Chapter 6
SUMMARY OF THE FINDINGS, SUGGESTIONS AND CONCLUSION

Financial inclusion provides a platform where the general public have an access to the formal financial institutional system and therefore are able to access various formal financial services and products such as credits, deposits, insurance, financial counselling and safe money transfer at affordable prices (Karmakar, Banerjee, & P, 2011). It is a process of facilitating the access to those segments of the population which are denied the facilities provided by formal financial system either as individuals or as a groups. In view of the actual need to enhance financial inclusion, particularly in developing countries where there is high levels of financial exclusion especially those who are very poor and living in far-off places.

As per the report of the Committee on Financial Inclusion in India, financial inclusion refers to the process of ensuring access to financial services at an appropriate time with an adequate credit to the vulnerable groups such as weaker sections and low-income groups at an affordable costs (Rangarajan, 2008).

In recent years financial inclusion has emerged as an important tool to fight against poverty not only in India but in other sixty developing countries (Thorat, 2007). The major factors that are responsible for financial exclusion includes low income of the people, remote areas of the economy, lack connectivity and financial literacy. Many initiatives were taken by the government of developing and least developed economies, but still banking industry and financial sector are underdeveloped to handle these factors of financial exclusion. The theory of financial inclusion is closely related with the reduction of financial exclusion raised due to government and market failures (Amidzic, Massara, & Mialou, 2014). The level of financial inclusion can be measured on the basic four dimensions of inclusive financial system consists of banking penetration, accessibility and usage ability of banking services (Sarma M. , 2010; Sarma & Paris, 2008).

6.1 Review of Literature
Global Findex Database measuring financial inclusion covering more than 150000 people across 140 countries showed that the percentage of world adult population has been increased from 51 to 62 percent and 700 million adults worldwide became account holders (Kunt A.-D., Klapper, Singer, & Oudheusden, 2014). A series of Financial Access Surveys of IMF also stated the importance of issues related to financial access is remain a main challenge from the supply side of financial inclusion (Beck & Demirgüc-Kunt, 2008). The supply side mechanism of financial inclusion is related with formal financial infrastructure, capacity building, advisory services to the poor, training support to the borrowers and attitude of formal financial institutions personnel. On the other hand there is demand side of financial inclusion which includes the usage and demand for financial services at households or individual level (Triki & Issa, 2013).

The two major elements which plays a key role to foster economy growth. In the first place social banking assumed an imperative part to support the level of financial inclusion. Secondly the state per capita income is altogether connected with the level of financial inclusion of the state (Chakravarty & Pal, 2013).

### 6.2 Objectives of the Study

The objectives of the study are:

- To study the different factors determining the financial awareness level among rural households with regard to financial inclusion.
- To explore the various elements contribute for the growth of financial accessibility in rural areas.
- To investigate the usage of banking services among rural households
- To study the impact of financial inclusion on the socio-economic status on rural households
- To suggest some policy measures and highlight some guidelines for rural growth through financial inclusion to make this study more result oriented
6.3 Research Methodology

The present study is cross-sectional and descriptive in nature. It is based on primary as well as secondary data. The primary data was collected through survey schedule method through personal interview on the basis of multistage sampling. The survey was administrated to 250 rural head of the households. The survey instrument was divide into six parts as per the objectives of study. Secondary data accessed from the various data sources of State and Central Governments, RBI, NABARD, IMF and World Bank etc.

Data in the present study has been presented and analyzed with bar charts, pie charts and tables. Descriptive analysis of data was undertaken using various tools like averages, variance, kurtosis and skewness for normality test and outlier detection. Correlation, t-test and ANOVA have been used for inferential analysis.

6.4 Summary of Findings

The findings of the study are summarized and presented below.

