CHAPTER-7
SUMMARY, MAJOR FINDINGS AND CONCLUSION

7.1 Summary

Access to affordable financial services, especially credit opens up livelihood opportunities by empowering the poor. The extent and quantum of indebtedness at a reasonable level of interest sourced out from the organised sector is an indicator of development since availability of finances boost up the economic activity and capital formation in a region. Financial inclusion is an emerging priority strategy for policymakers in developing countries. The emerging developing countries introduce comprehensive measures to improve access to and usage of tailored financial services. Therefore, building inclusive financial sectors improves people’s lives which can make a great difference to a low-income family. So that enables people to invest in better nutrition, housing, health, and education for their children. However, financial inclusion will provide an opportunity for socio-economic development.

Financial inclusion strategies are derived from inclusive economic growth strategies that envisage upliftment of the poor through access to better way of living. Recognizing the need for the finance as a critical input for development RBI has promoted the financial inclusion drive in the country to include vast majority of unbanked masses into banking fold. Microfinance led inclusion has been recognized as one of the elements of the multipronged strategy inclusion that promotes financial inclusion. Finally, inclusive growth allows people to “contribute to and benefit from economic growth”.

Financial inclusion denotes delivery of financial services at an affordable cost to vast sections of the disadvantaged and low income groups (GOI, 2008). With reference to provisions of credit to rural poor, there is still a dominant hold by informal agencies who charge high rates of interest. These points to the fact that in spite of significant achievements in spreading bank branches over the country, the service that reach the poor and marginalised segments of the community are less. Banks remain unapproachable and credit terms are often not suitable to the poor
borrowers, due to seasonality and uncertainty are internal and external factors. Fluctuating earnings often necessitate them to borrow. However, in the event of lack of institutional agencies to supply need based finance, they move towards informal agencies who supply immediate finance at higher cost. This leads to the situation that any further earnings are subject to debt servicing, necessitating additional borrowings, entangling them in the debt trap. The study was conducted in the backward districts of Andhra Pradesh, where more people were un-banked in those areas. In general, all these studies have pointed out the grim state of affairs of social group and sectoral groups with seasonality and uncertainty in earning pattern, over dependence on informal lending in spite of considerable penetration of formal financing institutions in the state. In these studies regional imbalances in the financial inclusion process are quite visible. Household access to financial services varies widely across districts in ways that are not correlated with income and there is a need to broad base the effort to make financial inclusion more meaningful and inclusive.

7.2 Major Finding of the Study

The term financial inclusion can take two dimensions, one: the access to financial services and second: the dependence on informal financial services. The present study has attempted to assess the level of financial inclusion with respect to these two dimensions. Estimation of level of financial inclusion was effected by adopting the method of weighted average index numbers. Indicators of usage of financial services were used by assigning appropriate weights to arrive at an index of financial inclusion.

7.2.1 Survey of Financial Inclusion in Andhra Pradesh

A survey on financial inclusion was conducted in three districts of Andhra Pradesh in order to understand the nature and extent of financial inclusion in the State. The objective of the study was primarily to identify the extent of financial exclusion and present status

The most important pattern is equally access to finance by all segments of the society, i.e. inclusive nature of financial system. Some important dimensions of financial inclusion are that all sections of the society should have timely and adequate availability of financial services to ensure access at affordable cost. The Index of
Financial Inclusion is to measure and know the level of financial inclusion in the present condition. This index is based on three basic dimensions of an inclusive financial system (a) banking penetration, (b) availability of the banking services and (b) usage of the banking system.

d) **Banking penetration:** Banking penetration is definitely the most critical parameter for measuring the depth financial inclusion and is measured as a ratio of bank accounts to the total population.

e) **Availability of Banking Services:** The second parameter, availability of banking services provides an indication to the number of bank outlets available per 1000 people to deliver financial services. The bank outlets may include the brick and mortar branches, ATMs, business correspondents, etc.

f) **Usage of Banking Services:** The third parameter seeks to determine the usage of banking services going beyond mere opening of accounts. Therefore, this is evaluated on the basis of outstanding deposits and credits.

