Financial Inclusion as a Catalyst for Economic Empowerment: Insights from Goalpara District, Assam

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Abstract

Financial inclusion, which offers affordable financial services to disadvantaged and low-income populations, is crucial in economic empowerment. Many global economies, including India, view this concept as a vital goal for promoting economic growth and social equality. Despite the long passage of time during the planning era in India, many people need more formal financial services. It is a sheer fact that about 40% of Indian households remained unbanked till 2014. This means that this portion of people has no savings and investment habits as they are excluded from institutional financial services. Considering the importance of financial inclusion of the poorer section, the Government of India (GOI) has initiated a holistic scheme, “Pradhan Mantri Jan Dhan Yojana” (PMJDY), under the leadership of the Prime Minister. In response to this initiative, this research seeks to evaluate the status of financial inclusion and its impact on economic empowerment, explicitly emphasizing the Muslim community in the Rangjuli Tribal Development (TD) Block of Goalpara District, Assam.

Keywords: Financial inclusion, Economic empowerment, Jan Dhan Yojana, Savings and Investment.

Introduction

The enhancement of economic empowerment for citizens of any nation is arguably the primary objective of economic development. Financial resources are the most influential factors in altering the standard of living for individuals. Monetary assets are required by individuals, business entities, and governmental bodies for multifaceted purposes, the chief among them being savings and investment. Currency circulation through all societal strata is essential for expanding economic activity and fostering positive economic growth. Consequently, the financial inclusion of all segments of society, particularly the rural poor, is indispensable not only for economic development, but also for economic growth with social equity. Financial inclusion, or inclusive financing, refers to the process by which access to financial products and services at affordable costs is made available to vulnerable sections of society, specifically to weaker groups and low-income segments.

From the beginning of the planning era until the mid-period of the 12th plan, about 40 per cent of India has been found to be excluded from financial services or this fraction of people remained unbanked **(Razi, 2014)**. Given the significant disparity in financial inclusion, Prime Minister Narendra Modi aimed to incorporate 'Financial Inclusion' with the objective: "A Bank Account for each household is national priority." Recognizing financial inclusion as a potentially effective approach, particularly for the rural poor, to achieve economic empowerment, a comprehensive scheme, Pradhan Mantri Jan Dhan Yojana (PMJDY), was launched in India on August 28, 2014, using a mission-oriented approach. While financial inclusion has become imperative for the economic empowerment of the rural poor, its efficacy at the grassroots level is contingent on multiple factors. In light of these considerations, a case study methodology was adopted to evaluate the concepts of economic empowerment and financial inclusion and to apply them at the micro level. Consequently, this study aims to examine "Financial Inclusion as a Catalyst for Economic Empowerment: Insights from Goalpara District, Assam." The present study seeks to analyze the relationship between financial inclusion and economic empowerment in general and to assess the effectiveness of the PMJDY at the grassroots level in particular.

Objectives:

This study aimed to evaluate economic empowerment and financial inclusion by focusing on two specific objectives:

1. Examining the importance of financial inclusion in promoting economic empowerment.
2. Analyzing the impact of Pradhan Mantri Jan Dhan Yojana at the grassroots level.

Methodological Note

As the objectives indicate, the present study is descriptive and evaluative in nature, necessitating the use of both secondary and primary data. Secondary data were obtained from various published sources, including the Statistical Hand Book of Assam and journals such as Yojana and Kurukshetra. Primary data were collected through a purposive randomsample survey conducted during the first week of April 2014. The Rangjuli Tribal Development (TD) Block in Goalpara District was purposively selected for this study because of its status as one of the backward areas of the district. A total sample of 40 households, comprising 20 each from two purposively selected villages, Ambari Part III and Tiplai Part I, were chosen randomly. The sample households were classified into two broad categories, resulting in a total sample size of 24 agricultural workers and 16 other workers. This sample size is deemed appropriate, as it represents approximately 12 percent of the total 308 households (168 in Ambari Part III and 140 in Tiplai Part I). The heads of sample households were interviewed using a questionnaire. The data collected through this procedure were analyzed using simple statistical tools, such as tables and ratios, to derive the following findings.

The issue in National Perspective

Financial inclusion or extension of financial services and accessibility of financial institutions have a positive impact on growth and employment **(Levine, 2005)**. Many studies suggest that access to financial services has a positive impact on self-employed business activities, household consumption, and overall well-being among lower-income groups **(Bauchet et al. 2011).** However, most poor families in rural areas are still dependent on informal money lenders at high costs and, until now, a large number of people have been excluded from banking services.