6.4.1 Factors determining the financial awareness level of rural households with regard to financial inclusion

The present study seeks to know the various factors which determining financial awareness level of rural households about the financial services and what are their sources of information with regards to financial services. Based on the literature descriptive analysis and hypothesis $H_0$ to $H_7$ were framed and tested. The result derived from these hypotheses shows that:

- It was found that mass media is the major source of financial information followed by friends and relatives, government campaigns, business and workshops in rural areas. District wise analysis shows that mass media (ranked first) was the major source of financial information in all the three districts followed by friends and relatives (ranked second) in Kangra and Mandi and business correspondents (ranked second) in Shimla. The role of business correspondents in spreading financial awareness among rural households was high (ranked second) in Shimla but low (ranked fourth) in Kangra and
Mandi. Government campaigns were ranked as third most influential source of financial information by rural households. Workshops organized by developmental banks (ranked last) were the least effective source of financial information in all the three districts. Comparable results were obtained in other studies such as (Singh, et al., 2014), Cohen and Nelson, 2011 highlighted that mass media play a major role in the delivery of financial education messages by association between financial educators and media specialists (Cohen & Nelson, 2011).

- Media was considered dominating source of information for households to know about the opening of zero balance bank accounts for saving whereas information provided by the banks was second major source followed by promotional; campaign by government and village panchayat member. NGOs, SHGs and farmer club played least role in spreading the information about opening of zero balance savings accounts. Baag and Kandpal (2015) mentioned that RBI asked commercial banks on a pilot basis to start campaigns in different regions across the country to ensure 100 percent financial inclusion. As of result of campaigns, states like Himachal Pradesh and Kerala announced 100 percent financial inclusion in all their districts. (Baag & Kandpal, 2015).

- The awareness level of rural households is highest about basic banking services followed by debit/credit card, loan services, internet banking, and remittance/payment services respectively and lowest about bancassurance services followed by mobile banking. Supported by the similar results advocated by (Sangwan, 2014)and (Basu, 2006).

- Rural households have significantly high level of financial awareness about financial services offered by formal financial institutions. The results of present research were contradictory to previous studies such as (Bansal S., 2011; Bansal S., 2014), (Huston, 2010). But, in the state like Himachal Pradesh has ensured 100 percent financial inclusion due to promotional campaigns by commercial banks (Cohen
& Nelson, 2011), and as per census 2011, the average literacy rate in
the rural areas of Himachal Pradesh is 84.85 percent which results in
high level of financial awareness (Census, 2011). Thus, level of
education influences the basic financial knowledge about various
products and services (Nga, Yong, & Sellappan, 2010).

- The financial levels of rural male households were significantly higher
  than rural female households. Nga, Young and Sellapan (2010) also
  found that women have low level of financial awareness compared to
  man. Ghosh (2013) also mentioned that the women were also
  considered in financial excluded groups (Ghosh, 2013). Swamy
  (2014) also quoted the impact of financial inclusion initiatives differ in
  gender (Swamy, Financial Inclusion Gender Dimension and Economic
  Impact on Poor Households, 2014).

- The financial awareness level differs significantly between educational
  qualifications of rural households. The financial awareness of
  households with graduation and above educational qualifications is
  significantly higher than households with below graduation
  educational qualification. Nga, Young and Sellapan (2010) also
  found that the level of education affects the basic financial knowledge with
  respect to various financial products and services (Nga, Yong, &
  Sellappan, 2010. Thus, financial knowledge create opportunities to
  enhance financial stability (Anzotegui & Kunt-Demirgüç,
  Remittances and Financial Inclusion: Evidence from El Salvador,
  2013)

- In various social categories (i.e. General Class, Other Backward
  Classes (OBC), Schedule Caste and Schedule Tribe (SC& ST)) of rural
  households, the level of financial awareness doesn’t vary significantly.
  It means there is equal level of awareness between social classes of
  rural households. The results found similar to the case study that has
  been mentioned in the study of Sthitapragyan Ray (2008), tribal
  members of Self-Help Groups has receive adequate support services
including training and financial assistance from the bank (Ray, 2008).

- The financial awareness level of rural households varies across income classes. Rural households with income more than ₹200000 having significantly higher level of financial awareness in comparison ₹100000 income and ₹100001 to 200000 income class group. In the multidimensional index of financial inclusion that was given by Mandira (2008) used for the empirical analysis to study the relationship between financial inclusion and rural development. Results also suggested with high level of income, the level of financial inclusion also increases both at country level and at individual level (Mandira, Index of Financial Inclusion, 2008). Comparable results were found in the study of (Triki & Issa, 2013; Dev, 2006).

