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Impact assessment of socio-economic factors on financial inclusion in Punjab

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Abstract

The study entitled 'Impact assessment of socio-economic factors on financial inclusion in Punjab'. The present study was conducted to assess the socio-economic factors on financial inclusion among rural households in the rural areas of Punjab state in the year 2016-17. The design of the study was based on the primary survey of fazilka district of Punjab State. In order to accomplish the objectives of the study, a sample of 150 households was taken from two villages of Fazilka district by using random sampling technique. All the sampled households were further categorized into major four categories (farmers, labourers, servicemen, self-employed) in order to estimate the magnitude of financial inclusion among the different categories of households. The results revealed that on overall basis, the majority of the family heads were lies in the age group of 35-50 years. Further, nearly about half of the respondents were having education up to 10th standard. Only, 4.67 percent of the total rural households had above graduate as highest level of education. It was observed that market value and rental value of owned land were higher in the banking village as compared to non-banking village. Overall rural households of banking and non-banking villages saved 14.30 per cent of their income. Among the farmers, medium farmer saved more which was 22.58 per cent. The average savings were higher in the servicemen category whereas, in self-employed category, the average expenditure exceeds the income, hence resulted in negative saving.

Keywords: Banking, expenditure, income, non-banking, socio-economic, saving

Introduction

Financial Inclusion or inclusive financing is the delivery of financial services at affordable costs to disadvantaged and low income segments of society. This problem has led to generation to financial instability and pauperism among the income groups who do not have access to financial products and services. The success of financial inclusion is primarily breaking the link between poor public service, patronage and corruption. Financial inclusion was a key dimension of the strategy envisaged in the approach paper for eleventh plan entitled, "Towards faster and more inclusive growth" for financial inclusion to promote growth, it has to move from opening an account in the bank to regular and finally to a relationship which enables the borrower to access and repay the loans on regular basis (Mor and Ananth, 2007) [1]. It is commonly argued that the economy as a whole benefits through financial inclusion (Mohan, 2006) [2]. First, it could be an important tool to reduce income inequality in the economy. Low income individuals are often those not accessing financial services. Once access is provided, these individuals have greater potential to improve their income levels. Second, more financial resources become available for efficient intermediation and allocation. Third, greater financial stability may be expected if financial activity moves from unregulated to regulated institutions. Fourth, access to finance promotes more start-up enterprises, who often contribute to risk taking, employment and processes of creative destruction.

There are some disquieting features of lending credit to small landholders. The number of small borrower's accounts in case of commercial banks has come down overtime indicating shift of their focus to large borrowers. The rate of growth of institutional credit to marginal and small farmers of less than five acres of farm in the nineties has come down as compared to other farm size categories (Sidhu and Gill, 2006) [3]. There is also a wide variation across regions, social groups and asset holdings. The poorer a group, the greater is the exclusion. Reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to meet their requirements (Ansari, 2007) [4]. Traditionally, access to financial services had been a rich person's privilege, the poor had to rely on informal arrangements within their family or close community. While the linkages between a well-functioning financial sector and economic development have been well documented, generally efforts had been focused on developing a formal banking sector in order to mobilize savings and convert them into investment.

Materials and Methods

The present study was conducted to assess the socio-economic factors on financial inclusion in the rural areas of Punjab state during the period 2016-17.The design of the study was based on the primary survey of two villages of Fazilka district of Punjab state. In order to accomplish the objectives of the study, a sample of 75 rural households from banking village and 75 households from non-banking village was taken to examine the study. For the selection of respondents, the households were classified as (i) farmer (ii) labour (iii) self-employed (iv) servicemen households. The data collected during the period of inquiry were compiled and analyzed systematically keeping in view of the objectives of the study.

