Business, Management and Economics Engineering
ISSN: 2669-2481 / eISSN: 2669-249X
2022 Volume 20 Issue 2

A STUDY ON THE BARRIERS TO FINANCIAL INCLUSION IN THE RURAL AREAS OF COIMBATORE

Mrs. Christina Jeyadevi J
Assistant Professor, Department of Commerce, PSG College of Arts and Science (Autonomous), Coimbatore- 641014.

Dr. D. Moorthy
Associate Professor and Head, Dept. of Commerce with Banking and Insurance, Kongunadu Arts and Science College (Autonomous), Coimbatore- 641029.

Dr. M. Akila
Assistant Professor and Head, Department of Commerce, AVP College of Arts and Science, Tiruppur – 641 652.

Abstract

Financial inclusion also called inclusive finance is the effort made by the banks to make the product and services of the bank available to the rural and financially excluded people living in and around the bank location. Though so many steps have been made by the banks and government to make them aware of the benefits and services provided by the bank, most people are still excluded from financial inclusion irrespective of their financial soundness of the people. The government of India is also making many efforts to make cashless finance in India but failed in many aspects due to the lack of awareness among the people in rural areas. The researcher attempted to study the barriers to financial inclusion taking 175 sample respondents from the rural areas in Coimbatore. The findings and suggestions were made by the analysis of data using percentage and chi-square analysis tools. The findings made by the authors were that the people are not been given proper information about the benefits that were available in financial inclusion and this can be eradicated by a proper financial campaign addressed in clear, understandable, and given in local languages.

Keywords: Financial inclusion, barriers, rural areas, and investments.

Introduction

Financial inclusion is an old context but is still seen as a new concept among most of the people of India. The people open bank accounts for various purposes such as salary accounts, savings, and fixed deposit accounts for investment, and people in rural areas also open accounts for receiving government aid as small grants as monthly income for the people who do not have anybody to take care of them at old age. Though they receive a meager amount, they are provided with this by way of accounts. The money is transferred to these people through this account opened for this purpose alone. They are not aware of other benefits available by way of bank accounts. Now that the government subsidy is given through the banks, they are forced to open a bank account for receiving the subsidy when they are provided with a gas connection in each house. But they are not aware of the benefits that they could avail themselves of due to the bank account facility they got. This is taken as another important concept of financial inclusion. In this study, we will see how people are aware of financial inclusion, the benefits they receive when they are financially included and the problems in financial inclusion that the government steps to include in financial services. The steps taken by the banks and the government is about making the people open a bank account. But they are not given proper awareness and guidance for the operation of accounts and the services they could avail themselves of from the bank account opening. For this, a study has been made by the author to know people aware of the services available and what they could avail themselves of from those services that suit their needs.

Statement of the problem

The poor and illiterate group of people in India are not mostly aware of the services provided by the banks and financial organizations in India. Though the government of India has taken many steps along with the banks to make people aware of the bank accounts and the benefits that they would derive out of it is almost in vain. Even then the people are made to open a bank account in their nearing place of residence, there is no further transaction in the account that is newly opened. The people are not aware of the products and services which are available in the financial environment and they are not using the account for operating those facilities. So, the authors have attempted to know about the financial inclusion of the people and to give awareness regarding the same.

Review of Literature

Vinayak B, Bhise, and Someshwar N Babar in their study stated that financial inclusion[1] in rural areas in Marathwada and the financial exclusion reasons in the same area were studied. From the analysis, he concluded that the majority of the districts are medium financial inclusion groups and some areas are high medium values of financial inclusion. They also stated that financial inclusion made reducing inequalities and alleviating poverty difficult. Financial inclusion, or universal access to financial services, has grown in popularity in recent years.

Anasmon.S and Reena S stated in their study on financial inclusion[2] that it was the concept of financial institutions providing appropriate financial services to weak groups and low-income groups at an affordable cost in a suitable manner. It had grown for the development of developing countries like India. The main aim of financial inclusion is to provide vulnerable groups and low-income individuals with access to the full range of activities available in the organized financial system. The goal of inclusive credit must be to lift the poor from one level to another and lift them out of poverty, which for many years the government of India is trying for. It facilitates the efficient allocation of productive resources, lowering the cost of capital and thereby making people aware of financial inclusion and the development of the nation as a whole.

