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To study the impact of financial inclusion measures on socioeconomic status of rural people in Himachal Pradesh

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Abstract

Awareness and proper access to financial services is prime goal of any government or policymaker. Government introduces financial inclusion measures in order to connect underserved and excluded populations into formal financial system. This research examines the large-scale financial inclusion schemes by Reserve Bank of India, government (PMJDY, PMJJBY, APY) and other institutions such as NABARD and measures its effectiveness in improving the banking access, credit facilities and digital financial products. This study aims at investigating how rural people perceive financial services, the awareness of the banking services they have alongside with barriers to accessing banking services. The improvement on the financial inclusion is evident in the levels of income, savings and the general welfare and poverty reduction besides stimulating the growth of the rural economy that is essential for overall financial well being of people. In simple words, this study asserts that financial inclusion is important for economic development because it is relevant to the growth of rural areas such as Himachal Pradesh and the outcomes from this study will demonstrate the effectiveness of financial inclusion policies and propose strategies which boost their impact on sustainable rural community socio economic empowerment.

Keywords: Financial inclusion, government schemes, banking services, rural development, socio-economic status

Introduction

In a civilised society, different services contribute to overall well being of society, among which financial or banking services play pivotal role in ensuring economic and social development of nation. These services are primarily delivered through banking sector. Using financial inclusion, every citizen including those in rural areas can access basic financial products such as banking, credit, and insurance, and other digital transaction faculties. Financial inclusion is globally recognised as a tool of economic growth and balance and accessibility. Jitender Kumar and Anjali Ahuja (2024) ^[2] defined Financial inclusion as a multidimensional concept that provides access to financial services such as insurance, savings, payments, and remittances, offering timely credit to vulnerable groups at a reasonable cost. Reserve Bank of India (RBI) National Strategy for Financial Inclusion (2019-2024) quoted about Financial inclusion as the process of ensuring access to financial services, and timely and adequate credit for vulnerable groups and low income groups at an affordable cost. Economic growth along with reduced income inequality depends heavily on financial inclusion, especially for developing nations such as India. The area of Himachal Pradesh alongside other rural areas encounters difficulties in obtaining formal banking services because of their geographical limitations together with restricted financial literacy and inadequate digital systems. Various initiatives have been launched to improve financial inclusion yet a disconnect exists between policy execution and its concrete effects on both rural communities and banking institutions. In Himachal Pradesh where 89.97% of the total population belong to rural. This means that almost 90% of the state's residents lived in rural areas. The role of financial inclusion in social and economic upliftment and empowerment of the society and state become more prominent. Government of India, State government and regulatory authorities constantly introduces various financial inclusion measures to develop the financial well being of rural people.

Objective of the Study

- To examine the perception of rural people toward financial inclusion in Himachal Pradesh and understand their level of awareness, usage and accessibility of financial services.
- To assess the impact of financial inclusion measures on the socio-economic status of rural people in Himachal Pradesh, including income levels, savings and credit usage.
- To suggest policy recommendations for improving the reach and effectiveness of financial services in rural underserved regions.

Literature Review

Financial Inclusion Through Social Security Schemes (PMSBY, PMJJBY & APY) in Himachal Pradesh:

Economic development depends heavily on financial inclusion because it enables both individuals and businesses to obtain low-cost financial products together with services. Financial inclusion through banking services plays an essential role in rural regions of Himachal Pradesh because limited banking penetration and low financial literacy make economic development and social security crucial (N K V Roop Kumar and Sharma, 2022) ^[1]. Banking services together with credit and insurance along with pension schemes enable people to protect themselves against risks and build savings which they can use to start income-producing activities. The Government supports the implementation of three social security programs namely Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), and Atal Pension Yojana (APY) to promote financial inclusion. The government schemes offer cost-effective insurance coverage along with pensions to people with limited incomes. These integration programs enable unbanked and underserved communities to join formal financial structures which reduces economic inequality while decreasing their vulnerabilities and strengthening financial stability. The Himachal Pradesh government along with banking institutions actively promotes these schemes to provide basic financial services throughout all regions of the state (Singh, 2022b) ^[3]. The Atal Pension Yojana (APY) stands as a government-run pension program which creates benefits for unorganized workers. APY serves as an essential tool for workforce security in retirement because a substantial number of Himachal Pradesh residents work in agricultural sectors and small industries and informal jobs.

