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RESEARCH PAPER

A Study of the Role of Financial Inclusion in Economic Growth –With Special Reference to Kurukshetra

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ABSTRACT

Financial access to everyone is an important aspect for the economic growth of a country. This study aims to conduct a comparative study of the role of financial inclusion in the Kurukshetra district of Haryana. Using a mixed-method approach, this study used qualitative and quantitative methods of research. A comprehensive literature review was conducted to study financial inclusion and its impact on economic growth. The findings of the study will contribute to the existing literature. The study identifies the factors that contribute to financial inclusiveness in Kurukshetra. It was found in this study that the majority of the respondent of the Kurukshetra district have access to various determinants of financial inclusion, which result in the creation of their asset. The study helps policymakers to have an understanding of the financial inclusion level in the Kurukshetra district of Haryana.

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INTRODUCTION

Financial inclusion is a method of providing financial products and services to all at a reasonable cost so that everyone will come under the purview of the financial sector. The financial sector includes a number of banking and non-banking participants that circulate money among lenders and borrowers. This access to financial services allows people to expand their economic activities, which may help to achieve higher economic growth. It facilitates approachability, availability, and use of the financial system by all participants of a society.

But the actual position is that, instead of initiatives taken at global and national levels, still several respondents are excluded from the financial system due to low income, lack of knowledge and appropriate documentation, distant financial institutions, complicated financial goods and services, and language barriers. If people are denied credit from institutions, it puts certain groups at risk of being exploited by loan sharks and moneylenders. This can have negative effects on society. Additionally, a financial system that does not include everyone makes it harder for the economy to grow in a quick and sustainable way**.** This situation serves as an alarm for policymakers to make policies towards inclusiveness.

Financial Inclusion in India

The concept of financial Inclusion gained popularity in India in the 2000s, and for the first time, it was used by the former Governor of RBI, Y. Venugopal Reddy, in 2005 (Raval, 2015).

A committee on financial inclusion was formed in 2008 for financial inclusion under the leadership of Dr. C Rangarajan. He defined financial inclusion 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." Later, a number of committees were formed since 2008 to review the status of financial inclusion in India because in India, the majority of the population is outside the scope of financial system. To resolve the issue, directions were issued to every state government, and they started making and implementing policies related to financial inclusion so that every citizen comes under the purview of the financial system.

2. OBJECTIVE OF THE STUDY

1. To study the concept of financial Inclusion.
2. To investigate the role of financial inclusion and its determinants in economic growth in the Kurukshetra district of Haryana

3. RESEARCH METHODOLOGY

This research paper is descriptive in nature and it is based on primary and secondary data, where primary data is collected through questionnaires filled by urban and rural respondents from the Kurukshetra district of Haryana, and secondary data is collected through journals, magazines, books, and the internet. For the study, the Convenience sampling method is used to collect information from 180 respondents.

4. REVIEW OF LITERATURE

Literature review is important to develop a framework and find the research gap related to the research work. Here, an attempt is made to study and collect information about Financial inclusion. Financial inclusion is one of the key aspects for the growth of a country by ensuring access to financial services to unreached masses at a reasonable cost (Prakash,2020). It helped in economic growth and poverty alleviation in the country (Ahmed&Singel,2020). Due to its significance in the current scenario, it has become a need of the hour around the globe (Ratnawati,2020). The United Nations (UN) set financial inclusion as one of the main goals to achieve sustainable development and enhance social, economic, and environmental development. Continuous efforts were made by every government to bring the excluded into the mainstream. As per the report of the World Bank, these efforts by the government result in a slight improvement in access to financial services (Ratnawati,2020). The Indian government is not an exception; continuous efforts were made by the government to provide access to everyone. During the last decade, a number of initiatives were taken by the banks under the supervision of the Reserve Bank of India (Potluri, 2018). One of the major initiatives was introducing the 'Pradhan Mantri Jan Dhan Yojana' in 2014, where anybody can open their accounts with a minimum balance. Despite various initiatives taken by the RBI and the Government of India since 2005 to have a strong financial system, statistics show that India's position compared to other countries is still dissatisfactory (Divya& Jahan,2020). Bendre& Singh (2017) in their paper mentioned that lack of literacy is one of the obstacles that makes it difficult to include everyone under the purview of the financial system. Several financial products and services are offered by banks and non-banking institutions, but still, people are not aware of them, which restricts their access. People need to be educated about various financial options available and how they can benefit from using them.

