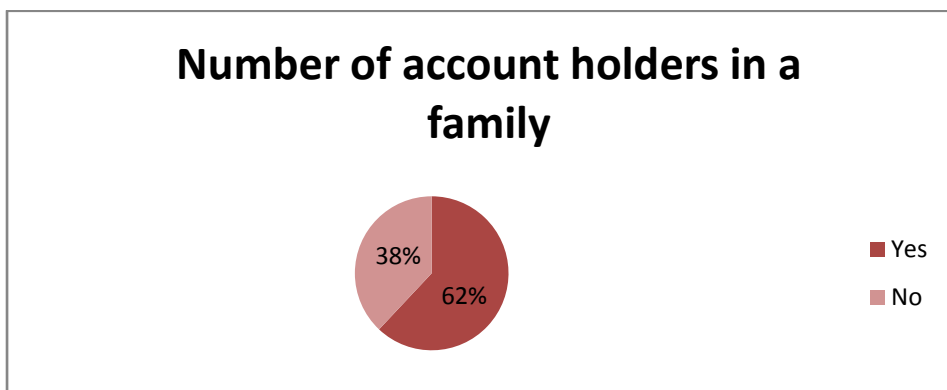
From the above chart and table it can be inferred that 52% respondents are daily wage earners and only 10% of them are self employed.

Number of account holders in a family:

Number of account holders in a family

Opinion	No. Of Respondents	Percentage (%)
Yes	193	62
No	118	38
Total	311	100

Source: Primary data : Number of account holders in a family



Interpretation:

Among the number of adults and number of account holders in a family, From the above chart and table, it can be inferred that 62% of the respondents are associated with banks and the remaining 38% of the respondents are excluded from the mainstream financial sector.

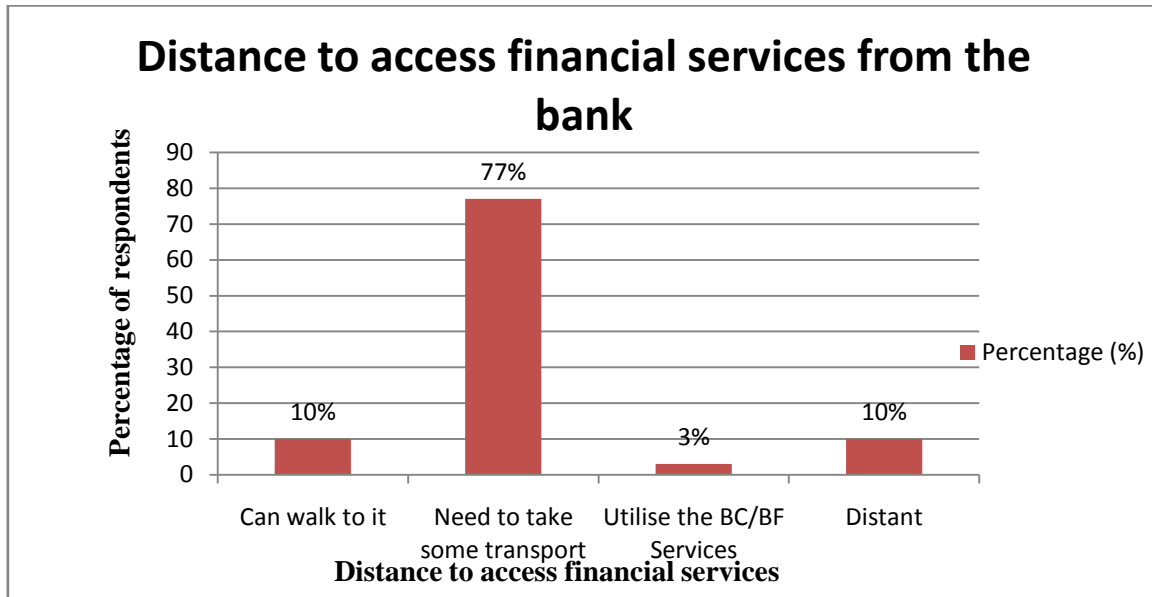
Distance to access financial services from the bank:

Distance to access financial services from the bank

Opinion	No. of Respondents	Percentage (%)
Can walk to it	10	10
Need to take some transport	77	77
Utilise the BC/BF Services	3	3
Distant	10	10
Total	100	100

Source: Primary data

Distance to access financial services from the bank



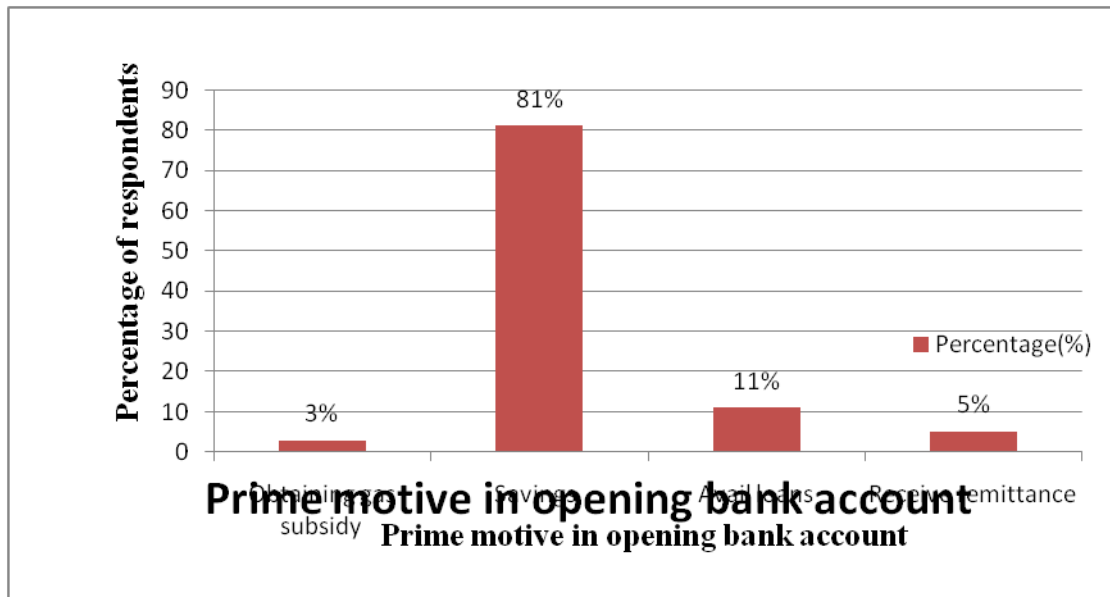
Interpretation: From the above chart and table it can be inferred that most of the respondents(77%) need to take some transport to access financial services from the bank. Only 3% are utilizing the BC/BF services.

