The Difficulties of Financial Inclusion In Rural Communities: An Analysis of Virudhunagar, Tamil Nadu

S. Jacob Mathan[1], Dr. R. Sunderaraj[2]

[1]Part-Time Research Scholar, Pg And Research Department Of Commerce, Ayya Nadar Janaki Ammal College
[2]Guide And Assistant Professor, Department of Commerce, Ayya Nadar Janaki Ammal College

Abstract
The purpose of the current study was to determine the obstacles to financial inclusion in Virudhunagar, Tamil Nadu. One of the main issues with India's rural development and economic expansion is financial inclusion. For this study, the researcher has gathered primary data. Semi-structured questionnaires were used to gather the data. The researcher has investigated respondents' perceptions of the difficulties they encounter in terms of financial inclusion. The main cause of rural residents' lack of financial inclusion is high maintenance costs, such as subscription and transaction fees. They believe it is not private and confidential, which makes the privacy issue difficult as well. The intricacy of papers is a significant obstacle to effective financial inclusion. Rural residents are less certain that they can finish all the legalities and are terrified of paperwork. These are the main issues that contribute to financial exclusion, together with a poor internet connection.

Keywords: Financial Inclusion, Technology, Rural India, Financial Exclusion.

Introduction
A strong and resilient financial system is the foundation for economic development and growth; it will be easier to achieve the national goal by ensuring that the financial system is diverse, robust, and efficient (Aduda & Kalunda, 2012). Therefore, it is important for all countries to have a strong financial system to build a market-driven and competitive economy. The modern era is driven by the use of independent power and economic power, which makes it mandatory for any state to provide common conditions for homes, individuals, and private institutions, including the provision of banking services (Verma & Singh, 2014). Financial inclusion is one of the most significant drivers of economic progress.
The provision of alternative financial services at a reasonable cost to the impoverished is known as financial inclusion. It also refers to the provision of specific banking services at a reasonable price (Tsurkan et al., 2017). The primary goal of inclusive financial services, which includes access to a variety of financial services like loans, savings, insurance, banking services, and remittances to all enterprises and bank facilities at fair value, is defined by investment, another significant issue for the UN. Since a cooperative organization was established in India in 1904, the idea of investing may be traced back to that year (Alfaro et al., 2004). But the company didn't acquire Momentum until 1969, when the Lead Bank system was formed along with the emergence of 14 large commercial banks

(Agarwalla et al., 2015). considerable branches were opened in considerable numbers around the country including in previously neglected areas.

Many Indians were left out of the banking system as a result of the Reserve Bank of India's actions (Goel & Goel, 2014). Additionally, there was a significant financial access intrusion that needed extra care. To comprehend the motivations behind the investment, a lot of research was done on this topic. Research demonstrates that the establishment or non-establishment of a banking system has resulted in 1% of the nation's GDP losses (Swamy, 2012). This demonstrated that investment was accompanied by economic growth and progress in addition to being an apolitical need. The Reserve Bank of India has determined the scope of the issue, and banks are only considering investment as one of the main objectives of monetary policy (Chattopadhyay, 2011).

Investment's beneficial effects have been extensively researched in the past and are thought to be widespread (Gwalani & Parkhi, 2014). The impact of investment is the subject of a significant book in the banking industry. Only 40% of households in rural India have bank accounts, according to a World Bank survey (Subbiah, 2012). Research like this has made it necessary to recognize the difficulties of investing in rural India (Dhar, 2013). In order to determine the obstacles to financial inclusion in Virudhunagar, Tamilnadu, the current study was carried out. There hasn't been a single research done in Virudhunagar, a rural place, to date to comprehend the difficulties related to financial inclusion.

Problem Statement

One of the main issues with India's rural development and economic expansion is financial inclusion. It has been discovered that rural residents continue to borrow money from local lenders by giving their land, decorations, etc. (Singh, 2014). This is an extremely serious issue that has resulted in numerous suicides and other significant difficulties. Rural residents lack bank accounts and are ignorant of banking and financial institutions. These are a few of the main problems that make investing in the nation challenging.

Even when given access to banking and financial services, the majority of individuals in rural areas still lack bank accounts and are reluctant to use them (Allen et al., 2012). To find problems with investing in rural India, certain scholars have carried out studies. Research on the difficulties of investing in rural India, however, is lacking (Chandran, 2013). Research that can pinpoint the social, economic, technological, and psychological obstacles related to investing in rural India is therefore crucial. This research will add to our understanding of the difficulties associated with investing in Virudhunagar, Tamil Nadu.