Results and Discussion

Age structure

The perusal of Table 1 shows that out of the total 150 sampled households, nearly 11 per cent of the heads of the families were less than 35 years of age, whereas 48 and 41.33 per cent were between the age group of 35- 50 years and more than 50 years, respectively. The results revealed that majority of the family heads in the case of servicemen (66.67%) and labourers (55.07%) were in the age group of 35-50 years. Whereas, the highest proportion (53.73%) of family heads in the case of farmers were lies in the age group of more than 50. An equal number of heads of the sampled household's i.e.40% each in the case of self-employed category belonged to the age group of 35-50 and more than 50 years, respectively. Overall, it has been concluded that majority of the family heads were lies in the age group of 35-50 years.

Table 1: Classification according to age of the head of the family

Age	Farmers	Servicemen	Self employed	Labourers	Total
Banking village					
<35	5 (14.28)	1 (33.34)	-	3 (8.57)	9 (12.00)
35-50	12 (34.28)	2 (66.66)	1 (50.00)	18 (51.42)	33 (44.00)
>50	18 (51.42)	-	1 (50.00)	14 (40.00)	33 (44.00)
Total	35 (100.00)	3 (100.00)	2 (100.00)	35 (100.00)	75 (100.00)
Non-banking village					
<35	-	1 (16.67)	1 (33.34)	5 (14.70)	7 (9.33)
35-50	14 (43.75)	4 (66.67)	1 (33.33)	20 (58.82)	39 (52.00)
>50	18 (56.25)	1 (16.67)	1 (33.33)	9 (26.47)	29 (38.67)
Total	32 (100.00)	6 (100.00)	1 (100.00)	34 (100.00)	75 (100.0)
Overall					
<35	5 (7.46)	2 (22.22)	1 (20.00)	8 (11.59)	16 (10.67)
35-50	26 (38.81)	6 (66.67)	2 (40.00)	38 (55.07)	72 (48.00)
>50	36 (53.73)	1 (11.11)	2 (40.00)	23 (33.33)	62 (41.33)
Total	67(100.00)	9 (100.00)	5 (100.00)	69 (100.00)	150 (100.00)

While, segregating the whole sample into banking and non-banking villages, it has been revealed that, in the banking village, majority of the heads of families of the sampled households i.e. 44 per cent each were in the age group of 35 to 50 and more than 50 years, respectively.

Highest Education level

Education plays an important role in determining socio-economic status and level of awareness of the respondents. Education enables a person to analyse and judge a situation in a rational way. The education level of 10+1 to graduate as the highest level of education was 36 per cent in banking village and 24 per cent in non-banking village. Overall 30 per cent of the total rural households had 10+1 to graduate as highest level of education. The education level of above graduate as the highest level of education was about 3 percent in banking village and about 7 percent in a non-banking village. Overall 4.67 percent of the total rural households had above graduate as highest level of education.

Table 2: Distribution of rural households according to the highest education in the family

Age	Farm rs	Servicemen	Self employed	Labourers	Total
Banking village					
Illiterate	-	-	-	6 (17.14)	6 (8.00)
Up to 10^{th}	14 (40.00)	-	2 (100.00)	24 (68.57)	40 (53.33)
10+1 to Graduate	20 (57.00)	2 (66.67)	-	5 (14.28)	27 (36.00)
Above graduate	1 (2.85)	1 (33.33)	-	-	2 (2.67)
Total	35 (100.00)	3 (100.00)	2 (100.00)	35 (100.00)	75 (100.00)
Non-banking village					
Illiterate	1 (3.12)	-	-	9 (26.47)	10 (13.33)
Up to 10^{th}	19 (59.37)	-	2 (66.67)	21 (61.76)	44 (58.67)
10+1 to Graduate	10 (31.25)	3 (50.00)	1(33.33)	4 (11.76)	18 (24.00)
Above graduate	2 (6.25)	3 (50.00)	-	-	5 (6.67)
Total	32 (100.00)	6 (100.00)	3 (100.00)	34 (100.00)	75 (100.00)
Overall					
Illiterate	1 (1.49)	-	-	15 (21.74)	16 (10.67)
Up to 10^{th}	33 (49.25)	-	4 (80.00)	45 (65.21)	82 (54.67)
10+1 to Graduate	30 (44.77)	5 (55.55)	1 (20.00)	9 (13.04)	45 (30.00)
Above graduate	3 (4.47)	4 (44.44	-	-	7 (4.67)
Total	67 (100.00)	9 (100.00)	5 (100.00)	69 (100.00)	150 (100.00)