2. DATA ANALYSIS AND EMPIRICAL RESULTS

A. **Supply Side Analysis Results: Major Findings**

1. **Measuring Index of Financial Inclusion for Andhra Pradesh**

- **High Level Financial Inclusion: The First Hypothesis** (H1 if 0.5 < IFI ≤ 1 high level), The Index of Financial Inclusion results showed that there are only three districts, which have high level of IFI. These are Hyderabad with the IFI value of 0.77. Hyderabad has nearer to complete financial inclusion, Krishna district with value of 0.65 is in second rank, and Ranga Reddy with value of IFI is 0.59 with third rank of Index of Financial Inclusion.

- **Medium level of Financial Inclusion:** In the second hypothesis H2 if 0.3 ≤ IFI < 0.5 the medium level of financial inclusion, there were ten districts. West Godavari district is in the fourth rank of IFI with value of 0.55, Guntur district has fifth rank with IFI value 0.52, East Godavari is the sixth rank with IFI value of 0.50, Karimnagar is seventh rank with value of 0.43, Nellore is eight rank with value of 0.42, Khamman is the ninth rank with value of 0.41, Chittor is the tenth rank with value of 0.4 and Visakhapatnam is the eleventh
rank with value of 0.37, Medak is the twelfth rank with value of 0.33, Kadpa is the 13th rank with value of 0.31 these are all under medium financial inclusion.

- **Low level Financial Inclusion:** The third Hypothesis is $0 \leq \text{IFI} < 0.3$ the low level of financial inclusion values. Mainly these are the districts Prakasham is the fourteenth rank with IFI value of 0.29, Warangal is the fifteenth rank with IFI value of 0.27, Nizamabad sixteenth rank with IFI value of 0.25, Adilabad is the seventeenth rank with IFI value of 0.25, Nalgonda eighteenth rank with IFI value of 0.24, Kurnool is the nineteenth rank with IFI value of 0.23, Anathapur is the twentieth rank with IFI value of 0.21, Srikakulam twenty one rank with IFI value of 0.21, Vijayanagaram twenty two rank with IFI value of 0.18, Mhabubnagar twenty three rank with IFI value of 0.16, all these three district had low financial inclusion.

- the Index of Financial Inclusion results showed that the least three districts such as Srikakulam, Vijayanagarm and Mahbubnagar districts had very low financial inclusion and the researcher considered for the research study of those three districts.

2. **Measuring Mandal wise Index of Financial Inclusion for Mahbubnagar district:**

- **Low Level Index of Financial Inclusion:** Out of 64 mandals in Mahabubnagar district, 54 mandals have the low level of IFI ranks between 0 to 0.3 ($0 \leq \text{IFI} < 0.3$). These mandals are Bomeraspate is the eleventh rank with IFI value of 0.29, Kosgi is the 12th rank with IFI value of 0.28, Doulatbad is the thirteenth rank with IFI value of 0.27, Damgodda is the fourteenth rank with IFI value of 0.26, Maddur is the fifteenth rank with value of 0.25, Kolkonda is the sixteenth rank with the value of 0.24, the other mandals have a low IFI values, hovering between 0.0 and 0.2. Buthpoor is the sixty three rank with value of 0.13 and Atchempet is the least sixty four rank with IFI value of 0.1 are the very low level of financial inclusion it means that IFI value is just above ‘0’. Those mandals are very low in banking penetration, banking services, and using banking credit towards financial inclusion. The researcher found major observations in Mahbubnagar district that the majority
of the households are going to migrate for the most of the days; they were only 60 to 90 days available in their homes that also if they have any agricultural cultivation.

