



## A STUDY OF LEVEL OF FINANCIAL INCLUSION OF RURAL HOUSEHOLDS OF NAINITAL DISTRICT IN UTTARAKHAND

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### **Abstract**

*Financial Inclusion has not been unfamiliar to the world. It's a must for a society to ascertain the contribution and participation of all segments in the sustainable development and growth if it seeks its overall growth and development. Financial Inclusion can play a significant role in this which is also considered a determining factor in poverty elimination. The Financial Inclusion is not only meant to make banking accessible to the unbanked but also to promote financial literacy and banking and financial products among the disadvantaged and deprived sections of the society and making savings and borrowing cost minimum is also an important element of financial Inclusion.*

**KEYWORDS:** *Financial Inclusion, Sustainable Development, Growth and Financial Literacy*

### **INTRODUCTION**

India is the country with diversity and has been ruled by different rulers for more than 1000 years who exploited its overall resources years and most of these rulers never focused on educating people except a few rulers which led to dig a massive mine and caused inequalities among people which facilitated the regime of *zamindars and sahkars* which is still in trend in several parts of country. The farmers, small traders and poor are dependent up on these *zamindars and sahkars* to meet their financial and other needs. These informal and unorganised *sahkars* lend at a very high rate of interest and most of the time mortgage their lands and sometimes in the state of not paying back the loan amount they had to lost their lands to these *zamindars and sahkars* for a very low price and sometimes no price. However, after the independence, government of India has carried several drivers to cope the situation and get poor and disadvantage groups rid of these *zamindars and sahkars*. Government of India has taken various steps to include this deprived and disadvantaged groups into formal financial structure of the country. This was campaign labeled as financial inclusion.

### **Some Definitions of Financial Inclusion**

According to Reserve Bank of India (2008) Financial Inclusion is “*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.*”

As per Planning Commission (2009) “*Financial inclusion 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.*”



Chakraborty (2011) defines it as *“Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players.”*

**In the words of The UN Women's Report (2017)** *“Financial inclusion is a core constituent for empowering and increasing various opportunities.*

### **Major steps taken by Government of India for Financial Inclusion**

<b>Year</b>	<b>Banking Reforms and other Financial Inclusion Initiatives Taken by GoI</b>
1956	State bank of India was formed by nationalizing Imperial Bank of India.
1968	The formation of National Credit Council.
1969	Nationalisation of 14 Banks and Introduction of Lead Bank Scheme.
1975	Establishment of Regional Rural Banks (RRBs).
1982	Establishment of NABARD.
1990	Formation of SIDBI.
1992	Launching of SHGs Linkage Programme in the rural areas.
2005	No Frill Account Scheme was Launched.
2006	Banking Correspondent Scheme was launched.
2012	Introduction of the Revised Guidelines on Financial Literacy Centres.
2014	Pradhan Mantri Jan Dhan Yojana was Launched.
2015	Mudra Yojana was Launched.

After launching Pradhan Mantri Yojana in 2014, a boom has been noted in financial inclusion in India but it is not adequate as this does not meet the basic objective of financial inclusion as still there are people living in the interiors who are not aware about the basics of finance.

### **LITERATURE REVIEW**

**Raghuram Rajan Committee(2007)** is if the view that *“Financial Inclusion is make financial services accessible universally at a reasonable cost which consist of banking services as well as other financial products such as insurance and equity etc.”*

**Planning Commission (2009)** views that *“Financial services consist of an access to eventual planning, credit and wealth generation. Access to eventual planning could benefit up to some extent in post retirement services, buffer savings and accessible credits may help in various credit requirements such business loans, house loans etc. while wealth generation comprises of saving and investing by households as per their financial knowledge.*

**Ellis et al. (2010)** has, first of all, shown an obvious association between the ability and consuming power of households and financial services to make an investment into a business which could lead to the economic development and growth and would also be determining in poverty eradication.



**King (2012)** provides "the features of deprived or unbanked with very little literacy, low earning, without amenities, no access to internet, no financial literacy or basic knowledge of organised financing etc."

**Honoban and King (2012)** Suggest that "earning and literacy is main requisite and determining factor for accessing financial product and services. There are outcomes which reveal if there is some improvement in the financial literacy it has turned into a rise in the banking to unbanked. Reserve Bank of India came forward in this regard by introducing Business Facilitators (BFs). Likewise, financial institutions provided some extent of credit, savings benefits, and micro-insurance services to the deprived and disadvantaged groups of the society but it went into vain as these sections did not respond positively. This does not mean they did not need for these products but they were not aware of benefits of these products and services.

