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A STUDY ON IMPACT OF FINANCIAL INCLUSION ON RURAL EMPOWERMENT (WITH SPECIAL REFERENCE TO KARAULI DISTRICT IN RAJASTHAN)

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ABSTRACT

This famous observation made by the Father of the Nation Mahatma Gandhi at the beginning of 20th Century that India lives in its villages, still holds true. Villagers are the foundation of Indian society and represent the real India. And it is for these villagers that we need to determine we build a system that pass basic social infrastructure in an competent manner. The government has point out several elements of economic and social infrastructure, critical to the quality of life in rural areas, in order to make secure that the benefits of India's progress are shared by all sections of the society. As stated before Mahatma Gandhi had said that the soul of India lives in its villages.

KEYWORDS: *Economic and Social Infrastructure, Affordable Schools, Health Care Centers .*

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Introduction

Today we are at a crucial juncture, where the soul of our country is in distress and losing the significance of its existence. The villagers migrate to cities in search of employment and better prospect leaving their base. So our villages crippled. This forced migration lads to an unsustainable and unplanned growth of cities strengthen urban agglomerations. This growth is like a tumor affecting the cities quietly. The infrastructure of cities is not ample to afford over population which leads to poor surroundings be it in transport, or education, sanitation etc. The cities cannot provide basic services and social infrastructure like affordable schools and health care centers. As a result the migrants have to live an unhygienic life which is worse than their earlier life in the villages. Today, we are planning to make 100 new smart cities neglecting the villages. A smart city will continue smart, only if it is grant to support the population it is planned for.

Any hindrance on these cities needs to be abnegating, for which we need to make our villages Smart and desirable. The expenditure required for the development of villages and generating opportunities therein is meager in connection to that required for a smart city. Moreover, it will armament planned development of city thereby protecting the sustainable investment that would be done to create smart cities. Hence, the entire appreciation of a smart city cannot be done in desolation leaving the surrounding areas. Creation of smart city has to begin with a conversion of surrounding and neighboring villages to smart villages. These smart villages have to have sustainable housing, health, sanitation, education, electricity, drainage and allied facilities.

Although we are in the 68th year of independence, still the poverty eradication occupies the centre stage of economic development. Our reforms are aimed at removal of poverty and the wide gap that exists between that states and the rural and urban divide. The Indian economy recorded substantial growth during the last decade still the fruits have not reached to ground level; the poverty is getting concentrated to poorer states. Banks play very important role of intermediation by collecting deposits and deploying them in the very segments of economy through loans and investments functions. This creates wealth for the nation. RBI has taken several steps for taking Banking system to the door steps of the weakest. The various initiatives taken are:

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- Creation of co-operative structure.
- Nationalization of Banks in 1969 and further in 1984.
- Lead Bank scheme.
- Formation of Regional Rural Banks.
- Service area approach.
- Local area Banks.

Despite all these efforts, the penetration of banking services continues to be very limited. Some of the figures which reflect this aspect in the World Bank Survey of 2012 are given below:

- Only 35 % of Indian adults had an access to a formal Bank account.
- Only 8 % borrowed from bank during 12-months
- Only 2 % of adults used an account to receive money from a family member.
- Only 4 % used an account to receive payment from Government.
- Out of 6-lac villages of our country more than 5-lac villages are not having access to formal banking outlet.

Thus, despite all conscious efforts of the Government to bring financially excluded population to the banking folds and hence benefits of economic growth has not reached at the lowest strata of the society. Different aspects of poverty such as lack of funds, health, education, information and contacts, credit etc. are interlocking and they give rise to poverty traps which perpetuate poverty. Poverty leads to social exclusion; financial exclusion is one part of social exclusion. Financial exclusion means not having access to credit and financial services such as insurance, money transfer, savings, bill payments, pension etc. If credit facilities were easily available to poor people, they would be able to smoothen out their consumption in the face of natural disasters, late or scanty monsoons, shortage of food etc. credit would enable them to take advantage of investment opportunities and to start profitable businesses.

In short credit would show them a way out of poverty. This reflects that there is a dire need to give a push to financial inclusion agenda to ensure that the people at the bottle of the pyramid join the formal financial system to reap benefits and to improve their financial wellbeing. RBI and GOI have initiated number of measures to reduce Financial Exclusion.

