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CHALLENGES OF FINANCIAL INCLUSION-A STUDY WITH REFERENCE TO RURAL AREAS OF TAMIL NADU IN INDIA

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ABSTRACT
Financial inclusion has become an important field of study because of economic inequalities existing in society. This, of course, has several reasons such as illiteracy and cultural factors. For example, in a male dominated society where there are other divides (caste, religion, place of residence (urban/rural) particularly among the poor people much available money is spent on alcohol. This is a serious problem. Then there is natural calamity which affects all of humanity. Then there is the farm sector where the labourers are poorly paid and suicide of farmers across India is common news. Central/ state funding for calamity are also issues that indirectly impact financial inclusion. Financial inclusion is not all about expanding credit facility to all segments of society. It requires a holistic approach and hence a more historical perspective and not in the manner of an arm chair critic look to critically at events.
KEYWORDS : ***Financial Inclusion, credit penetration, Branch penetration, Deposit Penetration,***

INTRODUCTION

Financial inclusion has become an important field of study because of economic inequalities existing in society. This, of course, has several reasons such as illiteracy and cultural factors. For example, in a male dominated society where there are other divides (caste, religion, place of residence (urban/rural) particularly among the poor people much available money is spent on alcohol. This is a serious problem. Then there is natural calamity which affects all of humanity. Then there is the farm sector where the labourers are poorly paid and suicide of farmers across India is common news. Central/ state funding for calamity are also issues that indirectly impact financial inclusion. Financial inclusion is not all about expanding credit facility to all segments of society. It requires a holistic approach and hence a more historical perspective and not in the manner of an arm chaircritic look to critically at events.

Financial inclusion relates, as is known, to ensuring 5 A's

(i) Adequacy Of Norms,
(ii) Availability Of Wide Range Of Products,
(iii) Accessibility By Customers,
(iv) Awareness About Products Offered By The Banks And
(v) Affordability of Finance.

It is also an adoption of Multi-prolonged strategy such as opening up of branches, building partnership with Self Help Groups, Micro Finance Institutions etc., enhancing network of banking services through Business Correspondence, Business Facilitators and promoting wide range of product to cater to the needs of the poor. Fortunately as far statistics provided by the RBI, Tamil Nadu falls within the "medium financial inclusion segment Kerala, Maharashtra and Karnataka belong to "High Financial Inclusion" category. Of course, the RBI, in our country has been seriously addressing the issue of financial exclusion as its white paper suggests. RBI realized that there is a greater need to focus on policies and processes. It understands the value of partnerships and technology. It has been focusing on voluntary savings and other related lines such as cash credit system of lending over 3 to 5 years cycle to minimize the problem of inadequate finance and non-availability of repeat loans, to enable creation of joint

liability groups within self-help groups to scale up economic activities by more entrepreneurial members, improving risk mitigation systems by bringing in third party audit, building second tier institutions, strengthening the monitoring mechanism and addressing training requirements.

The RBI understands the importance of Micro Finance Institutions and one of its important mantras in this is to reinvent the MFI sector as acommunity relevant to public and policy support. The exhaustive review of literature that we have done has given us a better perspective and a clearer understanding of the nuances of Financial Inclusion. Since the Industrial Revolution the societies across the world has been changing in their economic demography. It is interesting to note that before the IndustrialRevolution let us say around the 1750's India ranked second in GDP coming next to China. But by 1900 we were pushed into the limbo because of British imperialism. Post Prime Minister, the late Narasimha Rao's push into globalization we are slowly achieving towards becoming a balanced economic nation but as the American poet, Robert Frost, has said we have "miles to go" in our holistic approach to Financial Inclusion. It is also important to realize since the Industrial Revolution class divisions have become sharper and the binary division of haves and have not's or the rich and poor have expanded into sub classification within higher, middle and lower classes nomenclature. Ashok Lahiri in his paper "Indian Financial Reforms- National priorities Amidst an International Crisis" argues for an improved focus on the middle class as an economic policy over against the present policy of concentrating only on the poor. This clearly makes us seeFinancial Inclusion from yet another very important perspective.

