

## Impact of Financial Inclusion on Economic Empowerment of Rural Households

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### Abstract

The paper aims at exploring the impact of financial inclusion on economic empowerment of rural households through cooperatives. In order to fulfill the objectives of the study primary data were collected from 540 beneficiaries of Cooperatives banks operating in three northern states of India i.e., J&K, Himachal Pradesh and Punjab using purposive sampling during Jan to June 2016. EFA, CFA, SEM, one-way ANOVA and independent sample t-test were used for data purification and data analysis. The results of the study revealed that financial inclusion through Cooperatives has direct and significant impact on economic empowerment of rural poor households. The study makes contribution towards financial inclusion literature and fulfills the research gap to some extent by analysing the impact of financial inclusion on the economic empowerment of rural households through cooperatives. Present study can provide inputs to policymakers and other stakeholders of Cooperatives to formulate strategic policies which can help them in promoting and practicing financial inclusion both at the national and international level. The research has certain unavoidable limitations. First, the in-depth analysis of the study is restricted to three northern states of India only because of inadequate time & resource availability. Second, the study is confined to the perception of financial inclusion beneficiaries only, which in future could be carried further on the perception of other stakeholders such as SHGs, banking correspondents etc. Third, possibility of subjective interpretation in some cases cannot be ruled out.

**Keywords:** : Economic empowerment, EFA, CFA, SEM, Cooperatives, Financial inclusion, Purposive sampling

### Introduction

Economic empowerment is a process that influences growth and restructuring of an economy to enhance the economic well-being of beneficiaries. Generally, it refers to the capacity of both women and men to participate in, contribute to and benefit from growth processes in ways that respect their dignity and enable them to negotiate a fairer distribution of the benefits of growth. Access to appropriate financial products & services is a key link between economic opportunity and economic outcome. By empowering individuals and families to cultivate economic opportunities, financial inclusion can be a powerful agent for strong and inclusive growth (Christine, 2014). Financial inclusion through Cooperatives is an important tactical measure to reach the most vulnerable sections of the society who want to come out of the clutches of the private

moneylenders (Sarojit, 2015; Shabna, 2014 and Thorat, 2006). It is the process of ensuring access to various financial products & services and timely and adequate credit where needed by deprived sections of the society, including rural households at an affordable cost in a fair, transparent & an equitable manner (Singh & Kodan, 2011; Rangarajan Committee, 2008; Leeladhar, 2005). The essence of financial inclusion is to ensure that a full range of appropriate financial products & services is available to every individual and enables them to understand and access those services (Gangambika, 2012; Agarwal, 2010; Karmakar, 2009). Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive purposes and getting direct benefits from the government (Rangarajan Committee Report, 2008). Thus, financial inclusion not only mean that opening of saving bank account but signifies the creation of awareness about the financial products, education and offering debt counseling by banks (Demirgu & Klapper, 2012; Chattopadhyay, 2011).

### **Literature Review**

A considerable number of research studies relating to financial inclusion through Cooperatives were conducted by Anil (2015), Mehrotra & Yetman (2015), Zuzana & Laurent (2015), Bosire et al. (2014), Archana (2013), Kapoor (2013), Mishra (2012), Arputhamani & Prasannakumari (2011), Chakrabarty (2010), Chiba (2009) and Ramji (2009). These studies culminated that financial inclusion through Cooperatives is a process that aims at improving the access to financial products and services needed by all sections of the society in general and weaker sections of the society in particular so that they have the chance to access the basic financial services ranging from savings, payments & transfers to credit and insurance. Mir et al. (2014), Shabna (2014), Ugbajah & Nenna (2014), Vinit (2014), Mishra (2012), Nayak (2012), Raman (2012), Sangami & Rashid (2012), Barik (2009), Cosgun & Bekiroglu (2009) and Simkhada (2004) in their study concludes that financial inclusion through Cooperatives empowers vulnerable sections of the society to tackle poverty and promote inclusive development by increasing the economic opportunities for the poor & low skilled rural households which lead towards positive result in social progress, economic empowerment, social ,political & legal empowerment and economic development.

