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Financial Inclusion in India

M. Jayanthi[1] and S.S. RAU[2]

[1]*Research Scholar, Department of Management Studies, Sathyabama University*
[2]*Research Supervisior, Sathyabama University*

ABSTRACT

Rural india has significant opportunity for banks to search their affluence and to bring poor through financial inclusion. The fast growing economy in the world only India has the middle class and poor segments which ignore banking service could not serve better banking facilities tomorrow. Banks in developing economies have these essential services like offering basic accounts, transferring government payments to individual accounts, and encouraging saving through matched and tax-advantaged savings accounts, etc., support the access of financial services to the public. Financially independent of the weaker section in the country would make the Nation financially sound. Therefore, financial inclusion is bringing weaker sections of society that are economically excluded into the formal financial system. The present study attempts to find out the financial inclusion of the rural population of Kerala state in India.

Keyword: Financial inclusion, Banking, Ruralhousehold, India.

1. INTRODUCTION

Financial inclusion is the process of ensuring access financial services, timely adequate credit to vulnerable groups such as low income or weaker section, many research found that financial inclusion and poverty was a directly correlated with developing nations. People who financially illiterate are mostly poor and economically excluded. Opening a bank account is one of the key requirements in financial inclusion. In 2011 considerably 3 out of 5 households in India availing banking services. According to the world bank survey only 35% of Indians, i.e. 1.2 million people having a bank account. From that, 25% of people are active. State wise financial inclusion comparison Maharastra, Kerala, Karnataka was the high level of financial inclusion compare to other states of in India.

2. INITIATIVES TOOK BY BANKS IN INDIA FOR FINANCIAL INCLUSION

Financial inclusion is to enlarge financial services to the un-served population of the country and to improve their living standards. The primary objective of financial inclusion is to transmit banking services at reasonable cost to the lower income segments. Banks face a challenge with the winning over, satisfaction and the retention of their consumers. Banks also face significant challenges in bringing the unbanked households into the banking system. The importance of basic banking services aims at reducing the expenditure of using banking services. World Bank Findex Survey (2012) 35% of Indian adults had access to a formal bank account and 8% borrowed formally , 2% of adults used an account to receive money from a family member living in another area and 4% used an account to receive payment from the Government. World Bank (2009) found that financial inclusion policies are concentrated in high-income countries, but the same usually works in developing countries only if participating financial institutions see them as a viable business proposition. In the present scenario, the new policies of RBI ensure a minimum access to a savings bank account by providing zero balance facilities to account holders anywhere in India irrespective to the bank they hold the account. This initiative of RBI would help the country in bringing the un-served population in the banking scenario.

In related to the financial inclusion of the lower income segments many banks have taken initiatives on their part by introducing many financial inclusion programs and have created awareness among the lower income groups The South Indian Bank has provided the basic banking facilities to the residents of villages through Business Correspondents. Till date, the bank has covered more than 60 villages and six urban centers under financial inclusion and opened more than ten exclusive financial literacy centers in the bank premises. The bank has launched a smart card in association with Coromandel InfoTech Indian Ltd, Canara Bank achieved total financial inclusion in all the 26 lead district spread over five states.

ING Vysya Bank provides banking services for nearly 295 villages across the India and has also covered 6.27 lakh people under the financial inclusion. The bank has introduced various products for financial inclusion in which the “No frills account with overdraft facility”, “Self Help group finance”, and “Kisan credit card” etc., are the most highlighting improvements in the field. The bank so far has opened 99631 accounts and disbursed 26 crores for account beneficiaries.

3. REVIEW OF THE LITERATURE

According to Dr. K.C Chakrabarty, Deputy Governor, Reserve Bank of India, “Financial inclusion is method of ensuring entrance to correct financial products and services needed by all sections of the society and vulnerable group such as weaker sections and low income group in meticulous at an affordable cost in a fair and visible manner by mainstream institutional players”.

NABARD 2008 found that “51.4% of framing household in India is financially excluded from both formal and informal sources of credit; only 27% of total farming have access to formal sources of credit. The situation is worse in the Central, Eastern and Northeastern regions where 64% of a farmer of households are financially excluded”.

Mira Mendoza (2009) reports shows that most of the poor people excluded from the formal financial sectors such as access from credit, insurance, and savings. Beck & Dela Torre (2006) Financial inclusion should signify access to a range different financial service, the percentage of people in a given area with access to a bank account is the typical measuring stick for breadth of financial services. Biswal D. Dash H (1997) Shows that the bank in financing rural development are poor recovery and overdue are the major hurdles faced by them. The states to improve adequate development of infrastructure in rural areas and to improve the income and financial condition of the rural poor.

Puneet Bhushan, Yajulu Mercury 2013 Reports shows that in India 58.30% of salaried people are not aware of related economic issues. Worldwide 2.5 billion people are currently without basic access of financial service. Dr. Atul Bansal 2012 Reports shows that more than 360 million of people rural as well as urban had the lack of access of formal financial services. The population without access of commercial service in Germany 4% and the USA 9% respectively (peachy Roe, 2004).

But who live in Latin America, Asia, and Africa countries are 88% of the people financially excluded. This is extremely high in developing countries. The financial inclusion that are challenges in developing countries. (chair et. al., 2009).