5. ANALYSIS AND DISCUSSION

Table 1 depicts the demographic profile of the sample. The demographic profile of the sample
is assessed based on the age, gender, income, marital status, and education.

Table 1: Demographic Profile of the Respondent

Sr No.	Demographic Variable		Frequency	Percentage
1	**Age**	20-30	38	21
		30-40	58	32
		40-50	50	28
		Above 50	34	19
2.	**Gender**	Male	96	53
		Female	84	47
3.	**Marital Status**	Married	120	67
		Un-Married	52	29
		Widow	8	4
4.	**Education**	Post Graduation	58	32
		Graduation	58	32
		12^{th}	36	20
		Below 12^{th}	28	16
5.	**Income**	Below 100,000	16	9
		100,001 – 200,000	22	12
		200,001 – 300,000	22	12
		300,001 – 400,000	28	16
		400,001 – 500,000	32	18
		Above 500,000	60	33

6.	**Profession**	Government Job	52	29
		Private Job	32	18
		Self Employed	32	18
		Housewife	10	5.5
		Farmer	22	12
		Day Wager	22	12
		Retired	10	5.5

Fig 1: Demographic Profile of the Respondent

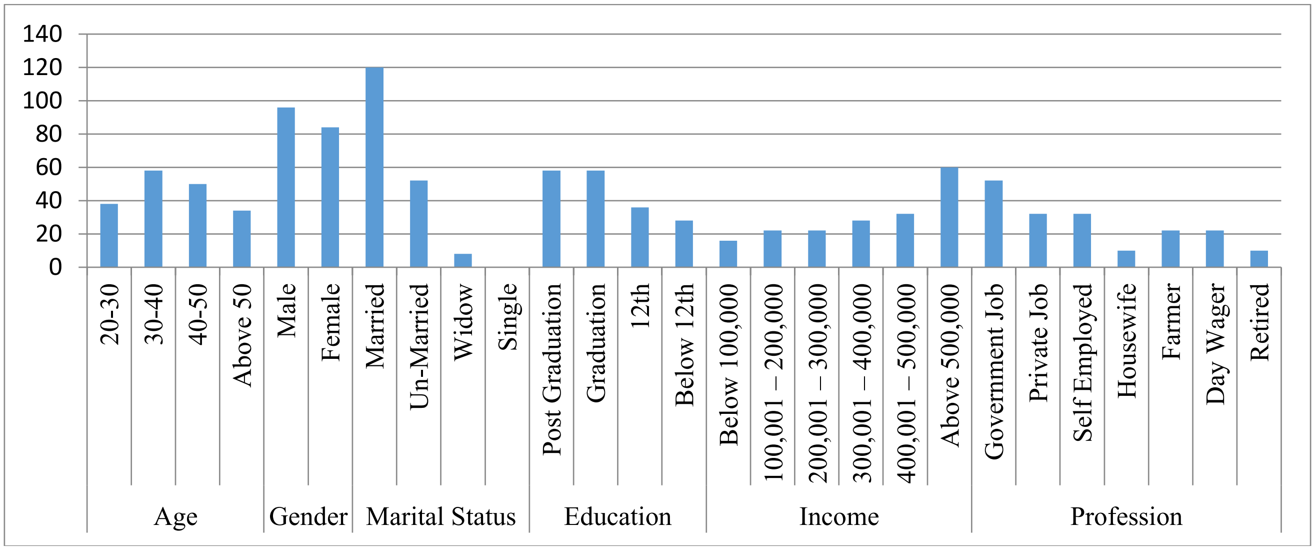
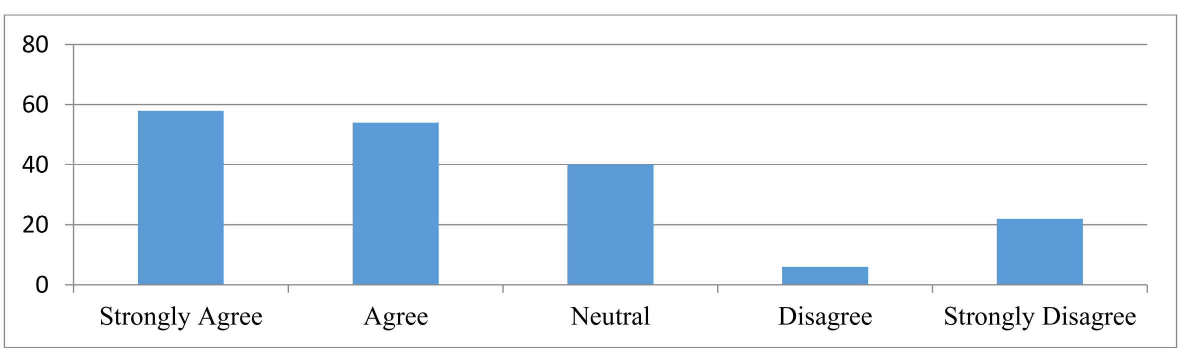


