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STATUS OF FINANCIAL INCLUSION IN SIVASAGAR DISTRICT, ASSAM- A CASE STUDY

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Abstract

Financial inclusion refers to the provision of affordable financial services to the poor and disadvantage section, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system. The banking industry has shown tremendous growth in volume and activities during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, it has seen that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. There are currently several districts across India which has implemented the 100 percent financial inclusion drive. Sibsagar district in Assam is one of them. The district comprises 997 villages having about 80% of total inhabitants. In such a district the achievement of 100% financial inclusion would be undoubtedly pose huge challenges for banks and other parties involved. Thus in this district an attempt is made to analyze the performance of financial inclusion drive.

Keywords-Financial Inclusion, Inclusive Growth, No frill Account, PMJDY, SHGs.

1. Introduction:

Financial inclusion is a key dimension of the overall strategy envisaged in the Approach Paper for the Eleventh Plan entitled "Towards Faster and more inclusive growth. At present the focus of financial inclusion in India is confined to ensuring a bare minimum access to a saving bank account without frills to all. Internationally the financial exclusion has been viewed in a much wider perception. Having a current account/ saving account on its own, is not regarded as an accurate indicator of financial inclusion. There could be multiple levels of financial inclusion and exclusion. If the intention of the plan is to promote more inclusive growth then the definition of financial inclusion cannot stop at opening a short term/ duration account but it has to move from opening an account in the bank to regular savings and finally to a relationship which enables the borrower to access loan on a regular basis.

1.01 Definition of Financial Inclusion:

Financial inclusion is delivery of banking services at an affordable cost to the vast section of disadvantaged and low income group. According to the committee on Financial Inclusion (Chairman Dr. C. Rangarajan) "Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker section and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players."

1.02 Financial Inclusion for Inclusive Growth:

Given the belief that credit is a Human Right as advocated by Noble Laureates Prof. Mohamad Yunus , the poor can overcome poverty by generating their own employment and income, we have to develop a financial system which takes care of the needs of the poor on an urgent basis.

Access to affordable financial services especially credit and insurance enlarges livelihood opportunities and empowers the poor to take charge of their lives, such as empowerment and social growth and sustainable growth of the economy.

Apart from these benefits, financial inclusion imports formal identity provides access to the payment system and to savings safely net like deposit insurance.

To achieve that we have to expand our scope of financial inclusion initiatives to reach out to people at any grass-root level.

1.03 The Scope of Financial Inclusion:

Financial Inclusion can be achieved in three ways-

a) Through state driven intervention by way of statutory enactment.
b) Through voluntary effort by the banking community by evolving various strategies to bring within the ambit of the Banking sector the large strata of the society.
c) By creating a demand by the people themselves to pull the banks and others service providers towards them to offer banking and financial services at a competitive and affordable rate.

1.04 Financial Inclusion Model:

a. Bank- Self Help Group Linkage Model:

This is one of the most popular and successful model being incorporate and followed by all public and private sector bank.

b. Bank MFI Linkage Model:

MFI are to be seen as the last mile the connectivity link to the vast of the financial sector. They have developed technology that Bank donot have.

c. MF-NBFC Model:

MF-NBFC is new category of Non- Banking Finance Company is providing finance services to the rural, semi-rural, urban poor. MF-NBFC should be defined as a company that provides thrift, Credit, Micro-Insurance remittances and other financial services up to a specified amount to the poor in rural, urban, semi urban areas. MF- NBFCs are excepted to be larger with a stronger capital base and more height regulated.

d. Post Office Model:

Apart from saving, deposit, money transfer, Parcel sending etc. Post officers are also engaged in new services like granting retail credits or selling Insurance Products either directly or on behalf of commercial banks.

1.05 Financial Exclusion:

The opposite of financial inclusion is Financial Exclusion. It signifies the lack of access by certain segments of the society to appropriate, low cost fair and safe financial products and services from mainstream providers.

One common measure of financial exclusion is the percentage of adult population having bank accounts. Assuming that one person has only one account on all India basis 59% 0f adult population in the country have Bank account. In other words 41% of the population is excluded. In rural areas the coverage is 39% against about 60% in urban areas.

1.06 Reasons for Financial Exclusion:

1. **Banks and Financial Institutions had been till recent times financially excluding these people because-**
    - They have no or few assets.
    - They have nothing to offer as collateral.

- They have no business experience.
- They have no credit history.