- Results from the study found that the financial awareness level of rural households don’t differ significantly between rural plain and rural hilly areas. Commercial banks have started campaigns in all 12 districts of Himachal Pradesh which ensured 100 percent financial inclusion in the state (Baag & Kandpal, 2015). Findings also states that the level of financial awareness of rural households don’t differ significantly across districts.

6.4.2 Elements contribute for the growth of financial accessibility in rural areas

- Among all the three categories of financial service providers formal financial service providers were highly easy to access followed by informal and semi-formal service providers. Same results were found across districts. It means that the rural households of the state were highly inclined towards formal financial services followed by informal and semi-formal financial service providers. On the other side this is contrary with the findings of (Bansal S., 2014). The highlights of Nachiket Mor Committee (2014) also reported that traditional banking system is not an efficient channel for directly serving marginal income
households for their basic financial needs. But, state has facilitated the financial literacy in each district by setting up Financial Literacy Centres (Economics & Statistics Department Himachal Pradesh, 2017), (Department of Economics & Statistics of Himachal Pradesh, 2015)

- Amongst the various formal financial service providers commercial banks were the most preferred by rural households followed by post offices, co-operative banks, regional rural bank and insurance company. The share of commercial banks (60.64 percent) was much higher than the combined share of all other formal financial service providers (39.36 percent).

- Results revealed that majority of rural households opened saving accounts (85.1 percent) whereas rest (14.09 percent) of the rural households opened joint account, Self Help group account, No-frill account and current account. The main purpose of opening an account was to save money (75.1 percent) followed by receiving wages/salary (16.5 percent), other services (4.0 percent) and borrowings (2.8 percent). Availing insurance services (1.6 percent) was the least preferred. Cnaan, Moodithaya, & Handy (2012), also found that large number of households having bank account marked by savings accounts the most accessible financial services followed by borrowings and life.

- Around 43.8 percent of the rural households reported that it takes 15 to 30 minutes to perform their task in bank/post office. 26.9 percent of respondents stated 30-45 minutes, 20.5 percent said it takes more than 45 minutes and less than 15 minutes were indicated by 8.8 percent of households.

- In context to distance travelled by rural households majority of households given first rank to post offices first (108), ATMs ranked second (85) and banks third (71) to be within 2-4 km distance. Most of the other formal financial institutions as stated by respondents, were located at distance of more than 6 km. Distance less than 2 km was
ranked second in case of ATMs (62), Post office (67) and banks (59) and fourth in case of other formal financial institutions (27).

6.4.3 Usability of Financial Services

This section of the study has analysed the attitude of rural households towards usage of formal financial services which included the statements showing the household’s saving pattern, their credit pattern, and how frequently they invests in savings and withdraw money from accounts. Further, in this section the rural households were asked about their preferences regarding usage of technology based financial services and what type of financial services currently they were using. The descriptive analysis illustrated the following results:

- Rural households were asked about their satisfaction with respect to agricultural support provide by formal financial after using. Only 45.4 percent of rural households used agricultural financial support provided by formal financial services and out of which 50.04 percent were satisfied and 14.2 percent were highly satisfied.

- In context to their savings pattern, rural household were asked about satisfaction from formal investment avenues where they have invested their surplus income if any. 92.4 percent rural households prefer to save money in formal investment avenues. In addition to this rural households were asked about their preferred saving place. Results depicted that majority (69.9 percent) of rural household’s preferred to save money in bank account, followed by post office 20.9 percent, home 6.8 percent, Micro-finance Institutions 1.6 percent and least preferred place to save money was lending to family members 0.8 percent. Comparable results were found in the studies (Kunt, Klapper, Singer, & Oudheusden, 2014) (Cnaan, Moodithaya, & Handy, 2012).

- Majority 53.01 percent of rural households were likely to save money on monthly basis followed by quarterly basis 17.27 percent and half yearly basis 13.65 percent. Frequency of Monthly savings (51.41 percent) with formal institutions is many times higher than monthly
savings in informal mode (1.61 percent). Weekly savings is 4.82 percent in case of formal whereas the same is only 1.20 percent in case of informal savings.