Although India is one of the fastest growing countries, only 4.16 crore of its rural households have access to banking services out of the total rural households of 13.83 crore **(Razi, 2014)**. The sheer fact of the financial exclusion of a large section of people makes it imperative to adopt such a holistic scheme to accelerate the process of financial inclusion. So, launching of the “Pradhan Mantri Jan Dhan Yojana” is considered a landmark initiative to link the excluded rural poor with the Bank Account and it is a venture towards bringing them into the process of economic empowerment.

An Outline of Pradhan Mantri Jan Dhan Yojana

Financial inclusion is a new concept of inclusive economic growth, which the Government of India (GOI) initiated in mission mode. Prime Minister Narendra Modi announced the Pradhan Mantri Jan Dhan Yojana (PMJDY) is an ambitious scheme of financial inclusion to empower people. It is a landmark initiative to link the hitherto excluded poor with the bank through the Bank Account and a step towards bringing them into the economic mainstream **(Patel, 2014)**. Prime Minister Modi, on his first Independence Day Speech on 15th August 15, 2014, announced the scheme with the slogan "Mera Khata Bhagya Vidhata" which aims to cover all households in the country with banking facilities, ensuring a bank account for each household. The focal point behind this scheme is Modi's concern – if 40 per cent of Indians are not part of the economy, how can society successfully eradicate poverty? He viewed financial exclusion as "Financial Untouchability" and society must fight against such evil. PMJDY is a big step towards financial inclusion, and the provision of basic accounts with linked insurance coverage, debit card facilities, etc., to the unbanked will certainly benefit poor households' welfare, economic activity, stability, and the ability to absorb shocks if the scheme can meet the challenges of improving banking infrastructure **(Sahoo, 2014)**.

The initial targets of Prime Minister Jan Dhan Yojana (PMJDY) are the opening bank accounts of 7.5 crore families in a year by August 2015. Notably, about two crore bank accounts were opened on the first day of August 28, 2014, when the scheme was launched. Consequently, the target covers every eligible Indian in the banking system. In the first phase, all account holders will be provided basic bank accounts with an overdraft facility of Rs. 5000, after six months, and a Rupay Debit Card with an inbuilt accident insurance cover of Rs. 1 lakh and Rupay Kisan Card. In the second phase, the scheme intends to extend financial services to these basic account holders and provide them with micro-insurance and pensions. As it is difficult to spread bank branches across all unbanked areas, Business Correspondents (BCs) are deployed on a large scale to help execute the plan.

Economic Empowerment and Financial Inclusion

The economic empowerment of individuals can be described as a condition in which they have access to opportunities for life sustenance, self-esteem, and financial independence. Financial inclusion in all segments of society has become a crucial goal for sustained economic growth. Given the positive correlation between financial inclusion and economic empowerment in a money-based economy, it is essential for people to have access to institutional financial services. Financial inclusion or extension of financial services and accessibility of financial institutions have a positive impact on growth and employment **(Levine, 2005)**. Providing institutional financial services to all citizens, particularly the less affluent, is necessary and justifiable for several reasons. First) the availability of institutional services for all citizens, regardless of income level, would establish a foundation for cultivating saving habits. Through this process, low-income families, previously excluded from financial inclusion, can contribute to national savings. Second) as the poor are susceptible to various hardships, financial inclusion policies can incorporate them into credit facilities, thereby encouraging their participation in economic activities. c) Financial inclusion policies can facilitate the delivery of welfare schemes and subsidies intended for the impoverished. Evidence shows that a significant amount of funds fails to reach beneficiaries because of the absence of bank accounts. Thus, such policies can help address gaps and leaks in public subsidies and welfare programs. d) Moreover, these policies can help eliminate corruption in subsidy and credit distribution processes. This analysis demonstrates the relevance and justification of the PMJDY scheme in developing countries, such as India, where poverty remains a significant issue.