Market value and rental value of owned land
The study brought out that overall per acre market value of land was Rs. 21.50 lakh and the rental value was Rs. 34000/acre. In the banking village, the market value was Rs 22 lakh/acre and the rental value was Rs. 35000/acre. Similarly in the non-banking village, the market value of owned land was Rs. 21 lakh/acre and the rental value was Rs. 33000/acre. It was observed that the market value and the rental value were higher in the banking village rather than in the non-banking village.

Table 3: Market value and rental value of owned land

Village	Market Value (Lakh Rs./ Acre)	Rental Value (Rs./ Acre)
Banking	22.00	35000
Non-banking	21.00	33000
Overall	21.50	34000

Source of family income
Table 4 shows the income pattern of the households. Overall average family income of all the respondents was Rs 410227, out of which the income from crops, dairy and non-farm income was 67.64 per cent, 8.16 per cent and 24.19 per cent, respectively. The main source of income of large farmer, medium farmer, semi-medium farmer, small farmer and marginal farmer was from crop farming i.e. 95.74 per cent, 82.24 per cent, 68.16 per cent, 62.11 per cent and 48.49 per cent. The main source of income of government servicemen and private servicemen was non-farm income i.e. 50.77 per cent and 70.43 per cent, respectively. Among self-employed, the main source of income was non-farm income i.e. 76.26 per cent. Among labourers, the main source of income of agricultural and non-agricultural labourer was non-farm income i.e. 85.71 per cent and 89.81 per cent, respectively.

Table 4: Source of family income of different categories of respondents

Category			Source of income (Rs. / Annum)	
	Crops	Dairy	Non-farm	Average income
Large farmer	1728405 (95.74)	24107 (1.33)	52667 (2.93)	1805179 (100.0)
Medium farmer	504058 (82.24)	67500 (11.01)	41375 (6.75)	612933 (100.0)
Semi-medium farmer	255253 (68.16)	76947 (20.54)	42316 (11.30)	374516 (100.0)
Small farmer	236800 (62.11)	69111 (18.13)	75333 (19.76)	381244 (100.0)
Marginal farmer	126125 (52.79)	36250 (15.17)	76500 (32.02)	238875 (100.0)
Govt. servicemen	356000 (37.19)	115200 (12.04)	486000 (50.77)	957200 (100.0)
Private servicemen	111250 (29.57)	0 (00.00)	265000 (70.43)	376250 (100.0)
Self employed	49000 (16.25)	22600 (7.49)	230000 (76.26)	301600 (100.0)
Agricultural labourer	0 (00.00)	20000 (14.28)	120000 (85.71)	140000 (100.0)
Non-agricultural labourer	0 (00.00)	15900 (10.19)	140000 (89.81)	155900 (100.0)
Average	296340 (67.64)	35771 (8.16)	105973 (24.19)	438084 (100.00)

Source of family expenditure
Table 5 shows the expenditure pattern of the farmer and non-farmer rural households. Average expenses on farm items were more among all the expenses which were 20.97 per cent. Among farmers, the expenditure was incurred by large, medium, semi-medium and small farmer on farm items which were 28.97 per cent, 31.36 per cent, 26.05 per cent and 24.60 per cent. Marginal farmer spent more on food items which were 30.36 per cent. The government servicemen spent more on services like communication, transportation and electricity bills which were 29.70 per cent and private servicemen spent more on food items which were 24.84 per cent. The self employed spent more on social ceremonies which were 30.23 per cent. Among labourers, expenses on livestock were more belonged to agricultural labourer category which was 42.57 per cent. Non-agricultural labourers spent more on food items which was 38.18 per cent.

