19.0 Financial Inclusion: a key to Economic Empowerment in Himachal Pradesh

- **Dr. Neetika Sharma**, Assistant Professor, Deptt.of Commerce, Government Degree College, Shivnagar (Kangra)
  Email: nitikakatochplp@gmail.com

Abstract

Financial Inclusion is a crucial driver of economic empowerment, enabling access to formal financial services and promoting entrepreneurship, savings and investment. This study examines the impact of financial inclusion on economic empowerment in Himachal Pradesh, focusing on initiatives like banking penetration, credit access, and financial literacy programs. The analysis reveals significant progress in financial inclusion, contributing to improved economic outcomes, poverty reduction and women's empowerment. Economic empowerment sets a direct path towards gender equality, poverty eradication and inclusive economic growth. It is the ability to make and act on decisions that involve the control over and allocation of financial resources. Economic empowerment is the aptitude of women and men to participate and contribute to the growth processes in such ways that recognize the value of their contributions and respect. However, challenges persist including regional disparities and limited financial awareness. The study suggests targeted interventions to deepen financial inclusion, fostering sustainable economic empowerment in Himachal Pradesh.

Keywords: Economic Empowerment, Credit Access, Purchasing Power. Gender Equality.

Introduction

The financial inclusion is considered as a fast emerging concept and a mechanism for inclusive growth. It is an innovative concept which helps in promoting the banking habits among people. Access to a well-functioning financial system, enables economically and socially excluded people to integrate better and actively contribute to development of the economy and protect themselves against economic shocks. Therefore, financial inclusion plays a very crucial role in the process of economic growth by channelizing all resources from bottom to top. Literature which is available so far highlights the various dimensions of financial inclusion and theoretically establishes its relationship with economic development, poverty reduction and area development. So, keeping in view the network of various financial initiatives, the need has arisen to study the working of financial inclusion initiatives for the upliftment of rural people in Himachal Pradesh. About 90 percent people of Himachal live in rural areas. Rural population has a wide disparity according to the occupational differences, yield from agrarian sector and consequently earnings. The banking institutions prioritize security at the time of providing financial assistance with the motive to be conservative. Consequently, the poor people in the rural areas who have more necessity of finance, do not avail such benefits and the role of banking institutions to strengthen the economic development of the rural regions does not prove successful. Therefore, the need of study about financial inclusion has arisen for the economic empowerment of the people of

Himachal Pradesh.

Need of the study

In Himachal Pradesh a large proportion of population lives in remote mountainous villages where income levels are relatively low and financial literacy is limited . Many banking products are complicated or involve hidden charges which discourages people from using formal banking services . If financial products such as savings accounts, micro-credit , crop insurance and digital payment systems are designed according to the needs of the rural people such as small farmers , daily wage workers and small entrepreneurs, then more people will participate in the formal banking system . Literature which is available so far highlights the various dimensions of financial inclusion and theoretically establishes its relationship with economic development , poverty reduction and area development . There is no study with regards to the regular surveys in villages for understanding the financial requirement of people and lack of studies on awareness of banking products and availbility of bank branches in remote areas. So , keeping in view the network of various financial initiatives , the need has arisen to study the access, availability and usage of financial inclusion initiatives for the upliftment and economic empowerment of rural people in Himachal Pradesh.

Objective of the study

To know about the role of financial inclusion in economic empowerment of Himachal Pradesh .

Sampling methodology

Primary Data– The primary data for the study collected from the various financial institutions which provides micro finance (credit), branchless banking, no frill accounts, SHG’s, entrepreneurial credit etc.

- **Direct Personal Interview**– The researcher will conduct direct personal interview to know the exact response of the respondents. The researchers will make personal visit to the respondents. It will help to incorporate certain items as per the requirement of the study.
- **Questionnaire/Schedule Method**: Data has been collected through questionnaire/schedule to get first hand information from the respondents regarding demographic information, personal information, income level, education level and poverty level and awareness regarding financial services provided by different financial institutions.

Sample design

To obtain the required information from the respondents, multistage sampling or cluster sampling shall be used. There will be several stages in which the sampling process will be carried out. Sample will consists of 500 respondents selected from three top most populated districts i. e. Kangra, Mandi and Shimla. In the first stage, three blocks from each district will be selected and the criteria for selecting these blocks will be top most populated areas. In the second stage, from each block, three local self Government bodies (Panchayats) will be selected. The third stage of sampling will be to select three villages from each panchayat.

