

FINANCIAL INCLUSION: A CASE STUDY OF DISTRICT FATEHABAD

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Abstract: The study has been completed to find out status of financial inclusion in district Fatehabad. Financial inclusion means connecting people with financial services at affordable cost. It has immense contribution in growth of every country. According to CRISIL report on financial inclusion, India has improved rapidly and significantly after launching Jan Dhan Yojna. The present work consist financial inclusion with the help of banks, self help groups and post- offices. The determinants taken for the research are accounts in banks and post-offices, savings in banks, member of self help groups. This study is comparative analysis of two blocks of district Fatehabad for the year 2017-18). Seven independent variables *i.e* age, gender, cast, income, education, occupation and land have been used to find the effect of socio-economic factors on financial inclusion especially on savings in banks. The survey has shown that 63 per cent people in Fatehabad block have savings in banks where as 47 per cent people in Bhattu block of district Fatehabad of state Haryana. The independent variable, Income has positive and significant effect on dependent variable savings in banks.

Index Terms: Financial inclusion, Self help groups, Post-office, Binary logit model

1. INTRODUCTION

The financial system of an economic entity can be considered as its cardinal support system (Gupte *et al.*, 2012). Since the beginning of nineteenth century, financial organizations began to emerge with the potentials to promote financial access for saving and credit to low-income sections of society. It is a major contributor for development because different countries have put the inclusive finance on agenda as key policy instrument (Arun and Kamath, 2015). It contributes to multifaceted growth of any realm through mobilization and distribution of funds.

Concept of Financial Inclusion

Financial Inclusion means connecting people with financial services at affordable cost.

Definitions

As stated by committee of Rangarajan (2008), “Financial inclusion may be defined as 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 perspective of United Nations about inclusive financing is that, it is a process that renders the core financial services such as insurance, loan, savings as well as credits to every eligible people and enterprises.

Inclusive finance does not mean every person use all financial services but choose that service that he/she desire (RBI, 2008).

African Development Bank (2013) explained “financial inclusion” as frequency by which financial or monetary resources are used by customers and this effective service better off their status.

In view of “The World Bank Groups” (2018), “Financial inclusion is explicated as ingress of personages and businesses to affordable monetary services including products in responsible and sustainable way”.

1.2 Significance of Financial Inclusion

Finance serves an pivotal role in alleviation of poverty and it is discussed as a booster of economy by many eminent economists all over the world (Robinson, 1952; Braverman and Guasch 1986; Greenword and Jovanovic, 1990; Lucas, 1997; Finnegan, 2005; Poonam and Chaudhary, 2016; Thoene and Turriago-Hoyos, 2017; Bigirimana and Hongyi, 2018).

Financial inclusion helps to increase the number of savings bank accounts and size of business. Credit facility of banks and micro credit strengthen people to do work and these facilities enable them to get rid of poverty (Acharya and Parida, 2013) and unemployment. By connecting financial services, there will be sustainability in their economic and social life. Within the reach of credit, and deposit products help to create jobs for the poor and vulnerable people. Financial inclusion increases the living standard of people (Biswas, 2010).

In reality, financial inclusion is observed to be noteworthy to acquire inclusive growth, an essential tool for economic development. The significant efforts have been done to make the financial system more inclusive in Haryana, yet a limited research has been done in the state of Haryana, especially district Fatehabad. **Therefore, the present study was planned in district Fatehabad of state of Haryana with the following objectives:**

- To find the scope of financial inclusion in district Fatehabad.
- To estimate the effect of socio-economic factors on Financial Inclusion in district Fatehabad.

2. REVIEW OF LITERATURE

Survey of literature plays an important role for a researcher in finalization and delimitation of a research problem. It points out gaps in the literature which can be attempted by a researcher in his study.

Kempson *et al.* (2000) recognized various parameters (like affordability of services due to low income, lack of awareness about particular service and phobia for denial of services by related authorities) that acts as obstacles to achieve financial inclusion and supports financial exclusion under specific conditions.

Sangwan (2008) described that financial inclusion can be increased by use of information and communication technology. It was also suggested that Small Help Groups (SHGs) act as key factors and boosters of financial inclusion and the effects were much pronounced and prominent in case of marginalized people and women.

Sarma (2008) prepared and proposed pioneer work on index of financial inclusion to estimate approach of various banking facilities in hundred countries of the world. While recognizing the importance of financial inclusion, it was observed that there is no comprehensive method to use as a measure for determining financial inclusion.