Thus, these reviews provide knowledge about the financial aspects of Cooperatives, which would be of immense help in analysing the impact of financial inclusion on socio-economic empowerment of rural households both at the national and international level.

### **Nature and Scope of the Study**

The present study aims at measuring the impact of financial inclusion on economic empowerment of rural households in three northern states of India viz., J&K, Punjab and Himachal Pradesh. The study is both suggestive and

evaluative in nature. Primary data for the were collected from beneficiaries of financial inclusion belonging to four Cooperative banks operating in Jammu region of J&K State viz., The Citizen Cooperative Bank; The Jammu Central Cooperative Bank; Devika Urban Cooperative Bank Ltd.; Women Cooperative Credit Bank and three Cooperative banks from Punjab i.e., The Amritsar Central Cooperative Bank Limited, The Gurdaspur Central Cooperative Bank Limited, and The Hindu Cooperative Bank Limited and one bank i.e., The Kangra Central Cooperative Bank (KCCB) from Himachal Pradesh. The responses were collected using a self developed questionnaire sub-divided into socio-economic variables and specific information relating to the dimension of economic empowerment.

### **Need of the Study**

In the present study, it has found that various conceptual studies have been conducted on financial inclusion through Cooperatives and very few empirical studies based on secondary information that too with limited geographical coverage, have touched the few aspects of financial inclusion through Cooperatives. But no systematic and comprehensive study has so far been conducted to analyse the impact of financial inclusion on economic empowerment of rural households through cooperatives. Further, there is a paucity of empirically tested relationship between financial inclusion and economic empowerment. Thus, the aforesaid gap in the existing literature necessitated the present work, which can prove to be an asset for the researchers, academicians, officials of cooperatives and policy makers both at the national and international level.

### **Objectives of the Study**

The present study is undertaken with the following objectives:

1. To examine the impact of financial inclusion on economic empowerment of rural households through cooperatives.
2. To measure the demographic profile-wise mean satisfaction of beneficiaries through financial inclusion initiatives of cooperatives regarding economic empowerment.
3. To offer suggestions to enable cooperatives in promoting economic empowerment among rural households through financial inclusion initiatives.

### **Hypothesis Development**

Financial inclusion is a strategy of inclusive growth, but inclusive growth itself is a subset of a larger set of inclusive development which means that the benefits reach all the poor in the region, particularly women, minority groups, the extremely poor in the rural area and those pushed below the poverty line by natural and man-made disasters (Nayak, 2012). Financial inclusion has two sides

i.e., demand side which includes education, health, irrigation, power, roads, transport & marketing arrangements and supply side includes availability of timely finance at reasonable rate of interest. It is crucial for every economy to aspire for comprehensive growth connecting each and every household in the economic development succession (Sinha, 2012). Economic empowerment is an essential element for the complete growth of an economy and has significant impact on economic development of the country (Sarojit, 2015). Hence, it is hypothesised that:

- H<sub>1</sub>: Financial inclusion through Cooperatives has direct and significant impact on economic empowerment.
- H<sub>2</sub>: Demographic profile wise beneficiaries differs in their perception regarding economic empowerment through financial inclusion

### Pretesting

Pretesting was done on 60 respondents to calculate the final sample size. 20 respondents were selected each from three states viz., J&K, Himachal Pradesh and Punjab by using purposive sampling technique. After tabulation of pretesting results, some items were modified and few items that make respondents uncomfortable and/or confused were deleted and ultimately 15 items were retained for final survey. The final sample size came out to be 789 using following formula (Malhotra, 2009, which is round off to 800.