The nationalization of bank has brought remarkable changes in the economy. The Lead Bank Scheme was introduced to remove poor from the clutches of moneylenders and to mobilize deposits all over the country. In April 1980, six more banks were nationalized. The Government control overbanks has increased by the second phase of nationalization. It controls91% of the banking business in India. As of today 19 nationalized banks are in existence after the merger of New Bank of India with Punjab NationalBank. During the 1990s, the former Prime Minister, Dr. Narasimha Rao, expressed his views on Liberalization, licensing a small number of private banks to have competitive environment in the banking system. The private sector banks were given license to operate after two decades which increased over the years. The banking industry moved in to the next stage, the relaxation of norm for foreign direct investment, thereby the banking industry has attained rapid growth with strong contributions from all the three sectors of banks namely Government Banks, Private Banks and Foreign Banks.

RATING AGENCIES

The CRISIL, a Standard and Poor Company ranks the states of India on three dimensional parameters i.e., Branch Penetration- the parameter for measuring it, and is based on the number of bank branches per lakh population in a district which includes both Scheduled Commercial Banks and Regional Rural Banks and also number of loan accounts perlakh population in a district. The significance of this methodology is to measure the affordability ofthe people in a particular area for regular access of banking services. The higher the branch penetration, the better is the result.

Deposit Penetration- it is measured by taking into consideration the number of savings deposit accounts per lakh of population in a district. Theimportance of this method is to measure the extent of access to savingsproducts offered by banks in a particular area.

Credit Penetration – the performance of banks is analysed as definedby the Reserve Bank of India through number of small borrower loan accounts per lakh of population in a district and also number of agriculture advances per lakh of population in a district. The Credit Penetration is used to measure the farmer's access to credit.

If all the three dimensions are higher, then better is the result. TheInclusive Index Score of the CRISIL reveals that the southern region leads in terms of financial inclusion with a score of 62.2 out of 100 for 2020 and it is followed by Western, Northern, Eastern and North Eastern regions. Italso reveals that the financial exclusion exists not only in rural areas but also in urban areas due to time and income constraints, even urban areas outperform the rural areas in low financial inclusion. The CRISIL also analyses the number of agricultural accounts and wide spread penetration of micro credit loans through Self Help Groups in Tamil Nadu.

It is found that 19 districts by agricultural accounts and 14 districtsby borrower's account of the state placed themselves among top 50 districtsin India.

The Indian Council for Research on International Economic Relations (ICRIER), another rating

company, rates the position of the country in termsof financial inclusion.

It draws Index for measuring the performance of the country in financial inclusion. It ranked India at 50th position in the Index of Financial Inclusion. The Index so drawn indicates that the operation of formal accounts is moderately high irrespective of low density of bank branches. Ithas also pointed out that the branch penetration in India is lower compared to other developed countries. The report of ICRIER Indicates the need for expansion of banking services in the country.

CHALLENGES OF FINANCIAL INCLUSION

Financial inclusion helps the country to progress towards sustainabledevelopment. This means that maximum number of the population should be part of financial inclusion. But this is not as easy as said because India has more rural population than urban. Actually financial inclusion is a challenge to our country. Since 2005 the RBI has been making concerned efforts in tackling several issues related to financial inclusion. The rural urban divide so prominent in our country has serious consequences on sustainable development. Financial inclusion, as the very phrase suggests, is inclusion of the really poor, the illiterate and the weaker sections of the society. It also means educating the poor, illiterate rural women population. And these marginalized sections primarily do not have financial literacy. In spite of several such measures that the Central Government and RBI have taken separately for the urban and the rural population which includes, among other things, the establishment of Business Correspondents, KYC norms, Electronic Transfer,

Basic Saving Bank Deposit Account, Kisan Credit Cards, Aadhaar scheme and Mahatma Gandhi National Rural Employment Guarantee Scheme still there are several issues that have to be addressed for proper implementation of financial inclusion. The real challenge for proper implementation of financial inclusion is to balance both the demand side and supply side. So the real challenge is how to educate the customer? How to create awareness amongcustomers?

