

## Awareness of Financial Inclusion: An Empirical Study

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### ABSTRACT

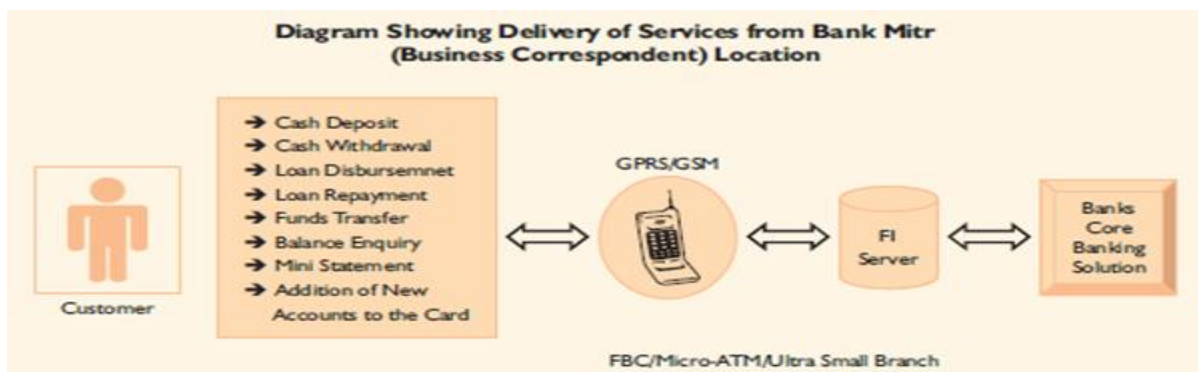
Time to time Indian Government consistently make its efforts towards inclusion of rural customer (investors) in organised financial system. This might not only provide handsome amount of cash flow to boost Indian economy but it could also help the government to facilitate rural development through offering various services like gas subsidies etc. Thus, nomenclature of financial inclusion varies due different ruling party, but the primary objective remains the same i.e. to flourish the bottom of the pyramid of financial market. The current states elucidates that present government upto some extent turn out to be successful by opening around 12.54 crore new bank account (up to January 2015) and deposits of more than Rs. 5000 crore (up to November 2014) through new form financial inclusion Pradhan Mantri Jan Dhan Yojana (PMJDY). But it has been observed that still the largest part of the rural market in untouched and not explored fully. Hence, this paper is an attempt to study about the awareness of financial inclusion schemes among rural customer.

### INTRODUCTION

Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups - rural customer. The Financial Inclusion Plan aims at providing easy access to financial services to those sections of the society who are deprived of it so far at affordable cost thereby bringing them into the mainstream financial sector. Implementation of Financial Inclusion is not a new concept for Bank. Financial Inclusion activities are being implemented by Bank since inception through various government sponsored programmes, lending to the poorest of the poor, lending to the minority communities, lending to SC/ST, lending to priority sectors, etc. It will enable the Government to provide social development benefits and subsidies directly to the beneficiary bank accounts, thereby drastically reducing leakages and pilferages in social welfare schemes. Further, expanding the reach of financial services to those individuals who do not currently have access would be an objective that is fully consistent with the people-centric definition of inclusive growth which attempts to bridge the various divides in an economy and society, between the rich and the poor, between the rural and urban populace, and between one region and another. Thus, financial inclusion

could be an instrument to provide monetary fuel for economic growth and is critical for achieving inclusive growth.

However, the RBI formalized the concept of Financial Inclusion in 2005, when it permitted rendering of banking services through Business Correspondent (BC) channel. It has been defined, by the Committee on Financial Inclusion, 2008, as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. It primarily represents access to a bank account backed by deposit insurance, access to affordable credit and the payments system. It then advised all commercial banks in the year 2010 to submit Board-approved Plan for providing banking services in rural unbanked areas under Financial Inclusion. In the year 2011, the Government of India gave a serious push to the programme by undertaking the "Swabhimaan" campaign to cover over 74,000 villages, with population more than 2,000 (as per 2001 census), with banking facilities. Because of the RBI's drive for financial inclusion, the number of bank accounts increased by about 100 million during 2011-13.



