

Financial Inclusion in Odisha: A Case Study of Ainthapali Village

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ABSTRACT

Unless growth is inclusive, the fruits of development get limited to a small section of the population. Financial inclusion is very important if the average Indian is to be benefitted from various government policies. The focus of the government in recent years has shifted from promoting Incredible India to building Inclusive India. Since financial inclusion is more about people and region lagging behind, the study can give insight into factors and state of financial exclusion at micro level. The paper focus on demographic, macro & micro situation, banking scenario, poverty status and socio-economic political situation with status of financial inclusion in Odisha with concern to Ainthapali village of Bargarh district.

Key Words: Financial inclusion, banking, poverty

Date of Submission: 25-06-2023

Date of Acceptance: 06-07-2023

I. INTRODUCTION

In the words of Pranab Mukherjee, the President of India, “Financial Inclusion is a key determinant of sustainable and inclusive growth, which in turn is essential for building an equitable society.” Both the 11th and 12th plan had inclusive economic growth as their primary objective. One of the typical reasons for persistence of poverty is financial exclusion. A society can be considered financially inclusive when all segments and strata of society have access to financial services. Though there are a few people enjoying some kinds of services from savings to net banking, still in our country around 20% of people lack access to even basic financial services like savings, credit and insurance facilities. The recent developments in banking technology such as Automated Teller Machine (ATM), credit / debit cards, internet banking, mobile banking, online money transfer etc. are restricted only to certain segments of the society. Our access to formal banking system is severely affected by factors related to culture, financial literacy, gender, income and assets, proof of identity, remoteness of residence and so on.

By financial inclusion we generally mean, a delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Rangarajan Committee 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.”

OBJECTIVES

To examine the relationship between socio-economic profile and financial inclusion of Ainthapali Village.

II. REVIEW OF LITERATURE

Pattanaik (2012) finds that lack of regular and substantial income is one of the reasons for the financial exclusion. People with low income do not qualify for a loan. The proximity of the financial services is another fact. The loss is not only the transportation cost but also the loss of daily wages for a low-income individual. Most of the excluded customers are not aware of the banks products, which are beneficial for them. Getting money for their financial requirements from the local lender is easier than getting a loan from the bank. Most of the banks need collateral for their loans. It is very difficult for low-income individual to find collateral for a bank loan. Moreover, banks give more importance to meeting their financial targets. Considering the ground of reality, lots of work need be done for including the rural people in the empowerment process in rural India.

Sultana (2013) primarily aims at understanding whether the present route of financial inclusion is matching with the expected direction of policymakers. The paper assesses the interrelationship between the variables such as age, level of education, awareness of informal sources of financing, and so on. The paper also highlights the customers' perspective on the functioning of the CSPs and their expectations for better satisfaction with the usage of the services.

Singh, Bhagirath & Mukesh Sharma (2018) examined the banking awareness and relationship with bank households in the Pratapgarh district and measures the impact of socio-economic status on financial inclusion in the area. The study is based on primary data but forms a strong theoretical base by using secondary data in support to substantiate primary data. The methodology such as Percentage, mean, and regression models are used in this study.

Shylaja, HN (2020) discuss the region wise bank branch expansion, distribution of bank branches according to population group, and bank wise expansion of commercial bank branches for the period 1986 to 2016. The methodologies used in this paper are Descriptive statistics, ANOVA, Levene's test and Post hoc Tukey's comparison test. The paper finds that there is a considerable increase in the access of banking services to the general public.

III. DATABASE AND METHODOLOGY

The data which are used to study the present study are primary in nature.

CHI-SQUARE

The Chi-square test of independence is one of the most widely used statistical techniques for hypotheses testing. Using this, we can determine whether there exists a significant relationship between two nominal (categorical) variables.

Null hypothesis: Assumes that there is no association between the two variables.

Alternative hypothesis: Assumes that there is an association between the two variables.