Socioeconomic Changes Observed Among Rural Populations in Himachal Pradesh

Financial inclusion initiatives have had a massive impact on the socioeconomic composition of Himachal Pradesh's rural communities. There have been many positive changes witnessed after the implementation of different government schemes and after an increase in the banking outreach. Here are three key areas where visible changes are occurring for rural populations.

1. **Increased Savings and Improved Financial Planning in Households:** The highest immediate and visible effect of financial inclusion in the case of rural Himachal Pradesh has been the rise in household savings. With proliferation of zero balance bank accounts through schemes such as Pradhan Mantri Jan Dhan Yojana (PMJDY), even low-income households

are now depositing small amounts regularly. Previously, rural families used to store money in unsafe, informal locations, or invested in gold, livestock. Nowadays bank accounts have fostered a habit of regular savings and the place where families can plan their financial future (Dr Sony Raj SS, 2025) ^[6].

2. **Improved Access to Credit and Entrepreneurship:** Financial inclusion has made it easier for rural dwellers, especially small scale farmers, artisans and self help groups (SHGs) to access formal credit. Historically, these groups had depended on informal moneylenders who charged high-interest rates, ensnaring borrowers in debt cycles. With banking presence increasing, rural people of Himachal Pradesh now have a chance to access loans on fair terms using Kisan Credit Cards (KCC), Mudra loans and micro finance schemes. (Negi, 2023) ^[7].
3. **Improved Access to Government Welfare and Subsidies:** This system has increased the level of transparency, accountability and efficiency in delivering public services. Rural dwellers no longer have to depend on intermediaries or travel over long distances to access benefits. This in turn makes it easier for households to plan their spending and identify the essentials. Also, regular government support has helped to stabilize income for the needy members of society. It has furthermore created trust in formal institutions and raised the perceived value of maintaining a bank account. Such incremental enhancements as a whole contribute to a fairer and more inclusive rural economy.

Banking Penetration and Financial Access in Rural Himachal Pradesh

Financial inclusion and banking activities of rural Himachal Pradesh have been the spearhead for reduction of disparities and uplift of underprivileged groups. In this section, the researchers analyze the three dimensions of the banking penetration and financial access in rural Himachal Pradesh.

1. **Expansion of Bank Branches and Banking Correspondents:** Over the past decade, rural Himachal Pradesh has experienced a gradual increase in the number of physical bank branches and deployment of banking correspondents (BCs). Previously under banked due to hilly terrains and geographically scattered communities, rural areas are now targeted by conscious policy of financial inclusion by public and private banks. Scheduled commercial banks, RRBs (Regional Rural banks), and cooperative banks have spread to remote blocks. Further, banking correspondents, who usually are local residents trained to provide basic financial services, are critical channels between banks and rural customers (Chakrabarti, 2024) ^[5].
2. **Access to Credit in Rural Banking Initiatives:** The improved accessibility of credit is a result of the spread of banking infrastructure and regulatory support. Rural needs are now being met through a variety of credit products offered by banks, including Kisan Credit cards (KCC), micro loans, agriculture loans, and Mudra Yojana loans for small businesses. These credit facilities enable farmers to buy inputs, invest in machines, and provide for seasonal variations, which are all capable of increasing productivity and

stabilizing incomes. The move from loaning from informally to having formal bank loans also instills discipline in the financial aspects and creates credit history, and this in the long run creates more financial opportunities (Sharma, 2020) ^[1]. Therefore, the availability of credit is becoming a transformative factor of rural development.

3. **Improved Delivery of Government Subsidies and Benefits:** Financial access has revolutionized the method through which the rural populations of the Himachal Pradesh receive welfare schemes and subsidies from the government. The linking of banking infrastructure to Direct Benefit Transfer (DBT) has made it possible to make payments for programs such as MNREGA, PM-Kisan, old age pensions and LPG subsidies directly to the beneficiaries' accounts. This has minimized leakage, corruption and made the distribution of welfare more efficient. As Aadhaar-linked bank accounts are becoming common place, even residents in remote villages can access their entitlements through local banking correspondents or mobile ATMs.
4. **Research Methodology:** The descriptive research

design used in this study. Through descriptive research methods, researchers can produce an extensive overview of financial service usage patterns and their developmental impact on the economy. The research design combines structured surveys as quantitative data with observational insights as qualitative data for its investigations (Bergmann, 2023). The study collects its primary data by administering 350 surveys and conducting interviews across different categories of rural respondents which include farmers, small business owners, self-help group members and daily wage earners from selected districts of Himachal Pradesh such as Kangra, Mandi, Chamba and Una. The survey was conducted with a view to collecting information on individual experiences with banking services, awareness on government financial schemes and perceived changes in socioeconomic conditions. The technique of data collection is based on stratified random sampling to obtain a cross-section of customers who are banking in the rural area of Himachal Pradesh.

