

## **Financial Inclusion: A Road India Needs To Travel (With Special Reference to Bhopal City)**

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### **ABSTRACT**

*Every country has a financial integral strategy in order to build its financial sector comprehensively and sustain its condition consistently for several years. The strategy also works towards strengthening the financial system of the economy whenever there are fluctuations in the financial market. Financial Education, Financial Inclusion and financial stability form the three main elements of the financial strategy of a country. Inclusive Growth and development on a nation is determined by the level of its financial Inclusion. When the financial products and services are available to the weal sections of the society at a cost effective and transparent manner it is termed a financial Inclusion. 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 objectives of the country. This paper through a financial inclusion survey on 150 respondents attempts to enlist the factors that encourage financial inclusion.*

**Keywords:** Financial Inclusion, Financial awareness, Financial Products.

### **I INTRODUCTION**

**(a) Financial Inclusion:** The Committee on Financial Inclusion headed by Dr. C Rangarajan in 2008 defined financial inclusion as, “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost.” In general, the term financial inclusion is understood as welfare-oriented measure for enhancing access to and affordability of financial services and products for all. The Committee on Financial Sector Reforms under the Chairmanship of Dr. Raghuram G. Rajan referred to financial inclusion as “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.” The financial services like branch Deposits and payments, insurance, credit are included in financial Inclusion.

**(b) Benefits of financial inclusion:**

- (i) Financial Inclusion aims in providing the financial services at a low and affordable class and therefore caters to the financial needs of the poor people in a responsible and transparent manner.
- (ii) It ensures financial sustainability among the economically unprivileged sections of society.
- (iii) Financial inclusion helps in creating awareness about the financial products, thus promoting financial Literacy and stability.
- (iv) Financial Inclusion promotes Digitalization by providing digital options to the users to fulfill their financial needs.
- (v) Keeping in view the income levels, financial needs of different households, consumer preferences variety of products are available by the financial Institutions to cater to diverse financial needs.

According to the **CRISIL Inclusix2018, February 2018, Volume 4**, India has adopted several measures to advance the financial inclusion; a significant percentage of population is still without the access even to the basic financial services. Therefore Financial Inclusion is not only an economic imperative for India, but also a socio –political one.

Lack of awareness, illiteracy and poverty are among the major factors that lead to a low demand for the financial service and consequently to exclusion. On the sully side also the factors like distance from the branch, inconvenient branch timings, complicated procedures and documentation, unsuitable products, language barriers contribute to exclusion. Because of these complications involved people feel easier to borrow from the informal credit sources even though it results in compromised standards of living, higher costs on accounts of dependence on unethical and unregulated providers, greater incidence of crime and increased unemployment. Therefore financial inclusion includes the creation of awareness about the financial products, Debt counseling and advice on money management.

### **II REVIEW OF LITERATURE**

**Saha, 2019** analyzed the effect of Self Help Group in empowerment of women of paraganas district of West Bengal. The main objective of the study is to know role of SHGs in women strengthening, and financial advancement. The data was collected through a structured interview from 80 respondents. The study concluded that SHGs have had more prominent effect on both financial perspectives and advancing women strengthening in a sustainable manner. **Singh, 2016** studied the awareness of working women towards financial inclusion in Satna. The data was collected through structured questionnaire and respondents were selected from different educational institutions. This study helped working women to reduce the dissatisfaction level towards financial inclusion and will enhance their

