

Financial Inclusion in United Andhra Pradesh: A Case Study of Rayala Seema Region*

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The paper examines financial inclusion in United Andhra Pradesh with focus on Rayala Seema region. It constructed Financial Inclusion Index (FII) using data on eight dimensions of financial inclusion for Andhra Pradesh for 2011. It observes that Hyderabad district leads with the highest FII rank, followed by Anantapur. Among the regions, Telangana leads with the highest FII rank, followed by Rayala Seema. Within Rayala Seema, Anantapur district leads with the highest FII rank, followed by Chittoor. None of the districts and regions falls under the category of high FII group. Most districts fall under the category of low FII group. Telangana and Rayala Seema fall under the category of medium financial inclusion with the FII value falls between 0.3 and 0.5. Thus, Rayala Seema has achieved less than half of the financial inclusion. The objective of financial inclusion and spreading it across areas is far ahead.

I Introduction

One of the key determinants of getting bank license in the recently issued guidelines by Reserve Bank of India (RBI) is the financial inclusion plan of the applicant. Going by the available data on the number of savings bank accounts with banks and assuming that one person has one savings bank account, only 59 per cent of adult population in the country has bank accounts. In rural areas only 39 per cent population has bank accounts against 60 per cent in urban areas. There are also differences across the regions as the unbanked population is higher in the North Eastern and Eastern regions. The worst scenario is observed when it comes to the availability of credit to the people. Only 14 per cent of adult population has loan accounts in the country. In rural areas it is only 9.5 per cent against 14 per cent in urban areas. Regions wise, South region has the highest loan accounts at 25 per cent, followed by Western region at 13 per cent, Northern region at 12 per cent, Central region at nine per cent, Eastern region eight per cent and North-Eastern region at seven per cent (Usha Thorat 2007).

Financial inclusion (as against financial exclusion) has been defined in the literature in the context of larger issue of social inclusion (exclusion) in a society. Some of the earlier definitions for financial inclusion (exclusion) were given by

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