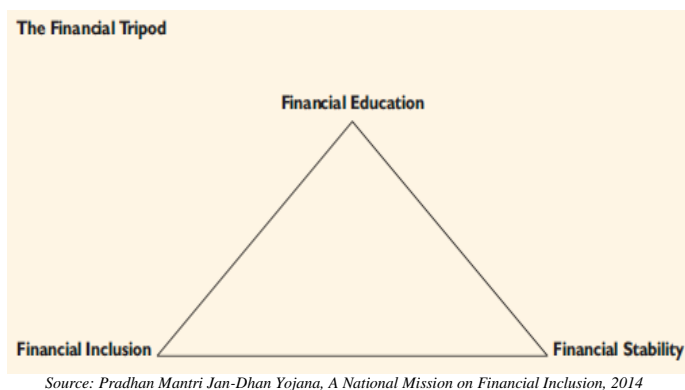
Source: Pradhan Mantri Jan-Dhan Yojana, A National Mission on Financial Inclusion, 2014

The Swabhimaan campaign, however, was limited in its approach in terms of reach and coverage compare to new scheme Pradhan Mantri Jan Dhan Yojana (PMJDY). Convergence of various aspects of comprehensive Financial Inclusion like opening of bank accounts, digital access to money (receipt/credit of money through electronic payment channels), availing of micro credit, insurance and pension was lacking. The campaign focused only on the supply side by providing banking facility in villages of population greater than 2000 but the entire geography was not targeted. There was no focus on the households. Also some technology issues hampered further scalability of the campaign. Consequently the desired benefits could not be achieved and a large number of bank accounts remained dormant.

## LITERATURE REVIEW

Bagli (2012) has found that a strong positive association between the human development and the financial inclusion of the states in India. He also found that it would be helpful to the governments or financial regulators or other bodies of policy-makers in near future to enhance financial inclusion but till date in financial inclusion the plight of the states in India is not commendable. He has also concluded that the mass financial literacy and awareness among the marginalized sections of people are absolutely necessary to achieve financial inclusion.

Sri Narendra Modi, Hon'ble Prime Minister of India (2014) in report of PMJDY indicated few challenges in implementing mission. In that one of the challenge was related to Brand awareness and sensitization about channel of Business Correspondent Banks Outlets and Rupay Cards which is important to achieve a "demand" side pull effect. In this report it is also mentioned about the financial tripod for financial inclusion, in which financial education is one of the important mainstay.



Chowhan & Pande (2014) concluded that by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit. To mitigate such sufferings, the Pradhan Mantri Jan Dhan Yojana lies at the core of Govt of India development philosophy of Sab Ka Saath Sab Ka Vikas. In projecting brighter future of PMJDY they further mentioned that its huge success will enable the Bank Managers to understand and utilize the opportunity provided by Financial Inclusion to their advantage, by participating in Govt's poverty alleviation programmes for weaker section, improving their CASA base, raising their

deposit base through direct fund transfer scheme of the Govt. etc.

Kaur & Singh (2015) found that financial inclusion in India will help government and banker to reach at untapped potential of bottom of the pyramid section of Indian economy. They have also described that The widely acknowledged & successful launch of this PMJDY scheme also strengthens the resolve that when coordination, dedication, opportunism, commitment, formalization, dependence, trust, satisfaction, cooperation and continuity is provided by all the constituents and stakeholders, a framework of construct is created which acts as a dominant force for accomplishment of the mission.

Raval (2015) in his research mentioned about importance of inclusion of people of low income or deprived class in economic development. PMJDY is such an initiative in this direction by the government of India. He also studied that an initiative to cover "excluded segment" can be successful if government is backed with efforts of private sectors and involvement of people beyond just policy formation of government.

Balasubramanian (2015) has focused on importance of financial literacy focusing on saving habit among poor. He has build decision tree model indicated that the number of earning members, family size, average monthly income and nature of employment are the deterministic independent variables which influence the regular saving behavior of the poor.

## RESEARCH METHODOLOGY

### *Rational and Objective for the Study:*

Financial inclusion is initiated by RBI in year 2005 and new government has actively resumed it in August 2014. In literature review we found that many researchers has evaluated financial inclusion schemes and its' support from private players but awareness related studies are not done rigorously. All the objectives and features of new financial inclusion scheme PMJDY are striking compare to old scheme of Swabhimaan, but unless and until the end-users would not be aware and educated about all these schemes of financial inclusion they could not contribute effectively. Thus, in this regard we have determined following objectives for the paper.

1. To study new financial inclusion scheme and its current status.
2. To study the awareness about financial inclusion schemes among rural customers.
3. To study various factors affecting level of awareness about financial inclusion schemes among rural customers.

### *Research Design:*

To achieve above objective we have applied descriptive research design. It helps in describing the various aspects related to financial inclusion schemes and also assist in describing state of awareness about financial inclusion schemes and major determinants for their awareness among rural customers.

