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Financial Inclusion of Rural Households – A Case Study from Hanumangarh District, Rajasthan

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ABSTRACT

Financial inclusion refers to accessibility of financial services to people of all walks of life at an affordable cost. The interest has been increased in financial inclusion in recent years after globalisation and economic reforms. Indian economy is growing at very fast pace, as majority of population lives in rural area, the financial inclusion of rural households is very important. In this background, the present study was carried out. The objectives of the study were to determine the extent of financial inclusion of rural households and also to find out the correlation between financial inclusion and socio-economic status of rural households. The sample consisted of 211 rural households from the purposively selected Goluwala village of the district. Pre-validated and pre-tested semi-structured interview schedules were used to collect the data. The findings showed that 63 per cent of households were having bank account. The use of financial services was limited to having a saving account in the bank. In majority of the cases, there was one account per household. Out of the total accounts, two-third accounts belonged to men and remaining one-third belonged to women. The usage of other financial services was limited to less than one fifth of households. There was a low degree of positive correlation between socio-economic status and financial inclusion of rural households. In conclusion, no doubt it is one step forward in the right direction but more innovative strategies need to be adopted to bring the rural households under the umbrella of financial services to reap the benefit of prevailing high growth rate of the country.

Finance being a key input for development, the role of financial institutions in the development process cannot be ignored. The financial system can play a role in reinforcing many of the objectives of the Millennium Development Goals involving savings, livelihood and economic infrastructure apart from providing an efficient payments system. Even in developed countries, the state has accepted financial inclusion as an important measure for socio-economic development of the poor and disadvantaged groups. An interesting feature which emerges from the international practice is that the more developed the society is, the greater the thrust on empowerment of the common person and low income groups (Leeladhar, 2006).

Ever since India started her journey on the path of developmental planning, financial inclusion has been looked upon as a powerful weapon in the armoury of the policy makers (Patel, 2006). The interest has increased in financial inclusion after globalisation and economic reforms.

In the simplest manner, the financial inclusion refers to accessibility of financial services to the vast sections of disadvantaged and low-income groups at an affordable cost. It includes access to savings, credit, insurance, payments and remittance facility by the formal financial system to those who tend to be excluded.

The Indian economy is growing at a very fast pace. As a majority of the population lives in rural areas, financial inclusion of rural households assumes great importance. Agriculture is the backbone of the Indian economy. The rural population is chiefly engaged in farm activities for their livelihood. The findings of the NSS 59th Round (2003) reveal that out of the total number of cultivator households, only 27 per cent receive credit

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from formal sources and 22 per cent from informal sources. The remaining households, namely small and marginal farmers, have virtually no access to credit. It is, therefore, worthy to study the extent of financial inclusion of rural households.

In this background, the present study was carried out on rural households of Hanumangarh district. The objectives of the study were, namely, to determine the extent of financial inclusion of rural households and also to find out its correlation with the socio-economic status of the households.

METHODOLOGY

Hanumangarh district was carved out of Sriganganagar district in northern Rajasthan in 1994 and is among the most prosperous districts of the state. According to the Census of India, 2011 (provisional data), it had a population of 17.80 lakh and a literacy rate of 68.37 per cent.

The study was conducted in the purposively selected Goluwala village in Pilibanga tehsil of the district. The village had the highest population among all the villages in the district. According to 2001 Census, it had a total population of 15,225 comprising 8,271 men and 6,954 women. It had 4,201 households, of which Other Backward Caste, Scheduled Caste/ Tribe and General Caste households were 2,025, 1,241, and 935 respectively. The quota sampling was employed keeping in mind the caste composition of the village. A total 211 households (5 per cent of total households) were selected as sample of the study. Among them, 101 households belonged to OBC, 63 to SCs/STs and 47 to General Castes.

A pre-validated and pre-tested semi-structured interview schedule was used to collect the data for the study. The direct face to face contact was made to collect data. For analysing the data frequency, percentage and product-moment coefficient of correlation were used.

RESULTS AND DISCUSSION

I Socio-economic profile of the sampled households

The major findings relating to socio-economic profile of the rural households are given below:

- Nearly half the households were from backward caste (47.8%), followed by scheduled caste/ tribe (29.9%) and remaining from general caste (22.3%).
- More than half (54%) of the households belonged to nuclear families and remaining to joint families.
- A majority of the households (64%) had small-sized families (up to 4 members).
- Less than half (44.5%) of the households had pukka houses whereas the remaining 14.2 per cent and 41.2 per cent had kachcha and semi-pukka houses respectively,
- Organizational membership was not found in case of a high majority (86.8%) of sampled households.
- Eighty per cent of the households were engaged in agriculture.
- Nearly two-third (61.2%) of households owned land. While 22.1% owned up to 5 acres, 26.1% owned between 5.1 and 10 acres and 11.81% owned more than 10 acres.
- Livestock was kept by slightly less than half (46.5 %) of households. Animals were kept either in open or in kacha-sheds.
- Farm assets were possessed by about one third (37.9 %) households.
- As far as possession of household assets is concerned, bio-gas, sanitary latrine, hand pump, grain storage bin, water tap, household furniture were owned by 7.1 per cent, 52.1 per cent, 61.6 per cent, 80.1 per cent 90.5 per cent of households respectively.
- Mass-media exposure was found to be good in the study area. Radio sets, television sets, newspapers and mobile phones were available in 91.9 per cent, 75.8 per cent, 52.1 per cent and 92.4 per cent of households respectively.
- The bicycle was found to be the most popular means of transportation, owned by nearly three fourth (72%) of rural households. Four-wheeler was owned by only 15.2 per cent households. The traditional mean of transportation, that is camel-cart, was also owned by one-third (30.8 %) of households.
- Electricity connection was found in almost all (96.2%) households at their houses but lesser households (11.4%) had electricity at their farms.
- Among the various modern household equipments, namely, stove, gas burner, pressure cooker, refrigerator and sewing machine were possessed by 47.4, 79.1, 62.6, 38.4 and 76.3 per cent of rural households respectively.

