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Financial Inclusion: A Determinant for Village Development

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ABSTRACT

Financial literacy received amplified attention since the global financial crisis and the literature confirms that it is correlated with personal financial management. Parallel to that financial education programs have grown in popularity and an increasing number of countries are developing national financial education strategies and making more investments in related programs. Literature has recently emphasized the association between financial literacy and numerical and mathematical ability, on the one hand, and risk diversification, retirement savings, investment portfolios on the other. Traditional economic theory suggests that forward-looking individuals maximize expected lifetime utility using economic information to accumulate and then de-cumulate wealth effectively over their lifetimes.To achieve greater financial inclusion, financial services should reach the poor people of the socially excluded groups and regions. Mostly, the banks have played a vital role in filling this gap. This study helps us to know the extent of financial inclusion in India especially with reference of Raisen District of Madhya Pradesh and the financial services provided by banks in this regard.

Keywords: Financial Literacy, Financial Inclusion, Investment, Financial Services

INTRODUCTION:

Since India is moving towards becoming a developed country from being a developing country, so in this, the contribution of each and every section of society is needed- rich and poor, urban and rural. For this financial untouchability, people have to be made financially inclusive so that they all contribute in development. Here, the banks help a lot in achieving this through various schemes. They act as intermediaries or middlemen between Government and people. So, the research is imperative to assess that up to what extent they have been successful and what need to be done in this regard.

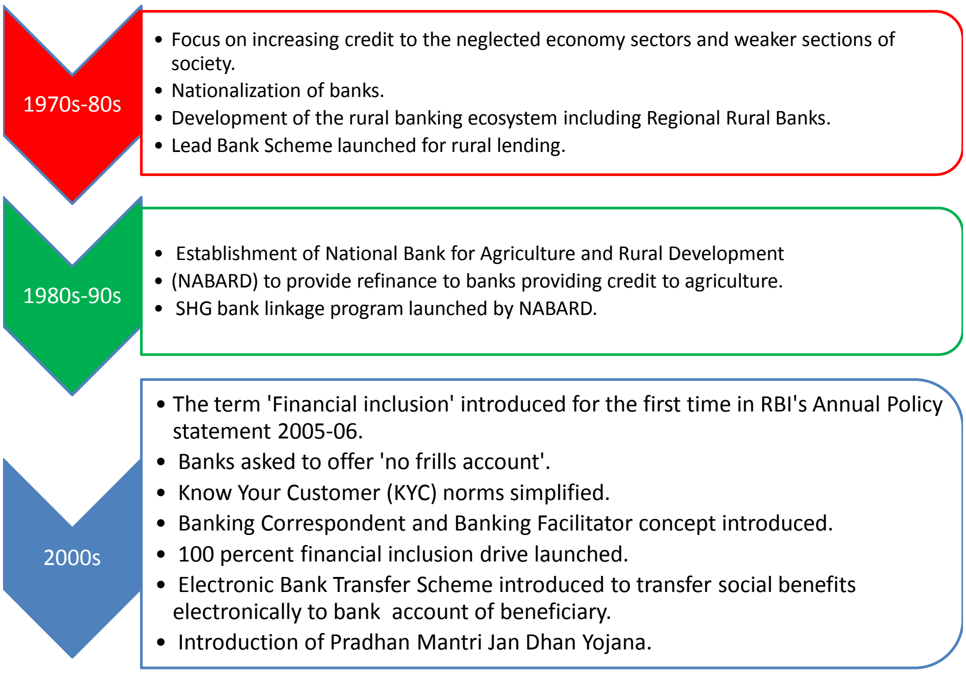
CONCEPT OF VILLAGE DEVELOPMENT:

The idea of Village Development in India exists from the Vedic circumstances; it is not a brand new idea. Village Development includes revamping of each part of human life which incorporates social, political and financial state of an individual. Advancement of a nation is overwhelmingly separated into two sections: Urban Area and Rural Area. Accordingly, the improvement of both the range is important. India mostly concentrates on the improvement of the Urban Area rather than Rural Area. Along these lines, the legislature has taken an activity to raise the way of life of the rustic individuals. The legislature has perceived the requirements and has received the advancement arranging measures which has been actualized through Five Year Plans. Thusly, because of the advancement conspires, the general population of country territory have begun getting the essential courtesies to enhance their defenseless life.