Financial inclusion and economic empowerment: an evaluation

In this context, role of financial inclusion for economic empowerment has been analyzed and results are presented in Table 1 . The results reflect that respondents to a very large extent admit that financial inclusion leads to economic empowerment. This view point of respondents is supported with the highest mean score 3.6580 that financial inclusion encouraged savings to meet any contingent situation. When respondents are ready to meet any contingent situation it means they have become self determined. The value of kurtosis shows that the distribution is leptokurtic. The value of chi – square further shows significant association. The skewness value is negative which further confirms that distribution of opinion is changing more towards the higher side. This revealed that financial inclusion is the very important tool for achieving economic empowerment. The high mean value, negative skewness and significant chi – square also suggests the same. It has been observed that financial inclusion has reduced the need to borrow, prepared people for emergencies and made them independent regarding spending of savings and further decisions in future. Thus, it concludes that financial inclusion helps to achieve the goal of economic empowerment. **Table 1**

Financial Inclusion and Economic Empowerment: An Evaluation

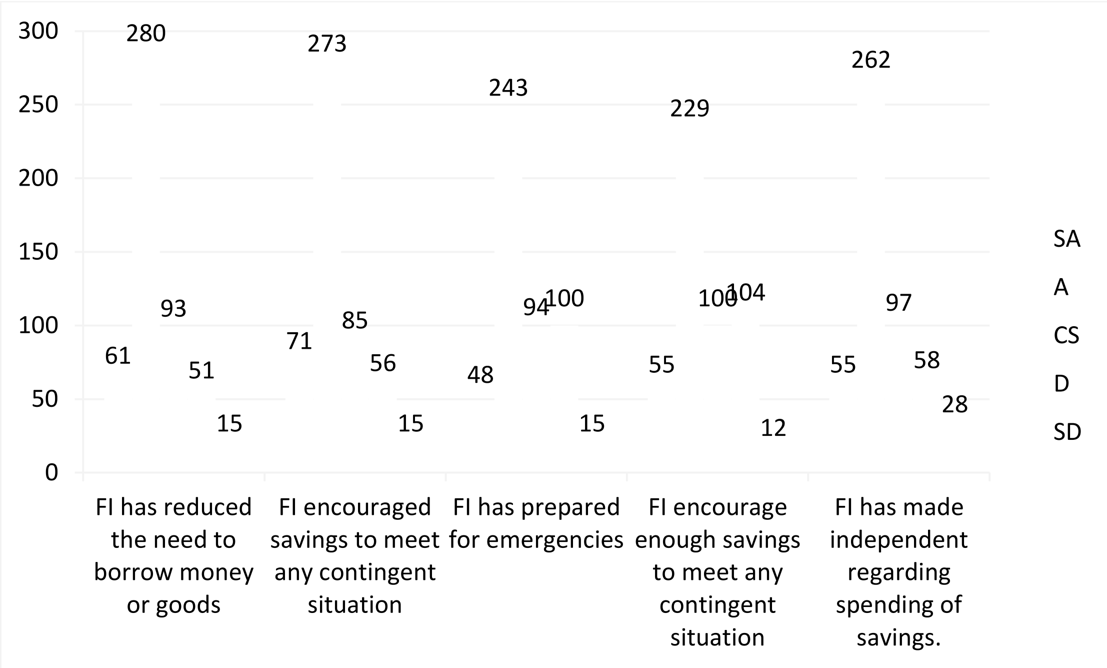
Statement	SA	A	CS	D	SD	Total	Mean	St. Dev.	Sk.	Kt.	$\chi2$	P value
FI has reduced the need to borrow money or goods.	61	280	93	51	15	500	3.6420	.92712	-.912	.631	435.960	.000
FI encouraged savings.	71	273	85	56	15	500	3.6580	.95649	-.871	.427	401.560	.000
FI has prepared for emergencies.	48	243	94	100	15	500	3.4180	1.00862	-.522	-.571	304.140	.000
FI encourage enough necessary funds to meet any contingent situation.	55	229	100	104	12	500	3.4220	1.01290	-.420	-.691	264.260	.000
FI has made independent regarding spending of saving.	55	262	97	58	28	500	3.5160	1.01972	-.858	.202	352.260	.000

Source: Data collected through questionnaire.

