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Status of Financial Inclusion Among the Rural Communities of Assam

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Abstract: Financial inclusion plays a crucial role in economic development of any country. The goal of financial inclusion is to help people improve their lives by providing them with the tools they need to manage their finances, start businesses, and build assets. Assam in particular, along with the government, a number of microfinance institutions are also working to provide financial services to the poor. However, despite the initiatives, there has been a challenge in accessing universal financial inclusion. Thus, the present paper is an attempt to assess the status and challenges of financial inclusion in Assam with special reference to the Golaghat (CD) Block of Golaghat Assam. majority of the people even though having access to bank accounts, their transections with the banks are limited. Besides, ATM debit card, other financial transactions are found to be very low.

Key Words: Financial Inclusion, Financial Products, Financial Literacy, Challenges, Savings

Introduction:

Financial inclusion refers to the access to financial products such as – banking, credit services, and insurance among individuals or businesses. According to World Bank. "Financial inclusion refers to the availability of useful and cost-effective financial products and services, including payments, transactions, savings, credit, and insurance, that are provided sustainably and ethically to both individuals and businesses." Over the years, financial inclusion has become a buzzword, attracting global attention. Among the 17 Sustainable Development Goals, 7 have been highlighted as being enabled by financial inclusion, making it a top priority for governments across the globe. The reason behind the concept of financial inclusion is becoming so popular is that it not only helps people to have access to financial services to improve their lives but also allows more people to participate in the economy and help it grow.

Since its independence, India has made significant strides in financial inclusion. Only a small percentage of the population had access to formal financial services in the early years. However, financial inclusion has increased significantly as a result of a series of government initiatives, such as the establishment of the Reserve Bank of India (RBI) in 1949. Since then, RBI played a crucial role in increasing financial services by creating a network of rural banks and credit cooperatives. In 1969 RBI nationalized 14 major banks which aided in the establishment of several branches across the country to bridge the gap in accessing financial services in rural and urban areas. In the 1980s, the government implemented a series of reforms to increase financial inclusion. These reforms included the establishment of the National Bank for Agriculture and Rural Development (NABARD) and regional rural banks (RRBs). The NABARD assisted in improving rural credit access, while the RRBs assisted in promoting banking services in remote and inaccessible areas.

In India, the twenty-first century has seen a renewed emphasis on financial inclusion. The Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Pradhan Mantri Mudra Yojana (PMMY) are two initiatives launched by the

government to promote financial inclusion (PMMY). With over 442.5 million accounts opened since its inception, the PMJDY is the world's largest financial inclusion scheme (Ministry of Finance, 2022). The PMMY is a program that provides small businesses with collateral-free loans. In addition, the government has launched the Sukanya Samriddhi Yojana (SSY), a savings scheme for girls. The scheme has aided in increasing women's financial inclusion in India.

When it comes to the status of financial inclusion in Assam, the picture is mixed (Hazarika & Biswas, 2020). While there has been some progress in increasing access to formal financial services, a sizable portion of the population remains excluded. Women and people living in rural areas, in particular, have less access to formal financial services. Against this background, an attempt has been made to study the status of financial inclusion in Assam with special reference to the Golaghat (CD) Block of Golaghat, Assam.

Review of literature

(Maity & Sahu, 2021) in their research article titled, "Financial Inclusion in North-Eastern Region: An investigation in the State of Assam" said that the status of financial inclusion in Assam is very low compared to the other states of the country. The authors argued that simply opening a mere bank account for the financially excluded will not help in achieving financial inclusion.

(Borkakoty & Paul, 2020) their research article "Penetration of Financial Inclusion Indices among the Poor: An Inter-District Study of Assam" found that the position of Assam in terms of financial inclusion is not satisfactory. Even the score in financial inclusion of many districts of Assam is below the average. Assam has yet to surpass the national level average for financial inclusion which indicates that Assam is not progressing as quickly as it was expected to.

(Ozili, 2020) have argued that have revealed the major challenges in financial inclusion. The article states that even though the inclusion of people in the financial sector is increasing at a higher rate but people tend to become inactive after a period of time. Even though people have access to bank accounts but they not using it for sending money or even receiving money. Even though they have access to credit services but they are not taking credit as well. This indicates that even after financial inclusion, there is a trend of people excluding themselves from the formal banking system.

Similar findings were pointed out by (Hazarika & Biswas, 2020) in their research article. It revealed that the respondents in the study area have access to bank accounts, and they are using ATM services. But when it comes to mobile banking and internet banking, people were still afraid to use them. Most people have access to savings bank accounts, however, there are many aspects of the banking system.