3. Measuring Mandal wise Financial Inclusion Index for Srikakulam district:

- **Low Level Index of Financial Inclusion**: The empirical hypothesis results showed that out of 37 mandals, 27 mandals were in the low level of Financial Inclusion Index. The hypothesis is $0 \leq \text{IFI} < 0.3$ – low financial inclusion, these are the least mandals such as Hirmadalam with IFI value of 0.14, Vajrapu Kotturu with IFI value of 0.12 and L.n Pata Value of IFI 0.1, these mandals are the most back ward in financial inclusion. The researcher found major observations in Srikakulam district that the majority villages are segregated from main villages and it is cost affective to banking infrastructure development.

4. Measuring Mandal wise Index of Financial Inclusion for Vijayanagarm district

- **Low Level Index of Financial Inclusion**: Out of 34 mandals, 22 mandal have the least IFI ranks. But among the least of IFIs values Komarade is in the thirty two rank with IFI value of 0.13 , Gummalaximipuram is the thirty three rank with IFI value of 0.12, Makkuva is the thirty four rank with IFI value of 0.1. These mandals are the most back ward in financial inclusion.

7.3. Socio-Economic Conditions of Selected Households

1. Distribution of Households by Age Composition: Overall Scenario of three districts

- Out of 780 sample Households, the majority 31.02 per cent of the sample Households age was distributed between 20 to 30 years old, while the least 4.48 per cent of the sample Households, age was between 50 to 60 years old and 19.48 per cent of the Households were distributed among age group between 40 to 50 years age old. Whereas in 5.54 per cent of the Households, age was
between 15 to 20 years, in the present study area. The survey results revealed that in the majority of the Households, age was very productive age.

2. **Distribution of Gender Composition:** Population enumeration by gender composition is one of the basic demographic characteristics and provides meaningful demographic analysis. The overall scenario of three districts showed that the majority 51.28 per cent of the Households were male, while 48.71 per cent of the Households were female. However, the gender composition men are more than the women in the study areas.

3. **Distribution of Households by Size of the Family:** In the majority 62.14 per cent of the Households family size is less than 5 family members in three districts, while in 17.30 per cent of the Households family size is 6 to 7 members, whereas in 20.56 per cent of the Households family size is 5 to 6 members in their family.

4. **Distribution of the Heads of Households by Literacy Level:** The overall literacy level scenario of three districts showed that the majority 45.78 per cent of the Households were illiterates among three districts, while 8.20 per cent of the Households were at graduate level and 26.92 per cent of the Households were at primary standard level, whereas 19.10 per cent of the Households were at secondary level of education in three districts of Andhra Pradesh.

5. **Distributions of Households by Community:** The majority 35.64 per cent of the Households belong to backward caste, while least 5.39 per cent of the Households belong to other caste and 32.69 per cent of the Households belong to Scheduled caste whereas 26.28 per cent of the Households belong to Scheduled Tribes in the three districts of research study.

6. **Distributions of Households by Occupation:** In the majority 46.02 per cent of the households occupation is agriculture labors in three districts, while in least 3.07 per cent of the households traders/commerce and 19.48 per cent of the Households is cultivators, 9.23 per cent of the Households occupation is cattle rare and in 7.94 per cent of the households their occupation is construction labours in three districts. In the professional occupation such as employed people or salaried people are 3.07 whereas 3.97 per cent of the Households are self-employed, and 3.25 per cent of
the household are industrial labour. However, the survey results revealed that the majority of the household depend on only agriculture.

7. Distributions of Households by Annual Income: In the overall scenario of households annual income, the majority 40.25 per cent of the sample Households annual income is between Rs 15,000 to 25,000 only, while the least 2.43 per cent of the Households annual income is Rs. 55,000 & above and 32.56 per cent between Rs. 25,000 to 35,000, 13.07 per cent of their annual income is between Rs. 35,00 to 45,00, whereas 7.59 per cent of their annual income is less than Rs 10,000 and only 4.13 per cent of the Households were able to earn their annual income between Rs 45,000 to 55,000 in all three districts of Andhra Pradesh.