Hypothesis testing:

The formula for calculating a Chi-Square is:

$$X_c^2 = \frac{\sum(O_i - E_i)^2}{E_i}$$

Where

c =degrees of freedom

O_i =observed value(s)

E_i =expected value(s)

In the present study Chi-square test is conducted to study the association between socio-economic variables and financial inclusion. The socio-economic variables, and general particulars of HHs are: size of the HH, age, gender, caste, education, occupation, land size, and annual income. The financial inclusion parameters are: no. of accounts, deposit amount, and credit amount.

The village Ainthapali is located in Barpali Block of Bargarh district of Odisha, India. It is situated 4 km away from Barpali and 25 km away district headquarter Bargarh. The total geographical area of village is 223 hectares. The total population of Ainthapali is 1166, out of which male population is 611 and female population is 555. Literacy rate of this village is 69.30%, out of which 78.56% for males and 59.10% for females. There are total 292 households in the village.

TABLE-1 (SOCIO-ECONOMIC VARIABLES (IN PERCENT) OF AINTHAPALI VILLAGE)

SIZE OF THE HOUSEHOLD	1-3	86 (43)
	4-5	94 (47)
	6-7	16 (8)
	8 & ABOVE	4 (2)
	TOTAL	200(100)
AGE	18-30	13(6.5)
	31-45	77(38.5)
	46-60	56(28)
	61 and above	54(27)
	TOTAL	200(100)
GENDER	FEMALE	18(9)
	MALE	182(91)
	TOTAL	200(100)
OCCUPATION	Farmer	65(32.5)
	Agricultural Labour	10(5)
	Non-agricultural Labour	80(40)

	Own Business	30(15)
	Service	7(3.5)
	Others	8(4)
	TOTAL	200(100)
LAND SIZE	Landless	132(66)
	Below 1 acre	25(12.5)
	1 acre to 2 acre	20(10)
	2 acre to 3 acre	14(7)
	5 ACRES AND ABOVE	9(4.5)
	TOTAL	200(100)
CASTE	ST	40(20)
	SC	95(47.5)
	OBC	65(32.5)
	GENERAL	0(0)
	TOTAL	200(100)
EDUCATION	Illiterate	80(40)
	Below SSC	100(50)
	SSC	9(4.5)
	HSC	6(3)
	GRADUATE	4(2)
	Post Graduate	1(0.5)
	TOTAL	200(100)
Annual Income	0-25000	25(12.5)
	25000-50000	149(74.5)
	50000-75000	15(7.5)
	75000-100000	11(5.5)
	TOTAL	200(100)

Source: Primary Survey

Table-1 analyses the association between different socio-economic variables and financial inclusion. For this study, 200 HHs of Ainthapali village which is coming under an irrigated block Barpali of Bargarh district, is chosen. The above table shows the percentage of socio-economic variables which are collected by the researcher to study financial inclusion at the village level.

TABLE-2 (BANKING DETAILS (% OF RESPONDENTS))

NO OF ACCOUNTS	0	14(7)
	1-3	184(92)
	4-5	2(1)
	More than 5	0(0)
	TOTAL	200(100)
DEPOSIT AMOUNT	0	13(6.5)
	Below 50000	186(93)
	50000-100000	1(0.5)
	100000-200000	0(0)
	200000 above	0(0)
	Total	200(100)
CREDIT AMOUNT	0	17(8.5)
	Below 50000	182(91)
	50000-100000	1(0.5)
	100000-200000	0(0)
	200000 above	0(0)
	Total	200(100)

Source: Primary Survey

Table-2 shows banking details of respondents of Ainthapali village. It is observed from the above table that 92% of HHs have 1-3 number of accounts, 93% HHs have deposit amount below 50000, and 91% HHs have credit amount below 50000.

TABLE-3 (ROLE OF DIFFERENT FACTORS IN THE USE/ACCESS OF DIFFERENT BANKING SERVICES)

Employment Status	
Yes	114(57)
No	86(43)
Income	
Yes	180(90)
No	20(20)
Education	
Yes	170(85)
No	30(15)
Bank Charge	
Yes	150(75)
No	50(25)
Bank employees attitude and behaviour	
Yes	100(50)
No	100(50)
Documentation or identification	
Yes	180(90)
No	20(10)

Source: Primary Survey

Table-3 depicts role of different factors such as employment status, income, education, bank charge, bank employees attitude and behaviour, and document or identification, in the use of different banking services. It is observed from the above table that all the factors mentioned in the table are strongly affecting use of banking services.

