FINANCIAL INCLUSION AS A TOOL OF UPLIFTMENT OF VULNERABLE SECTIONS: EVIDENCE FROM WAYNAD DISTRICT OF KERALA

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ABSTRACT

Financial Inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income group. The lower income category has been having under the constant shadow of financial duress mainly because of absence saving. The study is intended to throw a light on impacts of Financial Inclusion on Socio Economic development among SC/ST Community through Self- Help Groups in Wayanad district of Kerala, India. Financial inclusion is the only way the country can ensure all its citizens benefit from its comparatively healthy GDP growth rates. The study proved that there is a remarkable hike in the income level, pattern of consumption and social involvement after joining Self Help Groups. The study found that with this initiative the poorer sections of the society will get benefit from their development and growth.

Key Words: Financial Inclusion, Self Help Groups, Vulnerable Sections, Upliftment, Bank Linkage Programme

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Introduction

Financial inclusion denotes delivery of banking services at an affordable cost to vast sections of the disadvantaged and low income groups. Access to finance by the poor and vulnerable groups is a perquisite for poverty reduction and social cohesion. In fact providing access to finance is a form of empowerment of the vulnerable groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit the attempt must be lift the poor from one level to another, so that they come out of poverty.Financial inclusion is a state in which all people have access to appropriate, desired financial Products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer and financial access on the part of product, Services and advice suppliers" (Transact, the national forum for financial inclusion, 2007).The effort of all institutions both financial and developmental is aimed at encouraging inclusion. The use and access of financial services has been at the stem of study for major regulatory financial institutions. Some developed countries report annually on the level of access of finance for economic and social developments.

The Indian banking system will have to deliver on the plan for financial inclusion, the system, which demonstrated its resilience in the face of the recent global financial crisis, should adopt strong and urgent measures to reach the unbanked segment of society and unlock their savings and investment potentials. An inclusive financial system has several merits. It facilitates efficient allocation of productive resources and, thus can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day-to-day management of finances. An inclusive financial system can help reduce the growth of informal sources of credit (such as money lenders), which are often found to be exploitative. The importance of an inclusive financial system is widely recognized in the policy circle, and recently financial inclusion has become a policy priority in many countries. Initiatives for financial inclusion have come from the financial regulators, the governments, and the banking industry.

Statement of the Problem

Financial inclusion is the road which India needs to travel towards becoming a global player. Financial inclusion has been one of the top priorities of the reserve bank during the recent years. The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society into the fold of banking services. Financial inclusion can truly lift the financial condition and standards of life of the poor and disadvantaged.

The study is to find solutions for the following questions.

- Does the financial inclusion helps for uplifting the SC/ST community in the Wayanad district?
- How far the financial inclusion affected the social life this community?

Objectives of the Study

1. To study the impact of financial inclusion efforts among SC/ST community.

Hypothesis

- There is no change in the average monthly income before and after joining Self Help Groups
- There is no significant improvement in income related aspects like employment level of and consumption pattern after joining Self Help Groups

Scope and Significance of the Study

Financial inclusion mainly focuses on the poor who do not have formal financial institutional support and getting them out of the clutches of local money lenders. As a first step towards this, some of our banks have now come forward with general purpose credit cards and artisan credit cards which offer collateral-free small loans. The RBI has simplified the KYC (know your customer) norms for opening a No frill account. This will help the low income individual to open a 'No Frill' account without identify proof and address proof. Financial inclusion is a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and new business models to reach them. The study is important because wide range of efforts were put to add socially backward people to financial service networks such as banking, micro finance etc... Financial inclusion will help in financial literacy and thereby empowerment of weaker community which is very vital for nation's development. This research study is conducted to study whether financial inclusion leads to usage or influence financial behavior.

Methodology and Data base

Method of the Study

The study was descriptive in nature which is based on both primary as well as secondary data.

Sources of Data

The data required for the study were collected both from secondary and primary source.

