

Financial Inclusion And Economic Growth : A Study In Rural Coastal Areas

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ABSTRACT

Financial services play a vital role in the development of any society. Financial activity increases economic opportunity for the management of assets and to generate income. Economic opportunity provides scope for poverty alleviation and eradication. Financial inclusion and financial stability are the two dimensions for economic growth.

Financial Inclusion is a topic of contemporary significance and relevance. Although the financial sector has made commendable progress in recent years, there are concerns that the banks have not been able to include vast segment of population especially underprivileged sections of the society into the field of basic banking services.

Although ideally an inclusive financial system should provide access to savings, remittance, transactions, credit, insurance, credit counselling etc, as an operational concept in most developing countries, „access to a bank account has been considered as indicator of inclusion. Having a bank account enables an individual to avail a wide range of benefits from a variety of financial products. As these products are provided by banks which are subjected to regulations and supervision, thus they are considered safe.

The single gateway of a banking account can be used for several purposes and ultimately it benefits nation's economy by making greater financial resources available in a transparent way which may be efficiently deployed for productive use. With this background a study has been conducted in rural coastal areas to know the penetration level of financial inclusion.

KEYWORDS: Economic development, financial stability, financial inclusion, financial activity, poverty eradication.

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1.0 INTRODUCTION:

Financial Inclusion is gaining importance globally in recent times among national policy makers, multilateral institutions and others in the development field. As Inclusive Growth is gaining trust globally as a sustainable growth strategy. Financial Inclusion is a topic of contemporary significance and relevance. Although the financial sector has made commendable progress in recent years, there are concerns that the banks have not been able to include vast segment of population specially underprivileged sections of the society into the field of basic banking services.

India has a long history of financial sector policies with an objective of increasing inclusiveness of the financial sector. Financial inclusion helps in serving the new economic system of the country. At present the topic of financial inclusion is an emerging new model of economic intensification. By providing the accessible financial services to the people who reside in the unreachable areas, financial inclusion accomplishes the goal of economic development and progress of the country. Thus, now it has become the current perception of the economy. Thus, it completes its fundamental responsibility in economic growth of the country, by helping in pouring away poverty from the country. The key endeavour of financial inclusion is to make accessible banking service by providing access to financial market, credit market and gain knowledge of financial matters. Thus it intends at providing basic financial and banking services.

2.0 REVIEW OF LITERATURE:

1.Venugopal Pulidindi (2012) in his study concentrates in finding the correlation between women's financial inclusion as a contributing factor towards the decision making power in the family. Women constitute half of the population, contribute more than half of the duties and responsibilities of the family but are hardly empowered to participate in decision making. They were not given any rights, they are supposed to do domestic work and look after the children.

2.Gangambika Savagaon (2012) considers that there are several challenges that require concerted efforts from banks, the RBI and the Government to ensure convenient and cost effective delivery of financial services to the public at large. There is a need to cover more people under financial inclusion who deserve and extremely in need of finance. The challenges in particular are, to introduce innovations in identifying such people, re-engineering of financial products as per the requirements, risk assessment, reduce transaction costs, devise new credit delivery channels and use information technology to make financial inclusion a viable model. As a developing country, India faces constraint of resource for rapid socioeconomic development. While there may be limitation of financial resources but available human resources are huge and yet to be fully exploited. Thus the issue is not only the availability of finance to the targeted class but also about the usage. Therefore there is a need of evolving appropriate strategy for mobilising and training human resources for optimising use of the available financial resources.

3.Sharath Chandran (2010) reviewed the study of financial inclusion as the delivery of banking services to vast sections of disadvantaged and low income groups at affordable costs. In an open and efficient society there is an unrestrained access to public goods and services. Hence, banking services being a public good and should be available to the entire population without discrimination, owing to studies on financial exclusion and its direct correlation to poverty. Hence, has of now financial inclusion has become a common objective for many central banks among the developing nations. Since, currently this topic having a great importance to the economy, working on the same is an enriching experience.

3.0 RESEARCH DESIGN

3.1 OBJECTIVES OF THE STUDY

1. To study the Level of Financial Inclusion in Rural coastal areas in Mangalore.
2. To know the awareness regarding various avenues with respect to financial inclusion.
3. To recommend strategies for achieving convergence and further intensifying financial inclusion effort in these areas.

