Perceptions of People from Economically Backward Section towards Financial Inclusion: An Empirical Study of Ludhiana District

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Abstract: *Financial Inclusion aims to provide the financial services to the people from economically backward section of the society. The objective is to assist them in their economic improvement and achieve the sustainable growth. In this study, an effort has been made to examine the views of the people from economically backward sectionregarding the important aspects of financial inclusion. Views of 53 respondents are analyzed. Chi-Square, nonparametric statistical technique, has been used to examine whether the views of the different categories of the respondents about the important aspects of financial inclusiondiffer. Based on the views of the respondents we found that bank employees are encouraging people from economically weaker sections to open their accounts and people also found these accounts useful. Respondents are also of the view that education level, income level, age and period of association of the account holder with the bank directly affects the quality of services rendered. To further enhance the utility of the scheme and ensure its success, there is a need to provide training to bank staff so that the quality of services rendered is not differentiated between different categories of customers. Further, whereas this study pertains to the views of the economically weaker section, there is a need to examine the views of bankers also, so that this scheme can be made more useful.*
Key Words:*Financial Inclusion, Economically Weaker Section, Chi-Square*

I.   Introduction

Financial Inclusion aims at extending banking facilities to those who are not linked to bank, other recognized financial institutions and are considered almost non bankable. Inclusion of poor sections in the financial net is seen as a tool which may help in eradicating poverty and ensure inclusive growth. G-20 leaders in the Pitsburgsummit held in 2009, stated that more than 2 billion adults residing particularly in Africa, Asia, Middle East and Latin American continents don't have access to formal and even semi-formal financial services. Normally weaker section of the society is aloof to the financial services industry and there is a great realization that sustainable growth can't be achieved without including the weaker sections of the society in the growth process.

As per Rangarajan Committee (2008) "Financial inclusion may be defined 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." Hannig and Jansen(2010) stated "Financial inclusion aims at drawing the "unbanked" population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance."

Therefore, Financial Inclusion is about widening the net of financial services and including vulnerable and weaker sections of the society in its net. The objective is to improve income level, remove income distribution disparities and achieve enhanced overall economic development. Many people from across the globe, particularly in the underdeveloped/developing countries, are excluded from the mainstream banking because of the reasons such as illiteracy, poor bank branch network, high cost of banking, lack of awareness and non-availability of mortgage worth securities. Besides these reasons self-exclusion has been an important factor wherein people decide not to opt for a financial product (Connolly &Hajaj, 2001; Kempson, &Whyley, 1999). McGregor (1988) in his study, focused on Bangladesh, reported that he could not see any initiative from the banks to work as development institutions for the poor.

However, studies conducted over the years have proved strong linkage between economic growth and financial development. Levine (2005) and Demirgüç-Kunt and Levine (2008) in their studies reported that well-developed financial systems have a strong positive impact on economic growth over long time periods. In one of the very important studies researchers Beck, Demirgüç- Kunt, and Levine (2007) reported that in case we could control the effect of other appropriate variables, financial development accounts for substantial almost 30 percent of the variation across countries in rates of poverty reduction. Pros of strongly knitted financial services net have led to consistent efforts by the governments, particularly in underdeveloped and developing countries, across the world to improve it. Strengthening of financial services is highly important for countries like India

where a large chunk of population lives below poverty line. Financial Inclusion is a pro-poor campaign. It not only helps in improving their financial standing but also helps in ensuring equal distribution of wealth. Ever since the initiation of the campaign, scheme of financial inclusion has met with numerous hurdles and successes. Since the time India got independence,equal distribution of income and wealth and upliftment of the economic status of the poor people has been on the priority list of various governments who have been in power at the Centre and the States. Efforts have been made to build a strong network of cooperative societies and cooperative banks, establishment of regional rural banks, nationalization of banks and provisions of compulsory priority sector lending by the state and central governments for balanced regional economic development and equal distribution of income and wealth. Committee on Financial Inclusion constituted by the government of India under the chairmanship of Dr. C. Rangarajan recommended specific measures like product innovation, opening of no-frills accounts, payment of wages under Mahatma Gandhi National Rural Employment Guarantee Programme (MNREGA) through bank accounts, provision of overdraft facility to Saving Bank (SB) accounts, issue of credit card, providing services through bio-metric smart cards, leveraging technology, involvement of business correspondents as Intermediaries in delivering financial services etc. for improved financial inclusion. Scheme of Financial inclusion started by Indian Bank in Mangalam village of Puducherry in 2006 has now been extended to all the regions, banks. Now named as PradhanMantri Jan DhanYojnascheme extended the facility to 1368.4 lac account holders by the end of February, 2015(Department of financial services, GOI). The status of targets achieved under this scheme is given in table 1 below:

