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A Study on the Impact of Financial Inclusion on Poverty Alleviation with Special Reference to Bangalore South

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Abstract

Finance is an essential part of any economy for development of society as well as development of nation. Strong financial system of a country will lead to better development of the economy of the country. Any country weather developing, under developing or developed need to have a good financial system. Financial inclusion will help the country to have a better financial system. Financial inclusion means that individual and a business access to useful and affordable financial products and services that meets their needs. This paper studies about poverty alleviation through financial inclusion in Bangalore south. Both primary and secondary data have been used to analyze the impact of financial inclusion on poverty alleviation. To study the initiatives taken by various banks to reduce poverty through financial inclusion.

Keywords: Financial inclusion, financial system, poverty alleviation.

Financial inclusion

Financial Inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet their needs those are delivered in a responsible and can be able to maintain at a certain way. Financial inclusion is defined as the availability and equality of opportunities to access financial services.

Definition of financial inclusion

Financial inclusion can 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.

-The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan.

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Review of literature

1. **Paramjit Sujlana & Chhavi Kiran (2018)** have analyzed the paper by using various annual reports of the RBI, Ministry of finance and World Bank. With the main objective of finding the status of financial inclusion in India in few years. He have given certain suggestions to RBI to pass more policy to improve financial inclusion responsibility in banks. They says that the quality of finance must be increased in rural areas as it increases the growth of their livelihood. They also say that financial inclusion is in the progressive stage in India as more number of people have started using ATM's, Immediate Payment Services (IMPS) and mobile banking.
2. **Mr. Sanjay M Sakariya& Dr. Neelima Rupare (2018)** have studied the paper by using various literature review to understand the role of financial inclusion in India and identifies the key factor for smooth implementation of financial inclusion strategy in India. They have explained about the indicators of measuring the financial inclusion and how they are used to conduct a survey on financial inclusion according to the World Bank (2015). For the easy understanding they have collected secondary data from various journals which explains financial inclusion using factors and variables.
3. **Sunil B. Kapadia & Venu Madhav (2018)** have studied the initiatives taken by various financial institutions to improve financial literacy and credit counseling in India. They have studied the different research papers and articles to present the paper effectively, and have compared with the earlier aspect with the present aspect of financial inclusion. They also say that only when stakeholders are engaged in the operation the financial inclusion will be successful.
4. **Dr. Gomathy Thyagarajan & Prof. Jyoti Nair (2016)** have studied the full paper by literature review in which they have investigated the level of awareness about financial inclusion in India. They have explained about the role of RBI, banks in improving financial inclusion in India. They have also examined the barriers of financial inclusion. They have concluded the paper by saying the financial inclusion can be achieved even in financial excluded population by mobile phones as it is a wide spread availability.
5. **Sonu Garg & Dr. Parul Agarwal (2014)** have focused on approaches adopted by various Indian banks in achieving financial inclusion for inclusive growth in India and analyzed past year progress and achievements in reaching the unbanked areas under financial inclusion. They have explained the approaches adopted by banks, regulatory bodies and various government initiatives to achieve financial inclusion. They have concluded the paper by saying that the efforts of the regulatory bodies, banks and government are not yielding the result that they have expected.

Objectives of the study

1. To understand the concept of Financial inclusion
2. To know the steps taken by various institution to reduce poverty by Financial Inclusion.
3. To identify the impact of Financial Inclusion in poverty alleviation in Bangalore south.

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Statement of the problem

Bangalore is the fast growing city in India. Capital of Karnataka is Bangalore. Nearly 1 million people in Bangalore falls under category of poor. Financial inclusion is used to have a better financial system. Pradhan Mantri Jan DhanYojana (PMJDY) is a financial inclusion program of Indian government open to Indian citizens to have a better access to financial services. Alleviating

Poverty is being a hardship in India. Financial inclusion plays the key role in poverty alleviation.

Sustainable implications

Government authorities, RBI spend more money on financial activities. Whether the efforts are benefit or not have not been studied by many. Very meager studies are conducted on impact of financial inclusion. It will help the participants of financial inclusion to design or redesign the strategies of financial inclusion plane.

Originality

The descriptive research methodology is used to carry out the present study. The research is based on both primary and secondary data. Primary datais collected from structured questionnaire. The secondary data is collected from journals, articles, newspapers, and government publications.