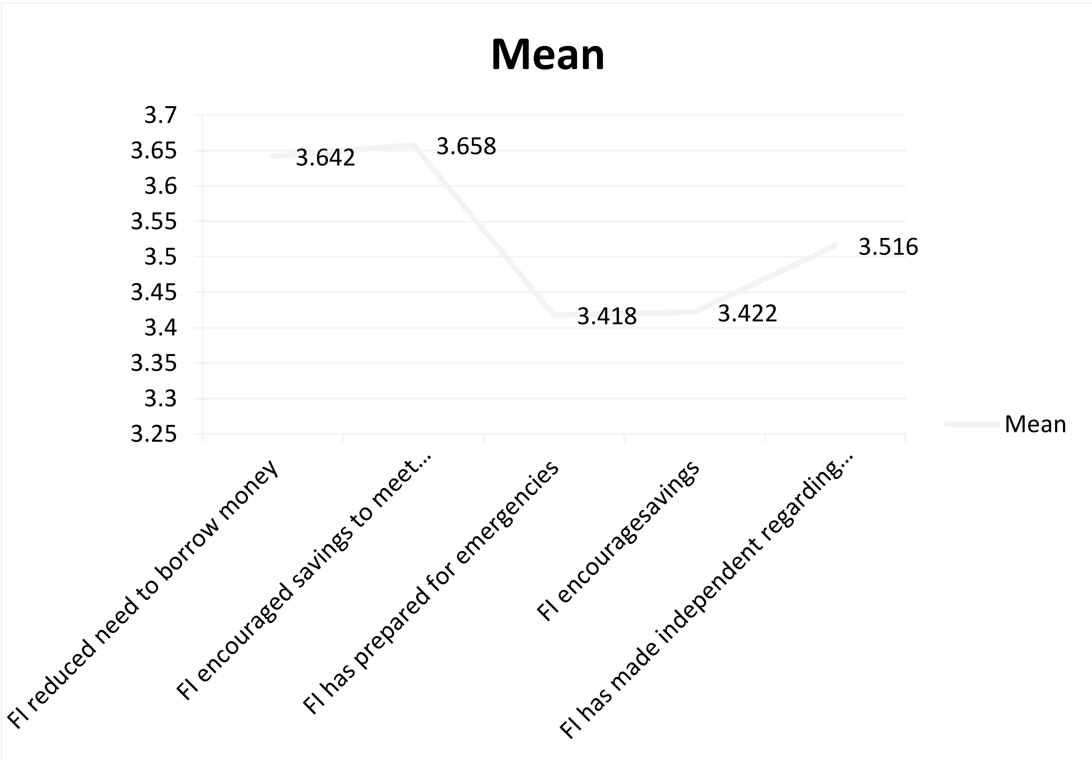
Note: SA –strongly agree, A – agree, CS – can't say, D – Disagree, SD – Strongly Disagree

Figure 1

Financial Inclusion and Economic Empowerment: An Evaluation



Financial Inclusion and Economic Empowerment: An Evaluation



financial inclusion and economic empowerment: an anova- Further, to gain a better understanding of respondents regarding the financial inclusion helps to achieve economic empowerment, one way ANOVA test has been performed by taking three districts into

consideration. Thus, with the application of ANOVA,
it has been tried to explore whether financial inclusion makes any significant difference in the understanding level of respondents in various districts. The results of ANOVA test displayed in table 2 . While examining various facilities viz. encouraged savings to meet contingent situation and prepared for emergencies, insignificant results are observed at 5 percent level with $p > 0.05$. The result portrays that there are statistically insignificant differences in understanding of respondents among different districts. It ascertains that financial inclusion does not affect the understanding level of respondents in various districts.

On analyzing understanding with reduced need to borrow money or goods, the results revealed significant difference in mean scores of understanding across the various districts with significant "F" value which further necessitated the use of Tukey post hoc test to examine the reasons for statistically significant mean difference. It is ascertained that mean difference between Kangra district and district Shimla is significant. It reflects that financial inclusion affects the understanding level of respondents in three districts.