Research Questions

The researcher will address the following research questions at the conclusion of the study:

What difficulties do residents in remote locations have when utilizing banking services?

What obstacles stand in the way of financial inclusion in rural areas?

Research Aims and Objectives

Understanding the social, economic, technological, and psychological obstacles to financial inclusion in India's rural communities is the goal of this study. Based on this goal, the research aims to achieve the following:

To determine the difficulties rural residents encounter when utilizing financial services.

To determine what obstacles stand in the way of financial inclusion in rural communities.

Scope of research

The Virudhunagar district in Tamilnadu is the sole subject of this study. There are a lot of individuals living below the poverty level in the rural area of Virudhunagar. The study's findings will aid policymakers in comprehending the difficulties associated with financial inclusion in Virudhunagar. Although the outcome is unique to Virudhunagar, it may also be indicated in other rural locations. Researchers might also use the results to carry out similar studies in other rural locations.

Review of Literature

It is crucial to comprehend what financial inclusion actually means in order to appreciate the seriousness of the issues surrounding it. According to Nayak (2005), financial exclusion is the inability of some segments of the public to purchase goods and services from large suppliers at reasonable, affordable, safe, and equitable prices. In order to guarantee that everyone has access to a range of suitable financial services, financial inclusion is crucial. Financial investments comprise a basic account of wages, transfers, savings patterns, access to personal and productive goals, and small loans in addition to the conventional technique of financial intervention (Mukhopadhyay & Rath, 2011).

Low income, ignorance, illiteracy, and poverty have been found to be the primary causes of the distribution of funds on the side of necessities (Boubakri et al., 2013). From the supply side, this includes things like branch time, branch distance, complicated papers and procedures, staff conditions, language, etc. People in rural areas find it simpler to borrow money from unofficial credit sources as a result of all these procedures (Allen et al., 2007). However, numerous studies have already shown that these resources have resulted in increased expenses, greater exposure to regulated and non-compliant vendors, and concessions in living standards. This is the primary reason why studies maintain that investing entails raising knowledge of financial education, products, services, and financial guidance in addition to opening a savings bank account. Easy access to public goods is crucial for the community as a whole, and it should strive to serve everyone (An & Cheung, 2010).

According to a study, poor people's growth will be enhanced if they have access to the nation's formal financial system. They won't be able to meet their basic needs, so even if the globe grows, they won't be able to grow (Berduygina et al., 2017). The study discovered that rural residents had been tricked into the savings plan due to a lack of financial knowledge. Many people put their children's futures at danger by not knowing how to invest their hard-earned money. This is the primary rationale behind politicians' emphasis on investing to expand the nation (Khaki & Sangmi, 2012).

Financial inclusion is defined as "a process to ensure the availability of financial services and adequate and sufficient time when at-risk groups such as fragile and low-income groups are required" in a 2008 Rangarajan Committee report. Accordingly, investment plays a significant role in ensuring that low-income and disadvantaged groups have access to inexpensive banking services (Bhanot et al., 2012).

Even when provided banking and financial services, the majority of individuals in rural areas still do not have bank accounts, and many of them are hesitant (Chakravarty & Pal, 2013). To determine the obstacles to financial inclusion in rural India, some scholars have undertaken studies. However, little study has been done on the difficulties of financial inclusion in India's rural communities (Mohan, 2014). For this reason, it is crucial to do research that can pinpoint the social, economic, technological, and psychological obstacles associated with financial inclusion in India's rural areas.

Financial exclusion is linked to social exclusion and prevents people from engaging in various economic activities. In addition to these explanations, numerous scholars have noted that the fundamental causes of financial exclusion include economic policies, land reforms, competition policy, and financial regulation (Madurai, 2011).
The objectives of financial inclusion are said to be adversely impacted by both supply and demand (Das, 2013). Lack of awareness, low literacy, a steady income, ignorance of financial services and products, mistrust of formal banking institutions, business models, cultural barriers, and bankers' emphasis on the economically active population are some of the demand-side barriers (Ghatak, 2013).

Research Methodology

This is the most crucial part of the article since it justifies the use of tools for data collection and analysis as well as research strategy and methodology.

