



Contributing Factors of Financial Inclusion in Himachal Pradesh : An Analysis of Various Components

Dr. Neetika Sharma

Assistant Professor, Department of Commerce, Government Degree College, Shivnagar (Kangra) Himachal Pradesh, India

Abstract--Financial inclusion is a crucial aspect of economic development, enabling access to formal financial services for all segments of society. This study examines the contributing factors of financial inclusion in Himachal Pradesh, focusing on various components such as banking penetration, credit access, and insurance coverage, overdraft facility, upgradation of technology, provided self employment, capacity building and training etc. The analysis reveals that factors like literacy rate, per capita income, and government initiatives significantly influence financial inclusion. The study also highlights regional disparities in financial inclusion across districts in Himachal Pradesh. The findings suggest that targeted policies and interventions can enhance financial inclusion, promoting economic growth and reducing inequality in the state.

Keywords-- Financial inclusion, credit access, financial literacy, contributing factors, Govt. Interventions, self employment .

I. INTRODUCTION

Financial Inclusion is considered as one of the most important initiatives implemented by the Government of India for the socio-economic development of the poor and vulnerable people. It is not only promoting financial safeguards to the people excluded from banking access, but also advancing them towards socio- economic development and inclusive growth. Further, it is also assisting to enhance saving, economic development and need of micro-credit at easy and affordable means. It further enables banks to channelize their operations to the most excluded population and encouraging new business opportunities through micro-credit facility. Therefore, the importance of the financial inclusion scheme is consisting of multi-faceted factors. Financial inclusion is endorsing a revised financial system for extensive financial coverage. Financial inclusion is specially designed for various investment avenues through no frilled savings accounts to attract the underprivileged people. Financial inclusion is to provide adequate saving opportunities among underprivileged households and made an attempt to keep them away from unregulated market.

Financial inclusion is encouraging poor and vulnerable people to make significant improvement in their existing living condition and it also promoting easy remittance facility (money transfer) through secured and transparent manner.

II. OBJECTIVE OF THE STUDY

To know about the various contributing factors of financial inclusion in Himachal Pradesh for its inclusive growth.

Sample Design

To obtain the required information from the respondents, multistage sampling or cluster sampling shall be used. There will be several stages in which the sampling process will be carried out. Sample will consists of 500 respondents selected from three top most populated districts i.e. Kangra, Mandi and Shimla. In the first stage, three blocks from each district will be selected and the criteria for selecting these blocks will be top most populated areas. In the second stage, from each block, three local self Government bodies (Panchayats) will be selected . The third stage of sampling will be to select three villages from each Panchayat.

III. RESEARCH METHODOLOGY

The validity of any research is based on the systematic method of data collection and analysis. Both primary and secondary data shall be useful for accomplishing the objectives of the present study. The secondary information will be collected from various sources. These sources are reference books, periodical journals, magazines, articles, library, current relevant publication available on website, Annual reports of banks, Govt. periodical reports, statistical tables, RBI reports , reports of NABARD, E-journals, world bank, Consultative group to assist the poor, SLBC (State Level Bankers Committee)etc. The primary data for the study collected from the various financial institutions which provides micro finance (credit), branchless banking , no frill accounts, SHG's, entrepreneurial credit etc.



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Contributing factors of financial Inclusion in respect of various components of development: A Factor Analysis

In order to explore the contributing factors of financial inclusion in respect of various components of development in Himachal Pradesh, the factor analysis has been performed.

The results of the Kaiser – Meyer-Olkin (KMO = .844) measure of sampling adequacy and Bartlett's test of sphericity with highly significant value have clearly indicated the appropriateness of the use of factor analysis .

Table 1
KMO and Bartlett's Test

| | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .844 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2939.662 |
| Df | | 136 |
| Sig. | | .000 |



Table 2
Communalities

| Variables | Initial | Extraction |
|--|---------|------------|
| Improving the extent of financial literacy. | 1.000 | .525 |
| Awareness of Rupay card . | 1.000 | .572 |
| Awareness about the insurance scheme . | 1.000 | .585 |
| Awareness of the provision of life insurance | 1.000 | .817 |
| Awareness of the provision of overdraft facility. | 1.000 | .783 |
| NULM has develop self help groups | 1.000 | .740 |
| NULM has trained these self help groups. | 1.000 | .700 |
| Self help groups financially assisted under NULM. | 1.000 | .770 |
| NULM has develop the occupational skills of Swarojgaris | 1.000 | .625 |
| NULM has ensured the upgradation of technology. | 1.000 | .594 |
| NULM has provided infrastructure facilities to Swarojgaris | 1.000 | .708 |
| NULM has provided the self employment. | 1.000 | .552 |
| Self employment programme. | 1.000 | .666 |
| Social Mobilization and Institution Development | 1.000 | .546 |
| Employment through skills training and placement . | 1.000 | .580 |
| Support to urban street vendors. | 1.000 | .675 |
| Capacity Building and training . | 1.000 | .625 |