2. **Demand side factors are-**
   - Lack of awareness.
   - Low income or assets.
   - Social exclusion.
   - Illiteracy.
3. **Supply side factors are:**
   - Distance from branch.
   - Procedural hassles.
   - Language.
   - Staff attitudes etc.
4. **Others factors-**
   - Remote, hilly, areas with poor infrastructure.
   - Easy availability of informal credit money and less time.
5. **The consequences of financial exclusion are-**
   - Financial Illiteracy.
   - Financial dimension.
   - Financial Exclusion.
   - Financial Exploitation and
   - Financial Insecurity.

1.07 Financial Inclusion in India:

Financial inclusion has become a buzzword now, but in India it has been practiced for quite some time now. RBI has made efforts to make commercial banks open branches in rural areas. Priority sector lending was instituted to provide loans to small and medium enterprises and agriculture sector. Further special banks were set up for rural areas like Rural Cooperative Banks, Regional Rural Banks. The Government also set up national level institution like NABARD, SIDBI to empower credit to rural areas and small and medium enterprises.

1.08 Some Key development of RBI focus:

- **No frills account:** In November 2005, RBI asked banks to offer no-frills savings account which enables excluded people to open a saving account. Normally, the savings account requires people to maintain a minimum balance and most banks now even offer various facilities with the same. No frill account requires people no balance and is without any other facilities leading to lower costs both for the bank and the individual.

- **Usage of Regional Language:** The banks were required to provide all the materials related to opening accounts, disclosures etc. in the regional language.
- **Simple KYC Norms:** In order to ensure that person belonging to low income group both in urban and rural areas do not face difficulty in opening the bank accounts due to the procedures for opening accounts has been simplified for those persons who intend to keep balances not exceeding rupees 50,000/- in all their accounts taken together and the total credit in all accounts taken together is not expected to exceed rupees one lakh in a year.
- **Easier Credit Facilities:** Banks have been asked consider introducing general purpose credit land(GCC) facility up to Rs.25000/- at their rural and semi urban branches. GCC is in the nature of removing credit entitling the holder to withdraw up to the limit sanctioned.
- **Other Rural Intermediaries:** Banks were permitted in January 2006, to use other rural organization, like NGO, SHGs, and MFI etc. for furthering the cause of financial inclusion.
- **Financial Education:** RBI has taken number of measures to increase financial literacy. It has set up a multi lingual website in 13 languages explaining about banking, money etc.
- **RTGS and NEFT Systems for Electronic Payments;** National Electronic Fund Transfer (NEFT) and Real Time Gross Settlement (RTGS) are the centralized payments systems. NEFT is an important, vital and convenient delivery channel. For the purpose of encouraging the people to increasingly adopt this channel and to enable them transact through NEFT at anytime convenient to them, the extent of coverage of NEFT and RTGS has been extended to all licensed banks through the sub-membership route.
- **Pradhan Mantri Jan-Dhan Yojana :** Hon'ble Prime Minister, Sri Narendra Modi on 15 August, 2014 announced **"Pradhan Mantri Jan-Dhan Yojana (PMJDY)"** which is a National Mission for Financial Inclusion. The task is gigantic and is a National Priority. It was an extraordinary effort by India on financial inclusion of its people (Kim, World Bank Chief). PMJDY on 20 January 2015 made it to Guinness Book of World Records. Indian banks opened 11.50 crore accounts under the Pradhan Mantri Jan Dhan Yojana in a short span of five months. This National Mission on The Pradhan Mantri Jan-Dhan Yojana lies at the core of development philosophy of "Sab Ka Sath Sab Ka Vikas". With a bank account, every household would gain access to banking and credit facilities.

1.09 **Statement of the Problem:**

Financial exclusion is excluding people without of affordable credit, savings, insurance assets and money and bank advices. The financial excluded section largely comprises marginal farmers, landless laborers, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizen and women. Rural sector is the one of the excluded section is financial inclusion. To achieve greater financial inclusion, financial services should reach the poor of socially excluded groups' particularly rural agricultural people. Micro finance, banks and other financial institution have played a vital role in filling up this gap. This study helps us to know the financial inclusion position, awareness level towards no frills account and saving and credit behavior of the rural people.

1.10 Review of Literature:

A few review of literature on financial inclusion and exclusion was carried out for the study. The importance of financial inclusion for inclusive growth in the national economy and the state economy of Assam, naturally places it at the centre of interest for multifaceted studies and so far a large number of scholars have focused their attention on the financial inclusion, bring out several studies on its various aspects viz. financial inclusion/ exclusion, social exclusion, no frills bank account, inclusive growth and financial inclusion etc. Several books have been written on financial inclusion. Among them *Sujatha's* and *Thorat's* works are important that merit special mention.

