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A Study on the level of Financial Inclusion among the Rural Households of Sivasagar District of Assam

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ABSTRACT
The Concept of financial inclusion bears much importance today. For a developing nation like India, it is very important for the people to understand the concept of development. Poverty hit hard rural people and therefore easy, affordable and quality access of financial services is very important for them to get out of this situation. People should be regarded as financially included not only when they open a bank account but then when they do some financial activity through their account. Therefore in this paper an attempt has been made to study the level of financial inclusion and the factors that determines financial inclusion among rural population of Sivasagar district.

1. Introduction

In India majority of population is below poverty line and from rural areas does not have basic access to financial services and banking institutions. Now a day's financial inclusion has becomes a significant issues for the development of our country in macro sense as easy, affordable and quality access to financial services by the rural poor people is very important for poverty alleviation, employment generation and economic growth. Financially excluded people have to depend on local sources for finance bearing high rates of interest. Moreover people who are financially excluded are unaware about the various important financial services likes life insurances, crop insurance which could protect them by providing easy finance at the time of their needs. Financial inclusion is significant for individuals and at households levels by providing platform to manage their income, promoting saving habits and thus helps in improving economic condition and standard of living

According to world Bank " Financial Inclusion is the absence of price and non price barriers in the use of financial services". According to Global Findex data, 2017, worldwide 1.7 billion adult still remains unbanked. India has 19 crore adults without a bank account and half of these unbanked population are from rural India. Government and Reserve Bank of India has continuously initiated measures to achieve financial inclusion such as simplifications of KYC norms, opening zero balance account etc. A unique and extensive financial inclusion programme named Pradhan Mantri Jan Dhan Yojana was launched on 2014. This mega financial inclusion effort aimed that each citizen of the country has at least one bank account in formal financial institutions.. PMJDY achieved quite success in promoting financial inclusion as on 2018, a total of 32.88 crore bank account has opened under this scheme. PMJDY made opening a bank account quite easy and thus promote financial inclusion.

Table-1
Financial Inclusion Status in India (2016)

Sl No	Particulars	Numbers
1	Numbers of ATMs per 100,000 adults	21.236
2	Number of ATMs per sq km	61.88
3	Number of commercial bank branches per 100,000 adults	14.056
4	No of commercial bank branch per sq km	42.54

Source : Financial Access Survey, (2016)

The above table shows that financial services status in India on the basis of four indicators. India has higher ATMs per sq km than in Brazil, Russia and South Africa.

According to an survey by NABARD on financial inclusion showed that access to financial services in India remains very low despite of government and RBIs continuous efforts to promote financial inclusion in the country. Opening up a bank account is not merely financial inclusion but to promoting saving habits, increasing the usage of banking services is much significant. The country can be developed faster when more people are covered by financial institutions.

2. Review of Literature

Dev M. (2006) highlights the issues and challenges associated with financial inclusion from farmers side. The study reported that the level of financial inclusion in terms of access to credit is very low for small and marginal farmers. Banking institutions in rural areas with self help group programmes and microfinance can promote financial inclusion. Only banking institutions could not promote financial inclusion for farmers, investment in infrastructure, irrigation in rural areas, research and development activities, efficient marketing system should incorporate along with financial system for better financial inclusion. The study recommends that financial inclusion policies should take into account risk element experienced by farmers in while formulating financial inclusion policies.

Iyer I. (2015), highlights issues and importance of financial inclusion. In light of Jan Dhan Yojana, the study shows progress of financial inclusion in India. Though tremendous progress of financial inclusion has been achieved after 2014 still a majority of population below poverty line still depends money lenders for their credit needs. The study suggest that government should initiate policies to make financial inclusion more inclusive as merely opening up a bank account is not the ultimate meaning of financial inclusion.