*Extraction Method: Principal Component Analysis.
Source : Data compiled through questionnaire.*



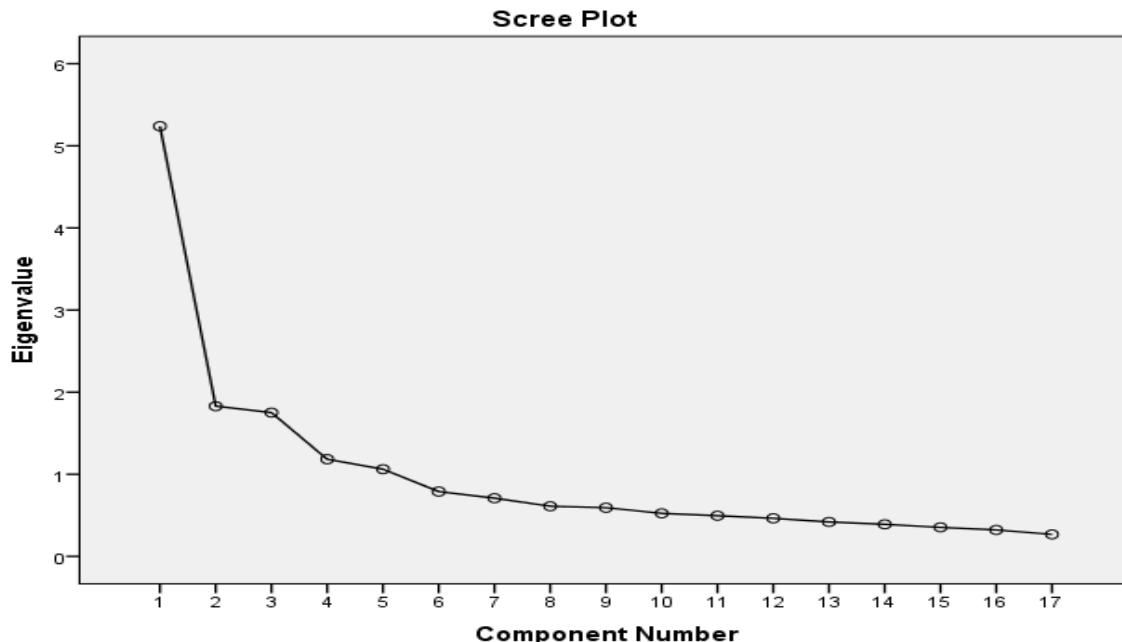
Table 3

Total Variance Explained

| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 5.238 | 30.814 | 30.814 | 5.238 | 30.814 | 30.814 | 2.838 | 16.694 | 16.694 |
| 2 | 1.829 | 10.759 | 41.574 | 1.829 | 10.759 | 41.574 | 2.597 | 15.274 | 31.968 |
| 3 | 1.751 | 10.299 | 51.873 | 1.751 | 10.299 | 51.873 | 2.106 | 12.388 | 44.356 |
| 4 | 1.183 | 6.960 | 58.833 | 1.183 | 6.960 | 58.833 | 1.941 | 11.418 | 55.774 |
| 5 | 1.061 | 6.244 | 65.077 | 1.061 | 6.244 | 65.077 | 1.581 | 9.302 | 65.077 |
| 6 | .790 | 4.646 | 69.722 | | | | | | |
| 7 | .709 | 4.169 | 73.891 | | | | | | |
| 8 | .611 | 3.593 | 77.484 | | | | | | |
| 9 | .593 | 3.486 | 80.970 | | | | | | |
| 10 | .524 | 3.085 | 84.055 | | | | | | |
| 11 | .495 | 2.911 | 86.966 | | | | | | |
| 12 | .463 | 2.726 | 89.692 | | | | | | |
| 13 | .419 | 2.466 | 92.158 | | | | | | |
| 14 | .390 | 2.296 | 94.454 | | | | | | |
| 15 | .353 | 2.077 | 96.531 | | | | | | |
| 16 | .322 | 1.894 | 98.425 | | | | | | |
| 17 | .268 | 1.575 | 100.000 | | | | | | |

Extraction Method: Principal Component Analysis.

Source : Data complied through questionnaire.



