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SOCIO-ECONOMIC DETERMINANTS OF FINANCIAL INCLUSION: A STUDY AMONG SCHEDULED CASTE WOMEN IN KERALA

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SOCIO-ECONOMIC DETERMINANTS OF FINANCIAL INCLUSION: A STUDY AMONG SCHEDULED CASTE WOMEN IN KERALA

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Abstract: *An inclusive financial system is inevitable to achieve equitable and sustainable economic growth. Financial inclusion indicates ensuring access to financial services by all sections of the society. Financial exclusion obstructs the wellbeing of poor and marginalized segments of the society. This paper is intended to examine the extent of financial inclusion and the determinants of financial inclusion among Scheduled Caste women in Kerala. The extent of financial inclusion among scheduled caste women is assessed by constructing Financial Inclusion Index (FII). The study observed poor financial inclusion status among the respondents. Financial inclusion of SC women is mainly driven by matured age, education, high income and SHG membership. Deprivation score and reliance on informal borrowing negatively influenced their financial inclusion status. Socio economic backwardness and vulnerability to greedy money lending practices are the main factors responsible for the poor financial inclusion status among the SC women.*

Key Words: *Financial Inclusion, Financial Inclusion Index, deprivation score, transaction banking, Scheduled Caste*

I. Introduction

Financial inclusion has been widely regarded as an important component in reducing poverty and achieving inclusive growth (Demirguc-Kunt et al. 2015). An inclusive financial system is inevitable to achieve equitable and sustainable economic growth. Financial inclusion indicates ensuring access to financial services by all sections of the society. According to Dr. C Rangarajan Committee on Financial inclusion (2008), "financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups, landless labours, farm women, unemployed youth etc. at an affordable cost". Dr. Raghuram Rajan's committee on financial sector reforms defined financial inclusion as, "expanding access to financial services such as payment services, savings products, insurance products and inflation- protected pensions."

Financial exclusion becomes a concern in the community when it applies to lower income consumers or those in financial hardship. Financial exclusion obstructs the wellbeing of poor and marginalized segments of the society. It puts the poor at a disadvantage compared to the financially included sections and increases problems of various kinds in their lives. Access to financial services by poor, is a critical determinant of their status and ability to take part in gainful activities. Government of India has adopted numerous innovative ways of providing financial services to the financially excluded sections to make them financially included. In spite of Government initiatives, marginalized segments of the society still exhibit relatively poor status with respect to financial inclusion.

2. Significance of the Study

Access to affordable financial services, open up livelihood opportunities to poor sections by economically empowering them. Marginalized communities exhibit relatively poor status with respect to financial inclusion. Kerala is one of the most financially included states in India. The Scheduled Caste community is one of the communities identified as heavily underprivileged in Kerala's history of social development. Demographic and socio economic conditions have a significant impact on the economic lives of individuals. Access to financial services is also influenced by socio economic conditions of individuals. In this scenario, it is significant to examine the extent and determinants of financial inclusion among one of the vulnerable sections of the society such as Scheduled Caste women.

1. **Review of Literature**

Financial inclusion is determined by both demand side and supply side factors. socio economic conditions have an important role in determining the status of financial inclusion (Kumar, 2013; John and Mary, 2016). Socio economic conditions of women from Scheduled Caste are particularly significant in determining their financial inclusion status. Being woman and being a member of low caste community, they face double marginalization, so they are marginalized among the marginalized. Earlier studies show that women lag behind men in financial inclusion **(**Salathia and Andotra, 2015; Zins and Weill 2016; Soumaré et al. 2016; Shihadeh, 2018).

Park and Mercado (2018) found that per capita income, rule of law and demographic characteristics notably influence financial inclusion in developing Asia. Abdu et al.(2015) argues that financial inclusion in Nigeria was positively associated to youthful age, better education and high income and negatively associated to old age, gender(female) and low income. Soumaré et al.(2016) argue that important determinants of financial inclusion in Africa are personal characteristics such as gender, education, age, income, residence area, employment status, marital status, household size and degree of trust in financial institutions. Educated, working-age, urban resident and full-time employed, male, married and richer are more financially included.

Tuesta et al. (2015) argues that education, income and age are significant variables in determining financial inclusion. Salathia and Andotra (2015) point out that age, caste, gender and marital status are not significant in determining the level of financial inclusion. Sanderson(2018) found that age, education, financial literacy, income, and internet connectivity are the factors which positively associated to financial inclusion. Shihadeh (2018) argues that females and the poor are less financially included. Educational qualification positively influences financial inclusion. Religion is not a barrier in accessing financial services.

4. Objectives of the Study

Following are the specific objectives of the study:

1. To examine the extent of financial inclusion among Scheduled Caste women in Kerala.
2. To identify the determinants of financial inclusion among Scheduled Caste women in Kerala.

5. Data Source and Methods

The present study attempts to examine the determinants of financial inclusion among the scheduled caste women in Kerala. The study mainly depends on primary data collected from the Palakkad district of Kerala. Among the 14 districts in Kerala, the number of Scheduled Caste women is highest in Palakkad district (13.21 percent) according to 2011. So, Palakkad district is selected for the present study and primary data is being collected from randomly selected 300 SC women. In order to examine the extent of financial inclusion among scheduled caste women a financial inclusion index has been constructed. The poverty status among the respondents is assessed by computing a deprivation score based on new Global Multidimensional Poverty Index (MPI). Regression analysis was used to satisfy the objective of tracing the socio economic determinants of financial inclusion.