The objective of the Study:

The major objective of the study is to assess the status of financial inclusion in the study area. The status of financial inclusion will be assessed based on the following criteria such as –

a) Access to financial products.
b) Knowledge about using the financial products.

Need and significance of the study

The goal of financial inclusion is to help people improve their lives by providing them with the tools they need to manage their finances, start businesses, and build assets. It is also a way to help reduce inequality and promote economic development. There are a number of initiatives and programs that are working to promote financial inclusion around the world. In India, the government is working to increase access to financial products and services for the people. Assam in particular, along with the government, a number of microfinance institutions are also working to provide financial services to the poor such as – Bandhan Bank, Assam Grameen Vikash Bank, AAU, and North East Small Finance Bank, etc. However, despite the initiatives, there has been a challenge in accessing universal financial inclusion. Thus the present paper is an

attempt to assess the status and challenges of financial inclusion in Assam with special reference to the Golaghat (CD) Block of Golaghat Assam. . This will help the readers to not only deepen their understanding of financial inclusion but also will help to identify the gaps and areas where further efforts are needed to ensure that all people have access to financial services.

Research Methodology:

The present study has been conducted Golaghat district of Assam was purposively selected by the researcher. In the second stage, among the six developmental blocks, Golaghat (CD) bock has been randomly selected. From the block, 130 respondents were randomly selected for the purpose of the present study. When it comes to research design, the descriptive research design was adopted for the study. The data for the present study was conducted from both primary and secondary sources. The primary sources of data were conducted with the help of a structured interview schedule whereas the secondary sources of data were collected from journals, news articles, books, review papers, etc. While collecting the data all the necessary Covid-19 protocols have been followed.

Results and Discussion:

Access to Banking Facilities:

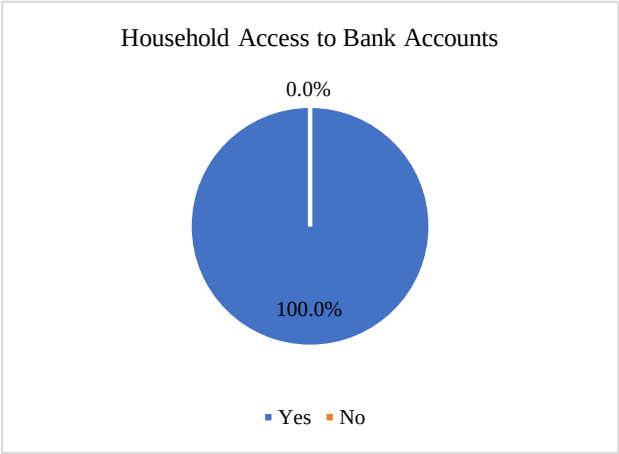

Figure 1 Household Access to Bank Accounts

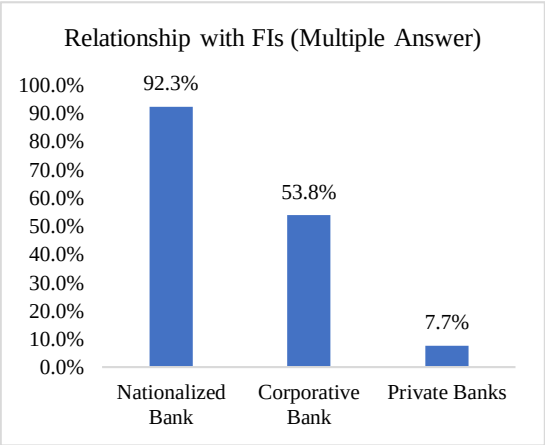

Figure 2 Relationship with Financial Institutions

The above figure (Figure-1) shows that all the respondents (100%) have access to bank accounts which indicates that people can take part in the process of financial inclusion. When the respondents were asked in which banks, they have their bank accounts it was found that majority of the respondents have their bank accounts in Nationalized Banks such as – Punjab National Bank, followed by 53.8% have their bank account in Corporative Banks. Households with private bank accounts was found lowest i.e., 7.7% when asked about the reason behind this, it was found that some people have more faith in nationalized institutions rather the private ones.