- Rural household’s attitude towards deposit services of formal financial institutions, 70.9 percent households reported that the location of the bank is easily approachable. Only 49.5 percent households specified that less documentation is required to avail a service. And, Only 40.9 percent households stated that negligible balance is required to avail a service. Similar results were also obtained by (Singh, et al., 2014) (Sarma M., 2010).

- Rural household’s attitude towards credit services formal financial institutions, 51.3 percent households reported that the location to submit loan application is easy to reach. Only 36.0 percent households specified that the number of days bank take to process the loan application and verifying eligibility are acceptable to me. 60.8 percent households stated that the minimum amount for consumer loan or loan for small enterprises is affordable. And, 51.7 percent households indicated that they are comfortable with the security instruments/collateral required for loan application. Similar results were also expressed by (Singh, et al., 2014) (Sarma M., 2010).

- Rural household’s attitude of rural households towards payment services of formal financial institutions, 50.5 percent households reported that the cost of transfer of money is reasonable. Only 45.7 percent households specified that the payment of bills is easy. 50.4 percent households stated that Service management system provided by financial institutions are up to the mark. 61.3 percent households indicated that they are comfortable with cheques system for payments. And, 57.0 percent households stated that electronic payment system provided by banks are user friendly. Similar results were also highlighted by (Singh, et al., 2014) (Sarma M., 2010).
- Majority 71.1 percent rural households preferred to withdraw money from ATMs, followed by Over The Counter (OTC) of a bank (21.7 percent), whereas few rural households (7.2 percent) find it difficult to withdraw money from bank, hence they seek help from others. Moreover, rural households withdraw money from ATMs on monthly (40.96 percent) and weekly basis (35.34 percent). Few respondents (12.05 percent) reported that they have never withdrawn money from ATMs. Quarterly ATM withdrawals accounts for 8.43 percent and 2.81 percent for half-yearly.

- In context to borrowing pattern of rural households the most preferred source of borrowing money was family and friends 42.6 percent, followed by banks (35.3 percent), money lenders (11.2 percent) and rest was shared by other sources which includes employer, local shops & stores etc. Further, frequency about borrowing loan in last 12 months was also interviewed from the rural households, 56.6 percent households reported that they have borrowed money in last 12 months and majority of them borrowed money from banks (48.2 percent) and family and friends (34.0 percent). Of the remaining sources, local retail stores accounts for 9.9 percent, share of employer and other financial institution was 2.9 percent each and 2.1 percent by others. Purchasing home was reported as the purpose of taking loan by 24.8 percent of households, for children school fee by 19.9 percent, starting a business by 16.3 percent, emergency/health purposes by 10.6 percent, and weddings by 8.5 percent, 1.4 percent for funeral and 8.4 percent for other purposes. This results are contrary with findings of (Demirguc-Kunt & Klapper, 2013).

- Among the various formal financial services, majority of rural households were using saving accounts (96.4 percent), followed by ATM (85.9%), post office accounts (73.5%), debit card (73.1%) and life insurance. (70.3%) were the highly used financial services used by more than 70 percent of households. Borrowing from friends & relatives (60.2%), money transfer (44.6%), internet banking (43.0%),
bank loan (39.8%) and health insurance (37.8%) have more than low usage (less than 30.0%). General insurance (28.5%), borrowing from local shop & store (26.9%), current account (24.1%), open account (22.1%), Kisan Vikas Patra (19.7%) and overdraft facility (12.4%) were amongst the financial services with lowest usage of less than 30 percent. These results are consistent with the findings of (Sangwan, 2014) (Kamel & Hassan, 2003).