Prime motive in opening a bank account:

Prime motive in opening a bank account

Opinion	No Of Respondents	Percentage(%)
Obtaining gas subsidy	3	3
Savings	73	81
Avail loans	10	11
Receive remittance	4	5
Total	90	100

Source: Primary data : Prime motive in opening bank account



Interpretation:

Among the 90 account holders, From the above chart and table it can be inferred that most of the households(81%) opened bank account for saving purposes. Out of this only (3%) opened on the motive of obtaining gas subsidy.

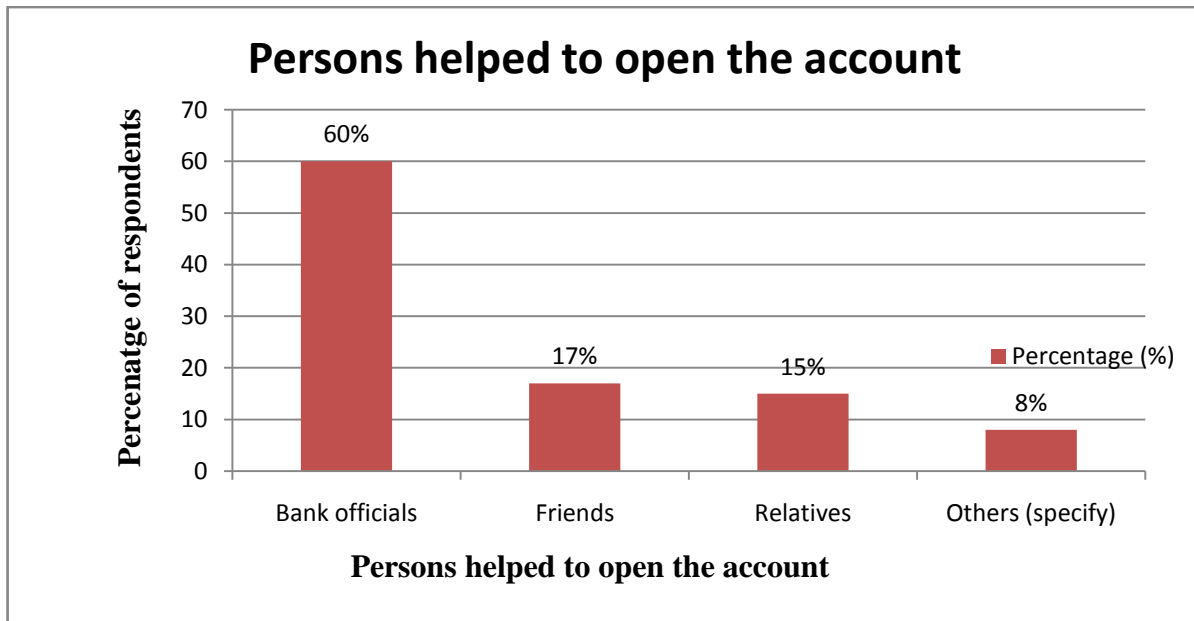
Persons helped to open the account:

Persons helped to open the account

Opinion	No. Of Respondents	Percentage (%)
Bank officials	55	60
Friends	15	17
Relatives	13	15
Others (specify)	7	8
Total	90	100

Source: Primary data

Persons helped to open the account



Interpretation:

Among the 90 account holders, From the above chart and table, it can be inferred that most of the respondents (60%) opened bank account with the help of bank officials and a few with friends and relatives

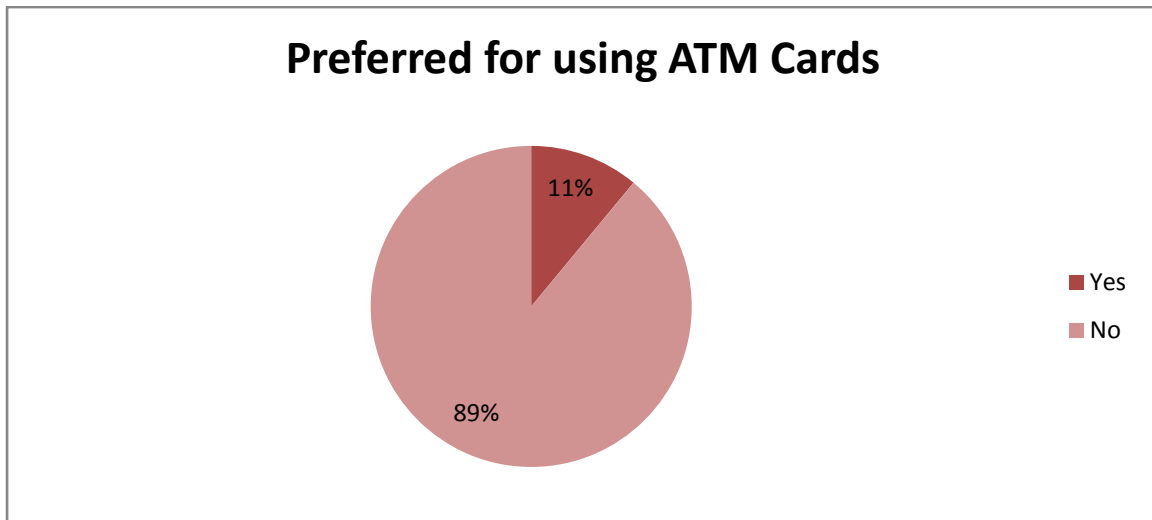
Preferred for using ATM Cards:

for using ATM Cards

Opinion	No. Of Respondents	Percentage (%)
Yes	10	11
No	80	89
Total	90	100

Source: Primary data

Preferred for using ATM Cards



Interpretation:

Among the 90 account holders, From the above chart and table, it can be inferred that most of the respondents (89%) are not preferred for using ATM cards. The major reason for not preferring ATM is that they are not trained for such facility and they have general fear of using an unacquainted technology.