Data collection

For this study, the researcher has gathered primary data. Semi-structured questionnaires were used to gather the data. A five-point Likert scale was used for the majority of the questions. The questionnaire's questions were all closed-ended. The survey was distributed both in-person and via a Google Forms link. Virudhunagar, Tamilnadu, served as the study's sample universe, and the sample size was established based on that. There were fifty responders in the sample. Convenience sampling was used to calculate the sample size. This further indicates that non-probability sampling was used by the researcher. This suggests that a respondent's likelihood of getting included in the sample population was uneven. This indicates that in order to save time and money, the researcher chose the sample based on accessibility. Because the researcher's data collection was quantitative, the data analysis tool was also quantitative. The data was analyzed by the researcher using quantitative data analysis methods.

Findings and Analysis

To determine the difficulties, a Pearson's correlation study has been conducted. According to the data, there is a perfect negative connection (-0.63) between high maintenance costs and age. This indicates that people have difficulties with financial inclusion because of their age. Older adults are more likely to think that a lack of access to financial services is due to greater maintenance fees.
The data also shows a completely negative connection (-0.183) between age and document complexity. This indicates that people have difficulties with financial inclusion because of their age. Older adults typically think that a lot of people don't use financial services because of the complexity of the paperwork.
The analysis shows that the user interface and age have a completely negative connection (-0.81). This indicates that people have difficulties with financial inclusion because of their age. Many people in the senior age group don't utilize financial services because they think the user interface is difficult to use.
In a similar vein, the data shows a completely negative association (-0.063) between age and high privacy concerns. This indicates that people have difficulties with financial inclusion because of their age. People in the older age group typically think that a lot of people don't use financial services because of privacy concerns.

Correlations

Table 1: Correlation Analysis

Age			Income	High maintenance charges	Complexity Of documents	User interface	Privacy issues
Age	Pearson Correlation	1	.620*	-.063	-.183	-.081	-.063
	Sig. (2-tailed)		.000	.664	.202	.575	.664
	N	50	50	50	50	50	50
Income	Pearson Correlation	.620*	1	-.119	-.231	-.261	-.119
	Sig. (2-tailed)	.000		.408	.106	.067	.408
	N	50	50	50	50	50	50
Highmaintenancechges	Pearson Correlation	-.063	-.119	1	.642*	.755*	1.000*
	Sig. (2-tailed)	.664	.408		.000	.000	.000
	N	50	50	50	50	50	50
complexityofdocumets	Pearson Correlation	-.183	-.231	.642*	1	.737*	.642*
	Sig. (2-tailed)	.202	.106	.000		.000	.000
	N	50	50	50	50	50	50
userinterface	Pearson Correlation	-.081	-.261	.755*	.737*	1	.755*
	Sig. (2-tailed)	.575	.067	.000	.000		.000
N		50	50	50	50	50	50
privacyissues	Pearson Correlation	-.063	-.119	1.000*	.642*	.755*	1
	Sig. (2-tailed)	.664	.408	.000	.000	.000	
	N	50	50	50	50	50	50

**. Correlation is significant at the 0.01 level (2-tailed).

The mean ranking was analyzed using Friedman's Test. This exam has been used to determine the level of comprehension regarding financial inclusion. Using chi-square, the expected value of two nominal variables was determined to be 0.391. Furthermore, the average score for financial inclusion comprehension is 1.47, indicating that Virudhunagar residents now lack a solid grasp of financial inclusion, which is another significant issue they deal with.

Additionally, rural residents have a slow rate of switching from conventional to modern financial services. The table shows that rural residents still favor traditional banking services, with a mean rank of 1.53. This presents yet another significant obstacle to effective financial inclusion.

