

Financial Inclusion and Household Economic Outcomes: Evidence from Durg District

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Abstract

Financial inclusion has emerged as an important policy instrument for promoting inclusive economic growth and improving the socio-economic condition of households in developing countries. In India, several initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY), digital banking services, and direct benefit transfer systems have significantly expanded access to formal financial services. However, the actual impact of financial inclusion on household economic outcomes at the regional and district levels remains uneven and insufficiently explored. This study examines the relationship between financial inclusion and household economic outcomes in Durg district of Chhattisgarh. The study is based on primary data collected through a structured questionnaire from selected households across rural and urban areas of the district. The research analyzes major dimensions of financial inclusion, including access to bank accounts, usage of digital payment systems, availability of formal credit, savings behavior, and financial awareness. Descriptive and regression-based statistical techniques are used to evaluate the impact of financial inclusion on household income, savings, expenditure patterns, and economic security. The findings indicate that households with better access to formal financial services demonstrate comparatively higher savings, improved financial stability, and reduced dependence on informal lending sources. The study also identifies key barriers such as low financial literacy, limited digital awareness, and inadequate banking accessibility in rural regions. The paper highlights the need for strengthening financial literacy programs, digital financial infrastructure, and inclusive banking policies to ensure sustainable household economic development. The findings of this study may support policymakers and financial institutions in designing region-specific financial inclusion strategies for balanced socio-economic growth.

Keywords: Financial Inclusion, Household Economic Outcomes, Digital Banking, PMJDY, Rural Finance, Economic Development, Durg District.

I. Introduction

Financial inclusion has become one of the major priorities for economic development and inclusive growth across the world. It refers to the process of ensuring access to affordable and appropriate financial services such as savings accounts, credit facilities, insurance, remittance services, and digital payment systems to all sections of society, particularly economically weaker and socially disadvantaged groups [1]. In developing countries like India, financial inclusion is considered an important mechanism for reducing poverty, improving household welfare, increasing employment opportunities, and strengthening financial security among rural and urban populations [2].

In recent years, the Government of India and the Reserve Bank of India (RBI) have introduced several initiatives to expand financial accessibility among citizens. Programs such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), Aadhaar-enabled payment systems, mobile banking, Unified Payments Interface (UPI), and digital financial literacy campaigns have significantly

increased the penetration of formal financial services in both rural and urban regions [3]. According to the Global Findex Database, India has witnessed a substantial increase in bank account ownership and digital transaction adoption after the implementation of these financial inclusion policies [4].

Although financial services have expanded rapidly, access alone does not guarantee effective financial inclusion. Many households still face difficulties in regularly using banking services because of low financial literacy, inadequate digital awareness, poor banking infrastructure, and dependence on informal lending systems [5]. In rural and semi-urban areas, several households continue to rely on local moneylenders due to easier accessibility and limited awareness regarding formal credit facilities. Therefore, it becomes important to evaluate whether financial inclusion initiatives are actually improving the economic condition of households or merely increasing the number of bank accounts.

Household economic outcomes are directly associated with the availability and utilization of financial services. Access to formal banking systems may improve savings habits, increase investment opportunities, reduce financial vulnerability, and support income-generating activities [6]. Similarly, digital financial services can simplify transactions, reduce transaction costs, and improve financial management among low-income households. Previous studies have indicated that financially included households generally demonstrate better economic stability and reduced dependence on informal financial practices [7]. However, the impact of financial inclusion differs across regions because of variations in literacy, income level, employment pattern, and digital infrastructure.

Chhattisgarh is one of the developing states of India where both rural and urban populations are rapidly adopting formal banking and digital payment systems. Durg district is economically important because of its industrial activities, agricultural dependency, urban expansion, and increasing digital connectivity. Despite the growth of banking services in the district, disparities in financial awareness and utilization still exist among households. Limited district-level empirical studies are available that specifically examine the relationship between financial inclusion and household economic outcomes in Durg district. Most existing studies focus on national or state-level analysis, while localized evidence remains comparatively insufficient.