Table 1: Accounts Opened under PradhanMantri Jan DhanYojna as on February,2015

Sr. No	Category of Banks	Number of accounts opened in lacs			Number of Rupay Cards Issued in Lacs	Balance in accounts in lacs	Number of Zero balance accounts in lacs
		Rural	Urban	Total			
1	Public Sector Banks	580.06	492.92	1072.98	1000.92	993720.98	663.68
2	Private Sector Banks	34.17	22.85	57.02	51.17	79492.07	32.4
3	Regional Rural Banks	202.27	35.77	238.04	166.79	196174.44	163.09
	Total	**816.50**	**551.54**	**1368.04**	**1218.88**	**1269387.49**	**859.1**

Source: Ministry of Financial Services, Ministry of Finance, Government of India.
http://www.pmjdy.gov.in/account-statistics-country.aspx

Table 2: Bank-wise Status of Financial Inclusion achievements in Punjab

SRL NO	BANK NAME	BANK TYPE	ACCOUNTS RURAL	ACCOUNTS URBAN	TOTAL ACCOUNTS	AADHAR SEEDED	AADHAAR SEEDED-%	RUPAY-CARD ISSUED	RUPAY CARD-%	DEPOSITS IN LACS
1	Allahabad Bank	Public Sector Banks	72020	35619	107639	76878	71.42%	106129	98.60%	356.34
2	Andhra Bank	Public Sector Banks	20314	9208	29522	20403	69.11%	29083	98.51%	137.85
3	Axis Bank Ltd	Private Banks	13869	8938	22807	7633	33.47%	21669	95.01%	113.93
4	Bank of Baroda	Public Sector Banks	8919	74842	83761	41997	50.14%	79691	95.14%	1240.39
5	Bank of India	Public Sector Banks	33716	99134	132850	81706	61.50%	128828	96.97%	532.83
6	Bank of Maharashtra	Public Sector Banks	8369	8364	16733	13852	82.78%	16378	97.88%	215.67
7	Canara Bank	Public Sector Banks	118100	47418	165518	126443	76.39%	164079	99.13%	1824.81
8	Central Bank of India	Public Sector Banks	69396	45756	115152	87410	75.91%	105301	91.45%	498.62
9	City Union Bank Ltd	Private Banks	0	167	167	114	68.26%	0	0%	3.02
10	Corporation Bank	Public Sector Banks	35038	43122	78160	59938	76.69%	69526	88.95%	887.43
11	Dena Bank	Public Sector Banks	9958	16075	26033	18954	72.81%	25452	97.77%	227.6
12	Federal Bank Ltd	Private Banks	2677	1439	4116	545	13.24%	4276	103.89%	90.33
13	HDFC Bank Ltd	Private Banks	66411	82720	149131	69155	46.37%	148618	99.66%	14045.03
14	ICICI Bank Ltd	Private Banks	17974	10342	28316	9758	34.46%	28316	100%	267.81
15	IDBI Bank Ltd.	Public Sector Banks	24413	14573	38986	4433	11.37%	38877	99.72%	76.4
16	Indian Bank	Public Sector Banks	28419	18947	47366	33279	70.26%	46928	99.08%	215.78
17	Indian Overseas Bank	Public Sector Banks	14014	64798	78812	54279	68.87%	76215	96.70%	28.08
18	IndusInd Bank Ltd	Private Banks	269	1783	2052	857	41.76%	2046	99.71%	7.08
19	Jammu & Kashmir Bank Ltd	Private Banks	2780	1548	4328	2118	48.94%	1489	34.40%	13.96
20	KarurVysya Bank Ltd	Private Banks	0	277	277	209	75.45%	274	98.92%	1.25
21	Kotak Mahindra Bank Ltd	Private Banks	1340	787	2127	1445	67.94%	2024	95.16%	4.67
22	Oriental Bank of Commerce	Public Sector Banks	215516	64463	279979	118706	42.40%	274747	98.13%	14885.1
23	Punjab & Sind Bank	Public Sector Banks	413929	67104	481033	307147	63.85%	449537	93.45%	19455.57
24	Punjab & Sind Bank	Regional Rural Bank	9376	2006	11382	10610	93.22%	11270	99.02%	70.19
25	Punjab National Bank	Public Sector Banks	451241	96127	547368	447005	81.66%	508490	92.90%	6882.58
26	Punjab National Bank	Regional Rural Bank	90467	32434	122901	89103	72.50%	99951	81.33%	492.63
27	South Indian Bank Ltd	Private Banks	0	259	259	205	79.15%	114	44.02%	1.08
28	State Bank of Bikaner & Jaipur	Public Sector Banks	0	7746	7746	1147	14.81%	6838	88.28%	257.09
29	State Bank of Hyderabad	Public Sector Banks	0	3370	3370	3061	90.83%	3294	97.74%	23.17
30	State Bank of India	Public Sector Banks	64012	165793	229805	176231	76.69%	180156	78.40%	984.29
31	State Bank of Patiala	Public Sector Banks	201102	294750	495852	353653	71.32%	485040	97.82%	12263.99
32	State Bank of Patiala	Regional Rural Bank	36221	628	36849	33075	89.76%	34213	92.85%	437.09
33	State Bank of Travancore	Public Sector Banks	141	258	399	14	3.51%	375	93.98%	9.57
34	Syndicate Bank	Public Sector Banks	16652	14569	31221	26210	83.95%	30234	96.84%	139.24
35	UCO Bank	Public Sector Banks	56168	87408	143576	121945	84.93%	135085	94.09%	1775.72
36	Union Bank of India	Public Sector Banks	41980	18707	60687	41874	69.00%	59047	97.30%	316.83
37	United Bank of India	Public Sector Banks	0	13259	13259	9241	69.70%	68659	517.83%	320.36
38	Vijaya Bank	Public Sector Banks	11041	11652	22693	12396	54.62%	22570	99.46%	88.15
39	Yes Bank Ltd	Private Banks	562	193	755	589	78.01%	0	0%	2.15
		Total	**2156404**	**1466583**	**3622987**	**2463618**	**68.00%**	**3464819**	**95.63%**	**79193.68**