FINANCIAL INCLUSION IN INDIA:

The concept of financial inclusion evolved with the initialization of Co-operative movement in India during 1904. It got momentum in 1969 when 14 major commercial banks of the country were nationalized and Lead Bank Scheme was introduced shortly thereafter in mid 1970's. Large numbers of bank branches were opened across the country even in those areas which were neglected earlier. Poverty in rural areas is a curse need to be eradicated in growing economy and developing India as an economic power.

Fig 1.1: Evolution of Financial Inclusion Since 1960's*



***Source:** Naik, Priya (2013). Financial inclusion-key to economic & social development. CSR Mandate, June-July, 14-17.

CONCEPT OF FINANCIAL INCLUSION AND EXCLUSION:

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

Financial exclusion is the 'vulnerability' of consumers in their relationship with commercial banks. It describes certain negative conditions that people may find themselves in, and some people are viewed as 'vulnerable' due to their financial circumstances.

The study has examined the relationship of financial inclusion and development and proceeds to propose an index for measuring financial inclusion in rural development. This study is an attempt to comprehend and distinguish the significance of financial inclusion in the context of a developing the rural people, wherein a large population is deprived of the financial services which are very much essential for overall economic growth of a country. The study has attempted to discuss the related issues of financial inclusion comprising of narrower and broader aspect, the importance of the financial literacy and the schemes and policies introduced by the Government with the detailed perspective of the pros and cons and steps taken to improve the reach of financial and banking services at grassroots level. Under the schemes of financial inclusion, the most important is Pradhan Mantri Jan DhanYojna was introduced to protect the people's financial aspects.

PMJDY was conceived with a view to providing comprehensive and inclusive growth. This is best reflected in Prime Minister Modi's words, "Sab Ka Saath, Sab KaVikaas". Targeted at those who have never had a bank account in their lives, the scheme has simplified the whole process of opening an account. The implementation strategy of the plan is to utilize the existing banking infrastructure as well as expand the same to cover all households. Right now, most Indian households rely on money-lenders and other chit fund sources for credit to fulfil saving needs. Bank accounts for all may solve this problem. Easy access to the banking system (and freedom from scam-artists and moneylenders) can materially lift India's economic prosperity. Financial accessibility as promised by the PMJDY would certainly help generate higher saving. If bank accounts become the norm, it will also be easier for the Government to directly pay all subsidies into the accounts of the poor, instead of dispensing them through the vast leaky network of government agencies. The PMJDY promises an overdraft or credit facility this would increase the poor's access to credit, and thereby positively affect welfare, confidence of decision making and trust in carrying economic activities.

In this study various parameters on financial inclusion schemes have been measured on the selected population of Raisen District and concluded that these schemes are helpful in social and economic emancipation of villagers. Due to the constraints, this study is limited one particular district but it has a vast scope for other researchers to cover all the villages of M.P and as well as India as India is known for a land of villages so it is better to do research on the vast scale so that each and every villager would be aware of these schemes for their growth and development. This study also would be helpful in suggesting the Government officials to make improvements while framing the policies and schemes. If this study would be conducted in India level definitely the awareness of these schemes or services provided to all the citizens of India to get more and more benefits. The size of the population also would be covered to measure the efficiency and effectiveness of these services. Other researchers would take an idea to frame some good provisions to spread the information adequately among the villagers. Technology is growing very fast, mostly rural people are using mobile handset but some of them are not even aware about the banking services. It is a well-established fact that a large portion of our population is unbanked. So, far the Indian government is too much emphasizing on Financial Inclusion.