Table 2: Friedman Test

N	50
Chi-Square	0.391
df	1
Asymp. Sig.	0.532

Test Statistics[a]

a.Friedman Test

Table 3: Ranking Means

Ranks	Mean Rank
Understanding	1.47
Velocity	1.53

Table 4: Descriptive Statistics

Descriptive Statistics

N		Mean	Std. Deviation	Minimum	Maximum
Understanding	5	2.0800	1.2262	1.00	5.0
Velocity	5	2.1200	1.1542	1.00	5.0

The research reveals that around 40% of the participants were female and 60% were male. This indicates that the study included 20 female participants and 30 male participants. Nearly 48% of the study's respondents are between the ages of 29 and 39. Furthermore, 37% of responders are between the ages of 18 and 28. The majority of respondents are either in the income range of 4,50,000–10,000,000 or less than 2,50,000, which is another significant finding of the study. There were very few participants in the income group of $10,000,000 or more. The majority of respondents are either graduates or postgraduates when it comes to educational attainment. There are very few people with less than an eighth or twelfth grade education. Nearly 98% of respondents had bank accounts in any of the banks, which is the study's most significant finding. Further research reveals that savings accounts, which make up over 92% of all bank accounts, are the most common category.

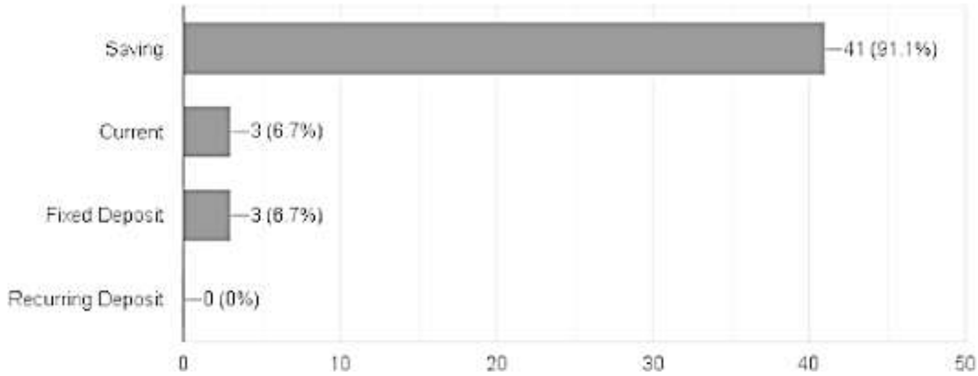

Figure 1: Type of Bank Account

The study also concentrated on comprehending the causes of financial exclusion, with weak internet infrastructure in rural areas being the primary cause. This indicates that a large number of individuals are unaware of and do not participate in financial inclusion since the internet infrastructure in rural areas is insufficient to offer them substantial information and inclusion opportunities. Low financial literacy, or the lack of knowledge about financial services and products among rural residents, is another significant factor. This is coupled with difficult paperwork. People do not participate in financial inclusion because they believe that the paperwork required for banking services is difficult.

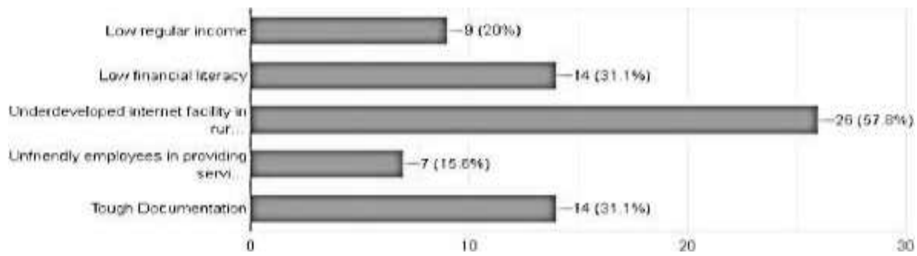

Figure 2: Challenges in financial inclusion

The researcher has also investigated respondents' perceptions of the difficulties they encounter in terms of financial inclusion. The majority of respondents believe that the primary cause of rural residents' lack of financial inclusion is expensive maintenance costs, such as subscription and transaction fees. The privacy problem is another important factor. People in rural regions believe that financial inclusion could lead to the theft of their personal information and that it is not private and protected. The complexity of papers has been cited as a significant obstacle to successful financial inclusion. Rural residents are less certain that they can finish all the legalities and are terrified of paperwork.

