



Analysis Of Factors Influencing Financial Inclusion Of Rural People: An Empirical Study

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ABSTRACT

A large portion of population in rural areas has an inadequate access to financial services at affordable prices which is the major factor behind their economic backwardness. India began the journey of its financial inclusion as early as in 1955 with the nationalization of Imperial Bank of India & renaming it as State Bank of India. The main objective of nationalization of banks was to ensure banking activities in those sectors & areas which previously remained neglected, with this back drops, this paper aims to examine the factors influencing financial inclusion of rural people. The study is based on primary and secondary data. The required primary data have been collected through interview schedule method. The primary data have been collected from total 936 respondents by employing random sampling technique. The required secondary data was collected from articles, magazines etc.

Keywords: Finance, Inclusion, Rural, People

INTRODUCTION:

Development of rural areas occupies a special significance in the overall socio-economic development of a country like India where nearly 68.84% of total population & 72.4% of workforce reside in rural areas. The major economic problems faced by the rural people are poverty, unemployment & inequality. A large portion of population in rural areas has an inadequate access to financial services at affordable prices which is the major factor behind their economic backwardness. India began the journey of its financial inclusion as early as in 1955 with the nationalization of Imperial Bank of India & renaming it as State Bank of India. The main objective of nationalization of banks was to ensure banking activities in those sectors & areas which previously remained neglected. Thus, the steps taken by the government towards financial inclusion are traced long back to the mid fifties. But this concept became popular & gained momentum only after the year 2004 when the Reserve Bank of India set up a commission i.e. "Khan Commission" to make recommendations for greater financial inclusion. A committee on financial inclusion headed by Dr. C. Rangarajan in 2008 defined financial inclusion as "The process of ensuring access to financial services timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". In the Indian context, the term financial inclusion was used for the first time in April 2005 by Y V Reddy. Later on this concept came to be widely used in India & abroad. The present Indian government has come up with a policy in order to reduce the degree of "financial exclusion" the new government has come up with plan which is known as "Pradhan Mantri Jan-Dhan Yojana". It is a big financial inclusion plan with the objective of covering all households in the country with banking facilities along with providing insurance coverage. Financial Inclusion is the key catalyst for the next phase of growth in the banking sector in India. It aims at a widespread of financial services to those people and enterprises that still do not have any access to financial sector services. The objective is to promote financial literacy and consumer protection amongst the masses so that they can take correct financial decisions as this will also help in overall economic progress of the country.

REVIEW OF LITERATURE

Ghirmai T. Kefela (2010) has studied Promoting access to finance by empowering consumers – Financial literacy in developing countries this study is an effort to establish the financial sector in developing countries to promote financial literacy of their customers. This could have access to finance and savings, which in turn support livelihoods, economic growth, sound financial system, and participate in the economy. The main

objectives of this study is to enhance a bank's visibility in the communities it serves, empowering consumers to take action to improve their financial well-being, and enables consumers to make better – informed choices in the financial market is the ultimate goal.

Ram A. Cnaan et al. (2012) evaluated Financial Inclusion: Lessons from Rural South India. The study signifies the concept of financial inclusion as a current policy option for poverty alleviation and assessed its implementation and impact in rural southern India. Financial Inclusion can be conceptually placed in the nexus of social inclusion and poverty alleviation, particularly as a more recent addition to SHG and micro – finance. The logic behind financial inclusion is that poor people who have banking options can save and, if needed, take loans at reasonable rates, as well as access capital for business ventures all at minimal cost.

Unnikrishnan et.al (2012) analyzed the **Importance of financial inclusion in economic empowerment**. This study identified the variables in enabling financial inclusion, analyzed the barriers to effective financial inclusion and the prerogative steps to be taken to overcome the barriers and enable inclusive growth. The study concluded by identifying the variables that empowered the masses financially and stating the importance at the bottom of the economic pyramid.