8. Distributions of Households by Land Holding Pattern: Out of 780 sample Households, over 39 per cent of the Households in the three districts surveyed are agricultural labourers. The result has revealed that 18.71 per cent households occupy land holdings in the size of land 1 to 2 acre on an average, while the least 2.08 per cent in the size between 5 and above acres. But 16.18 per cent of the Households have less than the one acre in three district and 18.71 per cent of the households have the lease land in the size of 1 to 2 acres, 11.28 per cent in size the between 2 to 3 acres, 3.84 per cent of the Households have the land holding in the size between 3 to 4 acres.

7.4 Measuring Demand Side financial Inclusion: Overall Scenario

A. Access to Finance

1. Do you have Bank Account: The majority 63.58 per cent of the sample Households don’t have the bank account among three district of Andhra Pradesh, while only 36.42 per cent of the sample households had the bank accounts overall.

2. If you have, what type of Account: The majority 45.12 per cent of the household have the account in only SHGs group, while only 1.92 per cent of the sample household had the current account and then 33.90 per cent of the sample household had the no-frill accounts, 7.92 per cent have savings account and 5.76 per cent of the household had low-cost account, whereas 5.38 per cent joint account
3. Do you know how to use ATM Services: Out of 780 sample respondents the majorities 87.30 per cent of the samples respondents don’t know how to use the ATM services, while only 12.69 per cent of the sample respondents know how to use the ATM among the sample respondents in three district of Andhra Pradesh?

4. Where do you have account: The majority 55.89 per cent of the sample Households have their account only in SHG/MFI’s while least 6.66 per cent in BCs centres and 16.02 per cent of the sample Households have account in post offices, 12.17 per cent have in commercial banks whereas 9.23 per cent of the sample Households have in cooperative societies.

5. What type of ID proofs your submitting to open the account: The majority 63.33 per cent of the sample Households have given their ration card as proof to open their bank account, while 0.89 per cent have some government official letter to open account and 30.12 per cent of the sample Households have voter cards to open their account whereas 5.64 per cent of the have Aadhar card to open their bank accounts.

6. Do you have Individual or group or joint account: The majority 64.63 per cent of the sample Households have SHG Group accounts, while only 4.23 per cent have joint account and 19.61 per cent of the Households have NREGP account whereas 11.53 per cent of the sample Households have individual account.

7. Do you have ATM: The majority 78.84 per cent of the sample Households’ do not have ATMs while only 21.16 per cent of the sample Households have ATMs.

8. Do you know how much interest rate is paid: The majority 23.58 per cent of the Households are paying interest rates of 18 per cent to 24 per cent per annum while least 14.74 per cent of the sample Households are paying Pavala Vaddi interests and 21.53 per cent are paying below 10 per cent interest rates, 20.89 per cent are paying 10 per cent to 18 per cent of interest rates whereas 19.23 per cent of the sample Households are paying more than 24 per cent per annum in three district of the Andhra Pradesh.

B. Deposits and Withdrawals

9. How many times your visiting bank in a month: The majority 31.02 per cent of the Households are accessing every two months, while 10.38 per cent accessing
every four or more than four months and 25.64 per cent of the Households are accessing once in a month, 21.53 per cent accessing once in every three months whereas only 11.41 per cent of the sample Households are accessing once in a three weeks.

10. **Frequency of deposits and withdrawals by account holders:** The majority 33.20 per cent of the sample Households do deposits and withdrawals once in every two months, while 1.28 per cent are able to do deposits or withdrawals once in a week and 21.92 per cent of the sample Households have access to frequency of deposits and withdrawals once in every six months only and 13.84 per cent once in 5 weeks whereas 2.05 per cent of the sample Households have access to make frequency of deposits and withdrawals by account holders once in two weeks in a month.

