IMPACT OF FINANCIAL LITERACY, FINANCIAL AWARENESS AND FINANCIAL INCLUSION IN JAMMU

[1]Ms. Garima Kohli, [2]Dr. Amisha Gupta
[1] Research Scholar, [2]Assistant Professor
[1]The Business School
[1]University of Jammu, Jammu, India

Abstract- Finance is important for mobilizing any economy. Government across the world strives to provide access to finance to the individuals. Financial Literacy is the first step towards achieving financial inclusion. It is an important adjunct for promoting financial inclusion, financial development and ultimately financial stability. Financial Inclusion is a drive towards attaining inclusive growth and sustainable development and plays a major role in driving away the poverty from the country. Thus the main aim of financial Inclusion is to deliver and spread awareness regarding banking and financial services at affordable costs to the unbanked and low income sections of society so as to unlock their savings and investment potential. The government of India (GOI), Reserve Bank of India (RBI) and financial institutions has been taking proactive actions for providing formal banking services to vast section of people in India. Recently the government of India (GOI), has launched the 'Pradhan Mantri Jan DhanYojana' (PMJDY), with a purpose of removing financial untouchability and providing universal access to banking services with at least one necessary banking account for every family, financial literacy, right to use to credit, insurance and pension by providing formal banking services to the poor. In this paper, researcher attempts to study the factors responsible for financial literacy, financial awareness and financial inclusion. The study is based on descriptive and exploratory style using both secondary and primary data. The primary data is collected with the help of interview conducted among the rural households in Jammu. 100 respondents are randomly selected from different villages by using simple random sampling. ANOVA is used for the purpose for analyzing the data. The result of the survey shows that there exists a positive relationship on gender, qualification and occupation with respect to Financial literacy and Financial awareness.

Keywords: Financial inclusion, Financial literacy, Financial awareness, Banking services, Government of India.

I. INTRODUCTION

The Indian banking sector has shown unbelievable growth in volume and complication during the last few decades. Despite making significant growth in all the areas relating to financial capability, effectiveness and competitiveness, there are so many issues that banks have not been capable to include huge segment of the adult population, mostly the underprivileged segments of the society, into the fold of essential banking services.

Financial Literacy is the first step towards achieving financial inclusion. It is considered an important adjunct for promoting financial inclusion, financial development and ultimately financial stability. It has assumed greater importance in recent years especially from 2002 as financial markets have become increasingly complex and the common man finds it very difficult to make informed decisions. It is regarded as an important requirement for functioning effectively in modern society. It enables a person to understand the importance of savings. India is among the world's most efficient financial markets in terms of technology, regulation and systems. It also has one of the highest savings rate in the world. In spite of the same, India is still one of the poorest countries in the world. While savings are more in India, where the savings are invested is a cause for concern. We need to convert a country of savers into a nation of investors. The reasons may differ from country to country and therefore the strategy could also be different but all out efforts are being made as financial inclusion can really boost the financial situation and living standards of the poor and the underprivileged (Leeladhar.V,2005).

Financial Inclusion is a drive towards attaining inclusive growth and sustainable development and plays a major role in driving away the poverty from the country. The primary purpose of financial Inclusion is to deliver and spread awareness regarding banking and financial services at affordable costs to the unbanked sections of disadvantage and low income sections of society so as to unlock their savings and investment potential. The Rangarajan Committee, Government of India (2008), defines financial inclusion as 'the process of ensuring access to financial services and timely, adequate credit where needed, to vulnerable groups such as weaker sections and low income groups, at an affordable cost.' This is an effort of 'mainstreaming the marginalized' which plays a key role in the process of inclusive growth involving all he sections of population and regions of the economy.

Financial inclusion is mainly concerned with unrestricted access to public goods and services which is crucial for the growth of the economy. The unawareness about banking services and financial instruments in rural and semi urban area is a matter of concern. The rural and even semi urban people are unaware about the financial instruments and banking services. They generally fear to enter banks and fulfill their financial requirement through money lenders which charges a higher rate of interest. Financial inclusion has become crucial for inclusive development of the economy. Inclusive financial system helps the deprived section of people to get access to formal credit, saving products and other services which help them to overcome poverty and to reduce income inequality existing in the Indian economy. Government of India and Reserve Bank of India should make efforts to reach the rural population through the expansion of banking services.