Data Analysis

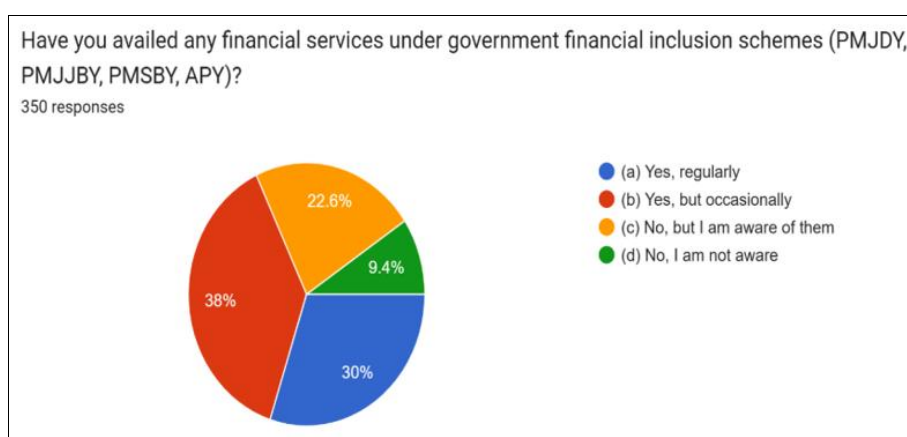


Fig 1: Utilization of Government Financial Inclusion Schemes, (Source: Self Created)

30% of the respondents regularly use government schemes (PMJDY, PMJJBY, PMSBY, APY) while 38% use them

occasionally. Around 22.6% were aware but non users, and 9.4% were unaware.

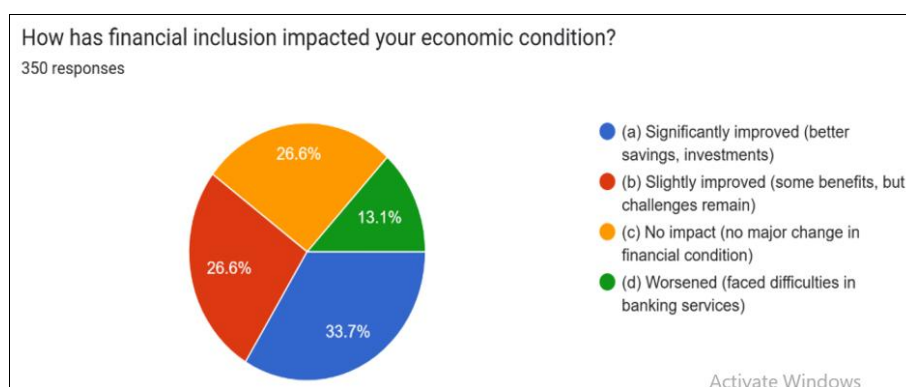


Fig 2: Impact of Financial Inclusion on Economic Condition, (Source: Self Created)

Financial inclusion improved savings/investments for 33.7% of participants. Another 26.6% noticed slight improvements.

For 26.6% respondents, no change was observed, while 13.1% faced negative impacts due to service access issues.

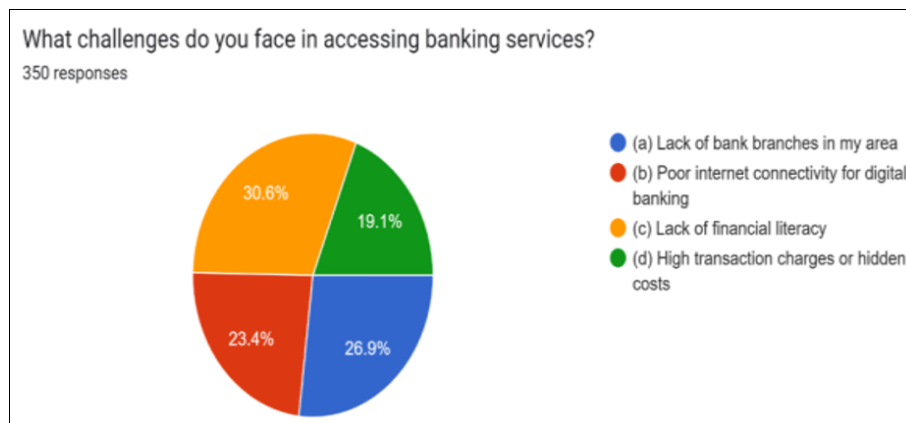


Fig 3: Challenges in Accessing Banking Services, (Source: Self Created)

Challenges in Banking Access: Key issues included lack of nearby banks branches (26.9%), poor internet 23.4%, low

financial literacy 30.6%, and high transaction costs 19.1%.