**V. Ganesh Kumar (2011)** suggests that other than Financial literacy, density of branch is something which plays a significant role in India. Its impact can easily be seen on the entire financial inclusion drive. Mere literacy cannot do everything in India, in fact opportunities for investment have to be created in order to meet the target.

**Kavidayal and Kandpal (2016)** suggest that "*educating households can be helpful enough in the financial inclusion campaign. Concerned institutions should make sincere efforts to expand banking and other financial services in the rural areas. People's savings habits must be encouraged after giving them more opportunities of generating employment as well as increasing their income. Having a bank account will work alone unless people are encouraged to operate their bank accounts and increase their saving habits.*"

**The UN Women's Report (2017)** concludes that "*Financial inclusion is a core constituent for empowering and increasing various opportunities, and RSPs (Remittance Service Providers) can be helpful in raising feasible access for migrating women and households. For women still encounter multiple barriers to financial included and to access to mainstream financial structure so more efforts are to be accelerated in this regard*"

## **RESEARCH PROBLEM**

The present paper is an effort to know the reason of opening bank accounts by individuals, the financial literacy and the extent of which financial product and services being used. As having a bank account only is not only the purpose of financial inclusion but people must be aware of financial products and services and must be regular at operation of these accounts which is very essential to achieve the objective of financial inclusion. The study will attempt to find out the hindrances in meeting the goals of financial inclusion.

## **OBJECTIVE OF THE STUDY**

- To study the level of Financial Inclusion in the area.
- To know the main reasons of opening bank accounts and the status of operation of these accounts.
- To analyse the extent of awareness of Financial Services in the area.



- To examine usage of financial product and services by rural households.

### RESEARCH METHODOLOGY

The success of any research is far dependent upon a sound research design. The research design adopted in this study is empirical as well as descriptive. The study is based exploratory and descriptive in nature and both primary and secondary data were taken into account. The secondary data and information were collected through various Books, Journals, Media Reports, websites etc. while primary data were collected through direct interview of the individuals. The study area is confined to the rural areas of Nainital District. 150 respondents were interviewed randomly selected through random sampling method. The presentation of data is done through Bar diagram and Pie Charts.

### DATA ANALYSIS AND INTERPRETATION:

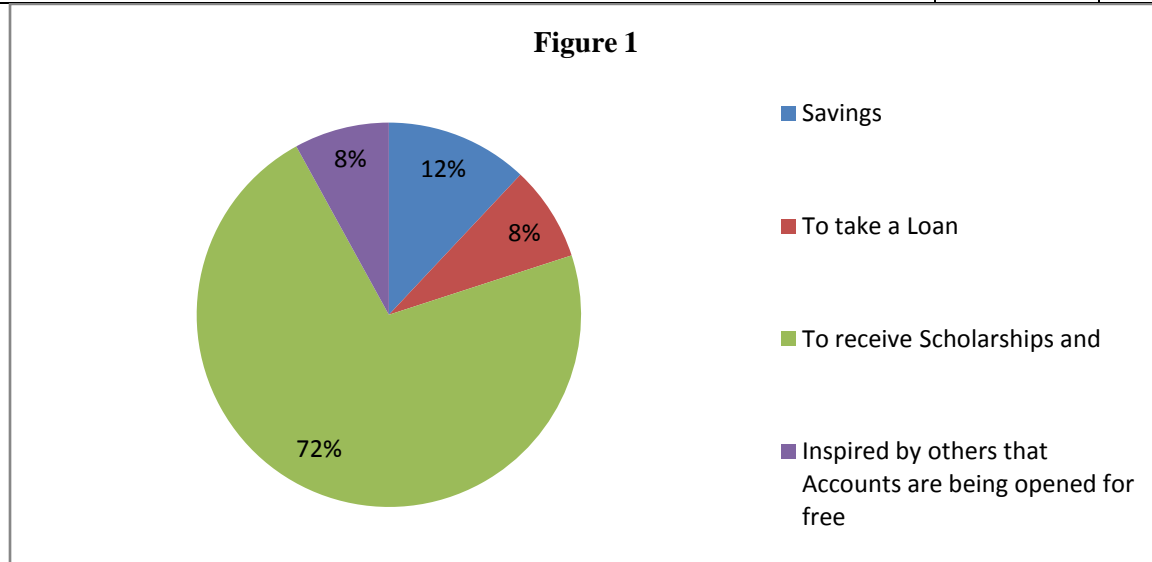
In the present sample, 89 were male and 61 were female leaving of which 68% were married. The maximum of respondents were aged between 20-50