Kishori B and Suraj K in their study on Financial inclusion Khambhat Region in Gujarat concluded that financial inclusion is the tool where everyone could access the financial

---

[1] **Vinayak Bhagwanrao Bhise and Someshwar Narayan Babar (2016). Financial Inclusion in Rural Area: A Case Study, Research Journal of Social Science and management. 5(10), 53-64, DOI: https://www.researchgate.net/publication/313022813_Financial_Inclusion_in_Rural_Area_A_Case_Study**

[2] **Anasmon.S and S Reena (2021). A study on financial inclusion in rural areas with special reference to kollam district, Journal of Emerging Technologies and Innovative Research (JETIR) 8(2), 553-561. DOI: JETIR2102062.pdf**

products available in the name of savings, loans, subsidies, and so on for the effective management of their money, and the inclusion would bring a high economic growth in the society. But despite so many measures taken by the banks and the government, there are still some groups of people who are excluded from the facilities available, as they are not aware of financial inclusion, so they are not able to avail of facilities such as savings, loans, and other services provided.

Objectives of the study

- To know the level of awareness of the people about the financial inclusion program given by the government.
- To present the socio-economic profile of the sample respondents.
- To analyze the barriers of barriers to financial inclusion in rural areas.
- To give suggestions for making people know about the products and services available that suits the need of the people.

Methodology

A convenient sampling method has been used for choosing the people for study for this financial inclusion in Coimbatore. But the respondents were selected carefully selected for this study because all the financial products may not invest by all the people. So the selection of respondents was carefully done by the researcher. The researcher had taken 175 respondents for this study. The analysis of data is done by using percentage and chi-square analysis tools.

Period of data collection

The time taken for the study is from 1st May 2022 to 31st July 2022, which is a limited period for the study.

Relevance of the study for society

Rural people have very few investment opportunities; however, online transactions and the digital world are allowing rural people to learn about investment. They use mobile phones for all banking transactions, but they still lack investment and make multiple investments. The researchers conducted this study to investigate financial inclusion. This study's recommendations will be more beneficial to rural people in understanding financial inclusion for their development.

Tools and Techniques

The researcher used two tools for this study. i.e. (i) percentage analysis and (ii) Chi-square test. Percentage analysis was used to present the socio-economic profile of the study and the chi-square test was used to find the socio-economic factors influencing the level of barriers to financial inclusion in rural areas.

Hypothesis

The researcher developed the hypothesis based on previous studies.

H0: The socio-economic profile does not significantly influence the level of barriers to financial inclusion in the rural areas at 5% significant level.

Percentage analysis

The following tables show the socio-economic factors of the sample respondents.

Table 1: Socio-Economic Profile of the Study

Sl. No.	Variable		Number of Respondents	Percentage
1	Age group	Up to 30 years	43	24.57
		31 years to 40 years	48	27.43
		40 years to 50 years	66	37.71
		Above 50 years	18	10.29
2	Gender	Male	109	62.29
		Female	66	37.71
3	Family type	Nuclear	77	44.00
		Joint family	98	56.00
4	Occupation	Private employee	45	25.71
		Government employee	53	30.29
		Business	64	36.57
		Others	13	7.43
5	Educational Qualification	School-level	36	20.57
		Undergraduate	63	36.00
		Postgraduate	76	43.43
6	Type of investment	Regular intervals	77	44.00
		Not regular intervals	98	56.00
7	Guidance	Own decision	33	18.86
		Friends	56	32.00
		Family members	59	33.71
		Agent	27	15.43
		Total	175	100

Source: Survey data

Thirty-six (20.57%) respondents studied school level. Sixty-three (36.00%) respondents are undergraduates and the remaining seventy-six (43.43%) respondents are postgraduates. The majority (43.43%) of the respondents are doing postgraduate.