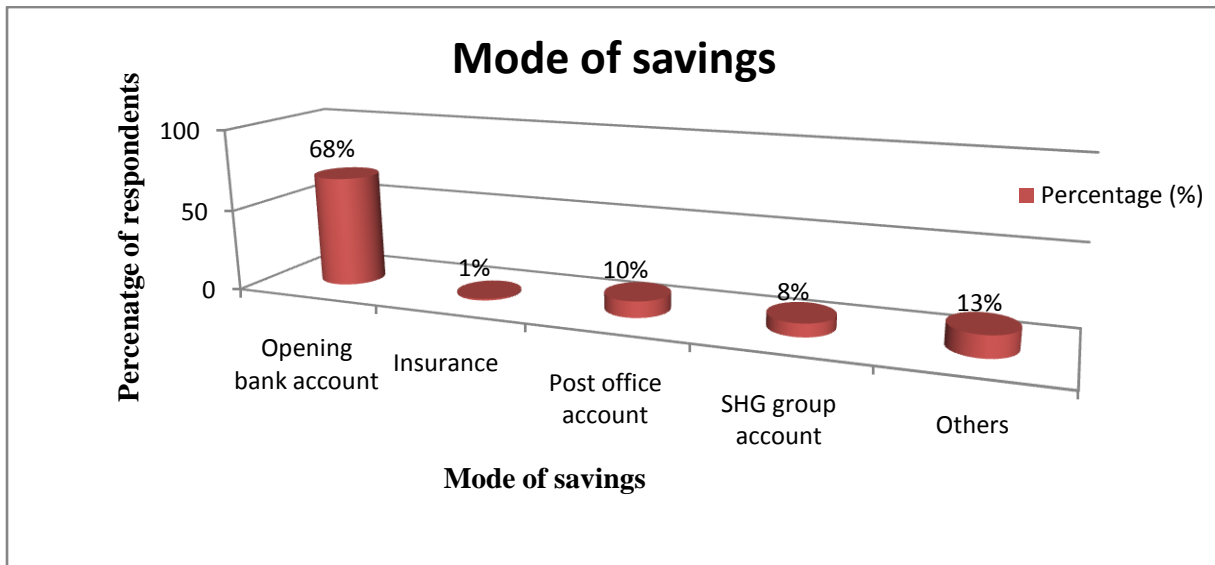
Mode through which people save

Mode of savings

Opinion	No. Of Respondents	Percentage (%)
Opening bank account	68	68
Insurance	1	1
Post office account	10	10
SHG group account	8	8
Others	13	13
Total	100	100

Source: Primary data

Mode of savings



Interpretation:

From the above chart and table it can be inferred that, 68% of the respondents save in bank account and only 1% with insurance.

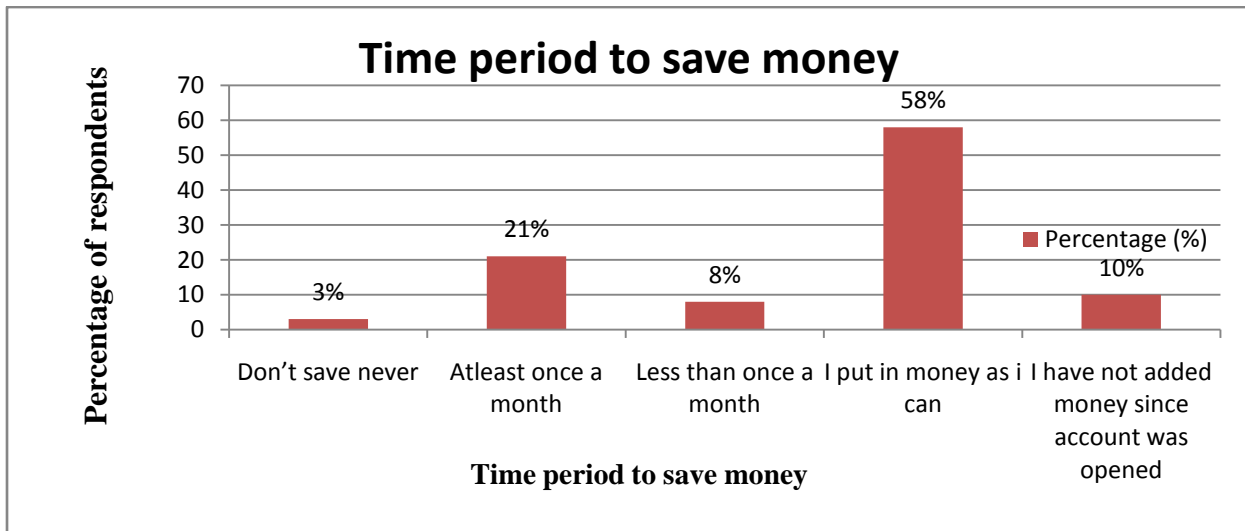
Time period to save money:

Time period to save money

Opinion	No. Of Respondents	Percentage (%)
Don't save never	3	3
Atleast once a month	21	21
Less than once a month	8	8
I put in money as i can	58	58
I have not added money since account was opened	10	10
Total	100	100

Source: Primary data

Time period to save money



Interpretation:

From the above chart and table it can be inferred that, 58% of the respondents put money whenever they can. Only a few put money atleast once a month or less than once a month.

