Social Capital a Mediator of Financial Inclusion Development in Rural Kerala

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Abstract— Community ties are the first safety net for the poor. Where this ties are strong individual get a good support from friends, neighborhoods and locality. Where this ties are weak individuals are at great risk of adversity in the event of poverty. Lack of social interconnectedness is, in itself an important dimension of individual deprivation. Social isolation poses risks to individual wellbeing and health as well as social cohesion. The present study examines whether informal contact formed through social network has an impact on financial inclusion development in chazhoor Gram panchayath of Thrissur district, Kerala. The result of simple regression analysis reveals that there exist significant relationship between social capital variables and financial inclusion variables. The main root cause of financial exclusion is social exclusion. So it is imported to create social network to build an inclusive development.

Key words: Social Capital, Financial Inclusion, Social Exclusion

I. Introduction

Social capital refers to the extent, nature and quality of social ties that individual or communities can mobilize in conducting their affairs. The ability to create social networks is important for personal success and in professional success also. The basic idea of social capital is that your family, friends, associates even acquaintance are an importance assets. Institution relationship and norms that shape the quantity and quality of a society's interaction (World Bank, 2000).It basically include the value of social relationship and networks that complement the economic capital for the economic growth of a nation. Communities that are rich in social capital are known to confront poverty, resolve dispute and take advantage of new opportunities.(woolcock and Narayan) The major reason people stay in utter poverty is that they do not have social network and institutional support that could be used to get a good job or decent housing (woolcock and Narayana).

Financial inclusion is the process of availing all the financial services and product at a reasonable price at right time without any form of discrimination to all members of the society. The main objective of financial inclusion development program is to bring the poor people in to formal financial system. Till now around 3.5 billion people in the world do not have access formal financial services like bank account, insurance, credit etc. One of reason for financial exclusion is social exclusion. Social exclusion may arises due to, lack of strong social networking in the community.

A. Social Capital and Financial Inclusion

Social interconnection is very necessary to avoid individual deprivation .Social exclusion is not only a matter of poverty but also poses risks to individual wellbeing. Social capital facilitate acquisition of new skills among members and it also provide a space for informal learning ,opportunities for open discussion and sharing of new ideas and thought etc. Social capital creates economic opportunities .It helps the individual to find out various jobs and also help them to start business enterprises.

B. Statement of the Problem

Social networks that include people who trust and assist each other can be a powerful assets.

The relationship between individuals and companies can lead to a state in which each think of the other when something need to be done. Social networks lead to increased productivity in individuals, team and organizations. This increased productivity improve their financial position. Social networking helps people to break their poverty and to become form part of a formal financial system. It also comprises the value of social relationship and networks that complement the economic capital for economic growth of a society.

An extensive number of reviews are available on social capital and financial inclusion however there lack studies relating social capital to financial inclusion. The present study make an attempt to bridge the research gap.

C. Scope of the Study

Financial inclusion and social capital have a large number of variables. The present study consider bank account, bank loan, plastic card and insurance only for measuring the level of financial inclusion and number of clubs, libraries , Kudumbasree units and NGOs are considered as variable for measuring social capital. The scope of the study is limited to some selected variables and geographically the scope of the study is limited to Chazhoor Gram Panchayat in kerala.

D. Significance of the Study

Financial inclusion is a pre request for economic development. Many studies shows that the main root cause of financial exclusion is social exclusion. This indicate the importance of social network in creating inclusive growth. Numerous studies have conducted on the area of financial inclusion and social capital. But limited studies are conducted to measure how social networking helps in achieving financial inclusion in a specific region.

1) Objective of the study

- To measure the general financial inclusion in the panchayat
- To examine the relationship between the social capital and financial inclusion.
- To make suggestion for improving financial inclusion through social capital.

2) Hypothesis of the study.

- H0: The relationship between social capital and financial inclusion is not significant.
- H1: The relationship between social capital and financial inclusion is significant.

3) Variables used in the study

The important variable used in the study are:

Bank account, ATM, bank loans, clubs, libraries, kudubasree units and NGO's etc.