The government of India has launched a wide array of schemes for inclusive achieving the aim of financial inclusion. The launch of PMJDY, APY, MUDRA, SHG Bank linkage program, Kissan Credit Card Scheme, have proved to be the most important and successful stepping stones towards inclusive growth. The government of India (GOI), Reserve Bank of India (RBI) and financial institutions has been taking proactive actions for providing formal banking services to vast section of people in India. Recently the government of India (GOI), has launched the ‘Pradhan Mantri Jan DhanYojana’ (PMJDY), with a purpose of removing financial untouchability and providing universal access to banking services with at least one necessary banking account for every family, financial literacy, right to use to credit, insurance and pension by providing formal banking services to the poor.

II. REVIEW OF LITERATURE

Financial Literacy is a combination of awareness, knowledge, skills, attitude and behavior, which is necessary to make sound financial decisions and ultimately achieve individual well being. **Navickas (2014)** suggested that for setting of financial goals, one has to analyze his financial position. To do so, there is a need of financial literacy that would advice him to be aware of the expertise of financial services. They reported that young household do not know the basic concepts of financial literacy and 68% household do not keep track of their saving and spending, thus lacking in financial planning. Further, **Radhika and Manisha (2015)** explored a study in various states of the country to learn the relationship between financial inclusion and financial literacy. Result of the study states that literacy level is a major factor affecting the percentage of households availing banking services. Similarly **Chandran (2014)** in his paper evaluated that the only way to fill the existing gap between the estimated and realized inclusive growth is through financial literacy. The dream of financial inclusion can only be empowered through spreading awareness about financial services among general population.

Raghuram Rajan Committee (2008) defines Financial Inclusion “as universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products”. Likewise According to the **Planning Commission (2009)** financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. The household access to financial services includes access to contingency planning, credit and wealth creation. Access to contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household’s level of financial literacy and risk perception. Thus, financial institutions have a crucial role to play in fostering financial inclusion. In this context, **Joseph Massey (2010)** stated that the role of financial institutions in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion can be enhanced by the pro-activeness on the part of capital market players including financial institutions. Further, **Kumar (2013)** studied the status of financial inclusion and provided the evidence of its determinants. The study found that branch network has a major impact on financial inclusion. Proportion of factories and employee base factors are important key determinants of penetration for financial inclusion index. Furthermore, **Gupte, Venkataramani and Gupta (2012)** surveyed the major factors which measure the financial inclusion index in Indian context. The authors used four critical dimensions for calculating financial inclusion index. Outreach dimension (geographic branch penetration; geographic ATM penetration; number of accounts; deposits & loans per 1000 adults), the usage dimension (volume of deposits and loans), ease of transaction dimension and cost of transaction dimension (annual fees charged to bank customer for ATM card usage or the cost included for international transfer of money) were found to be determinants of computation of financial inclusion in India. It was found that geographic branch outreach penetration and ATM penetration played an important role in enhancing financial inclusion in India context. In addition to that **Bhanot, Bapat and Bera (2012)** explored the phenomenon of financial inclusion and identified the various factors which are important for determining financial inclusion in remote areas of India. The study concluded that financial inclusion in these remote areas of India was very low. Income levels, awareness regarding financial products through various sources, information about Self Help Groups (SHGs) and education levels of the respondents were concluded to be influential in determining financial inclusion. It was also found that nearness to financial institutions like banks and post offices increases financial inclusion. Thus, **Gine and Townsend (2004)**, in their study between 1976 and 1996 on Thai households reveal that, flexibility in financial access leads to an increase in access to credit services and explains the quick growth in per capita GDP in the economy.

World Bank research report on access to finance (2008), states that, financial access can have direct and indirect benefits on small firms and poor households, makes them more capable to take advantage of investment opportunities and insures them against risks. Therefore, without an inclusive financial system, poor individuals and small enterprises have to rely on their own limited savings and earnings to invest in their economic and educational activities and to take the advantage of growth opportunities.

III. OBJECTIVES OF THE STUDY

- To study the impact of demographic factors on Financial literacy and Financial awareness.
- To study the level of awareness of the financial services among rural household.

- To examine the challenges face by the country to strengthen the financial inclusion.
- To suggest some of the remedial measures to overcome the challenges of financial inclusion.

