

Financial Inclusion In Rural India Through Post Office – An Analytical Study

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ABSTRACT:

The term financial inclusion was coined to financially strengthen all the people in formal financial sector in every part of the world. This is a very important consideration for both developing and developed countries. Thus, the ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector, in specific unbanked and rural areas. Though, many formal financial institutions in India are involved in financial inclusion programme, India post is the largest physical network institution in India. Therefore, the role of post office in financial inclusion program in sample village was examined in this study. The descriptive research method was adopted. The data collected for the study was both qualitative as well as quantitative in nature and collected from both primary and secondary sources. Poompuhar village was selected purposively. In this village post office plays vital role to provide financial services. The researcher tried to get number of customer from sample post office, but the postal official did not give the list of customer due to government policies. Hence, the population of the study was treated as unknown. To determine the sample size, the unknown sample size Cochran formula was used. From the formula there are 384 customers is determined as sample respondent. The result of the study shows that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users states that the post office provides better financial services to include the rural people in formal financial sector in the study area.

Key words: Financial Inclusion, Post office, user perception, rural India.

INTRODUCTION

The term financial inclusion was coined to financially strengthen all the people in formal financial sector in every part of the world¹. This is a very important consideration for both developing and developed countries. Thus, the ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector, in specific unbanked and rural areas². Though, many formal financial institutions in India are involved in financial inclusion programme, India post is the largest physical network institution in India⁷. On April 1, 1882, onwards the post office offering Savings Deposit Schemes in India, however, on January 30, 2017, the Department of Posts has launched India Post Payment Bank (IPPB)³. Through IPPB the post department provides various financial services especially to people in rural and unbanked areas. In most rural and unbanked areas, the post office is the primary formal financial institution for providing financial services to all types of people. Therefore, it is important to know the contribution of post office to financial inclusion in rural areas. In this background, a study on "Financial Inclusion in Rural India through post offices" has been undertaken with special reference to Poompuhar Village, Mayiladuthurai District.

STATEMENT OF THE PROBLEM

Before the introduction of financial inclusion program in India, most people used semi-formal and informal financial institutions like moneylenders, chit funds, neighbors and friends to save their money and get loans⁴. Therefore, lack of formal financial institution was the biggest problem in regulating financial transactions in rural India⁹. Due to this, people faced many problems like lack of knowledge about proper saving habits, exploitation of savings, decrease in value of savings, higher interest on loans, exploitation of loans, insufficient credit and more⁵. Hence, in the study area, the role of post office in financial inclusion program was examined in this study.

OBJECTIVES OF THE STUDY

1. To know the user perception on the role of post office in financial inclusion in the study area.
2. To assess the user perception on the role of Post Office in financial inclusion.

METHODOLOGY

The descriptive research method was adopted. The data collected for the study was both qualitative as well as quantitative in nature and collected from both primary and secondary sources. The primary data was collected through interviews with the sample respondents. The Structured and unstructured interview schedule was used to collect the

information. The secondary data were collected from various reports, books, magazines, journals, and etc.

SAMPLING

Poompuhar village was selected purposively. In this village post office plays vital role to provide financial services. The researcher tried to get number of customer from sample post office, but the postal official did not give the list of customer due to government policies. Hence, the population of the study was treated as unknown¹. To determine the sample size, the unknown sample size Cochran formula was used. From the formula there are 384 customers is determined as sample respondent. Further, to identify and select the sample respondent from the study area the simple random sampling method was used.

RESULTS AND DISCUSSIONS

According from review of literature and pilot study the researcher used only five most important aspects to get the sample respondent perception on role of post office in financial inclusion in the study area i.e., availability, access, cost, usage and reliability. To know the sample respondent perception on the role of post office in financial inclusion in the aspects of availability, access, cost, usage and reliability the five points likerts scaling techniques was used. Further, for the effective presentation the collected information was converted from five points to three points. The analysis result is as follows.