Vigneshwara swamy (2013) has explored Financial Inclusion, Gender Dimension, and Economic Impact on Poor Households the study explained the significance of gender dimension of impact of financial inclusion programs could be observed from the fact that there has been strong impact in terms of the change in income of the poor particularly women. This study has indeed rightly identified disparity in the impact levels in the gender dimension perspective, which are very much useful in shaping the policies in the domain.

Sahab Singh et al. (2013) have explained a case study on empowerment of rural women through micro entrepreneurship development Basically the study deals with empowerment of rural women through micro entrepreneurship and the role of micro entrepreneurship among the rural women, economic empowerment of rural women led to development of family, community, society, state and nation therefore it is very necessary to give keen of our attention over empowerment of women in the rural area for the real development of our country in all spheres.

Ashwin G. Modi et al. (2014) in their empirical study Impact of micro finance services on rural women empowerment attempts to analyze the impact of micro finance services in empowering the rural women. The study is also meant to obtain insights regarding factors empowering rural women through micro finance services and which factors influences most and what extent. The limitations of the study relate to the population of rural women only used for the study, which limits the generalizability of the findings. The findings of the study are likely to be important to micro finance institutions, govt. and NGOs in designing policy to empower rural women socially and economically. This study makes the valuable contribution by providing a base of the micro finance institutions for strengthening and expanding their support to rural poor women.

S M Javed Akhtar and Saba Parveen (2015) in their study Role of Education in Small farmer's Empowerment in India, aims to evaluate relationship between education and small farm holders sustainability. The main focus on this study is to analyze the effect of imparting education and making them aware towards the Govt. policies, productive inputs and diversified opportunities of present scenario and provide them a level playing field in the global market.

Sowjanya S. Shetty et al. (2015) have explored Self Help Groups, Financial Inclusion and Women Empowerment – A Critique, the objective of this study therefore, are to 1) critically examined the role and reach of SHGs towards empowerment 2) Discuss the issues and initiatives in establishing linkages between the socio-economic dynamics and women's empowerment, 3) explore some strategies that many supplant or supplement the SHG initiatives and remove the imbalances that still remain in accomplishing total empowerment of women.

Sonjuhi Akhil Succena (2016) in their study Empowerment of Women in Rural India through SHGs A Step towards Financial Inclusion the study discussed a statistical understanding of women empowerment in India and the Self-Help Group (SHG) credit and savings Programme, being enforced to achieve it. The scheme of SHG is a good platform to build a better future for the rural masses. However, working with multiple partners to accelerate progress is needed toward India's journey of Financial Inclusion.

Objectives of the Study

The following are the objectives of the study

1. To understand the financial inclusion schemes for rural people in India
2. To examine the factors influencing financial inclusion of rural people in India

Material Methodology

The study is based on primary and secondary data. The required primary data have been collected through interview schedule method. The primary data have been collected from total 936 respondents by employing random sampling technique. The required secondary data was collected from articles, magazines etc.

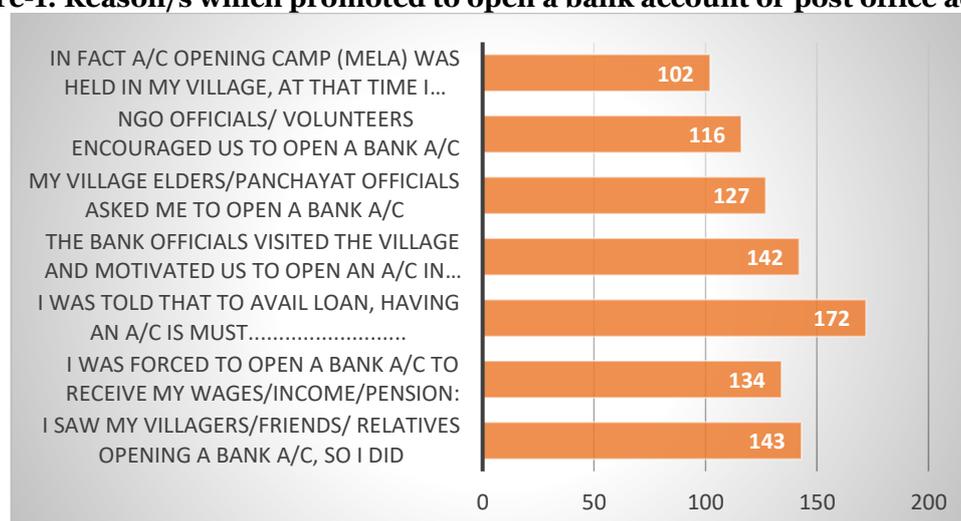
Result and Discussion:

In order to examine the factors influencing financial inclusion of rural people the following points have been discussed in this paper.

