Journal of Agricultural Development and Policy, 2021
Volume 31, No. 2, 228-238

Determinants of Financial Inclusion in Rural Punjab

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Abstract

Financial inclusion is the ease of access, availability and use of formal financial institutions by all the members of the economy. The present study was an attempt to understand the determinants of financial inclusion in rural Punjab. To accomplish the objectives of the study, a sample of 150 households was taken from two villages of the Fazilka district by using a random sampling technique. As perceived by the sampled respondents, low savings (83.33%), low income (61.33%) and illiteracy (78.67%) were the major reasons for financial exclusion in the study area. The high transaction costs (43.33%) were the major problem faced by the rural households in availing of institutional loans. Due to all these hassles, people felt it easier to borrow money from informal credit sources due to easy availability (75.33%) and low transaction costs (85.33%). The regression analysis indicated that caste, farm size, savings and banking vs non-banking were the major factors that were significantly affecting the financial inclusion in the rural areas. Regular surveys in villages to meet the financial needs (80.67%), NGO's and non-profit organizations may evolve to propagate financial services to non-accessible areas (73.33%), awareness regarding banking services (90.00%), the opening of bank accounts without minimum balance condition (78.67%) were some of the suggestive policy measures to improve the financial inclusion in the rural areas of Punjab state.

Keywords: Financial inclusion, Financial exclusion, Banking, Punjab

JEL Classification: G10, G17, G38, G21

Introduction

Financial inclusion is a process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as economically weaker sections and low-income groups, at an affordable cost fairly and transparently by regulated mainstream institutional players. Lack of accessible, affordable, and appropriate financial services has been a global problem. Only 55 per cent of the Indian population has deposit accounts and nine per cent has credit accounts with banks (Rajeshwari and Shettar, 2016).

According to the latest committee on financial inclusion set up by the government of India in 2010, financial inclusion means connecting all individuals, including those living in the remotest of rural areas, to a well-functioning financial system (CRISIL, 2013). This also includes easy access to bank accounts for safe parking of savings, availability of cheap credit through appropriately designed loans for poor, low-income households and small entrepreneurs and the availability of basic financial products like insurance. Access to credit enhances income, employment, and economic growth. It reduces poverty, ensures social justice, and helps maintain social cohesion.

In developing countries, a large segment of the society, mainly the low-income group has little access to financial services, either formal or semi-formal. As a result, many people must necessarily depend either on their sources or informal sources of finance, which are generally costly.

On August 28, 2014, Prime Minister Narendra Modi introduced a new scheme namely *Prime Minister Jan Dhan Yojana (PMJDY)*. PMJDY scheme has been

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started to provide universal access to banking facilities for all households through a bank branch or fixed point (business correspondent), under the slogan *Mera Khata Bhagya Vidhaata (*my bank account - the creator of good fortune).

Though our country's economy is growing, still the growth is not inclusive with the economic conditions of the people in rural areas worsening further. Few people are enjoying all kinds of services from savings to net banking, but still in our country around 40 per cent of people lack access to even basic financial services like savings, credit, and insurance facilities (Singh and Tandon, 2012). The rural area suffers from a lack of access to basic financial services. India is the second-largest in the number of people excluded from financial facilities in the world. Even after 68 years of independence, around ten crore households are not connected with banking (Jayadev *et al,* 2012; Khuntia, 2014; Mor and Ananth, 2007; Majumdar and Gupta, 2013). Though various initiatives have been taken from time to time to establish financial inclusion in the country still the target seems farfetched due to various challenges. Keeping the above fact in mind, the present study was carried out to assess the financial inclusion in the rural area of Punjab state.

Data Sources and Methodology

The design of the study was based on the survey of two villages of Fazilka district, Indian Punjab state. The primary data was collected in the year 2016-17 by using a simple random sampling technique to select the blocks and villages. Out of the two blocks, one village having a bank, Khui Khera and one village without the bank, Gidderanwali were selected from the Fazilka district. To accomplish the objectives of the study, a sample of 75 rural households from selected villages was taken to examine the determinants of financial inclusion in rural Punjab. The labour households were divided into two categories namely agricultural and non-agricultural labour households. The servicemen households were divided into two categories namely government service and private service households. Among them, the total farmer households in both the villages were 1280 out of which 67 households were selected according to probability proportional to the size which was classified into five categories namely marginal (8), small (9), semi medium (19), medium (16) and large (15) farmers. Total labour households in both the villages were 1300 out of which 69 households were selected, which included agricultural labourers (40) and non-agricultural labourers (29). The total self-employed in both the villages were 90 out of which a sample of 5 households was taken. Similarly, the total serviceman households were 118 out of which 9 households were selected which included government servicemen (5) and private servicemen (4). The total households in both the selected villages were 2788 out of which a total sample of 150 households was collected.