Source: Ministry of Financial Services, Ministry of Finance, Government of India.
http://www.pmjdy.gov.in/account-statistics-country.aspx

Review of Literature

Oya Pinar Ardicet. al. (2011) analyzed financial database of CGAP and the World Bank group to examine the number of unbanked adults around the world, they also analyzed the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena. Fifty-six percent of the adults in the world do not have access to formal financial services.

Need of the study

Financial Inclusion scheme may help in achieving the objective of sustainable economic growth and may also help poor people in uplifting their economic standard. Availability of account in a bank may improve financial sense of these people, provide an option of safe parking of funds and ensure availability of funds on credit when required. However, there are large number of apprehensions in the minds of bankers and people from economically backward section of the society towards the scheme. An effort was made to find out if any study has been conducted in the past to examine the perceptions of bankers and people from economically backward sections regarding the scheme but we couldn't find any comprehensive study. Therefore this study has been conducted to examine the views of the people from economically backward section towards the scheme.

Objectives
1. To examine the perceptions of people from economically backward section regarding important aspects of financial inclusion.
2. To examine whether the views of the respondents regarding the selected important aspects of the schemevary according to the category of the respondent

II.   Research Methodology

This study is based on the primary data of 53 respondents collected through a well-structured questionnaire. The views are collected from the respondents belonging to economically weaker section of the society. The respondents included were the construction laborers working at sites, maids, hawkers and daily wagers working at shopping malls and shops and the shopkeepers doing small scale business. Convenience sampling method was used to select the respondents for the study. The responses were collected from the respondents from Ludhiana only through interview method. Data is analyzed using Chi-Square non parametric test.

Chi-Square statistical technique has been used to analyse the data. It tabulates a variable into categories and computes a chi-square statistic by comparing the observed and expected frequencies in each category to test that all categories contain the same proportion of values or test that each category contains a user-specified proportion of values. The value of the test-statistic is:

$$\chi^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i} = N \sum_{i=1}^{n} p_i \left(\frac{O_i/N - p_i}{p_i} \right)^2$$

where

χ^2 = Pearson's cumulative test statistic, which asymptotically approaches χ^2 distribution

O_i = the number of observations of type *i*.

N = total number of observations

$E_i = N p_i$ = the expected (theoretical) frequency of type *i*, asserted by the null hypothesis that the fraction of type *i* in the population is p_i

n = the number of cells in the table.

SPSS software is used to make various calculations.