Table 1showed that out of the total sample of 180 respondents, males constitute 53% and females 47%. Respondents are selected from different age groups ranging from 20-30 (18%) to above 50 (19%). The maximum number of respondents was from the age group 30 to 40, i.e, 32%. Respondents also have different education levels, from post-graduation to those who have below 12th level of education. Also, respondents were categorized on the basis of profession and income, where an attempt was made to select respondents from different income groups and professions to have a fair and genuine sample. As far as income is concerned, respondents are selected from the meager income group (less than 1 lakh) to the above 5 lakh income group. An attempt has been made to include each and every section of society so that we can get a clear picture of the whole population.

Table 2: Financial Inclusion schemes help in improving the source of income

Opinion	No. of Respondents	% age of Respondent
Strongly Agree	58	32.2
Agree	54	30
Neutral	40	22.2
Disagree	6	3.4
Strongly Disagree	22	12.2

Fig 2: Financial Inclusion helps in improving the source of income

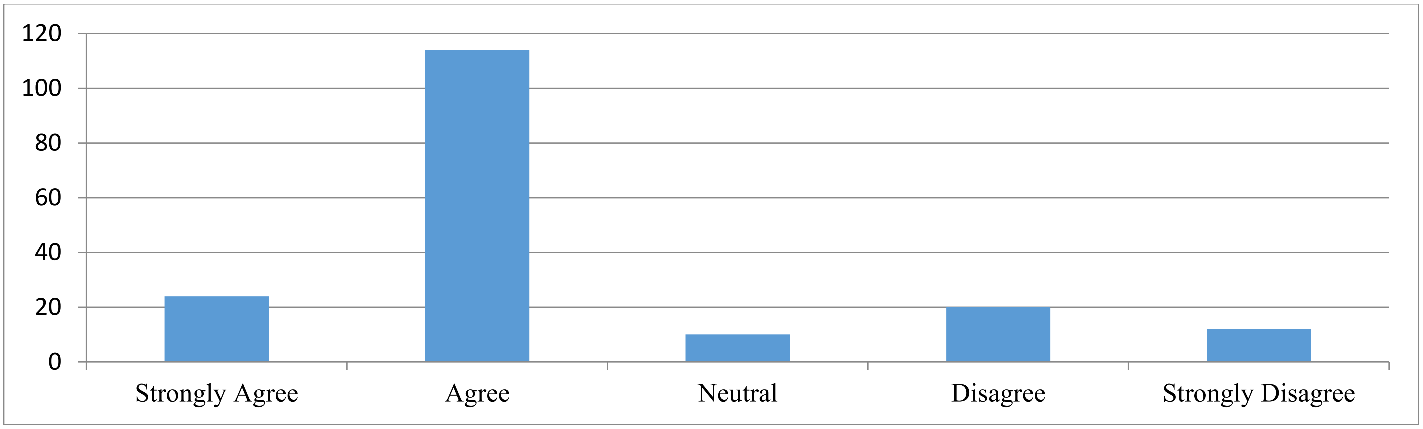


It is observed that most of the respondent, i.e., about one-third (32%), feel that financial inclusion helps improve their source of income. Similarly, 30% of respondents also agreed that the Same, while only 3% disagree that their source of income increased. So, overall, a major chunk (62%) feels that financial inclusion has a positive impact on their income.