Analytical techniques

The collected data were classified and tabulated by the objectives to arrive at meaningful and relevant inferences. Simple statistical methods such as frequencies, percentages, averages, weighted averages were used in the study. Similarly, advanced statistical tools like, multiple regression analysis was also used in the study.

Multiple Linear Regression

This technique was used to determine the factors affecting financial inclusion in terms of magnitude among sampled households in the study area.

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + b_9x_9 + b_{10}x_{10} + b_{11}x_{11}$$

Where Y = No. of functional accounts

"a" is the constant term

X_1: Caste: (SC=1, BC=2, GEN=3)

X_2: Highest education in the family

X_3: Farm size (Acres)

X_4: Dependency ratio= No. of dependents/No. of earners

X_5: Non-farm income (Rs. / annum)

X_6: Livestock expenditure (Rs. / annum)

X_7: Services expenditure (Rs. / annum)

X_8: Medical expenditure (Rs. / annum)

X_9: Savings (Rs. / annum)

X_{10}: Awareness about JDY: Dummy (1/0), 1= Aware, 0= non-aware

X_{11}: Banking vs non-banking: Dummy (1/0), 1=Village with banking facility, 0= Village without banking facility

b_i's are the regression coefficients of X1 to X11.

Results and Discussion

Socio-economic profile of different categories of households

The financial inclusion status of respondents as per their socio-economic profile was shown in table

1. Farmers, above 50 years of age have the highest percentage of accounts in both villages i.e., with banking facilities and without banking facilities. Serviceman in the age group of 35 to 50 in the village with banks has the highest number of financial inclusions and the same situation prevails on the other side (village without banks). Self-employed above 50 years of age has the largest inclusion in the banking system. In the case of self-employed in the village without banks, equally distributed financial inclusion in all age classification categories was observed. It was observed that 90 per cent of the labourers in the village with banking facilities opt for banking and only one-third of the labourers opt for banks in the village without bank facilities.

Farmers, having education up to metric level has the highest percentage of accounts in both villages i.e., with banking facilities and without banking facilities. Serviceman in the education categories of metric to graduation has 100 per cent financial inclusion. It was surprising to observe that the same situation prevails on the other side (village without banks). Self-employed having education up to metric was fully included in financial structure in both situations. Illiterate labourers have the highest accounts in banks in both situations as shown in table 1. Farmers, having a general caste, nuclear family and much income from agriculture have the highest financial inclusion. Service personals being general, having nuclear family type and highest income form, non-farm income showed progressive banking signs. The same situations impact the financial inclusion for the villages without banking facilities in case of the caste, family type and income.

The extent of financial inclusion among selected households

The number of respondents holding bank accounts have been shown in table 2. In a village with a banking facility, the total number of accounts opened stands at 210 out of which 50.47 per cent accounts were not functional and 49.53 per cent accounts were used frequently by the respondents. Similarly in the village without a banking facility, the total number of accounts opened were 114 out of which 54.38 per cent of accounts were not functional and 45.62 per cent of accounts were functional.

Problems in availing institutional loans

The results given in table 3 indicated that overall, 16.67 per cent of households reported that too much paperwork was a major problem in availing institutional loans. It was found that overall, 49.33 per cent of households had no awareness regarding information about schemes and financial products related to the banking sector. About 15 per cent of households from the non-banking village faced the problem of non-cooperative behaviour of the bank staff. About 27 per

Table 1. Socio-economic profile of selected households, Punjab **(Per cent)**

Variables	Classification	Village with banking facility				Village without banking facility			
		Farmer	Service	Self-employed	Labour	Farmer	Service	Self-employed	Labour
Age	>35	14.29	33.33	-	11.11	-	16.67	33.33	14.71
	35-50	34.29	66.67	10.00	66.67	43.75	66.67	33.33	58.82
	>50	51.43	-	90.00	22.22	56.25	16.67	33.33	26.47
Education	Illiterate	14.29	-	-	60.00	28.13	-	-	52.94
	up to 10th	71.43	-	100.00	34.29	56.25	-	100.00	35.29
	10th to graduate	14.29	100.00	-	5.71	15.63	66.67	-	11.76
	Above graduate	-	-	-	-	-	33.33	-	-
Family type	Nuclear	62.86	100.00	-	60.00	34.38	83.33	100.00	64.71
	Joint	37.14	-	100.00	40.00	65.63	16.67	-	35.29
Caste	General	100.00	66.67	100.00	8.57	75.00	83.33	100.00	11.76
	BC	-	33.33	-	37.14	9.38	16.67	-	23.53
	SC/ST	-	-	-	54.29	15.63	-	-	64.71

