GE-International Journal of Management Research
Vol. 4, Issue 12, December 2016 Impact Factor- 5.779
ISSN(O): 2321-1709, ISSN(P): 2394-4226

Website: www.aarf.asia Email : editor@aarf.asia , editoraarf@gmail.com

FINANCIAL INCLUSION: ACCESS TO RURAL PEOPLE IN PUNE DISTRICT

Prof. Purvi Shah
Assistant Professor, Indira Institute of Management, Pune.

ABSTRACT

The availability of quality financial services in rural areas is extremely importantfor the growth of the economy as this will enable the large number of rural households to fund the growth of their livelihoods. The growth of the economy is dependent on the growth of the rural market in the country. Therefore greater financial inclusion in these segments is imperative. The main objective of this study is to determine the level of awareness of rural people in Pune District of Maharashtra about various financial products of Financial Inclusion and to study the initiatives taken by Government and Reserve Bank of India for strengthening financial inclusion amongst the rural and weaker section of society. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts. The government should encourage the banks to adopt financial inclusion by means of financial assistance, financial literacy, advertisement, awareness program, etc. to achieve the aim of 12th plan of Inclusive and Sustainable Growth.

The data for the present study has been collected through primarily sources. The method of research for the study is Exploratory and Descriptive research. This study seeks to scrutinize the Financial Inclusion awareness among the rural people Maval and Mulshi Taluka of Pune District.

Section 1- Introduction

Financial inclusion plays a major role in inclusive growth of the country. It is estimated that globally over 2.5 billion people are excluded from access to financial services of which one third is in India. The origins of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking / payment services to all *'bankable'* households and enterprises at a reasonable cost. In India, financial inclusion first featured in 2005, when it was introduced by Dr. K.C. Chakrabarty, the Chairman of Indian Bank. Mangalam Village becomes the first village in India where all households were provided banking facilities Access to finance by the poor and vulnerable groups is a prerequisite for poverty reductionand social cohesion. This has to become an integral part of our efforts to promote inclusive growth. In India, the banking industry has grown both horizontally and vertically but the branch penetration in rural areas has not kept pace with the rising demand and the need for accessible financial services. Even after decades of bank nationalization whose rationale was to shift the focus from class banking to ass banking the usurious money lenders still prevail in rural areas and urban slums continue to exploit the poor.

1.1 Concept of Financial inclusion

Financial inclusion is 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..CRangarajan, Chairman of Committee on Financial Inclusion.

Financial inclusion means delivery of banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups. The various financial services include savings, loans, insurance, payments, remittance facilities and financial counseling/advisory services by the formal financial system. The efforts to include the finically excluded segments and the society into formal financial system in India are not new.

The concept was first mooted by the Reserve Bank of India in 2005 and Branchless Banking through banking agents called Bank Mitr (Business Correspondent) was started in the year 2006.

In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. In the year 2011 the government of India gave a serious push to the program by undertaking the Swabhiman campaign to cover 74,000 villages with population more than 2000 (as per census

2011) with banking facilities. **Pradhan Mantri Jan Dhan Yojana** is a scheme for comprehensive financial inclusion launched by the Prime Minister of India, Narendra Modi on 28 August 2014. Run by Department of Financial Services, Ministry of Finance, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme. By 28 January 2015, 12.58 crore accounts were opened, with around ₹10590 crore (US$1.7 billion) were deposited under the scheme, which also has an option for opening new bank accounts with zero balance.

1.2 Importance of Financial Inclusion

The importance of an inclusive financial system is widely recognized in the policy circle and recentlyfinancial inclusion has become a policy priority in many countries. Initiatives for financial inclusion have come from the financial regulators, the government and the banking industry. Legislative measures have been initiated in some countries. For example, in the United States, the Community Reinvestment Act (1997) requires banks to offer credit throughout their entire area of operation and prohibits them from targeting only the rich neighborhoods. In France, the law on exclusion (1998) emphasizes an individual's right to have a bank account. In the United Kingdom, a Financial Inclusion Task Force was constituted by the government in 2005 in order to monitor the development of financial inclusion.

The objective of financial inclusion is to extend the scope of activities of the organized financial system toinclude within its ambit people with low incomes. The first-ever Index of Financial Inclusion to findout the extent of reach of banking services among 100 countries, India has been ranked 50. Only 34% ofIndian individuals have access to or receive banking services. In order to increase this number the Reserve Bank of India had the Government of India take innovative steps.