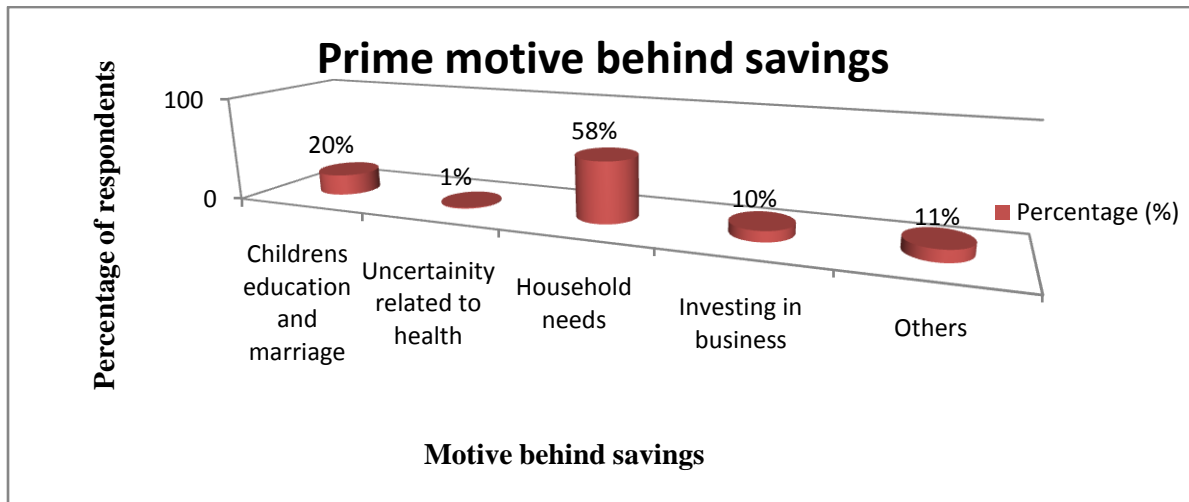
Prime motive behind savings:

Prime motive behind savings

Opinion	No. Of Respondents	Percentage (%)
Childrens education and marriage	20	20
Uncertainty related to health	1	1
Household needs	58	58
Investing in business	10	10
Others	11	11
Total	100	100

Source: Primary data

Prime motive behind savings



Interpretation:

From the above chart and table it can be inferred that,58% motive behind savings is to meet their household needs. Only 1% motive due to their uncertainty related to health.

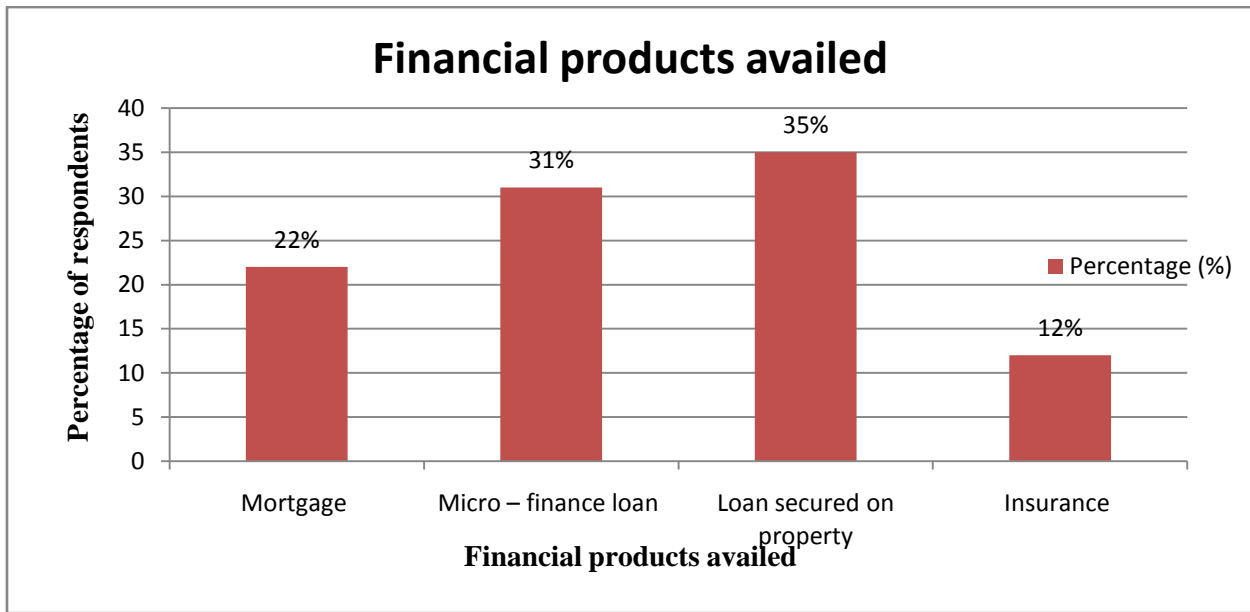
Financial products availed by the households

Financial products availed

Opinion	No. Of Respondents	Percentage (%)
Mortgage	20	22
Micro – finance loan	28	31
Loan secured on property	31	35
Insurance	11	12
Total	90	100

Source: Primary data

Financial products availed



Interpretation:

Among the 90 account holders, From the above chart and table, it can be inferred that most of the respondents (35%) have availed loan secured on property and 31% on micro-finance loans only 12% are availed insurance.

