

# FINANCIAL INCLUSION AMONG HOUSEHOLDS

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**Abstract :** In our country, the commercial banks and other financial institutions play a vital role in everybody's life. Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost. In this regard the present study assures importance and enumerating the need of the status of financial inclusion at rural households in Kuttampuzha Grama Panchayath. The main thrust of the study is to examine the status of financial inclusion in Kuttampuzha Grama Panchayath, and the need to consider the economic strategies to achieve overall goal. So that the detailed study regarding status of financial inclusion is very necessary. Percentages and averages were used for analysing the data. T-test was used for testing of hypothesis.

**IndexTerms – Financial inclusion, Households, Extent.**

## I. INTRODUCTION

The emerging trends in financial inclusion have gained attention among developing countries policy makers and central bankers from around the world. The emerging economies enhanced interest towards economic growth with specific interest on the factor that lead to higher savings and investments, which have been viewed as important determinants of economic growth (Anita Gardeva & Elisabeth Rhyne). The present patterns for savings and investment have been developed with the object to address the hypothetical and empirical issues and to steer the design of enhance policies and improvisations of methodologies in practise. Although India has made improvement in financial inclusion in the past few years but IMF financial survey shows that "India lags behind with other emerging nations in financial inclusion by a significant margin"(Nair 2012).

A major corner stone of inclusive growth is to ensure that the benefits and fruits of growth reach the bottom of the pyramid population especially, vulnerable social groups. Inclusive growth in India hence remains a mirage, and will avoid us, save a radical transformation of the entire tools of how the Indian State functions in the grassroots. India has sufficient schemes, rules, and derivatives aimed at expanding banking coverage and ensuring services to the unbanked population particularly social groups. There is no end of schemes, plans and regulations aimed at providing financial services and products to the poor people. For the unbanked it is a challenge to gain access to banks and the services they offer.

The unending stream of new initiatives and orders in this regard clearly demonstrates that all these have failed to achieve their basic objective of financial inclusion. There is evidence in the world-wide study to index Financial Inclusion to assess the extent of penetration of banking services to the vulnerable social groups. The Index Financial Inclusion report showed that India ranks a lowly at 50, out of the 100 countries covered in the survey.

## II. SIGNIFICANCE OF THE STUDY

In our country, the commercial banks and other financial institutions play a vital role in everybody's life. Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost. The literature reviews revealed that there is a gap in the literature and there is no so much studies found on status of financial inclusion at households in the literature. The literature reviews presented in the earlier studies are very few at micro level. The majority of the studies are only at macro level

but not at the micro level with empirical studies. Those studies focused on business strategies and technology aspects. But there are no any studies on status of financial inclusion at rural households in Kuttampuzha Grama Panchayath up to now.

In this regard the present study assures importance and enumerating the need of the status of financial inclusion at rural households in Kuttampuzha Grama Panchayath. The main thrust of the study is to examine the status of financial inclusion in Kuttampuzha Grama Panchayath, and the need to consider the economic strategies to achieve overall goal. So that the detailed study regarding status of financial inclusion is very necessary.

### III. SCOPE OF THE STUDY

The study is limited to BPL households in Kuttampuzha Grama Panchayath. The data are collected from 50 BPL households in Kuttampuzha Grama Panchayath.

### IV. OBJECTIVES OF THE STUDY

- To examine the profile of the Respondent
- To examine the extent of Financial Inclusion in Kuttampuzha Grama Panchayath.
- To find major problems associated Financial Inclusion in Kuttampuzha Grama Panchayath.

### V. HYPOTHESIS OF THE STUDY

$H_0$ : extent of financial inclusion in Kuttampuzha Grama Panchayath is moderate.

### VI. METHODOLOGY

#### 6.1 SELECTION OF SAMPLE.

There are 2000 BPL households in Kuttampuzha Grama Panchayath. Sampling of 2.5% of the total population is used for the study. A sample of 50 households was selected for the study.

#### 6.2 DATA COLLECTION.

Both primary and secondary data were used. Interview schedule was used to collect primary data from sample respondents. Secondary data were collected from journals, books and websites.