6. Result and Discussion

6.1 The extent of financial inclusion among Scheduled Caste women in Kerala

The level of financial inclusion among the SC women was measured by computing a Financial Inclusion Index (FII). FII is formulated by using four indicators such as transaction banking, saving, credit and insurance. Fifteen variables related to access to financial services by SC women were used to construct FII. In order to assign weights to the variables, Principal Component Analysis (PCA) is used. The FII have lowest value of 0 and highest value of 100.

Majority of the respondent’s (69 percent) FII is below 30 i.e, they are in low financial inclusion category, 30 percent respondent’s FII is between 30 to 60 (medium financial inclusion status), and only 1 percent respondent’s FII is above 60 (high financial inclusion status). Most of the SC women were in low financial inclusion status. Their poor socio-economic conditions may be the main reason for low financial inclusion status.

Table 1 - Financial Inclusion Index among SC Women: Descriptive Statistics

Minimum	Maximum	Mean	Std. Deviation
0	75	24.40	11.47

Source: Compiled from an estimate by Dr. Sitara V Attokkaran, Financial Literacy and Financial Inclusion among Scheduled Caste Women in Kerala

The table 1 depicts the descriptive statistics of FII among the respondents. It reveals that minimum value of FII among the respondents is reported to be zero and the maximum value is 75. The average value of FII is 24.40 which indicates that most of the respondents have low financial inclusion status. The standard deviation of FII is 11.47 which indicates considerably high variability in financial inclusion status among the respondents.

6.2 The Determinants of financial inclusion among Scheduled Caste women in Kerala

A multiple regression model was carried out to find the determinants of financial inclusion among the respondents. The fitted multiple linear regression model is given below.

$Y_i = \alpha + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \beta_6 X_{6i} + \beta_7 X_{7i} + \beta_8 X_{8i} + \beta_9 X_{9i} + \beta_{10} X_{10i} + \beta_{11} X_{11i} + U_i$

Y_i = Financial Inclusion Index value of i^{th} respondent

X_1 = Age (in Years)

X_2 = Education (Years of Schooling, in years)X_3 = Monthly Income (in rupees)

X_4 = Nature of Habitat (Outside colony =1, Inside colony =0)X_5 = Membership in SHG (Yes= 1, No =0)

X_6 = Residential location (Area of Living) (Rural = 1, Urban =0)X_7 = Marital Status (Married =1, Single =0)

X_8 = SC Welfare Schemes Beneficiary Status (Availed =1, Not availed =0)X_9 = MGNREG Beneficiary Status (Yes = 1, No =0)

X_{10} = Money Lender Borrowing (Yes = 1, No =0)

X_{11} = Deprivation (score)

U = Random error term

α , $\beta 1$ …… $\beta 11$ are parameters

The results of multiple linear regression model are summarized in the table 2. Pearson correlation coefficient R = 0. 637 indicates that there is a strong positive linear relationship between the financial inclusion and socio economic variables. A significant regression model is fitted, F (11, 288) = 17.912, p = 0.000; with an R^2 of 0.41. The R^2 value 0.41 explains that 41 percent of variation in financial inclusion can be explained by the socio economic variables of SC women.

Table 2 Multiple Regression Model Results

Model	nstandardizedCoefficients		ardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	10.726	4.247		2.525	0.012**
Age	0.141	.060	.178	2.364	0.019**
Years of Schooling	0.490	.165	.221	2.966	0.003***
Monthly Income	0.001	.000	.387	8.192	0.000***
Nature of Habitat	-2.245	1.357	-.079	-1.655	0.099
Membership in SHG	8.005	1.132	.349	7.072	0.000***
Residential Location	-0.462	1.476	-.016	-.313	0.754
Marital Status	1.846	1.216	.076	1.518	0.130
SC Welfare	1.856	1.196	.075	1.552	0.122
MGNREG Beneficiary Status	-1.103	1.305	-.047	-.845	0.399
Informal Borrowing	-2.632	1.129	-.113	-2.332	0.020**
Deprivation Score	-38.401	7.891	-.236	-4.866	0.000***

R = 0. 637, R square = 0.41 , Adjusted R square = 0.384
F (11, 288) = 17.912, p = .000
*** 1% significance level, ** 5 % significance level

Source: Compiled from an estimate by Dr. Sitara V Attokkaran, Financial Literacy and Financial Inclusion among Scheduled Caste Women in Kerala

Age, education, income, membership in SHG, dependency on informal borrowing and deprivation score are significant in determining the financial inclusion of SC women. Nature of Habitat, Residential location, Marital Status, availing SC Welfare Scheme and MGNREG beneficiary status are not significantly influencing the financial inclusion of SC women.

Age, educational status, income and membership in SHG positively influenced the financial inclusion status of SC women. Reliance on informal borrowing negatively influences financial inclusion. There is also a negative association between poverty level (Deprivation Score) and financial inclusion status of SC women. Inclusive finance improves the quality of life of the people and helps in reducing poverty. Hence it is found that socio economic characteristics of the SC women considerably influenced their financial inclusion status.

7. Conclusion

The study observed poor financial inclusion status among the respondents. Socio economic features of the SC women considerably influenced their financial inclusion status. Supply side factors like characteristics of formal financial system also affect financial inclusion. The present study mainly focused demand side determinants of financial inclusion. Financial inclusion of SC women is mainly driven by matured age, education, high income and SHG membership. Deprivation score and reliance on informal borrowing negatively influenced their financial inclusion status. Socio economic backwardness and vulnerability to greedy money lending practices are the main factors responsible for the poor financial inclusion status among the SC women.

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