$$n = \sigma^2 * z^2 / D^2$$

### Data Collection

The present study aims at analysing the impact of financial inclusion on economic empowerment of rural households in three northern states of India viz., J&K, Punjab and Himachal Pradesh. The study is both suggestive and evaluative in nature. Primary data for the study were collected from the beneficiaries of four cooperative banks operating in Jammu region of J&K State viz., The Citizen Cooperative Bank; The Jammu Central Cooperative Bank; Devika Urban Cooperative Bank Ltd.; Women Cooperative Credit Bank. For making the study comparative, beneficiaries of Cooperative banks operating in neighbouring tehsils of Himachal Pradesh and Punjab States, having similar topography were also contacted on judgement sampling, criteria adopted was availability and willingness to respond. The responses were collected using a self developed questionnaire sub-divided into socio-economic variables and specific information relating to the dimension of economic empowerment. Purposive sampling technique was adopted in contacting beneficiaries. Questionnaires were distributed to 800 beneficiaries, out of which 557 responded back. Seventeen (17) questionnaire were rejected because of incomplete response, so the final sample size arrived at 540 respondents representing an effective response rate of 67.5%.

### **Normality**

To check the normalcy of the data, two statistical tests i.e., Skewness and Kurtosis were used with the help of SPSS 17.0 version and the value of Skewness and Kurtosis were -.224 and .215, which are in between threshold limit of  $\pm 1$ . This shows that the data were normally distributed.

### **Statistical Tools and Techniques Applied**

The following statistical techniques have been applied for data analysis.

- Exploratory factor analysis
- Confirmatory factor analysis
- Structural equation modelling
- One-way ANOVA
- Independent sample t-test

### **Data Analysis and Interpretation**

Beneficiaries perception about the impact of financial inclusion on economic empowerment of rural households through cooperatives was examined under the following sub-heads:

- Scale purification
- Confirmatory factor analysis
- Relationship between financial inclusion and Economic empowerment through Cooperatives using SEM
- One-way ANOVA & t-test

### **Scale Purification**

For summarization of the total data into minimum factors, the process of Principal Component Analysis (PCA) along with Varimax Rotation brought the construct to the level of 10 statements out of 15 statements kept in the domain of economic empowerment. The KMO value (.719) and Bartlett's Test of Sphericity (1281.292) indicates highly acceptable and significant values, thereby resulting into three-factor solution using Kaiser criteria (i.e., eigen value  $e'' 1$ ) with 65.951% of the total variance explained (Table 1). The factor loadings ranges from 0.520 to 0.838 and communalities from .543 to .759 as revealed by Table 2.

**A brief description of the factors emerged are as under:**

#### **Factor 1: Financial stability**

This factor comprises of six items namely, 'You have enough savings to meet any contingent situation', 'FI has prepared you and your family for emergencies', 'FI enhanced your confidence level', 'FI has reduced threat of eviction from the

land or property', 'FI has increased your purchasing power' and 'FI has raised living standards of your family'. The mean values of this factor varied from 3.41 to 4.49, factor loadings between .643 to .745 and communalities from .543 to .747. This factor indicates that enough saving to meet any contingent situation, preparedness for emergencies, increased purchasing power, raised living standard are the main components of economic empowerment.

**Table 1. Output From Factor Analysis With Regard To Economic Empowerment**

Rounds	Variance explained	Items emerged	No of factors extracted	Iterations	No of items deleted	KMO	Bartlett test of sphericity
1	67.140	15	6	8	2	.635	1736.228
2	55.295	13	4	7	2	.643	1681.963
3	62.335	11	4	5	1	.699	1399.874
4	65.951	10	3	5	-	.719	1281.292

\*Source: Data analysis

### **Factor 2: Employability**

This factor includes three items i.e., 'FI created new employment opportunities', 'FI directly affects capital formation & technological investment' and 'You are assisted while deciding where savings are to be used'. The mean values of this factor ranges from 3.15 to 3.72, factor loadings between .520 to .838 and communalities from .545 to .759. This factor underlines that creation of new employment opportunities and increased technological investment are the signs of economic empowerment.

### **Factor 3: Increases source of income**

This factor takes into consideration only two items namely, 'FI enhanced your source of income' and 'You easily change your job as and when you want to change' with mean values 4.06 & 2.34, factor loadings .786 & .749 and communalities .623 & .690. This factor underlines that beneficiaries believes that financial inclusion increases their sources of income and enables them to change their job as and when they desire so.