SIGNIFICANCE OF THE STUDY

Financial inclusion can be interpreted as public good since it meets the conditions of non-rivalness in consumption and non-excludability. The entire national financial system benefits by greater inclusion through the application of multiplier effect on the economy through enhanced savings and credit to the people at the bottom of the pyramid when it is promoted in the wider context of economic inclusion. The significance of the study is to promote financial stability and to facilitate transfer of government benefits without leakages and to benefit the financial institutions by stable deposit base from the retail customers by suggesting measures to overcome the unmet issues and challenges of financial inclusion.

OBJECTIVES OF THE STUDY

The following are the objectives of the present study:

1. To analyses the measurement of financial inclusion in public, private and cooperative banks in Tamil Nadu;
2. To evaluate the performance of the public, private and cooperative sector banks related to financial inclusion in TamilNadu;
3. To examine the predominant objectives of financial inclusion inthe study area;
4. To study the factors responsible for challenges of financial inclusion;
5. To study the effectiveness of bank linkage programme in public, private and cooperative Sector Banks.

RESEARCH METHODOLOGY

Research Design

The study is conducted using both analytical and descriptivetypes of methodology. The study is based on both primary and secondary data. The primary data is collected through the structured questionnaire derived out of literature gaps. The secondary data is collected through websites, periodicals, annual reports, journals and magazines.

Study Area

The study area is confined to six districts of Tamil Nadu in terms ofper capita income to identify

the need for financial inclusion. After ordering the districts according to their GDP ranking, the researcher selected two districts with high per capita income(Chennai, Kanchipuram), two districts with mediocre per capita income(Karur, Namakkal) and two more districts with low per capita income(Villupuram, Ariyalur)

Questionnaire Design

After reviewing national and international literature, the researcher identified the predominant gaps pertaining to financial inclusion. These gaps paved the way to form a research instrument comprising of independent and dependent variables. The literature gaps comprises of measurement, objectives, issues and challenges of financial inclusion. Based on these aspects, the researcher used multiple options, Unique Options, Bi-Polar type and Likert's five point scale type questions. The details are given below.

Table 1.1: Questionnaire Design

	Multiple Options	Unique Options	Bi-polar Type	Likert'sFive Point Scale	Total
Measurement of Financial Inclusion	5	6	5	-	16
Objectives of Financial Inclusion	-	-	-	5	5
Challenges of Financial Inclusion	-	-	-	27	27
TOTAL					48

Source: primary data

Scaling Technique in the Questionnaire

The questionnaire used comprises both optional type and Statements in Likert's 5 point scale. The responses of these sections are obtained from the employees of banking companies in the 5 point scale, which ranges as follows:

5 – Strongly agree 4 – Agree 3 – Neutral 2 – Disagree 1 – StronglyDisagree

Sampling Size and Design

After confirming the reliability and validity of the research instrument, the researcher conducted the main study by selecting the six districts of Tamil Nadu. The analytical reasons for selecting the six districts are Per Capita Income and GDP of the particular districts. Totally in Tamil Nadu, the districts are ordered in terms of Per Capita Income to identify the need for financial inclusion. After ordering them, the researcher selected two districts with high per capita income, two districts with mediocre per capita income and two more districts with low per capita income.