Table 2. Extent of financial inclusion among selected households, Punjab

Households	No. of households having bank accounts	Functional accounts	Non-functional accounts
	Village with banking facility		
Farmer	117 (55.71)	73 (34.76)	44 (20.95)
Service	8 (3.81)	8 (3.81)	0 (00.00)
Self-employed	7 (3.33)	3 (1.43)	4 (1.90)
Labour	78 (37.14)	20 (9.52)	58 (27.62)
Total	210 (100.00)	104 (49.53)	106 (50.47)
	Village without banking facility		
Farmer	72 (63.16)	32 (28.07)	40 (35.08)
Service	15 (13.16)	15 (13.15)	0 (00.00)
Self-employed	3 (2.63)	1 (0.87)	2 (1.75)
Labour	24 (21.05)	4 (3.51)	20 (17.54)
Total	114 (100.00)	52 (45.62)	62 (54.38)

Note: Figures in parentheses indicate percentages to the total

cent of households faced the problem regarding loan security and about 35 per cent of respondents reported that the amount available in availing these loans was very limited and the high transaction cost was also the problem in availing institutional loans reported by 43.33 per cent of respondents. Due to all these hassles, people felt it easier to borrow money from informal credit sources. No problem was faced by the servicemen category in availing institutional loans.

Suggestions for improving institutional loans

The paperwork should be reduced to improve institutional loans was suggested 48.67 per cent of households. About 67 per cent of households suggested that awareness should be created regarding information about new schemes and financial products (Table 4). Overall, 50.67 households suggested that the behaviour and attitude of the bank staff should be cooperative so that the customer does not feel hesitant to go to the bank. Overall, 19.33 per cent of households suggested that non-collateral loans should be provided by the banking sector. About 55 per cent of rural households have suggested enhancing the credit amount available for improving institutional loans. Overall, 75.33 per cent has suggested that transaction costs like transportation costs, stamp papers, land records and others should be reduced so that all the rural households may not face any problems regarding the banking sector.

Reasons for preferences of non-institutional loans

The respondents had easy access to non-institutional sources due to timely availability and no written formality was depicted by table 5. More than 75 per cent of respondents reported that they preferred non-institutional loans because these loans were easily available to them. Over 49 per cent of respondents reported that there is no need for security while taking these loans. About 63 per cent of respondents preferred non-institutional loans for the use of consumption purposes to meet their day-to-day needs. Approximately 29.33 per cent of respondents reported that they had some personal and social relations with such moneylenders. 20 per cent of respondents reported that taking loans from non-institutional sources is an old tradition because farmers were following this method for a very long time as this method is easy, simple, flexible, and timely available as farmers were avoiding the lengthy process of sanction of loans by the institutional sources. However, it was also found that 85.33 per cent of respondents preferred non-institutional loans as compared to institutional loans because of low transaction costs whereas, in the case of institutional loans, the transaction cost was high.

Perceptions of respondent's reasons for financial exclusion

More than eighty-three percent of respondents revealed that they were financially excluded due to the low level of their savings. It was found that 61.33 per cent of respondents reported low income as a major reason that discouraged them access to institutional credit sources. Another, 78.67 per cent of the respondents reported the problem of illiteracy, 42.67 per cent reported social exclusion and 48 per cent faced the problem of poor and difficult access to go to the bank due to distance regarding the banking sector. Besides, 50 per cent reported about the absence of bank branches at village level. 32.67 per cent faced the problem regarding the no credit card to non-farmers category (Table 6).

Suggestions for improving financial inclusion

Almost one-fourth percent of respondents suggested that there should be a direct money transfer to their accounts so that there is less exploitation. About 62 per cent suggested that there should be the presence of active branches at the village level to avoid a reduction in transaction costs. As many as 84.67 per cent of households suggested that the banking sector should help in increasing choices and flexibility to the customers so that they should focus more on products that should be simple, affordable, and have high utility. As many as 80 per cent of respondents suggested that banks should do regular surveys in villages for understanding the financial needs of the people. About 81 per cent of respondents suggested that there should be several bank branches in rural areas. It was also suggested by 73.33 per cent of respondents that NGOs and social organizations etc. may be involved more to propagate financial services to the remote and non-accessible areas. About 79 per cent of respondents reported that the banking sector should open bank accounts without minimum balance conditions at all branches and places. As many as 90 per cent of respondents suggested that awareness regarding banking services should be created so that rural households adopt new schemes. Another 32.67 per cent of respondents suggested that there is an issuance of credit cards to non-farmers that they should use and fulfilment their basic needs (Table 7).