### **Reliability**

After purification of scale items falling within the domain of economic empowerment, three factors emerged. As it is noticeable from Table 2, the Cronbach's reliability coefficient for all the 10 items underlying three factors ranges from .616 to .772. The alpha reliability coefficients for F1 i.e., Financial stability (.772) is higher than the criteria of .77 obtained by Gordon and Narayanan (1984) indicating high consistency. The alpha reliability coefficients for other factors such as F2: Employability (.683), F3: Increases source on incomes (.616) are also at a minimum acceptable level of 0.50 as recommended by Brown et al. (2001) and Kakati & Dhar (2002) thereby obtaining satisfactory internal consistency. The reliability and adequacy of sample size to yield distinct and reliable factors is further demonstrated through Kaiser-Meyer-Olkin measure of sampling adequacy that is .719 and all factors loadings are greater than 0.50.

Table 2. Output from Factor Analysis on the Dimensions of Economic Empowerment

Dimension	Variables	M	SD	FL	Eigen values	% of VE	Communality	Alpha (α)
Economic empowerment	<b>Factor 1: Financial stability</b>	<b>4.041</b>			<b>3.097</b>	<b>25.534</b>		<b>.872</b>
	▪ You have enough savings to meet any contingent situation	3.776	0.736	.745			.612	
	▪ FI has prepared you and your family for emergencies	4.051	0.699	.690			.747	
	▪ FI enhanced your confidence level	4.498	0.619	.676			.543	
	▪ FI has reduced threat of eviction from the land or property	3.414	0.523	.657			.568	
	▪ FI has increased your purchasing power	4.134	0.677	.643			.556	
	▪ FI has raised living standard of your family	4.375	0.564	.611			.637	
	<b>Factor 2: Employment</b>	<b>3.356</b>			<b>1.634</b>	<b>20.247</b>		<b>.783</b>
	▪ FI created new employment opportunities	3.157	0.875	.838			.581	
	▪ FI directly affects capital formation & technological investment	3.191	0.812	.598			.759	
	▪ You are assisted while deciding where savings are to be used	3.721	0.871	.520			.545	
	<b>Factor 3: Increases source of income</b>	<b>3.204</b>			<b>1.423</b>	<b>18.170</b>		<b>.616</b>
	▪ FI enhanced your source of income	4.062	0.463	.786			.623	
▪ You easily change your job as and when you want to change	2.346	0.841	.749			.690		
	<b>Total Variance Explained</b>					<b>65.951</b>		

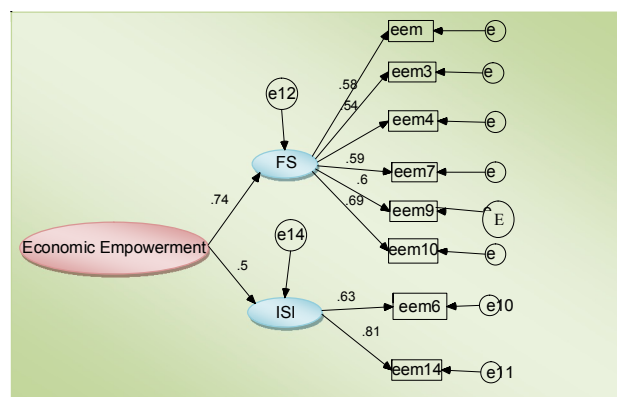
\*Source: Data analysis

### Validity

The four factors obtained alpha reliability, higher or equal to 0.50 and satisfactory KMO value at .719, indicating significant construct validity of the construct (Hair et al., 1995).

### Confirmatory Factor Analysis

In order to assess the fitness, reliability and validity of the construct i.e., economic empowerment, CFA is applied.



**Figure 1. CFA Model for Economic Empowerment**

\*Source: Data analysis

**Note:-** FS= Financial stability, ISI= Increases source of income; eem2= You have enough savings to meet any contingent situation, eem3= FI has prepared you and your family for emergencies, eem4= FI enhanced your confidence level, eem7= FI has reduced threat of eviction from the land or property, eem9=FI has increased your purchasing power, eem10= FI has raised living standard of your family, eem6= FI enhanced your source of income, eem14=You easily change your job as and when you want to change and e1- e14 are error terms.