11. **What type of services getting from bank/ BC:** The majority 51.79 per cent of the sample Households are getting services with SHG linkage from the BC/BF centers, while only 7.05 per cent getting agri loan services and 17.82 per cent of the sample Households are getting term loan services, 10.89 per cent withdraw services and 9.48 per cent savings facilities, 7.05 per cent get agri loan services from the BC/BF centers.

12. **Level of awareness on Internet Banking:** The majority 85.7 per cent of the sample Households do not know the internet banking, while only 1.53 per cent had awareness on internet banking and 9.87 per cent have poorly awareness, whereas 0.51 per cent of the sample Households are fairly aware of internet banking in three districts of Andhra Pradesh.

13. **Level of awareness on Mobile Banking:** The majority 78.07 per cent of the sample Households does not know the mobile banking and the level of awareness is zero level, while only 2.05 per cent had the very awareness and 15.76 per cent have poorly awareness whereas 4.10 per cent of the sample Households have fairly awareness on mobile banking in three districts of Andhra Pradesh.

14. **Awareness on online banking:** The majority 53.84 per cent does not have any awareness on online banking, while only 5.76 per cent had very awareness and 27.94 per cent have poorly aware whereas 12.94 per cent fairly awareness in three
districts. However, the majority of the sample Households did not have awareness on online banking services.

C. Access to Insurance

15. Percentage of household have types of insurance: The majority 65.89 per cent of the sample Households did not have any insurance in the three districts of Andhra Pradesh, while only 2.94 per cent have livestock insurance and 19.87 per cent have life insurance, 7.69 per cent have health insurance whereas 3.58 per cent of the sample Households has accidental insurance in three districts.

7.5 Model Specifications with Regression Results

Credit Widening: Out of the selected independent variables shown the empirical results of regression equation have been mentioned in the methodology. As shown in the table, the $R^2$ for equation (1) is 67.75%. It can be observed that there exists a positive relationship between Credit Widening ($C_w$) with all the independent variables except for variable $x_4$. This clearly describes that higher economic development, higher financial literacy and an effective SHG bank linkage programme facilitates higher financial inclusion across the areas. The inverse relationship between $C_w$ and $X_4$ (Population per branch) describes larger expansion of branches lead to larger financial inclusion.

Credit Deepening: the analysis presents a close association between financial inclusion and the selected independent variables. In the case of equation (2), $R^2$ is 78.38%. This explains that 78.83% of variation in financial inclusion in terms of financial deepening can be explained by the selected exogenous variables. The amount of loan disbursed per 1000 adult persons was taken as the measure of financial deepening. It can be observed from the results there is a positive relationship between Financial Deepening with Per Capita Income, Financial Literacy, and an effective SHG bank linkage programme. At a 5% level of significance, both per capita income ($X_2$) and SHG variables ($X_5$) are found to be significantly affecting the amount of Financial Inclusion in terms of Financial Deepening. Therefore, it needs to be recognised that if per capita income and SHG bank linkage is the key for success to achieve financial inclusion.

7.6 Conclusion
This research study showed that while assessing the status of financial inclusion, it was found that one third the households in three districts are still marginalized with limited or no access to basic financial services including that of microfinance and insurance. While existing initiatives in measuring financial inclusion are estimated it is found that there is a need for greater focus on the micro and distributional dimensions of financial resources. The analysis results indicated significant regional variances in banking outreach across districts of Andhra Pradesh, as also in terms of their income characteristics. More importantly, the regressions indicate an important role of SHGs, financial literacy and infrastructure in explaining banking outreach.