Sources of Secondary Data

The secondary data required for the study were collected from Journals, Periodicals, Newspapers, Research Dissertation, Official records, Published reports of similar projects and Websites

Sources of Primary Data

The study is mainly based on primary data. The primary data were collected directly from 100 respondents from selected SC/ST Community through a presented interview schedule specially developed for the study.

Sampling

A multistage sampling and judgment sampling method was adopted for the study. The data were selected by the method of simple random sampling. Finally a total of 100 families were selected for the study.

Analysis and Discussions

Socio- economic impact of Financial Inclusion through Self-Help Groups

Data is collected from a sample of 100 households through simple random sampling method. The socio economic impact is measures by considering Income and saving and consumption pattern of families. The detailed analysis is given below:

Table: 1 Socio – Economic status of households

Particulars	**Frequency**	**Percentage**
Level of education		
Illiterate	15	15.0
Primary	5	5.0
High school	20	20.0
+2	56	56.0
Degree above	4	4.0
Total	100	100.0
Occupation		
Agriculture	10	10.0
Daily labour	79	79.0
Salaried	3	3.0
Self employed	8	8.0
Total	100	100.0
Marital status		
Married	90	90.0
Unmarried	6	6.0
Widow	4	4.0
Total	100	100.0
Age group		

Up to 20	4	4.0
20-30	80	80.0
40 above	16	16.0
Total	100	100.0

Source: Primary data

Interpretation:

Most of the households are literate. Only 15% are illiterate.56% of the respondents have education qualification below high school. Majority of respondents, 79% are daily labour and followed by employed in agriculture 10%. There are no regular salaried workers.

Household Income.

The monthly incomes of the households are anlaysed. The table given below shows the income of households before and after joining SHGs.

Table No: 2-Income per month of respondents

Income per Month	Before SHG		After SHG	
	Frequency	Percentage	Frequency	Percentage
Below Rs 5000/-	5	5.0	8	9.0
Rs 5000 – 10000	64	64.0	73	73.0
Rs10000 – 15000	15	15.0	18	18.0
Non response	16	16.0	1	1.0
Total	100	100.0	100	100.0

Source: Primary data

From the table it is clear that number of people in the income of below 5000/- have increased from5% to 8%. People have in the income of 5000 – 10000 have increased from 64% to 73%. 15% to18% of members have included in the income of 10000- 15000/-. The income of the households was collected for the pre and post SHG periods. Hence the increase in income may or may not be due to SHG activities. Monthly income of surveyed families is shown in Table No: 2

.An analysis of monthly income of households revealed that, average monthly income of households increased over post SHG situation.

Table: 3- Result of Paired t-test

Paired Samples Statistics					
	Variable	Mean	N	Std. Deviation	Std. Error Mean
Before SHG	Income per month	2.1000	100	.50252	.05025
After SHG	Income per month	3.0900	100	.51434	.05143

Paired Differences						t	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Income per month	-.99000	.10000	.01000	-1.00984	-.97016	-99.000	99	0.000

Significant at 5% level

Interpretation:

The result of paired t-test at 5% level of significance shows that there is a significant difference between monthly income in pre and post SHG situation. The null hypothesis is that the average monthly income is same before and after joining SHGs. The Table 3 shows a t-statistic of -99.000 degree of freedom, which is less than 5% level of significance. The two-tailed p-value is 0.000. From the above table gives the p- value of income per month is less than α, so we reject the null hypothesis of income per month. Hence it is concluded that the average monthly income has changed in post SHG situation.

Sources of Income

There are number of activities in which housed hold members engaged themselves to derive income. The respondents and their family members earned income from several sources. The distribution of household income by sources in pre and post-SHG period is given in Table 4.