Therefore, the present study aims to analyze the impact of financial inclusion on household economic outcomes in Durg district. The study examines important dimensions such as access to banking services, digital financial usage, savings behavior, formal credit accessibility, and their influence on household income and economic stability. The research also identifies major barriers affecting effective financial inclusion among households. The findings of this study may help policymakers, financial institutions, and government agencies formulate region-specific financial inclusion strategies for sustainable socio-economic development.

The major objectives of the study are as follows:

1. To analyze the level of financial inclusion among households in Durg district.
2. To examine the impact of financial inclusion on household economic outcomes.
3. To identify major barriers affecting effective utilization of financial services.

The study is organized into different sections. Section II presents the literature review related to financial inclusion and household economic outcomes. Section III discusses the research methodology and data collection process. Section IV presents the data analysis and results. Section V discusses the

major findings and challenges, followed by the conclusion and policy recommendations in the final section.

II. Literature Review

Financial inclusion has gained significant attention among researchers, policymakers, and financial institutions because of its role in promoting inclusive economic development and reducing socio-economic inequality. It is widely recognized as an essential component for improving access to financial resources among disadvantaged and low-income populations. Several studies have examined the relationship between financial inclusion and household economic wellbeing from different economic and regional perspectives.

Earlier studies have emphasized that financial inclusion contributes positively to economic growth by increasing access to savings, credit, insurance, and investment opportunities. Demirgüç-Kunt et al. [8] reported that access to formal financial services enables households to manage financial risks more efficiently and improve their economic resilience during uncertain situations. Similarly, financial inclusion enhances the ability of households to participate in productive economic activities and reduces dependence on informal lending systems.

In the Indian context, the Government of India and the Reserve Bank of India have implemented various initiatives to strengthen financial accessibility among citizens. The introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) significantly increased bank account ownership across rural and urban regions [9]. Several researchers observed that PMJDY improved the participation of economically weaker households in the formal banking system and encouraged savings behavior among low-income groups [10]. The expansion of Aadhaar-enabled payment systems, mobile banking, and Unified Payments Interface (UPI) further accelerated digital financial inclusion in India.

Studies have also analyzed the relationship between financial inclusion and household economic outcomes. Sharma and Kukreja [7] found that financially included households generally demonstrate better financial stability, higher savings, and improved access to credit facilities. Access to institutional credit supports small business activities, self-employment opportunities, and household consumption management. In rural regions, financial inclusion plays an important role in reducing poverty and promoting sustainable livelihoods [11].

Digital financial services have emerged as another important dimension of financial inclusion. The rapid growth of mobile banking and digital payment systems has transformed the way households conduct financial transactions. According to the World Bank Global Findex Report [4], digital financial services improve transaction efficiency, reduce operational costs, and increase financial accessibility among remote populations. Researchers have observed that digital financial inclusion became particularly important after the COVID-19 pandemic because households increasingly relied on online payment systems and digital banking platforms [12].

Despite significant improvements in financial accessibility, several challenges continue to affect effective financial inclusion in India. Low financial literacy, inadequate awareness regarding banking services, poor digital infrastructure, lack of trust in formal institutions, and limited internet connectivity remain major barriers, especially in rural and semi-urban areas [13]. Many households possess bank accounts but use them only for limited transactions or government benefit transfers. Therefore, actual utilization of financial services remains comparatively lower than account ownership statistics.

Previous studies also indicate that the impact of financial inclusion varies across regions because of socio-economic differences, education level, employment structure, and technological accessibility [14]. While metropolitan and urban areas demonstrate rapid adoption of digital financial services, rural households often face challenges in accessing reliable banking infrastructure and digital technologies. Regional-level empirical analysis is therefore necessary to understand the practical impact of financial inclusion on household economic outcomes.