Convenient sampling method is used to select the samples. Data has been collected from 50 respondents. Simple average technique is used to analyze the data. Data is visually presented by using tables and bar graph, pie chart, line graph etc.

Limitation of the study

1. The study is restricted within the area of Bengaluru South.
2. The study is limited with 50 sample units.
3. The study is made for short period of time.
4. The analyses in done based on respondents perception.

Research methodology

Type of research: A descriptive research method is used.

Sampling

- Sample size: Sample size of 50.
- Sample unit: Individuals who are part of financial inclusion.
- Sample description: Individuals of different age group, qualification and occupation are surveyed.
- Sample technique: For conducting the study convenient sampling technique is used.

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History of financial inclusion in India

In the Indian context, the term 'financial inclusion' was used for the unprecedented in April 2005 in the Annual Policy Statement introduced by Y. Venugopal Reddy, the then lead representative, Reserve Bank of India. Later on, this idea made strides and came to be broadly utilized in India and abroad. While perceiving the worries concerning the financial practices that will quite often avoid as opposed to drawing in huge segments of populace, bank were asked to survey their current practices to adjust them to the target of financial inclusion. The Report of the Internal Group to Examine Issues connecting with Rural Credit and Microfinance (Khan Committee) in July 2005 drew strength from this declaration by Governor Y. Venugopal Reddy in the Annual Policy Statement for 2005-06 wherein he had communicated profound worry on the exclusion of huge segment of the population from the formal financial system. In the Khan Committee Report, the RBI exhorted the financial institutions with a view to accomplish more financial inclusion to make accessible a basic "no-frills" banking account. Khan Committee suggestions were established into the mid-term review of the policy (2005-06). Financial inclusion again shaped later in 2005 when it was used by K.C. Chakraborthy the administrative head of Indian Bank. Mangalam, Puducherry was the first village in India where all households were made available of banking facilities. Standards became less strict for people planning to open accounts with annual deposits of less than Rs. Fifty thousand. General credit cards (GCCs) were given to the poor and the unfavorable with a notion to help them access easy credit. In January 2006, the Reserve Bank gave permission to commercial banks to make use of the services of micro-finance institutions, non-governmental organizations (SHGs/NGOs), and other civil society organizations as intermediaries for furnishing financial and banking services. These intercessors could be used as business facilitators or business correspondents by commercial financial institutions. The bank asked the commercial financial institutions in different regions to start a 100 percent financial inclusion compaign on a trialbasis. As a result of the campaign, states or union territories such as Puducherry, Himachal Pradesh and Kerala declared 100 percent financial inclusion in all their districts. The Indian Reserve Bank vision for 2020 is to open nearly 600 million new customer accounts and service them through a variety of channels by leveraging on IT. However, low income savings, illiteracy and lack of bank branches in rural areas continue to be a drawback to financial inclusion in many states and there is less legal and financial structure.

The government of India declared "Pradhan Mantri Jan Dhan Yojn" a national financial inclusion mission which targeted to provide bank accounts to at least 75 million people by January 26, 2015. To achieve this development, it is necessary for both service providers and policy makers to have fluently available information outlining gaps in access and influencing tools that help to understand the context at the district level.

More startups are working for maximizing Financial Inclusion in India by arranging various large unorganized sectors where payments primarily happen in Cash, instead of a bank transaction.

Pradhan Mantri Jan DhanYojana

This scheme was announced by Indian Prime Minister Narendra Modion his first Independence Day speech on 15th August 2014for comprehensive financial inclusion. On 28th of August 2014

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the scheme was launched. With the target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rupees five thousand after six months and RuPay Debit card with inbuilt accident insurance cover of Rupees 1 lakh and RuPayKisan Card and in next phase, pension and micro insuranceetc. will also be added. In a run up to the formal launch of this scheme, the Prime Minister in person mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 75 million (7.5 crore) households and to open their accounts. In this email he categorically announced that a bank account for each household was a "national priority".

On the day of inauguration of the scheme, 15 million (1.5 crore) bank accounts were opened.

Objective of Financial Inclusion

The objective of financial Inclusion is to reduce the problem that exclude people from being active in the financial sector and make financial services available to them to meet their specific needs without any kind of discrimination.