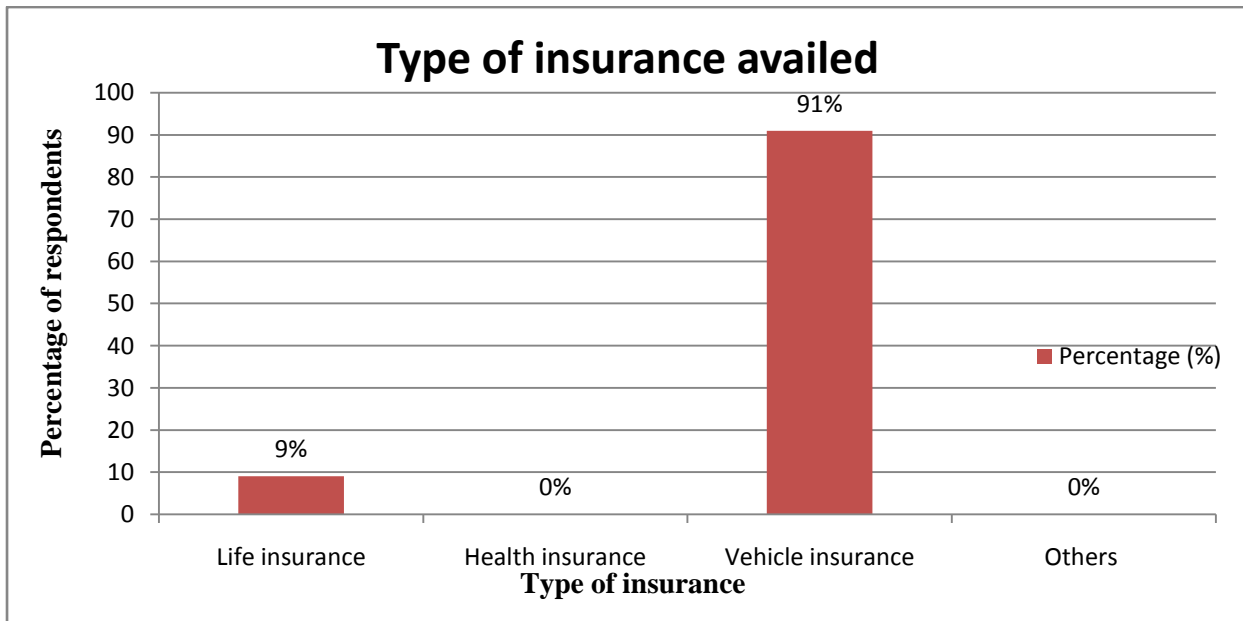
Type of insurance availed by the respondents:

Type of insurance availed

Opinion	No. Of Respondents	Percentage (%)
Life insurance	1	9
Health insurance	0	0
Vehicle insurance	10	91
Others	0	0
Total	11	100

Source: Primary data

Type of insurance availed



Interpretation:

Among the 11 respondents availed insurance, From the above chart and table it can be inferred that most of the respondents (91%) have availed vehicle insurance and remaining 9% are with life insurance.

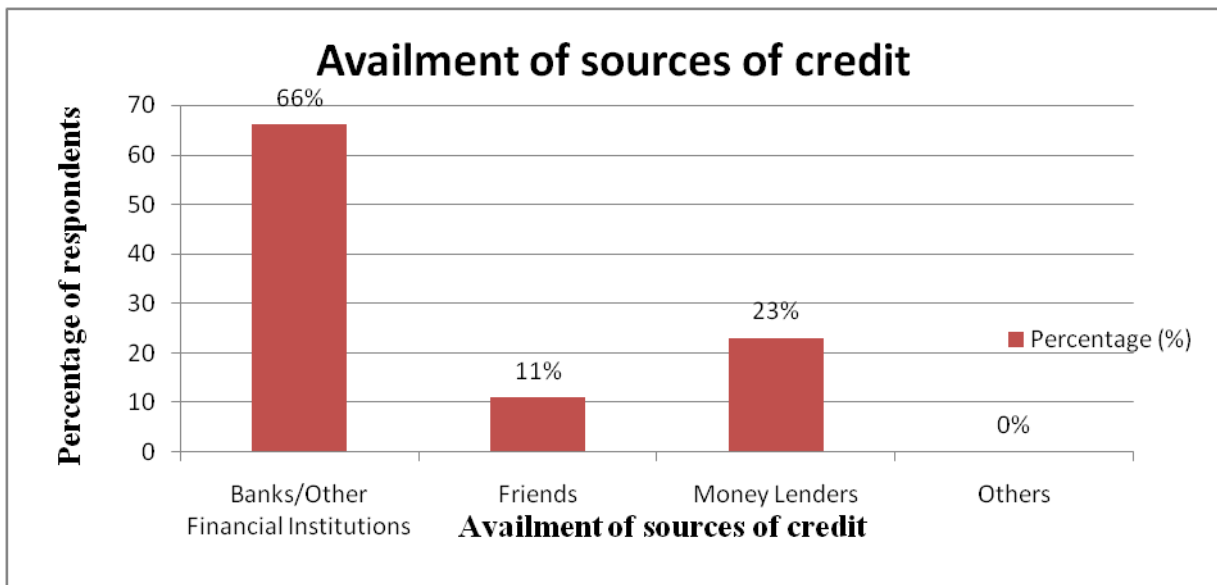
Availment of sources of credit:

Availment of sources of credit

Opinion	No. Of Respondents	Percentage (%)
Banks/Other Financial Institutions	66	66
Friends	11	11
Money Lenders	23	23
Others	0	0
Total	100	100

Source: Primary data

Availment of sources of credit



Interpretation:

From the above chart and table it can be inferred that 66% of the respondents avail sources of credit from banks and 23% are availing from money lenders. Banks are the major source of credit. This is a good situation from the angle of financial inclusion.

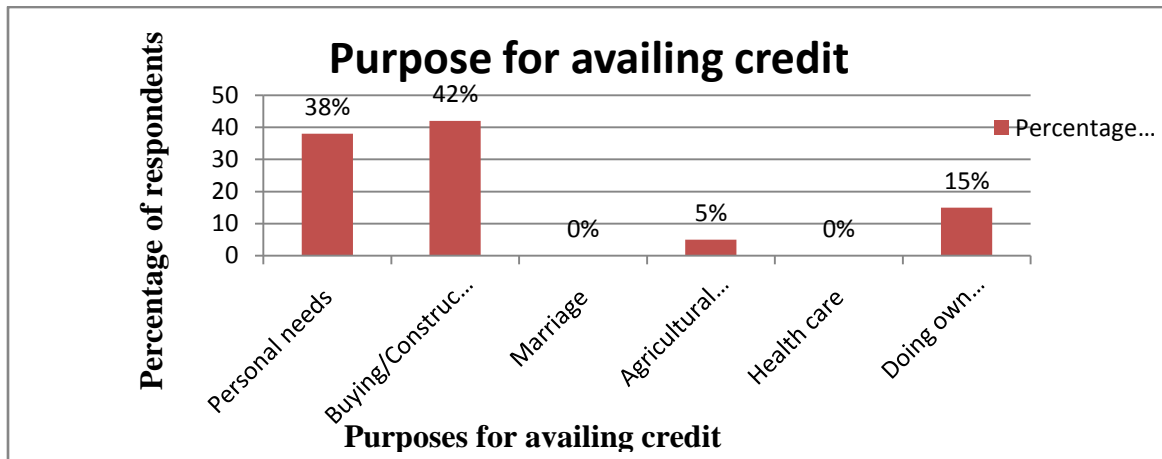
Purpose for availing credit:

