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A Study of the Effectiveness of the Financial Inclusion Programmes

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Abstract

For developing nations the era is of inclusive growth and the key for inclusive growth is financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segment of society.This paper highlights the basic features of financial inclusion. Financial Inclusion is need of social and economic development of the society. The basic object of the study is to know the impact of financial inclusion on low income groups and for this study data collected through primary and secondary sources. After analyzing the facts and figures it can be concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society. Financial Intuitions need to open its more branches within rural areas and creating more awareness through banking services. There is more need to educate and create some new instruments for low income groups and also make them a part of financial inclusion.

Keywords: Financial Inclusion, Micro Finance, Financial Institutions, Inclusive Growth

Introduction

Banking with the people who are not using its services is true test of banking industry in our country. Inclusive growth becomes impossible without financial development. Financial development is also must for the economic development of the country. Without Financial development we cannot think of economic development because a large chunk of total population remains outside the growth process.

Low and moderate income of household need to be especially careful in planning How to meet their daily needs whether unexpected shocks and save the financial tools available to the poor manage their money are after costly, unsafe and inefficient. So because of all obstacles in India, financial inclusion was featured in 2005. Financial inclusion is the recent concept which helps to achieve the sustainable development of the country through available financial services to the unreached people with the help of financial intuitions. Financial inclusion can be access to formal financial services or systems and their usages by all members of the economy.

The operational definition of financial inclusion, have also evolved from the underlying public policy concerns that many people, practically those living on low income, cannot access mainstream financial products. The following are denotation and connotation of financial inclusion in India.

1. Affordable credit
2. Savings bank account
3. Payments and remittance
4. Financial advice
5. Credit/debit card
6. Insurance facility
7. Empowering SHG's

Financial Inclusion in India

The Reserve bank of India setup Khan Commission in 2004 to look into financial inclusion and the recommendation of the commission were incorporated into the midterm review of the policy (2005-06). In the report Reserve Bank of India encouraged the banks with a view of achieving greater financial inclusion to make available a basic "no-frill" banking account.

In India financial inclusion first featured in 2005, when it was introduced that too from a pilot project in UTs of Pondicherry, by Dr.

Chakraborthy, the chairman of Indian bank. Mangalam village became the first village in India where all household were provided banking facilities.

In addition to this KYC norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50000. General Credit Cards (GCC) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-govt. organization (NGOs/ SHGs), micro finance institutions and other civil society organization as intermediaries for providing financial and banking services.

These intermediaries could be used as business facilitators (BF) or business correspondents (BS) by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign states or U. T.s like Pondicherry, Himachal Pradesh and Kerala have announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customer's accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a road block to financial inclusion in many states. Apart from this there are certain in current model which is followed. There is inadequate legal and financial structure. India being a mostly agrarian economy hardly has schemes which lend for agriculture. Along with Microfinance we need to focus on micro insurance too.

Review of Literature

K Hema Divya (2013) "A study of impact of financial inclusion with references to daily wage earners", concluded that there is more need to educate and create some new instrument for daily wage earners and also makes them a part of financial inclusion..

Anupama Sharma and Sumita Kukeraja (2013), "An analytical study: Relevance of Financial Inclusion for developing Nations" the paper highlights the basic features of financial inclusion and its need for social and economic development of the society. The study focuses on the role of financial inclusion, in strengthening the India's position in relation of other countries economy.

V. Ganesh Kumar (2013),"Overview of Financial Inclusion in India", the author concluded that branch density in a state measures the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness and hence intuitively it seems to be a key tool for financial inclusion.

Dr. M. M. Gandhi (2013),"Financial Inclusion in India Issues and Challenges" this paper stresses the need of matured, positive attitude and approach and sound strategy to achieve complete financial inclusion. This paper also looks at some of the business models and essential elements of profitable models for financial inclusion so as to increase the meaningful and whole hearted participation of the banks in achieving complete financial inclusion.

Dr. Laila Memdani and Rajlakhmi k. (2013)," Financial Inclusion in India" in this paper the author defined Financial Inclusion in different phases. Banks need to create awareness amongst people through various way of mass communication like television channels, mobile, newspapers etc.