Table 3: Financial Inclusion schemes helpful in removing poverty

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	24	13.3
Agree	114	63.3
Neutral	10	5.6
Disagree	20	11.1
Strongly Disagree	12	6.66

Fig 3: Availing Financial Inclusion and its determinants helps remove poverty

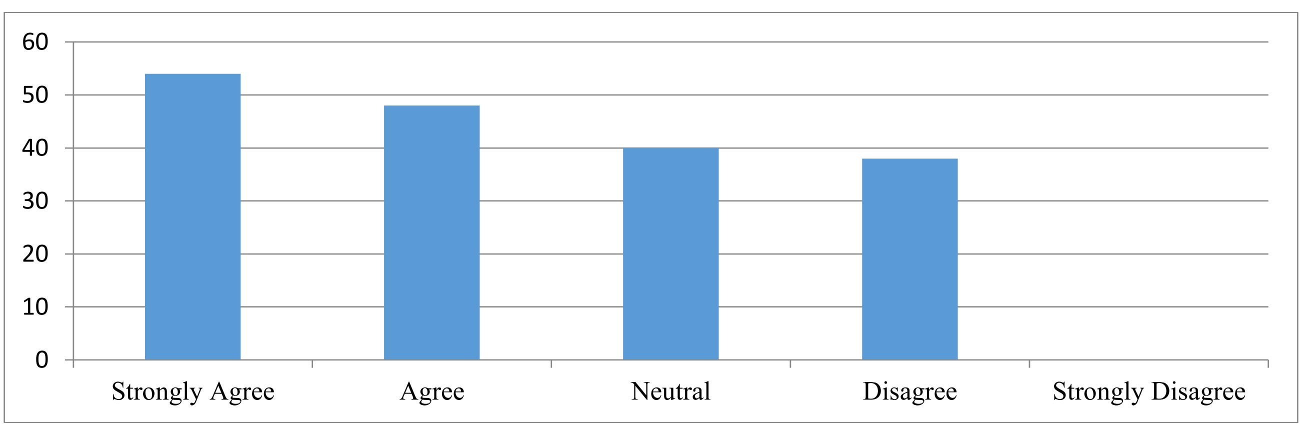


The table shows that 63.3% of people agree with the view that financial inclusion helps in removing poverty. A major portion Most respondents are on the positive side, confirming the eradication of poverty.

Table 4: Financial Inclusion helps to achieve financial goals

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	54	30
Agree	48	26.6
Neutral	40	22.22
Disagree	38	21.11
Strongly Disagree	0	0

Fig 4: Financial Inclusion helps to achieve financial goals

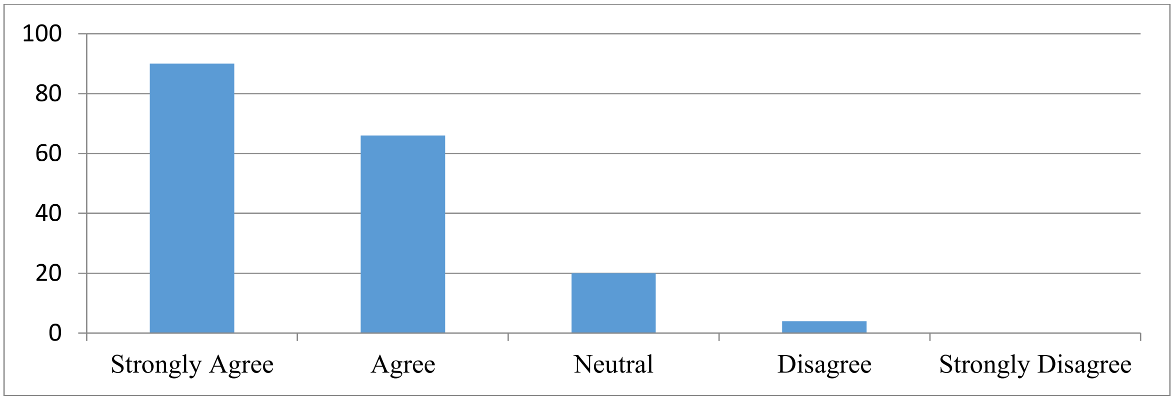


It is shown in this table that 30% of the respondents gave their positive responses towards financial inclusion, followed by 26% who agreed, and 21% of the respondents did not agree the opinion that the use of financial inclusion helps achieve their financial goals. Still, more than 50% on the affirmative side.