Purpose for availing credit

Opinion	No. Of Respondents	Percentage (%)
Personal needs	25	38
Buying/Constructing house	28	42
Marriage	0	0
Agricultural purposes	3	5
Health care	0	0
Doing own business	10	15
Total	66	100

Source: Primary data

Purpose for availing credit



Interpretation: - 42 respondents were availing credit to buying/ constructing house , 38 respondents has the personal needs and zero respondents have the healthcare purpose.

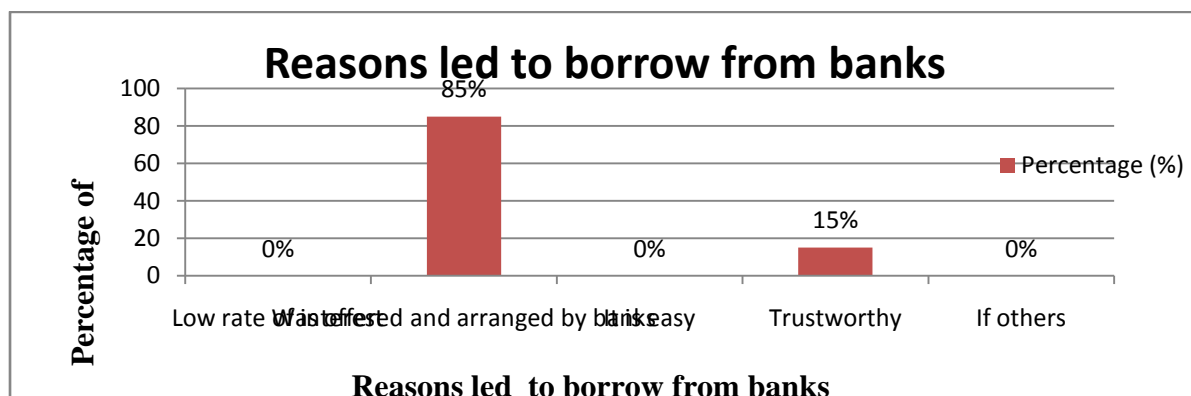
Reasons led to borrow from banks:

Reason led to borrow from banks

Opinion	No. Of Respondents	Percentage (%)
Low rate of interest	0	0
Was offered and arranged by banks	56	85
It is easy	0	0
Trustworthy	10	15
If others	0	0
Total	66	100

Source: Primary data

Reason led to borrow from banks



Interpretation:

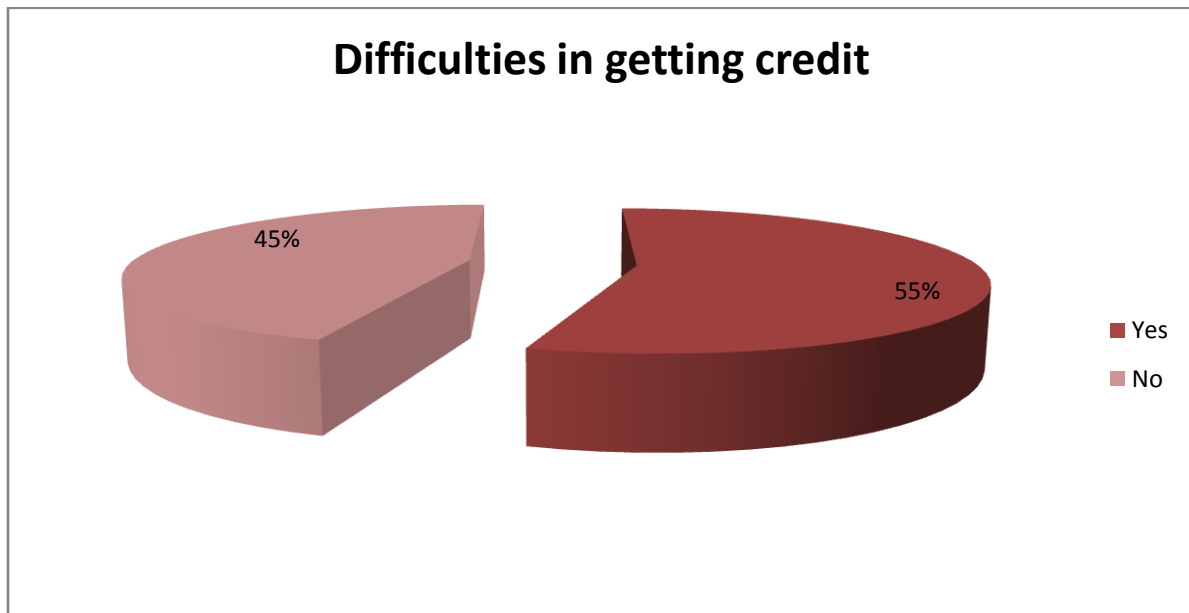
Among the 66 respondents availing credit from banks/financial institution, From the above chart and table,it can be inferred that most of the respondents(85%) borrow from banks since all the necessities was arranged and offered by banks and only 15% are because of trust worthy.

Difficulties in getting credit from Financial Institution:

Opinion	No. Of Respondents	Percentage (%)
Yes	36	55
No	30	45
Total	66	100

Source: Primary data

Difficulties in getting credit from Financial Institution



Interpretation:

Among the 66 respondents availed credit from banks/ financial institution, From the above chart and table it can be inferred that most of the respondents (55%) find difficulties in getting credit from banks and remaining 45% didn't find any difficulties in getting credit.