Figure 1 reveals second order CFA is performed on economic empowerment construct which consisted of two factors. EFA on economic empowerment construct consists of three factors viz., financial stability, employability and increases sources of income. While running CFA, one factor, namely employability got deleted as its regression weight is below .50. As evident from Table 3, CFA model yields good model fit results, CMIN/DF =3.28, GFI = .921, AGFI = .984, TLI = .963, CFI = .912, RMR= .042 and RMSEA = .084. The model has been found to be valid and reliable, as AVE is .592, composite reliability equals to .952. The value of Cronbach alpha is .889 and all items loading above .50 (Table 3). Thus, validity and reliability got established.



**Table 3. Results of Confirmatory Factor Analysis (CFA) Fit Indices**

Dimensions	Rounds	Total items	Items deleted	CMIN/DF	GFI	AGFI	TLI	CFI	RMR	RMSEA
Economic empowerment	1	11	2	7.61	.845	.870	.876	.843	.066	.118
	2	9	1	4.56	.872	.897	.886	.871	.053	.090
	3	8	---	3.28	.921	.984	.963	.912	.042	.084

Source: Data analysis

**Table 4. Reliability & Validity of Latent Construct**

Construct	AVE	Composite reliability	Cronbach's alpha ( $\alpha$ )
Economic empowerment	.592	.952	.889

Source: Data analysis

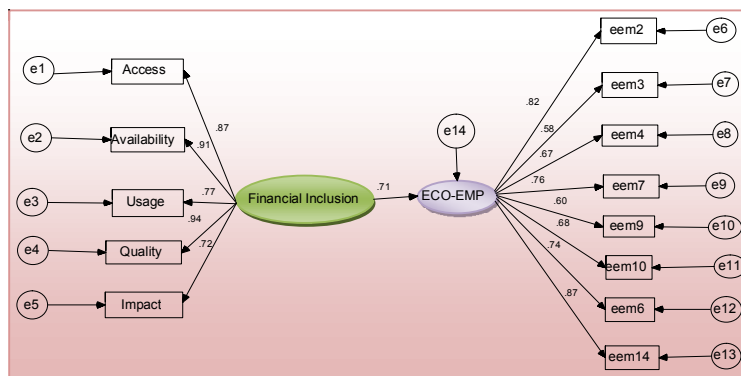
**Table 5. Fitness of the Structural Model**

Model	CMIN/DF	GFI	AGFI	CFI	NFI	TLI	RMSEA
Final model	3.48	.915	.964	.927	.908	.936	.086

Source: Data analysis

**Relationship between Financial Inclusion and Economic Empowerment**

After applying CFA and checking for reliability and validity, SEM was applied by using AMOS 16.0 to assess the fitness of structural model. The SEM results indicates that model fit the data outstandingly (CMIN/DF = 3.48, GFI = .915, AGFI = .964, CFI = .927, NFI = .908, TLI = .936 and RMSEA = .086, Figure 2, Table 5). SEM results reveals that financial inclusion has positive and significant relation with economic empowerment ( $\beta = .71, p = .000$ ). Hence, the hypothesis 'Financial inclusion through Cooperatives has direct and significant impact on economic empowerment' stands accepted.



**Figure 2. Impact of Financial Inclusion on Economic Empowerment**

Source: Data analysis

### **Demographic Profile-Wise, Mean Satisfaction Regarding Economic Empowerment**

A brief demographic profile sub-categorised into age, occupation, qualification, state, religion, monthly income and purpose of loan obtained from cooperative banks by beneficiaries who are contacted during the period of study are as follow:

Age-wise analysis reveals that beneficiaries who were 40-50 years of age were more satisfied as they have accorded highest mean score i.e., 3.74 followed by respondents in the age group of 30-40 years (3.62), 20-30 years (3.58) and above 50 years of age (3.57) respectively to economic empowerment through Cooperative banks. Occupation-wise analysis depicts that beneficiaries who were farmers were more satisfied with the economic empowerment schemes of Cooperative banks as they have accorded highest mean score i.e., 3.64 followed by others (3.57), service man (3.44) and businessmen (3.40). As for as qualification is concerned, ANOVA results shows that the beneficiaries who were 10+2 were more satisfied with the economic empowerment scheme of cooperative banks as they have accorded highest mean score i.e., (3.58) followed by undergraduate (3.57), graduate (3.55), post-graduate(3.54), matriculate (.3.52), and under matriculate (3.48) . as far as religion is concerned, the ANOVA results indicates that beneficiaries who were Hindu believes that the financial inclusion through Cooperative banks empowers them economically as they have accorded highest mean score i.e., (3.58) followed by others 3.57, Sikh 3.57 and Muslim 3.21. Income-wise analysis shows that the beneficiaries who were above Rs. 30,000 and those who were in the income group of Rs. 20,000-Rs.30,000 were more satisfied as they have accorded highest mean score i.e., 3.58 and 3.56 respectively followed by beneficiaries in the income group of Rs. 10,000- Rs.20,000 (3.55), Rs. 5,000- Rs.10,000 (3.53) and up to Rs. 5,000 (3.49) with regard to economic empowerment through Cooperative banks. State-wise analysis reveals that respondents belonging to the state of Punjab (3.76) were more satisfied with regard to economic empowerment through Cooperative banks followed by beneficiaries from Himachal Pradesh (3.68) and J&K (3.59). As far as purpose of loan is concerned, it was found that beneficiaries who had obtained loan for education were more satisfied with the economic empowerment schemes of Cooperative banks as they have accorded highest mean score (3.71) followed by those who have obtained loan for dairy farming (3.69) agriculture (3.66), health (3.55) business (3.52 and marriage (3.49) Table 6.

### **Findings from One-Way Anova & T-Test**

Output from one-way ANOVA using different demographic variables revealed existence of significant mean difference in the perception of beneficiaries of different occupations ( $F=13.77$ ,  $Sig.=.000$ ), religions ( $F=17.55$ ,  $Sig.=.000$ ) and states ( $F=3.10$ ,  $Sig.=.046$ ), whereas for age ( $F=.845$ ,  $Sig.=.470$ ), qualification ( $F=.926$ ,  $Sig.=.464$ ), income ( $F=.781$ ,  $Sig.=.538$ ) and purpose of loan obtained ( $F=1.23$ ,  $Sig.=.282$ ) from Cooperative bank, insignificant mean difference existed among

the perception of beneficiaries regarding economic empowerment as p value was more than 0.05 (Table 7).

**Table 6. Demographic Factorial Mean For Beneficiaries (Anova) Regarding Economic Empowerment**

<b>Age</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>Overall</b>
20-30 years	4.02	3.42	3.28	<b>3.58</b>
30-40 years	4.01	3.37	3.17	<b>3.62</b>
40-50 years	4.05	3.37	3.20	<b>3.74</b>
Above 50 years	4.17	3.33	3.21	<b>3.57</b>
<b>Occupation</b>				
Service	3.90	3.21	3.22	<b>3.44</b>
Farmers	4.27	3.46	3.18	<b>3.64</b>
Business	4.05	2.93	3.22	<b>3.40</b>
Others	3.94	3.57	3.22	<b>3.57</b>
<b>Qualification</b>				
Under matriculate	3.88	3.42	3.16	<b>3.48</b>
Matriculate	4.04	3.35	3.18	<b>3.52</b>
10+2	4.09	3.38	3.24	<b>3.58</b>
Under graduate	4.19	3.32	3.34	<b>3.57</b>
Graduate	4.11	3.35	3.19	<b>3.55</b>
Post graduate & above	3.90	3.46	3.25	<b>3.54</b>
<b>Religion</b>				
Hindu	4.04	3.42	3.27	<b>3.59</b>
Muslim	3.67	3.21	2.76	<b>3.21</b>
Sikh	4.32	3.24	3.15	<b>3.57</b>
Others	4.11	3.36	3.25	<b>3.58</b>
<b>State</b>				
J&K	3.87	3.62	3.20	<b>3.59</b>
Punjab	4.38	3.20	3.11	<b>3.76</b>
Himachal Pradesh	3.98	3.14	3.33	<b>3.68</b>
<b>Income</b>				
Up to INR 5,000	3.90	3.38	3.20	<b>3.49</b>
INR 5,000-10,000	4.01	3.37	3.24	<b>3.53</b>
INR 10,000-20,000	4.12	3.30	3.23	<b>3.55</b>
INR 20,000-30,000	4.08	3.43	3.15	<b>3.56</b>
Above INR 30,000	4.06	3.40	3.26	<b>3.58</b>
<b>Purpose of loan</b>				
Agriculture	4.01	3.25	3.18	<b>3.48</b>
Dairy farming	4.00	3.59	3.19	<b>3.59</b>
Business	4.19	3.29	3.08	<b>3.52</b>
Education	4.16	3.77	3.20	<b>3.71</b>
Marriage	4.00	3.27	3.19	<b>3.49</b>
Health	3.93	3.54	3.17	<b>3.55</b>
Others	3.82	3.43	3.44	<b>3.56</b>