Factors affecting financial inclusion

The factors affecting financial inclusion among farmers were caste, highest education, farm size, dependency ratio, non-farm income, livestock expenditure, services expenditure, medical expenditure, savings, awareness about JDY and banking vs non-banking. Using dummy variable as 1= village with banking facility and 0=without banking facility meaning thereby, the village which having bank having more functional accounts in case of farmers and non-farmers category than in a bank without banking facility. It was found that farm size was found to be significant at a one per cent level of significance. Non-farm income, saving and banking vs non-banking was found to be significant at a five per cent level of significance. All other factors were non-significant. An inverse relationship was found between the number of functional accounts and the dependency ratio. All the other factors were found to be positively related to the number of functional accounts. The overall regression was found to be significant at a one per cent level of significance (Table 8).

Non-farmers caste factor was found to be significant at a five per cent level of significance. The general caste category was having more functional accounts than the scheduled and backward class category. Farm size, non-farm income and banking vs non-banking factors were found to be significant at a five per cent level of significance. All other factors were non-significant. An inverse relationship was found between the number of functional accounts and the dependency ratio. With one per cent increase in the number of functional accounts leads to a decline in dependency ratio. As accounts with active money transactions mean the members in the family are employed and non-dependent. All the other factors were found to be positively related to the number of functional accounts. The overall regression was found to be significant at a one per cent level of significance. All other factors were non-significant. All

Table 3. Problems faced by the respondents in availing institutional loans

(Multiple responses)

Problems	Farmer					Service			Labour		Total
	Large farmer	Medium farmer	Semi-medium farmer	Small farmer	Marginal farmer	Govt. service	Private service	Self-employed	Agricultural labourer	Non-agricultural labourer	
Too much paperwork	-	-	-	-	-	-	-	-	15 (37.50)	10 (34.48)	25 (16.67)
No information about schemes	5 (33.33)	6 (37.50)	12 (63.16)	4 (44.44)	3 (37.50)	-	-	3 (60.00)	17 (42.50)	13 (44.83)	60 (40.00)
Non-cooperative behaviour of the bank staff	-	-	8 (42.10)	2 (22.22)	-	-	-	2 (40.00)	10 (25.00)	-	22 (14.67)
No loan without security	2 (13.33)	9 (56.25)	5 (26.31)	-	-	-	-	3 (60.00)	12 (30.00)	10 (34.48)	41 (27.33)
Limited amount availability	9 (60.00)	5 (31.25)	5 (26.31)	-	4 (50.00)	-	-	3 (60.00)	13 (32.50)	13 (44.83)	52 (34.67)
High transaction costs	9 (66.00)	5 (31.25)	9 (47.37)	3 (33.33)	3 (37.50)	-	-	3 (60.00)	19 (47.50)	14 (48.27)	65 (43.33)

Note: Figures in parentheses indicate percentages to the total

Table 4. Suggestions by the respondents for improving institutional loans **(Multiple responses)**

Suggestions	Farmer					Service			Labour		Total
	Large farmer	Medium farmer	Semi-medium farmer	Small farmer	Marginal farmer	Govt. service	Private service	Self-employed	Agricultural labourer	Non-agricultural labourer	
Less paperwork	-	10 (62.50)	13 (68.42)	5 (55.56)	7 (87.50)	-	-	-	20 (50.00)	18 (62.07)	73 (48.67)
Provisional information about schemes	10 (66.67)	12 (75.00)	12 (63.16)	4 (44.44)	7 (87.50)	-	-	3 (60.00)	31 (77.50)	21 (72.41)	100 (66.67)
Co-operative behaviour of the bank staff	-	9 (56.25)	9 (47.37)	7 (77.78)	-	-	-	4 (80.00)	25 (62.50)	22 (75.86)	76 (50.67)
Provision of loans without collateral security	-	-	-	4 (44.44)	4 (00.00)	-	-	2 (40.00)	10 (25.00)	9 (31.03)	29 (19.33)
Enhance the credit amount	12 (80.00)	10 (62.50)	15 (78.95)	6 (66.67)	5 (62.50)	-	-	2 (40.00)	11 (27.50)	22 (75.86)	83 (55.33)
Low transaction cost	13 (86.67)	14 (87.50)	15 (78.95)	5 (55.55)	5 (62.50)	-	2 (50.00)	3 (60.00)	33 (82.50)	23 (79.31)	113 (75.33)