REVIEW OF LITERATURE:

Mutai & Achieno (2014) investigated the impact of microfinance on economic empowerment of MFIs women clients through their study 'Impact of microfinance on economic empowerment of women: the case of microfinance institutions' clients in Narok town'. The study alleged that access to microfinance has positive impact on economicempowerment of women as it has improvedtheir income, asset ownership and createdemployment. Additionally, the study revealedthat access to micro finance leads toimproved standard of living of women Future researchshould beconducted in otherregions in order toassess the nationwide impact of micro finance programmes on the economic empowerment of women. Also needto be extended in other countries aswell.

Swamy (2014) examined through his research work 'Financial inclusion in India: an evaluation of the coverage, progress and trends' the significance of financial inclusion through microfinance in the economic upliftment of poor households in Indian economy The study revealed that there is significantimpact of financial inclusion on income of thepoor particularly, women. Further, studyhighlighted that general category women arehaving favorable impact of financialinclusion programs because of theirawareness levels and access of instruments ofeconomic progress. Additionally, womenbelonging to SC/ST categories have largeimpact of financial inclusion on standard ofliving.

Shyni & Mavoothu (2014) through their study 'Financial inclusion - the way towards inclusive growth' explored inclusive growth of the vast excluded population through financial inclusion. The study revealed that financial inclusionassist banks in penetrating into unbankedareas and thereby attaining profit. Further, itis disclosed that low income & weaker sectionof the society avail various financial servicesthrough financial inclusion which ultimatelyprevent their exploitation by the informalmoneylenders. Additionally, it is concludedthat financial inclusion is an important stepand pillar of inclusive growth.

Raihanath, M.P., & Pavithran, K.B.(2014)investigated in their study 'Role of Commercial Banks in the Financial Inclusion Programme' commercial banks play a very vital role in thefinancial inclusion. The study revealed that commercial banksplay a very crucial role in making financialinclusion a success. Many financial inclusions programme such as, financial literacy, creditcounselling, BC/BF model, KYC norms, nofrill accounts, branch expansion, mobilebanking, etc. have been undertaken bycommercial banks for success of financialinclusion.

Satpathy (2014) identified in their research 'Mainstreaming the Marginalized through Micro-finance a Literature Review' variables of microfinance initiatives that contributes to the economic development of rural area in Jagatsinghpur district of Odisha. The study highlighted that micro financeinitiatives have increased the householdincome significantly which resulted introducing poverty, declining income inequality, increasing saving habits & borrowings, enhance employment performance, boost confidence of rural masses, lessen family violence, increases capabilities to deal with social evils & day today problems, helps in empowering economically & socially.

Isaac Munyao Muasya1 & Francis Kerongo (2015) in their research 'The effects of Agency Banking on access to financial services: A Survey of Commercial Banks in Kilind in district' propounded that access to financial services or outreach of the financial system has become a major concernfor many policymakers in developing countries. Thus, this study has analyzed the role ofagency banking in enhancing access to financial services. Utilizing a sample size of 35 agencybanking outlet operators in Kilindini District, Mombasa - Kenya, the study establishes that costsassociated with agency banking, bills payments via agency banking and financial servicesawareness among the rural population are positively correlated with access to financial services.

Garg, N. (2015) in her study ‘Role of banks in Financial Inclusion’ focused on the delivery of financial services at an affordable cost to the vast people belong to disadvantaged and low income. This study has examined the role of banks in the segment of growing economy to bring the large segment of the productive sectors under formal financial network could unleash their creative potentialities on a sustainable basis driven by income and consumption pattern. The study was found that the real adoption of banking service, i.e. financial inclusion is low in spite of various efforts taken by banks are less likely to use their bank accounts frequently than urban men and women due to less physical proximity to bank branches and ATMs. The study has suggested that financial literacy camps at regular interval will be organized to cover the mainly rural areas.