Financial inclusion of the poor will help in bringing the Banking Sector to the mainstream of growth and would also provide the financial institutions an opportunity to be partners in inclusive growth. The major Three Aspects of Financial Inclusion are:

1. Access financial markets
2. Access credit markets
3. Learn financial matters (financial education).

Section -2 Literature Review

1) Dr. K. C. Chakrabarty, Deputy Governor (2012), Reserve Bank of India at the BIS-BNM, 'Financial Inclusion – Issues in Measurement and Analysis.' In the Workshop on Financial Inclusion Indicators at Kuala Lumpur focused on Financial Inclusion measurements and data gaps. The speech briefly focuses on: (i) Approaches to financial inclusion - some international / national initiatives, (ii) Conceptual framework for measurement and analysis of financial inclusion, (iii) International initiatives in measuring financial inclusion and (iv) Indian perspectives. He has talked about measuring dimensions for Financial Inclusion through the supply side and demand side. The supply side includes 1. Accessibility of financial markets and services and 2. Financial literacy and demand side includes 1. Knowledge of various financial products and services and 2. Credit absorption capacity.

2) Usha Thorat (2007) "Financial Inclusion - the Indian Experience, Financial Inclusion Conference, London" reported that banks are entering into agreements with India post for using post offices as agents for branchless banking. Setting up of financial literacy center and credit counselling on a pilot basis, launching a national literacy campaign, forging linkages with informal sources with suitable safeguards through appropriate legislation, evolving industry wide standards for IT solutions, facilitating low cost remittance products are some of the initiatives currently underway for furthering financial inclusion.

3) Jesim Paise (2011) used the index developed by Mandira Sarma (2008),and confirmed that the relationship between financial inclusion and the development to be strongly positively correlated, and also determined that the available infrastructure such as road, electricity, telephone connectivity and internet etc., to be a good indicator of banking outreach and hence improves the levels of financial inclusion. Their study finds a positive significance between infrastructure and financial inclusion.

4) Sharma Mandira, (2015) in his research paper 'Index of Financial Inclusion – A measure of financial sector inclusiveness.' ha conducted a cross country analysis of Argentina, Columbia, India, Lebanon, Malaysia, Russia and Thailand by using following indicators i.e Number of accounts per 1000 adults, No. of bank branches (per 1,00,000 adults), Domestic credit (as a % of GDP) and domestic deposit (as % of GDP). The author has analyzed cross country. The data for the analysis is taken from the WDI (2006), World Bank; IFS (2006), IMF. His analysis states

that India, in spite of low density of bank branches, the usage of the banking system in terms of volume of credit and deposit seems to be moderately high

5)Dr. Anirban Ghatak,(2013) in his research paper 'Demand Side Factors Affecting Financial Inclusion' ,the main objective of this paper is 1. To identify the demand side factors of financial inclusion, 2.To establish a relationship between the various factors and financial inclusion and 3. To build a model for financial inclusion using the demand side factors, using regression analysis. The author has used the dependent variable: Demand for Inclusion and Independent variables: Inflation, Occupation, Literacy, Resistance to change, Physical Assets, Culture and Society, Accessibility, Transaction Costs, Technology, Fear, Dominance of a group, Readiness to take efforts, Saving, Cost of Living and Income. Choosing a sample size of 500 using simple random sampling method and analyzing the factors by using KMO and Bartlett's tests , the study concludes that out of the several factors the most important factors influencing the demand for financial inclusion are Accessibility, Culture, Assets, Literacy and Income. These factors account for 63.26% of the total variance and hence are very significant. The correlation between the independent variables with the dependent variables shows that Accessibility has the highest correlation (0.650) with it followed by Literacy (0.447), Income (0.442), Culture (0.303) and Assets (0.054). The factor Asset has the lowest correlation with the dependent variables. Thus the model states that while Accessibility to Financial Services is the most important of these for driving the demand for financial inclusion, the assets possessed by a person is the least important of these factors as a driver of financial inclusion.

Section-3Research Methodology

The major objective of the research is a) to analyze the level of awareness of the rural people about the financial inclusion products b) to study the outreach of banking services in rural areas.

Pilot study on financial inclusion was carried in two districts of Pune Western Region i.e. MavalTaluka and MulshiTaluka.Two villages were studied respectively from these Talukas i.e. Alandi and Dhehu. Pilgrims who visited these villages from Maharashtra state were also interviewed.A total Sample of 30 individuals was taken.Convenience random sampling method was used for the survey.