Seventy-seven (44.00%) respondents are investing regularly and the remaining ninety-eight (56.00%) respondents are not investing regularly. The majority (56.00%) of the respondents are not investing regularly.

Thirty-three (18.86%) respondents are taking their own decision. Fifty-six (32.00%) respondents are consulting their friends while investing. Fifty-nine (33.71%) respondents consult their family members and the remaining twenty-seven (15.43%) respondents consulted with their agents. The majority (33.71%) of the respondents are consulting their family members.

The above table shows the socio-economic profile of the respondents, out of one hundred and seventy-five respondents, forty-three (24.57%) respondents are less than 3o years old. Forty-eight (27.43%) respondents are between 31 years and 40 years old. Sixty-six (37.71%) respondents are between 40 years and 50 years old and the remaining eighteen (10.29%) respondents are above 50 years old. The majority (37.71%) of the respondents are between 40 years and 50 years.

One hundred and nine (62.29%) respondents are male and the remaining sixty-six (37.71%) respondents are female. The majority (62.29%) of the respondents are male.

Seventy-seven (44.00%) respondents are nuclear family members and the remaining ninety-eight (56.00%) respondents are joint family. The majority (56.00%) of the respondents are joint families.

Forty-five (25.71%) respondents are private employees. Fifty-three (30.29%) respondents are government employees. Sixty-four (36.57%) respondents are doing business and the remaining thirteen (7.43%) respondents are others. The majority (36.57%) of the respondents are doing business.

Chi-Square test

The following table shows the chi-square result of the study.

Hypothesis: H0: The socio-economic profile does not significantly influence the level of barriers to financial inclusion in the rural areas at 5% significant level.

Table 2: Chi-square test result

Sl. No.	Variable	Chi-Square calculated	P-value	Result
1	Age group	12.554	< 0.001	Significant
2	Gender	11.781	< 0.001	Significant
3	Family Type	2.443	0.731	Not significant
4	Occupation	1.891	0.317	Not significant
5	Education qualification	14.781	< 0.001	Significant
6	Type of investment	2.228	0.478	Not significant
7	Guidance	19.742	< 0.001	Significant

Source: Calculated value

The above table shows the chi-square test result, age group (0.001), gender (0.001), educational qualification (0.001) and guidance (0.001) significantly influence the level of barriers to financial inclusion in the rural areas at 5% significant level. Hence the null hypothesis is rejected at 5% significant level.

Family type (0.731), occupation (0.317) and type of investment (0.478) are not significantly influence the level of barriers to financial inclusion in rural areas at 5% significant level. Hence the null hypothesis is accepted at 5% significant level.

Suggestions

The following suggestions were given to the people to be aware of the benefits available in financial inclusion.

- The most important part of financial inclusion is financial literacy, which should start in schools and colleges.
- The students have to be encouraged to take financial literacy to the family and make themselves included in financial services
- The account opening procedure should be simplified as much as they can by the bankers.

- The campaign arranged by the bankers should be at a reachable time and place and the awareness programme should be conducted in an easily understandable manner in local languages.
- The technology used for accessing financial services should also be made available at an affordable place, such as an ATM made available at a reachable place.
- The internet facilities have to be made available to access the product and services provided by the banks for financial inclusion.

Conclusion

Financial access improves daily life and assists families and businesses in planning for everything from long-term goals to unexpected emergencies. People who have accounts are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, all of which can improve their overall quality of life. The economically backward people also use the bank facilities for saving, insurance, payment, and receiving money and avail ATM facilities also. The ongoing COVID-19 crisis has also highlighted the importance of greater digital financial inclusion. People are now aware of digital payment systems through G-pay, Paytm, online product purchases, etc, making their life easier. Digital financial inclusion has started to meet the needs of the financially excluded and financially unaware people to transfer, receive, pay, save, and invest through the devices they have such as mobile phones and PC. The people if trained properly would lead to a digitally literate India and the dreams of a digital India would come true in near future. Even now we see people do not withdraw cash and pay through mobile phones on a large scale. The habit of carrying cash is much reduced in this context. The inclusion of people in financial services not only improves the standard of living but also the economy as a whole.