Table-1: Reason/s which promoted to open a bank account or post office account

Sl.no	Reason/s which promoted to open a bank account or post office account	No. of Respondents	Percentage
1	I saw my villagers/friends/ relatives opening a Bank A/c, So I did	143	15
2	I was forced to open a bank A/c to receive my wages/Income/Pension:	134	14
3	I was told that to avail loan, having an a/c is must.....	172	18
4	The bank officials visited the village and motivated us to open an a/c in their bank.....	142	15
5	My Village elders/Panchayat officials asked me to open a bank a/c	127	14
6	NGO officials/ Volunteers encouraged us to open a bank a/c	116	12
7	In fact a/c opening camp (Mela) was held in my village, at that time I opened a bank a/c	102	11
	TOTAL	936	100

Figure-1: Reason/s which promoted to open a bank account or post office account

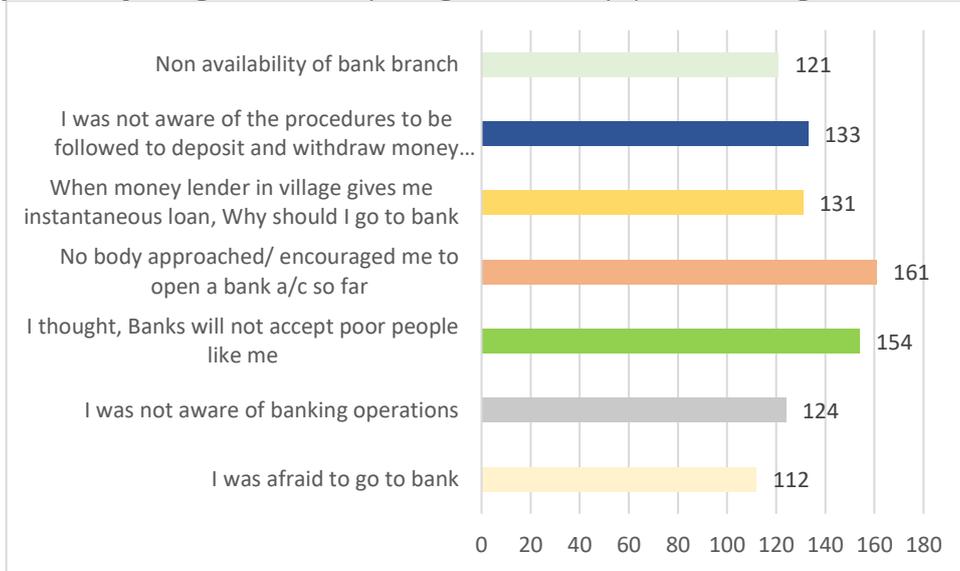


The above table represents the answers given by 936 respondents when asked for the Reason/s which promoted to open a bank account or post office account. 15 per cent told I saw my villagers/friends/ relatives opening a Bank A/c, So I did, 14 per cent told I was forced to open a bank A/c to receive my wages/Income/Pension, 18 per cent told I was told that to avail loan, having an a/c is must, 15 per cent told The bank officials visited the village and motivated us to open an a/c in their bank, 14 per cent told My Village elders/Panchayat officials asked me to open a bank a/c, 12 per cent told NGO officials/ Volunteers encouraged us to open a bank a/c and 11 per cent told In fact a/c opening camp (Mela) was held in my village, at that time I opened a bank a/

Table 4.16: Did you open a bank a/c or post office a/c, after the lapse of several years?