Totally six districts were selected out of all the districts in Tamil Nadu. The number of Public, Private and Cooperative sector banks in these districts, number of questionnaire circulated, received questionnaires, rejected questionnaire and finally used questionnaire details are given in thetable below

Table 1.2: Sampling Domain

Districts	Public Sector Banks	Private Sector Banks	Cooperative Banks	Circulated	Received	Rejected	used
Chennai	1278	505	2	220	214	2	212
Kanchipuram	333	160	1	50	43	1	42
Karur	21	54	-	8	8	-	8
Namakkal	134	63	-	20	19	1	18
Villupuram	162	71	1	24	24	1	23
Ariyalur	5	7	-	12	12	-	12
TOTAL	**1933**	**860**	**4**	**334**	**320**	**5**	**315**

Source: Primary Data .Hence the sample size of the research is 315.

a. Data Analysis

After collection of responses from Public, Private and Cooperative Banks the researcher coded the information in to numerical values in the data sheet. The data coded are subject to the following univariate and multivariate statistical analysis.

1. Simple Percentage Analysis
2. Trend Analysis
3. Factor Analysis
4. T-test
5. Cluster Analysis
6. Non Parametric Chi-Square Analysis of Association
7. One Way Analysis of Variance

Limitations of the Study

It has the following limitations.

1. The study covers individuals only and does not cover householdsand firms.
2. The study covers secondary data pertaining to the ScheduledCommercial Banks, Regional Rural Banks and Co-operatives
3. The branch manager or the head of a bank branch has beenconsidered as representative of the branch.
4. The study is subject to common limitations of sample survey
5. The study is confined to the rural areas of Tamil Nadu, it is not practical to cover all the rural areas; the survey was confined only to the randomly selected rural areas in Tamil Nadu.

REVIEW OF LITERATURE

AFI (2010) critically analyses the policies implemented and expresses their views on policy makers' role in framing it. It has also added that the policy makers can easily diagnose the level of financial inclusion, if the data collected is reliable. They also present that there is no recognized standard to measure financial inclusion. They conclude that they have formulated a core set of financial indicators to measure it in a common way by every country. **LaxmiMehar (2014)** assesses progress in banking sector reforms especially focusing on financial inclusions over the past decade or so, and analyse the new challenges that confront India's policymakers and financialregulators. They focus on the penetration of various financial services offered and conclude the awareness of long term loan, the educational loan,and cheque facility are the most significant factors to increase the financial inclusion in India. **Joshi and Vikram K (2014)** there is a correlation between the human development and financial inclusion. The level of financial inclusion is measured by taking in to consideration the per capita GDP, inequality of income, literacy of adults and thereby it can be concluded that the these factors correlate positively with the human development. **Mandira Sarma,JesimPais (2008)** the policy has to be framed with social protective programme. An empirical analysis is carried out to analyze the strategies framed to achieve financial inclusion by analyzing three Indian states. They examine the outcomes of strategies implemented in urban areas and conclude that the introduction of diversifiedfinancial products in those areas will not be fruitful due to the competitivedisadvantage. **Jones, J. Howard M. Williams, Marylin Nilsson, EsseThorat, Yashwan (2007)** examine the development of the training programme, its implementation, and the results of its evaluation. The authors suggest that training can bring about attitudinal change, which in turn is reflected in behaviour and social impact. **Priyadarshee, AnuragHossain, FarhadArun, Thankom (2010)** suggest that financial products have to be circulated among people of rural areas through postal counters which will lead to the access of the account, which in turn also increases the revenues of Indian post. The policies will be effective only if it is designed with social protection programme. . **Christal Koehlar (2009)** Postal operators are the forerunners of developing financialinclusion in rural areas.

AN ANALYSIS OF CHALLENGES OF FINANCIALINCLUSION

The main aim of this chapter is to analyze the different level of challenges faced by the financial institutions. The researcher exploited factor analysis, t-test, cluster analysis, to extract the exact perception of bank employees towards the challenges of financial inclusion. In this section the researcher explores predominant issues in the financial inclusion and the perceptual differences among the employees of financial institutions in facing challenges. The researcher is going to use factor analysis, cluster analysis and non-parametric chi-square analysis to relate both independent and variables of the research.

FACTOR ANALYSIS OF CHALLENGES OF FINANCIALINCLUSION

Factor analysis by the principal component method is applied on all twenty seven variables of challenges of financial inclusions. The following results are obtained for the classification of the factors.