3.2 RESEARCH METHODOLOGY

This research is based on the primary data and the secondary data. Primary data is collected by distributing the questionnaires to respondents and through direct interviews. The data is collected from 50 respondents from various coastal rural areas in and around Mangalore city. Random sampling is been used in selecting the samples for the study.

Secondary data has been collected from various other sources like online journals and websites related to the topic.

4.0 DATA ANALYSIS AND INTERPRETATIONS:

The data has been collected and interpreted in the following manner:

TABLE 1.0: DEMOGRAPHIC AND SOCIO-ECONOMIC CHARACTERISTICS OF COASTAL RURAL AREAS

S.No	Characteristics	N	Percentage
1.	Age Group (in Years)		
	20-30	15	30
	31-40	16	32
	41-50	15	30
	51-60	04	8
	61 & Above	-	-
2.	Marital Status		
	Married	40	80
	Unmarried	10	20
3.	Education		
	Illiterate	30	60
	Literate but not formally educated	06	12
	Graduate & Higher Studies	14	28
4.	Occupation		
	Self Employed	12	24
	Fishing Labourer	16	32
	Daily Wage Labourer	22	44
5.	Daily Income		
	Upto 1000	21	42

	1001-3000	04	8
	3001-5000	20	40
	5000 & Above	05	10

SOURCE: SURVEY DATA

TABLE 2.0: ACCESS TO BANK ACCOUNTS

Particulars	Frequency	Percentage
Yes	18	36
No	32	64

SOURCE: SURVEY DATA

TABLE 3.0: TYPE OF BANK ACCOUNT USED BY THE RESPONDENTS

Particulars	Frequency	Percentage
SB account	14	28
Fixed Deposit account	03	06
Recurring Deposit account	01	02
Current account	00	00
None	32	64

SOURCE: SURVEY DATA

TABLE 4.0: AWARENESS OF FINANCIAL SERVICES

Particulars	Yes	No
Credit Card	-	08
Home Loan	-	12
Car Loan	-	09
Personal Loan	-	11
Education Loan	02	-
Business Loan	08	-

SOURCE: SURVEY DATA

TABLE 5.0: AWARENESS OF MODERN BANKING TECHNOLOGY

Particulars	Yes	No
Debit Card	10	-
Internet banking	-	12
Mobile banking	-	07
Locker facility	01	-
NEFT	-	08
RTGS	-	12

SOURCE: SURVEY DATA

FINDINGS

1. Out of 50 respondents majority of the respondents are illiterate.
2. From the study it is found that most of the people are daily wage labourers and earn upto 1000 as their wage.
3. 64% of the respondents do not have access to bank accounts and are lacking behind the access to banking operations.
4. The awareness and knowledge regarding the modern modes of transactions and various financial services provided by banks are still unaware in rural coastal areas.
5. Only savings bank account is the common saving avenue of 28% of the respondents.

SUGGESTIONS

1. Awareness has to be created among the rural coast regarding the new banking technology available.
2. Seminars and educative sessions have to be organised by banks in order to provide education regarding the banking transactions.
3. Separate cells can be setup in banks to educate the people who are literally backward.
4. Providing basic education with technological exposure will help the coastal people to understand the current trends in banking.
5. Importance of going digitised has to be made aware to the people.
6. Lack of knowledge is the main reason for non acceptance of modern tools in banking.

5. CONCLUSION:

Over the last few years, the banks in India have taken a number of initiatives to bring the financially excluded, the underprivileged and the weaker sections of the society within the fold of the formal financial system. These measures have, no doubt, significant impact on improving financial inclusion. However, the magnitude of the financial exclusion problem, issues and challenges involved in widening and deepening the financial inclusion are enormous.

Still many areas and the majority of the rural and urban low income and poor segments of the population have very little or no access to financial services from the formal financial system. The reason is that taking banking to the section constituting “the bottom of the pyramid” may not be more profitable because of high operating cost in small transaction perceived low relative profitability. It must be remembered that financial inclusion should be viewed as an opportunity for enhancing business for banks in the rural areas because of high volume of

business and even the relatively low margins on high volume can be a very profitable proposition.