Source: Data analysis

**Table 7. Factor-Wise, Demographic Analysis (Anova) for Economic Empowerment**

Factors	Age		Occupation		Qualification		Religion		State		Monthly income		Purpose of loan	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.
Factor 1: Financial stability	2.75	.042	26.49	.000	5.77	.000	23.06	.000	89.90	.000	3.57	.007	2.58	.012
Factor 2: Employability	.350	.789	24.14	.000	.496	.780	3.08	.027	43.08	.000	.804	.523	2.59	.013
Factor 3: Increases source of income	.862	.460	.225	.879	.590	.708	12.98	.000	6.15	.002	.661	.619	1.30	.246
Overall	.845	.470	13.77	.000	.926	.464	17.55	.000	3.10	.046	.781	.538	1.23	.282

Results from independent t-test measuring significance of mean difference on the basis of gender and marital status showed existence of insignificant mean difference between male & female respondents and married & unmarried respondents with regard to economic empowerment as value of p was more than 0.05. Hence, the hypothesis **“Demographic profile-wise beneficiaries differs in their perception regarding economic empowerment through financial inclusion”** holds true.

### Major Findings

On the basis of above analysis, the major findings of the study are as under:

1. The mean score for the item ‘You easily change your job as and when you want to change (2.34)’, which leads to the conclusion that cooperative banks fails to create employment opportunities for educated and unemployed rural youth. Further, Cooperative banks fails to understand the demand for financial products and services in rural areas.
2. The findings of the SEM model revealed that financial inclusion through Cooperatives had positive and direct impact on economic empowerment ( $\beta = .71, p = .000$ ).
3. The findings of One-way ANOVA & independent sample t-test revealed that the beneficiaries belonging to different demographic profile differs in their perception regarding economic empowerment through financial inclusion.
4. The findings of the study revealed that respondents belonging to State of J&K were found to be less satisfied with the financial inclusion efforts of Cooperative banks as compared to respondents belonging to State of Punjab and Himachal Pradesh. Lack of awareness among people concerning the significance of financial products & services, employees attitude, distance from bank branches, lack of ATM facility, rigid account opening norms, language problem, inappropriate credit terms and administration were found to be the most compelling factors.
5. The results of the study showed that like other commercial banks, Cooperative banks fails to design appropriate financial inclusion schemes in areas like, low cost loans to BPL families and micro insurance facility

with the bank account so that the willingness of the rural households to use bank services may increase.

6. It was observed that most of the people in rural areas do not open their account with the cooperative banks because of awkward account opening norms.
7. Income-wise analysis showed that beneficiaries having monthly income up to Rs 5,000 responded low with regard to economic empowerment schemes of Cooperative banks, which indicated that households with lower income did not qualify for Cooperative banking services because they have nothing or very little to offer as collateral.
8. It was also found that beneficiaries who had obtained loan for education, dairy farming and agriculture purpose were more satisfied with the economic empowerment schemes of Cooperative banks.
9. It was also found that beneficiaries with lower qualification responded low with regard to economic empowerment schemes, which revealed that they were not fully aware about the benefits of financial inclusion schemes offered by Cooperative banks.