Ghosh S. and Vinod D. (2016) made a study on the interface between gender and financial inclusion on the basis of households survey data. Women constitute a major part of labor force in India, and to bring them under the formal financial system is very important. The study found that 68 percent male headed households have access to formal financial institutions where as in case of female headed households the percentage is 57 percentage. The study used multivariate regression model to investigate the gender differences in finance and fond that female headed households are more inclined to informal finance rather formal finance.

Sahoo et al.(2017) studied the factors determining financial inclusion in Odisha on the basis of primary data collected from 300 tribal households. The study used logistic regression method. The study found that years of education attained by the household, size of land, annual income of the households and participation in the MGNREGS were significant determinants for financial inclusion for tribal people.

Abel S. et al. (2018) undertook a study to evaluate the determinants of financial inclusion in Zimbabwe. The study identified that age, education, financial literacy, income and internet connectivity are positively related to financial inclusion where as documentation required to open a bank account and access to nearest financial institutions are negatively related to financial inclusion. The study suggest that government should simplify KYC norms for easy documentation, user friendly technology for promoting financial inclusion.

3. Objectives of the Study

1. To study the level of financial inclusion among the sample households
2. To study the factors that determines financial inclusion of the households of the study area.

4. Research Methodology

The study is based on both primary and secondary data. For the purpose of this study Sivasagar district of Assam has been selected. Primary data has been collected using structured questionnaire covering socio economic demographic characteristics from randomly chosen 150 households. To study the factors that determines financial inclusion status of households logistic regression model has been used. Secondary data have been collected from various sources including government reports and websites.

5. Analysis and Interpretation

5.1 Access to Bank account-

Access to finance is the most important component of financial inclusion. Have access to any kind of financial institutions or to have a bank account is very important. As through bank account people can avail numbers of financial services easily. Bank account provides opportunity to integrate people with the mainstream financial services. In this study information were collected from sample households regarding their access to financial services and if any one member of sample households have bank account then the whole household is considered as financially included.

Table 2
Access to Bank account

Particulars	No of Households	
Bank account	Yes	No
	108	42
Total	**108**	**42**

Source : *Primary Survey*

Table 2 represents the status of financial inclusion among the sample households in terms of bank account as bank account is the most important indicator of financial inclusion. Out of the total 150 sample households, 108 households are found to be financially included as at least one family members of those households have bank account and the remaining 42 households are financially excluded as those households does not have a single bank account.

5.2 Frequency of using financial service-

Opening up a bank account does not promote financial inclusion, financial inclusion should promote the habit of usage of financial services in a regular interval. In this study information was collected from financially include households about frequency of accessing financial services.

Table 3
Frequency of using financial service

Frequency of using financial services	Household
Once in a Month	18
Once in three Month	24
Once in Six Month	8
Not fixed	58
Total	**108**

Source : *Primary Survey*

According to Global Findex data 38 percent Indian bank accounts are idle. The study shows that though people are visiting financial institutions or have bank account for their financial needs but majority of respondents reported that their uses of financial services was not fixed. People who have banking habits, they are also not regular in their habits. The usage of the banking traits has not any time interval among the respondents from sample households.

5.3 Experience with financial products and services

Schemes, initiatives to promote financial inclusion encourage people to use financial products and service offered by financial institutions. Out of the 108 financially included households, respondents from 84 households have accessed financial services and products.

Table 4
Access to financial products and services

Services	Household
ATM	56
Cheque Book	11
Mobile Banking	3
Internet Banking	-
Insurance	12
Savings	76
Loans	18

Source : *Primary Survey*

Participation and effective use of various financial products can help households financially. In these days of technology and globalization, banking services are digitalized to such extent that people can run their activities from home itself and it has made banking services easy for people. Majority of the respondents are financially included, but they use their banks only for savings and use ATM cards for withdrawal. But a negligible number use the services like mobile banking, cheque book facility and insurance.

5.4 Reasons for not having access to financial institutions-

Having a bank account is not everything in financial inclusion but it is the most important indicator of financial inclusion and considered to be the first steps towards financial inclusion. In this study out of 150 sample households, 108 households found to be financially included. Following table shows various reasons for not having access to formal financial institutions by the 42 financially excluded sample households.