The factor analysis results are depicted in the following tables. Table 2 identifies the proportion of variable explained through extraction method. In this process, initial eigen values and eigen values after extraction are generated. Table 3 measures the amount of variation in the total sample accounted by each factor. Hence, five factors have been identified as a result of rotated component matrix in Table 4

The results of the factor analysis indicates that first five variables are loaded heavily with the first factor. These factors are **self employment programme, social mobilisation and institution development, employment through skills training and placement, support to urban street vendors and capacity building and training**. These variables mainly relate to promote urban development and hence named as **Urban Development Programmes**. The variables that load heavily on the second factor seem to be relating to training of self help group, develop occupational skills, infrastructure and marketing facilities to SHG, establishment of micro enterprise. These variables are related to development and growth opportunities provided by NULM in rural areas so named as **National Urban Livelihood Mission**. The third important factor contains variables relating to **Self Help Groups**. These are development of SHG, training and guidance and use of technology for advancement. The fourth factor that load heavily on the variables is awareness of accidental insurance and life insurance.

These seems to be related to **Awareness of PMJDY schemes**. Factor five which can be labelled as **Benefits of PMJDY**, includes improving financial literacy, use of Rupay Card and linked with insurance schemes.

It has been seen that the most important factor which promotes financial inclusion schemes is awareness regarding these schemes. Because if people are aware about these schemes, then they can avail the benefits of these schemes. The Urban development programmes are also important factor for the growth and development of urban people. The NULM also provide training and workshops for Self Help Groups for improving their skills and awareness about the advance technology. Improving financial literacy and increasing the use of Rupay Card and various insurance schemes have been ranked to fifth important factor. All these factors are correlated with each other. This shows that people aware from grass root level to give awareness about various schemes of financial inclusion. This shows that the financial Inclusion plays an important role for inclusive growth of state.

It has been observed that financial inclusion helps to enhance the awareness and accessibility of banking services, overdraft facility, insurance facility, Rupay card etc. It also enhances the financial literacy and confidence of respondents. Bhatia and Singh (2015) also revealed that financial inclusion is a part of inclusive growth as it focuses on delivering financial services at much affordable costs to the under privileged sections of the society.



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Thus, it can be suggested that by organising various financial awareness campaigns by the implementing agencies, the motive of various schemes of financial inclusion can be attained. This would also increase the awareness level of the new and prospective entrepreneurs.

Various sources of information regarding financial inclusion should provide true and actual information to stakeholders to enhance their knowledge and decision making regarding financial matters.

Table 4
Rotated Component Matrix

| | Component | | | | |
|---|-----------|------|------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 |
| Support to urban street vendors. | .808 | .076 | .074 | .042 | .097 |
| Capacity building and training. | .774 | .084 | .095 | .014 | .097 |
| Self employment programme | .718 | .225 | .307 | -.025 | .067 |
| Employment through skills training and placement . | .685 | .095 | .070 | .005 | .312 |
| Social mobilization and institution development. | .566 | .268 | .155 | .352 | -.079 |
| NULM has trained these self help groups. | .081 | .815 | .147 | .068 | .052 |
| NULM has provided infrastructure. | .206 | .803 | .060 | .096 | .092 |
| NULM has develop the occupational skill. | .066 | .723 | .236 | .117 | .167 |
| NULM has provided the self employment. | .233 | .604 | .349 | .101 | -.021 |
| NULM has develop self help groups. | .113 | .113 | .828 | .064 | .158 |
| Self help groups financially assisted under NULM . | .150 | .251 | .825 | .039 | .057 |
| | | | | | |
| NULM has ensured the up gradation of technology. | .281 | .366 | .613 | .016 | -.070 |
| Awareness of the provision of life insurance . | .059 | .104 | .054 | .889 | .095 |
| Awareness of the provision of over draft facility. | -.004 | .136 | .003 | .873 | .040 |
| Awareness of Rupay Card . | .118 | .047 | .033 | .007 | .745 |
| PMJDY is helpful in improving the extent of financial literacy. | .095 | .114 | .037 | .041 | .707 |
| Awareness about the insurance scheme . | .180 | .040 | .136 | .464 | .563 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

Source : Data complied through questionnaire .

IV. CONCLUSION

On analysing the contributing factors of financial inclusion in respect of various components of development, a factor analysis has been applied by taking into consideration the various strategies of financial inclusion and its status in Himachal Pradesh. The results of factor analysis revealed the five variables i.e. urban self employment programme, urban self help group, skill training and for employment promotion, urban wage employment and urban community development. All these factors are correlated with each other. It shows that implementing agencies should organise various awareness programmes to achieve the objective of financial inclusion. Thus, it can be concluded that financial inclusion is monetary fuel for economic growth and is considered important for inclusive growth. The financial inclusion is extremely helpful to enhance the awareness and accessibility of banking services, overdraft facility, insurance facility and Rupay card etc. It also enhances financial literacy and confidence among respondents.

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