Table 1.3
KMO and Bartlett's Test – Financial Inclusion

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.770
lett's Test ofSphericity	Approx. Chi-Square	472.089
	Df	45
	Sig.	.000

From the above table it is found that KMO measure of sampling adequacy is 0.770, Bartlett's Test of Sphericity with approximated chi- square value 472.089 are statistically significant at 5 percent level. This indicates all the twenty seven variables are normally distributed and suitablefor data reduction.

Table 1.4 Communalities

	Initial	Extraction
Q30.1	1.000	.647
Q30.2	1.000	.612
Q30.3	1.000	.713
Q30.4	1.000	.432
Q30.5	1.000	.617
Q30.6	1.000	.522
Q30.7	1.000	.396
Q30.8	1.000	.722
Q30.9	1.000	.580
Q30.10	1.000	.586
Q30.11	1.000	.554
Q30.12	1.000	.561
Q30.13	1.000	.564
Q30.14	1.000	.644
Q30.15	1.000	.658
Q30.16	1.000	.601
Q30.17	1.000	.711
Q30.18	1.000	.660
Q30.19	1.000	.402
Q30.20	1.000	.206
Q30.21	1.000	.536
Q30.22	1.000	.537
Q30.23	1.000	.735
Q30.24	1.000	.640
Q30.25	1.000	.582
Q30.26	1.000	.781
Q30.27	1.000	.612
Extraction Method: Principal Component Analysis.		

From the above table it is found that twenty seven variables of challenges of financial inclusion factors exhibit the variance 0.396 to 0.781. This implies these challenges of financial inclusion variables establish considerable variance 39.6% to78.1%. This variance range is statistically significant at 5% level and the segmentation process can be done for these twenty seven variables.

Table 1.5
Total Variance Explained – challenges of financial inclusion

Component		Initial Eigenvalues			Rotation Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
dimension0	1	9.217	34.136	34.136	6.732	24.932	24.932
	2	4.037	14.951	49.087	6.431	23.819	48.751
	3	2.556	9.465	58.552	2.646	9.801	58.552
	4	2.220	8.223	66.775			
	5	1.618	5.994	72.770			
	6	1.488	5.513	78.282			
	7	1.127	4.173	82.455			
	8	.844	3.126	85.581			
	9	.823	3.049	88.630			
	10	.699	2.588	91.218			
	11	.678	2.511	93.729			
	12	.467	1.729	95.457			
	13	.415	1.537	96.994			
	14	.267	.988	97.982			
	15	.175	.648	98.630			
	16	.151	.561	99.191			
	17	.082	.303	99.494			
	18	.065	.239	99.733			
	19	.045	.168	99.901			
	20	.017	.062	99.963			
	21	.010	.037	100.000			
	22	1.651E-15	6.116E-15	100.000			
	23	9.466E-16	3.506E-15	100.000			
	24	-1.548E-15	-5.734E-15	100.000			
	25	-2.067E-15	-7.656E-15	100.000			
	26	-3.546E-15	-1.313E-14	100.000			
	27	-4.562E-15	-1.689E-14	100.000			

From the above table it is found that ten variables are reduced intothree predominant factors with individual variances 24.932, 23.819 and 9.801 and the total variance 58.552%. This shows that the twenty sevenvariables of challenges of financial inclusion factors are reduced into three predominant factors to represent their respective underlying variables. Thefollowing information clearly explains the variable loadings in each factor.

