

Financial Inclusion among Households

ISSN 2321 – 371X
Commerce Spectrum 5(2) 13-18
© The Authors 2018
Reprints and Permissions
santharaswathy4@gmail.com
www.commercespectrum.com

Swapna Shaji¹

M.Com Student, P.G & Research Dept. of Commerce, St. Peter's College, Kolenchery

E-mail: swapnashaji1994 @gmail.com

Abstract

Financial inclusion plays a major role in driving away the poverty from the country. The main focus of financial inclusion in India is to promote sustainable development in rural areas. India is a country with diverse economic condition. Financial exclusion is a symptom and cause of poverty. For an accelerated growth of the economy it is necessary that all the people should be covered by the financial sector through the financial inclusion. The study was conducted to know financial inclusion among households. The study was limited to Paipra Grama Panchayath of Ernakulam district. The study examined the extent of financial inclusion among households in Paipra Grama Panchayath. For the purpose of study, a sample of 100 households was selected from 9962 BPL households in Paipra Grama Panchayath by adopting simple random sampling method. Percentages and T-test were used for analyzing the data. The study revealed that the extent of financial inclusion through provision of credit facility, investment opportunity and other facility was very low and the extent of financial inclusion among BPL households in Paipra Grama Panchayath was very low.

Keywords

Financial inclusion, Below Poverty Line, Sustainable Development, T-Test

Introduction

The emerging trends in financial inclusion have gained attention among developing countries policy makers and central bankers from around the world. The emerging economies enhanced interest towards economic growth with specific interest on the factor that lead to higher savings and investments, which have been viewed as important determinants of economic growth. The present patterns for savings and investment have been developed with the object to address the hypothetical and empirical issues and to steer the design of enhanced policies and improvisations of methodologies in practice. Although India has made improvement in financial inclusion in the past few years but IMF financial survey shows that "India lags behind with other emerging nations in financial inclusion by a significant margin" (Nair 2012). A major corner stone of inclusive growth is to ensure that the benefits and fruits of growth reach the bottom of the pyramid population especially, vulnerable social groups. Financial inclusion may be defined as the delivery of banking services at an affordable cost, especially to the vast sections of disadvantaged and low-income group. In other words, it is 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. Financial inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.

Significance of the Study

In our country, the commercial banks and other financial institutions play a vital role in everybody's life. Financial inclusion is 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. The literature review revealed that most of the studies were only at macro level focused on business strategies and technology aspects and not at the micro level with empirical studies. Moreover, not much studies so far been conducted in the area of financial inclusion at household level especially on the status of financial inclusion at rural households in Paipra Grama Panchayath. In this context, the study titled "Financial Inclusion among Households " assumes greater importance.

Scope of the Study

The study is limited to the financial inclusion of BPL households in Paipra Grama Panchayath. The respondents of the study include the BPL households in Paipra Grama Panchayath.

¹ Corresponding author:

M.Com Student, P.G & Research Dept. of Commerce,
St. Peter's College, Kolenchery E-mail: swapnashaji1994 @gmail.com

Objective of the study

- To examine the extent of financial inclusion among households in Paipra Grama Panchayath .
- To find out the major problems associated with financial inclusion in Paipra Grama Panchayath .

Hypothesis of the study

H₁: There is moderate responsible financial inclusion among BPL households in Paipra Grama Panchayath .

Research Methodology

1. Selection of sample.

There were 9962 BPL households in Paipra Grama Panchayath . Simple random sampling method was used for the selection of sample. A sample of 100(1%) households was selected for the study.

2. Data collection

Both primary and secondary data were used. Interview schedule was used to collect primary data from sample respondents. Secondary data were collected from journals, books and websites.

3. Tools of data analysis

The collected data were analyzed by using appropriate statistical and mathematical tools, using SPSS 16.1. Percentages and T-test were used for analyzing the data.

Period of Study

The survey was conducted during the month of December 2016.

Financial Inclusion among Households -Analysis

The main purpose of this study is to analysis the status of financial inclusion among households in Paipra Grama Panchayath of Ernakulum district.