IV. RESEARCH GAP

The research paper shows that irrespective of literacy and income level, every household is having a bank account, but the major problem is that people are not aware of various financial services and its benefits. Opening of bank account is not enough for achieving financial inclusion. Awareness of different financial services and its regular use by the targeted customer will make financial inclusion success. As, after independence the major focus of the Government and Reserve Bank was to develop a sound banking system which could support planned economic development through mobilization of resources and further channel them into productive sectors. Firstly, the main aim of the Government was to use the banking system as an important agent of change and thus most of the policies were formulated after independence. Secondly, the availability of credit and financial services to the public in the development of the country is also the main aim of the government. Thus in order to expand the credit and financial services to the wider sections of the people, a wide network of financial institutions have been established and government have offered various services like kissan credit card, general credit card, no frill account, etc. Further to achieve greater financial inclusion government have also introduced various sponsored schemes operating in the state are Swarn Jayanti Gram Swarojgar Yojana (SGSY), Swarnna Jayanti Shahari Rojgar Yojana (SJSRY), Prime Ministers' Employment Generation Programme (PMEGP), Jammu and Kashmir Self Employment Scheme (JKSES) and SC/ST/OBC schemes. Hence, access to wealth creation includes savings and investment based on household's level of financial literacy and literacy is a prerequisite for creating investment awareness and is a key tool for financial inclusion.

V. RESEARCH METHODOLOGY

The study was based on descriptive and exploratory style using both secondary and primary data. The secondary data was collected from various sources, i.e published articles in journals, reports, magazines and books. The primary data is collected with the help of interview conducted among the rural households in Jammu. 101 respondents are randomly selected from different villages by using simple random sampling. ANOVA is used for the purpose for analyzing the data. Two variables of financial inclusion: Penetration of banking services and Availability of financial services has been taken into consideration. The penetration of banking services and availability of banking services is measured on geographical and demographic front.

VI. HYPOTHESIS

H1: Gender of the population has a significant impact on Financial Literacy and Awareness.

H2: Qualification of the population has a significant impact on Financial Literacy and Awareness.

H3: Occupation of the population has a significant impact on Financial Literacy and Awareness.

VII. PRESENT STATUS OF FINANCIAL INCLUSION IN JAMMU REGION

The current status takes into consideration the geographical as well as demographic penetration of the variables. The variables which define the penetration and availability dimensions are Branch penetration and ATM penetration. Most of the authors use number of bank accounts per 1000 adults as an indicator for banking penetration. In this case we have not considered this variable as the total number of bank accounts in the state are exceeding more than the population of the state. This indicates multiple accounts per person. Total number of active savings bank accounts is 114 % of the total population of the state. The variables are further illustrated as:

- Penetration of Banking Services

Penetration of banking services is measured by 2 indicators:

a. Demographic Branch penetration i.e. number of bank branches per 1,00,000 people
b. Demographic ATM penetration i.e. number of ATM"s per 1,00,000 people

- Availability of Banking Services

  Availability of banking services is measured by 2 indicators:

  a. Geographic Branch penetration i.e. number of bank branches per 1000 sq.km
  b. Geographic ATM penetration i.e. number of ATM"s per 1000 sq.km

Penetration Index

District	Bank Branch / 1 Lakh Population	ATM's / 1 Lakh Population	BC / 1 Lakh Population	Penetration Index
Jammu	28.3	10.91	10.91	0.71

Samba	27.59	12.85	12.85	0.62
Udhampur	19.1	10.99	10.99	0.40
Reasi	16.52	14.30	14.30	0.43
Kathua	13.95	13.78	13.78	0.35

The penetration index measures presence of banking service per one lakh population in a particular district. This measure signifies the demographic penetration of banking services. The winter capital of the state, Jammu has the penetration index .71, being winter capital of the state and high population banks have opened more branches in Jammu followed by district samba with index value .62, samba district is closest to Jammu and an industrial hub which attracts banks to open more outlets in the region.

Availability Index

District	**Bank Branch/1000 sq. km**	**ATM's/1000 sq. km**	**BC/1000 sq. km**	**Availability Index**
Jammu	139.01	209.23	53.92	0.83
Samba	97.34	94.02	45.35	0.52
Udhampur	23.29	22.85	13.40	0.12
Reasi	30.25	33.74	26.17	0.20
Kathua	32.44	34.32	32.06	0.22

The availability index signifies the availability of banking services per 1000 sq .km area. It measures the geographical penetration of the banking services. It is due to the less geographical spread of the district Jammu (.83). District Jammu is densely populated and a plane area district of the state which makes the availability of banking services easier.

