

AN EMPIRICAL STUDY OF THE FACTORS AFFECTING RURAL PEOPLE'S FINANCIAL INCLUSION

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ABSTRACT

The main cause of rural areas' economic backwardness is a significant section of the population's lack of access to reasonably priced banking services. In 1955, Imperial Bank of India was nationalized and renamed State Bank of India, marking the beginning of India's financial inclusion path. This research attempts to investigate the elements impacting rural people's financial inclusion. The primary goal of nationalizing banks was to guarantee banking activities in those industries and locations that were previously overlooked. Both primary and secondary data served as the study's foundation. The interview schedule method has been used to gather the necessary primary data. Using a random sample technique, the primary data was gathered from 936 respondents in total. The necessary secondary data was gathered from periodicals, articles, and other sources.

Keywords: People, Rural, Finance, and Inclusion

INTRODUCTION:

In a nation like India, where around 68.84% of the population and 72.4% of the labor force live in rural regions, the development of rural areas is particularly important to the country's overall socioeconomic development. Poverty, unemployment, and inequality are the main economic issues that rural residents face. The main cause of rural residents' economic backwardness is their limited access to reasonably priced financial services. In 1955, Imperial Bank of India was nationalized and renamed State Bank of India, marking the beginning of India's financial inclusion path. Ensuring banking operations in previously overlooked industries and localities was the primary goal of bank nationalization. Therefore, the government's efforts to promote financial inclusion date back to the middle of the 1950s. However, it wasn't until the Reserve Bank of India established the "Khan Commission" in 2004 to offer suggestions for increased financial inclusion that this idea gained traction. Financial inclusion was described in 2008 by a committee led by Dr. C. Rangarajan as "the process of ensuring access to financial services timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an

affordable cost." Y V Reddy used the phrase "financial inclusion" in the Indian context in April 2005. Later on, this idea became popular both in India and elsewhere. The current Indian government has developed a scheme called as the "Pradhan Mantri Jan-Dhan Yojana" to lessen the extent of "financial exclusion." The goal of this extensive financial inclusion program is to provide banking services and insurance to every home in the nation. The primary driver of the next stage of expansion in India's banking industry is financial inclusion. It seeks to make financial services widely available to individuals and businesses that do not currently have access to financial sector services. The goal is to increase consumer protection and financial literacy among the general public so that they can make wise financial decisions, which will also aid in the nation's overall economic development.

REVIEW OF LITERATURE

Financial Inclusion: Lessons from Rural South India was assessed by Ram A. Cnaan et al. (2012). The study evaluated the implementation and effects of financial inclusion as a contemporary policy option for reducing poverty in rural southern India. Financial inclusion, especially as a more recent addition to SHG and microfinance, can be philosophically positioned in the intersection of social inclusion and poverty alleviation. Financial inclusion is based on the idea that low-income individuals who have access to banking services can save money, take out loans at affordable rates if necessary, and obtain capital for entrepreneurial endeavors at a minimal cost.

The significance of financial inclusion in economic empowerment was examined by Unnikrishnan et al. (2012). This study determined the factors that facilitate financial inclusion, examined the obstacles to successful financial inclusion, and determined the appropriate actions to take in order to remove the obstacles and promote inclusive growth. The study concluded by expressing the significance at the base of the economic pyramid and outlining the factors that gave the masses financial empowerment.

Ghirmai T. Kefela (2010) has researched Encouraging consumer empowerment through financial literacy in emerging nations This study aims to establish the financial industry in emerging nations and encourage their clients' financial literacy. This could have access to savings and financing, which promote livelihoods, economic expansion, a stable financial system, and economic participation. This study's primary goals are to increase a bank's visibility in the communities it serves, empower customers to take action to improve their financial well-being, and assist customers to make better, more educated financial market decisions.

A case study on rural women's empowerment through microbusiness development has been described by Sahab Singh et al. (2013). The study primarily focuses on rural women's empowerment through microbusiness and the role of microbusiness among rural women. Since economic empowerment of rural women led to the development of families, communities, societies, states, and nations, it is imperative that we pay close attention to rural women's empowerment in order to truly develop our nation in all areas.

Financial Inclusion, Gender Dimension, and Economic Impact on Poor Households have all been studied by Vigneshwara Swamy (2013). According to the study, there has been a significant impact on the income shift of the impoverished, especially women, which highlights the importance of the gender dimension of financial inclusion programs. In fact, this study has correctly pointed out differences in the effect levels

from the standpoint of the gender dimension, which are very helpful in creating the domain's policies.

In their empirical study Impact of microfinance services on rural women's empowerment, Ashwin G. Modi et al. (2014) make an effort to examine how microfinance services affect rural women's empowerment. The study also aims to gather information about the characteristics that empower rural women through microfinance services, as well as the factors that have the greatest and least impact. The study's shortcomings are related to the demographic of rural women that were used exclusively, which restricts how broadly the results can be applied. The study's conclusions will probably be crucial for microfinance organizations, the government, and non-governmental organizations when creating policies that will empower rural women both socially and economically. By giving microfinance organizations a foundation for enhancing and growing their assistance to rural impoverished women, this study provides a significant contribution.

