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Financial Inclusion in Himachal Pradesh:

A Case study of Households in District Kangra

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Abstract:

Financial inclusion is to ensure that all the disadvantaged and low-income people have access to appropriate financial services and can effectively use these services. These services includes access to the formal financial system such as financial institutions, markets, and instruments, like savings, loans, remittances and insurance services, at affordable prices. Financial inclusion is important, simply because it is necessary condition for sustaining equitable and inclusive growth of national economy. Even then many individuals are unfamiliar with even the most basic economic concepts needed to make sensible saving and the investment decisions. Financial inclusion is widely recognized as one of the most important engines of economic development. Its contributions to GDP, individual and social welfare, and business creation and expansion – particularly small and medium enterprises – have been amply documented. The benefits of financial inclusion for the poor are extremely significant.

The present study is an attempt to know the awareness level of financial inclusion among the households with special reference to Pradhan Mantri Jan Dhan Yojana in district kangra and their perception towards prevailing banking services

Key words: Financial Inclusion, Financial Literacy, Households, RBI, GDP, PMJDY.

Introduction

Financial Stability of an economy depends on three important pillars: Financial Inclusion, Financial Literacy and Consumer Protection. Financial inclusion refers to universal access to a wide range of financial services by all sections of the society in general and vulnerable groups such as weaker sections and low income groups at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. Every one's participation in formal financial service sector is the root of financial inclusion. A well-established financial system is the effective circulatory system of economy. It empowers individuals to access the various facilities of the system in more efficient manner and contribute maximum to the system

where-ever possible. This makes the system robust and economic shocks proof. Success of financial inclusion lies in achievements of three steps: 1. Bank Account to at least one member of a household, 2. Regular deposit and withdrawals under that bank account and 3. The Bank Account is used for transactions payment.

Financial inclusion should help vulnerable groups such as low income groups, weaker sections, etc., to increase incomes, acquire capital, manage risk and work their way out of poverty. Various steps are being taken by the government over the years but still the problem of financial exclusion looms large and is the root cause of persistent mass poverty in India. This may be due to the skewed effort of the government i.e. focusing mainly on the supply side and ignoring the demand side of financial inclusion. In order to achieve this demand side effort need to be taken including improving human and physical resource endowments, enhancing productivity, mitigating risk and strengthening market linkages. However, the primary focus is on improving the delivery systems, both conventional and innovative. (Bijoy, k. 2018)[1].

Report of the Committee on Financial Inclusion in India (Chairperson C.Rangarajan) (2008) defines Financial Inclusion 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."

RBI defines Financial Inclusion as "a 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 regulated mainstream institutional players".

Therefore, the objective of Financial Inclusion (FI) is to extend financial services to the large hitherto unreserved population of the country to unlock its growth potential. In addition, it strives to achieve more inclusive growth by making financing available to the poor in particular. The government of India and the Reserve Bank of India has been making concerted efforts to promote financial inclusion as one of the important national objective of the country.

Review of literature

Various studies have been conducted from time to time on financial inclusion across the globe and also in India.

Shankar, B. and Sahoo, M. (2016)[2] in their study titled, "Financial Inclusion: An Empirical Analysis of the Impact of the Eastern Odisha Region." The main objective of the study is to analyze the impact of financial institutions in reaching at the door level of people to provide better financial services. The study found that impact of financial inclusion in eastern Odisha had indicated very poor implementation and application of financial inclusion.

Alam, A. and Jamal, A. (2017)[3] in their study entitled, "Status of Financial inclusion in India: A Conceptual Study with Special Reference Uttar Pradesh." Findings of the study unveiled that the current situation of financial inclusion in UP and India is grim. The study concluded that there is hitherto untapped business opportunity for formal institutions to expand their business in financially excluded market.

Sachdeva, T. and Maheshwari, D. (2018)[4] conducted a study on, "Financial Inclusion: A Determinant for Village Development" to know the extent of financial inclusion in India, especially with reference of Raisen district of Madhya Pradesh and the financial services provided by the banks in this regard. The study found that more than 60 percent respondents were aware and availed the benefits of financial inclusion schemes such as Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana, Pradhan Mantri Surksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana but under two schemes such as Sukanya Samridhi Yojana (SMY) and Suraksha Bandhan Scheme (SBS), respondents do not get better benefits and the process is complicated. Further, the study also found that these schemes are helpful to meet their extra needs and they observed a lot of improvement in their social and economic condition.

Bijoy, K. (2018)[5] made a study on, "Financial Inclusion in India and PMJDY: A Critical Review" to find the current status of financial inclusion in India and to analyze the government's effort through various policies like MGNREGA, DBT, and PMJDY etc. It is revealed from the study that PMJDY has increased the number of bank accounts through diluting KYC for marginalized and deprived citizens. But, transactions in the account were very limited and a large number of accounts are dormant due to insufficient income.

Need of the Study

It is observed after reviewing the available literature there is need of the time to investigate the awareness of financial inclusion at household level. It will act as path breaker for more rapid growth of the rural economy in the state. The study proves helpful to the agencies in policy formulation regarding financial inclusion and their implementation.

Scope of the Study

This study is intended to observe the financial inclusion among the households of Kangra district of Himachal Pradesh. The study is very important to households as well as, for it may help the authorities of banks to frame suitable policies and programmes to accelerate the pace of FI and to create win-win situation.

Review Objectives

1. To study the perception of the respondents towards banking services.

2. To study the awareness level of the respondents about financial inclusion with special regard to Pradhan Mantri Jan DhanYojana.

3. To analyze the attitude of the respondents regarding banking services.

Hypotheses

On the basis of the above objectives, the following hypotheses have been framed.

H_0 -There is no significant difference between income and access to bank account.

