

Empirical Analysis of Financial Inclusion: Case Study of Madhya Pradesh and Chhattisgarh

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Abstract: The sustainable growth requires a holistic approach, where all members of the society grow equally. This study compares two states—Madhya Pradesh and Chhattisgarh in an effort to analyze financial inclusion, including the use of banking and other regulated products at an affordable price. To support the study, primary data has been gathered from different rural areas in both states during 2023. Primary information was collected from 200 households for each state. Financial inclusion is receiving attention from all around the world since it has been identified as one of the main causes of poverty. The findings of the study show Madhya Pradesh has performed a little better as compared to Chhattisgarh in making the population of the state financially inclusive.

1 INTRODUCTION

Financial inclusion refers to offering conveniently accessible and reasonably priced financial services to commercial and retail clients who are shut out of the system. The financial sector, which includes banks and other financial organizations like the post office, insurance providers, brokers, investment funds, and so forth, is responsible for providing the majority of financial services. Although there are many different definitions of financial inclusion, the majority of research focused on using basic banking services such as deposits, loans, microfinance, payment services, money transfers, insurance, and financial literacy.

Madhya Pradesh, which has the 10th largest economy in India, ranks 26th in terms of per capita income, with an annual gross domestic product (GDP) of \$9.17 trillion (US\$130 billion). The state's growth rate for GDP is 8.22%. One of the Indian states with the quickest rates of growth is thought to be Chhattisgarh. With a GSDP per capita of Rs.102,762, its Gross State Domestic

Product (GSDP) is currently *3.63 lakh crores. Despite significant progress, many populations in these states remain underserved by formal financial institutions due to geographical remoteness, inadequate infrastructure, low literacy rates, and

cultural barriers. However, governmental policies, technological innovations, and collaboration between public and private stakeholders have led to significant advancements.

2 LITERATURE REVIEW

Radhika K. and Dr. P. Indrasena Reddy (Oct'2021) in their study, they came to the conclusion that the Indian government is committed to raising the country's financial inclusion. Initiative programs from the government and RBI are improving people's access to financial services.

Usha Srivastava, (Feb'2018), evaluated the expanding financial literacy initiatives in Chhattisgarh and found that HDFC Bank Ltd. launched its rural financial literacy program in the Chhattisgarh village of Jamgaon under the direction of the RBI.

C. Annamalai and K.Vijayarani (2014) the study came to the conclusion that, in spite of the scheme's strong social objective of financial inclusion, the partial inclusion of the plan had prevented the tribal community region's understanding of financial inclusion from being fully converted into satisfactory action.

2.1 Objectives of the Study

1. To study the variables responsible for Financial Inclusion in Madhya Pradesh and Chhattisgarh.

2. To assess the progress and impact of Financial Inclusion measures at ground level in Madhya Pradesh and Chhattisgarh.

2.2 Data Collection

For the purpose of this study, the population consists of all adults in Madhya Pradesh and Chhattisgarh. Since, it is not possible to collect the data regarding financial inclusion from all the citizens of Madhya Pradesh and Chhattisgarh. Random and convenient sampling technique was used for collecting Primary Data.

The method used for the present study is probabilistic sampling method, in which the chosen population for the study is randomized and surveyed is not known to the researcher. Five districts were selected from each state, two villages from each state, were selected randomly and 20 questionnaires were got filled from every village selected. Table - 1 elaborates in detail the districts and villages selected for data collection.

2.3 Population and Sample Design

The present research analysis, therefore, is an attempt to carry out a comprehensive household survey to assess the various dimensions of financial inclusion/exclusion.

Table 1: Details of primary data collection locations.

States	Districts	Villages
MP	Bhopal	Barkheda Salam
		Bairagarh Kalan
	Indore	Madhopur
		Jamalपुरa
	Ujjain	Budhaniya
		Hathod
	Sehore	Devli
		Magarda
	Jabalpur	Jhurjhuru
		Mohniya

CG	Raipur	Sarora
		Hathkhoj
	Bilaspur	Chakarbhatha
		Amtara
	Korba	Girari
		Basin
	Dhamtri	Akla Dongri
		Barari
	Durg	Piperchedi
		Gorpa

The study covers five districts of each state i. e. Madhya Pradesh and Chhattisgarh. Since the study aims at looking at the reality of financial inclusion and its determinant at ground level, villages nearby the districts have been selected. Two separate lists of villages from the five districts were first prepared and then the villages have been numbered and a random draw of two villages each from the five districts has been selected for survey. 20 households have been selected on random basis for primary survey from each village. Primary information was collected from 200 households for each state. The primary data on number of saving and loan accounts, Kisan Credit Card, Money Transfer, health, life and general insurance, Mutual Fund Scheme, and Post office Banking, were collected from the sample households of both the states.