The research approach undertaken for the study includes: A). Exploratory research where by focus group research was carried out through structured questionnaire and survey method. The Scope of this paper is limited to two Districts in Pune Western Region. The analysis of the same is as follows.

Section4: Analysis and Findings

Table 1: Education of the respondent.

Education		No of Respondents	Percent
	Pre-School	2	6.7
	Elementary School	10	30.0
	Middle School	4	13.3
	High school	12	40.0
	University	3	10.0
	Total	30	100.0

From the above table it is observed that 30% of the respondents have done their elementary school and 40% of the respondents are 10^{th} or 12^{th} passed. This shows that the sample respondent is not well educated thus they lack financial literacy. Although Reserve Bank of India has initiated Financial Literacy and Credit Counseling Centre model in order to provide free financial literacy/ education and credit counseling. Thus creating awareness about financial literacy is much more needed. Awareness among the financial products is either negligible or not there

Table 2: Yearly income of the Respondent.

Yearly Income		No of Respondents	Percent
	<50000	4	13
	50001-100000	14	44
	100001-200000	13	43
	Total	30	100.0

From the above table it is observed that nearly more than 50% of the respondents have yearly income between fifty thousand and two lakhs.

Table 3: Knowledge about various banking products.

Knowledge about Financial products	No of Respondents	Percent
Don't Know	3	6.7
knows a few details	8	26.7
Has some information but not all	14	46.7
Knows most information	6	20.0
Total	30	100.0

Thus from the above table it can be reviewed that 46% of the respondents have some information about financial product's and one /third of them knows few details

Table: 4 Usage of any financial product and service.

	No of Respondents	Percent
NO	17	56.7
Insurance	10	33.3
Debit card	3	10.0
Total	30	100

56% of the respondents do not use any financial products or services as they are not aware of it. Further they do not have any credit counseling center in their village

Table 5: Type of bank account with Respondents.

	No of Respondents	Percent
Savings	27	90.0
Current account	3	10.0
Total	30	100.0

From the above table it can be observed that 90% of the people have saving account and operate only saving s account. While 10% of people only operate current account. This shows that people are not aware about credit policy of banks.

Table 6: Distance of bank from the village.

Distance of bank from your home	No of Respondents	Percent
< 1 km	10	33.3
1- 2.9 km	3	10.0
5-10km	15	50
>10 km	2	6.7
Total	30	100.0

Almost 50% of the respondents say that they don't have bank in their nearby vicinity. They have to travel 5 to 10 km away. Thus there is a need to create a brick and mortar branch of the Bank in their vicinity.

Table 7 :Number of bank accounts of your households

	No of respondents	Percent
single	25	93.8
More than 1	5	6.3
Total	30	100.0

93% of the households have a single bank account amongst their family members.

Table 8: Main reason for opening bank account by the Respondent.

	No of Respondents	Percent
1. To keep money in safe place	28	65%
2. Satisfied with bank service	07	23%
3. Bank is close to my house	10	33%

From the above table it is noticed that the respondent has responded to only three parameters. They are not aware / does not use other bank services. 65% of the people have opened the bank account to keep the money in the safe place.

Table 9: Banking products used by the respondent.

	No of Respondents	Percent
Saving facility	21	70.0
debit card facility	6	20.0
Overdraft facility	3	10.0
Total	30	100.0

90% of the respondents use savings facility and 10% use overdraft facility

Table 10: Availability of Business Correspondent (BC) service in the village.

	No of Respondents	Percent
Don't Know what is BC	30	100.0

From the table it is observed that there is no BC service in the village. People are unaware of the Business Correspondent.

Table 11: Number of respondents who has taken loan.

	No of Respondents	Percent
Yes	20	66.7
No	10	33.3
Total	30	100.0

Table 12: Institution from which loan has being availed.

	No of Respondents	Percent
Bank	14	70.0
Money Lender	6	30.0
Total	20	100.0

Almost 67% of respondents have availed loan for their occupation. Out of them 30% of the respondents have availed loan from money lenders. It means that still borrowing through money lenders still prevail in the society.

Table 13: Rate of Interest on loan.