Table 5: Financial Inclusion has improved saving and consumption

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	90	50
Agree	66	37
Neutral	20	11.11
Disagree	4	2.22
Strongly Disagree	0	0

Fig 5: Financial Inclusion has improved saving and consumption

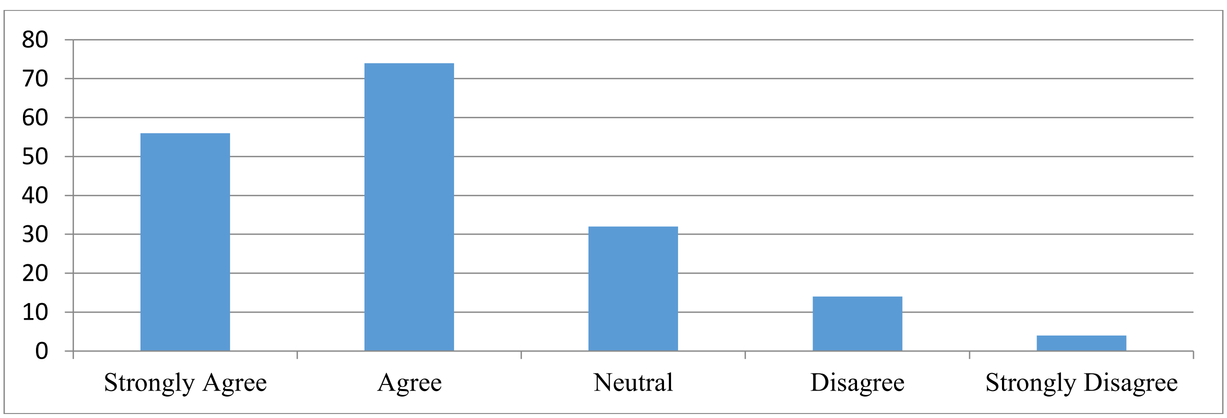


It is depicted that the majority of the respondents strongly believe that their savings and consumption improved due to the use of various financial services. Only 2% of the respondents Believe that their savings and consumption have not improved due to financial inclusion. So, a whopping 87% is in support of an increase in saving and consumption due to financial inclusion.

Table 6: Saving habits improve your income opportunities

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	56	31.1
Agree	74	41.11
Neutral	32	18
Disagree	14	8
Strongly Disagree	4	2.2

Fig 6: Saving habits improve your income opportunities

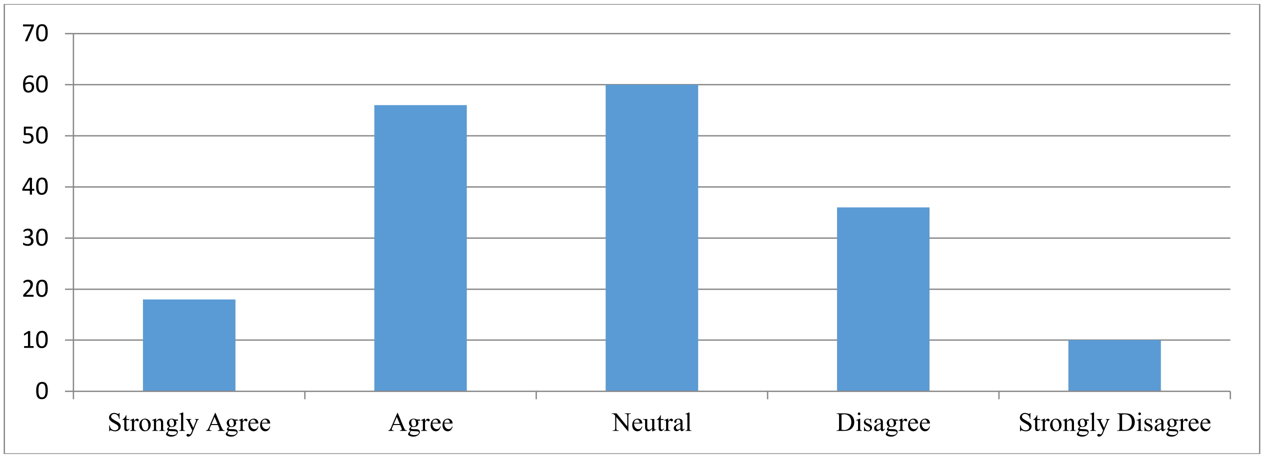


It is observed from the table that 31% of the respondents strongly agree and 41% of the respondents agree with the statement that the habit of saving results in improving their Income opportunities. On the other hand, 8% of the respondents did not agree with the statement, and 2% of the respondents contradicted the statement.