According to Kochar(2009) scaling up access to finance for India's rural poor presents a formidable developmental challenge in a country as vast as varied in India. It was in this context that SDF undertook the first ever nationwide multi stakeholder study entitled National Study on "Speedy Financial inclusion". This study sought to collate primary research based on grass roots experiences from several projects sets and field visits. Apart from the key recommendations in the form of roadmap to speed up the process of financial inclusion, the study also sought to determine the viability and cost effectiveness of BC model and has identified several options to made the model viable.

Fernandez(2006) in his work "The role of self help affinity groups in promoting Financial Inclusion of landless and Marginal/ Small farmer's Families" mentioned that the SHAG movement has been largely rural based. This SHG movement is focused on the poor. They cannot survive on agriculture alone and depends on the SHGs to provide them with credit for non-farm income generating activities, skills training and consumption

Gloukviezoff(2006), in his working paper "The line between financial exclusion and over indebtedness" has shown that over indebtedness and financial exclusion are closely related. An examination of the socio-economic profiles of people facing over indebtedness and those facing access or use difficulties shows that they have a lot of common characteristics even they are not totally similar. The consequences of these kinds of difficulties are similar and caused by the same process of financialization.

A large number of lectures by V.Leeladhar, Deputy Governor RBI 2005, U.Thorat 2006, S. Gopinath2006, R.V. Reddy 2006, S.Rao et. Delivered in RBI annual conferences have also been reviewed for the study.

1.11 Objective of the Study: The study is based on the following objectives.

- To assess the level of financial inclusion among the rural people.
- To study the awareness about no frills account and financial services offered by the Bank.
- To find out the steps taken by the bank in the area of financial inclusion.

1.12 Scope of the study:

In this context an attempt has been made to analyze financial level of rural people in terms of financial status of the respondents. This study creates an awareness level for no frills account, SHGs and banking facilities. The overall results that emerge from the study would provide a scope for the respondents whether they have an account and the uses of financial services.

1.13 Hypothesis Framed:

There is no significant relationship between socio-economic factors of the respondents with having a bank account.

1.14 RESEARCH METHODOLOGY:

The present study was intended to assess the level of financial inclusion among the rural people in undivided Sivasagar 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.

Both primary data and secondary data are used for the study. About 110 persons from three villages, namely Kakotibari, Mahmora Konwar Gaon and Balijan under Sonari sub-division of Sivasagar district are randomly selected for the study. Structural interview schedule has been used to collect information from the respondent.

Percentage is used to analyze data on demographic characteristic, level of financial inclusion and the awareness level of the respondent about no-frills account while Chi-square test is used 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. The data have been processed by SPSS.

1.15 Result and Analysis:

The purpose of financial inclusion is delivery of banking services at an affordable cost in a fair and transparent manner to the vast section of disadvantages and low income groups. The frequency distribution of tabulated data revealed the following results-

A. Socio-Economic Status of the Respondent

Table 1.1 Socio-Economic Status of the Respondent

Socio-Economic Factor		Respondent	
		Total Respondents	Percentage
Age(Years)	Below-25	5	4.5
	26-35	21	19.09
	36-45	26	23.63
	46-50	18	16.36
	50 above	40	36.36
Sex	Male	83	75.45
	Female	27	24.55
Education	Illiterate	23	20.9
	High School	53	48.2
	Higher Secondary	16	14.5
	Graduate	8	7.3
	Post-Graduate	1	9
	Others	9	8.2
Type of Occupation	Agriculture	38	34.5
	Agricultural Labour	12	10.9
	Traditional	23	20.9
	Petty Business	15	13.6
	Private job	15	13.6
	Government job	7	6.4
Income	Below Rs.5000	85	77.3
	Rs.5000-10000	14	12.7
	Rs.10000-Rs.15000	8	7.3
	Rs15000 & above	3	2.7

More than 36.6 percent of the member was above 50 years. It is observed that 75.4 percent of the respondents were male. Majority of the respondents were completed high School level,i.e. 48 percent.

Majority of the respondents were agriculturalist, 34.5 percent. It is noted that 77.3 percent of the member were belonging to family monthly income of below Rs.5000.