financial awareness which will be helpful for women empowerment too. **Maravi & Modi, 2017** highlights the trouble of tribal women in present scenario and how the minor forest product changes the life of tribal women. This was an empirical study carried out in the Anuppur district of Madhya Pradesh. **Balaji & Vijayadurai, 2014**, intended to assess the level of financial inclusion among the tribal people in Nilgiris district and also to study their awareness about no frills account and to find out the strategies followed by the banks to make the excluded people to include. The author used chi-square test to find out the relationship between socio-economic factor of the respondents and the level of financial inclusion status and respondents awareness about no frills account, SHGs and its benefits and paired 't' test was used to find the significant difference in the respondents level of awareness of financial services of banks before and after opening an account. **Anoop V., 2019** measured the quality analysis of Financial Inclusion in the rural area. A structured interview schedule was used to conduct the survey. Data were collected from financially included households, inducted in to formal financial system as the part of financial inclusion plan accordingly data were collected from 600 households. Convenient sampling was used in the study. SERVQUAL analysis was used for measuring service quality of financial inclusion in the rural area and paired t test was also use for analysis of the data. The study concluded that main frame financial institution should provide excellent services to their customers in order to have a sustainable competitive advantage. **Shetty & Hans, 2015** critically examines and discusses role and reach of SHGs towards women empowerment. The secondary data is obtained through various published and unpublished records, books, magazines and journals. The study concluded that Total empowerment of women should be the goal to authenticate the pro-people policies and programmes in the country, including 'Jhan Dhan', 'Skill India' and 'Start-up India, Stand up India. **Kharuri & Manjunatha** analyzed Bank linkage schemes like saving linked SHGs and fresh loans to SHGs by banks to explore and suggest the savings' mobilization initiative by the Government of India through means of financial inclusion.

### III OBJECTIVES OF THE STUDY

The aim of the study was to get a holistic view of the rural financial landscape by generating the reliable estimates. The study was done with the objective to get a deeper understanding of the status of the rural households with respect of the following:

- (a) Financial Inclusion aspects like borrowing, saving, investments, pension, insurance etc.

- (b) Aspects related to the knowledge, attitude, behavior of the rural populace towards the financial products and services available.

### IV RESEARCH DESIGN

This part describes the methods and procedures used in the collection and the analysis of the in the study. The specific methodology adopted and the details are given as follows:

#### Type of Research – Descriptive Research

##### (a) Rural Household Study:

###### (i) Survey Approach: Sample Survey

- **Sampling Method:** Non -Probability
- **Sampling Technique :** Convenient Sampling
- **Sample Unit:** Rural Household in Bhopal (M.P)
- **Sample Size:** 150 Rural Household
- **Sampling Area:** Bhopal

- (b) **Research Instrument:** Considering to the nature of the study as well as for the obtaining correct information from the respondents, it has been decided to collect information through structured questionnaire prepared with the help of available related literature and research reports.

- (c) **Analytical Tools:** Mainly tabular analysis, cross tabular analysis, chart presentation and spss statistical package were used to achieve the objectives of the study.

- (d) **Analysis and Findings:** A pilot study was conducted to test the efficiency, sufficiency and validity of the questionnaire before applying the full fledged data collection using the questionnaire Method. A sample size of the pilot study was 150. After the data was gathered the reliability of the questionnaire was tested by computing Cronbach's alpha. The value of the alpha in the study is 0.84 which exceeds the accepted cut off score of 0.70. Therefore the questionnaire is acceptable and reliable for the data collection.

- (e) **Financial Inclusion survey:** The financial inclusion survey was conducted using a questionnaire. The questionnaire was set using the CRISL Inclusion parameters of Bank Penetration (BP), Credit Penetration, Deposits penetration and the Insurance penetration. The research instruments used for the study comprised of a structured household questionnaire and personal interviews to capture the information relating to financial inclusion. The questionnaire was designed in a manner to gather information from the respondents about savings, investments, access to financial services, knowledge and attitude towards financial products and services.

**Summary of demographic factors  
(Using Frequency and percentages)**

Gender -	Frequency	Percentage
Male	50	33%
Female	100	67%
<b>Education:</b>		
Illiterate	10	7%
Primary	40	27%
Secondary	20	13%
Higher Secondary	80	53%
Graduate	-	
Post Graduate	-	
Diploma	-	
<b>Occupation</b>		
Agriculture/ Dairy Farm	60	40%
Seasonal Business	40	27%
Petty business	50	33%
Private jobs		
Government		
<b>Family monthly income:</b>		
Below Rs.5000	30	20%
Rs.6000-10000	80	53%
Rs.11000-15000	40	27%
Rs.16000-20000	--	
Rs.20000-above	-	
Total	150	100

**Source: Computed by Author**

According to the criterion suggested by Kaiser (1974) a value less than or equal to 0.50 is unacceptable. In the survey the Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.625 which shows an adequate sample size. The Bartlett's Test of

Sphericity is .000 less than .05 which rejects the null hypotheses that multicollinearity does not exist between the statements in the questionnaire. This result is sufficient to do factor analysis.