VIII. ANALYSIS OF DATA

The study on Impact of Financial Literacy, Financial Awareness and Financial Inclusion in Jammu district with various variables which are generalized through review of literature. In the present study ANNOVA is used for the analysis of data.

The KMO value which is known to check the measure of sampling adequacy comes out to be .596.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.596
Bartlett's Test of Sphericity	Approx. Chi-Square	1907.909
	Df	496
	Sig.	.000

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.552	.578	32

The cronbach's Alpha value which is a measure of reliability of questionnaire comes out to be .578 shows that a questionnaire is reliable.

ANOVA
Descriptive
GENDER

Factors	N	Mean	Std. Deviation	F-Value	Sig. Value (WELCH)
Financial Literacy and Awareness					
Male	65	3.06	1.239	23.773	.000
Female	35	4.23	.942		
Total	101				

On the basis of Gender the variable 'Financial Literacy and Awareness' was found to be significant with F-Value 23.773 and p-value .000, where mean of male respondents (mean= 3.06) is less than the female respondents (mean= 4.23) that brings in line that Financial Literacy and Awareness does not vary on the basis of Gender.

Descriptive
QUALIFICATION

Factors	N	Mean	Std. Deviation	F-Value	Sig. Value (WELCH)
Financial Literacy and Awareness					
Up to 10+2/ Diploma	09	4.33	.866		
Graduate	67	3.72	1.204	13.735	.000
P.G/ Professional	25	2.48	1.005		
Total	101				

On the basis of Qualification the variable 'Financial Literacy and Awareness' found to be significant with F-Value 13.735 and p-value .000, where mean of respondents having qualification 10+2/ diploma (mean= 4.33) is higher than the respondents having qualification UG and PG that brings in line that Financial Literacy and Awareness does not vary on the basis of Qualification.

Descriptive
OCCUPATION

Factors	N	Mean	Std. Deviation	F-Value	Sig. Value (WELCH)
Financial Literacy and Awareness					
Student	09	4.33	.866		
Business	28	4.21	.957	13.240	.000
Service	43	2.72	1.031		
House wife	21	3.62	1.396		
Total	101	3.47	1.269		

On the basis of Occupation the variable 'Financial Literacy and Awareness' was found to be significant with F-Value 13.240 and p-value .000, where mean of student respondents (mean= 4.33) is higher than the business respondents (mean= 4.21), house wife (mean= 3.62) and service class respondents (mean= 2.72) that brings in line that Financial Literacy and Awareness does not vary on the basis of Occupation.

IX. LIMITATION OF THE STUDY

Although the study brought out encouraging and useful findings, it has limitations:

- The study is restricted to Financial Literacy and Financial Awareness in Jammu only.
- Response of the population will be subjective and hence generalization will not be totally true.
- Response from population may be a biased. So as many as 101 respondents was surveyed

X. MAJOR FINDINGS

Rural households have access to a bank account, but the continuous usage of these accounts is very low. The preliminary findings suggest that gender, qualification and occupation play a significant role in determining financial literacy and financial awareness among the population. Most of the respondents have opened the account for enjoying the government benefits and subsidies like LPG, Insurance, MGNREGA. The rural households are aware about financial services to some extent. But even those who are aware are not having the proper and full knowledge about these services. Less number of people is aware about services like Kissan Credit Card and General credit card.

XI. CONCLUSION

This research study showed that irrespective of literacy level and the income level every household is having a bank account. The major concern is that the people are not aware about various financial services and its benefits. Even the awareness about the customized services for the particular sector or segment of people is very low among the rural households. The government and the banks should collectively make efforts to organize more and more about the financial awareness program. The financial literacy centers should be set up in rural areas to educate the rural people about the financial products and services. Financial literacy among households can play a major role in the success of the financial inclusion drive. The majority of people generally fear to enter banks and fulfill their financial requirement through money lenders which charges a higher rate of interest. Government of India and Reserve Bank of India should make efforts to reach the rural population through the expansion of banking services. Hence the study can be used as a benchmark to pave path for future policies and to focus on rural districts where access to baking services is comparatively less. People at large will be benefitted if the future policies framed will focus on the problems face by the people in rural areas and they may get better access to banking services which in turn will result in increased usage of the banking services.

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