Financial Inclusion of the Muslims in the Grassroots of Rangjuli Tribal Development (TD) Block
The Rangjuli Tribal Development (TD) Block of Goalpara District is characterized by a notable concentration of Muslim inhabitants, who constitute the primary demographic in numerous rural settlements. Muslims are primarily agrarian, and major portions are marginalized or landless farmers who offer manual labor in the informal non-farm sector in rural and urban areas in different parts of the state. Most of the households have the least employment opportunities; therefore, the majorities were excluded from basic banking facilities. That is, most people in the villages had no access to institutional financial facilities. Persisting unbanked situations for a long time has retained most households excluded from financial services. Therefore, a poor economic profile in terms of annual earnings is visible among the Muslims in the sample villages. The annual earning profile of people provides a notion of the size of savings and investment, and is thereby employed in economic activity. Thus, a brief description of the earnings profile of the sample households is depicted in tabular form. Table 1 shows the economic profile of Muslims in Ambari Part III and Tiplai Part I under two basic occupations and income levels.

Table 1 Earning Profile of the Sample Households (40 sample Households)

Income level (Rs.)	**Category**		**Total**
	Agriculture workers (No. of households)	Other workers (No. of households)	
15000-20000	13 (56.52)	10 (43.48)	23 (100)
20000-above	11 (64.7)	6 (35.3)	17 (100)
Total	24 (60)	16 (40)	40 (100)

Sources: Field survey

Note: The figures in the brackets represent percentages
The above table shows that 56.52 per cent and 43.48 per cent of households engaged in agriculture and others earn an average income of Rs. 15 thousand to Rs. 20 thousand only, whereas 64.7 per cent and 35.3 per cent earn above Rs. 20 thousand only. Aggregating the two earning groups, it was found that 60 per cent of the households were occupied in agriculture, and the remaining were engaged in other activities. The table also reveals that the majority of the households (60 %) are engaged in agricultural activities.
The implication of a poor economic profile has resulted in the exclusion of institutional financial services. However, most households entered the newly launched scheme. The impact of this scheme on the sample villages is highlighted below.

Status of Bank Accounts and Benefits Accrued

The impact of Pradhan Mantri Jan Dhan Yojana among the sample households is reflected in the mass opening of Bank Accounts. The temporal status of opening bank accounts is highlighted in table-2.

Table-2 Number of Households having Bank Accounts before and after the Scheme (40 households)

Category of Income Group	Before the scheme (No. of households)	After the scheme (No. of households)	Subsidy benefit (LPG)	Total (2+3)
1	2	3	4	5
Agriculture workers	9 (37.5)	15 (62.5)	11	24 (100)
Other workers	4 (25)	12 (75)	7	16 (100)
Total (2+3)	13 (32.5)	27 (67.5)	18 (45)	40 (100)

Source: Primary Survey

The figures in the brackets represent percentages

Aggregating both categories of earners, it is observed that the opening of bank accounts reached 100 percent after the implementation of the scheme, as indicated in Table 2. The scheme has resulted in an increase from 37.5 percent to 100 percent in bank account possession for agricultural workers, whereas the category of other workers demonstrates a more substantial increase from the initial 25 percent inclusion prior to the scheme's introduction. Regarding the benefits to account holders, it is noted that 18 households, approximately 45 percent of the total households, have received LPG subsidies, as shown in column 4 of the table. The sample data indicate the positive impact of the scheme on the rural poor. However, its effectiveness is contingent on the efficient and transparent delivery of financial services to the population. Furthermore, there is a significant prevalence of financial illiteracy, particularly in rural areas such as Ambari Part III and Tiplai Part I villages in the Rangjuli Tribal Development (TD) Block of the Goalpara district in Assam.

Conclusion

This paper examines the impact of financial inclusion on economic empowerment, focusing on the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme in the Rangjuli Tribal Development (TD) Block of Goalpara District, Assam. The study highlights that despite India's rapid economic growth, a significant portion of the rural population remains unbanked and is excluded from formal financial services. The PMJDY scheme aims to provide bank accounts to every household to promote financial inclusion and economic empowerment. The study analyzes the earnings profile of sample households in two villages, revealing that the majority are engaged in agriculture and earn low income. The introduction of PMJDY led to a significant increase in bank account ownership among the sample households with 100 per cent coverage achieving post-scheme implementation. Additionally, 45 per cent of households received LPG subsidy benefits through their bank accounts. The study concludes that proper implementation of financial inclusion policies can foster economic empowerment among the rural poor, but challenges such as insufficient bank branches, shortage of personnel, and financial illiteracy need to be addressed for the mission to be successful.

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