D. Subbarao governor of the Reserve Bank of India says that" the money management was destitute in India, Bangladesh, and South Africa countries. They need sophisticated financial management and especially poor are carefree and incompetent".

4. OBJECTIVE OF THE STUDY

- To analyse the income and savings of rural household respondent in kerla.
- To evaualte the saving behaviour and financial inclusion of rural household respondent in kerla.

5. RESEARCH METHODOLOGY

Primary data was collected through questionnaire by survey method. The sampling method used was convenient sampling, which comprised of 60 Samples were selected from Kerala state in India. It was ensured that the sample includes population from different factors like occupation, gender, age, income, and educational qualification factor. The questionnaire consisted of questions about respondents having a different type of bank accounts, and type of services using from the bank. Both qualitative and quantitative approaches were used for this study.

6. HYPOTHESIS

For this study following hypothesis has been proposed

Hypothesis 1:

- **H0:** There is no significant relationship between income and Savings of rural respondent in kerla.
- **H1:** There is a significant relationship between income and Savings of rural respondent in kerla.

Hypothesis 2:

- **H0:** There is no association between savings and Financial inclusion of rural household respondent in kerla.
- **H1:** There is a association between savings and Financial inclusion of rural household respondent in kerla.

7. FINDINGS

Table 1
Contains characteristics of sample Number of participant Frequencies

Gender	Male 32	53%
	Female 28	47%
Age	Below 35 13	22%
	36-45 2	3%
	46-55 32	53%
	Above 55 13	22%
Income	Below 25000 36	60%
	25001-50000 20	33%
	Above50000 4	7%
Educational	Below10th 10	17%
	10&12th 26	43%
	UG 18	30%
	PG 6	10%

8. RESULT AND DISCUSSION

The Table 1 explains that respondent's summary of demographic and socioeconomic factor details show that percentage of male respondents is 53% and female respondents is 47%, 22% of the respondents fall in the age group below 35 years of age and 53% fall in the age group 46-55 years.60% of the respondent have an annual income below 25000 followed by 33% respondents who earn between 25000-50000 annually. The majority of the respondent 43% in the sample are 10th and 12th, followed by 30% having an undergraduate degree.

9. RELATIONSHIP BETWEEN INCOME AND SAVINGS OF RURAL RESPONDENT

Table 2
Shows
ANOVA

Keeping Money	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Between Groups	96.133	2	48.067	198.536	.000
Within Groups	13.800	57	.242		
Total	109.933	59			

Source: Primary Data 2016

From the above table it is inferred that p value is less that 0.01 is significant at the 1 percent level, there is an association between the income level of the respondents and saving money. It concludes that income level of individual and people where deposit or place where saving the money having relation. It varies Peoples are earning income and deposit place. Normally, all the people having savings account, but only a few people are maintaining current, fixed, post office saving and recurring deposit account based on the income level.

Relationship between Savings and Financial Inclusion of Rural Respondent

	Chi-Square Tests		Sig. (2-sided)
	Value	*df*	
Pearson Chi-Square	6.623[a]	6	.357
Likelihood Ratio	6.600	6	.359
N of Valid Cases	60		

[a]5 cells (41.7%) have expected count less than 5. Theminimum expected count is 2.38.
Source: Primary Data 2016

From the above table it is inferred that the calculated value .357 is less than table value 0.05., the null hypothesis is rejected. Therefore it can be concluded that, there is a significant relationship between pattern of savings and financial inclusion of household respondents.

10. SUGGESTION AND CONCLUSION

From the Study conclude that India has not achieved 100% financial inclusion. For making 100% financial inclusion banks can take initiatives conducting awareness program from school level onwards about financial products, banking services, money management and savings, etc. Also modify banking services little more friendly user for people who are illiterate or less educated. The government has to be taken steps for creating awareness of banking services in rural areas also government provide benefit only through the way of banking facilities. Financial inclusion is important for improving living conditions of poor farmers, rural and other vulnerable groups. It missed the insincerity that more than four decades after bank nationalization, formal banking system excluded far more segments than it included. The country based financial system like chid-fund, gold fund need to be revised, and they serve savings and give useful credit function to local people to get security payments.

The Reserve Bank of India (RBI) and OECD (Organization of Economic development) jointly launched a financial literacy website and set up a credit counseling center for giving advice on personal finance for individuals. Also, RBI started the project on financial literacy this project aims at providing information about basic banking concepts through various media, books, cartoons, films, games and essay writing competitions especially for school going children.

RBI gave advice to the bank offer No-Frills account those who excluded open a savings account. There is a No minimum balance required for this savings account. The greater part of the account opening in Rural area people. Many products are available in the bank, but a majority of the population in rural areas is not known the availability. Reserve Bank of India (RBI) taking more steps for improving financial literacy.

Financial literacy would play a vital role in financial inclusion contributing to poverty reduction in developing countries by constructing people's knowledge and skills to optimize the use of resources. Financial literacy also develops the ability of people manages risk in their day-to-day lives for the future. These are important in developing countries not only for benefits of individuals.

Further study identified it can be analyzed factors influenced financial inclusion for lower income household, daily laborers, and farmers specifically. It is important to identify for this set of people because developing countries 70% of people are lower income and middle-income group people only.

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