The purpose of S M Javed Akhtar and Saba Parveen's (2015) study, Role of Education in Small Farmers' Empowerment in India, is to assess the connection between education and the sustainability of small farmers. This study's primary goal is to provide them a fair playing field in the global market by analyzing the impact of educating them about government regulations, productive inputs, and varied opportunities of the current situation.

Self-help groups, financial inclusion, and women's empowerment have all been studied by Sowjanya S. Shetty et al. (2015). Therefore, the purpose of this study is to: 1) critically assess the role and reach of SHGs towards empowerment 2) Talk about the problems and efforts to develop connections between socioeconomic dynamics and women's empowerment; 3) Examine potential tactics that could replace or enhance SHG activities and eliminate the disparities that still exist in achieving complete women's empowerment.

In their study Empowerment of Women in Rural India through SHGs A Step towards Financial Inclusion, Sonjuhi Akhil Succena (2016) addressed a statistical understanding of women's empowerment in India and the Self-Help Group (SHG) credit and savings Program, which is being enforced to achieve it. The SHG scheme is a good platform to build a better future for the rural masses, but working with multiple partners to accelerate progress is needed towards India's journey towards financial inclusion.

Objectives of the Study

The study's goals are as follows:

1. To comprehend India's financial inclusion programs for rural residents
2. To investigate the elements affecting rural Indians' financial inclusion

Material Methodology

Both primary and secondary data served as the study's foundation. The interview schedule method has been used to gather the necessary primary data. Using a random sample technique, the primary data was gathered from 936 respondents in total. The necessary secondary data was gathered from periodicals, articles, and other sources.

Result and Discussion:

The following topics have been covered in this research in order to investigate the factors impacting rural residents' financial inclusion.

Table - 1

Reason/s which promoted to open a bank account or post office account

Sl. no	Reason/s which promoted to open a bank account or post office account	No. of Respondents	Percentage
1	I saw my villagers/friends/ relatives opening a Bank A/c, So I did	143	15
2	I was forced to open a bank A/c to receive my wages/Income/Pension:	134	14
3	I was told that to avail loan, having an a/c is must.....	172	18
4	The bank officials visited the village and motivated us to open an a/c in their bank.....	142	15
5	My Village elders/Panchayat officials asked me to open a bank a/c	127	14
6	NGO officials/ Volunteers encouraged us to open a bank a/c	116	12
7	In fact a/c opening camp (Mela) was held in my village, at that time I opened a bank a/c	102	11
	TOTAL	936	100

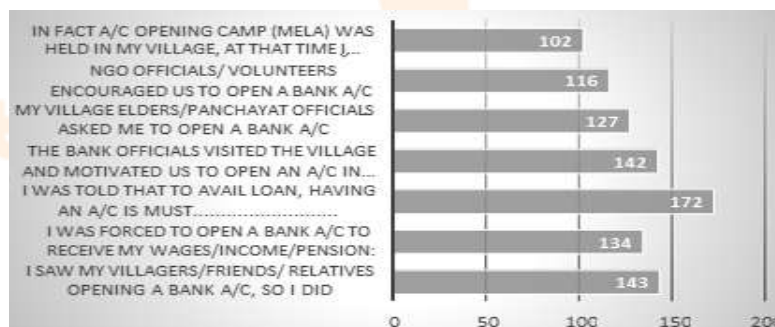


Figure-1

Reason/s which promoted to open a bank account or post office account

The above table displays the answers given by 936 respondents when questioned for the Reason/s which promoted to open a bank account or post office account. 15% of respondents said they witnessed their friends, family, or villagers opening a bank account, so they did; 14% said they were compelled to do so in order to receive their wages, income, or pension; 18% said they were informed that opening a bank account was necessary in order to obtain a loan; 15% said bank officials visited the village and encouraged us to do so; 14% said my village elders or Panchayat officials asked me to open a bank account; 12% told NGO officials. Volunteers urged us to register a bank account, and 11% of them said Actually, a/c opening camp (Mela) took place in my hamlet, and I founded a bank at that time.