Type of Bank Accounts:

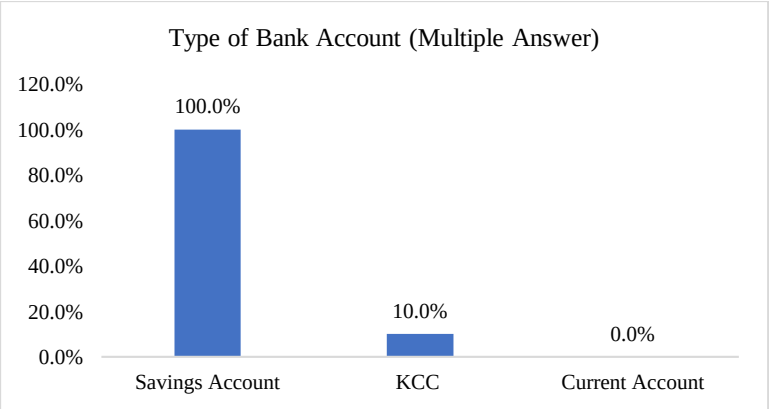

Figure 3 Type of Bank Account

When it comes to type of bank accounts, it was found that an overwhelming majority (100%) have savings bank account which they use for financial services followed by 10% having KCC accounts. This indicates that even though banks are offering wide range of services, people are still inclined to use the basic banking facilities.

Frequency of utilizing Banking services

Table 1 Frequency of utilizing banking services

Frequency of using Banking Services	No. of Respondents	%
Rarely	55	42.3
Never Use	31	23.8
Few times a month	29	22.3
Once a week	15	11.5
Total	130	100.0

The above tables shows the frequency of using the banking services by the respondents. It states that an overwhelming majority 42.3% uses banking services rarely whereas 23.8% have responded that they never use it, they give it to their family members to get their work done. About 22.3% also responded that they use banking services few times a month followed by 11.5% who uses once a week. Among the different financial products, ATM debit card was found the most used financial products used by the respondents mainly for the purpose of cash withdrawal.

Mode of Savings:

Table 2 Mode of Savings

Forms of savings	No. of Respondents	%
Cash based savings	70	53.8
Savings in Bank/Post Office/SHG	60	46.2
Savings in Assets	3	2.3
Savings through Govt. Bonds- NSC, KVP, etc	0	0.0
Others	0	0.0
None	30	23.1

When it comes to savings, its importance cannot be overstated. Savings are essential to a sound financial plan and provide the funds necessary to cover unexpected expenses, take advantage of opportunities, and build long-term financial security. In the study area, as depicted by the table -1, it was found that majority i.e., 53.8% of the respondents saves money in form of cash whereas 42.6% saves in banks/post offices or in SHGs. A significant 23.1% still doesn't have any saving due to their poor socio-economic statuses. Thus, this indicates that even though having bank accounts people prefer to save money in the form of cash.

Access to Credit Services:

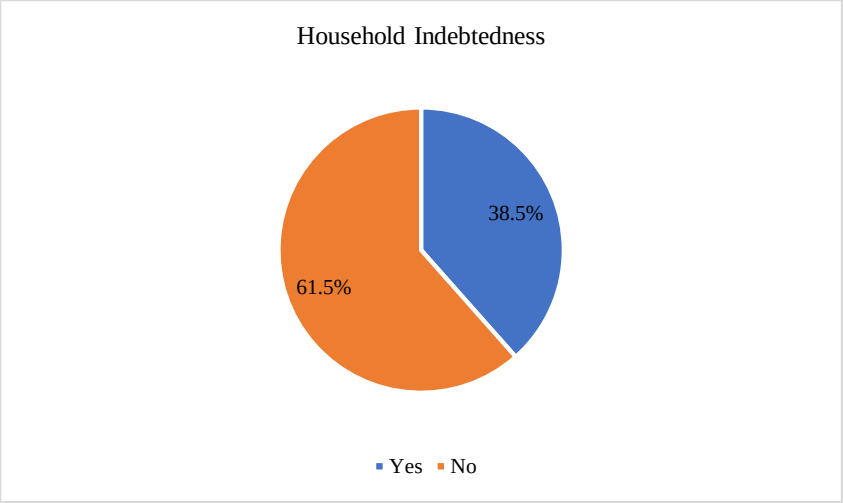

Figure 4: Household Indebtedness

When it comes to access to credit services, it was found that only 38.5% of the respondents have taken a loan from bank for purposes such as – education, marriage, daily consumptions and for livelihood purposes. A trend has been observed that those who are not taking loans have responded that they are afraid that they won't be able to pay back the loan amount in time.