E. *Research Methodology*

A descriptive study was under taken to know the financial inclusion development through social capital in Chazhoor Gram panchayat. It is one of the coastal panchayath in thrissur district. The primary data was collected through questionnaires.

A pilot study was conducted with 25 sample respondents and main study with 100 respondents (out of 18 words in panchayat). Convenient sampling technique is used for primary data collection. The secondary data collected from various source like panchayat reports, report on trend and progress on banking in India, various journals etc. Percentage analysis and correlation technique are used for data analysis.

F. *Limitation of the Study*

- The respondents were reluctant to disclose their details about income, savings and bank account.
- The study has taken into consideration of only certain aspects of financial inclusion and social capital.
- The study is limited to only one panchayat.
- The study has the limitation of both fund and time.

II. REVIEW OF LITERATURE

LuigiGuiso, Padala sapienza and Luigi Zingale(2004) Role of social capital in financial inclusion development in italy .The study identify various social capital factor how it effect financial inclusion development in Italy. The study shows that in high social capital area the households are more likely to use cheeks, invest less in cash and more in stock and have higher access to institutional credit and less use in informal credit. The effect of social capital is stronger were legal enforcement is weaker and among less educated people.

Isaac Wachira Mwangi and Shem Alfred Ouma (2009) Social capital and access to credit in Kenya. Access to credit remains a mirage to a majority in Kenya. Only 39.6% of Kenya's adult population has access to credit products in Kenya (FSD, 2009). Viewed against a backdrop of growing evidence of rising cost of living, low or no access to credit inhibits both consumption and investment smoothing thus accelerating poverty levels. A bivariate probity model, applied on Fin Access 2009 national survey data revealed that social capital enhances financial inclusion through increased access to informal loans. The study recommends that financial institutions should factor in group affiliation in designing their loan products so as to increase financial outreach.

Amol agrawal (2009) in his study states, the financial services include the gamut savings, loans, insurance, credit, payments etc. The financial system has to provide its function of transferring from surplus to deficit units are those with low incomes, poor background etc. By providing these services; the aim is to help them come out of poverty.

Udeshi (2010) in her study titled "financial inclusion on urban poor" suggested that banks need to recognize the huge economic activity among the self-employed poor who are daily producing items like readymade garments, leather goods and pottery and be sensitive to their need for finance, which will enable them to reduce their cost of operation and turn uncertain cash flows into stable revenues. Being sensitive to the credit need of the poor is also part of bank's social responsibility.

Audil rashid khaki and Mohiuddian sangmi(2016).Financial inclusion and social capital a case study of SGSY beneficiaries of in Kashmier valley.The study attempt to find out the relationship between financial inclusion and social capital and also analyze the impact of access to finance on socio political empowerment of beneficiaries of Swarna jayanthi Grama Swarozgar yojana .He made a conclusion that access to finance has a positive impact on almost all socio political indicators of empowerment , the impact being relatively lessore for ecomomic awareness and financial literacy .

George Okello,candiya Bongomin and Joseph Mpeeera Ntayi (2016).Social capital mediatore of financial literacy and financial inclusion in rural.This paper examine the mediating role of social capital in financial literacy and financial inclusion relationship in rural Uganda. Researcher found that social capital is a importament mediator in financial inclusion development in rural Uganda. Existence of social capital boost the relation among peoples and financial inclusion by 6.61 percentage among rural people .The finding suggest that absence of social capital, financial literacy may fail to enhance the level of financial inclusion among rural households in Uganda.

A. *Analysis of result and discussion*

1) *Profile of respondents*

The demographic profile of the respondents shows that 83% of the respondents were females. While 17% were males. With respect of age distribution of the respondents shows that 25% of the respondents are within the age group of 18-24 years, 40% are within the age group 25-34 years and 23% are within the age group of 35-50 years.12% within the age of 61 years and above .This shows that most of the respondents are within the economic active age group.

The education qualification of the respondents shows that 40% (majority) are SSLC holders.22%are pree degree holders.30% are graduate 8% categorized as others. Educational qualification is very important in determining their financial activities. From the study it is found that people with better educational qualification are more aware about modern innovative banking instrument and facilities.