Roshny Unnikrishna (2012), "Enabling Financial Inclusion at the bottom of the Economic Pyramid", analyzed in their study the importance of financial inclusion in economic empowerment. This study identified the variable in enabling financial inclusion, analyzed the barriers to effective financial inclusion and the prerogative steps to be taken to overcome the barrier and enable inclusive growth. The study concluded by identifying the variable that empower the masses financially and stating the importance of social inclusion in relation to financial inclusion and also by reinforcing the importance of self-substance at the bottom of the economic pyramid.

Reddy K. Sriharsha (2011), "A study on Extent of Financial Inclusion among small borrowers in Andhra Pradesh", studied the flow of credit to small borrowers with the objective to evaluate the extent of financial inclusion based on credit to small borrowers with special reference to agriculture credit in Andhra Pradesh. This paper attempted to fill this gap by evaluating the extent of financial inclusion in Andhra Pradesh based on the dispersion of credit to small borrowers.

Chattopadhyay, Sadhan Kumar (2011), "Financial Inclusion in India: A case-study of West Bangal" in the study using three dimensions of financial inclusion. It is revealed from the index that Kolkata district lead with the highest value of FIF, while rest of the districts show a very low level of financial inclusion. A survey was also conducted in the state in order to instrument the financial inclusion in rural Bangal and the results reveal that around 38% of the respondents do not have sufficient income to open a saving account in the bank.

Mandira Sarma and Jesim Paise (2008), "Financial Inclusion and Development: A Cross Country Analysis" in the work suggested that the issue of financial inclusion is a development policy priority in many countries. Using the index of financial inclusion developed in levels of human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Among socio-economic factors, as expected, income is positively associated with the level of financial inclusion. Further physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play positive role in enhancing financial inclusion

Objectives of the Study

1. To know the level of education for execution of financial inclusion services.
2. To study the socio-economic impact of financial inclusion.
3. To find out whether the financial services are reaching to the low income groups or not.

4. To evaluate the impact of financial inclusion to the society.

Research Design and Methodology

Scope of the Study

The study is undertaken in Jaipur (sodala) district of Rajasthan. The scope of data collection is restricted to only daily wages earners.

Research Design

A research design is the specification of methods and procedure of acquiring information. Design to be adopted here is descriptive as well as exploratory research. It basically seeks to extracts information about financial inclusion. In this study, a sample size of 120 is taken and the questionnaires werefilled up by given to daily wages earners.

Sampling

For making the census study of the entire universe is quite difficult on the account of limitations of time and money.Therefore, sample of 120 respondents have been selected for giving the representation of whole population.

Sampling Method

Random sampling is used because the study is not restricted to one industry. Daily wages earners are working almost all the industry.

Sampling Tools

Structured schedule and interviews is used as a tool for the collection of data, mainly because it gives the chance for timely feedback from respondents.

Sample Size

The size of the sample is 120 respondents.

Data Analysis and Interpretation

Table : 1 Gender

	Frequency	Percentage
Male	81	68
Female	39	32

Analysis

From the above table it is observed that out of 120 respondents' 82 daily wages earners are male and 39 daily wages earners female are utilizing financial inclusion services.

Table : 2

Educations and Qualification

	Frequency	Percentage
Illiterate	89	74
L.K.G. to 5^{th}	24	20
5^{th} to 10^{th}	6	5
Intermediate and Above	1	1
Total	120	100

Analysis

From the above table 89 respondents are illiterates. 24 respondents are studied up to 5^{th} class. 6^{th} respondents are studied 6^{th} to 10^{th} class. And remaining 1 respondent is studied more than intermediate.

Table : 3

Earning Per Day

	Frequency	Percentage
<199	6	5
200-299	69	57
300-399	38	32
<400	7	6
Total	120	100

Analysis

From the table we can observe that <199 rupee there is nil respondents, in rupees 200-299 there is 69 respondents, in rupees 300-399 there is 38 respondents and in >400 rupees there is only 7 respondents are located.

Table : 4

Financial-Inclusion Awareness

	Frequency	Percentage
Yes	78	65
No	42	35
Total	120	100

Analysis

From the table 78 respondents have awareness about financial inclusion and 42 respondents do not have awareness about financial inclusion.

Table : 5

Number of Schemes known

	Frequency	Percentage
0>2	78	65
3-4	36	36
4<5	6	5
Total	120	100

Analysis

According to the above table 78 respondents know less than or equal to two schemes. 36 respondents knew 3 to 4 schemes. And only 6 respondents know 4 to 5 schemes and know body known more than 8 schemes in financial inclusion.