Sundaram, N. &Sriram, M. (2016) in their study ‘Financial Inclusion in India: A Review’ discussed about the reviews of financial inclusion in India to make out how it serves the households and economy for growth.The core objective of this study is to review literature on financial inclusion in the Indian perspective, discussed by different researchers all over the world and also to highlight the awareness level of financial inclusion, digital financial inclusion and barriers confronted to financial access. The study has suggested that the promotion of financial system should reach the person which is possible through technology, a viable tool thatprovides financial access in quick and cost effective way.

OBJECTIVES OF THE STUDY:

1. To Study the level of awareness about the financial services provided by banks among villagers of Raisen District.
2. To provide suggestive measures.

RESEARCH METHODOLOGY:

The purpose of the study is to present the solutions and answer the research questions, for this, an instrumental scale is created to examine the impact of financial inclusion through various schemes and also measure the awareness towards various schemes such as; Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojna, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana etc. in Raisen District. The process from developing the instrumental scale and ends to the present the findings of the study. In India, a lot of studies have been undertaken focusing on banking services but no study has been conducted on the financial inclusion towards the development of villages. The primary data was collected from the beneficiaries selected from the various villages of Raisen District.

Sampling Unit:

The primary data were collected mainly from villagers from selected villages of Raisen District (M.P). A self structured questionnaire was canvassed to the selected respondents in the study area to collect the data.

The Sampling Plan:

The sampling unit is a single element or group of elements subject to selection in the sample. For the research in question the sampling units comprised the identified groups of villagers who get benefits from the schemes such as; Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojna, Pradhan Mantri Shuraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana etc. in Raisen District. These sampling units represented the units of analysis for the research.

Sampling\Size\Selection Criteria:

In the present study the researcher has approached only a group of villagers. The sample size is 400. The sampling techniques adopted in this context were judgmental and random sampling to follow up the above stages respectively.

Reliability & Validity:

In the present study, the Alpha Coefficient Value is found to be 0.929, it means that 92.9% scale is reliable.

HYPOTHESIS OF THE STUDY:

H01: There is no significant awareness among the villagers of selective district regarding banking facilities and Pradhan Mantri Jan Dhan Yojana.

Table 1.1: Schemes under Financial Inclusion

S. No.	Schemes	Not Aware (1)	Aware/Not Availed (2)	Aware/Availed (3)
1.	Pradhan Mantri Suraksha Bima Yojana (PMSBY)	56 (10%)	110 (21%)	369 (69%)
2	Pradhan Mantri Jeevan jyoti Bima Yojana (PMJJBY)	49 (9%)	131 (25%)	355 (66%)
3	Atal Pension Yojana (APY)	70 (13%)	183 (34%)	282 (53%)
4	Jeevan Suraksha Bandhan Yojana (JSBY)	87 (16%)	127 (24%)	321 (60%)
5	Pradhan Mantri Jan Dhan Yojana (PMJDY)	42 (8%)	94 (17%)	399 (75%)
6	Sukanya Samriddhi Yojana (SMY)	120 (22%)	161 (30%)	254 (48%)
7	Suraksha Bandhan Scheme (SBS)	82 (16%)	164 (30%)	289 (54%)