Sources of Credit

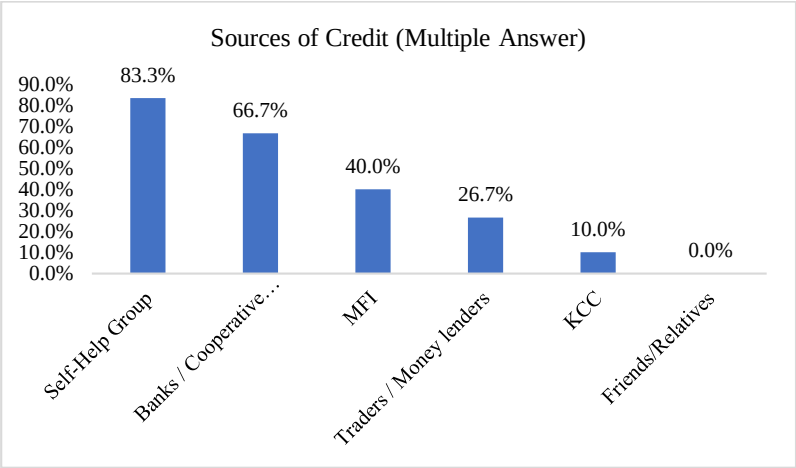

Figure 5: Sources of Credit

When it comes to sources of the credit, the households have taken loans from multiple sources. It was found that an overwhelming majority of respondents have taken loans from SHGs (83.3%) followed by 66.7% have also taken loan from Banks/corporative societies (66.7%). About 40% of the respondents have taken loans from Micro finance Institutions (MFIs) such as Bandhan Bank, UCO Bank, Etc. However, the data shows that even though majority of the respondents were taking loans from the formal sources, a significant 26.7% have responded that they took loans from moneylenders with higher rate of interest indicating that informal sources of credit still exist.

Financial Literacy and Access to Financial Products

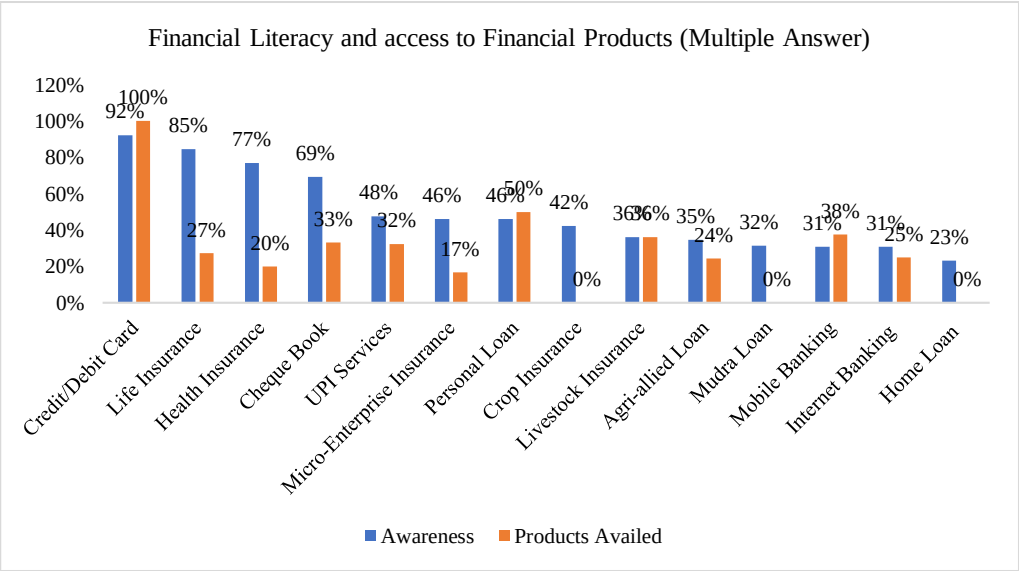

Figure 6 Financial Literacy and Access to Financial Products

Financial literacy and access to financial products has become a buzz word nowadays. It the ability to understand financial concepts and to make informed decisions about personal financial matters. When it comes to financial literacy it has been observed that the people of the study area were more about Credit/Debit Card services (92%) followed by life insurance (85%), and, health insurance (77%). About 69% of the respondents were aware about the cheque book facilities, followed by 48% awareness regarding UPI services, 46% of the respondents were aware about micro- enterprise insurance, personal loan. Awareness towards the mobile (31%) and internet banking (31%) services were found to be very low.