Importance of Financial Inclusion

1. Using fingerprint authentication banking facilities like cash payments, cash receipts, balance enquiry and statement of account can be finished for the country side populations. By giving an internet based receipt to the clients, the certainty of satisfaction is given.
2. More money is brought into the banking system by reduction in cash economy.
3. Financial Inclusion starts the propensity to save, subsequently increasing capital formation in the nation and giving a monetary lift.
4. Provided possibility of direct cash transfer to the client bank account rather than actual money payment. This additionally guarantees that the funds rally arrive at the planned beneficiaries instead of being siphoned off along the way.
5. Availability of enough and clear credit from formal financial channels will develop the entrepreneurial spirit of the people to expand result and development in the rural side.

Challenges to Financial Inclusion

1. The first and foremost challenge of financial inclusion is there is requirement in developing the knowledge about Financial literacy.
2. As Indian literacy rate is less before the decades there is lack of indentification documents among the people who wish to open a bank account.
3. Consumer Protection.
4. The other challenge that is faced in financial inclusion is that the rural poor and inequality among the people.
5. Developing the use of the Transaction Account.

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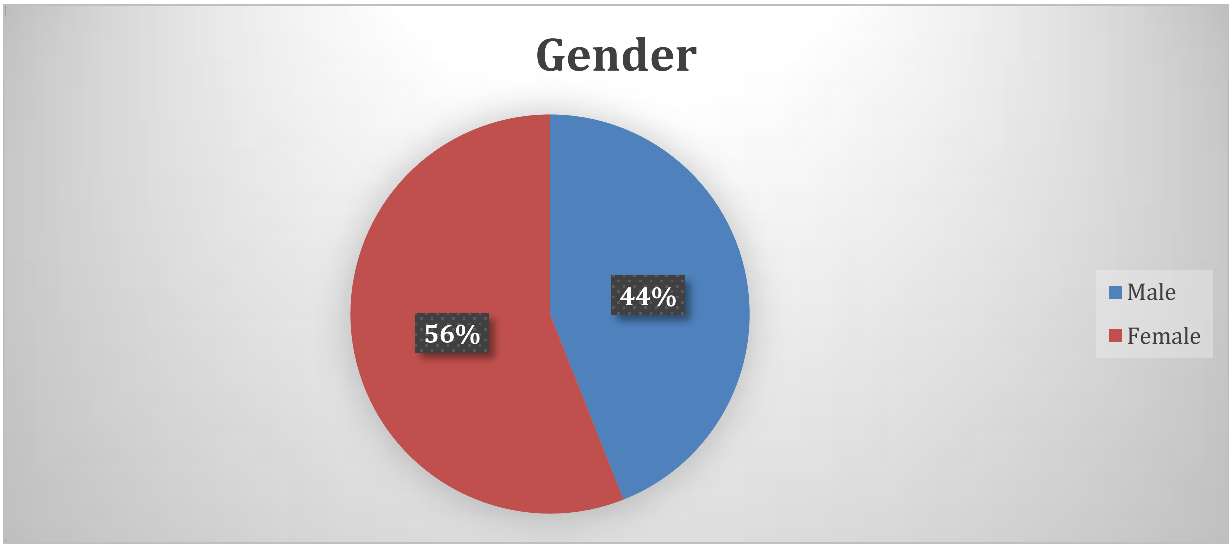
Table 1.Showing the gender of the respondents

Gender	No of respondents
Male	22
Female	28
Total	50

Source: Primary source

Among 50 respondents 22 respondents are male and the other 28 respondents are female respondents.



Source: Primary source

Graph 1.Showing the gender of the respondents

Hence in overall 100 percent of the respondents, 56 percent of the respondents are female and the other 44 percent of the respondents are male.

Table 2.Showing occupation of the respondents

Occupation	No of respondents
Daily Wages	33
Private employee	6
Business/Self employed	4
House wife	4
Others	3
Total	50

Source: Primary source

In 50 respondents 33 respondents are daily waged, 6 respondents are private employee, 4 respondents are self-employed and house wife and the other 3 are others.