Molyneux (2018) explained financial inclusion with many factors like capital, bank size, liquidity and government intervention. This study showed banking trends for financial inclusion of twenty five countries.

Poonam and Chaudhry (2019) analyzed state-wise index of financial inclusion of India by taking three determinants such as number of offices, credits and deposits of all state of India. They have used index of financial inclusion (IFI) based on used by UNDP. The study observed that Chandigarh and Delhi were having maximum financial inclusion where as minimum was recorded in Bihar and Manipur. The moderate level of financial inclusion was observed in Dadra Nagar.

Above literature shows that RBI and Indian Government have been taking many initiatives from nationalization to the induction of e-banking to improve the condition of the financial inclusion all over India. So this study will try to investigate the extent and what are the reasons of it and highlight the suggestions offered by the respondents to improve the efficiency of banking system in rural locations.

3. RESEARCH METHODOLOGY

The study is both descriptive and evaluative in nature. It is based on primary source of information. The data has been collected through structured questionnaire.

Population and Sample Universe

The sample universe is taken district Fatehabad for research. The masses of sample are 411 household. The stratified/multi stage random sampling has used for inclusive study.

Techniques and statistical methods used for analysis -

Pie- chart and Tables have been used for analyzing questionnaire. Binary Logit Model has been applied to find the effect of socio-economic factors on financial inclusion.

Binary Logistic Curve

Logistic regression model is linear regression model. In this model more independent variables and one dependent variable taking binary value, is taken, such as pass/fail, win/lose and having savings in bank/ not having.

It is the maximum likelihood method that has been employed to estimate the binary logit function using SPSS package. In the present work it has considered to examine the effects of socio-economic factors such as income of the households (Y), land ownership (L), education level (E) and age of respondent of the household (A), gener denoted as (G), cast as (C) and occupation of respondent is taken as O, on the decision of savings in bank and having mobile banking and have specified the logistic function as:

$P = 1/1+e^{-(\beta_0+\beta_1A+\beta_2G+\beta_3C+\beta_4E+\beta_5Y+\beta_6L+\beta_7O)}$ Which is non-linear in parameters and variables. (Poonam and Archana Chaudhry, 2019)

4. Results and Discussion

Financial inclusion is the process of ensuring access to financial services by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee Report, 2008). This study shows the comparative analysis of two blocks *i.e* Fatehabad and Bhattu of district Fatehabad by taking four variables like accounts in banks, savings in banks, accounts in Post-offices and member of self-help groups.

The study shows that 97 per cent people have bank accounts. It shows the tremendous growth of having financial service since 2014. The survey people told the reason of having accounts in banks due to government policies like pension, scholarship, gas subsidy, salary purpose, admission purpose, beneficial insurance policy by government.

As per the reports of present study, in Fatehabad block 63 per cent of people save in banks whereas, in Bhattu block only 47 per cent of people save in banks. This was due to comparatively high living standard of the people inhabiting block Fatehabad as compared to Bhattu block.

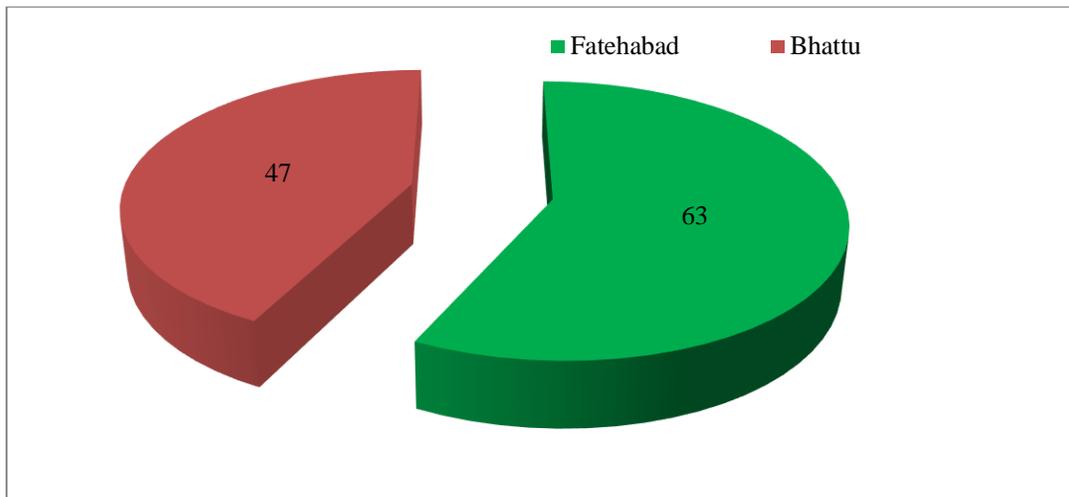


Figure 4.1: Comparative Analysis of percentage of savings in two Blocks of District Fatehabad