### *Population and Scope of the study:*

As all potential rural customer of Surat city who can open their bank account under new financial inclusion scheme Pradhan

Mantri Jan Dhan Yojana (PMJDY), the scope of study is limited to rural customer of Surat city during the year 2015

### ***New financial inclusion scheme - Pradhan Mantri Jan Dhan Yojana (PMJDY)***

#### ***Sampling method and Sample size:***

As population for the study can not determine definitely, it is difficult to determine sample frame, hence scientific probabilistic sampling could not be applied in our study. We have used non-probabilistic convenience sampling method to identify the respondents (potential as well as actual rural customer) for the study. Thus 105 respondents were selected using convenience sampling method who are eligible for new financial inclusion scheme PMJDY or who had already avail the said scheme.

Mr. Narendra Modi, the current and 15th Prime Minister of India, on his 1st Independence Day speech i.e. on 15th August 2014, announced a new scheme called Pradhan Mantri Jan Dhan Yojna alias Prime Minister's People Funding Scheme. This scheme was officially launched on 28th August 2014. The prime purpose of this scheme is that every citizen of India should have easy access to open a saving bank account, thereby providing India financial freedom. The benefits of this scheme such as zero balance account, RuPay debit card, RuPay credit card, easy loan option is outlined keeping the financially backward classes of India in mind. This scheme gives them hope for a better tomorrow. In a run up to the formal launch of this scheme, the Prime Minister personally mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 6.0 crore (75 million) households and to open their accounts. In this email he categorically declared that a bank account for each household was a "national priority".

#### ***Type and Sources of Data:***

To meet the objectives we have used both primary and secondary data. Details of financial inclusion have been collected using available secondary data. Various articles and websites were visited to collect the information regarding the new scheme of financial inclusion. Primary data has been collected to study the level of awareness about financial inclusion schemes among rural customers and major factors affecting them. To collect primary data we have prepared structured questionnaire.

In a speech the prime minister stated that once the father of nation removed the social untouchability from the country. In the current world the financial untouchability is a big concern and it separates people. Thus a bank account will be the first step to eradicate the financial untouchability from the system. Looking to the system from an economic point of view, the country like India comprises of a huge population. Each of the families living in India is the part of the economic cycle. So once the families have a bank account they get connected to the vehicle of economy. Thus when everyone will be connected, the economy of the country will run at a greater pace. Thus this step can be a source to a better economic country.

#### ***Tools and Techniques for used for Data Analysis***

To analyse secondary data we have used cross tabulation. For the hypothesis testing we have used chi-square test to justify the result of cross tabulation.

Due to the preparations done in the run-up, as mentioned above, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened. The Prime Minister said on this occasion- "Let us celebrate today as the day of financial freedom." By September 2014, 3.02 crore accounts were opened under the scheme, amongst Public sector banks, SBI had opened 30 lakh accounts, followed by Punjab National Bank with 20.24 lakh accounts, Canara Bank 16.21 lakh accounts, Central Bank of India 15.98 lakh accounts and Bank of Baroda with 14.22 lakh accounts. It was reported that total of 7 Crore (70 million) bank accounts have been opened with deposits totaling more than 5000 crore Rupees (approx 1 billion USD) as of November 6, 2014. And till 31st January, 2015 total 12.54 Crore accounts were opened under Pradhan Mantri Jan Dhan Yojana.

#### ***Limitations of the Study:***

- It was difficult to identify actual or potential rural customer for financial inclusion schemes, one of the criteria is related to first bank account to avail benefit of new financial inclusion scheme of PMJDY.
- As this study consist financial aspect of respondents, they were found quite hesitant to provide required information.
- Respondent were found lethargic towards responding answer related to banking services, it may be due to their lack of awareness or unfavourable tendency.

#### **OBJECTIVES OF NEW FINANCIAL SCHEME PMJDY**

### **FINDINGS AND ANALYSIS**

#### ***Current Stat of Financial Inclusion***

Data from Census, 2011 estimates that only 58.7 percent of the households have access to banking services. The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15,082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2 percent) and 23,334 ATMs (14.58 percent) are in rural areas. According to World Bank Findex Survey (2012) only 35 percent of Indian adults had access to a formal bank account and 8 percent borrowed from a formal financial institution in last 12 months.

Objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low income groups. This deep penetration at affordable cost is possible only with effective use of technology.

Access to formal financial institutions has improved gradually but thousand of villages still lack a bank branch; less than 10 percent of all commercial bank credit goes to rural areas, where around 70 per cent of the total population lives. Data from the RBI show that only 46,126 out of 640,867 villages in India were covered by banks in March 2014. Thus the need for financial inclusion is beyond question

#### ***Features***

- The first feature of the scheme states that recipient of the Jan Dhan Yojana will have a zero-balance account along with a RuPay debit card. Furthermore, account holders will get an accidental insurance cover of Rs. 1 lakh.