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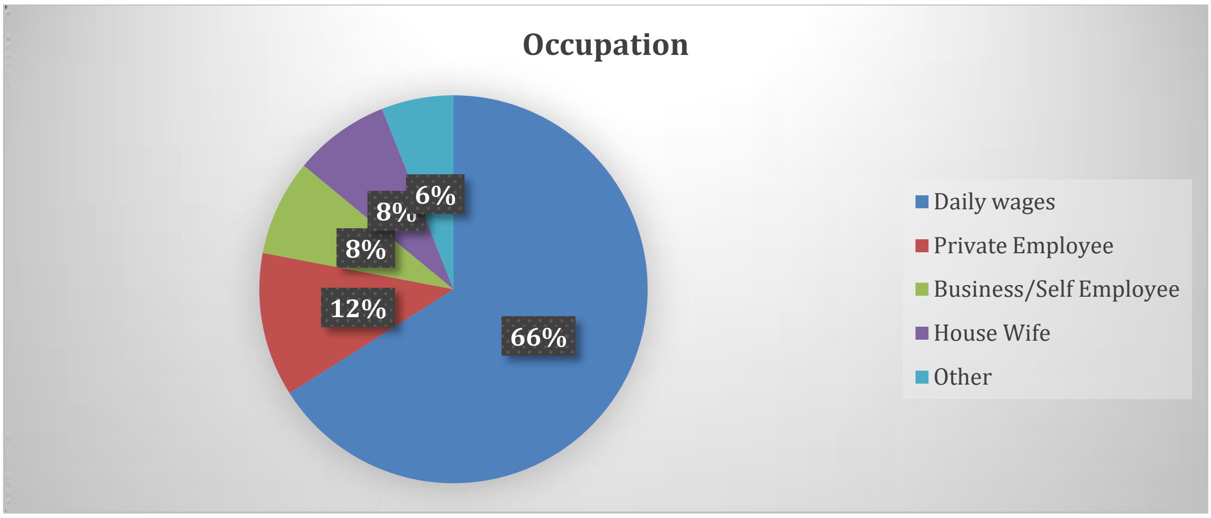


Source: Primary source

Graph 2.Showing occupation of the respondents

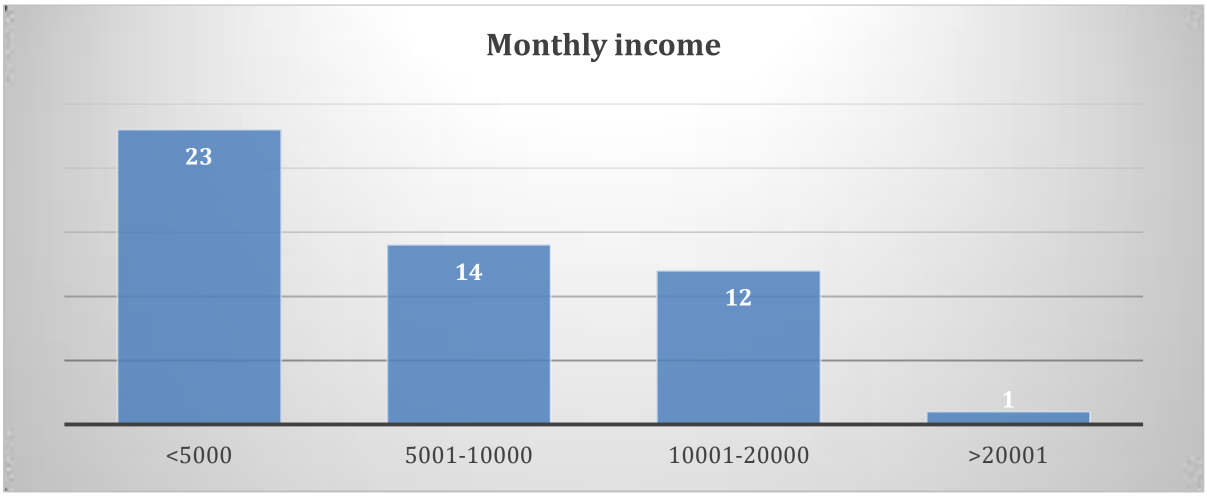
Most of the respondents are daily waged among 50 respondents that is 66percent of them are daily waged employees. In the second place private employees that is 12percent. Self-employed are 8percent and house wives are also 8percent and the other 6percent are others.

