ABSTRACT

MEASURING THE IMPACT OF FINANCIAL INCLUSION ON URBAN POOR OF SAURASHTRA REGION – ANALYZING DEMAND SIDE AND SUPPLY SIDE

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Background:

Financial Inclusion has been a national agenda since 2005, when it was first time used by Reserve Bank of India. India is a country with 68.84% population living in rural areas while 31.16% of population live in urban areas, according to the Census 2011.

RBI defines Financial Inclusion as “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.”

Government of India, Reserve Bank of India, NABARD, etc are the key stakeholders of financial inclusion drive in India. Number of initiatives were taken in past and are continued in present with future implications to include the excluded group of people in the financial inclusion ambit in India.

This study specially focuses on the financial inclusion status and achievements in urban areas of Saurashtra Region of Gujarat state. In order to cover the urban locality, municipal corporations located in the Saurashtra region namely Bhavnagar,
Jamnagar, Junagadh and Rajkot is included in the study, as a representative of the urban locality.

In this study the researcher attempts to study the financial inclusion index of India and Gujarat for past five years ranging from 2012 – 13 to 2016 – 17. This index helps to draw conclusions regarding the development and progress of financial inclusion drive in India as a whole and in Gujarat. To study the micro level of financial inclusion, a primary survey is undertaken to analyse the financial inclusion achievement amongst the households residing in the urban areas of the Saurashtra region.

**Aim:**

In the 11th five year plan (2007 – 2012), financial inclusion became the national mission and hence was identified as a major driving force for inclusive economic growth of the country. Following to that the Pradhan Mantri Jan Dhan Yojana was launched by Shri Narendra Modi, on 28th August, 2014 which is considered as one of the biggest financial inclusion initiative in the world.

In order to measure the achievement of financial inclusion drive at a macro level, financial inclusion index for India as well as Gujarat state is calculated for past five years ranging from 2012 – 13 to 2016 – 17, which can be considered as a pre Pradhan Mantri Jan Dhan Yojana period and post Pradhan Mantri Jan Dhan Yojana period.

For micro level analysis of financial inclusion drive, with the help of primary survey, the researcher has attempted to analyse the impact of financial inclusion on the urban households, especially those who are socially and economically backward and financially excluded.

**Material & Methods:**

This research is a combination of both primary as well as secondary data collection and analysis. Primary data was collected from the respondents residing in the urban areas, represented as the municipal corporations of the Saurashtra region. The data collection instrument used was a structured questionnaire, which included various
sections seeking demographic, social, economic and self-help group membership details of the respondents.

Self help groups represent one of the major initiatives in the financial inclusion drive and hence self help group members are selected for the primary data collection and analysing and measuring the impact of financial inclusion in the region.

In order to measure the financial inclusion status of the respondents, the researcher attempted to design a composite financial inclusion score. This score measures the level of inclusiveness of the respondents before and after joining a self help group. After determining the scores, a chi-square test is conducted to check the significant association between self help group membership and financial inclusion status of the respondents.

Whenever the dependent samples or related samples are included in the research, there always arises a need to check, whether there exist a significant difference in the mean values of the variables under the study under two different scenarios or not. Hence paired t test is performed to check the differences in the mean values of the variables under the study.

Multiple regression analysis is performed in order to determine the impact of banking and savings nature of the respondents and the awareness of various financial inclusion initiatives on the composite financial inclusion score of a respondent, before joining self help group.

Another multiple regression analysis is performed to analyse the impact of self help group membership and its dynamics like position in the group, age of group, amount of savings etc. on the composite financial inclusion score of the respondent after joining self help group.

Wilcoxon rank test is applied to check the significant differences in the financial inclusion scores of the respondents before and after joining self help groups.

Correlation measure is used to identify the impact of self help group membership on the social background and dynamics of the respondents.