(Source: Researcher's calculation based on Primary data of present study)

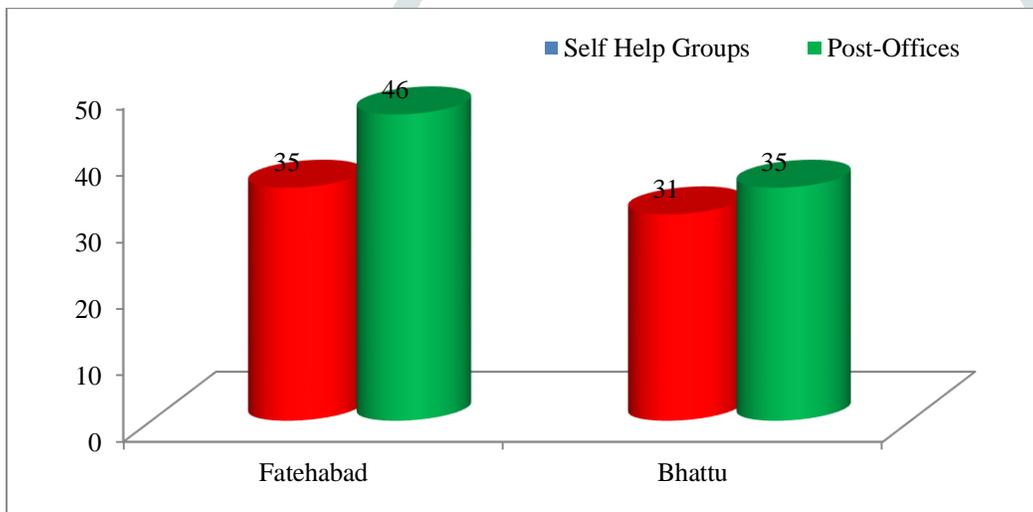


Figure 4.2: Comparison of percentage of financial services of two Blocks of District Fatehabad

(Source: Researcher's calculation based on Primary data of present study)

Now a day's self help groups are playing progressive role in increasing financial inclusion among poor and underprivileged people. According to present study, it has been recorded that in Fatehabad block, 35 per cent of people were member of Self Help Groups while this value was reported as 31 per cent for Bhattu block. As far as accounts in post offices were concerned, 46 per cent of people inhabiting Fatehabad block have accounts in Post offices, whereas, the figures fell down to 35 per cent for Bhattu block.

Results of Socio-Economic Factors and Financial Inclusion-Binary Logistic Estimates

For calculating the results of logit model, seven independent variables such as age, gender, cast, income, education, land and occupation has been taken, whereas, two dependent variables *i.e.* savings in banks and mobile banking were considered.

Table 4.1: Maximum Likelihood Estimates for Savings in Banks of District Fatehabad

Variables	B	S.E.	Wald	Df	Sig.	Exp(B)
Age	-.057	.407	.019	1	.889	.945
Gender	.177	.668	.070	1	.791	1.194
Cast	.306	.274	1.245	1	.265	1.358
Education	.181	.242	.559	1	.455	1.199
Income	3.506	.415	71.228	1	.000	33.301
Land	-.175	.278	.397	1	.528	.839
Occupation	-.273	.171	2.542	1	.111	.761
Constant	-12.492	1.853	45.432	1	.000	.000

Cox & Snell R-square = 0.64

Nagelkerke R-square = 0.85

Classified Prediction=96.6

(Source: Research's calculation based on Primary Survey)

The table shows that the income of households has a significant and positive effect on the odds ratio in favour of composite financial factor. This shows that increase in income have 33 times probability to increase saving than low income. On the other hand, education, land, occupation, cast, gender and age have no significant effect on financial inclusion. Cox and Snell-R² and Nagelkerke-R² are 0.64 and 0.85 respectively, significantly different from zero. This shows that model has explained 85% variance on dependent variable by independent variables. The logit model has classified 96.6 per cent of variables and has been proved as a very good analytical tool.

CONCLUSION

The study has concluded that the first stage of financial inclusion *i.e* bank account has covered successfully. Ninety seven per cent survey people have accounts in banks. It means that government policies have great impact on financial inclusion. The savings in banks depends upon income of people. If the people have more income, they will save more. The extent of financial inclusion through self- help groups and post-offices has less coverage.

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