A Study of Financial Inclusion in North Maharashtra Region

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Financial inclusion will enable millions of unbanked population in rural area especially low income and financially disadvantaged groups to improve their economic status by participating in organized financial system. It broadens the resource base of the financial system by developing a culture of savings and access to formal credit among large segment of unbanked population. It focuses on various ways of enhancing the income by availing banking services. It also analyses the recent developments in banking technology and telecommunication network. This paper concluded that, financial inclusion helps to enhance individual income level and reduces transaction cost and saves a time.

Keywords: Financial Inclusion, Banking, Unbanked Population

1. Introduction

The unrestrained access to public goods and services is an essential condition of an open and efficient society. As banking services are in the nature of public goods, it is essential that availability of banking services to the large unbanked population without discrimination is the prime and important objective of the public policy. Access to safe, easy, timely and affordable credit and other banking services by the low income and financially disadvantaged groups is recognized as essential condition for accelerating economic growth of the nation and reducing income disparities and poverty. Financial inclusion is important as it provides an opportunity to the low income and financially disadvantaged groups especially unbanked poor population for bringing their savings into the formal financial system. It also provides the banking services and facilities like fund transfer, payment, credit, insurance and so on. Financial inclusion is a profitable business proposition for all stakeholders.

1.1 Definition of Financial Inclusion

The definition of financial inclusion is depending on level of social, economical and financial development, social economic characteristics of the financially excluded segments and reorganization of the problem by different stakeholders in the society. Dr. C. Rangrajan (Rangrajan, Report of the Committee on Financial Inclusion, 2008), defined financial inclusion as "the process of ensuring access to financial services and timely and adequate access credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."

The definition given by the committee interpreted financial inclusion as an instrumentality for social transformation. In 2010, Dr. K. C. Chakraborty contributed in the above definition and emphasized is given on transparency of main institutional players.

Another definition given by, Dr. Raghuram Rajan (Report of the Committee on Financial Sector Reforms), defined Financial Inclusion refers to "universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products."

1.2 Aspects of Financial Inclusion

Access to financial markets, access to credit markets and learn financial matters i.e. financial education are major three aspects of financial inclusion. Low income and financially disadvantaged sections of the society are found to be financially excluded. The financially excluded sections largely comprise marginal farmers, landless labourers, self-employed, migrants, unorganized sector, women, urban slum dwellers and senior citizen. Gender issues, age, legal identity, illiteracy, geographical issues, psychological and cultural barriers, income level and occupational structures these are the factors which affecting on access to financial services.

1.3 Consequences of Financial Exclusion

There are the two major consequences of financial exclusion. In the absence of finance, people who are not connected with formal financial system lack opportunities to grow. From nation point of view country's growth will retard, due to vast unutilized resources that is in the form of money in the hands of people who lack financial inclusive services and facilities.

The other consequences are business loss to banks and exclusion from mainstream society. Banks will loss business due to lack of opening of bank accounts. The people, who lack financial services, presumed that they are excluded from mainstream society. It also leads to social exclusion by creating disparities in income. Financially excluded people, may lose opportunities to save their some part of livelihood earnings and also to borrow loans from organized financial system.

1.4 Present Status of Financial Inclusion in North Maharashtra region

The present study tries to analyze the needs and challenges of financial inclusion in North Maharashtra region (Jalgaon, Dhule and Nandurbar district). As per the CRISIL Inclusix Index 2013 report, Jalgaon, Dhule and Nandurbar were ranked at low level of financial inclusion and placed at the lowest in Maharashtra.

Table 1 *Present Status of Financial Inclusion in North Maharashtra Region*

Details		Jalgaon	Dhule	Nandurbar
CRISIL Inclusix score		22.3	20.9	16.2
CRISIL Inclusix rank (In Maharashtra)		33	34	35
Number of households availing banking services (As per Census 2011)		449779	178267	107763
Number of bank branches	Public Bank	224	96	61
	Private Bank	41	13	5
	RRBs	13	3	5
	Cooperative & District Bank	105	40	20
	Total No. of Branches	**383**	**152**	**91**
Population (As per Census 2011)		4229917	2050862	1648295
Average Population per Branch		**11044**	**13493**	**18113**

Source: SLBC, Maharashtra as on 30/06/2015 & Cooperative Bank websites & CRISIL 2013

Average population per branch in Jalgaon district is 11044, Dhule district is 13493 and Nandurbar district is 18113. Average population per branch is high in all three districts especially in Nandurbar district it is very high. It shows that branch penetration was considerably very low in these districts. Considering the level of financial inclusion in North Maharashtra region it is imperative to study the needs and challenges of financial inclusion.

2. Methodology

2.1 Objectives of the study

The study aims at finding out the impact of financial inclusion on individual and banking services in North Maharashtra region. The present study was conducted with the following objectives:

- To study the status of financial inclusion in North Maharashtra Region
- To study effects of ICT in banking services.

The primary data is directly collected from the respondents through schedules questionnaire and observation. In present study researcher has collected primary data by filling schedule questionnaire from low income and financially disadvantaged sections of the society. The major sources of secondary data for the present study are –

- RBI committees reports and RBI Monthly Bulletin
- RBI and other banks website, RBI notifications and circulars
- CRISIL reports, Government reports and circulars

The data was collected from these 3 districts i.e. Jalgaon, Dhule and Nandurbar. The researcher has selected 800 individuals especially from low income groups as representative of population. They were selected by Convenience Sampling Method. Researcher tried to make the sample as representative as possible. The data was collected from 928 respondents. 800 respondents were considered for data analysis. The schedule method is used while collect data from low income groups.

3. Results and Discussions

Financial inclusion is the need of society and economy. Financial inclusion has the ability to generate positive externalities.