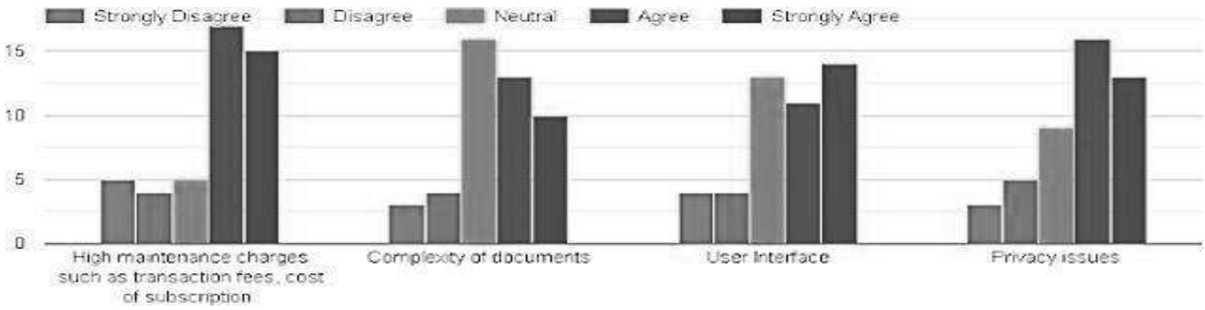

Figure 3: Challenges faced by the respondents

Findings of the Study

The investigation revealed that there were roughly 40% of women and 60% of men. About 48% of the study group's responders were between the ages of 29 and 39. Furthermore, 37% of responders are between the ages of 18 and 28. The majority of respondents fell into the income range of 4,50,000–10,000,000 or less than 2,50,000, according to another significant survey conclusion. There were extremely few people in the arriving group of 10,000,000 or more. The majority of responses may be graduates or postgraduates, depending on the educational level taken into account. There are very few persons with less than an 8 or a 12. Nearly 98% of respondents had bank accounts at any of these banks, which was the study's most significant finding. It is also noted that around 92% of the funds in the most common form of bank account are saved.

Nonetheless, a sizable portion of the population understood the term neutrally. Additionally, the researcher concentrated on figuring out why underdeveloped internet institutions in rural areas don't invest and why funding is disbursed. This indicates that the majority of people are unaware of investing, and this is not related to the fact that internet infrastructure in rural regions lacks the capacity to give them access to crucial information and investment websites. The lack of access to financial services and products in rural areas is a significant contributing factor to low financial literacy. People believe that because banking service documentation are complicated, they don't entail investments. Additionally, the researcher evaluated how respondents perceived the difficulties they encounter when it comes to investing.

The majority of respondents said that rural residents' lack of access to financing was mostly due to expensive maintenance costs, such as transaction and registration fees. People in rural areas believe that investing in it can result in the theft of personal information and that it is not private and confidential, which is another significant factor contributing to the privacy issue. It was noted that the complexity of documentation is the largest obstacle to a profitable venture. Rural residents are less certain that they can accomplish all the objectives and are terrified of the texts.

Conclusion

The purpose of the article was to outline the obstacles that financial inclusion faces. The intricacy of the documentation is found to be the main obstacle to financial inclusion in rural areas. Nonetheless, the majority of responders had postgraduate or graduate degrees, indicating their level of education. Not with standing their perception that the paperwork is complicated. Despite the widespread belief that acceptance of documents can be influenced by educational attainment. In this instance, the respondents have a fair level of education, yet they find paperwork difficult.

The high cost of upkeep is another significant obstacle to financial inclusion in rural areas. People do not use financial services because of the hefty maintenance costs. Nonetheless, the majority of responders fall into the 4,50,000–10,000,000 income range, which is reasonable, but they dislike paying hefty fees. One of the main reasons for financial isolation is this.

Lack of internet infrastructure is a significant obstacle to financial inclusion. There are problems with internet connections in rural locations. People are unable to employ technology for financial inclusion since they do not have strong connections. Although it is commonly acknowledged that the internet is the primary force behind finance, this study argues that its absence can result in financial marginalization.

In this way, the study identifies the obstacles to financial inclusion with a particular focus on the

Virudhunagar area of Tamilnadu. This suggests that another study that offers comprehensive findings for all of India's rural regions is necessary in order to identify the common problems and find a solution. proposed to address them.

Implications of the study

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 many cited a lack of internet access as a significant 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.