Table 5: Source of family expenditure of different categories of respondents

Category					Expenditure (Rs. / Annum)			
	Farm	Livestock	Food	Durables	Social ceremonies	Services	Medical	Average expenditure
Large farmer	454267 (28.97)	70167 (4.47)	131300 (8.37)	116500 (7.43)	555333 (35.41)	197867 (12.62)	42747 (2.72)	1568180 (100.00)
Medium farmer	148828 (31.36)	32188 (6.78)	81594 (17.19)	111688 (23.53)	25563 (5.38)	48750 (10.27)	25938 (5.46)	474547 (100.00)
Semi-medium farmer	82316 (26.05)	28421 (8.99)	79737 (25.23)	36000 (11.39)	13737 (4.35)	35316 (11.17)	40474 (12.81)	316000 (100.00)
Small farmer	87528 (24.60)	36417 (10.23)	67444 (18.96)	37056 (10.42)	61444 (17.27)	51067 (14.35)	14778 (4.15)	355733 (100.00)
Marginal farmer	40813 (18.77)	24750 (11.38)	67000 (30.36)	37000 (16.76)	20000 (9.19)	20125 (9.26)	11000 (5.06)	220688 (100.00)
Govt. servicemen	32400 (4.47)	55000 (7.58)	85000 (11.72)	215400 (29.70)	83000 (11.44)	226600 (31.25)	27800 (3.83)	725200 (100.00)
Private servicemen	17500 (8.69)	3750 (1.86)	50000 (24.84)	46250 (22.98)	41250 (20.49)	32750 (16.27)	9750 (4.84)	201250 (100.00)
Self employed	14000 (4.43)	22800 (7.22)	64000 (20.28)	50600 (16.03)	95400 (30.23)	45000 (14.26)	23800 (7.54)	315600 (100.00)
Agricultural labourer	0 (00.00)	50025 (42.57)	32000 (24.18)	8000 (6.04)	15873 (13.50)	8813 (7.49)	17625 (15.00)	132336 (100.00)
Non-agricultural labourer	0 (00.00)	30000 (19.44)	58893 (38.18)	10000 (6.48)	16000 (10.90)	18946 (12.28)	12871 (8.34)	146710 (100.00)
Average	81170 (20.97)	34776 (8.98)	65773 (16.99)	52998 (13.69)	80586 (20.82)	49742 (12.95)	21970 (5.72)	387015 (100.00)

Income, expenditure and savings pattern
Table 6 shows the overall saving pattern of all the rural households in banking and non-banking villages. Overall rural households saved 14.30 per cent of their income. Among the farmers, medium farmer saved more which was 22.58 per cent. Among servicemen, private servicemen saved more which was 46.51 per cent. Self-employed category spent more than that of their income as their savings were (-4.64%). Among labourers, non-agricultural labourer category saved more which was 5.89 per cent.

Table 6: Income, expenditure and savings of different categories of the respondents (Rs. / Annum)

Category	Average income	Average expenditure	Average saving
Large farmer	1805179 (100.00)	1568180 (86.87)	236999 (13.10)
Medium farmer	612933 (100.00)	474547 (77.42)	138386 (22.58)
Semi-medium farmer	374516 (100.00)	316000 (84.37)	58516 (15.62)
Small farmer	381244 (100.00)	355733 (93.31)	25511 (6.69)
Marginal farmer	238875 (100.00)	220688 (92.39)	18187 (7.61)
Govt. servicemen	957200 (100.00)	725200 (75.76)	232000 (24.24)
Private servicemen	376250 (100.00)	201250 (53.48)	175000 (46.51)
Self employed	301600 (100.00)	315600 (104.64)	-14000 (-4.64)
Agricultural labourer	140000 (100.00)	132336 (94.52)	7664 (5.47)
Non-agricultural labourer	155900 (100.00)	146710 (94.10)	9190 (5.89)
Average	448418 (100.00)	384290 (85.70)	64127 (14.30)

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