The various hypotheses which are tested using Chi-Square statistical technique are as follows:

H1: There is no association between the views of male and female respondents regarding the utility of Financial Inclusion Scheme

H2: There is no association between the economic status of the respondents and the utility of financial inclusion

H3: There is no association between economic status of respondents and the attitude of bank employees towards them

H4: There is no association between economic status of the respondents and the cooperation from bank staff in meeting their financial requirements

H5: There is no association between economic status of the respondents and the ease with which they were able to open their account

H6: There is no association between economic status of the respondents and the quality of service

H7: There is no association between the qualification of the respondent and the utility of financial inclusion

H8: There is no association between the qualification of the respondent and the attitude of bank employees towards them

H9: There is no association between the qualification of the respondent and the cooperation from bank staff in meeting their financial requirements

H10: There is no association between the qualification of the respondent and the ease with which they were able to open their account

H11: There is no association between the qualification of the respondent and the quality of service

H12: There is no association between the age of the respondent and the utility of financial inclusion

H13: There is no association between the age of the respondent and the attitude of bank employees towards them

H14: There is no association between the age of the respondent and the cooperation from bank staff in meeting their financial requirements

H15: There is no association between the age of the respondent and the ease with which they were able to open their account

H16: There is no association between the age of the respondent and the quality of service

H17: There is no association difference between the number of years of dealing and the utility of financial inclusion

H18: There is no association between the number of years of dealing and the attitude of bank employees towards them

H19: There is no association between the number of years of dealing and the cooperation from bank staff in meeting their financial requirements

H20: There is no association between the number of years of dealing and the ease with which they were able to open their account

H21: There is no association between the number of years of dealing and the quality of service

III.   Data Analysis and Interpretation

Survey of 53 bank employees included 45 male and 8 females. 25 respondents were employees(daily wagers) and the remaining 28 were doing their own business on a very small scale either as hawkers or some other business of the same nature. 20 respondents were having an income of upto Rs.10,000 per month, 11 of them were having income between Rs.10000 to Rs.15,000 per month, 7 were falling in the income category of Rs.15,000-Rs. 20000 and the remaining respondents were earning more than Rs.20000 per month. Most of the customers were able to get their accounts opened on the same day.   The information regarding outstanding balances in the accounts of the respondents is given in table 1 below. In order to know the quantum of efforts put in by the bank people to make the scheme of financial inclusion successful, respondents were asked whether they were approached by the bank people to open the account or they themselves approached the bank. Table 1 below shows that bank staff is putting in great efforts as around 69% of the accounts opened were approached by the bank people. Further, table 1 below shows that 47 respondents could very easily open the account and only 6 respondents stated that they found it difficult to open the bank account. So far as the attitude of bank employees towards customers is concerned, table 2 below shows that 41.5 percent of the respondents found it encouraging and another 54.7 percent found the attitude highly encouraging. Further a large number of respondents as indicated in table 2 below stated that the quality of service they are getting is very good.

Table1: Bank Balance

Bank Balance			Who Approached			Ease of Opening Bank Account			
Bank Balance	Frequency	Cumulative Percent	Agency	Frequency	Percent	Opening of account	Frequency	Percent	Cumulative Percent
500-1000	4	7.5	Bank	37	69.8	Very Difficult	3	5.7	5.7
1001-1500	12	30.2	Self	11	20.8	Difficult	3	5.7	11.3
1501-2000	10	49.1	Motivated by Friends	2	3.8	Easy	19	35.8	47.2
More than 2000	27	100.0	Other agency	3	5.7	Very Easy	28	52.8	100.0
Total	53		Total	53	100.0	Total	53	100.0	

Table 2:Attitude of Bank Employees and Quality of Service

Attitude	Frequency	Percent	Cumulative Percent	Quality of service	Frequency	Percent	Cumulative Percent
Discouraging	2	3.8	3.8	Can't Say	1	1.9	1.9
Encouraging	22	41.5	45.3	Good	21	39.6	41.5
Highly Encouraging	29	54.7	100.0	Very Good	31	58.5	100.0
Total	53	100.0		Total	53	100.0	

a) Gender as Explanatory Variable of Utility

In the present age when concerted efforts are being made towards women empowerment through various schemes like Self Help Groups etc., extension of financial services to women through Financial Inclusion can play a major role in realizing the objective of women empowerment. In this segment of the study an attempt was made to examine if there is any association between the views of the respondents based on their gender with the utility of bank accounts opened under financial inclusion. Table 3 below exhibits the result, significance level of 0.000 shows that there is significant association between the views of male and female customers towards the utility of financial inclusion scheme. 25% of the female respondents rated the utility at rank 3 and remaining female respondents gave rank of 4 to the utility of accounts opened.