Table: 4 Sources of Income

Sources of Income	Before SHG		After SHG	
	Frequency	Percentage	Frequency	Percentage
Agriculture	1	1.0	5	5.0
livestock	16	16.0	27	27.0
Wages	5	5.0	10	10.0
Self employment	15	15.0	35	35.0
Benefit from Government	16	16.0	21	21.0
Non Response	47	47.0	1	1.0
Total	100	100.0	100	100.0

Source: Primary data.

Interpretation:

From the above data it is clear that number of people in the source of income depends on self employment increased 15% to 35% after joining the SHG. People have in the source income of agriculture and livestock have increased from 1% to 5% and 16% to 27% and benefit from government increased 16% to 21% respectively after joining SHG.

Table: 5 Result of Paired t-test

Paired Samples Statistics					
	Variable	Mean	N	Std. Deviation	Std. Error Mean
Before SHG	Sources of Income	2.4300	100	2.01357	.20136
After SHG	Sources of Income	4.1900	100	2.44228	.24423

	Paired Differences							
Variable				95% Confidence Interval of the Difference				
	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Sources of Income	.76000	3.28178	.32818	.10882	1.41118	2.316	99	.023

Significant at 5% level

Interpretation:

Above Table shows a t-statistic of 99.000 degree of freedom, which is less than 5% level of significance. The two-tailed p-value is 0.023. From the above table gives the p- value of source of income per month is less than α, so we reject the null hypothesis. Hence it is concluded that the source of income has changed in post SHG situation.

Changes in the pattern of consumption Expenditure

The consumption expenditure of respondents was analyzed for the post and pre SHG periods are on Table 6

Table: 6 Changes in the pattern of consumption Expenditure

Paired Samples Statistics					
Variable		Mean	N	Std. Deviation	Std. Error Mean
Before SHG	Monthly Expenditure	2.9062	100	2601.60120	531.04962
After SHG	Monthly Expenditure	8.1667	100	7225.65879	1474.93142

Source: Primary data

Interpretation:

The consumption expenditure of respondents was enquired for the post and pre SHG periods. It was found that average monthly expenditure in the pre SHG period was Rs.2.9062 and it was changed into Rs.8.1667 in the post-SHG period. It gives a clear picture of changes in expenditure level during the pre and post SHG period. Thus it can be deduced that SHG intervention has contributed in raising the income and expenditure of the households.