- Another feature of the Jan Dhan Yojana scheme states that by opening accounts on or before January 26, 2015 the account holder can receive a life insurance cover of Rs 30,000.
- The third feature of the Jan Dhan Yojana Scheme allows the account holder to avail loan facility from the bank. The account holder can get a loan of Rs 5,000. However, he/she can avail this facility only after six months of opening of the account.
- The National Payments Corporation of India (NPCI) has further introduced a new technology, whereby account holders can transfer funds as well as track balance even with the help of a normal phone. Earlier this facility was available only with smart phones.
- Last but not the least, for smooth mobile banking facility for the poor all banks and mobile companies have joined hands. Now mobile banking will be made easy through National Unified USSD Platform (NUUP).
- Overall, the Jan Dhan Yojana Scheme aims to eradicate the 'Financial Untouchability' from the system. Although it is a daunting task, this is expected to be a stepping stone towards the better economy of the country.

PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of Rs. 1 lakh. The plan also envisages channeling all Government benefits (from Centre / State / Local Body) to the beneficiaries accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and their established centres as Cash Out Points are also planned to be used for Financial Inclusion under the Scheme. Also an effort is being made to reach out to the youth of this country to participate in this Mission Mode Programme.

**ANALYSIS OF PRIMARY DATA**

**Awareness banking and banking related services:**

Do you visit Bank?			Are you having Bank account?		
	Frequency	Percent		Frequency	Percent
Yes	67	63.8	Yes	78	74.3
No	38	36.2	No	27	25.7
Total	105	100.0	Total	105	100.0

From the above table we can see that still rural market is not fully exploited through the various banking services even after introduction of PMJDY. Still more than 25% of the market is not covered as they don't have any kind of bank account and even more than 36% hardly visit banks. All the respondents using banking services they only have savings and current account. They don't use any other banking services.

Source of Help	Frequency	Percent
Colleagues	52	49.5
Friends	50	47.6
Relative	43	40.9
Neighbours	35	33.3
Bankers	18	17.1
Any other	10	9.5

Above tables shows that bankers are less interested in helping their customer or they have been failed in generating faith among rural customer for banking transaction.

What is the most admirable banking service, you have come across?		
	Frequency	Percent
Deposit	26	24.8
ATM	37	35.2
Fund Transfer	13	12.4
Online Banking	22	21.0
Loan	6	5.7
Any other	1	1.0
Total	105	100.0

From the above table we can say most admirable bank services, which attract rural customers are ATM, Deposit and Withdrawal and Online services. It show that technology also affect rural consumer behaviour.

**Awareness about various banking services**

Banking Services	Well known	Moderate aware	Less aware
Deposit and Withdrawal	62.0%	25.7%	12.3%
Loan	52.4%	31.4%	16.2%
ATM Related Services	52.4%	16.2%	31.5%
Draft	51.4%	22.9%	25.7%
Online services	48.6%	22.9%	28.6%
Tax related services	40.0%	12.4%	47.6%
Reference	39.0%	13.3%	47.7%
Agency Work	35.2%	24.8%	40.0%
Fund Transfer	26.6%	37.1%	36.2%
Pension	26.7%	13.3%	60.0%

From the above we can say that though government has taken few initiatives to open savings account of rural people but still many of them are not at all aware about many of banking related services. Even it has been found that about 12% of people are even not aware about basic services of the bank.

**Awareness about Government Financial Inclusion Plans: PMJDY and Swabhimaan**

	PMJDY		Swabhimaan		
	Frequency	Percent		Frequency	Percent
Fully aware	26	24.8	Yes	18	17.1
Somewhat aware	41	39.0	No	87	82.9
Not aware at all	38	36.2	Total	105	100.0
Total	105	100.0			

From above data we can say still more than 75% of the rural customer do not have enough awareness about benefits about the PMJDY. But at least we can say due to aggressive and positive campaigning about PMJDY, awareness about PMJDY is more compare to old financial inclusion plan Swabhimaan.

Do you feel banking services are needed for your growth?		
	Frequency	Percent
Not very useful	26	24.8
Somewhat useful	45	42.8
Very useful	34	32.4
Total	105	100.0

Still many of rural customers have not realized the importance of banking services. But about 75% of rural customers understand that banking services are useful their business.