Table 1: Profile of the households

		Frequency	Percent
Community	GENERAL	17	17.0
	SC	5	5.0
	ST	6	6.0
	OBC	66	66.0
	OEC	6	6.0
	1	6	6.0
Number of adults	2	52	52.0
	3	19	19.0
	4	20	20.0
	ABOVE 4	3	3.0
	1	44	44.0
Number of children	2	48	48.0
	3	7	7.0
	4	1	1.0
Number of Males	1	26	26.0
	2	42	43.0
	3	23	23.0
	ABOVE 3	9	9.0
Number of Females	1	34	34.0
	2	55	55.0
	3	8	8.0
Educational Qualification	ABOVE 3	3	3.0
	All members are below SSLC	42	42.0
	Some members passed SSLC	17	17.0
	Some members have plus two or degree	20	21.0
	Some members have PG/Professional qualifications	21	21.0
Occupation	Casual worker	54	54.0
	Government job	19	19.0
	Business/ profession	12	12.0
Monthly Family Income	Private job	15	15.0
	Below Rs 500	9	9.0
	Rs 500 - Rs 1000	11	11.0
	Rs 1000 - Rs 1500	69	69.0
	Rs 1500 and above	11	11.0

Source: Primary data

Table 1 shows that the majority (66 percent) of the households belong to OBC category.52 percent of the households have 2 adult members in their family.48 percent of the households have 2 children in their family. All the households have at least one male and female member in their family. In the case of 42 percent of the households, all the members of the family are below SSLC.52 percent of the households are casual workers.89 percent of the households are having amonthly family income of below Rs 1500.

Table 2: Type of Account

Type of account	Frequency	Percent
Fixed deposit	3	3.0
Savings account	76	76.0
Current account	2	2.0
Recurring deposit	5	5.0
More than one type of account	14	14.0
Total	100	100.0

Source: Primary data.

Most of the respondents have saving bank account. Only 14 per cent of them have more than one type of account. (Table 2).

Table 3: Average Monthly balance in the Bank Account

Average Monthly balance (Rs)	Frequency	Percent
Below 500	35	35.0
500-1000	14	14.0
1000-1500	5	5.0
1500 and above	46	46.0
Total	100	100.0

Source: Primary data

The majority of the respondents have an average monthly balance of below Rs. 1500 in their bank account.

Table 4: Number of persons who have loan

Loan	Frequency	Percent
Households having loan during the current year.	45	45
Households having loan during the previous year.	55	55
Households having no loan	-	-
Total	100	100

Source: Primary data

Table 4 shows that 45 percent of the households have loan from bank during the current year and 55 percent of the respondents had loan during the previous year.

Table 5: Reasons for Opening Bank Account

Reasons	Mean	Std. Deviation	t	P value
For receiving the remuneration	2.35	1.83	-3.535	.001
For making deposits/investments	2.29	1.72	-4.116	.000
For availing loan	3.35	1.81	1.932	.056
For getting any subsidy from government	4.60	1.08	14.78	.000

Source: Primary data

The mean score of the variables 'for receiving remuneration' (2.35), 'for making deposits/investments' (2.29), were significantly lower than the central value of the scale of measurement (3). This denotes that the respondents opened account not due to these reasons.

The mean score of 'for availing loan' is 3.35 which is not significantly different from the central value of the scale of measurement. (p value =0.056). Therefore, the respondents can be considered as indifferent to this variable.

The mean score of 'for getting any subsidy from government' is 4.60 which is significantly greater than the central value of the scale of measurement. (p value =0.000). Therefore, this is the major reason for opening a bank account (Table 5).

Extent of Financial Inclusion

For analyzing the extent of financial inclusion among the household three variables have been considered.

- Extent of credit
- Access of investment opportunity.
- Usage of other facilities.

Extent of credit

The study intended to examine the extent of financial inclusion through provision of credit facility. The respondents' opinions were collected using a five-point Likert type scale. Table 6 shows the extent of credit among households.

Table 6: Extent of Credit

Reasons	Mean	Std. Deviation	t	P value
Access to credit	2.08	1.33	-6.913	.000
Timely credit	1.96	1.15	-9.012	.000
Adequate credit	1.87	1.05	-10.75	.000
Low cost credit	1.78	1.00	-12.19	.000
Variety of credit	2.30	1.45	-4.795	.000
Summated mean score =1.998				

Source: Primary data

The mean score of the variables 'Access to credit' (2.08), 'Timely credit' (1.96), 'Adequate credit' (1.87), 'Low cost credit' (1.78), 'Variety of credit' (2.30) were significantly lower than the central value of the scale of measurement (3) (p value =0.000). This denotes that the extent of credit is very poor among BPL households in Paipra Grama Panchayath (Table 6).