Reference

- ✓ **Anasmon.S and S Reena (2021). A study on financial inclusion in rural areas with special reference to Kollam district. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 8(2), 553-561. DOI: JETIR2102062.pdf**
- ✓ **Kishori B and Suraj K (2018). The Study On Financial Inclusion In Rural Areas. International Journal Of Research, 7(6), 40-46. DOI: 6-June-332.pdf (ijrpublisher.com)**
- ✓ Reserve Bank of India (2010) ‘Basic Statistical Returns of Scheduled Commercial Banks in India 2010’, Table No. 1.5, Available from HTTP //www.rbi.org.in
- ✓ Sarma, M. (2008) ‘Index of Financial Inclusion A Concept Note’, ICRIER Working Paper No. 215 *Indian Council for Research in International Economic Relations*, New Delhi June 2008, Available from: http//www.icrier.org/pdf/mandira
- ✓ Varman, P. M. (2005) ‘Impact of Self-Help Groups on Formal Banking Habits’, Economic and Political Weekly, XL (17), 1705 – 1713.
- ✓ Reserve Bank of India (2010) ‘Basic Statistical Returns of Scheduled Commercial Banks in India 2010’, Table No. 1.5, Available from HTTP //www.rbi.org.in

- ✓ Sarma, M. (2008) 'Index of Financial Inclusion A Concept Note', ICRIER Working Paper No. 215 *Indian Council for Research in International Economic Relations*, New Delhi June 2008, Available from: http//www.icrier.org/pdf/mandira
- ✓ Rohit Sarkar, Vision 2020 for India: *The Financial Sector* (Planning Commission Report).
- ✓ **Vinayak Bhagwanrao Bhise and Someshwar Narayan Babar (2016). Financial Inclusion in Rural Area: A Case Study, Research Journal of Social Science and management. 5(10), 53-64, DOI:https://www.researchgate.net/publication/313022813_Financial_Inclusion_in_Rural_Area_A_Case_Study**
- ✓ Narayan Chandra Pradhan (2013), "Persistence of Informal Credit in Rural India: Evidence from All-India Debt and Investment Survey and Beyond", *RBI Working Paper Series*, WPS (DEPR): 5/2013. DOI: Persistence of Informal Credit in Rural India: Evidence from (uni-muenchen.de)
- ✓ Radhika Dixit and M. Ghosh (2013) "Financial Inclusion For Inclusive Growth of India – A Study". *International Journal of Business Management & Research*, 3(1), 147-156. https://www.researchgate.net/publication/235944172_FINANCIAL_INCLUSION_FOR_INCLUSIVE_GROWTH_OF_INDIA_-A_STUDY_OF_INDIAN_STATES
- ✓ Rangarajan C (2008), "Report of the Committee on Financial Inclusion". DOI: NABARD - National Bank For Agriculture And Rural Development
- ✓ Raghuram G. Rajan (2009), "A Hundred Small Steps - Report of the Committee on Financial Sector Reforms". DOI: CFSR~Prelim.indd (ibbi.gov.in)
- ✓ Reserve Bank of India - "Annual Reports and 'Report on Trend and Progress of Banking in India", DOI: Reserve Bank of India - Trend and Progress of Banking in India (rbi.org.in)
- ✓ Sadhan Kumar Chattopadhyay (2011), "Financial Inclusion in India: A Case study of West Bengal". *RBI Working Paper Series*, WPS (DEPR). DOI: https://mpra.ub.uni-muenchen.de/34269/
- ✓ Sarkar A.N (2013), "Financial Inclusion: Fostering Sustainable Economic Growth in India", *The Banker*, 8(4), 44-53.
- ✓ Sarkar A.N (2013), "Financial Inclusion Part-II: Fostering Sustainable Economic Growth in India", *The Banker*, 8 (5), 32-40.