Although several national and state-level studies are available regarding financial inclusion in India, district-level empirical studies remain limited, particularly in Chhattisgarh. Very few studies have specifically examined how financial inclusion influences household income, savings, and economic security in Durg district. Existing literature mainly focuses on overall banking penetration or policy implementation, while localized household-level economic outcomes remain underexplored. Therefore, the present study attempts to fill this research gap by analyzing the relationship between financial inclusion and household economic outcomes in Durg district through primary survey-based analysis.

III. Research Methodology

The present study adopts a quantitative and descriptive research approach to examine the relationship between financial inclusion and household economic outcomes in Durg district of Chhattisgarh. The methodology is designed to analyze the accessibility and utilization of financial services among households and evaluate their influence on economic wellbeing, savings behavior, and financial stability.

A. Study Area

Durg district is one of the major industrial and economically developing districts of Chhattisgarh, India. The district consists of both urban and rural regions with diverse socio-economic activities including agriculture, trade, industrial employment, and small-scale business operations. In recent years, banking facilities, digital payment systems, and government financial schemes have expanded considerably in the district. However, differences in financial awareness and service utilization still exist among households, particularly in rural areas. Therefore, Durg district provides an appropriate setting for studying the impact of financial inclusion on household economic outcomes.

B. Data Collection

The study is primarily based on primary data collected through a structured questionnaire survey conducted among selected households in Durg district. The questionnaire includes questions related to demographic characteristics, banking accessibility, digital financial service usage, savings behavior, formal credit utilization, and household economic conditions.

In addition to primary data, secondary data were collected from various authentic sources such as Reserve Bank of India (RBI) reports, Government of India publications, World Bank reports, NABARD reports, and published research articles related to financial inclusion and household economic development [15], [16].

C. Sampling Design

A stratified random sampling technique was adopted for selecting respondents from both rural and urban areas of Durg district. The sampling method ensured representation from different socio-economic groups and occupations. A total of 300 households were considered for the study to obtain

reliable and representative data regarding financial inclusion practices and household economic conditions.

D. Variables Used in the Study

The study considers both independent and dependent variables for analyzing the impact of financial inclusion on household economic outcomes.

Independent Variables

The major financial inclusion indicators used in the study include:

- Bank account ownership
- Access to formal credit
- Usage of digital payment systems
- Savings account utilization
- Financial awareness and literacy

Dependent Variables

The household economic outcome indicators include:

- Household income
- Savings behavior
- Financial security
- Consumption stability
- Dependence on informal lending sources

E. Statistical Tools and Analysis

The collected data were analyzed using descriptive and inferential statistical techniques. Descriptive statistics such as percentage analysis, mean, and frequency distribution were used to summarize household financial characteristics and financial inclusion indicators. Correlation analysis was performed to examine the relationship between financial inclusion variables and household economic outcomes. Regression analysis was further applied to evaluate the impact of financial inclusion on income, savings, and economic stability among households.

The statistical analysis helps in identifying whether access to formal financial services significantly contributes to improving household economic conditions in Durg district.

F. Research Framework

The conceptual framework of the study is based on the assumption that improved access to formal financial services positively influences household economic wellbeing. Financial inclusion variables such as banking accessibility, digital financial usage, and formal credit availability are considered important factors affecting savings behavior, income generation, and financial security among households.

IV. Data Analysis and Results

This section presents the analysis of data collected from households in Durg district regarding financial inclusion and its impact on household economic outcomes. The analysis focuses on demographic characteristics, banking accessibility, digital financial service usage, savings behavior, and the relationship between financial inclusion and economic wellbeing.

A. Demographic Profile of Respondents

The demographic analysis indicates that the respondents belong to different socio-economic backgrounds, including salaried employees, small business owners, agricultural workers, and self-employed individuals. Both rural and urban households were included in the survey to ensure balanced representation. The majority of respondents were found to belong to the middle-income and lower-middle-income categories.