- It leads to increase in savings and investments and thereby encourage the processes of economic growth.
- It provides a platform for inculcating the habit of saving money, especially amongst the low income category.
- It also creates possibilities of formal / institutional credit to the unbanked population in rural areas. Majority of population is dependent on informal channels of credit like moneylenders, relatives and friends.
- Presently low income and unbanked population are forced to use all kinds of informal and costly ways of sending money from one place to another. Financial inclusion will provides a formal remittance facility at an affordable cost in transparent manner.

Financial inclusion has been viewed as a remedy to plug gaps and leaks in distribution of government benefits, subsidies and scholarships through direct benefit transfers to individuals / beneficiaries bank accounts instead of subsidizing products and making cash payments.

The benefits of financial inclusion are not only significant for individuals but for economies as well. Financial inclusion is linked to a country's economic and social development, and plays a role in reducing extreme poverty and creates an employment opportunities. Availability of timely, adequate and transparent credit to farmers, young entrepreneurs and small businesses from formal banking systems will increase productivity and prosperity in the nation.

3.1 Survey Results

1. Out of total 800 respondents from Jalgaon, Dhule and Nandurbar districts 601 respondents (75.1 %) are having bank account while 199 respondents (24.9 %) does not have bank account. (Table 5.7) Low or marginalized income, cumbersome documentation, lack of awareness, poverty and unemployment are the main reasons for not having bank account.
2. Financial inclusion will enable millions of unbanked population in rural area especially low income and financially disadvantaged groups to improve their economic and social status by participating in organized financial system. Financial inclusion broadens the resource base of the financial system by developing a culture of savings and access to formal credit among large segment of unbanked population in rural and urban area. This will be resulting in enhance the income level of poor people and it provides social security. Out of 800 respondents 471 respondents i.e. 58.9% were 'agree' and 150 respondents i.e. 18.8 % were 'strongly agree'. Only 39 respondents in total i.e. 4.9% were 'disagree' and 'strongly disagree' on the above mentioned statement. 140 respondents remained 'neutral'
3. Financially included individuals are most likely to engage in sound financial planning. Financial inclusion provides opportunities to build savings, make investments, avail credit, access to insurance etc. The process of financial inclusion will improve the standard of living of a large section of the population by providing them employment and income enhancing activity. Out of 800 respondents 420 respondents i.e. 52.5 % were 'agree' and 152 respondents i.e. 19 % were 'strongly agree'. According to them, financial helps in fulfilling economic needs and improve standard of living of common man. 177 respondents i.e. 22.1% remained 'neutral' whereas 51 respondents in total i.e. 6.4 % were 'disagree' and 'strongly disagree' with the above mentioned statement.
4. Out of 800 respondents, 454 respondents have awareness of Pradhan Mantri Jan Dhan Yojana and only 270 respondents were participated in PMJDY. In addition to PMJDY, 48 respondents were opened a No Frill or BSBD account in Bank. Out of 411 respondents, who were aware of Pradhan Mantri Swasth Bima Yojana only 100 respondents were participated in it. The entrepreneurial credit has been simplified in the form of KCC for agricultural activity and GCC for non-agricultural activity. Out of 800 respondents 349 having awareness of KCC and GCC facility, 69 respondents were provided with KCC and GCC facility. 94 respondents were replied that they were engaged in SHG activities. Only 11 respondents were benefited by financial literacy and counseling programme. Only 8 respondents replied that they have approached to 'Bank Mitra' and 'Bank Customer Service Point' for financial transaction.
5. 681 respondents i.e. 85.1 % said 'yes', they have experienced that with the use of modern technology by bank makes transaction possible at cheaper costs, it reduces the bank transaction cost. Whereas, 119 respondents i.e. 14.9 % were replied 'no'. According to them technology could not reduce the bank transaction cost. The researcher has observed that new, innovative technology in banking sector can play a crucial role in the process of financial inclusion. High transaction cost is one of the causes of financial exclusion. Therefore, use of modern technology by banks makes transaction possible at cheaper costs.
6. 674 respondents i.e. 84.3 % were replied 'yes' on the above statement. According to them, use of modern technology by banks saves time but 126 respondents i.e. 15.8 % said 'no' to the above statement. Banks have adopted universal modern technology and technology based services such as ATMs, usage of internet banking, mobile banking, smart cards etc. The use of modern technology by banks saves a time of customer and bank also.
7. 598 respondents i.e. 74.8 % were having mobile phone out of which 547 respondents i.e. 68.4 % are using mobile to do bank transaction. Whereas, 253 respondents i.e. 31.6 % doing bank transaction without mobile. Out of 253 respondents 202 respondents can't afford mobile. In 2008, RBI has issued first set of guidelines on mobile banking to recognize the potential of mobile as a channel for offering financial services in the country. Mobile phones can be used to transfer funds and could make remittances and payments at very low cost. RBI, Banks, customers have acknowledged the importance of mobile to do the bank transaction.

4. Conclusions

This research paper focuses on financial inclusion was conducted in North Maharashtra region district. The study was primarily focused on present status of financial inclusion, needs and challenges faced by individuals in the above mentioned districts. The author has concluded that financial inclusion is provides an equal opportunity to individual, society, bank and nation. Financially included individual can grow independently and transform own and other's life.

From society point of view financial inclusion and social inclusion go hand in hand. For banking sector, financial inclusion is a business opportunity and finally from nation point of view country's overall growth and development will speedily grow. The author has concluded that in North Maharashtra region, there is a strong need for financial education to achieve meaningful financial inclusion. Banking technology definitely reduces the transaction cost and saves a time, but maximum respondents are afraid to use the technology while bank transaction.

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