Note: Figures in parentheses indicate percentages to the total

Table 5. Reasons for preferences of non-institutional loans by the respondents **(Multiple responses)**

Preferences	Farmer					Service			Labour		Total
	Large farmer	Medium farmer	Semi-medium farmer	Small farmer	Marginal farmer	Govt. service	Private service	Self-employed	Agricultural labourer	Non-agricultural labourer	
Easy availability	7 (46.67)	13 (81.25)	14 (73.68)	7 (77.78)	8 (100.00)	3 (60.00)	3 (75.00)	5 (100.00)	29 (72.50)	24 (82.75)	113 (75.33)
Lack of security	8 (53.33)	7 (43.75)	8 (42.10)	5 (55.55)	4 (50.00)	-	-	2 (40.00)	20 (50.00)	20 (68.96)	74 (49.33)
Consumption purposes	12 (80.00)	13 (81.25)	12 (63.15)	6 (66.66)	6 (75.00)	-	-	3 (60.00)	27 (67.50)	15 (51.72)	94 (62.67)
Good relations with money lender	5 (33.33)	12 (75.00)	10 (52.63)	4 (44.44)	6 (75.00)	-	-	2 (60.00)	0 (00.00)	5 (17.24)	44 (29.33)
Old tradition	-	6 (37.50)	7 (36.84)	4 (44.44)	3 (37.50)	-	-	-	10 (25.00)	0 (00.00)	30 (20.00)
Low transaction costs	13 (86.67)	15 (93.75)	12 (63.15)	6 (66.67)	6 (75.00)	5 (100.00)	4 (100.00)	4 (80.00)	38 (95.00)	25 (86.21)	128 (85.33)

Note: Figures in parentheses indicate percentages to the total

Table 6. Reasons of financial exclusion faced by the respondents

(Multiple responses)

Reasons	Farmer					Service			Labour		Total
	Large farmer	Medium farmer	Semi-medium farmer	Small farmer	Marginal farmer	Govt. service	Private service	Self-employed	Agricultural labourer	Non-agricultural labourer	
Low saving	13 (86.67)	14 (87.50)	17 (89.47)	5 (55.55)	8 (100.00)	-	-	4 (80.00)	38 (95.00)	26 (89.65)	125 (83.33)
Low income	-	-	-	9 (100.00)	8 (100.00)	-	2 (50.00)	4 (80.00)	40 (100.00)	29 (10.000)	92 (61.33)
Illiteracy	13 (86.67)	13 (81.25)	15 (78.94)	5 (55.55)	5 (62.50)	-	-	-	37 (92.50)	25 (86.20)	113 (78.67)
Social exclusion	-	-	-	-	-	-	-	3 (60.00)	37 (92.50)	24 (82.75)	64 (42.67)
Poor and difficult physical access	-	-	-	4 (100.00)	3 (100.00)	-	1 (33.33)	3 (100.00)	37 (92.50)	24 (82.75)	72 (48.00)
No bank at village level	9 (60.00)	7 (43.75)	9 (47.37)	4 (44.44)	3 (37.50)	3 (60.00)	3 (75.00)	3 (60.00)	20 (50.00)	14 (48.27)	75 (50.00)
No credit card for non-farmers	-	-	-	-	-	-	-	5 (100.00)	20 (50.00)	24 (82.76)	49 (32.67)
Lack of awareness	-	-	-	3 (2.00)	4 (2.67)	-	-	2 (1.33)	2 (1.33)	2 (1.33)	13 (8.67)

Note: Figures in parentheses indicate percentages to the total

Table 7. Suggestions for improving financial inclusion by the respondents

(Multiple responses)