	No of Respondents	Percent
12%	14	66.7
>12%	6	33.3
Total	20	100.0

67 % of People have borrowed at 12% rate of interest and remaining at less than 12% rate of Interest. Almost 90% of the respondents have taken crop loan. Farming being their main occupation.

Table 14: Reason for not repaying the loan

	No of Respondents	Percent
Had emergency in the family	2	9.5
Business or crop failure	17	85.7
Borrowed more than could afford	1	4.8
Total	20	100.0

86% of the respondents say that due to crop failure they had difficulty in repaying the loan.

Table 15: Availability of financial advice center/ credit counseling center in the village

	No of Respondents	Percent
Yes	2	6.7
No	28	93.3
Total	30	100.0

It is observed that there is no any financial literacy and credit counseling center in the village.

Table 16: Availing Insurance services

	No of Respondents	Percent
To expensive can't afford it	22	73.3
No need for it	08	27.7
Total	30	100.0

73% of the respondents of not have any insurance cover as they cannot afford it.

Table 17: Services availed during emerging requirement of money.

	No of Respondents	Percent
Ask Family or friend	16	53.3
Take out a bank loan	6	20.0
Take overdraft facility from bank	1	3.3
take a loan from other source	1	3.3
don't Know	6	20.0
Total	30	100.0

During emergency rural people approach to private sources for availability of funds.

Section -5 Findings

From the above survey it has been observed that there is less outreach of banks in the villages. Moreover people are less aware about the banking products and services and the recent government initiative for financial inclusion. Thus the main factors that are affecting the access to financial services are as follows:

1. **Legal identity**: Lack of legal identity like voter I, driving license, birth certificates, employment identitycard etc.
2. **Limited literacy**:Although Reserve Bank of India has initiated Financial Literacy and Credit Counseling Centre model in order to provide free financial literacy/ education and credit counseling. Creating awareness about financial literacy is much more needed. Awareness among the financial products is either negligible or not there. Particularly financial literacyand lack of basic education prevent people to haveaccess from financial services.
3. **Level of income**: Level of income decides to havefinancial access. Low income people generally havethe attitude of thinking that banks are only for the rich.
4. **Terms and conditions**: While getting loans or at the time of opening accounts, banks place many conditions, so the uneducated and poor people find it very difficult to access financial services.
5. **Complicated procedures**: Due to lack of financialliteracy and basic education, it is very difficult for thosepeople who lack ability to read terms and conditionsand account-filling forms.
6. **Psychological and cultural barriers**: Manypeople voluntarily excluded themselves due topsychological barriers and they think that they are excluded from accessing financial services.
7. **Access to Bank Branch:**Commercialbanks operate only in commercially profitable areasand they set up branches and main offices only in thoseareas. People who live in under- developed areas findit very difficult to go to areas in which banks generallyreside.
8. **Lack of awareness**: Finally, people who lack basiceducation do not know the importance of the financialproducts like Insurance, Finance, Bank Accounts,cheque facility, etc.

Section -6 Suggestions

- Awareness about the various banking products and services is to be created in rural villages of Pune District.
- Banks need to create outreach in the villages by adopting Bank – Business correspondent linkage program
- Improvement in basic infrastructure facilities in the rural villages of Pune city.

- More information about various schemes under financial inclusion should be given to the village people.
- Financial literacy programs should be arranged in villages to increase awareness about financial inclusion and business correspondents.

Establishing Financial Counseling and Credit center in the villages

Section -7 Conclusion

Financial inclusion is not a onetime effort; it is an ongoing process. It is a huge project which requiresconcerted and team efforts from all the stake holders – the Government, financial institutions, theregulators, the private sector and the community at large. For Financial Inclusion to be achieved, passionate involvement,dedication and commitment of all stake holders is required. It requires a major mindset change in the minds of everyindividual involved – banker, bureaucrat, regulator,thereby creating awareness at all levels.

At the same time, the role of technology in the whole scenario cannot be undermined either. It has to beadmitted that today, more than even before, technology plays a vital role in bringing about integration insociety of all social and economic classes. Accessibility, affordability, appropriateness and benefitsdetermine how deep financial inclusion penetrates into the villages. Financial inclusion canempower even the poorest person and bring about a dramatic change in his fate.

Financial inclusion is a great step to alleviatepoverty in India. But to achieve this, the governmentshould provide a large perspective environment in which banks are free to pursue the innovationsnecessary to reach low income consumers and stillmake a profit. Financial service providers should learn more about the consumers and new business models to approach them.

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