**Hypothesis Testing:**

**Relationship between understanding importance of banking services and level of awareness about new financial inclusion scheme PMJDY**

**H0:** There is no significant relationship between understanding importance of banking services and awareness about new financial inclusion scheme PMJDY

**H1:** There is significant relationship between understanding importance of banking services and awareness about new financial inclusion scheme PMJDY

Level of awareness about new financial inclusion scheme PMJDY	Understanding about importance of banking services			Total
	Not very useful	Somewhat useful	Very useful	
Fully aware	12	9	5	26
Somewhat aware	6	21	14	41
Not aware at all	8	15	15	38
Total	26	45	34	105

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.915 <sup>a</sup>	4	.042
Likelihood Ratio	9.429	4	.051
N of Valid Cases	105		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.44.

From the p-value of Pearson chi-square test, which is less than 0.05, we can say that null hypothesis can not be accepted. There is significant relationship between level of understanding about importance of banking services and awareness about new financial inclusion scheme PMJDY.

Would you like to learn more about banking transactions?		
	Frequency	Percent
Yes	31	29.5
No	74	70.5
Total	105	100.0

As it has been observed that the rural customers fill banking services are important for them but have lack of knowledge about various banking services. Hence we can say that their negative attitude towards learning could be one of the reasons for lack of awareness about new financial inclusion scheme PMJDY. But whether this attitude towards learning about banking transactions has significant relationship with awareness about new financial inclusion scheme PMJDY or not we have to check following hypothesis.

**Relationship between attitude towards leaning more about banking transaction and level of awareness about new financial inclusion scheme PMJDY**

**H0:** There is no significant relationship between liking towards learning about banking transactions and level awareness about new financial inclusion scheme PMJDY.

**H1:** There is significant relationship between liking towards learning about banking transactions and level awareness about new financial inclusion scheme PMJDY.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.473 <sup>a</sup>	2	.789
Likelihood Ratio	.466	2	.792
N of Valid Cases	105		

From the above statistical value 0.789, which is more than 0.05, we can not reject null hypothesis. Thus, we can say that there no significant relation between attitude of rural customers towards learning about banking transaction and awareness about new financial inclusion scheme PMJDY.

**Relationship between demographic factors of rural customer and their level awareness about new financial inclusion scheme PMJDY**

Some time demographic factors like age, gender, occupation etc. may affect level of awareness. Hence following is hypothesis testing about relationship between various demographic factor and level of awareness about new financial inclusion scheme PMJDY.

**H0:** There is no significant relationship between various demographic factors and level awareness about new financial inclusion scheme PMJDY.

**H1:** There is significant relationship between demographic factors and level awareness about new financial inclusion scheme PMJDY.

**Pearson Chi-Square Tests**

Demographic Factors	Asymp. Sig. (2-sided)
Occupation	.100
Education	.091
Gender	.257
Age	.219

From the above statistical analysis and p-values, which are not less than 0.05 in each case, we can say that none of the demographic factor is significantly related to level of awareness of rural customer about new financial inclusion scheme PMJDY.

**Relationship between various sources of information or help in banking related task and level of awareness about new financial inclusion scheme PMJDY**

**H0:** There is no significant relationship between various sources of information for banking transaction and level awareness about new financial inclusion scheme PMJDY.

**H1:** There is significant relationship between information for banking transaction and level awareness about new financial inclusion scheme PMJDY.

**Pearson Chi-Square Tests:**

Sources	Asymp. Sig. (2-sided)
Friends	.379
Relatives	.430

Collogue	.277
Neighbour	.255
Banker	.550
Any other	.886

As asymp. Sig. p-values are more than 0.05, in all cases, we can not reject null hypothesis. Hence we can say that none of the source of information (friends, relatives, collogue, neighbor, bankers and others) for banking transaction is significantly related to level of awareness of rural customer about new financial inclusion scheme PMJDY.

## CONCLUSION

In this study we have found that government is consistently working for the betterment of rural customer by taking initiative through various schemes. They are partially successful in increasing awareness about new financial inclusion plan PMJDY compare to old Swabhimaan. But still government is not able to affect the awareness level of rural customer about financial inclusion schemes significantly. In this study we have found that rural customers even do not have enough exposure to various banking services, on top they did not realize importance of various banking services. We also studied various factors like demographic factors (age, occupation, gender and education level), source of information etc in relation to level of awareness of rural customer about new financial inclusion scheme, but none of the factor found significant. However we found that the major reason for the low level of awareness about financial inclusion schemes is lack of understanding about important role of banking services in financial betterment. Thus, for better outcome of financial inclusion schemes, government need to work on making rural customer aware about importance of various banking services in improving their financial health.

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