The two pillars of reaching development to the doorsteps of the man at the last rung of the economy are (I) Financial Literacy and (II) Financial Inclusion. Financial literacy is an important adjunct for promoting Financial Inclusion for this a national strategy of financial education NSFE has been finalized under the aegis of Financial Stabilities and Development Council (FSCDC) to co-ordinate efforts of various stake holders involved in this process. The other pillar i.e. Financial Inclusion or Inclusive Financing is defined as delivery of banking services at an affordable cost to the vast sections of disadvantage and low income group. Financial Inclusion also means extending Banking habits among the less privileged in urban and rural India and weaning them away from the unorganized money market and money lenders. Since 2000, Financial Inclusion has gained impetus as a study revealed that the banking services have no proper reach to the public.

RBI included the term Financial Inclusion for the first time in its annual policy in 2005-06. Financially excluded persons are marginal farmers, marginalized women like single women, widow, single mother, landless farmers, migrants, minorities, senior citizens, oral lessees, people who fall under informal financial set up etc.

Rangrajan Committee has defined financially excluded and it revealed following information in it?s report: 40 % of the population is unbanked in urban areas. 61 % of the population is unbanked in rural areas. Only 14 % of the adult population has loan accounts. Out of this, 9.5 % is in rural areas and 14 % in urban areas. Factors that affect the Financial Services:- Legal identity, limited literacy, level of income, terms and conditions for accessing finance, complicated procedures, psychological and cultural barriers, place of living (distance from financial institutions), lack of awareness, non-suitable financial products.

However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure. The government of India recently announced “Pradhan Mantri Jan Dhan Yojna,” a national financial inclusion mission which aims to provide bank accounts to at least 75 million people by January 26, 2015.

The fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population. India is expected to become the third largest economy after the US and China. But by the 21st century, rural India has turned out to be disconnected from the main stream of development. A large section of Rural Population today still remains outside the coverage of the formal Banking System. The Eleventh Plan (2007-12) document was divided into three volumes viz., (i) Inclusive Growth (ii) Social Sector and (iii) Agriculture, Rural Development, Industry, Services and Physical Infrastructure.

It addresses on sustained growth and investment aiming at improvement in the quality of life.

Definitions

- 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 (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).
- Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).

Objectives of Study

- To find out the factors influencing socio-economic livelihood in Karauli district.
- To analysis the impact of financial inclusion on rural empowerment in Karauli district. 3) To identify the issues and challenges for financial inclusion in Karauli district.
- To review the government policy measures for the financial inclusion.
- To suggest suitable measures for effective implementation of financial inclusion.

Hypothesis

- Initiatives taken by Government of India towards financial inclusion are not significant.
- Financial Inclusion movement does not leads to major change in the status of rural area of karauli district.

Research Methodology

This is a descriptive and an empirical study based upon historical data and field survey. Considering this the researcher has adopted a suitable model of research methodology. The research methodology consists of: A. Primaray Data B. Secondary Data

Data Collection

The Primary Data

Primary data will be the foundation of this study. The researcher will use the method of a field survey by means of visits and interviews for the purpose of collecting primary data. The researcher prepares structured questionnaires for different categories of respondents, as follows:

- Questionnaire „A?: Respondents.
- Questionnaire „B? : Employees of the Bank

Secondary Data

The secondary data from various published sources such as published data of various Government agencies, Banks, Research Journals and Periodicals, Newspapers, Other sources etc. can be used.

Selection of Sample

The researcher will select Karauli District as a study area. In Karauli district there are 7 talukas. The researcher will select a sample of five villages from each talukas randomly. Thus, a total sample of villages (7 x 5= 35) will be selected. The researcher will select 08 respondents from each of the above selected villages. Thus the sample of (35 x 08 = 280) respondents benefited from financial inclusion are selected. The researcher will select two bank branches from each of the 7 talukas i.e.14 bank branches randomly. Thus a sample of 35 (7 x 5 = 35) bank branches will be selected. Then researcher will select two bank employees from each of the branch. Thus a sample of 70(35 x 2 = 70) bank employees will be selected.

Statistical Tools

The researcher can use various statistical tools, techniques and methods such as collection, classification, tabulation, graphic presentation, percentage, averages, correlation and regression analysis etc. The researcher can also apply wherever necessary and possible, tests of significance such as Chi-square Test for drawing inference and testing of hypothesis.

Period of Research Work

National development depends on rural development. Financial Inclusion is a key to rural development. So period of the study "Impact of Financial Inclusion on Rural Empowerment- A study with reference to Karauli District" is limited to the time period of 4 years from 2015-16 to 2018-2019.

Scope and Limitations of the Study

The Scope and Limitations of the study are as follows:

- The study is geographically limited to Karauli district in rajasthan region of rajasthan. 2) The study is limited to the time period of 4 years from 2011-12 to 2017-18.
- The study is limited to the impact of financial inclusion on Rural Empowerment.
- The limitation of primary data given by the respondent.
- The sample size is also a limitation of study.

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