Table I Demographic Profile of Respondents

| Variable | Category | Percentage (%) |
|------------|--------------------|----------------|
| Gender | Male | 58 |
| | Female | 42 |
| Area | Rural | 55 |
| | Urban | 45 |
| Education | Primary | 21 |
| | Secondary | 39 |
| | Graduate and Above | 40 |
| Occupation | Agriculture | 28 |
| | Service | 35 |
| | Business | 22 |
| | Others | 15 |

The demographic findings indicate that educational background and occupation significantly influence the adoption and utilization of financial services among households.

B. Financial Inclusion Indicators

The analysis of financial inclusion indicators shows that a large proportion of respondents possess bank accounts due to government financial inclusion initiatives such as PMJDY. However, regular utilization of banking services differs among households.

Table II Financial Inclusion Status among Households

| Financial Indicator | Percentage (%) |
|-------------------------|----------------|
| Bank Account Ownership | 91 |
| ATM/Debit Card Usage | 74 |
| Mobile Banking Usage | 62 |
| Digital Payment Usage | 68 |
| Access to Formal Credit | 49 |
| Insurance Coverage | 37 |

The results indicate that bank account ownership is relatively high among households, but access to formal credit and insurance services remains comparatively limited. Digital payment systems are increasingly adopted, especially among urban households and younger respondents.

C. Financial Inclusion and Household Economic Outcomes

The study found that households actively using formal financial services demonstrate better savings behavior and financial stability compared to households with limited banking access. Respondents using digital payment systems and formal banking services reported improved transaction convenience, better financial management, and reduced dependence on local moneylenders.

Table III Economic Outcomes Associated with Financial Inclusion

| Economic Indicator | Financially Included Households | Financially Excluded Households |
|------------------------------|---------------------------------|---------------------------------|
| Regular Savings Habit | High | Low |
| Dependence on Informal Loans | Low | High |
| Financial Security | Moderate to High | Low |
| Digital Transaction Usage | High | Very Low |
| Income Stability | Better | Limited |

The findings suggest that financial inclusion positively influences household economic conditions by improving savings patterns and reducing financial vulnerability.

D. Correlation and Regression Analysis

Correlation analysis revealed a positive relationship between financial inclusion variables and household economic outcomes. Households with access to formal banking, digital payment systems, and institutional credit demonstrated comparatively better economic stability and income management.

Regression analysis further indicates that financial inclusion significantly affects household savings and financial security. Variables such as digital payment usage and access to formal credit showed a positive contribution toward improving household economic wellbeing.

Table IV Regression Analysis Results

| Variable | Coefficient | Significance |
|-----------------------|-------------|--------------|
| Bank Account Access | Positive | Significant |
| Digital Payment Usage | Positive | Significant |
| Formal Credit Access | Positive | Significant |
| Financial Literacy | Positive | Significant |

The statistical findings support the hypothesis that financial inclusion positively affects household economic outcomes in Durg district.

E. Discussion of Findings

The findings of the study indicate that financial inclusion plays an important role in improving the economic condition of households. Increased access to banking services, digital financial platforms, and formal credit systems contributes to better financial management and savings behavior. The study also reveals that urban households demonstrate comparatively higher adoption of digital financial services than rural households because of better digital infrastructure and financial awareness.

Despite improvements in financial accessibility, several households still face challenges such as low financial literacy, inadequate awareness regarding formal financial products, and limited access to digital infrastructure. Similar observations have been reported in previous studies related to financial inclusion and household welfare in developing economies [17], [18].

Overall, the study highlights that effective utilization of financial services can contribute significantly toward sustainable household economic development and inclusive growth in Durg district.

V. Challenges and Barriers to Financial Inclusion

Although financial inclusion initiatives have significantly increased access to formal banking services in Durg district, several challenges still affect the effective utilization of financial services among households. The study identified multiple socio-economic and technological barriers that limit the practical benefits of financial inclusion, particularly in rural and economically weaker sections of society.