Table 3.Showing the monthly income of the respondents

Monthly income	No of respondents
<5,000	23
5,001-10,000	14
10,001-20,000	12
>20,000	1
Total	50

Source: Primary source

23 respondents are earning less than 5,000 per month in next level 14 respondents are earning more than 5000 but less than 10000. 12 respondents earn more than 10000 and less than 20000. Only one respondent earns more than 20000.



Source: Primary source

Graph 3.Showing the monthly income of the respondents

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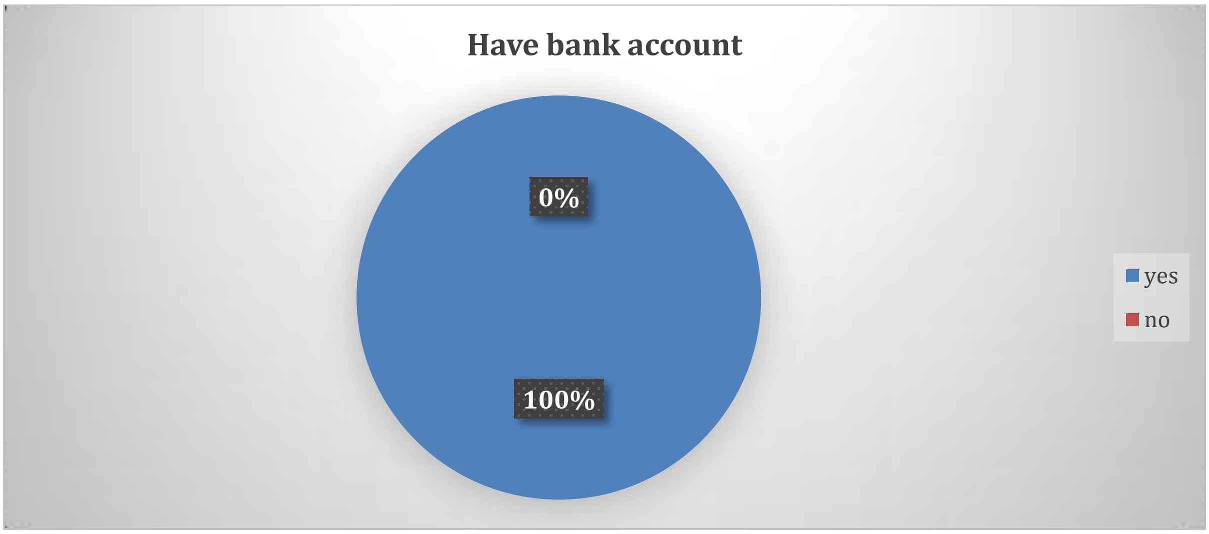
46percent of the respondents earn less than 5000 rupees per month. 28percent of the respondents earn between 5001 and 10000. 24percent of the respondents earn between 10001 and 20000. 2percent of the respondents earn more than 20001.

Table 4.Showing have a bank account

Have bank account	No of respondents
Yes	50
No	0
Total	50

Source: Primary source

From the above table we could find that all the respondents have bank account, among 50 respondents.



Source: Primary source

Graph 4.Showing have a bank account

100 percent of the respondents have bank account among 50 respondents.

Table 5.Showing reason for opening bank account

Reasons	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Total
Increase savings				12	38	50
Helps to lead a comfortable life	10		12		28	50
Increases total income	28	22				50
Increases standard	10	11	14	15		50