Correlation measure is also used to identify the impact of self help group membership on the economical background of the respondents.
Collection of secondary data was done from various online databases and websites available at Reserve Bank of India, NABARD, CMIE etc. This data was used to calculate the financial inclusion index, which can be considered as one of the holistic measurement of financial inclusion drive in India. This index was constructed for India as well as Gujarat across past five years and significant conclusions were derived which can be helpful in providing insights in policy decisions. The methodology adopted for the construction of Index was from Mandira Sharma (2008), working paper.

Results & Discussions:

The entire data collection was done from the 4 municipal corporations of Saurashtra Region namely, Bhavnagar, Jamnagar, Junagadh, and Rajkot. Majority of the respondents belonged to the age group of 26 years to 45 years had primary education, which comprises of 50% of the total respondents. 93% of the respondents were married while 70% of the families are of nuclear type as the households migrate from the rural areas and villages to earn better livelihood and get access to better education and medical facilities.

73% of the respondents did not have any bank account, only 21% of the respondents had a habit of saving. Only 5.7% respondents’ visits a bank branch monthly while 41.4% went once in a year or two. 49.3% respondents never visited a bank branch.

Only 4.3% of the respondents had access to any kind of formal credit. Only 13% of the respondents had any kind of insurance before joining a self help group. Only 8.5% respondents had an ATM or debit card. Majority of the respondents are unaware of the Financial Inclusion Initiatives taken so far.

All the respondents now have a bank account and majority of them that is 64% of them have two bank accounts. Majority of the respondents developed a habit of visit a bank branch on monthly basis. They visit the branch to deposit the amount of savings gathered by them in the group.

The main reasons motivating the respondents to join the self help group are:
Promotion of savings, Getting loan and Maintaining household expenses, that is maintaining standard of living.

Majority of the members are the ordinary members of the group. The major source of influence for the respondent to join the self help group is the existing group members, who encourage joining the group.

After joining a self help group the respondents gained access to formal credit in the form of internal loan or revolving fund. This shows a remarkable achievement of financial inclusion drive.

Majority of the respondents availed loan for the medical or health related purpose. Followed by education expenses of their children and meeting household expenses.

There exist a significant association between the Self Help Group membership and degree of financial inclusion of the respondents.

There is statistically significant difference between the mean values of the 2 variables, before and after joining SHG, is accepted for all above four regions.

Any changes in the variables like frequency of savings, bank visit, access to bank loan, ATM or a bank account will significantly impact the financial inclusion score of the respondent.

Similarly any changes in the variables reflecting the Knowledge of FI Activities like No frill accounts, KCC, Micro Insurance, Business Correspondents and Jan Dhan Yojana will significantly impact the financial inclusion score of the respondent.

Any changes in the variables describing the self help group dynamics like Age, number of members, position held by the respondent in the group, amount of savings current and at the time of joining will significantly impact the financial inclusion score of the respondent.

There exists significant difference in the financial inclusion scores of the respondents before and after joining self help groups. It can also be noticed that 471 respondents had an increase in the financial inclusion score after getting the membership of self help group.
Self help group membership of the respondents greatly impacted on the following aspects of social empowerment, as these statements showed higher mean, which indicates level of agreement

- Increased social status and Recognition in community

Self help group membership of the respondents greatly impacted on the following aspects of economic empowerment, as these statements showed higher mean, which indicates level of agreement

- Expansion of business, Self employment, Skills for income generation and Increased Income

Gujarat is exactly replicating the financial inclusion drive since last five years. This suggest that whatever, financial inclusion status is achieved by India; similar is achieved by Gujarat from time to time

**Conclusion:**

Out of the several policy initiatives taken by Government of India, RBI or NABARD, to promote financial inclusion drive in India, formation of self help groups and linking them with the formal financial institutions greatly contributed in enabling the untapped group of households to get financially included and get the access to formal financial products and services.

Financial inclusion drive played a key role in the development of the weaker sections of the society by providing them the basic facilities like bank accounts, access to financial products and services like ATM/ debit card, insurance, micro credit, etc.

These efforts not only promote to the financial well being of the respondents, but also encourage them to get themselves empowered socially and economically.