H_0 -There is no significant difference between income and access to credit

Methodology

The main source of collection of data for this study is primary source. For this purpose a questionnaire has developed to collect the required data from the households. The primary data has been collected with the help of the technique of multistage sampling. In the first stage, Kangra district has been selected on the basis of population.

District	**Block**	**Respondents**
Kangra	Dehra (126804)	126804/358161×150 =53
	Nurpur (118668)	118668/358161×150= 50
	Paragpur (112689)	112689/358161×150= 47

In the second stage, Kangra district has been divided into development blocks, three development blocks has been selected on the basis of their population, namely Dehra (1,12,804), Nurpur(1,18,608) and Paragpur (1,12,804). Sample is drawn on the basis of population of blocks**.**

Tools for Data Analysis and Interpretation

Data analysis has been done by using appropriate mathematical and statistical tools such as percentage, test of significance such as Chi-square test of independence and Contingency Coefficient**.**

Data Analysis and Interpretation

Table-1

Respondent views regarding bank account: Income wise classification

Monthly income	Household have any bank account		Total
	Yes	No	
Less than 2000	4 (33.3)	8 (66.7)	12 (100.0)
2000-5000	25 (100.0)	0 (0.0)	25 (100.0)
Greater than 5000	113 (100.0)	0 (0.0)	113 (100.0)
Total	142 (94.7)	8 (5.3)	150 (100.0)

Source: Data compiled through questionnaire,

Pearson Chi-square=97.183; 'P' value=0.000, Contingency coefficient =0.627

Note: Figures in parentheses depicts the percentage

The Table 1 provides income details of the respondents and displays the relationship between income level and holding bank account. It is found that majority of the respondents have a bank account; only 5.3 percent respondents have not bank account. It is clear from the table that those respondents who don't have account are belongs to below income 2000 and the main reasons behind this are insufficient income for saving, lack of awareness and guidance of banking services. The calculated value of Chi-square test of independence shows significant result at 5 percent level and contingency coefficient also supports the result. Therefore it can be concluded that there is significant relationship between income of the respondents and having bank account.

Table-2

Respondent views regarding availing loan facility: Income wise classification

Income	Access to credit or loan from bank		Total
	Yes	**No**	
Less than 2000	2 (50.0)	2 (50.0)	4 (100.0)
2000 to 5000	18 (72.0)	7 (28.0)	25 (100.0)
Greater than 5000	78 (70.0)	35 (30.0)	113 (100.0)

Total	98 (70.0)	44 (30.0)	142 (100.0)

Source: Data collected through questionnaire

Pearson Chi-square=6.780 'P' value=0.677, Contingency coefficient= 0.67

Note: Figures in parentheses depicts the percentage

Table 2 reveals the opinion of the respondents regarding loan facility provided by bank on the basis of income. From the table, it evident that majority of the respondents avail loan facility from bank which highlights the extent of financial inclusion, while only 30.0 percent respondents does not ever taken loan which may be due to excessive documentation and time consuming processes respondents don't prefer bank for loan, they attain credit at the time of need through money lenders, mortgage land to zamindar, and by selling land or gold.

On applying chi-square test of independence it shows insignificant results at 5 percent level of significance and contingency coefficient also support the results. It shows that there is insignificant relationship between income and respondents opinion regarding availing loan facility provided by bank.

Findings Summary

- The study reveals that majority of the respondents have bank account whereas very few 5.3 percent respondents have not an account with a bank. Those respondents who have not bank account, majority of them are female. There is significant impact of the gender of the respondents on having a bank account.
- From the study it has been found that there is significant relationship between income and access to bank account. There is significant impact of the income on having an account with a bank. It is revealed from the survey that all the respondents who have not bank account belong to low income group (i.e. less than 2000).
- It is found from the study that more than one fifth (27 percent) respondents have no-frill/BSBDA account whereas 71.83 percent respondents were reported that their account is not no-frills. There is significant impact of the educational qualification on the respondent's awareness regarding overdraft facility on no-frills account.
- It is revealed from the survey that majority of the respondents have taken loan from bank. Study shows that there is no relationship between income of the respondents and their access on credit.
- Through the analysis it is found that almost three fifth (59.3 percent) of the respondents were agreeing that geographical distance is the main hurdle in availing financial inclusion whereas two fifth of the respondents were disagreeing with it. So, it can be derived that distance from a bank is a much greater barrier in study areas.

- It is revealed from the survey that majority of the respondents are aware about Pradhan Mantri Jan DhanYojana whereas one third of respondents are not awared about this scheme.
- The study reveals that majority of the respondents were completely awared with the main aim of Pradhan Mantri Jan DhanYojana is to open at least one saving account per household whereas 36.7 percent respondents were disagreed with it.
- The study shows that one half of the respondents were of the opinion that PMJDY will help for creating a platform for inculcating the habit for saving among poor people whereas 44.0 percent respondents does not know about it while 4.7 percent respondents were disagreed with it.
- From the survey it is found that almost three fifth(59.3 percent) of the respondents were agreed that Pradhan Mantri Jan DhanYojana will help the country in reaching its goal of banking facilities to a lot of people whereas 36 percent respondents does not know about it and 4.7 percent respondents were disagreed with it.

Limitations of the Study

- The demographic scope of the study was limited to Kangra district and does not represent the whole state.
- The sample size taken for analysis is only 150. The number is quite inadequate.
- The time and financial constraints were the major challenges in the present study

Conclusion

The study concluded that financial inclusion is important, because it is necessary condition for sustainable equitable and inclusive growth of national economy. Therefore, the role of financial literacy for financial inclusion has also become much broader because until and unless a person is educated about financial avenues at basic and advance level all efforts will be waste.

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