TABLE-4 (RESULTS OF CHI-SQUARE TEST)

ASSOCIATION BETWEEN VARIABLES	
SIZE OF THE HH & NO. OF ACCOUNT	11.814*
SIZE OF THE HH & DEPOSIT AMOUNT	14.077*
SIZE OF THE HH & CREDIT AMOUNT	10.693
AGE & NO. OF BANK ACCOUNT	4.125
AGE & DEPOSIT AMOUNT	4.275
AGE & CREDIT AMOUNT	3.672
GENDER & NO. OF BANK ACCOUNT	1.720
GENDER & DEPOSIT AMOUNT	1.489
GENDER & CREDIT AMOUNT	0.326
CASTE & NO. OF ACCOUNT	6.867
CASTE & DEPOSIT AMOUNT	7.298
CASTE & CREDIT AMOUNT	11.371*
EDUCATION & NO. OF ACCOUNT	22.113*
EDUCATION & DEPOSIT AMOUNT	38.039*
EDUCATION & CREDIT AMOUNT	42.578*

(Author calculation) *represents the values are significant at 5% level of significance

Table-4 depicts the association between social variables, and general particulars with financial inclusion. This shows there is strong association between size of the HH & number of account, size of the HH & deposit amount, Caste & credit amount, education & number of account, education & deposit amount, and education & credit amount. It is also observed from the above table that there is no association between size of the HH & credit amount, age & number of bank account, age & deposit amount, age & credit amount, gender & number of bank account, gender & deposit amount, gender & credit amount, caste & number of account, and Caste & deposit amount.

TABLE-5 (RESULTS OF CHI-SQUARE TEST)

ASSOCIATION BETWEEN VARIABLES	
OCCUPATION & NO. OF ACCOUNT	9.735
OCCUPATION & DEPOSIT AMOUNT	8.832
OCCUPATION & CREDIT AMOUNT	9.380
LANDSIZE & NO. OF ACCOUNT	14.034
LANDSIZE & DEPOSIT AMOUNT	25.010*
LANDSIZE & CREDIT AMOUNT	26.549*
ANNUAL INCOME & NO. OF ACCOUNT	10.718
ANNUAL INCOME & DEPOSIT AMOUNT	19.792*
ANNUAL INCOME & CREDIT AMOUNT	19.985*

(Author calculation) *represents the values are significant at 5% level of significance

Table-5 shows the association between economic variables and financial inclusion. It is observed from the above table that there is no association between occupation & number of account, occupation & deposit amount, occupation & credit amount, land size & number of account, and annual income & number of account. The above table also shows there is significant relation between land size & deposit amount, land size & credit amount, annual income & deposit amount, and annual income & credit amount.

IV. CONCLUSION

During the reform period, there is higher growth in all sectors compared to previous decades. Service sector growth, in particular, is quite satisfactory. Economic Reforms cannot alone totally help the Indian economy to grow faster. Yes, it is true that after the economic reforms, in some sectors India is growing much faster compared to previous decades but it is seen that the growth has not been uniform in its effect on people. Large numbers of Indians remain poor and suffer from deprivation as the social sector indicators show. It is in this sense that it is argued that economic reforms in India have not been inclusive enough. Unless the benefits of growth reach a large section of the people, the economy cannot hope to sustain its growth. Inclusive growth seeks to broaden the flow of benefits of globalisation towards the currently excluded sections. The present study focuses on financial inclusion of Ainthapali village, which is coming under an irrigated block of Bargarh district of Odisha. The study concludes even if Ainthapali village belongs to an irrigated area, the result is not satisfactory. Some socio-economic variables are strongly correlated with financial inclusion parameters, but in most of the cases there is no association between financial inclusion and socio-economic variables.

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Mamatamayee Guru. "Financial Inclusion in Odisha: A Case Study of Ainthapali Village." *International Journal of Humanities and Social Science Invention (IJHSSI)*, vol. 12, no. 7, 2023, pp. 29-33. Journal DOI- 10.35629/7722