Demography of the Respondents	Respondents		Total
	Male	Female	
Age of the Respondent			
20-30	22	35	57
30-40	27	21	48
40-50	18	09	27
50-60	08	04	12
More than 60	04	02	06
<b>Total Number of Respondents</b>	<b>79</b>	<b>71</b>	<b>150</b>
Educational Qualification of Respondents			
Illiterate	11	28	39
Literate	14	06	20
High School	22	17	39
Intermediate	12	07	19
Graduation	12	06	18
Post Graduation	14	01	15
<b>Total Number of Respondents</b>	<b>85</b>	<b>65</b>	<b>150</b>
Marital Status of Respondents			
Married	54	48	102
Unmarried	40	08	48
<b>Total Number of Respondents</b>	<b>94</b>	<b>56</b>	<b>150</b>

Occupation of Respondents			
Labourer	21	04	25
Self-employed	17	02	19
Farmer	67	19	86
Salaried Person	03	-	03
Student	10	07	17
<b>Total Number of Respondents</b>	<b>118</b>	<b>32</b>	<b>150</b>
Average Monthly Income of Respondents			
Upto 5000	66	22	88
5000-10000	44	08	52
10000-15000	08	02	10
15000-20000	-	-	-
20000-25000	-	-	-
More than 25000	-	-	-
<b>Total Number of Respondents</b>	<b>118</b>	<b>32</b>	<b>150</b>

**Main Reasons for Bank A/Cs**

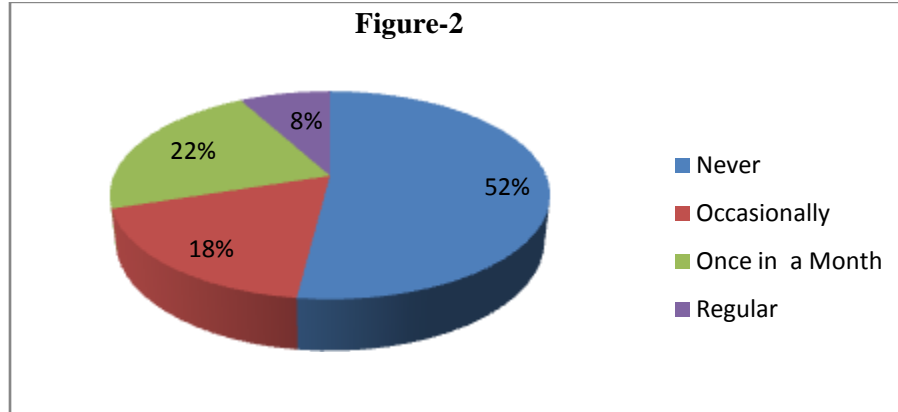
Reasons	Frequency	Percentage
Savings	18	12
To take a Loan	12	08
To receive Scholarships and Subsidies	108	72
Inspired by others that Accounts are being opened for free	12	08
	150	100