On basis of the score obtained by rural households on socio-economic scale, they were categorized into the high, medium, and low as shown in Table 1 below:

Table 1: Distribution of households on the basis of socio-economic status

N=211

Socio-economic Status	Frequency (f)	Percentage (%)
High	38	18.1
Medium	75	35.5
Low	98	46.4

Nearly half (46.4%) of households belonged to low socio-economic status while nearly one-fifth (18.1%) were from high socio-economic status and the remaining households belonged to medium socio-economic status.

II. Financial inclusion of Rural Households:

Among the various financial services available, the banking services enjoy the prime place. Table 2 shows the caste-wise distribution of households on the basis of their having bank accounts. It may be seen that nearly two-third (63%) of the households had bank accounts.

Table 2: Caste-wise distribution of households on the basis of having bank accounts

Aspect	Scheduled castes/scheduled tribes	Other backward castes	General castes	Total
Bank account	33 (52.4)	61 (60.3)	39 (82.9)	133 (63.0)
No bank account	30 (48.6)	40 (39.7)	8 (17.1)	78 (37.0)
Total	63	101	47	211

Significantly, while nearly 83 per cent of the general caste households had bank accounts, just over half the SC/ ST households had them. The position of OBC households was in between with three-fifth households having bank accounts.

It was observed that while 37 per cent households had no bank accounts, some households had more than one bank account. The position in this regard is depicted in Table 3.

Table 3: Distribution of households on the basis of number of bank accounts per household

Number of bank accounts	Frequency (f)	Percentage (%)
One	91	68.4
Two	26	19.5
Three	8	6
More than three	8	6.0

While a majority of the households (68.4%) had one account, nearly one-fifth of the households had two bank accounts. The remaining had more than two bank accounts. Overall, it was found that the 133 households having bank accounts had 190 accounts in all. The sex-wise distribution of these accounts is presented in Table 4.

Table 4: Distribution of total accounts on the basis of sex of account holder N=190

Sex	Frequency(f)	Percentage (%)
Male	125	65.8
Female	65	34.2

Nearly two-thirds of the bank accounts were in the names of men and the remaining were in the names of women.

Besides having a savings bank account, some households were availing certain other services and products from banks. The most common among these were the use of Automated Teller Machines (ATMs). The position regarding use of such services and products is shown in Table 5.

Table 5: Distribution of households according to the use of other banking services

(Multiple Response) N=133

Other banking services/ products	**Frequency (f)**	**Percentage (%)**
ATM	79	59.4
Fixed Deposits	9	6.8
Demand Draft	12	9
Electronic Money Transfer	2	1.6
Bank loan	7	5.3
Financial advice	2	1.5

ATM outlets were used by more than half (59.4%) of the households whereas the other banking products and services were used by less than one-tenth of households. The facilities of demand draft, fixed deposit and bank loan were availed by only 9 per cent, 6.8 per cent and 5.3 per cent households respectively.

III. Utilization of other financial services:

Although banking services enjoy the prime place yet the other financial services such as those provided by the post offices and insurance agencies are also important and can not be ignored in the gamut of financial inclusion. Therefore an attempt was made to find out the use of other financial services by the selected households. The findings are presented in Table 6.

Table 6: Distribution of households on the basis of availing other financial services

(Multiple Response) N=211

Financial Services/ Products	Frequency (f)	Percentage (%)
Insurance	40	18.9
Mutual funds	9	4.3
Shares/Debentures	19	9.0
Account in Post office	13	6.2
Vikas Patra	26	12.3

It may be seen that insurance products were availed by nearly one-fifth of the households followed by Vikas Patra (12.3%) and shares/ debentures (9%).

IV. Correlation between Socio-economic status and Financial Inclusion:

Co-efficient of correlation was calculated to examine whether or not, there is any relation between socio-economic status and financial inclusion of the rural households. Table 7 shows that low degree of positive correlation was found between socio-economic status and financial inclusion at a 0.01 level of significance.

Table 7: Correlation between socio-economic status and financial inclusion

N=211

Variables	Mean	Standard deviation	Degree of freedom	Co-efficient of correlation	Tabulated value
Socio-economic Status	27.64	14.28	209	0.23	0.16*
Financial Inclusion	1.58	1.52			

*.01 level of significance

CONCLUSION

The Indian economy is growing at the fastest rate after independence. If the benefits of it are not accessible to Bharat (rural India) then the development of the country will be a far reaching dream. In general, financial inclusion of rural households was seen to a very limited extent more so in case of women. The banking sector was found to have maximum penetration but it was limited to having an account in the bank. Interestingly, ATM outlets were found to be quite popular. This could be due to their widespread network. On the other hand, post offices also have very good network but could not attract rural households in the manner that the banks could do. Perhaps their products were not suitable or not advertised adequately. Surprisingly, the insurance sector which provides financial security and has vast variety of products could not make in-roads in rural households. A positive correlation between socio-economic status and financial inclusion of rural households which was found in the present study supports the notion that by increasing the extent of financial inclusion, the socio-economic status of rural households could be increased. A multipronged approach is required to increase the extent of inclusion. Financial sectors need to win the trust of rural people, made products according to their needs, advertise the products through reachable channels, and provide financial literacy and advice. The involvement of academic institutions and their extension wings, NGOs and other community organizations are paramount in this regard.

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