Table 3: Genderand Utility of Financial Inclusion

	Utility
Chi-Square	55.639
df	4
Asymp. Sig.	.000

b)Income as Explanatory Variable

Normally premium category of bankcustomers get better attention while getting their accounts opened in a bank and also while performing other transactions with the bank as they are the bread winners for the bank. Since people to be included in the financial services net under financial inclusion belong to poor section of the society, a need was felt to examine their views regarding the cooperation extended by the bank employees to them while opening their account and also at times while extending other financial services. Table 4 below shows that there is significant association(0.000) of the Income level of the respondents with the ease with which they are able to open their account in the bank, the quality of service rendered to them, attitude of the bank employees towards them and the cooperation extended by the bank employees in providing financial services to the account holders. We also found significant statistical association between the income of the account holder and the quality of service they get from the bank.It is found that there is direct association between income of the account holder and the quality of service he/she gets.

Table 4: Relationship between Income and Utility, Ease, Attitude, Cooperation and Quality of Service

	Utility	Ease	Attitude	Cooperation	Quality of service
Chi-Square	1.11	82.49	50.68	61.80	62.48
df	4	3	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

c)Qualification as an Explanatory Parameter

Literate people are given better services normally, as the major segment of the society which is supposed to be covered in the financial net under financial inclusion campaign will be almost illiterate; therefore the effect of the education level of the respondent with the various parameters affecting the quality of service provided by the banks to their customers is examined. Qualification, as can be seen from the table 5 below, has significant statistical association with the parameters such as the utility of the account to the customers, ease with which customers are able to open their accounts with the bank, attitude of the bank employees towards their customers, cooperation extended by the bank staff in meeting the financial needs of the customers and the quality of the service provided to the customers. Respondents felt that educated customers get better treatment.

Table5: Relationship of Literacy level of the Respondent with the Utility of the account, Ease, Attitude, Cooperation and Quality of Service

	Utility	Ease	Attitude	Cooperation	Quality of service
Chi-Square	1.64	1.38	97.33	134.77	103.81
df	4	3	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

d)Period of Association as an Explanatory Factor

Period of association of the customer may be considered as the other factor affecting the quality of services provided by a bank to its customers. Length of the period of association with the bank, as can be seen from the table 6below, has significant statistical association with the parameters such as the utility of the account to the customers, ease with which customers are able to open their accounts with the bank, attitude of the bank employees towards their customers, cooperation extended by the bank staff in meeting the financial needs of the customers and the quality of service provided to the customers. Respondents felt that old customers of the bank get better treatment.

Table6: Period of Association as Explanatory Variable

	Utility	Ease	Attitude	Cooperation	Quality of Service
Chi-Square	1.43	1.09	86.31	98.00	97.68
df	4	3	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

e)Age of the Customers as an Explanatory Factor

Banks normally give preference to young people over aged people particularly while extending credit facilities. In this segment of the study, efforts are made to examine the association of the age of customer with the parameters affecting quality of service. Table 7gives the result of association between the age of the respondent and the parameters affecting the quality of service provided to the customer. We found significant association between the age of the respondent and the parameters such as the utility of the account, how easy was it to open the account, attitude of the bank employees, cooperation in availing credit facilities and the quality of service.

Table7: Age and the Quality of Service

	Utility	Ease	Attitude	Cooperation	Quality of service
Chi-Square	1.43	1.09	86.31	98.00	97.68
df	4	3	2	2	2
Asymp. Sig.	.000	.000	.000	.000	.000

IV. Conclusion and Policy Remarks

Ever since the independence of the country, government has put in great efforts for the betterment of economically weaker sections of the society. Equality in distribution of wealth has always been the main guiding motto. Nationalization of 14 banks in 1969 and then again of 6 banks in 1980, establishment of cooperative banking system, system of regional rural banking, and mandatory priority sector lending has been put in place with the objective to ensure easy access of financial services to weaker sections of the society. Financial Inclusion campaign is one more step towards helping the weaker sections; the objective is to provide an avenue wherein these people can park their small amount of savings for the future use and also get creditwhen needed. In this study, views of 53 respondents are analyzed regarding various aspects of financial inclusion. It is found that bank employees are working hard for the successful implementation of the scheme, as around 95 percent of the respondents said that bank employees approached and motivated them for opening bank account, similar number of respondents stated that the attitude of bank employees was very encouraging and again almost the same number of respondents expressed happiness about the quality of service they are getting from the banks. We found significant association of income, qualification and age of the respondent with the utility, quality of service and attitude of bank employees. Overall it is found that people from economically weaker sections have welcomed the scheme and they are also happy about the way bank staff is extending this service to them. However, it was also found that education level, income level, age and period of association of the account holder with the bank directly affects the quality of service rendered. To ensure the success of Financial Inclusion scheme, there is a need to provide training to bank staff so as to ensure same quality of services to different categories of customers irrespective of their economic standard, education and period of dealing with the bank. There is now urgent need to examine the views of bank staff regarding the problems they are facing in the implementation of this scheme as it may help in further improvement of the scheme.

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