The understanding regarding independently spending of savings exhibited in the one way ANOVA analysis which identified that there are statistically significant differences amongst the understanding of the respondents in different districts. The post hoc Tukey test has revealed a significant difference between the respondents in district Shimla with district Kangra and district Mandi with district Kangra. This shows the understanding level of respondents in district Kangra are more relevant than respondents in district Shimla and Mandi.

In the same context, increased purchasing power has been evaluated. The F value arrived is found significant as $p> 0.05$. This shows that significant mean differences for this variable. Therefore, Tukey's post hoc test is performed to identify the reason for statistically significant mean differences. The results show that the main source of difference is in between respondents in Kangra district with respondents in Mandi district. Similar results are comprehended while examining satisfaction level with new employment opportunities provided by financial inclusion. The one way ANOVA test has revealed that there are statistically significant differences amongst the mean of satisfaction level of respondents in various districts. The post hoc test further reveals that amongst the multiple pairing comparison, the level of significance is arrived at comparison made of Kangra district and Mandi district which signifies that respondents in Kangra district are more satisfied than Mandi district.

The provisions enable children to get better education have been examined. By applying the one way ANOVA analysis identified that there are statistically significant differences amongst the means of satisfaction of respondents in different districts. Further, the post - hoc Tukey test has revealed a significant difference between the respondents in Kangra district and Mandi district. Thus, the main source of difference is identified in these two districts. This shows that the respondents in Kangra district are more satisfied with regard to the education opportunities provided by financial inclusion than the respondents in Mandi district. Finally the financial inclusion enhancing the source of income has been analyzed which shows that there is significant difference between the means of respondents and post hoc test has also revealed the significant difference between respondents in Kangra district and Mandi district.

Table 2

Economic Empowerment and Financial Inclusion: An ANOVA

Descriptives					**F- Test**		**Post Hoc (Tukey Test)**			
Economic Empowerment Factors	**Districts**	**N**	**Mean**	**Std. Deviation**	**F**	**Sig**	**I District Group**	**J District Group**	**Mean Difference (I-J)**	**Sig.**
FI has reduced the need to borrow money or goods.	1. Kangra	279	3.6487	.88468	5.549	.004	1	2	.25735	.096
								3	.09388*	.000
	2. Mandi	75	3.3467	1.12097			2	1	-.25735	.096
								3	-.16347	.450
	3. Shimla	146	3.7808	.86697			3	1	-.09388*	.600
								2	.16347	.450
FI encouraged savings to meet any contingent situation.	1 Kangra	279	3.7240	.94021	2.238	.108	1	2	.25735	.096
								3	.09388	.600
	2 Mandi	75	3.4667	.99095			2	1	-.25735	.096
								3	-.16347	.450
	3 Shimla	146	3.6301	.96142			3	1	-.09388	.600
								2	.16347	.450
FI has prepared for emergencies.	1 Kangra	279	3.4588	.97316	2.615	.074	1	2	.28545	.075
								3	-.00697	.997
	2 Mandi	75	3.1733	1.16681			2	1	-.28545	.075
								3	-.29242	.102
	3 Shimla	146	3.4658	.97658			3	1	.00697	.997
								2	.29242	.102
FI has made independent regarding spending of savings.	1 Kangra	279	3.6201	.94779	10.681	.000	1	2	.59341*	.000
								3	.05158	.869
	2 Mandi	75	3.0267	1.26249			2	1	-.59341*	.000
								3	-.54183*	.000
	3 Shimla	146	3.5685	.94619			3	1	-.05158	.869
								2	.54183*	.000
FI has increased purchasing power.	1 Kangra	279	3.7204	.97485	12.261	.000	1	2	.60043*	.000
								3	-.08779	.683
	2 Mandi	75	3.1200	1.21877			2	1	-.60043*	.000
								3	-.68822*	.000
	3 Shimla	146	3.8082	1.03267			3	1	.08779	.683
								2	.68822*	.000
FI created new employment opportunities.	1 Kangra	279	3.4516	1.00913	9.347	.000	1	2	.5.8495*	.000
								3	.06805	.525
	2 Mandi	75	2.8667	1.20060			2	1	-.58495*	.000
								3	-.51689*	.002
	3 Shimla	146	3.3836	1.03897			3	1	-.06805	.801
								2	.51689*	.002
FI enabled children to get better education.	1 Kangra	279	3.7025	1.07675	9.645	.000	1	2	.59584*	.000
								3	-.03037	, 961
	2 Mandi	75	3.1067	1.23653			2	1	-.59584*	.000
								3	-.62621*	.000
	3 Shimla	146	3.7329	1.08463			3	1	.03037	.961
								2	.62621*	.000
FI enhanced source of income.	1 Kangra	279	3.5090	1.06907	3.702	.025	1	2	.37563*	.022
								3	.13910	.421
	2 Mandi	75	3.1333	1.08221			2	1	-.37563*	.022
								3	-.23653*	.022
	3 Shimla	146	3.3699	1.11426			3	1	-.13910	.421
								2	.23653	.275