Even though the respondents in the study area are somehow were aware about the various financial products but when it comes to accessibility, it is an issue. Among the top five financial products about which the respondents were aware of it was found that apart from debit card facilities which comes with opening a bank account, access to other services such as life insurance (27%), health insurance (20%), cheque book (33%), UPI Services (32%) were very low.

Access to Financial Inclusion Schemes & their benefits

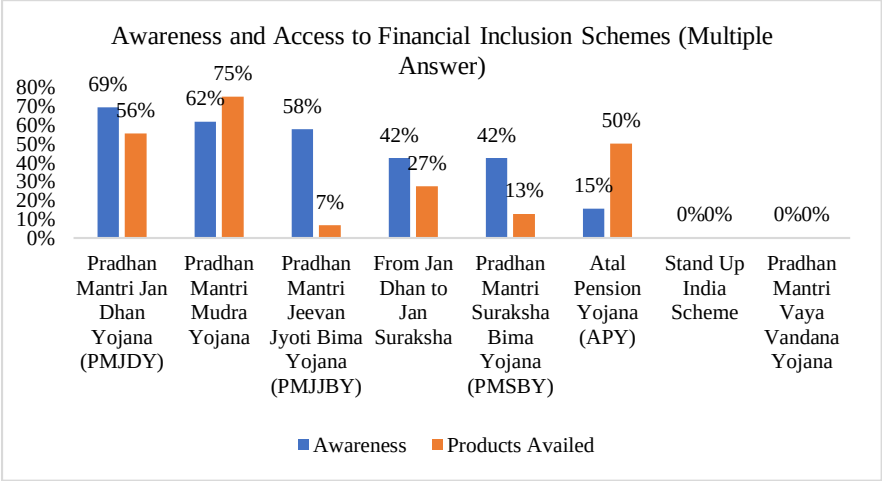

Figure 7 Awareness and access to financial inclusion scheme's

Since its independence, India for the inclusion of financially excluded groups have been taking various initiatives. However, there are still areas where proper penetration of these schemes is limited. The above figure shows that a vast majority i.e., 69% of respondents were aware about PMJDY under which households can open bank accounts with maintaining minimum account balance, and 56% of the respondents have opened bank accounts under this scheme. The penetration of Pradhan Mantri Mudra Yojana was also found prominent

where 62% of the respondents were aware about it while 75% among them are enjoying its benefits. However, the awareness and accessibility of PMJJBY, PMSBY, APY was found very low. More awareness is required in the grassroot level for this scheme to have a positive impact.

Challenges in Financial Inclusion:

While conducting the survey, an attempt has also been made to understand the challenges for achieving the universal financial inclusion. There are multiple reasons for which financial inclusion is making progress at a slower rate. These are –

1 Utilization of banking services:

Even though people have access to bank accounts however, their frequency of transection is very less. People tend to become inactive bank users or rarely use banking services. The study results also depict the same that an overwhelming majority i.e., 66.1% of respondents usually never or rarely use banking services.

2 Technology and connectivity issues:

In the study, it has been observed that there has been a connectivity issues for which most of the people face problems in accessing online UPI services whereas some respondents have also respondents that even banks also faces server issues for which people need to go to the bank more than once.

3 Lack of Awareness:

Respondents lack of awareness regarding various financial products creates hindrance in achieving universal financial inclusion. Many people use only basic banking facilities such as cash withdrawal and deposit.

4 Fear of Fraudulent Activities:

With the rise of cyber crimes and fraud activities people are afraid to use some financial services such as UPI, mobile and internet banking which is also a result of lack of financial literacy.

Conclusion:

From the discussion, it has been observed that financial inclusion plays a crucial role in economic development of any country. It helps in not only reduction of poverty, inequality but also promote responsible and safe financial practices. From the study it has been observed that majority of the people even though having access to bank accounts, their transections with the banks are limited. Besides, ATM debit card, other financial transactions are found to be very low. Needless to mention that opening a bank account is not the end of the financial inclusion system besides, many people in study area are also not aware about the various financial products and those who are aware very few of them are availing its benefits. Nevertheless, without focused and sustainable programmes and policies financial inclusion cannot be possible.

Thus, based on the present findings following suggestion are being put forward –

1 Awareness regarding various financial products such as- banking facilities, schemes, insurances, credit services should be created at the district and community-level.
2 Banking facilities should be made customer-friendly and the banking staff should be corporative and should focus on providing seamless banking services to its customers.
3 Proper implementation and monitoring system should be created to ensure the effective implementations of the schemes so that the people can have optimum benefits of the services.

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