Regarding the awareness and availed of the schemes under financial inclusion provided by banks, the above table reflects that for the scheme of PMSBY, 10 per cent were not aware about this scheme, 21 per cent were aware but they have not availed and 69 per cent were aware as well as they availed the benefits of Pradhan Mantri Suraksha Bima Yojana, the next scheme of Pradhan Mantri Jeevan Jyoti Bima Yojana, only 9 per cent were not aware, 25 per cent were aware but they have not availed the benefits and the rest 66 per cent have availed, As far as Atal pension Yojana is concerned, 13 per cent were not aware, 34 per cent were aware but not availed and 53 per cent availed the benefits of the same, In the scheme of Jeevan Suraksha Bandhan Yojana (JSBY), 16 per cent were not aware, 24 per cent were aware but they have not availed the benefits, 60 per cent were aware and availed, regarding the scheme of Pradhan Mantri Jan Dhan Yojana (PMJDY), 8 per cent were not aware, 17 per cent were aware but not availed the benefits and rest 75 per cent were availed the benefits, for the scheme of Sukanya Samriddhi Yojana (SMY), 22 per cent were not aware, 30 per cent were aware but not availed, 48 per cent were availed these benefits and for the last scheme of Suraksha Bandhan Scheme (SBS), 16 per cent were not aware, 30 per cent were aware but not availed and remaining 54 per cent were availed the benefits.

- Regarding the awareness, the study was found that 95 per cent were aware about the banks from various sources but only 89 per cent have their accounts in the banks. Mostly of them have opened their accounts in public and Grameen banks as they have trust in the public sector. It was also found mainly they have saving account as they require to operate frequently for small withdrawals.
- As zero bank account is concerned, findings show that 88 per cent were aware and they opened their account. Regarding to visit the banks depending on their requirements. It is true that these villagers do not keep the money in their homes so the frequency of their visits is high.

CONCLUSION:

Government has launched many financial schemes, the study was found that more than 60 per cent were aware and availed the benefits of these schemes such as Pradhan Mantri Suraksha Bima Yojana (PMSBY),Pradhan Mantri Jeevan jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY), Jeevan Suraksha Bandhan Yojana (JSBY). Pradhan Mantri Jan Dhan Yojana (PMJDY). Regarding these two schemes such as; Sukanya Samriddhi Yojana (SMY) and Suraksha Bandhan Scheme (SBS), respondents do not get better benefits and the process is complicated so the percentage is less than 60 per cent. 83.2 per cent respondents said that these schemes are very helpful to meet their extra needs and they observe a lot of improvements in their social and economic conditions. 88.5 per cent feel that these financial services have improved their financial health of their family members.

The study was found that due to the emergence of IT in small villages also and the revolution of mobile banking, people use these services irrespective of their education. Regarding the awareness of these services such as; net banking, mobile banking, ATMs, Debit and credit cards, other new bank schemes but the study was found that the percentage of users is less as they do not feel comfortable in net banking and use of credit cards. Few of them aware but not availed and some of them were unaware.

Under this objective, it was found that majority of the respondents were aware the benefits and schemes but they did not avail due to the lengthy process of documentations. They get benefitted with the scheme of

Pradhan Mantri Jan Dhan Yojana and other financial inclusion. They are in opinion that they get information from nearby banks on their visits. Some of them they visit only once a month so they lack somewhere in getting the accurate information. Hence, in this objective, the study has described the financial inclusion schemes provided by Banks and parameters of availing these services through mobile banking, net banking, debit card, credit card, loans taken, insurance policies etc.

Jain et al. (2012) stated that financial inclusion is seen as an intensification & continuation of poverty alleviation efforts. Further, the study revealed various challenges such as, high cost, spatial distribution of banking services, non-price barriers, and behavioural aspect in the area of financial inclusion exits.

SUGGESTIONS:

The study has given some suggestions on the basis of the study:

- First Government should organize some camps to create an awareness about various schemes through NGOs or bank officials so that they can communicate to villagers about the latest schemes through the layman's term.
- To increase awareness and interest in financial products offered under various schemes of financial inclusion, it is recommended to enhance promotion through electronic or print media in local language with local icons and artists as brand ambassador of the campaign.
- There should be linkage programme tied up with SHGs or NGOs so that they seek to reach out to the extended category of population to achieve financial programmes.
- The use of technology has been the better choice to drive the financialinclusion programs of banks, as the key objectives of such a program is to reduce thecost of operations without compromising on customer experience and security. Bankshave the massive opportunity to serve a new demographic and tap into the previously untouched wallets of the unbanked.

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