Table 7: Financial Inclusion increased my purchasing power

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	18	10
Agree	56	31.1
Neutral	60	33.3
Disagree	36	20
Strongly Disagree	10	5.5

Fig 7: Financial Inclusion increased my purchasing power



This table showed that only 10% of the respondent strongly believe that the financial inclusion initiative helps in improving their purchasing power, while 31% agree that their purchasing power increased. So, overall, 41.1% in favor and 25% respondents are against. Hence, financial inclusion has little effect on purchasing power.

Table 8: Availing insurance policies helped me to live a secure life

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	32	17.7
Agree	60	33.3
Neutral	24	13.3
Disagree	32	17.7
Strongly Disagree	32	17.7

Fig 8: Availing insurance policies helped me to live a secure life

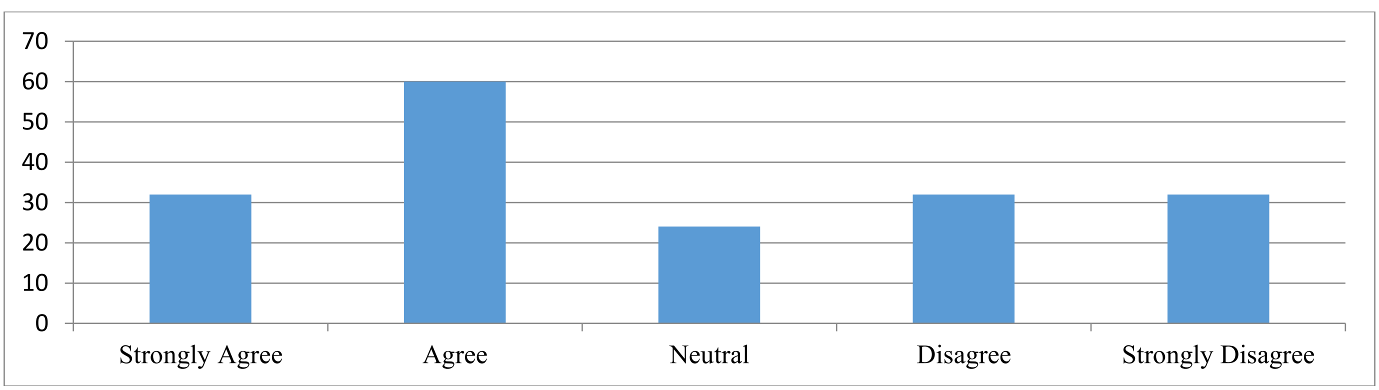


Table 8 shows that nearly 51% are of the view that an insurance policy helps them to live a secure life. So, people are aware of The value of insurance, and they know how to reap the benefits of insurance.

Table 9: Received loan helps to create an asset

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	20	11.11
Agree	40	22.22
Neutral	15	8.33
Disagree	44	24.4
Strongly Disagree	61	34

Fig 9: Received loan helps to create an asset

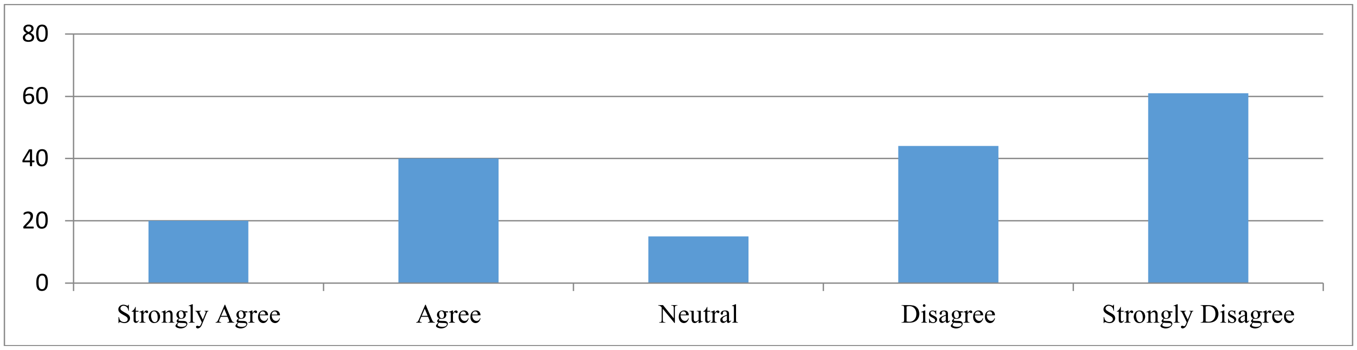


Table 9 shows that one-third of respondents have taken a loan to create assets. 11.11% are in strong support of the Loan, and 22.22% agree with this. However, nearly 59% of respondents are Not in favor of taking a loan for creating assets and depend only on their savings for asset creation.