Table - 2

Did you open a bank a/c or post office a/c, after the lapse of several years

Sl. No	State the reason, if yes	No. of Respondents	Percentage
1	I was afraid to go to bank	112	12
2	I was not aware of banking operations	124	13
3	I thought, Banks will not accept poor people like me	154	16
4	No body approached/ encouraged me to open a bank a/c so far	161	17
5	When money lender in village gives me instantaneous loan, Why should I go to bank	131	14
6	I was not aware of the procedures to be followed to deposit and withdraw money from Bank a/c	133	14
7	Non availability of bank branch	121	13
	TOTAL	936	100

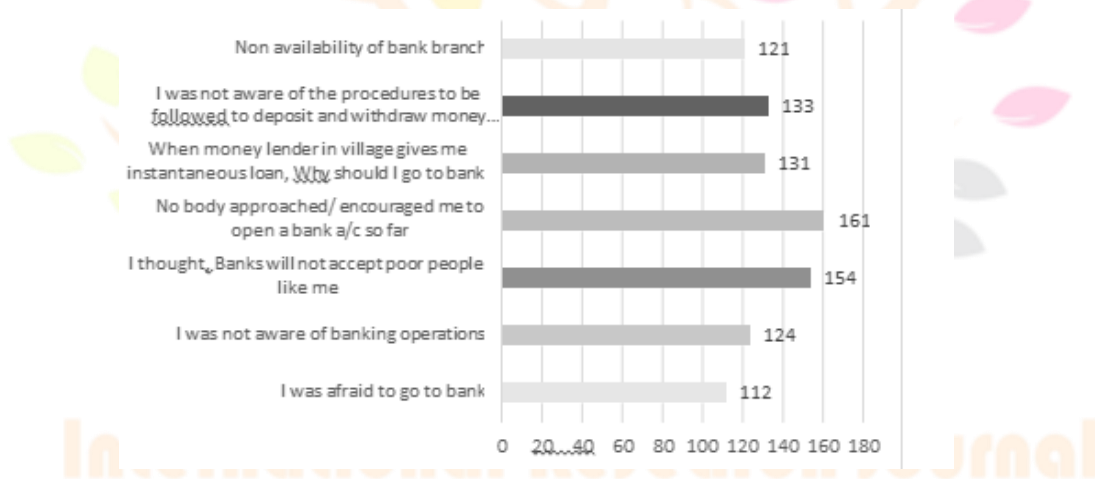


Figure - 2

Did you open a bank a/c or post office a/c, after the lapse of several years?

After a few years had passed, the respondents were asked why they had opened a bank account or post office account. Twelve percent said they were scared to visit a bank, thirteen percent said they didn't know how banks operate, sixteen percent said they believed banks wouldn't take poor people like them, and seventeen percent said no one had yet to approach or persuade them to open a bank account. 14% said, "Why should I go to the bank when the village money lender gives me an instant loan?" Thirteen percent reported non-availability, and fourteen percent said they were unaware of the steps needed to deposit and withdraw money from bank accounts of bank branch..

Table - 3

How often do you visit bank or post office?

Sl.no	How often do you visit bank or post office?	No. of Respondents	Percentage
1	No Specific Time	173	18
2	Whenever required I go	262	28
3	At least once in a week	189	20
4	Once in a month (When income is credited)	145	15
5	More than a month	167	18
	TOTAL	936	100

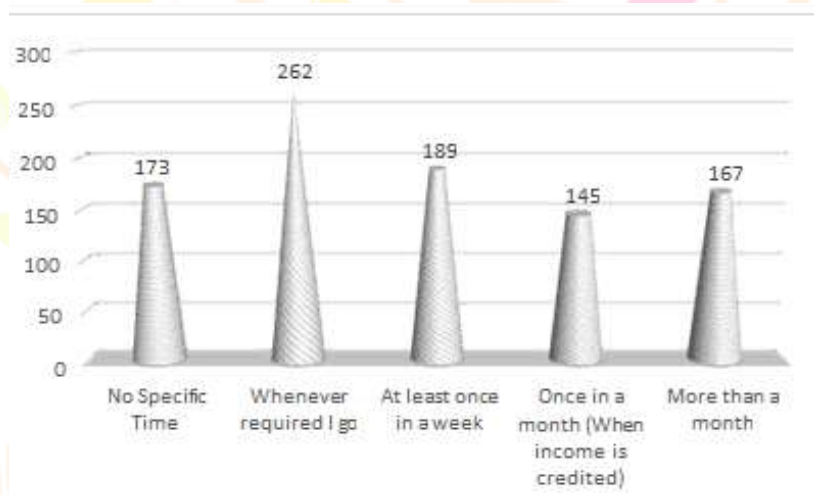


Figure - 3

How often do you visit bank or post office?

The information gathered when respondents were asked how frequently they visit the bank or post office is shown in the table above. As can be seen, 18% answered there was no set time, 28% said whenever needed, 20% said at least once a week, 15% said once a month, and 18% said more than a month.

Conclusion:

The study's findings indicate that the primary cause of financial exclusion in rural areas is a lack of infrastructure. The documentation process is arduous for people living in remote locations, and they cited a lack of internet access as a major contributing factor. This suggests that banks and regulatory agencies should concentrate on teaching people about the paperwork process and improving the system's overall usability. In order to expand the extent of financial inclusion, it is also crucial to make sure that there is a suitable internet connection. The study is crucial for academics who wish to replicate it in a different rural location.

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