Source: Primary source

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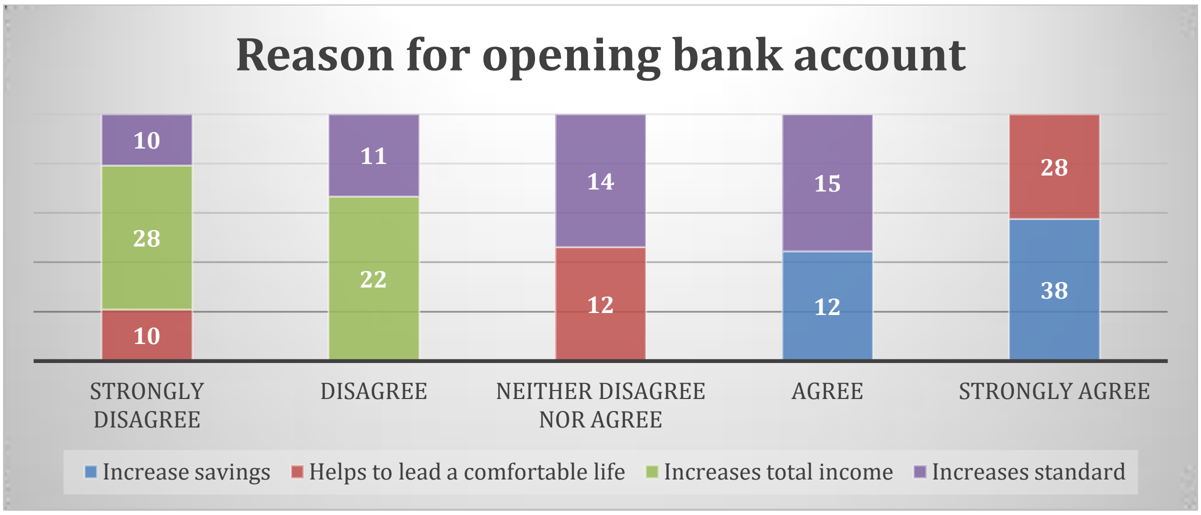

Source: Primary source

Graph 5.Showing reason for opening bank account

38 respondents strongly agree that they have open the bank account to increase saving. 12 respondents agree that they have open bank account to increase saving. 28 respondents strongly agree it helps in leading comfortable life. 12 respondents neither agree nor disagree that it helps in leading comfortable life. 10 respondents strongly disagree that it helps in leading comfortable life. 28 respondents strongly disagree that financial inclusion increases total income. 22 respondents disagree to this statement. 10 respondents strongly disagree that it increases standard. 11 respondents disagree. 14 members neither agree nor disagree and the other 15 respondents agree to this statement.

Table 6.Showing financial inclusion reduces poverty

Financial inclusion reduces poverty	No of respondents
Yes	17
No	33
Total	50

Source: Primary source

17 respondents say financial inclusion reduces poverty and the other 33 respondents say that financial inclusion not reduces the poverty.

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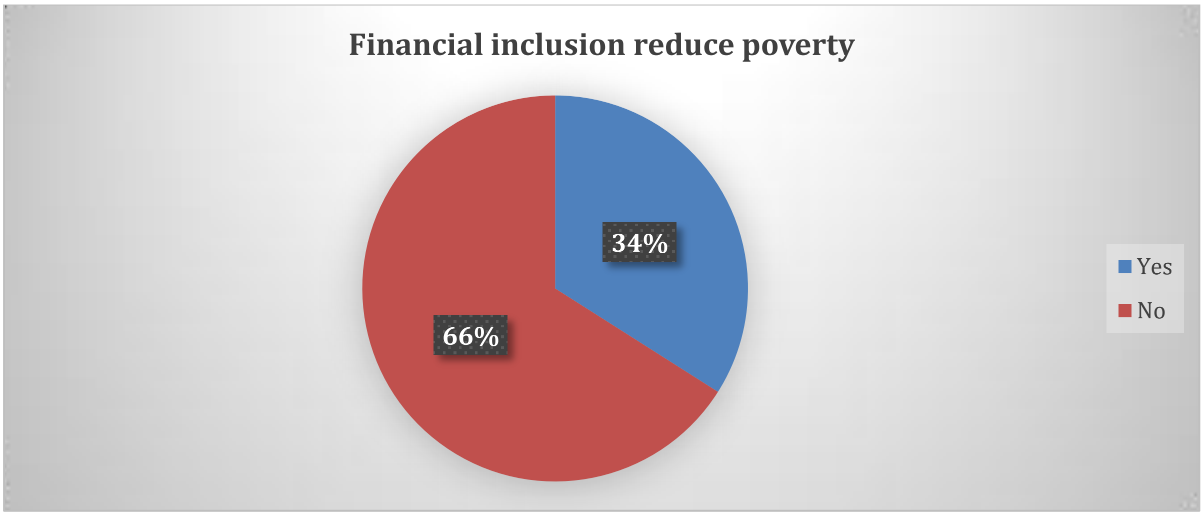