Table 10: Use of technology helpful in better availing of financial services

Opinion	No. of Respondents	%age of Respondent
Strongly Agree	56	31.1
Agree	34	19
Neutral	30	17
Disagree	48	27
Strongly Disagree	12	7

Fig 10: Use of technology is helpful in better availing of financial services

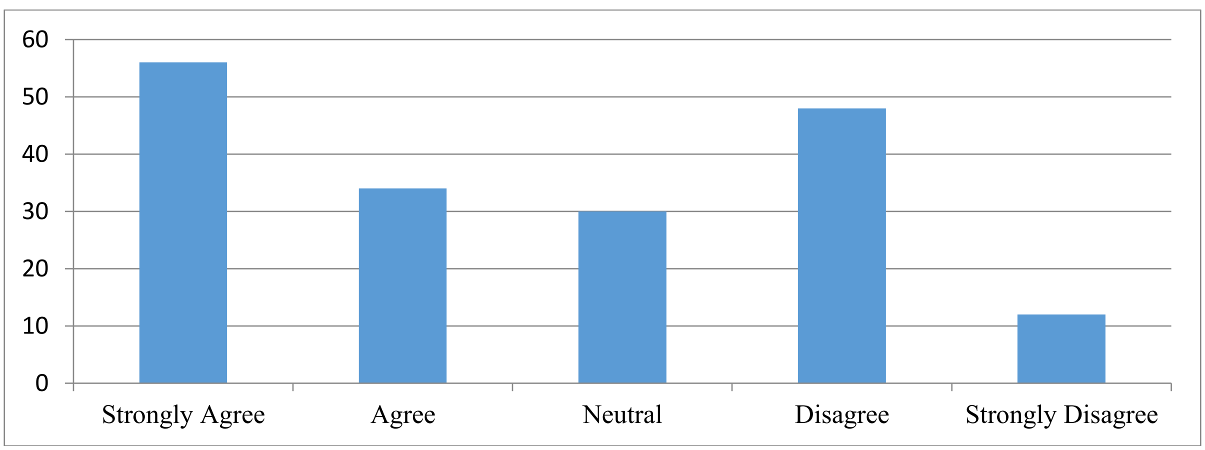


Table 10 depicts that 50% of respondents know the importance of technology in providing better financial services. So, the technological advancement has increased the scope of financial services.

6. FINDING

1. 62% of the respondents believe that financial inclusion helps to increase their income.
2. More than 50% of respondents agree that they can achieve their financial goal because of an increase in their savings.
3. 87% of the respondents are in favour of an increase in saving and consumption due to financial inclusion.

4. 31% of the respondents strongly agree, and 41% of the respondents agree that saving has improved their income opportunities.
5. Financial inclusion has little effect on the purchasing power of the respondent, as 25% were against the fact that financial inclusion increased their purchasing power.
6. Some portion of society is still unaware of the benefits of loans and insurance. So, some awareness program should be launched specifically for these people who are skeptical about financial inclusion. Despite technological advancement, we are unable to tap the full benefits of technology because some uneducated people are not tech-savvy, and they are afraid of using technology due to an increase in online fraud.

7. CONCLUSION

Financial Inclusion is providing banking and other financial services to all, so that everyone can enjoy the benefits of the financial system. Taking part in the financial system offered multiple benefits to not only individuals but also to the economy. Individuals are benefiting from savings to creating assets, and the economy benefits from maximum participation in the financial sector, creating demand, mobilizing funds, creating jobs, etc. Financial inclusion provides support to individuals to explore multiple options and has improved their standard of living. It is also found in this study that the majority of respondents from the Kurukshetra district of Haryana benefited.

From the services of the financial sector. But still, there are respondents who are not under the purview of the financial system. To ensure maximum participation, the banking and non-banking sectors should frame and implement policies that encourage and benefit the whole population. People must be made aware of cyber fraud and where to report it for the fast retrieval of their money in case of fraud.

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