Table 1.6 Rotated Component Matrix[a]

	Component		
	1	2	3
Targeting priority sector lending requirements	.864		
Improving the quality of service	.801		
Q30.17 Creation of Mobile (branch) banking	.789		
Serving large no of client	.763		
Mandates to provide no-frills bank accounts	.747		
Creation of Mobile (phone) banking	.670		
Making cost efficient and user friendly ATM'S and Point of Sale(POS)	.660		
Making products available to new client group	.606		
Improving the system and operation, regulation and supervision of microfinance institutions	.594		
Linking government benefits to deposit accounts	.578		

Full range of products(credit, savings, insurance and payments) provided by Micro Finance and otherfinancial institutions	.564		
Sharing information on borrowers repayment histories and total debt with credit bureaus.	.525		
Difficulty in Operation of Village savings and loan associations/self-help groups when the formal providers cannot meet their financial needs		.817	
Regulating Self without requiring formal Government Oversight		.800	
Helping the existing Retailers(post office, SHG etc) to cut their cost and to expand their operation in rural and remote areas		.769	
Providing identification for all the citizens to help individuals easily open an account or to take out loan		.747	
Providing identification for all the citizens to help individuals easily open an account or to take out loan		.713	
Developing affordable range of products		.668	
challenge in Collecting demand-side financial information		.656	
Prudential regulation and supervision (in general)		.647	
New entrants of Non-traditional providers		.642	
Providing a stronger legal framework for lending throughcollateral registries, property rights reform, and improved court processes		.627	
Getting cooperation from other service providers in Product bundling and cross-selling to decrease the costof issuing new products			.799
Providing Financial education to customers to manage their financial resources			.801
Regulating providers to treat client fairly			.737
Downscaling of Commercial bank			.723
Time involved in documentation procedures			.547
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

From the above table it is found that the first factor comprises of thirteenvariables namely:
Targeting priority sector lending requirements (.864) Improving the quality of service (.801) Creation of Mobile (branch) banking (.789)Serving large no of client (.763) Mandates to provide no-frills bank accounts (.747) Creation of Mobile (phone) banking (.670) Making cost efficient and user friendly ATM'S and Point of Sale (POS) (.660) Making products available to new client group (.606) Improving the system and operation, regulation and supervision of microfinance institutions (.594) Linking government benefits to deposit accounts (.578) Full range of products (credit, savings, insurance and payments) provided by Micro Finance and other financial institutions (.564) Sharing information on borrowers repayment histories and total debt with credit bureaus.(.525) Therefore this factor is named as "**Underpinnings of banking services"**

The second factor comprises of five variables namely:
Difficulty in Operation of Village savings and loan associations/self-help groups when the formal providers cannot meet their financial needs (.817) Regulating Self without requiring formal Government Oversight(.800) Helping the existing Retailers(post office, SHG etc) to cut their cost and toexpand their operation in rural and remote areas(.769) Providing identification for all the citizens to help individuals easily open an account or to take out loan(.747) Providing identification for all the citizens to help individuals easily open anaccount or to take out loan(.713) Developing affordable range of products(.668) challenge in Collecting demand-side financial information(.656) Prudential regulation and supervision (in general)(.647) New entrants of Non-traditional Providers(.642) Providing a stronger legal framework for lending through collateral

registries, property rights reform, and improved court processes(.627)Therefore this factor s named as "**Less cash economy"**

The third factor comprises of three variables namely:

Getting cooperation from other service providers in Product bundling and cross-selling to decrease the cost of issuing new products (.799) Providing Financial education to customers to manage their financial resources(.801) Regulating providers to treat client fairly(.737) Downscaling of Commercial bank (.723)

Time involved in documentation procedures(.547) Therefore this factor is named as "**Financial regulatory frameworkpriorities"**

CLASSIFICATION OF FINANCIAL INCLUSION IN RURAL AREAS BASED ON THE FACTORS OF CHALLENGES

In this section the major challenges faced by the bankers to financially include less privileged in rural areas are identified through k- means cluster analysis. It classifies the sample units into heterogeneous groups and their nature of heterogeneity is anatomically analyzed. The total average scores of the five factors of challenges faced by the banks in financial inclusion classify the sample unit in the following way.