Source: Primary source

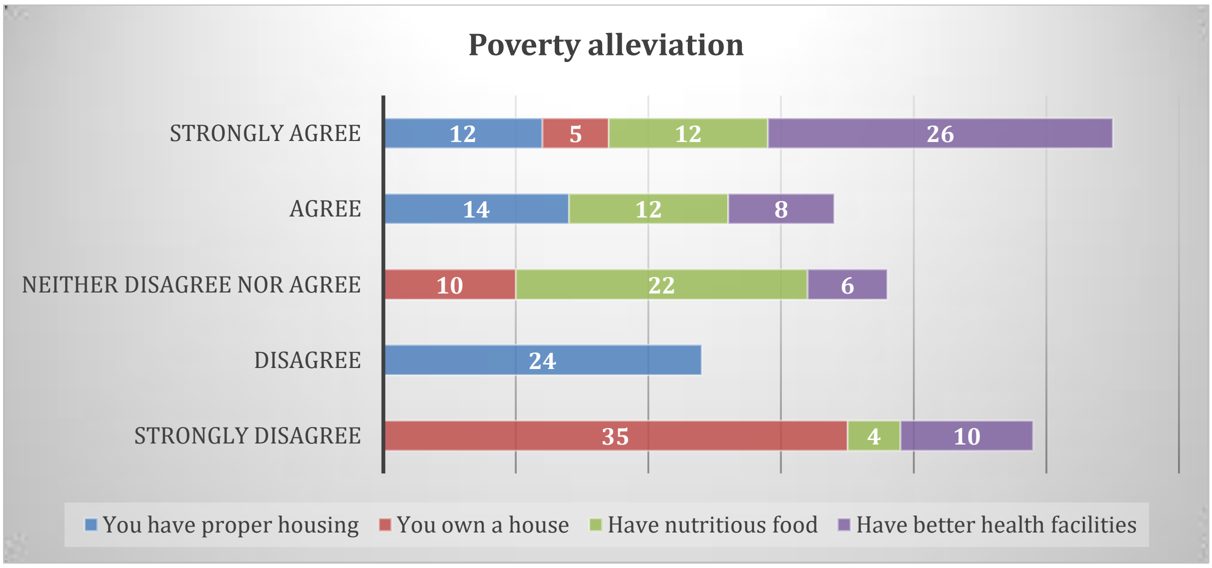
Graph 6.Showing financial inclusion reduces poverty

66percent of the respondents say financial inclusion not reduces the poverty. 34percent of the respondents say it reduces poverty level.

Table 7.Showing poverty alleviation

Poverty alleviation	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree	Total
You have proper housing		24		14	12	50
You own a house	35		10		5	50
Have nutritious food	4		22	12	12	50
Have better health facilities	10		6	8	26	50

Source: Primary source



Source: Primary source

Graph 7.Showing poverty alleviation

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24 respondents disagree that they have proper housing. 14 agree that they have proper housing. 12 respondents strongly agree that they have proper housing facility. 35 respondents strongly disagree that they have own house. 10 respondent neither disagree nor agree. 5 respondents strongly agree that they have own house. 4 respondents strongly disagree that they have nutritious food. 22 respondents neither agree nor disagree. 12 respondents agree that they have nutritious food. 12 respondents strongly agree that they have nutritious food. 10 respondents strongly disagree that they have better health facilities. 6 respondents neither agree nor disagree. 8 respondents agree that they have better health facilities. 26 respondents strongly agree that they have better health facilities.

Major findings

Financial inclusion is distinct factors of poverty alleviation. When considered the other factors such as income of the person, employment opportunities, government expenditure of the nation it is the key factor of reducing the poverty but not the sole factor of poverty alleviation.

Conclusion

The paper can be concluded that all the respondents have a bank account. Financial inclusion have not reduced the poverty level but some of the respondents says that financial inclusion helps in reducing the poverty level, by the study we could conclude that the respondents perception towards opening a bank account is to increase their savings. With help of PradhanMantri Jan DhanYojana most of them have open their bank account. Financial inclusion being a factor of reducing poverty but not the sole or key factor for reducing the poverty in Bangalore south.

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