### **Strategic Implications**

In order to promote economic empowerment, the following suggestions are offered to spread out financial inclusion initiatives to reach out to the people at the grass-root level.

1. To bring respondents of J&K at par with the respondents of Punjab and Himachal Pradesh, Cooperative banks in J&K must create awareness among people concerning the significance of financial services through advertisement and financial inclusion campaign, by distributing the pamphlets, enacting plays and skits, arranging stalls in local fairs, exhibitions etc.
2. To facilitate easy opening of bank accounts especially for small customers, Cooperative banks should relax KYC norms to such an extent that an account can be opened simply just by giving a self certification in the presence of bank officials.
3. During the survey, it was found that most of bank customers were illiterate, having no or very little knowledge about banking products & services. The Cooperative banks should provide financial education to diverse target groups including school and college students, farmers, women, rural and urban poor, pensioners and other citizens for disseminating information about various financial products and services to enable them to make financial decisions.
4. Cooperative banks should better understand demand for financial services in rural areas and design innovative financial products that meet demand in rural and remote areas.

5. The Cooperative banks should constitute grievances handling machinery to redress the customer's complaints promptly.
6. As unemployment is related with poverty and to eliminate poverty, employment opportunities should be raised in rural areas. Special emphasis should be given to agro industries as the majority of people of the rural areas depend on agriculture for their livelihood.
7. It is also suggested that Cooperative banks should encourage subsidiary industries like dairying, poultry farming and fishing in local ponds and forestry in rural areas as they require little training to rural population.
8. In order to enhance economic empowerment, Cooperative banks should improve financial inclusion in rural areas through different financial services like, low cost loans to BPL families and provide micro insurance with the bank account so that the willingness of the people to use bank services may increase.

### **Conclusion**

The present study is undertaken to assess the impact of financial inclusion on economic empowerment through cooperatives. The study is both reminiscent and evaluative in nature. To fulfill the various objectives of the study, both primary as well as secondary data were collected. The primary data were collected from 540 financial inclusion beneficiaries of cooperative banks operating in three northern states of India i.e., J&K, Himachal Pradesh and Punjab. In order to study the impact of financial inclusion on economic empowerment through cooperatives various statistical tools like exploratory factor analysis (EFA), confirmatory factor analysis (CFA), structural equation modelling (SEM), one-way ANOVA and independent sample t-test were applied. The results of the study revealed that beneficiaries belonging to the State of Punjab and Himachal Pradesh were more satisfied with the economic empowerment schemes of Cooperative banks compared to beneficiaries belonging to the State of J&K. The reasons identified are lack of financial education among people concerning the significance of financial products & services, inappropriate credit terms and administration, distance from bank branches, cumbersome account opening norms etc. Age-wise analysis reveals that beneficiaries who were 40-50 years of age were more satisfied, where as occupation-wise analysis depicts that beneficiaries who were farmers were more satisfied with the economic empowerment schemes of Cooperative banks. Income-wise analysis showed that beneficiaries having monthly income up to Rs 5,000 responded low with regard to economic empowerment schemes of Cooperative banks, which indicated that households with lower income did not qualify for Cooperative banking services because they have nothing or very little to offer as collateral. As far as purpose of loan is concerned, it was found that beneficiaries who had obtained loan for education, dairy farming and agriculture were more satisfied with the economic empowerment schemes of Cooperative banks. It was also found that beneficiaries with lower qualification responded low with regard to

economic empowerment schemes, which revealed that they were not fully aware about the benefits of financial inclusion schemes offered by Cooperative banks. Significant relationship was observed between financial inclusion and economic empowerment through Cooperatives ( $\hat{\alpha} = .94$ ,  $p = .000$ ), which culminated that financial inclusion is an efficient way for fighting poverty, redundancy and dissimilarity. The study makes contribution towards financial inclusion literature relating to economic empowerment and fulfils the research gap to some extent by assessing the impact of financial inclusion on economic empowerment through Cooperatives. This paper can help the researchers, academicians, policymakers and other stakeholders of Cooperatives in promoting financial inclusion among poor rural households both at the national and international level.

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