Table 1.6 Final Cluster Centers

	Cluster		
	1	2	3
Underpinnings of bankingservices	4.41	3.97	3.93
Less cash economy	4.41	3.03	3.64
Financial regulatory framework priorities	4.21	3.90	3.00
Financial inclusion Objectives	4.36	4.11	4.79

Table 1.7 Number of Cases in each Cluster

Cluster	1	102.000(32.4%)
	2	142.000(45.1%)
	3	71.000(22.5%)
Valid		315.000(100%)

In first cluster comprises of 102 employees (32.4%) strongly agree towards facing all the challenges to financially include less privileged in rural areas. Therefore this group of bank employees are called as **"DYNAMIC RESPONDNETS"**

The second cluster consists of 142 employees (45.1%) moderately agreed towards facing challenges in underpinnings of banking services, less cash economy, financial regulatory framework priorities and towards facing the challenges towards financial inclusion objectives. Therefore, these groups of employees are called as **"ACHIEVERS"**

The third cluster consists of 71employees (22.5%) moderately agreed towards facing challenges in underpinnings of banking services, less cash economy, financial regulatory framework priorities and strongly agree towards facing the challenges towards financial inclusion objectives. Therefore these groups of employees are called as **"MECHANICAL RESPONDENTS"**

FINDINGS

Underpinnings of banking services, less cash economy and financial regulatory framework priorities are the predominant challenges faced by the financial institutions in their process of financial inclusion. They are baffled to decide important service to the rural areas for their economic empowerment and less cash economy prevailing in the state hampers them to financially include the abandoned household in different geographical bases. The financial regulatory frame works formulated by RBI have their practical difficulties at the implementation level. The cluster analysis revealed that 32.4% dynamic respondents stronglyagree towards facing all the challenges to financially include less privileged in rural areas and 45.1% Achievers moderately agreed towards facing challenges in underpinnings of banking services, less cash economy, financial regulatory framework priorities and facing the challenges towards financial inclusion objectives. Further it is found that 22.5% mechanical respondents moderately agreed for the factors underpinnings of banking services, less cash economy, financial regulatory framework priorities and strongly agree for financial inclusion objectives. Employees in the age group 25 to 30 years strongly agree for stagnant services, regime uncertainty, infrastructure

bottlenecks in their bank andemployees in the age group 31 to 35 years strongly agree for the technologicallatency. Further it is found that the employees in the age group under 25 years age group strongly agree for in convergence of regulatory and service providers and above 45 years age group employees strongly agree for underpinnings of banking services as well as financial regulatory framework priorities.

SUGGESTIONS

1. A financial literacy and credit counseling center shall be organized by the banks in every district with suitable financial experts, bank officials, so as to impart necessary skills with regard to financial inclusions among the households. Government can promote nodal agencies through well established for promoting fully financial activities and other assistances to the rural households for improving their standard of living.
2. The state Government may focus on the promoting of households in underdeveloped areas. Since development of rural households play a crucial role in alleviation of poverty. Motivational campaign may be
conducted frequently by the bankers for inculcating saving habit in the minds of the rural.
3. The Government and financial institutions shall focus more on the development of rural domain to reduce poverty by implementation of various financial inclusions. The rural households shall form their own norms for group savings and focus on the savings habits regularly as per the prescribed norms.
4. Banks and NGOs need to carefully monitor the credit linked groups especially when the amounts are much higher than the average, in order to ensure an excellent recovery performance.

CONCLUSION

It is concluded that the main objective of financial inclusion is to attach the income generating activities of individuals to banking transaction with multiple channels. The De-centralized approach of Govt. for Financial Inclusion is achieved through banks and financial institutions. The government intended to communicate their policies through financial inclusion of all individuals.

The challenges of financial inclusion mainly arise among the financial inclusion due to their failure of underpinnings of their assigned services.The less cash economy that exists among the poor hamper them to financially include themselves under the main stream. The changing financial regulatory framework and priorities of central and state government added more new challenges to financial inclusion. The study also concludes that government effort is the onlyway for effective financial inclusion.

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