*The mean difference is significant at the 0.05 level.

Source: Data compiled through questionnaire.

Conclusion

Economic empowerment factors were further analyzed and the results revealed that respondents from different districts demonstrated varying level of understanding and satisfaction regarding financial inclusion initiatives. The analysis indicated that financial inclusion plays a significant role in improving the economic stability of individuals and households . Access to financial services such as banking , credit facilities , insurance and savings schemes has reduced the dependence of respondents to borrow money or goods from informal sources during times of need. Moreover , financial inclusion has encouraged respondents to develop the habit of savings to prepare them for emergency situation . By encouraged savings and providing access to financial resources, contribute to meet contingent situation, increased purchasing power, created new opportunities and enhanced source of income. As a result respondents are better able to meet their daily needs , invest in productive activities and improve their overall standard of living. Hence, it can be conclusively stated that understanding level of respondents is influenced by financial inclusion to achieve the economic empowerment. However, the impact and level of awareness differ across various districts due to differences in accessibility , education and exposure to financial services . So, the satisfaction scores have not been found significantly different in some cases. The results obtained from the ANOVA test clearly indicate that there are significant differences in the awareness and satisfaction levels of respondents across different district groups with respect to financial inclusion schemes and their associated benefits . Hence, Financial inclusion plays a crucial role in promoting economic empowerment1 by improving financial services and encouraging responsible financial behaviour among respondents

References

Bihari, Suresh Chandra (2011). Financial inclusion – the key to emerging India. Asian Journal of Research in Social Sciences & Humanities, 01 (01), 47-66

Sharma, A., Sumita Kukreja, M., & Professor, A. (2013). An Analytical Study: Relevance of Financial Inclusion For Developing Nations. *Research Inventory: International Journal Of Engineering And Science Issn Www. Researchinventy. Com*. .

Bagli, Supravat, & Dutta, Papita (2012). A study of financial inclusion in India. Journal of Radix International Educational and Research Consortium, 1(8), 1-18.

Banerjee, Sayantani, & Francis, Greeshma (2014). Financial inclusion and social development. International Journal of Scientific Research and Management, ISSN (E) 2321-3418, 13-18.

Chattopadhyay, Sadhan Kumar (2011). Financial inclusion in India: a case study of West Bengal. RBI Working Paper Series: 8/2011, Retrieved from http://www. rbi. org. in/scripts/PublicationsView. aspx?id=13517. Accessed on 2709-2014.

Choithrani, Shalini (2013). Financial inclusion: need of the hour. International Journal of Management Research and Review, 3(9), 3565-3568.

Deutscher, Eckhard, & Jacquet, Pierre (2009). Promoting pro-poor growth: employment and social protection. Retrieved from http://www. oecd. org. Accessed on 27-09-2014.

Garg, Bhoomika (2014). Financial inclusion and rural development. Research Journal of Commerce, 2(1), 1-6.

George, Justine (2011). Growth and development: inclusive growth-what went wrong with development? Retrieved from http://mpra. ub. uni-muenchen. de/33182 /1/Growth & Development. pdf. Accessed on 27-09-2014.

Kalunda, Elizabeth (2014). Financial inclusion impact on small-scale tea farmers in Nyeri county, Kenya. World Journal of Social Sciences, 4(1), 130-139