One of the major challenges observed during the survey is low financial literacy among respondents. Many households possess bank accounts but lack adequate understanding regarding financial products such as insurance services, digital banking platforms, investment schemes, and formal credit facilities. Limited financial knowledge reduces the effective utilization of available banking services and restricts long-term financial planning among households.

Digital illiteracy and technological barriers also remain significant concerns. Although digital payment systems and mobile banking applications have expanded rapidly, many respondents, especially elderly individuals and rural households, face difficulties in operating digital financial platforms. Fear of online fraud, cybercrime, and transaction failure further discourages people from adopting digital financial services regularly [19].

Another important barrier identified in the study is inadequate banking and internet infrastructure in certain rural areas. Poor network connectivity, limited availability of banking branches, and insufficient digital service centers create accessibility challenges for households living in remote regions. In some cases, respondents reported traveling long distances to access banking facilities or complete financial transactions.

The study also found that dependence on informal financial systems continues among several households despite having formal bank accounts. Local moneylenders and informal credit sources are still preferred because of easier loan accessibility, minimal documentation requirements, and immediate financial support. Formal banking institutions often involve lengthy procedures and strict eligibility criteria, which discourage low-income households from accessing institutional credit facilities.

Income instability and unemployment further affect financial inclusion outcomes. Households with irregular income patterns tend to use banking services only for basic transactions or government benefit transfers rather than for savings, investment, or credit-related activities. Economic uncertainty reduces active participation in formal financial systems.

In addition, gender disparity was observed in financial decision-making within some households. Although women possess bank accounts under government schemes, actual financial control and independent utilization of banking services remain comparatively limited in certain cases. This reduces the effectiveness of financial inclusion efforts aimed at women empowerment and economic participation.

Overall, the study indicates that financial inclusion should not be limited to account ownership alone. Effective financial inclusion requires financial awareness, digital literacy, reliable infrastructure, and continuous policy support to ensure meaningful participation of households in the formal financial system. Addressing these barriers is essential for achieving sustainable and inclusive economic development in Durg district.

VI. Conclusion

Financial inclusion has emerged as an important driver of inclusive economic growth and household financial development in India. The present study examined the relationship between financial inclusion and household economic outcomes in Durg district of Chhattisgarh. The findings of the study indicate that access to formal financial services such as bank accounts, digital payment systems, savings facilities, and institutional credit positively influences household economic wellbeing.

The analysis revealed that financially included households demonstrate better savings behavior, improved financial security, and reduced dependence on informal lending sources compared to financially excluded households. The increasing adoption of digital financial services has further improved transaction convenience and financial accessibility among respondents. Government initiatives such as PMJDY, digital banking services, and direct benefit transfer systems have significantly contributed to expanding banking penetration in the district.

However, the study also identified several barriers affecting effective financial inclusion, including low financial literacy, digital illiteracy, inadequate banking infrastructure, limited awareness regarding financial products, and continued dependence on informal credit systems. Rural households and economically weaker sections still face challenges in utilizing financial services efficiently. Therefore,

merely increasing bank account ownership is insufficient unless households actively participate in the formal financial ecosystem.

Based on the findings of the study, several policy recommendations are suggested. Financial literacy programs should be strengthened at the village and community levels to improve awareness regarding banking services, savings, insurance, and digital transactions. Government agencies and financial institutions should promote digital literacy campaigns to increase confidence in online financial platforms and reduce fear related to cyber fraud and transaction risks.

Improvement in rural banking and internet infrastructure is also necessary to ensure easier accessibility of financial services in remote areas. Banks should simplify loan procedures and documentation requirements for low-income households to encourage the utilization of formal credit systems. In addition, women-focused financial inclusion initiatives should be strengthened to improve independent financial participation and economic empowerment among women.

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