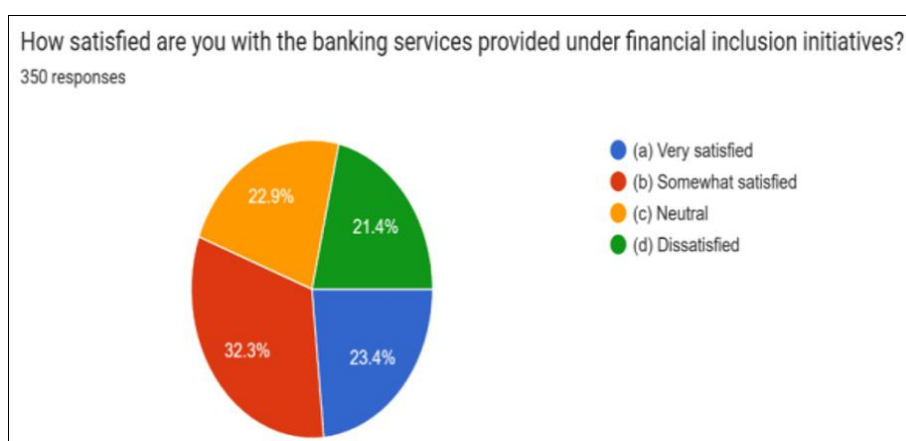


Fig 4: Satisfaction with Banking Services Under Financial Inclusion Initiatives, (Source: Self Created)

The research surveyed participant satisfaction regarding banking services which financial inclusion initiatives delivered in Himachal Pradesh. The study results show participants holding various perspectives about financial inclusion services in Himachal Pradesh which include both

successful aspects and unsatisfactory areas. Satisfaction levels: 23.4% were satisfied with banking services, 32.3% were moderately satisfied, 22.9% were neutral, and 21.4% were dissatisfied due to service and infrastructure gaps.

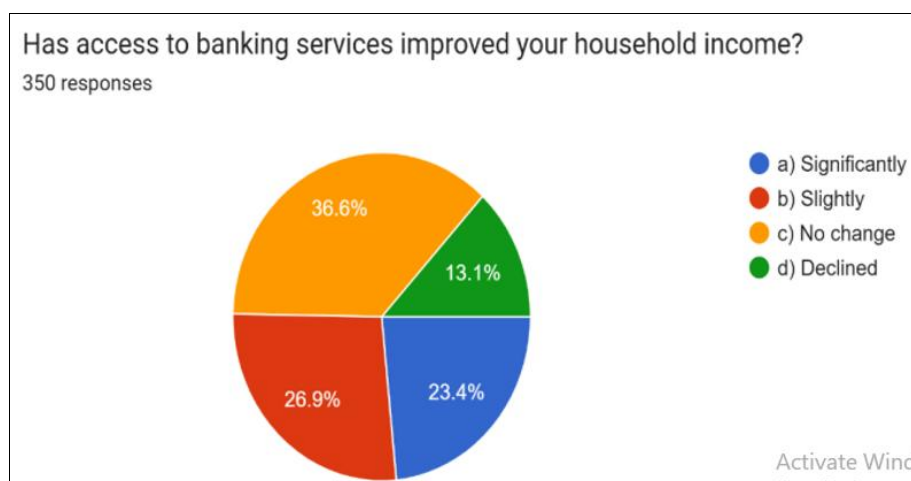


Fig 5: Perceived Impact of Banking Services on Household Income, (Source: Self Created)

The impact of banking services on household income finds diverse perceptions among rural dwellers. 50.3% saw some income improvement. However, 36.6% reported no change

and 13.1% experienced reduced earnings due to credit or repayment issues.