Table : 6

Utilizations of Schemes

	Frequency	Percentage
No frill Account	100	84
Self- help- groups	72	60
Micro insurance	29	24
Micro credit	90	75
Entrepreneurial Credit	6	5

Analysis

From the above table we can say that 100 respondents are utilizing No-frill a/c facility. 72 respondents are utilizing SHG's facility. 29 respondents are utilizing micro insurance. And 90 respondents are utilizing micro credit scheme in financial inclusion. Only 6 respondents are utilizing entrepreneurial credit through financial inclusion.

Table : 7

Impact of Financial Inclusion

	Frequency	Percentage
Confidence	108	90
Child Education	120	100
Economic Welfare	107	89
Self-Employment	77	64
Frequency of Repayment	114	95
Income Generation	70	58
Empowerment	120	100

Analysis

From the above description we can say that financial inclusion increase Confidence, Child Education, Economic Welfare, Self-employment, Frequency of Repayment, Income Generation and Empowerment. For economy all those characteristics are important economy socio-economic development.

Table : 8
Usefulness of Scheme

	Frequency	Percentage
Yes	120	100
No	-	-

Analysis

From the analysis of the table we can say that the financial inclusion is very useful for daily wages earners.

Challenges of Financial Inclusion

Following these are the suggestions which help in execution of financial inclusion which are to addressed

1. Illiteracy

Prospective clients lack knowledge about comparing and using financial services running a business and personal finance.

2. Remote Location

Under developed transportation, communication and power grid structure and limit delivery of financial services in rural and remoteareas.

3. Cost of servicing is high for small sized transaction.

4. Telecommunication

Delivery channels like mobile banking and correspondents banking need a critical level of participation by agents, telecom clients etc. or interoperability to generate value.

5. Reach of Technology

Technology is unable to reach in rural area.

6. Limited Understanding of Client Needs

There is too little market research about the financial elements of client's life-styles. Such as cash flow and assets accumulation to promote the design of valuable services.

7. Cost of servicing is high for small sized transaction

Findings

Following these are the findings which are addressed in the study-

1. 69% of male and 31% of female population is utilizing financial inclusion services.
2. 74 percent respondents are illiterate and 26 presentrespondents are literate.
3. Earning per day respondents, who earns 200-299 rupees are more interested to utilizing financial inclusion services then respondents who earns <199, 300-399 and <400 rupees.
4. 65% of respondents are known about two schemes, 36% of respondents are known about 3-4 schemes, 6% percent of respondents are knows about 4<5 schemes and nobody know more than 6 schemes.
5. 84% of respondents are utilizing no-frill a/c facility. 60% of respondents are utilizing SHG's facility. 24%of respondents are utilizing micro insurance. And 75% of respondents are utilizing micro credit scheme in financial inclusion. Only 5% of respondents are utilizing entrepreneurial credit through financial inclusion.
6. Financial inclusion increase Confidence, Child Education, Economic Welfare, Self-Employment, Frequency of Repayment, Income Generation and Empowerment.

Suggestions

Following these are the suggestions which help in execution of financial inclusion which are to addressed-

1. Financial inclusion is very useful tool for financial growth of low income groups.
2. Conduct awareness programmes in various industrial areas to increase the utilization of financial inclusion services.
3. Banks should establish separate counter in the banks for financial inclusion.
4. For low income groups in rural area, local banks should provide these services at their door step.
5. Reserve bank of India, Govt. of India and financial institutions take more initiatives for financial inclusion.

Conclusion

This research paper has been undertaken to study the financial inclusion programmes and to find out the steps taken by financial institutions in the area of the financial inclusion. The problem of financial exclusion needs to be tackled with urgency if we want our country to grow in an equitable and sustainable manner. Financial inclusion may be a social responsibility for the banks and govt. in the short-run but will turn out to be a business opportunity in the long-term. Financial Inclusion is no longer an option, but it is a compulsion. The current policy objective of inclusive growthwith financial stability cannot be achieved without ensuring universal financial inclusion. The beneficiaries have come to realize the need for viable and sustainable business models which focus on accessible and affordable financial services, products and processes, synergistic partnerships with non-bank entities including the technology service providers for efficient handling of low value, large volume transactions, particularly in remote, banking shadow areas and appropriate regulatory and risk management policies that ensure financial inclusion and financial stability move in tandem.

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