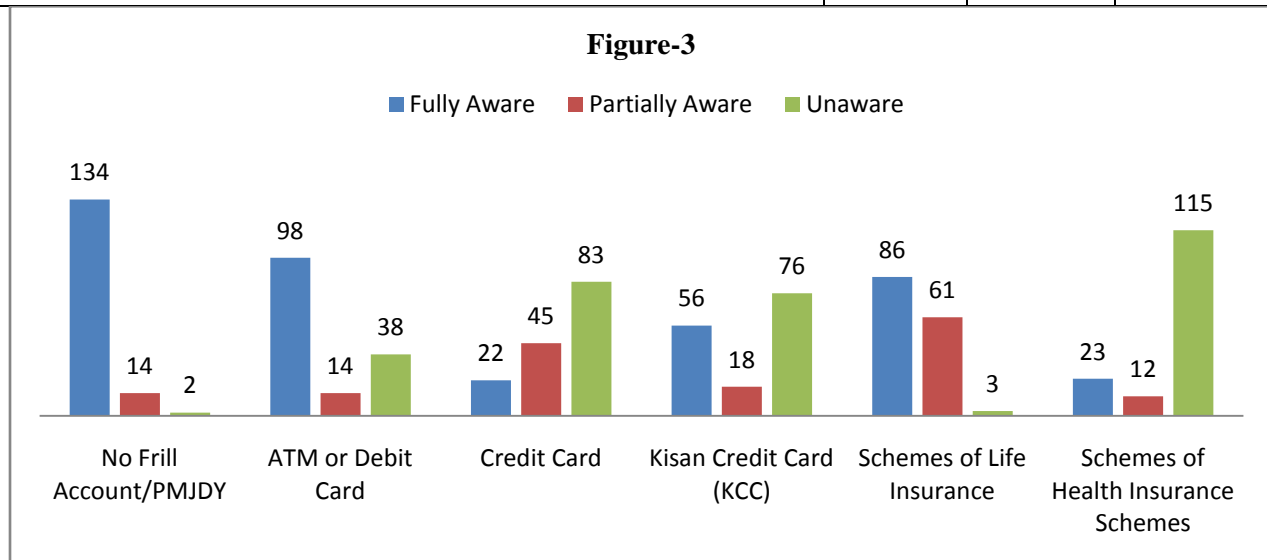
**Usage Frequency of the Bank A/Cs**

Usage	Frequency	Percentage
Never	78	52
Occasionally	27	18

Once in a Month	33	22
Regular	12	08
	150	100

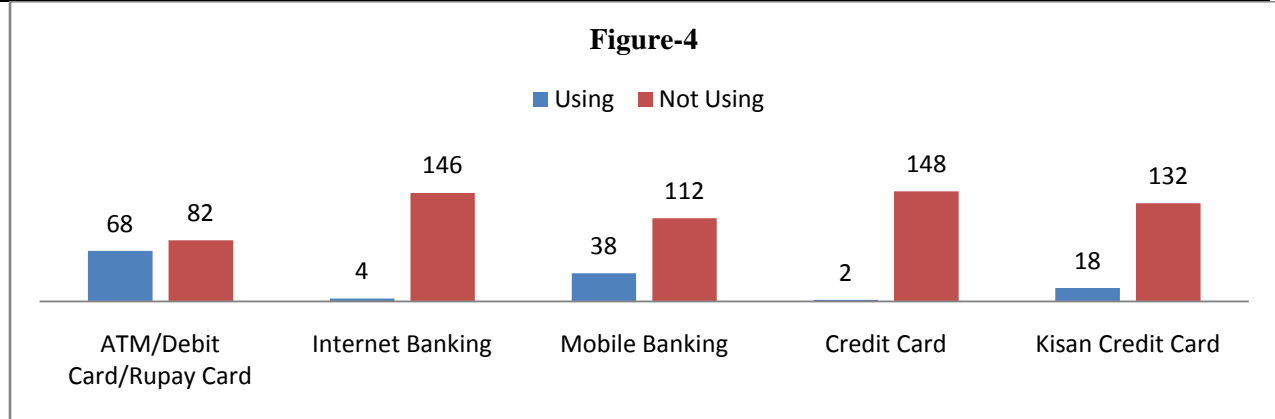


Products & Benefits	Fully Aware	Partially Aware	Unaware
No Frill Account/PMJDY	134	14	02
ATM or Debit Card	98	14	38
Credit Card	22	45	83
Kisan Credit Card (KCC)	56	18	76
Schemes of Life Insurance	86	61	03
Schemes of Health Insurance Schemes	23	12	115