Table 7: Summated Mean Score of Extent of Credit

Summated mean	df	Std. Deviation	t	P value
1.998	99	1.05	-9.518	.000

Source: Primary data

T-test was applied to know the extent of financial inclusion through provision of credit facility among BPL households in Paipra Grama Panchayath . The test result (Table 7) revealed that the summated mean score 1.998 is significantly less than the central score of scale of measurement (3) (p value=0.000). Therefore, the extent of financial inclusion through provision of credit facility among BPL households in Paipra Grama Panchayath is very low.

Access of Investment Opportunities

The study intended to examine the extent of financial inclusion through provision of investment opportunities. The respondent's opinions were collected using a five-point likert type scale. Table 8 shows the access of investment opportunities among the households.

Table 8: Access of Investment Opportunities

Investment opportunities	Mean	Std. Deviation	t	P value
Insurance policy	2.17	1.62	-5.121	.000
Post office savings	1.91	1.45	-7.481	.000
Share markets	1.24	.805	-21.84	.000
Mutual fund	1.22	.732	-24.29	.000
Pension fund	1.55	1.23	-11.75	.000
Public Provident Fund	1.31	.872	-19.36	.000

Summated mean score = 1.5667

Source: Primary data

The mean score of the variables 'Insurance policy' (2.17), 'Post office savings' (1.91), 'Share markets' (1.24), 'Mutual fund' (1.22), 'Pension fund' (1.55) and 'Public Provident Fund' (1.31) were significantly lower than the central value of the scale of measurement (3) (p value =0.000). This denotes that the access of investment opportunity is very poor among BPL households in Paipra Grama Panchayath .

Table 9: Summated Mean Score of Access of Investment Opportunities

Summated mean	df	Std. Deviation	t	P value
1.5667	99	.775	-18.47	.000

Source: Primary data

T-test was applied to know the extent of financial inclusion through provision of investment opportunity among BPL households in Paipra Grama Panchayath. The test result (Table 9) revealed that the summated mean score 1.5667 is significantly less than the central value of scale of measurement (3) (p value =0.000). Therefore, extent of financial inclusion through provision of investment opportunity among BPL households in Paipra Grama Panchayath is very low.

Usage of Other Facilities

The study intended to examine the extent of financial inclusion through provision of other facilities such as ATM, cheque, draft etc. The respondents' opinions were collected using a five point likert type scale. Table 10 shows the Usage of Other Facilities among the households.

Table 10: Usage of Other Facilities

Facilities	Mean	Std. Deviation	t	P value
Physical banking instrument (cheque, draft)	3.45	1.876	2.398	.018
ATM	4.49	1.234	12.06	.000
Credit/Debit card	3.00	1.928	.000	1.000
Kissan Credit Card	1.39	1.081	-14.88	.000
Internet banking	1.54	1.250	-11.67	.000
Mobile message service	2.70	1.877	-1.598	.113
International remittance	2.92	1.931	-.414	.680
Summated mean score = 2.7842				

Source: Primary data

The mean score of the variables 'Kissan Credit Card' (1.39), 'Internet banking' (1.54), were significantly lower than the central value of the scale of measurement (3), (p value 0.000). This denotes that the usage of these facilities are very poor among BPL households in Paipra Grama Panchayath .

The mean score of the variables 'ATM' (4.49) and 'physical banking instrument' (3.45) is significantly higher than the central value of the scale of measurement, (p value = 0.000). This denotes that the usages of these facilities are very high among BPL households in Paipra Grama Panchayath .

The mean score of the variables 'Credit/Debit card' (3), 'Mobile message service' (2.70), 'International remittance' (2.92) were not significantly different from the central value of the scale of measurement (3). This denotes that the usage of these facilities are moderate among BPL households in Paipra Grama Panchayath (Table 11).

Table 11: Summated Mean Score of Usage of Other Facilities

Summated mean	df	Std. Deviation	t	P value
2.78	99	.90	-2.392	.019

Source: Primary data

T-test was applied to know the extent of financial inclusion through provision of other facility in Paipra Grama Panchayath. The test result (Table 11) revealed that the summated mean score 2.78 is significantly less than the central score of scale of measurement (3), (p value= .019). Therefore, the extent of financial inclusion through provision of other facility in Paipra Grama Panchayath is very low.