Satisfaction with the credit document procedure provided by Financial Institution:

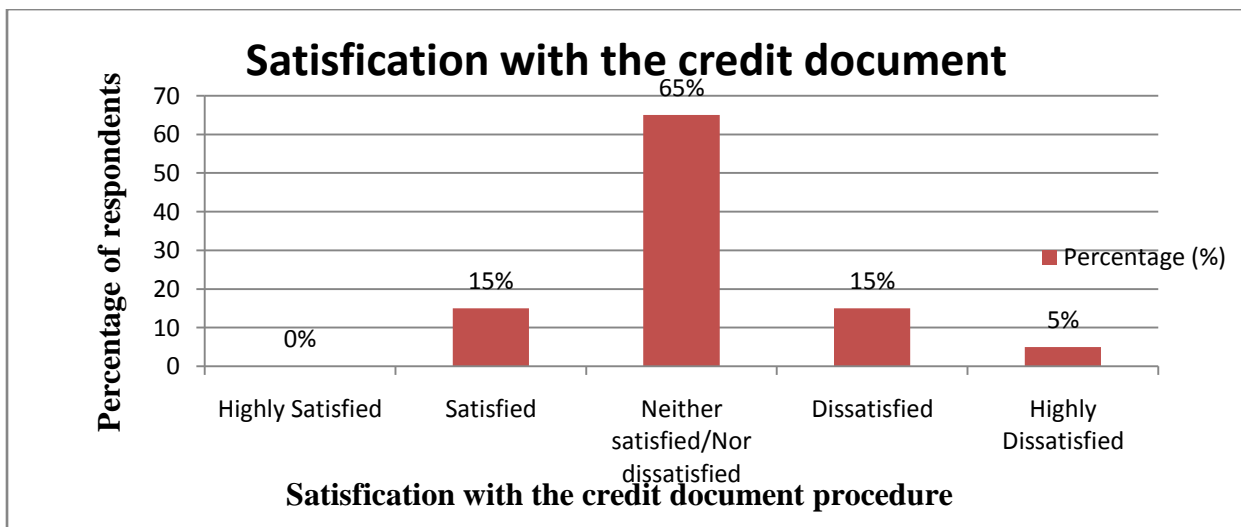
Satisfaction with the credit document procedure

Opinion	No. Of Respondents	Percentage (%)
Highly Satisfied	0	0
Satisfied	10	15
Neither satisfied/Nor	43	65

dissatisfied		
Dissatisfied	10	15
Highly Dissatisfied	3	5
Total	66	100

Source: Primary data

Satisfaction with the credit document procedure



Interpretation:

From the above chart and table it can be inferred that 65% respondents have neither satisfied/nor dissatisfied with the credit document procedure provided by bank.

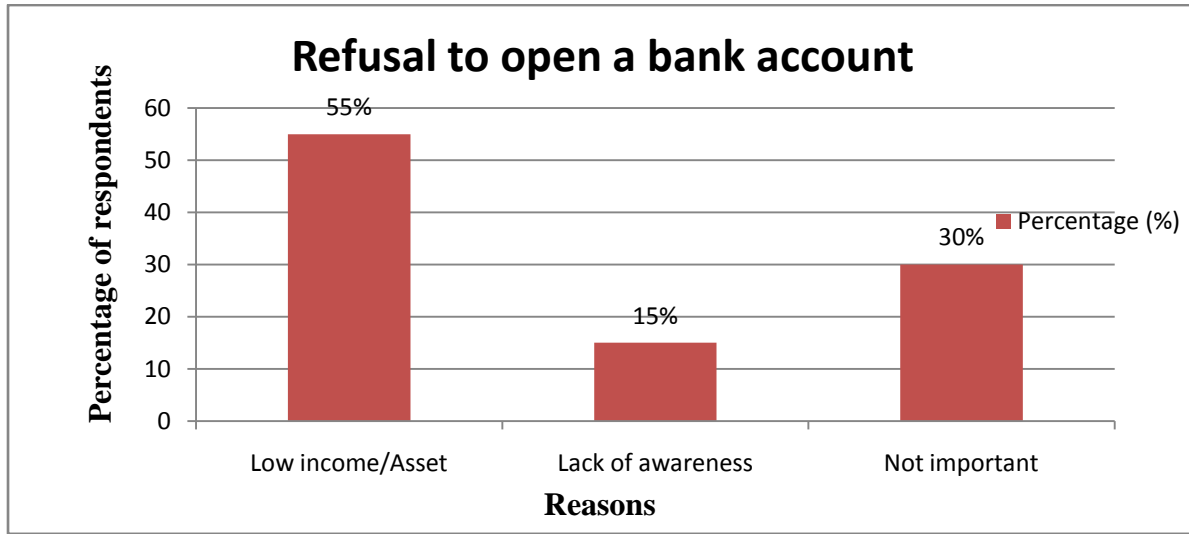
Refuse to open a bank account:

: Refuse to open a bank account

Opinion	No. Of Respondents	Percentage (%)
Low income/Asset	55	55
Lack of awareness	15	15
Not important	30	30
Total	100	100

Source: Primary data

: Refuse to open a bank account



Interpretation:

From the above chart and table it can be inferred that, 55% respondents refuse to open a bank account because of low income or asset. It is the main reason that restricts the households from opening a bank account. Only 15% respondents refuse to open because of lack of awareness.