The income wise classification of the respondents shows that 20% earn monthly income below 10000 and majority 35% having monthly income between 10000-20000 and 20% having monthly income between 20000-30000 and 25% earn above Rs. 30000.

Nature of occupation of the people is an important factor which influence a person in availing financial service. Occupation with regular income is the main motive of people to open bank account to keep their savings. Out of the total respondents 25% are agriculturists' 30% are business man, 10% are Govt. employs, and 20% are private sector employees, 15% categorized as other groups.

2) Socio Economic Position of Respondents

The total respondents are classified on the basis of incidents of poverty such as APL and BPL. Out of total respondents 60% belongs to APL and 40% belongs to BPL category. This shows that incidents of poverty is high in panchayat.

3) Financial inclusion indicators

- Holding of bank account has become the most commonly used indicator of financial inclusion in an area. The study shows that 85%of the respondents have bank accountant. Only 15% of them have no bank account. It indicate that there is high level of financial inclusion.
- Easy availability of credit help to improve the financial inclusion rate in a specific locality. Loan is an important indicator of financial access. The survey result shows that 52% of the respondents have loan account and 48% of them dose not avail any loans. Major part of the credit or loan of the panchayat is met by cooperative banks (50%), followed by public sector banks (30%), insurance companies (5%) and SHG's 15%respectively.
- The depth of insurance Coverage in a particular region is also help to measure the level of financial inclusion Out of the total respondents 64% have insurance and only 36% have no insurance Coverage.
- 45% of the respondents use ATM Cards for cash withdrawals from the bank. All this indicate that people are much aware about modern digital banking transactions.

4) Social Capital indicators

- The preset study shows that in our panchayat there are 292 kudumbasree units are working successfully and it help to inculcate the habit of savings among the people, which leads to financial inclusion.
- NGO's activities especially of the saving and credit program me are impressive in panchayat. There are 40 NGO's actively working.
- The strength of community ties can be measure by taking data on membership of local voluntary groups and local Clubs, attendance of community meeting in development association .From the survey it is found that there are 32 Clubs and 4 libraries functioning in the panchayat.
- Financial literacy of the people in the panchayat is sound. People from the low income group have poor knowledge about various innovative financial service provided by the bank.

Social capital		Financial inclusion		The coefficient of correlation between social capital and financial inclusion
Name	Number	Name	Number	
Kudumbasree units	292	Bank account	85	.91
NGOS	40	Loans	52	
Clubs	32	Use of plastic cards	45	
Liberiers	04	Insurance	64	

Table 1: Relationship between Social capital and financial inclusion

The relationship between social capital and financial inclusion is shown in the above table shows that the variable used in social capital are number of kudumbasree units, NGOs ,clubs and libraries etc. The variable used in financial inclusion are number of bank account, loans, plastic cards, insurance etc. The relationship between these variables shows that they are positively correlated. The co efficient of correlation between this two variables is .91.So the null hypothesis H0 is rejected and alternative hypothesis is accepted .The study shows that social networking helps in achieving financial inclusion in the panchayat.

III. Recommendations

Bank should collaborated with local bodies to conduct financial literacy campaigns in order to make people in the lower strata to financially literate.

The campaign on the importance of social capital in terms of financial inclusions should be made.

Insurance institution should strengthen their activities among rural households.

IV. Summary and Conclusion

Social networking plays a critical role in preventing poverty and social exclusion. Social capital is a an important objective and cross cutting policy tool for addressing some of the root cause of social exclusion .It can serve as early warning diagnosis to detect a breakdown of social cohesion and individual alienation. It also direct attention to various communities initiatives and other Organisation that can be utilize for financial inclusion development in a region .From the study it can be conclude that there exist a strong relation between social capital variables and financial inclusion variables in chazhoor panchayath. The extent of financial inclusion measured in terms of bank account, bank credit, ATM, insurance etc shows that most of the households are included in the format financial system. . The study also reveals that social inclusion increase the happiness in the life of the people in the panchayath.

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