

An executive summary of the final report of work done on the Minor Research project of **Ms. Maria Rodrigues** entitled " **Socio Economic Impact of Financial Inclusion on Below Poverty Line Households in Mangalore** sanctioned by UGC, vide sanction letter No. **1441-MRP/14-15/KAMA002/UGC-SWRO** dated on **04.02.2015**.

EXECUTIVE SUMMARY

The Eleventh Five Year Plan (2007-12) envisions inclusive growth as a key objective. The Eleventh Plan Document tries to restructure the policies in order to make the growth faster, broad-based and inclusive by reducing the fragmentation of the society. It clearly stated that ‘The development of rural India is an imperative for inclusive and equitable growth and to unlock huge potential of the population that is presently trapped in poverty with its associated deprivations’ (GOI, 2007). Huge investments in education and health, rural infrastructure and financial inclusion were the key elements of the inclusive growth strategy as envisaged.

An increasing body of evidence shows that appropriate financial services can help improve household welfare and spur small enterprise activity. There is also macroeconomic evidence to show that economies with deeper financial intermediation tend to grow faster and reduce income inequality. Access to finance contributes to household entry, empowerment and consequently to improvement in income. Consequently, access has many dimensions on demand side including awareness, acquaintance or understanding the usage of various financial products or services.

But over the past few decades we have also learned that poor households need access to the full range of financial services to generate income, build assets, smooth consumption, and manage risks—financial services that a more limited microcredit model cannot provide. Around 2 billion people don’t use formal financial services and more than 50% of adults in the poorest households are unbanked. Financial inclusion is a key enabler to reducing poverty and boosting prosperity

Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes.

In this regard the government of India and Reserve Bank of India has implemented various strategies for the rural and urban population of the country. This study is undertaken in order to analyse the socio economic impact of these initiatives on the below poverty line household in Mangalore.

Main objectives of the study

- The study the objectives, policies and progress of financial inclusion.
- To study the awareness among the low income households about the financial services provided by the bank under financial inclusion policy in Mangalore.
- To analyse and evaluate the socio economic impact of financial inclusion on these households.
- To determine the measures that could be taken to increase the effectiveness and coverage of financial inclusion among the low income households.

All the respondents were personally contacted by the researcher to ensure reliability of the data. The relevant data for the study has been collected from both primary and secondary sources. A large part of the analysis is exclusively based on the primary data. Secondary data has been used, to ease the analysis and wherever additional information was needed to strengthen the arguments. The sources of secondary data include a host of books, academic journals, periodicals and newspapers.

Keeping in view the objectives of the study, the data collected through the questionnaires will be analysed and interpreted with the help of descriptive statistical tabulation method.

Major Findings

A sample size of 200 respondents is selected for the study. Equal number of male and female respondents was selected..

Almost 52 respondents had completed their education till SSLC, 46 were post graduates, 31 respondents had studied till primary, 28 had completed their pre-university studies and the rest 27 had no education. Majority (113) respondents had owned accommodation

Majority (127) respondents have salaried job, 32 were agriculturist, 23 had self-employment and 18 wage earners. Majority (156) households had an annual income of 10001-20000 and the rest 33 had below 10000.

The study depicts that 142 respondents are aware of banking services and 58 are still not aware about all the existing products of the bank. The awareness level of interest charged on savings

and credit is quite low as only 85 respondents out of total of 200 respondents are aware. 137 respondents are still not aware about the fees charged by banks on various services provided. 72 respondents are aware of credit facilities provided by the banks, while the 128 are not. Majority respondents (189) are aware about the ATM cards.

Only 41 respondents, out of 200 are aware about the BC's and remaining 159 are not even aware about the business correspondents appointed by the banks.

In this study, out of the total 200 households, 108 households have borrowed loan from the bank. 85 households deposit money 0-2 times in a month, 32 households deposit 3-5 times in a month and 23 households deposit 6 times or more in month in their savings bank account. 146 households withdraw 6 times or more in a month and 36 households withdraw 3-5 times in a month and 18 households withdraw 0-2 times in a month.

Majority of the respondents opine that there is improvement in their psychological well-being, financial literacy level, increase in self-esteem, confidence, feeling of security, self respect and recognition in society by joining of self-help groups.

The study ascertains that there is significant positive change in the monthly income, savings, asset value, education and accessibility to credit after availing banking services.

Therefore, through the study it was found that there has been a positive impact and improvement in the socio economic variables among the households due to financial inclusion initiatives.

With the arrival of banking technology and realization that poor are bankable with good business prospects, financial inclusion initiatives will strengthen financial deepening further and provide resources to the banks to expand credit delivery. The banking technology initiatives meant for financial inclusion should be collaborative and innovative with an objective to reduce the transaction costs. Thus, financial inclusion along with the Governmental developmental programmes will lead to an overall financial and economic development in our country and as in the case for most developing countries, extending the banking services to everyone in the country will be the key driver towards an inclusive growth.