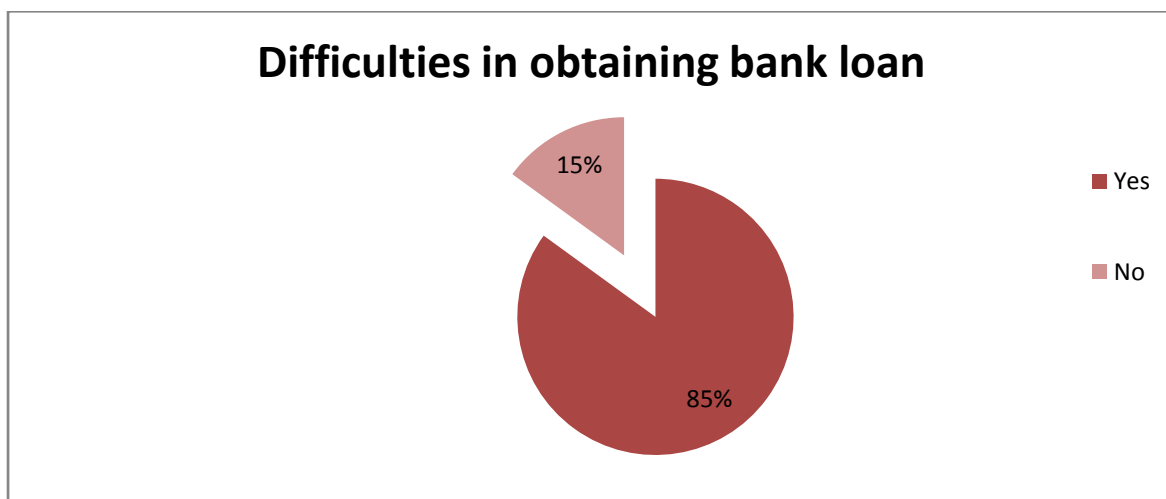
Household’s response towards difficulties in getting a bank loan:

: Difficulties in obtaining bank loan

Opinion	No. Of Respondents	Percentage (%)
Yes	85	85
No	15	15
Total	100	100

Source: Primary data

Difficulties in obtaining bank loan



Interpretation:

From the above chart and table it can be inferred that, majority of the respondents (85%) find it difficult to obtain bank loan. Remaining 15% find that there is no difficulty in obtaining bank loan

CHI SQUARE TEST ANALYSIS

1. Relationship between income distribution and account opening

H₀: There is no relationship between income distribution and account opening

Income	<6000	6000-9000	9000-12000	>12000	TOTAL
Yes	13	52	15	10	90
No	10	0	0	0	10
Total	23	10	25	15	100

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where, O = Observed frequency

E = Expected frequency

∑ = Summation

X² = Chi Square value

Expected frequency:

Income	<6000	6000-9000	9000-12000	>12000	TOTAL
Yes	20.7	46.8	13.5	9	90
No	2.3	5.2	1.5	1	10
Total	23	10	25	15	100

O	E	(O-E) ²	(O-E) ² /E
13	20.7	59.29	2.86
52	46.8	27.04	.577
15	13.5	2.25	.166
10	9	1	.111

10	2.3	59.29	25.77
0	5.2	27.04	5.2
0	1.5	2.25	1.5
0	1	1	1
			37.184

Degree of freedom = (r-1) c-1)

$$= (2-1) (4-1)$$

$$= 1*3$$

$$= 3$$

The table value at 5% level of significance for three degree of freedom is 7.815. The calculated value is higher than the table value. So the above hypothesis is false and rejects the hypothesis. It indicates that there is a relationship between income distribution and account opening.

FINDINGS

On the basis of analysis, other important findings are:

- Among the number of adults and number of account holders in a family, 62% of the respondents are associated with banks and the remaining 38% of the respondents are excluded from the mainstream financial sector.
- Majority of the respondents (85%) find it difficult to obtain bank loan. Remaining 15% find that there is no difficulty in obtaining bank loan.
- Among the 90 account holders, most of the respondents (60%) opened bank account with the help of bank officials and a few of them with friends and relatives.
- It is found that 68% of the respondents save in bank account, 10% in post office account, 8% in SHG group account, 13% are saving in house itself and only 1% are with insurance.
- It is found that 58% of the respondents put money whenever they can. Only a few put money atleast once a month or less than once a month.
- It is found that 58% respondents motive behind savings is to meet their household needs. Only 1% motive due to their uncertainty related to health.
- It is found that 90% respondents are availing financial services; remaining 10% are not availing financial services.
- As per the Chi-square test analysis it is found that there is a relationship between income distribution and account opening

SUGGESTIONS

For improving the financial inclusion on disadvantaged people it is suggested:

- As most of these groups of people are employed in the unorganized sector, they require credit on a daily basis for their livelihood. On the other hand, some of them borrow from informal sources. Therefore, here is an opportunity for any bank branch go for financial inclusion through business facilitator model (Briefcase Banking).
- Setting up financial literacy centers and credit counselling at pilot basis, launching a financial literacy campaign etc.
- Popularize the benefit of bank account, and its usefulness, so that the vulnerable sector can get all the benefit of their accounts.
- The problem of financial exclusion can be addressed by the government, the banking sector, voluntarily through the community network and self-help groups (SHGs).
- The government and the banks can address the problem of absence of affordable credit by giving credit to small and marginal problems at a concessional rate without collateral.

CONCLUSION

Financial exclusion is the inability, difficulty or reluctance to access appropriate, so-called mainstream, financial services. The reduction of financial exclusion is a priority for the present government because it can lead to social exclusion. This study was a review of current policies and practices aimed at reducing financial exclusion. The financial services covered included money and debt advice, financial capability, banking, affordable credit and insurance.

For standing out on a global platform India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth. Mere opening of no-frill bank accounts is not the purpose or the end of the poor through developing strong linkages with community-based financial ventures and cooperative where many of the respondents are not tend to use their bank accounts. Financial inclusion has not yielded the desired results and there is a long road ahead, since the study shows that 38% of the adult populations are still excluded from the mainstream financial sector in Trithala area.

Financial inclusion may be a social responsibility for the banks in the short-run but will turn out to be a business opportunity in the long-term. From the above study it is understood that, still 38% of adult population are excluded from the mainstream financial sector of the Trithala area, many are not aware about the services that are provided by financial institutions and these disadvantaged groups find assistance from informal sources than the formal one. From the above study, it is concluded that there is more need to educate and create some new instruments for the disadvantaged groups and also make them a part of financial inclusion.

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