#### 6.3 TOOLS OF DATA ANALYSIS

The collected data were analyzed by using appropriate statistical and mathematical tools, using SPSS 16.1. Percentages and averages were used for analysing the data. T-test was used for testing of hypothesis.

### VII. THEORETICAL FRAMEWORK

Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs that are delivered in a responsible and sustainable way. Financial inclusion is defined as the availability and equality of opportunities to access financial services. Those that promote financial inclusion argue that financial services can be viewed as having significant positive externalities when more people and firms participate. One of its aims is to get the unbanked and under banked to have better access to financial services. The availability of financial services that meet the specific needs of users without discrimination is a key objective of financial inclusion. For example, In the United States this condition represents a third of the Hispanic community born in America and half the foreign Hispanic community living in the United States remain unbanked. For this example, give financial services is key in order to growth as a society.

It has been estimated in 2013 that 2 billion working-age adults globally have no access to the types of formal financial services delivered by regulated financial institutions. For example, in Sub-Saharan Africa, % of adults have a bank account even though Africa's formal financial sector has grown in recent years.

There is some scepticism from some experts about the effectiveness of financial inclusion initiatives. Research on microfinance initiatives indicates that wide availability of credit for micro-entrepreneurs can produce informal intermediation, an unintended form of entrepreneur.

Financial inclusion in India is often closely connected to the aggressive micro credit policies that were introduced without the appropriate regulations oversight or consumer education policies. The result was consumers becoming quickly over-indebted to the point of committing suicide, lending institutions saw repayment rates collapse after politicians in one of the country's largest states called on borrowers to stop paying back their loans, threatening the existence of the entire 4 billion a year Indian microcredit industry. This crisis has often been compared to the mortgage lending crisis in the US.

The challenge for those working in the financial inclusion field has been to separate micro-credit as only one aspect of the larger financial inclusion efforts and use the Indian crisis as an example of the importance of having the appropriate regulatory and educational policy framework in place.

### PradhanMantri Jan DhanYojana

Indian Prime Minister NarendraModi announced this scheme for comprehensive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was formally launched on 28 August 2014 with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPayKisan Card & in next phase, micro insurance & pension etc. will also be added. In a run up to the formal launch of this scheme, the Prime Minister personally mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 7.5 crore (75 million) households and to open their accounts. In this email he categorically declared that a bank account for each household was a "national priority".

## VIII. ANALYSIS AND INTERPRETATION

### 7.1 PROFILE OF THE RESPONDENT

For analysing the profile of the respondent following variables are used

#### 7.1 (a)Community of the respondent

**Table 1 Community of the Respondent**

Community	Frequency	Percent
General	31	62.0
SC	5	10.0
ST	10	20.0
OBC	3	6.0
OEC	1	2.0
Total	50	100.0

Source: Primary Data

Table 1 show that the classification of the households on the basis of community of the respondent in which 62 percent of the household is under General Category

#### 7.1 (b) Community of the Respondent

**Table 2 Community of the Respondent**

Gender	Frequency	Percent
Male	28	56.0
Female	22	44.0
Total	50	100.0

Source: Primary Data

Table 3.2 shows that household on the basis of gender wise classification in which 56 percent of households are Males and 44 percent of households are Females.

#### 7.1 (c)Educational Qualification

**Table 3 Educational Qualification**

Educational Qualification	Frequency	Percent
Below SSLC	20	40.0
SSLC Passed	19	38.0
+2/Degree	9	18.0
PG/Any	2	4.0
Total	50	100.0

Source: Primary data

Table 3 shows that classification of household on the basis of educational qualification in which 40 percent of the households all the members of the family are below SSLC.

### 7.1 (d) Occupation Details

**Table 4 Occupation Details**

Occupation	Frequency	Percent
Govt Job	3	6.0
Private Job	7	14.0
Practise In Professional	3	6.0
Casual Workers	37	74.0
Total	50	100.0

Source: Primary Data

Table 3.4 shows that the classification of households on the basis of their occupation in which 74 percent of the households has only Casual Workers

### 7.1 (e) Monthly Income

**Table 5 Monthly Incomes**

Monthly Income	Frequency	Percent
600-1200	38	76.0
1200-1800	10	20.0
1800-2400	2	4.0
Total	50	100.0

Source: Primary Data

Table 5 shows that the classification of household on the basis of their monthly income in which 76 percent of the households have monthly income Rs. 600-1200. and 4 percent have monthly income Rs. 1800-2400.