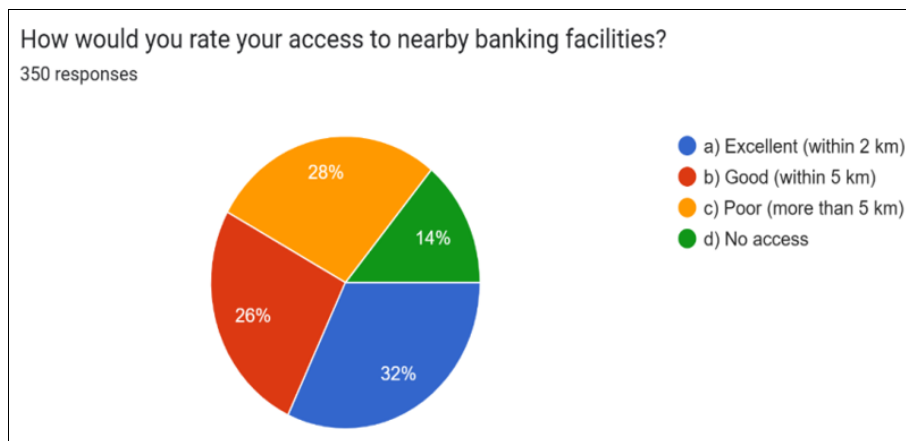


Fig 6: Accessibility of Nearby Banking Facilities, (Source: Self Created)

Physical accessibility of banking facilities is an important determinant of the success of financial inclusion in rural areas. 58% of respondents had access within 5 km, while 42% faced poor or no physical access to banking.

Findings of the Study

- 1. Partial adoption:** Government financial schemes have reached a portion of the rural population, but awareness and usage remain inconsistent.
- 2. Moderate Economic Benefits:** Financial inclusion has helped some improve their savings and income, but others have seen no benefit or even harm.
- 3. Access barriers:** Physical distance, poor digital connectivity and financial illiteracy limit effective use of banking services.
- 4. Mixed Satisfaction:** While some users are satisfied, a significant group remains neutral or dissatisfied due to service quality and infrastructure gaps.
- 5. Uneven Income Impact:** Despite availability, financial services have not consistently translated into better household incomes for all.
- 6. Need for Infrastructure Expansion:** Nearly half of respondents still face accessibility issues, indicating a need for more rural banking outlets and digital support.

Recommendations and Suggestions

The gap in awareness of financial inclusion schemes needs policymakers and financial institutions to launch specialized outreach programs, streamline procedures and build trust among service users. Financial inclusion in rural areas will grow significantly through better financial literacy education and by utilizing community networks to promote available schemes. The economic situation of rural individuals in Himachal Pradesh benefits from financial inclusion through various positive effects but still faces ongoing difficulties. Better financial management and reduced reliance on informal lenders became possible through government-backed insurance along with digital transactions and credit facilities. The research data indicates that financial inclusion continues advancing but various challenges remain to be solved. Public officials must simplify banking processes together with education about finances and create accessible financial services to achieve maximum rural economic development benefits. The accessibility gap should be closed by either increasing physical bank locations or by improving the capabilities of banking correspondents (BCs). Unstable network

connections remain a major obstacle for people to use digital banking services because of the growing digital banking momentum. Improving digital infrastructure and expanding internet access together with promoting offline transaction capabilities will help resolve this issue.

The level of satisfaction regarding banking services through financial inclusion programs shows considerable diversity in Himachal Pradesh. Digital banking features, broadened access and financial safety schemes backed by the government earn their appreciation. Respondents who expressed dissatisfaction due to substandard infrastructure and service quality and limited access to financial products. Better financial accessibility combined with enhanced customer support and improved financial education must be implemented to make banking services effective for rural populations. The perceived effect of the banking on household income is yet another important aspect. In the study largest segment reported no change in income, which indicates that access to banking alone is not a strong driver for economic uplifting unless it is combined with right financial products and awareness. A strong need for personalized financial education and advisory services in rural areas is recommended. Banking infrastructure accessibility continues to be a pillar of successful financial inclusion.

Conclusion

The study reveals that while financial access is enhanced by the adoption of government schemes such as PMJDY, PMJJBY, PMSBY, APY. Most rural households still experience upliftment in economic condition and improvement in income level but challenges such as illiteracy in technology, poor infrastructure, and poor awareness of how to access existing services remain barrier in this. The accessibility of banking services showing improvement. The awareness of services, low cost offers with strong banking infrastructure can further enhance the rural people satisfaction level. The secondary data, obtained from official reports by the RBI, NABARD and other government publications strengthened the idea that financial inclusion has increased savings, credit availability and livelihoods in rural areas. Overall, financial inclusion in the region shows promising outcomes but demands targeted improvement in some aspects.

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