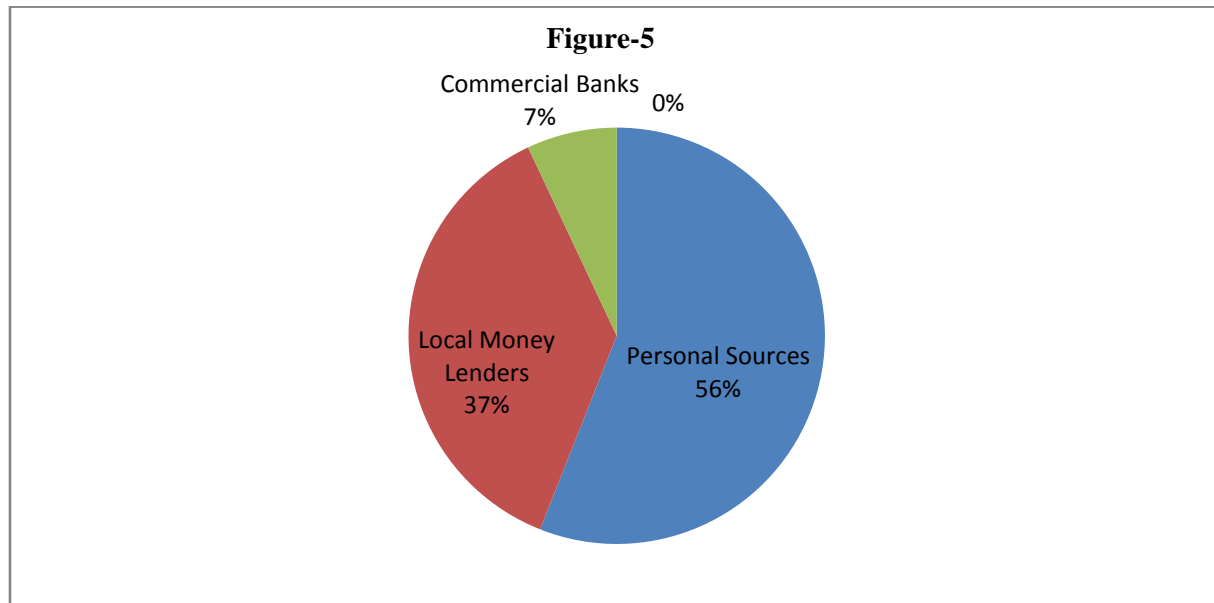


Financial Product & Services	Frequency of Use	
	Using	Not Using
ATM/Debit Card/Rupay Card	68	82

Internet Banking	04	146
Mobile Banking	38	112
Credit Card	02	148
Kisan Credit Card	18	132



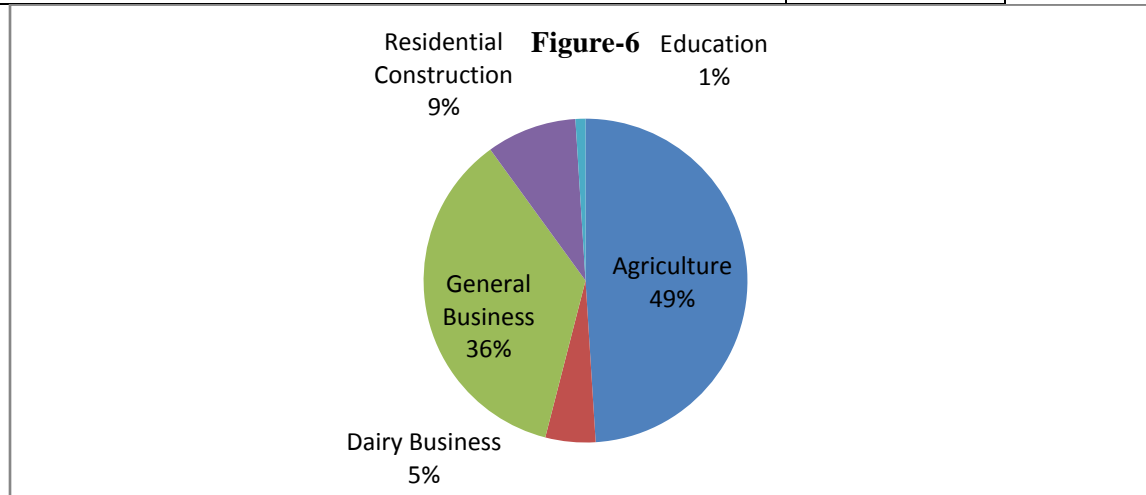
Status of Loaning/Credit	Percentage
Personal Sources	56
Local Money Lenders	37
Commercial Banks	07
	100



**Purpose of Loans**

Purposes	Percentage
Agriculture	49
Dairy Business	05
General Business	36

Residential Construction	09
Education	01
	100



**FINDINGS:**

- Banking is accessible to rural households but they are indifferent to use it continuously..
- Maximum respondents opened bank accounts to receive scholarships and subsidies.
- There is very low level of awareness among the people of rural area about the financial products and services. Services like Credit Cards and KCC are still unknown to them.
- Mostly people in rural areas prefer borrowing from personal sources and local money lenders irrespective of high interest as taking loans from banks is still a very tough call.

**CONCLUSION:**

The study reveals that banking and financial inclusion has got pace in rural areas but still people are not regular at its use. This is also because people are not well aware about financial products and services. Another loophole is that Bank Branch density is very low in rural areas which increases banking and saving costs more than its benefits. Rude behavior of local bank officials to the customers is also an obstacle which forces rural people refrain from using banking services. Rural account holders are either illiterate or their educational level is very low and bank officials are not interested in assisting them in operating the bank accounts as well as transaction processes. Most of the people opened the bank accounts to collect scholarships and subsidies but local bank officials have been unable to motivate them for regular savings in these accounts. Thus, rural people still prefer personal sources of loans or loans from money lenders in spite of their rate of interest higher enough than that of banks. Efforts must be made at the level of government, the RBI as well as bank to encourage people to use banking products and services. Although, new schemes like PMJDY and Mudra Yojana etc. have raised hopes but their success quite depends upon willful implement by local bank officials as mere opening bank accounts would not meet the prime objective of financial inclusion drive. Governments should also work





to improve earnings of the rural people then only they can be able to put savings into their accounts which would also be beneficial to banks this it increases the business of the banks.

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