### 7.1 (f) Average Amount of Savings

**Table 6 Average Amount of Savings**

Amount	Frequency	Percent
600-1200	40	80.0
1200-1800	10	20.0
Total	50	100.0

Source: Primary Data

Table 6 shows that the household have average amount of savings in which 80 percent have average amount of savings between Rs. 600-1200 and 20 percent have average amount of savings is between Rs. 1200-1800.

### 7.1 (g) Type of Account

**Table 7 Type of Account**

Type of Account	Frequency	Percent
Fixed Deposit	2	4.0
Saving Deposit	47	94.0
Recurring deposit	1	2.0
Current account	0	0
Total	50	100.0

Source: Primary Data

Table 7 shows that the classification of household on the basis of type of account in which 94 percent people hold saving deposit, 2 percent hold recurring deposit accounts and nobody hold current account.

7.1 (h) Reasons for Opening a Bank Account

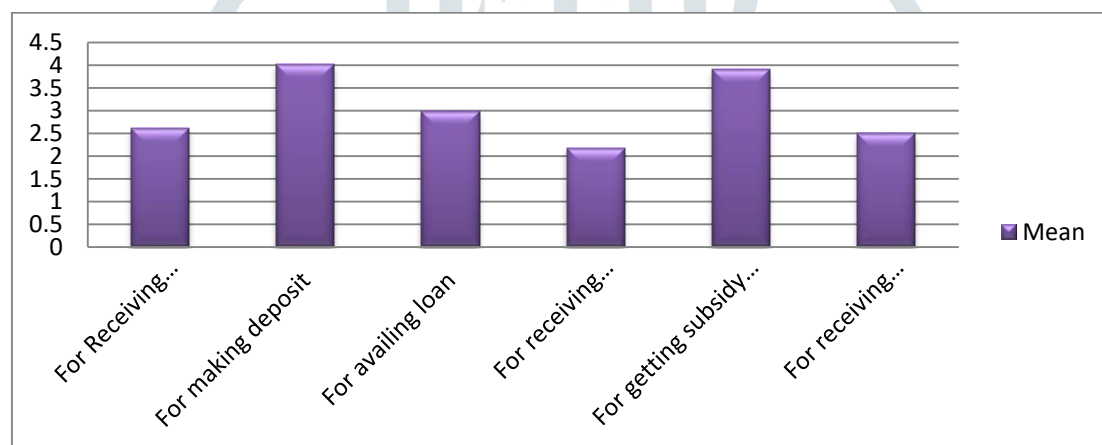
Table 8 Reasons for Opening a Bank Account

Reasons for opening a bank account	Mean	Rank
For Receiving Remuneration	2.6000	IV
For making deposit	4.0200	I
For availing loan	2.9800	III
For receiving remittance from abroad	2.1800	VI
For getting subsidy from Govt	3.9000	II
For receiving Scholarship	2.5000	V

Source: Primary Data

The respondents are asked to mark the type of account maintained by them. The mean value is calculated by using Friedman rank test. Table 8 shows that the reason for opening a Bank Account in which the main reason for opening a bank account is for making deposit(mean-4.02) and the next main reason isfor getting subsidy from Govt (mean-3.90) and least of people opens bank account for receiving remittance from abroad (2.18).

Figure 7.1 Reasons for Opening a Bank Account



Source: Primary Data

7.2 Extent of financial inclusion

Following variables are used for analysing the Extent of financial inclusion

7.2(a) Extent of Credit

Table 9 Extent of Credit

Reasons	Mean	Std. Deviation	t	P value
Access to credit	3.48	.99468	3.412	.001
Timely Credit	2.22	.86402	-6.383	.000
Adequate Credit	2.10	.76265	-8.345	.000
Cost of Credit	2.26	.82833	-6.317	.000
Variety of Credit	3.04	1.26103	.224	.823
<b>Summated Mean Score=2.62</b>				

Source: Primary Data

Table 9 shows the mean score of the variables ‘Timely Credit’(2.22), ‘Adequate Credit’(2.10), Cost of Credit’(2.26), ‘Variety of Credit’(3.04) were significantly lower than the central value of the scale of measurement(3). Since the p value of all the variables (.000) is less than 0.05. This denotes that the extent of credit is very poor in Kuttampuzha Grama Panchayath.