- The rural households awareness about various financial services described as follows:
  - **General Financial Awareness:** Aadhaar Unique Identification Authority of India (UIDAI) (77.9%) and Pradhan Mantri Jhan Dhan Yojana (75.5%) is highest followed by Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (63.5%), Pradhan Mantri Suraksha Yojana (accident insurance) (59.0%), Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance) (56.2%), Atal Pension Yojana (pension scheme) (52.6%) and National Pension Scheme (NPS) (50.6%)
  - **Technology Based Financial Awareness:** The awareness of rural households about technology based financial services is not very high as none of the services have received more than 70 percent response. Only RuPay Cards (59.0%) and Internet Banking (53.4%) have awareness level more than 50 percent.
  - **Agriculture Based Financial Schemes:** Highest response was given for for Kisan Credit Card Scheme (44.6%) and assistance to training institution (24.1%). Awareness level reported to be very low (less than 20%) for Scheme of Fund for Regeneration of Traditional Industries (SFURTI) (12.0%) and Prime Minister Employment Generation Program (PMEGP) (12.0%).
• Ranking for various financial services has also been done from rural households of study area and it was observed that ATM, Mobile Banking and Kiosk System was ranked first as per the availability of time. Convenience is the major attribute for net banking. Location is ranked second for kiosk system, third for ATM and mobile banking, fourth for internet banking and fifth for over the counter. And, over the counter ranked highest among other attributes with respect to familiarity of services.

6.4.4 Impact of financial inclusion on social status of rural households

• The results from descriptive analysis shows that there is a significant positive impact of financial inclusion on social status of rural households. More the average responses of rural households are towards agreement that due to financial inclusion there social status has improved. Studied has quoted that due to initiatives of financial inclusion initiatives weaker section of society become able to do better financial planning and their participation in formal financial avenues has also increased (Reserve Bank of India, 2013), (Cole, Sampson, & Zia, 2009) (Beck, 2016).

• The social impact of financial inclusion does not differ significantly between male and females rural households. The results of the study are in consonance with the study conducted by Demirguc-Kunt, Klapper, & Singer (2017), in which they found that there is small but positive impact in some social welfare areas like the decision making of females have increased, they feel more happy, which resulted in decrease in their depression.

• The rural households with education qualification above graduations have significantly more social impact of financial inclusion in respect of rural households those having below graduation educational qualification.
The social impact of financial inclusion among social classes do not differ significantly between social classes of rural households. On the other hand, it also not differ among various income classes.

In the three districts of Himachal Pradesh, the social impact of financial inclusion was found overall same. And, result was also similar by area-wise, it means the social impact don’t significantly differ in rural plain and rural hilly areas.

6.4.5 Impact of financial inclusion on economic status of rural households

There is a significant positive impact of financial inclusion on economic status of rural households. And, this impact was overall same on gender and among the educational qualifications of rural households. The results are comparable to the results of Swamy, Vighneswara (2014), who evidenced that there is a positive economic progress through financial inclusion programmes among the households of India. There is increase in the annual income and savings levels of households.

Based on results, the economic impact of financial inclusion among income classes differ significantly among various social classes. The economic impact of financial inclusion of general class was significantly higher than OBC class. Similar results was found in the study, where general category have experienced highest impact whereas least was experienced by SC and ST categories. (Swamy, 2014).

The economic impact of financial inclusion among income classes of rural households significantly differ from each other. It is evident from the analysis, the economic impact of financial inclusion on the rural household’s income above ₹ 200000 is significantly higher than class with up to ₹ 100000 income. Index of financial inclusion also quoted relative results that the countries with high income have high level of financial inclusion comparatively to low income countries (Sarma M., 2010).
• In the three districts of Himachal Pradesh, the economic impact of financial inclusion was found overall same. And, result was also similar by area-wise, it means the economic impact don’t significantly differ in rural plain and rural hilly areas.

6.5 Suggestions

• To ensure the successful delivery of financial education messages, policy makers should build the association between financial educators and mass-media specialists. The reason being, mass media was ranked highest by the rural households among other source of financial information like friends and relatives, government campaigns, business and workshops in rural areas.

• The Government should continue to promote the involvement of agencies at a wider scope, at the same time, offering customize services to fulfill the needs of rural households.

• Agencies that are involved in the upliftment of financial inclusion need to work in collaboration with organizations that aim to bring people into formal financial system, improve financial decision making skills and confidence as well addressing financial issues more rationally.