Table 5
Reasons for not having access to financial institutions

Reason	Household
No Awareness	16
Financial Constraints	12
Not Necessary	4
Distance	3
Others	7
Total	**42**

Source : *Primary Survey*

While analyzed the cause for not having a single bank account of the financially excluded household, the most significant cause that stand out was that the people were unaware of the benefits, the process of being enrolled under the financial hub and moreover they thought that they don't posses that much money to be enrolled under a financial system.

6. Determinants of Financial Inclusion-

This study use logit model to investigate the determinants of financial inclusion among the sample households. Financial inclusion at household level is expected to influence by various factors like households income, age of the respondents, and education of the head of the household head, occupation and sex. As bank account is the most important indicator of financial inclusion, here in these study households with at least one bank account is considered to be financially included and the households with no bank account are considered to be financially excluded. The binary logistic model consists both discrete and continuous variables as described in the following table-

Table 6
Description of the variables

Variables	**Definition**
Financial inclusion	1 if the household is financially included ;0 otherwise
Age	Respondent age in years
Income	Total annual income of the household
Education	Education of head of the household head; 1 if above class X, 0 otherwise
Gender	1 if male, 0 if female
Occupation	1 if service, 0 otherwise
Awareness	1 if the respondent has awareness on financial inclusion schemes; 0 otherwise

The Binomial logistic model applied in the study is

$$L_i = Ln(Pi/1-P_i) = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + U_i$$

Where P_i is the predicted probability of the financially included household which is coded as 1 and $1-P_i$ is the predicted probability the household which is not financially included which is coded as 0. β_o is the constant term.

Table 7
Determinants of financial inclusion

Sl no	Independent Variables	Coefficients	P>|z|
1	Age	0.418283**	0.062
2	Education	1.161235**	0.011
3	Sex	.2583388	0.597
4	Income	0.119843*	0.024
5	Occupation	.61130392	0.261
6	Awareness	.7863781**	0.083
7	Constant	-3.562944	0.000

R^2 = 0.2556
-2 Log Likelihood -66.207953
Prob > *chi*^{2} 0.000
*indicates significance at 5 % level

**indicates significance at 10% level

The result of the logit model has been given in the table 7. The result reveals positive and significant relationship between financial inclusion and education, income, age and awareness towards financial inclusion schemes and initiatives. The co-efficient of age, education and awareness towards financial inclusion schemes and initiatives are statistically significant at 10 % level of significance and the household annual income is statistically significant at 5 % level of significance. The results reveals a positive and significant relationship between education of the head of the household and financial inclusion. As the educated people have much knowledge about various financial products and services so able to manage their financial assets better. The study shows positive and significant relationship between financial inclusion and income. Household with higher income found to use banking and financial products and services. Awareness regarding various financial inclusion initiatives and schemes has positive relationship with financial inclusion. People are availing banking services under government sponsored schemes. People gets more responsible with their age so most people develop banking habits and incline towards saving. Thus with passing age people gets included in the formal financial system.

7. Conclusion

As a developing country, it is very important for India to develop banking habit among its population which will help the country to stand strong economically. But it is not such easy to make people understand all the financial dynamics. To get enrolled at the financial system, people should first be enabled to save. For a country like India where one third of the population lives below poverty line, who even find it difficult to have daily requirement, saving for them is quite impossible. Therefore the first concern is to make them aware of the banking habits and their advantages. Apart from this attention should also be given to the rural areas where most of the people has the ability but they keep themselves out of the financial sector just due to some small reasons. Many people don't realize that a small savings, use of financial products and services can do a great deed. Government is trying hard to bring people under the umbrella of financial inclusion but still a major portion of the able household remain outside from the formal financial system. It is very important to make procedure of the system simple so that with the passing time more and more people gets covered under financial system.

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