In selected villages almost all selected households studied have reported their awareness of the existence of bank branch in their village or in nearby districts. A similar response is also observed in the case of awareness of saving facility and awareness of loan facility. But opposite response is observed in case of awareness to access loan are low in Chhattisgarh as compared to Madhya Pradesh, so it can also be said that people are less interested for loan facility when it comes to financial inclusion. As regards awareness of the money transfer facility, mutual fund schemes, post office banking and other banking facility less than 50 per cent of the respondents from both the states Madhya Pradesh and Chhattisgarh.

Table 2: Access to and Availability of Financial Services in Survey Areas.

Access to and Availability of Financial Service	Madhya Pradesh		Chhattisgarh	
	No.	%	No.	%
Saving Account	170	85	164	82
Loan Borrowed	102	51	92	46
Kisan Credit Card	30	15	34	17
Money Transfer	6	3	8	4
Health Insurance	130	65	114	57
Life Insurance	16	8	22	11
General insurance	6	3	10	5
No access to any	10	5	16	8

Source – Field survey

The analysis of the data presented in the Table above discloses that, there are very minor differences in access problems in both the states and for different products. But savings and loan products, 5% of the respondents in Madhya Pradesh and 8% of the respondents in Chhattisgarh have no access problem.

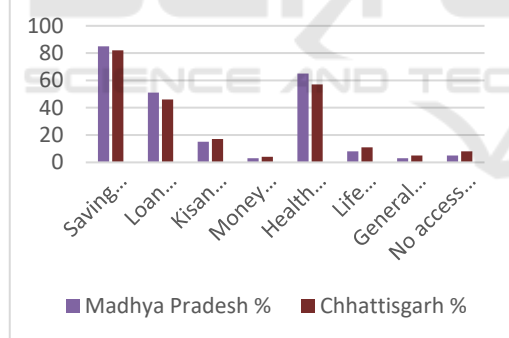


Figure 1. Field survey results- Access to financial services.

As regards access to other financial products/services, while in Madhya Pradesh, 15% of the households have reported access to Kisan Credit Card (KCC), in Chhattisgarh 17% of the households had access to KCC. In the case of all other financial products and services except insurance the majority of households have indicated access problems, as majorly have reported about the Ayushman Bharat Health Insurance Scheme is utilised by them.

In the case of money transfer, 3% households of Madhya Pradesh and 4% households of Chhattisgarh have reported easy access to money transfer (because of they are educated).

Table 3: Sources of Information for Financial Inclusion.

Sources of Information	Madhya Pradesh		Chhattisgarh	
	No.	%	No.	%
Village Panchayat Officials	20	10	10	5
Neighbour	24	12	20	10
Family members	20	10	24	12
Friends/Relatives	26	13	16	8
Bank employee/Insurance agent	24	12	30	15
Government officials	16	8	10	5
Self Help Group (SHG)	30	15	50	25
Others	10	5	4	2
Total	170	85	164	82

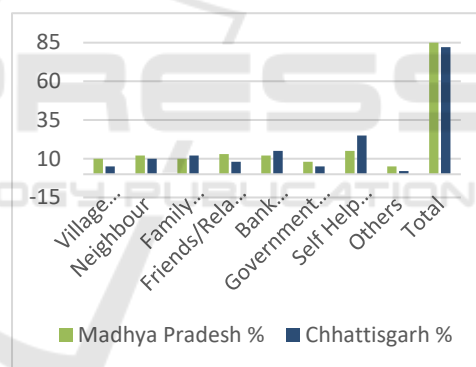


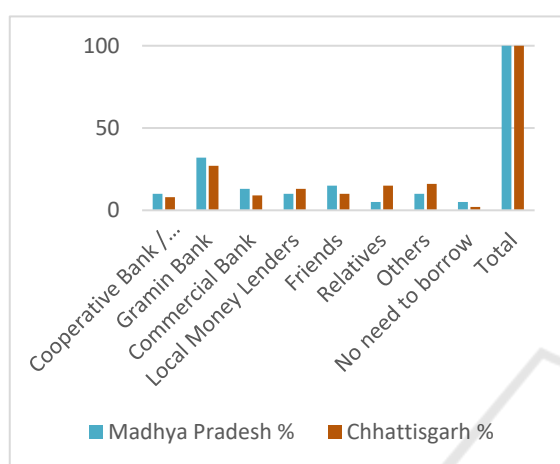
Figure 2. Sources of financial inclusion.