Table 1: User perception of the role of post office in financial inclusion in different aspects (Total score value)

S N	User perception on	Members response			Total Response
		Agree	Neither nor	Disagree	
1	Availability	1412 (73.54)	426 (22.19)	82 (4.27)	1920 (100)
2	Access	1219 (63.49)	564 (29.38)	137 (7.14)	1920 (100)
3	Cost	1169 (60.89)	461 (24.01)	290 (15.10)	1920 (100)
4	Usage	1395 (72.66)	429 (22.34)	96 (5.00)	1920 (100)
5	Reliability	887 (46.20)	670 (34.90)	363 (18.91)	1920 (100)

Source: Computed from primary data

The user perception of the role of post office in financial inclusion in the rural areas shows that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users states that the post office provides better and convenient financial services to rural areas. It means that, the post office plays a better role for inclusion of rural people in formal financial sector. Further, to test the relationship between demographic variables of the sample respondents and user perception of the role of post office in financial inclusion the Multiple Linear Regression model was used. Demographic variables age, gender, education, occupation and

income were considered as independent variables and variables of postal financial service availability, access, cost, usage and reliability were used as dependent variables. The analysis result is as follows.

Table 2: The relationship between demographic variables and user perception of the post office's role in financial inclusion using MLR

S N	Dependent variables	Dependent variables				
		Availability	Access	Cost	Usage	Reliability
1	Age	2.671**	-2.833**	1..249	3.397*	1.832
2	Gender	-3.018**	-3.415*	2.014	-2.803**	0.310
3	Education	-2.644**	-0.231	2.631**	0.552	2.930**
4	Occupation	-2.896**	-2.819**	-2.655**	-3.682*	0.854
5	Income	-2.611**	1.600	-2.793**	-2.819**	1.328
	R square	0.691	0.514	0.502	0.583	0.437
	N	384	384	384	384	384

Source: Compiled from primary data

Age: The demographic variable age positively significant at 1 percent level for usage aspects and five percent level for availability aspects and negatively significant at 5 percent level for access aspects about the role of post office in financial inclusion. It means that, most of the higher age group respondents states that the post office gives user friendly services, majority of the higher age group respondents states that financial services available in post office at their convenient and majority of the young age group respondents states that the post office services is easily accessible⁸. However, the analysis result reveals that there is no relationship between the age of respondents and cost and reliability aspects of using postal financial services.

Gender: The availability and access aspects of using postal financial services and gender of the sample respondents negatively significant at 1 percent level and the usage aspects of using postal financial services and gender of the sample respondent negatively significant at 5 percent level. It means that, most of the female respondents states that the post office gives easily available and access services to rural people and majority of the female respondents states that the post office provide user friendly services. However, the analysis result reveals that there is no relationship between the gender of respondents and cost and reliability aspects of using postal financial services.

Education: The relationship between level of education of sample respondents and their opinion on role of post office in financial inclusion in the aspects of cost and reliability positively significant at 5 percent level and availability aspects negatively significant at 5 percent level. It implies that, majority of the higher level educated sample respondents

states that the cost of postal services is adequate and the post office provides reliable financial services and majority of the low level educated sample respondents states that the post office provide easily available financial services to public.

Occupation: The variable occupation negatively significant at 1 percent level for usage aspects and 5 percent level for availability, access and cost aspects about the role of post office in financial inclusion. It means that, most of the agricultural and allied sector workers states that the post office provides user friendly services and majority of the agricultural and allied sector workers states that the post office provides easily available financial services, easy to access and less cost services to public.

Income: The availability, cost and usage aspects of using postal financial services and income of the sample respondents negatively significant at 5 percent level. It means that, majority of the lower income group sample respondents states that the post office provides easily available services, less cost services and user friendly services.

Hence the analysis result clearly reveals that majority of the sample respondents opined that the post office provides better financial services to include the rural people in formal financial sector in the study area.

CONCLUSION AND RECOMMENDATION

In ultimate objective of launching a financial inclusion program in India was to include all people in the formal financial sector, in specific unbanked and rural areas. In most rural and unbanked areas, the post office is the primary formal financial institution for providing financial services to all types of people. Therefore, the contribution of post office in financial inclusion in rural areas is analyzed in this article. The analysis result reveals that, irrespective of different aspects i.e., availability, access, cost, usage and reliability of using postal financial services majority of the sample users states that the post office provides better financial services to include the rural people in formal financial sector in the study area.

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