• A high degree attempt must be required to bridge the gap between people who are currently not experiencing the benefits of government schemes. Survey have mentioned that rural households are aware about few schemes but at the same time, not aware how to get maximum from these schemes.

• The results submits that more focused must be needed to empower women by ensuring their participation in financial system.

• It is advocated that more strategies should be introduced for the equal impact of the financial inclusion because as per the results of the study, the impact of financial inclusion is more on high income rural households as compare to low income rural households.
• The government schemes which provides financial assistance to lower section of society must be implemented through commercial banks because the outcomes of the study shows that more than 60 percent rural households preferred commercial banks among all financial institutions.

• On the basis of ranking given by the rural households, it is recommended for the policy makers to provide hand to hand training about how to use technology in financial transactions because majority of rural households has quoted that they feel internet banking, ATMs, mobile banking are easily accessible and convenient. But at the same time, they are not familiar with usage of technology. Therefore, they prefer to do transactions over the counter.

• Study has quoted that the main purpose of opening an account was savings and very few percentage of rural households opened account for borrowings. On the basis of discussion with rural households, they have quoted that they feel hesitant to borrow money from financial institutions because the process of taking loan by these institutions is very long. Hence, all formal financial institutions are suggested to revise their policies in a way that rural households can be encouraged to get borrowings formal financial institutions, as study quoted that they still majority of rural households are still rely on informal source of finance that is family and friends.

• The government of state needs to expand the current business correspondents’ model as well as SHG- bank linkage programme to institutions to facilitate literacy among the backward classes, women and particularly in low-income households.

6.6 Limitations of the Study

• The scope of the study was limited to the rural areas of Himachal Pradesh which included only three districts. This is mainly because of
limited time and availability of resources to undertake the study on a large scale.

- Some of rural households were reluctant to openly answer to some of the questions that has been interviewed during the period of study. Some of them do not kept their records due to memory lapse. So, a number of questions lack exact answer.

- In the present study the survey method has been used for the collection of data. Hence, the results may be influenced with subjectivity of respondents.

- Findings of the study considerably depends upon the one time responses given by the rural households. It may vary or reduce the importance of findings revealed by the present study, if same questions will asked again.

- Impact of financial inclusion was measured by collecting data through one time study method. Thus, a longitudinal and panel data would have given true insights and results in this direction.

- The demand side perspective of financial inclusion was only studied in the present study. Therefore, the overall results from this research work would with limited to one side of financial inclusion and cannot considered as conclusive because the other supply side of financial inclusions have not considered in study.

6.7 Scope for Future Research

- As the present study is confined in the Himachal Pradesh state of India only, the researchers may emphasis on the other parts of the country to ratify the generalizations concluded from present study.

- The impact of financial inclusion has been studied in the rural areas of the state only. So, the similar study on urban areas can also reveal the various facts with respect to financial inclusion.
Secondary data of various reports and institutions can be analyzed to see whether it correlates with the empirical investigation that has been conducted in the present study.

With the increase of information technology, the researchers may study the impact of financial inclusion through information technology on socio-economic status of rural households.

It is becoming apparent to address an issue of financial exclusion with a holistic approach on the part of banks in creating awareness about financial products, and services. The present study provides insights about impact of financial inclusion on the status of rural households in form of empirical investigation in the three districts of Himachal Pradesh. To fulfill the purpose of study, four objectives were made from the demand side perspective of financial inclusion which includes level of financial awareness of rural households, the financial accessibility in the rural areas, the usage of formal financial service by rural household and, the impact of financial inclusion on socio-economic status of rural household. It was found from the study that the rural households have high level of financial awareness with having great access to formal financial system. Further, study has revealed that rural households of the state were more saving oriented rather than borrowings. Their main purpose of opening an account was savings.

Commercial banks are playing major role to fulfill the purpose of financial inclusion among the rural households. Results from the study have concluded that there is positive impact of financial inclusion on the socio-economic status of rural households. Therefore, it is recommended for the policy makers to frame policies in a way that rural households can be encouraged to get maximum benefits linked with various schemes and programmes that are implemented for the benefits of weaker section of the society by state as well as central government.