Above table 2 provides details of the source of information which led the household’s entry into the financial sector, it is important to note that only 13% respondents in Madhya Pradesh and 8% in Chhattisgarh reported friends/ relatives as their source of information about financial services and products. On the other hand 10% in Madhya Pradesh and 12% households of Chhattisgarh reported family members / acquaintance as the source of information about financial inclusion. 5% and 2% households in both the states have reported other sources as the main source of information about financial services respectively. The major and important source of the information mentioned is Self-help Group which

contributed 15% in Madhya Pradesh and 25% in Chhattisgarh.

Figure 3. Sources of financial inclusion(extended).

At the onset, it should still be noted that the access of the household to loan facility depends upon the nature of work of the household, mentality of the members of household, intensity of need (it is high at the time



of medical emergency) and also the easy availability of credit facility.

The above Table no – is, an attempt made to evaluate the responses of the households relating to the agencies from which they have borrowed for their credit requirements. From the table, it appears that Gramin Banks have good network in Madhya Pradesh as compared to that in Chhattisgarh. Access to informal sources for loan is higher in Chhattisgarh as compared to Madhya Pradesh.

The main implication emerging from this analysis of the data shows that formal and informal both agencies are equally important source in providing financial services in remote areas, which should be a matter of concern as for achieving Financial Inclusion we need to increase the scope of formal sector in money lending in rural areas. Madhya Pradesh is showing results of more formal sources preferred for borrowing i.e. 50% whereas Chhattisgarh is showing 44% of formal sources of borrowing.

It is clear from the above figures 1-3 that there is very minute difference between the sexual ratio of the respondents in both states, Madhya Pradesh and Chhattisgarh.

The table 4 shows that majority of the respondents belong to 20-40 years of age group that is 40% in Madhya Pradesh and 60% in Chhattisgarh. Similarly,

Madhya Pradesh has more senior citizen respondents as compared to Chhattisgarh i.e. 30% and 10% respectively.

From the above charts it can be clearly concluded that majority of the respondents that is 62.5% in Madhya Pradesh and 55% in Chhattisgarh are farmers and second major that is 25% in Madhya Pradesh and 40% in Chhattisgarh are from labour class. Business and other occupation is followed by very a smaller number of respondents. The chart above shows that the respondents are not well educated, majority of the respondents from both the states have only completed primary education.

Table 4: Socio-Economic Profile of Respondents

Indicators		MP	%	CG	%
Sex	Male	125	62.5	140	70
	Female	75	37.5	60	30
Age	0-20	20	10	10	5
	21-40	80	40	120	60
	41-60	40	20	50	25
	above 60	60	30	20	10
Occupation	Labourer	50	25	80	40
	Farmer	125	62.5	110	55
	Business	5	2.5	2	1
	Others	20	10	8	4
Literacy	None	25	12.5	30	15
	upto Primary	75	37.5	80	40
	upto Middle	20	10	40	20
	upto High School	70	35	45	22.5
	Graduate	10	5	5	2.5
Annual Income	Below 70,000	90	45	95	47.5
	70,000-100,000	80	40	80	40
	100,000-1,50,000	20	10	20	10
	Above 1,50,000	10	5	5	2.5

3 CONCLUSIONS

States like Madhya Pradesh and Chhattisgarh are examples which can prosper economically and socially, provided their less fortunate populations can achieve financial independence. Because of this, financial inclusion plays a crucial role in accelerating the process of growth and development.

It can also be concluded that there is a significant connection between literacy rates and financial exclusion. It is observed that money transfer, 3% households of Madhya Pradesh and 4% households of Chhattisgarh have reported easy access to money transfer (because of they are educated). Madhya Pradesh is showing results of more formal sources preferred for borrowing i.e. 50% whereas Chhattisgarh is showing 44% of formal sources of borrowing. In recent years, the government and other responsible authorities have launched numerous initiatives aimed at achieving financial inclusion, which has created a strong foundation and created a strong demand for additional research on the topic.

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