**Table -1  
KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.625
Bartlett's Test of Sphericity	Approx. Chi-Square	321.633
	df	91
	Sig.	.000

**Source: Computed by Author**

(f) **Factor Analysis:** Factor analysis was used to construct and find out the factors influencing financial inclusion among women. The 14 statements of the

questionnaire were set on 5 point Likert scale and were used for factor analysis in SPSS 20.

**Table -2**  
**Communalities for Financial Inclusion**

	Initial	Extraction
Products like Bank Accounts, Bank Deposits, Fixed Deposits and Recurring Deposits.	1.000	.617
Government Deposits schemes run by the post office like KVP/NSC	1.000	.616
Credit facilities and loans provided by the banks.	1.000	.689
Retirement plans like National pension scheme / Atal pension scheme and insurance schemes provided by the bank	1.000	.551
Digital Banking services like Debit Cards / Internet Banking and Mobile Banking.	1.000	.418
Mobile apps like paytm, free charge and other banking apps	1.000	.666
Scheme by the government <input type="checkbox"/> Prdhan Mantri jan dhan jyojna <input type="checkbox"/> Prdhan Mantri jeevan jyoti Bima <input type="checkbox"/> Prdhan Mantri suraksha Bima Yojna <input type="checkbox"/> Prdhan Mantri Mudra Yojna <input type="checkbox"/> Prdhan Mantri vaya vadana yojna <input type="checkbox"/> Stand up scheme	1.000	.484
The financial products offered are affordable and innovative	1.000	.871
Enough information and awareness is provided about the products offered	1.000	.880
Financial products have increased personal/Business productivity.	1.000	.937
Competent enough to avail the financial services offered by the government.(documents/ savings etc.)	1.000	.661
Regularity in the usage of the financial services and products is maintained.	1.000	.611
Always Exposed to informative session organized to educate and spread awareness about the importance of saving and investments , an introducing any financial products and services	1.000	.649
Easy and prompt Availability to use the financial services (Distance / Physical access / Location )	1.000	.597
Extraction Method: Principal Component Analysis.		

**Source: Computed by Author Extraction Method: Principal Component Analysis**

**Table-3**  
**Total Variance Explained**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.984	28.456	28.456	3.984	28.456	28.456	2.813	20.093	20.093
2	2.177	15.547	44.004	2.177	15.547	44.004	2.315	16.535	36.627
3	1.921	13.719	57.723	1.921	13.719	57.723	2.136	15.256	51.884
4	1.164	8.316	66.039	1.164	8.316	66.039	1.982	14.155	66.039
5	.974	6.955	72.994						
6	.843	6.023	79.017						
7	.764	5.460	84.477						
8	.561	4.004	88.480						
9	.496	3.540	92.021						
10	.386	2.757	94.777						
11	.351	2.505	97.282						
12	.176	1.258	98.540						
13	.155	1.109	99.649						
14	.049	.351	100.000						
Extraction Method: Principal Component Analysis.									

**Source: Computed by Author**

Principal component analysis was employed to extract factors through Varimax Rotation Method with Kaiser Normalization. All factors loading greater than .50 are considered for further analysis. Total four factors accounted for 66.039 % of the variance explained as seen in Table -3.Total variance explained shows all the factors extractable from the

analysis along Eigen values more than 1, the percent of variance attributable to each factor, and the cumulative variance of the factor. Here first factor accounted for 20.093% of the variance, second factor accounted for 16.535 % of the variance .Third factor accounted for 15.256 % of the variance. Fourth factor accounted for 14.155% of the variance.