B. Financial Inclusion Status of the respondent:

Table-1.2 Having a Bank Account

Particulars	Total Respondents	Percentage
Yes	73	66.4
No	37	33.6
Total	110	100

The financial inclusion status of the selected villagers is discussed under the headings

It is observed that out of 110 surveyed respondents 66.3 percent having bank account 33.7 percent of respondents are not having the bank account.

Table 1.3 Reasons for Having Bank Account:

Purpose	Total Respondents	Percentage
Savings	18	24.6
Pension or Other Benefits	32	43.8
Taking Loans	12	16.4
Others	11	15.2
Total	73	100

Among 110 samples 24.65 percent respondent have a bank account for savings purpose and they are government and private job holders. It has observed that 43.84 percent respondent opened account for availing pension and other benefits. 16.45 percent respondent open for taking loan and 15.06 percent open for other purpose.

Table 1.4 Reasons for Not Having Bank Account:

Reasons	Total Respondents	Percentage
No Money	21	56.7
Lack of Awareness	5	13.5
Distance	5	13.5
Others	6	16.3

Regarding the reasons for not having a bank account 56.75 percent of respondents are not having money to open a bank account and 13.51 percent of respondent are lacking through distance. There are 13.51 percent of respondents under the lack of awareness and 16.21 percent are under due to other reasons.

C. Awareness Levels of the Respondents

Table 1.5 **Awareness Levels of the Respondents about No Frills Account:**

Awareness	Total Respondents	Percentage
Yes	41	37.3
N0	79	71.7

More than 37.27 percent of members were not aware of no frills account. It is observed that 71.8 percent of the members were not use no frills account through they were aware of no frills account.

Table 1.6 Sources of knowing NFA

Sources	Total Respondents	Percentage
Media	17	41.5
SHG	9	21.9
Others	15	36.6
Total	41	100

Table 1.6 reveals that media plays important role in delivering the massages about no frills accounts in the area. Apart from this, relatives, friends and SHGs are also help in sharing the information towards the villagers.

1.16 Chi square test has been used to test the hypothesis framed.

H_1 : There is no relationship between the socio-economic factors of the respondents and having a bank account.

Relationship between Economic Factors of the Respondents and having a Bank Account

Socio-Eco factor	Calculated value	Table Value	Degree of freedom	Significance
Age	3.51	9.49	4	NS
Gender	4.10	3.84	1	*
Education	9.02	12.6	6	NS
Occupation	18.47	11.10	5	*
Monthly Income	16.94	7.81	3	*

H1 there is no relationship between the socio economic factors of the respondents and having a bank account

It is noted that there is no significant relationship between age group, education of the respondents and having a bank account.

It is inferred that there is a significant relationship between gender, type of occupation, family monthly income and having a bank account. Hence the null hypothesis is accepted in case of age, education of the respondents. Where as it is rejected in case of gender, type of occupation, family monthly income of the respondents.

1.17 Policy Implications:

For the Respondent:

- Rural people should understand the financial services and the operation to be done.
- Every people low income group should have an account or access other financial services.
- Every people should try to save at minimum amount at banks in spite of keeping in hand on spending at mobile recharge.

For the Bank:

- Bank should conduct awareness programmers among villagers so that the account holders are made aware of the facilities offered by No frills account, SHGs and other banking services.
- Banks should provide general credit card, ATM, overdraft facilities along with no frills account to encourage the account holder to actively operate the account.

For the Government:

- Government must conduct generation camp on financial services like no frills, SHGs and its benefits for opening an account to the entire socially excluded group.
- Government should introduce new scheme to bring the socially excluded groups to be included in the financial sector by offering low interest rates, credit facilities, low premium insurance schemes, pension schemes and promote self help group.
- Government should take necessary steps regarding a greater focus on credit rather other financial services like saving and insurance.

1.18 Conclusion:

It is becoming increasingly apparent that addressing financial exclusion will require a holistic approach on the part of the banks in creating awareness about financial products, education and advice on money management, debt counseling, savings and affordable credit. The banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. They need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunities as well as a corporate social responsibility. They have to make use of all available resources including technology and expertise available with them as well as MFIs and NGOs. Because taking banking to the sector constituency "the bottom of the pyramid may not be profitable but it is true that even the relatively low margins on high volumes can be a very profitable proposition.

In conclusion financial inclusion and infrastructure should go hand in hand for all round rural development to take place so as to ensure that villagers have access to health, education, shelter, information, technology and insurances apart from credit behavior.

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