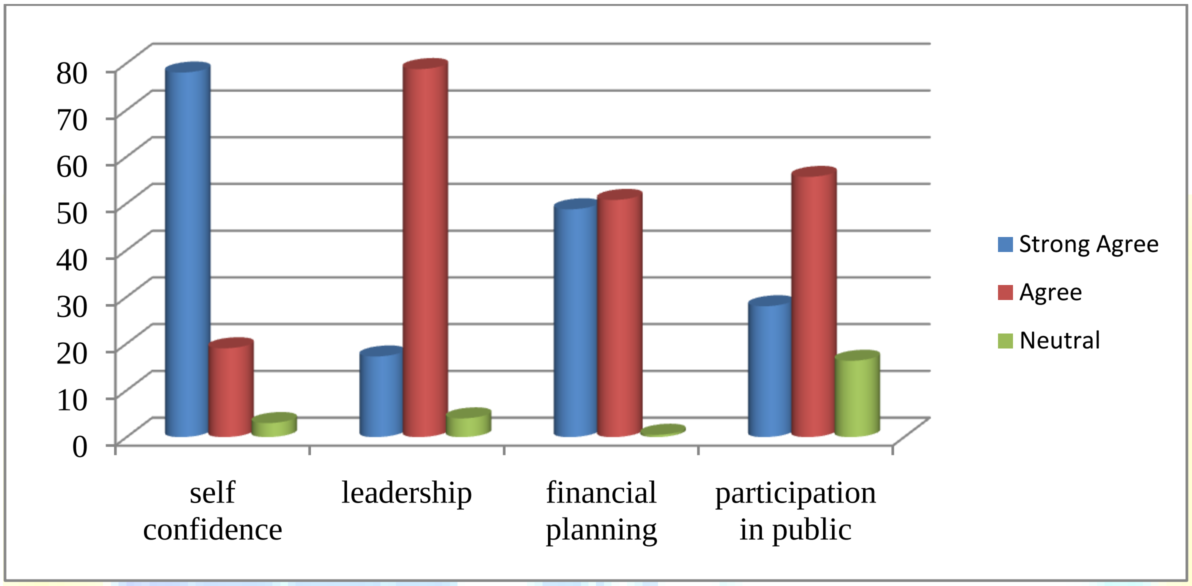
Table: 7 Result of paired t-test

	Paired Differences							
				95% Confidence Interval of the Difference				
Variable	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	Df	Sig. (2-tailed)
Monthly Expenditure	-5.26042	7676.91315	1567.04333	-8502.09279	-2018.74055	-3.357	99	.000

Significant at 5% level

The Table depicted above shows a t-statistic of -3.357 with 99 degree of freedom, which is less than the conventional 5% level of significance. The two tailed p- value is 0.000. Hence it shows that the average monthly expenditure has significantly changed in Post- SHG Periods. From the above table gives the p- value of monthly expenditure is less than α, so we reject the null hypothesis.

The Analysis of social impact and empowerment after joining SHG



Above 75% people have strong agree in self confidence and only 19% have agree in self confidence. More 75% , 50% and 55% people have agree in leadership , financial planning and participation in public respectively after joining SHG.

Correlation analysis

Correlation analysis deals with association between two or more variables

Table: 8 Analysis of social impact and empowerment after joining SHG

Correlations						
			Self Confidence	Leadership	Financial planning	Participation in public
Spearman's rho	Self Confidence	Correlation Coefficient	1.000	-.044	.133	.571
		Sig. (2-tailed)	.	.666	.187	.089
		N	100	100	100	100
	Leadership	Correlation Coefficient	-.044	1.000	.002	-.061

		Sig. (2-tailed)	.666	.	.986	.548
		N	100	100	100	100
	Financial planning	Correlation Coefficient	.133	.002	1.000	.493**
		Sig. (2-tailed)	.187	.986	.900.	.000
		N	100	100	100	100
	Participation in public	Correlation Coefficient	.171	-.061	.493**	1.000
		Sig. (2-tailed)	.089	.548	.000	.
		N	100	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Primary data

From the above analysis, Self confidence and participation in public have a correlation of 0.571, participation and financial planning have a correlation of 0.493 which indicates a positive relationship between the above two variables each. It is found that there is a significant difference at the P- value less than 0.05 levels.

Table: 9 Analysis of regression

ANOVA[s]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.247	3	14.082	9.761	.000[a]
	Residual	138.503	96	1.443		
	Total	180.750	99			
a. Predictors: (Constant), Leadership, Financial planning, Self Confidence						
b. Dependent Variable: Participation in public						

Source: Primary data

Interpretation:

In the ANOVA table, notice that the regression sum of squares is 42.247 and the residual (that is the error), and sum of squares is 138.503. If we provide the regression sum of squares by the total sum of squares, we find that R^2 = 0.234. Thus our prediction equation is Y =-3.238+ 0.245X.

Conclusion

Financial inclusion strategy played a crucial role in the socio economic upliftment of Schedules Castes and Scheduled Tribes in Kerala. It impacts all most all walks of their life. The study findings concluded that the SHG-Bank Linkage Programme has made significant contribution to social and economic improvement of the member households of SHGs. There was a significant increase in the asset structure, mean annual savings, average annual net income, and employment per sample households. There was remarkable improvement in social empowerment of SHG members in terms of self confidence, involvement, better communication etc. Thus financial inclusion is the process of facilitating access to those sections of the population who are denied such facilities, enabling them to become a part of the formal financial system. It concluded that SHGs have become the development ambassador of villages.

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