**Table -4**  
**Rotated Component Matrix**

	Component			
	1	2	3	4
Financial products have increased personal/Business productivity.	.959			
The financial products offered are affordable and innovative	.917			
Enough information and awareness is provided about the products offered	.730	.506		
Regularity in the usage of the financial services and products is maintained.		.768		
Retirement plans like National pension scheme / Atal pension scheme and insurance schemes provided by the bank		.721		
Digital Banking services like Debit Cards / Internet Banking and Mobile Banking.		.566		
Scheme by the government <input type="checkbox"/> Pradhan Mantri Jan Dhan Yojna <input type="checkbox"/> Pradhan Mantri Jeevan Jyoti Bima <input type="checkbox"/> Pradhan Mantri Suraksha Bima Yojna <input type="checkbox"/> <input type="checkbox"/> Pradhan Mantri Mudra Yojna <input type="checkbox"/> Pradhan Mantri Vaya Vadana Yojna <input type="checkbox"/> Stand up scheme		.552		
Government Deposits schemes run by the post office like KVP/NSC			.745	
Easy and prompt Availability to use the financial services (Distance / Physical access / Location )			.716	
Mobile apps like paytm, free charge and other banking apps			.700	
Products like Bank Accounts, Bank Deposits, Fixed Deposits and Recurring Deposits.			.589	
Competent enough to avail the financial services offered by the government.(documents/ savings etc.)				.766
Credit facilities and loans provided by the banks.				.710
Always Exposed to informative session organized to educate and spread awareness about the importance of saving and investments , an introducing any financial products and services				.646
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 6 iterations.				

**Source: Computed by Author**

Table -4 Rotated Component Matrix highlights 4 components having the statements with the maximum correlation. These statements were put together to form the factors which are independent to each other under the financial inclusion survey.

## V RESULTS AND DISCUSSIONS

**Despite India having high economic growth rates a majority of its population is still unbanked as per the article by Amol S. Khanvilkar on the “Importance of Financial Inclusion”.** Global trends have shown that in order to achieve inclusive development and growth, the expansion of financial services to all sections of society is of utmost importance. As a whole, financial inclusion in the rural as well as financially backward areas of cities is a win-win opportunity for everybody involved – the banks/NBFC’s intermediaries, and the left-out urban population.

The financial Inclusion among the rural women in Bhopal city was done through a survey and factor analysis was applied to conclude that 4 factor play a major role in financial inclusion. The **4 dimensions Access, Quality, Usage and Welfare.**

- (a) **Access:** is to use the forms of the financial services i.e. Minimum barriers in availing the financial services. It includes the tangible factors such as Physical access facilities, Location, facilities and qualified employees.
- (b) **Quality:** The second factor is the quality of the financial product offered .The financial product attributes and product development should match the needs of the customers. Product stands for the availability of suitable, convenient, innovative and cost effective financial products offered as a part of financial inclusion. 1% country GDP is lost due to exclusion from the banking system (The CRISIL Inclusix)
- (c) **Usage:** The actual usage of the financial services and products can only be ensured from the Responsiveness, the willingness of the employees to help customers and provide prompt service. It includes information, willingness, prompt service and quick response from the employees to the customers. Empathy is the caring and the individualized attention the bank seeks provides to its customers. It includes



individual attention, convenient operating hours, personalized service and need based service. In February 2011, the Government of India and the Indian Banks' Association (IBA) jointly launched Swabhimaan, a nationwide programme for financial inclusion. Swabhimaan aimed to bring the deprived sections of society into the banking network and ensure that the benefits of economic growth percolate to all levels. It looked to facilitate opening of bank accounts, provide need-based credit and remittance facilities, and promote financial literacy in rural India. (The CRISIL Inclusix)

- (d) **Welfare:** The welfare in the personal and the business productivity can be ensured through Assurance & reliability which symbolizes the knowledge, awareness and customer's education, credit counseling, security and trust and right time service.

An Inclusive growth will ensure empowerment and the populations will participate more effectively in the economic growth of the country. Financial Inclusion will results in better employment and Business opportunities. To conclude India can become a global player by travelling the road towards Financial Inclusion.

## VI LIMITATIONS OF THE STUDY

- Analysis is purely based on the responses of the respondents and hence may give biased or false information than the actual data.
- Due to conservative nature, it may be possible some respondents may not have given their responses in the questionnaire in fully true manner.
- The study is limited only specific rural areas and therefore, several other potential samples outside these areas have been neglected.

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