Social exclusion of low income families such as SCs, STs, and OBCs results in illiteracy, inhibition, pattern of occupation and poor physical access. It also limits awareness, ability to overcome prejudice about their bank-worthiness and enhances the transaction costs incurred by these families for using the financial services available in these districts of Andhra Pradesh. The small value of accounts and transactions expected by the banking system from financially excluded families results in high cost of operations and limits the incentive to serve them. The lack of understanding of products and services appropriate to the needs of low income families results in static approaches like the no frills account where it has become apparent that mere availability is not the issue. But those business strategies suitable for small value accounts and doorstep service delivery results in the slow adoption of mechanisms for reaching financially excluded villages to include in the main stream of development.

The analysis also suggests a role for improving SHGs and BCs regulations. More often than not, capacity building, awareness attainment, and infrastructure development draw significant attention, owing to their visible impact on banking outreach. However, banking regulations can also hinder banking outreach.

The institutions responsible for providing financial services do not yet perceive the financial inclusion in the sample three districts. Some effort has been made by the banks to reach the financially excluded sections of the population, but there is still a long way to go before they can achieve their first target of covering 55.8 million excluded households and all villages with >2,000 population by 2012. Therefore, the progress towards this goal has been relatively limited so far and it is
apparent that the government’s effort to encourage the banking system to promote financial inclusion in an intensive manner needs a substantial impetus if it is to achieve adequate results.

The urgent attention are timely access to affordable financial services including credit, savings, insurance, pension and money transfer, responsible behaviour of the service providers, electronic modes of money handling, livelihood and enterprise creation, and a sound regulatory mechanism that oversees all the above. These all requires a complementary and supportive interplay of multiple institutions, channels, models and experiments.

While this measure undoubtedly puts on some pressure to give the activity impetus and appropriate business strategies are still evolving and various delivery mechanisms are being experimented with. Financial literacy and level of awareness continue to remain an issue in these three districts and the ICT Based BC Model is also taking time to stabilize due to lack of financial awareness. Therefore, India need an innovative economic strategies that should coordination of all the stakeholders like sectoral regulators, banks, governments, civil societies, NGOs, etc. to achieve the objective of financial inclusion. But the question remains whether the banks see business potential in the delivery of financially inclusive services or whether it is just another regulatory burden for them to bear?

7.7 Policy Suggestions

- To promote Policy on to improve credit flow to rural areas
- To explore further improve efficiency of SHGs and BCs activities
- To examine the banks to conform to the priority sector lending target
- To explore on public policy may have to be geared up for increase rural connectivity
- To examine the Indian banking reforms must focus on suitable financial products & services with affordable, accessible and available
- To make policy on financial literacy, capacity building and awareness financial products and services
- To Promote policy on innovative economic strategies for greater use of technology to propagate financial inclusion
7.8 Further Research:

Based on the findings of this study the literature the followings possible directions of future research are suggested. There is demand for the research in other researches can utilize this topic as follows:

1. As the present study focused only status of financial inclusion among rural households in three districts. But there is scope for doing research on BCs evaluation and performance

2. There is demand for saving behavior of households in rural and urban areas

3. Optimum utilization of technology for business models of financial inclusion in a more market drive inquisition.

4. Researchers can apply a more informatory method of data accumulation while looking into aspects such as the demand and the supply sides of the topic. In tackling the problem, it is important to note that the issue comes from both the individual, household and providers point of view.

5. This will enable them to make effective and innovative solutions. This can be in terms of consumer behavior and customer satisfaction of financial services. Acknowledging comments and data from all sources will drive for higher levels of development.

India needs to adopt appropriate viable regulatory framework for innovation economic strategies which focus on accessible and affordable financial services, products and processes, synergistic partnerships with non-bank entities including the technology service providers for efficient handling of low value, large volume transactions, particularly in remote areas have to be cover. The appropriate innovative economic strategy regulatory in policies, partnerships, processes and products and risk management policies that ensure financial inclusion and financial stability move in tandem meant for financial inclusion. If these issues are addressed in a proper way with in time, the Indian banking sector has the potential to become further deeper and stronger. The innovative economic strategy attention would facilitate better financialisation of the economy and in the medium to long-term lead to broad-based economic growth.