Hypothesis Testing

H₁: The extent of financial inclusion among BPL households in Paipra Grama Panchayath is moderate.

Table 12 shows the summated mean score of extent of financial inclusion. Three variables are identified for studying the extent of financial inclusion and they are given below:

- Extent of credit.(mean score 1.998)
- Access of investment opportunity. (mean score 1.5667)
- Usage of other facilities. (mean score 2.78)

Table 12 shows the summated mean score of all these variables.

Table 12: Summated Mean Score

Summated mean	df	Std. Deviation	t	P value
2.16	99	.658	-12.750	.000

Source: Primary data

T-test was applied to know whether there is moderate financial inclusion. The test result (Table 12) revealed that the summated mean score 2.16 is significantly less than the central score of scale of measurement (3), (p value =0.000). Therefore, **H₁ stating that the extent of financial inclusion among BPL households in Paipra Grama Panchayath is moderate is rejected.**

The summated mean scores of extent of credit access of various investment opportunities and usage

of other facilities among the households were (2.446), (1.5667) and (2.7842) respectively.

Conclusion

Financial exclusion is a symptom and cause of poverty. For an accelerated growth of the economy it is necessary that all people should be covered by the financial sector through the financial inclusion. The study revealed that the major reason for opening a bank account was to get subsidy from the Government. The extent of financial inclusion through provision of credit facility, investment opportunity and other facility was very low. Therefore, it could be concluded that the extent of financial inclusion among BPL households in Paipra Grama Panchayath was very low.

References

- ADB. (2011). Framework of Inclusive Growth Indicators: Key Indicators for Asia and the Pacific. Manila: Asian Development Bank.
- Amith K. Bandari. (2009). Access to banking services and poverty reduction: A state wise assessment in India. India'', IZA Discussion paper Series , 1-14.
- Anita Gardeva & Elisabeth Rhyne. (2011). Opportunities and Obstacles to Financial Inclusion. New Delhi: center for financial inclusion.
- Ashvin Parekh, D. S. (2011). Financial inclusion for equitable growth published. Mumbai: ASSOCHAM and Ernst & Young.
- Asian Development Bank. Asia 2050: Realizing the Asian Century. Manila: Asian Development Bank.
- Collins, D. M. (2009). Portfolios of the Poor. New Jersey. Princeton University Press.
- FATF. (2011). Anti-money laundering and terrorist financing measures and Financial Inclusion. France: The Financial Action Task Force (FATF).
- Herrendorf, A. B. (2009). Economic Growth: The Importance of Education and Technological Development. W.P.Carey School of Business, Arizona State University, Arizona.
- Kempson, E. C. (2000). "In or Out? Financial Exclusion: A Literature and Research Review. London: Financial Services Authority.
- Kirkpatrick, C. (2000). Financial Development Economic Growth and poverty reduction. Pakistan Development Review Vol. 39, Issue 4, pp. 363-388.
- Leeladhar. (2005). Fed bank, Commemorative Lecture, Ernakulum.

- Patnaik, D. (2012). Financial Inclusion in India: An overview. *Asian Journal of Multidimensional Research* Vol.1 Issue 5, 134-141.
- Sheoran, C. C. (2007). *Vulnerable Groups in India. Mumbai: The Centre for Equity in to HEALT And Allied Themes(CEHAT)* .
- The Asia Multi-Stakeholder Dialogue. (2005). *Building Inclusive Financial Sectors for Development: A Regional Multi-Stakeholder Dialogue During the Asian Development. Microfinance Week.*
- The Economist. (2012). *Banking for billions Increasing access to financial services., London: BARCLAYS.*
- The World Bank. (June 3, 2010 – June 4, 2010). *Inclusive Finance: Korea-World Bank High Level Conference on Post-. Busan.*
- United Nations. (2006). *Building Inclusive Financial Sectors for Development. New York: UN Publications.*
- United Nations. (2006). *Building Inclusive Financial Sectors for Development. New York: United Nation.*
- Venkatesan, S. A. (2008). *Cost-Benefit and Usage behaviour analysis of no frill account: A study report on cuddalore District,IFMR Centre for Micro finance. 1-12.*
- www.google.com
- www.inflib.net
- www.naijaonlinebiz.com
- en.wikipedia.org