Sl. no	State the reason, if yes	No. of Respondents	Percentage
1	I was afraid to go to bank	112	12
2	I was not aware of banking operations	124	13
3	I thought, Banks will not accept poor people like me	154	16
4	No body approached/ encouraged me to open a bank a/c so far	161	17
5	When money lender in village gives me instantaneous loan, Why should I go to bank	131	14
6	I was not aware of the procedures to be followed to deposit and withdraw money from Bank a/c	133	14
7	Non availability of bank branch	121	13
	TOTAL	936	100

Figure 4.16: Did you open a bank a/c or post office a/c, after the lapse of several years?

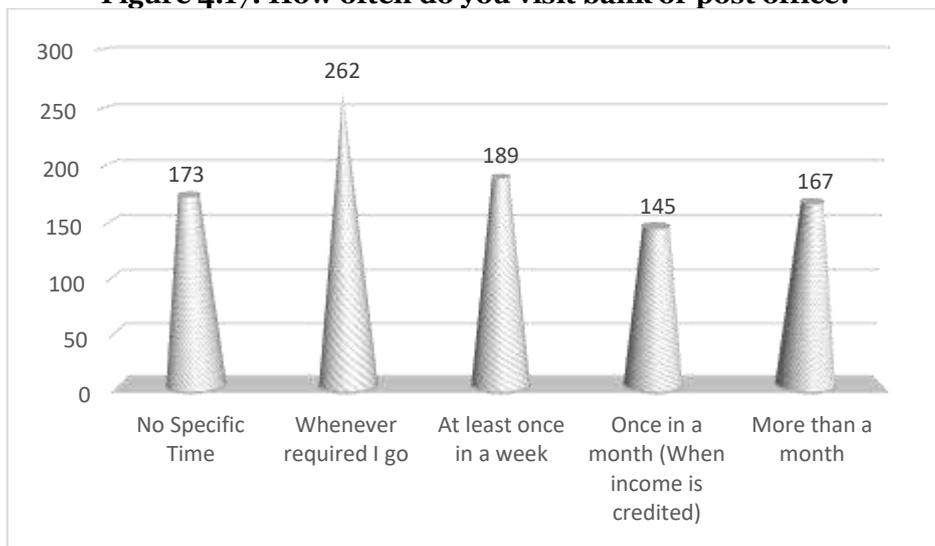


When the respondents were asked to state the reason to open a bank a/c or post office a/c, after the lapse of several years? 12 per cent stated I was afraid to go to bank, 13 per cent stated I was not aware of banking operations, 16 per cent stated I thought, Banks will not accept poor people like me, 17 per cent stated No body approached/ encouraged me to open a bank a/c so far, 14 per cent stated When money lender in village gives me instantaneous loan, Why should I go to bank, 14 per cent stated I was not aware of the procedures to be followed to deposit and withdraw money from Bank a/c and 13 per cent stated Non availability of bank branch.

Table 4.17: How often do you visit bank or post office?

Sl.no	How often do you visit bank or post office?	No. of Respondents	Percentage
1	No Specific Time	173	18
2	Whenever required I go	262	28
3	At least once in a week	189	20
4	Once in a month (When income is credited)	145	15
5	More than a month	167	18
	TOTAL	936	100

Figure 4.17: How often do you visit bank or post office?



The above table represents the data collected when the respondents were asked how often do they visit the bank or post office. It can be observed that 18 per cent said no specific time, 28 per cent said whenever required, 20 per cent said at least once in a week, 15 per cent said once in a month and 18 per cent said more than a month.

Conclusion:

The result of the study shows that the lack of infrastructure in rural areas is the major reason why there pertains financial exclusion. People in rural areas find documentation process to be burdensome and they also said that lack of internet facilities is also a major reason. This implies that the banks and regulatory bodies must focus on educating individuals about documentations process and making the entire system user friendly. It is also important to ensure that there is proper internet connection so that the scope of financial inclusion can be enhanced. The study is also important for the researchers who want to imitate the same study on a different rural area.

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