Suggestions	Farmer					Service			Labour		
	Large farmer	Medium farmer	Semi-medium farmer	Small farmer	Marginal farmer	Govt. service	Private service	Self-employed	Agricul-tural labourer	Non-agricul-tural labourer	Total
Direct money transfer	13 (86.67)	14 (87.50)	17 (89.47)	5 (55.55)	5 (100.00)	4 (75.00)	3 (100.00)	-	-	-	61 (40.67)
Lower transaction cost	12 (80.00)	14 (87.50)	16 (84.21)	4 (44.44)	6 (75.00)	-	2 (50.00)	4 (80.00)	15 (37.50)	20 (68.96)	93 (62.00)
Helps in increasing choices and flexibility to the customer	12 (80.00)	12 (75.00)	17 (88.89)	8 (100.00)	6 (75.00)	5 (100.00)	4 (100.00)	4 (80.00)	33 (82.50)	26 (89.65)	127 (84.67)
Encouragement to mobile banking	-	-	-	-	-	4 (80.00)	2 (50.00)	-	-	-	6 (4.00)
Opening number of bank branches in rural areas	15 (100.00)	14 (87.50)	19 (100.00)	9 (100.00)	8 (100.00)	5 (100.00)	4 (100.00)	5 (100.00)	22 (55.00)	20 (68.96)	121 (80.67)
NGO's and non-profit organizations may evolve to propagate financial services to non-accessible areas	12 (80.00)	14 (87.50)	15 (78.94)	6 (66.67)	5 (100.00)	5 (100.00)	4 (80.00)	5 (100.00)	15 (37.50)	29 (100.00)	110 (73.33)
JDY	12 (80.00)	12 (75.00)	15 (78.94)	7 (77.78)	5 (62.50)	5 (100.00)	4 (100.00)	3 (60.00)	33 (82.50)	22 (75.86)	118 (78.67)
Awareness regarding banking services	15 (100.00)	16 (100.00)	19 (100.00)	7 (77.78)	6 (75.00)	5 (100.00)	4 (100.00)	3 (60.00)	35 (87.50)	25 (86.20)	135 (90.00)
Issuance of credit card to non-farmers	-	-	-	-	-	-	-	5 (100.00)	20 (50.00)	24 (82.76)	49 (32.67)

Note: Figures in parentheses indicate percentages to the total

Table 8. Factors affecting financial inclusion: Regression analysis (Y = No. of functional Accounts)

Factors	Farmers		Non-farmers		Overall: all	
	β	t-value	β	t-value	β	t-value
Caste	0.0918	0.32	0.3739	2.32**	0.3130	2.63***
Highest education	0.1682	0.64	0.0893	0.49	0.0834	0.56
Farm size	0.0667	3.41***	0.2178	2.17**	0.0735	5.26***
Dependency	-0.3046	1.20	-0.2057	1.38	-0.1568	1.22
Non-farm income	0.000004	2.12**	0.000003	2.34**	0.000002	2.52**
Livestock expenditure	0.000005	1.50	0.000001	0.28	0.000003	1.45
Services expenditure	0.0000008	0.37	0.0000006	0.32	0.000002	1.20
Medical expenditure	0.0000006	0.09	0.000002	0.17	0.000001	0.24
Savings	0.000001	2.25**	0.000002	1.64	0.000001	3.14***
Awareness about JDY	0.2352	0.60	0.0899	0.30	0.1230	0.55
Banking vs non-banking	0.9042	2.50**	1.4076	4.98***	1.1548	5.48***
R-square	0.5627		0.5752		0.5874	
F-ratio	6.43***		8.62***		17.73***	

*Note: ***, **, *indicates significance at 1% , 5% and 10% level, respectively*

the other factors were found to be positively related to the number of functional accounts. The overall regression was found to be significant at a one per cent level of significance.

Conclusion and Policy Implications

Former prime minister Rajiv Gandhi said that "out of one rupee spent by the government for the welfare of the downtrodden, only 15 paise thereof reaches those persons for whom it is meant". India has achieved significant economic growth since independence. Rapid economic growth has been achieved especially after the opening of the Indian economy to the world, 1993. The country adopted the policy of liberalization and entered the era of, what is known as globalization. Economic growth in the last decade has been phenomenal and for many years, the Indian economy grew at the highest rate in the world. It noted that due to less financial inclusion on people the benefit of welfare schemes does not reach those who are supposed to receive them.

Due to the Jan-Dhan scheme, people received direct money in their bank accounts without any corruption during the covid pandemic (500 each for three months). One rupee end as one rupee in the hands of the needy. Still, this scheme needs more expansion and functionality. Government should focus on this to make sure the functionality of all accounts. Government should increase the number of bank branches in rural areas, and all branches should be able to open bank accounts with minimum paperwork. The procedure for obtaining a bank account should be streamlined, and the bank should provide free counselling to rural households. Non-farm work should be encouraged for households to have enough income to use banking services.

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Received: June 21, 2021 Accepted: September 3, 2021