## 7.2(b) Extent of Saving

Table 10 Extent of Saving

Extent Of Saving	Mean	Sd	t	P value
Insurance Policy	2.78	1.05	-1.474	.147
Post office savings	2.48	.785	-4.662	.000
Share markets	2.24	.796	-6.743	.000
Mutual Fund	2.54	.973	-3.342	.002
Pension Fund	3.00	1.26	.000	1.000
Public provident fund	2.28	.948	-5.368	.000
<b>Summated Mean Score=2.5533</b>				

Source: Primary Data

Table 10 shows that the mean score of the variables 'Insurance Policy' (2.78), 'Post Office Savings'(2.48), ' Share Markets'(2.24), 'Mutual Fund'(2.54), 'Pension Fund'(3.00) and 'Public Provident Fund'(2.28) were significantly lower than the central value of the scale measurement 3. Since the p value of all the variables is (.000). This denotes that the extent of saving is very poor in Kuttampuzha Grama Panchayath.

## 7.2(c) Usage of Other Facilities

Table 11 Usage of Other Facilities

Facilities	Mean	Sd	t	P value
a. Physical banking instrument	2.0600	.84298	-7.885	.000
b. ATM	3.5400	1.18166	3.231	.002
c. Credit/Debit card	3.2400	.93808	1.809	.077
d. Kissan Credit card	2.2600	.80331	-6.514	.000
e. Internet Banking	2.5400	.97332	-3.342	.002
f. Mobile Message Service	2.0200	.84491	-8.202	.000
g. International Remittance	1.9200	.77828	-9.812	.000
<b>Summated Mean Score=2.5114</b>				

Source:Primary Data

Table 11 shows that the mean score of the variables 'Kissan Credit Card' (2.26), 'Internet Banking' (2.54), were significantly lower than the central value of the scale of measurement, since the p value (.000). This denotes that the usages of these facilities are very poor in Kuttampuzha Grama Panchayath.

The mean score of the variables 'ATM' (3.54), which is significantly higher than the central score of scale of measurement, since the p value (.000). This denotes that the usages of these facilities are high in Kuttampuzha Grama Panchayath.

## 7.2(d) Hypothesis testing

H<sub>0</sub>: extent of financial inclusion in Kuttampuzha Grama Panchayath is moderate.

Table 12 Hypothesis testing

Variables		Mean		
Extent of credit		2.62		
Extent of savings		2.55		
Usage of other facilities		2.51		
Summated mean	Sd	t value	P value	
2.5600	.0556	-13.668	.005	



Source: Primary data

Table 12 shows that summated mean score of extent of financial inclusion is 2.56 with a p value .005. summated mean score is significantly less than the central score of scale of measurement 3. So that we rejected the hypothesis and concluded that extent of financial inclusion in Kuttampuzha Grama Panchayath is low.

## IX. MAJOR FINDINGS

- Majority of the households have savings account.
- It was interesting to note that the respondents give importance to 'getting subsidy from Govt' and this is the major reason for opening a bank account.
- The extent of financial inclusion through provision of credit facility in Kuttampuzha Grama Panchayath is very low.
- The extent of financial inclusion through provision of extent of saving in Kuttampuzha Grama Panchayath is very low.
- The extent of financial inclusion through provision of other facility in Kuttampuzha Grama Panchayath is very low.

## X. CONCLUSION

The present study focused on the financial inclusion among households in Kuttampuzha Grama Panchayath. The study revealed that the extent of financial inclusion in Kuttampuzha Grama Panchayath is very low. So the government should take necessary steps for financial inclusion in Kuttampuzha Grama Panchayath.

## XI. REFERENCE

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