References

1. Financial Inclusion and Financial Sector Stability With Reference To Kenya: A Review of Literature, Aduda, J. & Kalunda, E. (2012). Applied Finance and Banking Journal, 2(6), pp. 1–8.
2. In 2015, Agarwalla, S. K., Barua, S. K., Jacob, J., and Varma, J. R. Young people in urban India who work are financially literate. World Development, 67, 101-109.
3. Alfaro, L., Sayek, S., Kalemli-Ozcan, S., and Chanda, A. (2004). Local financial markets' role in FDI and economic growth.
4. International Economics Journal, 64(1), pp. 89-112.
5. F. Allen and associates, 2012. The Basics of Financial Inclusion: Comprehending Formal Account Ownership and Use. Financial Intermediation Journal, Volume 27, pages 1–58.
6. Chakrabarti, R., Allen, F., and De, S. (2007). The financial system in India. [Online]
7. Accessible at: http://finance.wharton.upenn.edu/~allenf/download/vita/indias financial system.pdf [As of April 13, 2021].
8. Cheung, K., and An, Y. (2010). Project funding: agreement or disagreementDeal or no deal on project financing. Financial Economics Review, 19(2), pp. 72-77.
9. In 2017, Berduygina, Oksana, N., Vlasov, A. I., and Kuzmin, E. A. economic capacity for investment when public-private partnership initiatives are being implemented. 189–198 in Investment Management and Financial Innovations, 14(3).
10. In 2012, Bhanot, D., Bapat, V., and Bera, S. investigating financial inclusion in northeastern India. 30(6), pp. 465-484, International Journal of Bank Marketing.
11. Cosset, J.-C., Boubakri, N., and Saffar, W. (2013). Privatization provides evidence regarding the role of foreign and state owners in corporate risk-taking. Financial Economics Journal.
12. Pal, R., and S. R. Chakravarty (2013). An axiomatic approach to financial inclusion in India. Policy Modeling Journal, 35(5), pp. 813-837.
13. Chandran, J., 2013. Challenges for India in moving towards Financial Inclusion. *Journal of Contemporary Research in Management,* 5(2).
14. Financial Inclusion in India: A Case Study of West Bengal, Chattopadhyay, S. K. (2011).
15. [Online]
16. Accessible at: https://mpra.ub.uni-muenchen.de/34269/1/financial_inclusion_in_india.pdf[As of April 13, 2021].

17. Financial Inclusion and Regulation in India, Das, T. K. (2013). [Online] Accessible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2287414[As of April 13, 2021].
18. S. K. Dhar (2013). India's Financial Inclusion: Opportunities, Challenges, and Scope.
19. [Online]
20. Accessible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2337669[As of April 13, 2021].
21. Misch, M. B., and Galantine, C. A. (2009). An introductory financial accounting project that analyzes financial statements.
22. [Online]
23. Accessible at: https://digitalcommons.pepperdine.edu/businessworks/2[As of April 22, 2021]. Ghatak, A. (2013). Demand Side Factors Affecting Financial Inclusion. RJSSM, 3(1), TIJ's Research Journal of Social Science & Management.
24. Goel, J., and Goel, R. (2014). An inventive plan for financial inclusion in India is the Pradhan Mantri Jan Dhan Yojana (PMJDY).
25. RJSSM, TIJ's Research Journal of Social Science & Management, 4(9).
26. Parkhi, S., and Gwalani, H. (2014). Creating a Success Model in the Indian Context: Financial Inclusion. Social and Behavioral Sciences Procedia, Volume 133, pp. 372-378.
27. Sangmi, M.-u.-D., and Khaki, A. R. (2012). An analysis of banker initiatives for financial inclusion in Jammu and Kashmir. Researchers World, 3(4), p. 115.
28. Kumar, N. (2013). Evidence from India regarding financial inclusion and its determinants. Financial Economic Policy Journal, 5(1), pp. 4–19.
29. Financial Inclusion in India: Present Situation and Obstacles, P. Kumar, 2014. Journal of Multidisciplinary Studies in Asia, 2(7). Madurai, K. K. (2011). India's financial inclusion. [Online] Accessible at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1745467[As of April 13, 2021].
30. R. Mohan (2014). Additional information about financial inclusion. 10–11 in Economic and Political Weekly, 49(16).
31. In 2010, Morawczynski, O., Hutchful, D., Cutrell, E., and Rangaswamy, N. Examining methods for financial inclusion in India: The bank account is insufficient. [Online]
32. Accessible at: https://microsoft.com/en-us/research/wp-content/uploads/2010/12/the-bank-account-is-not-enough-examining-strategies-for-financial-inclusion-in-India.pdf [As of April 13, 2021].
33. Rath, S., and B. Mukhopadhyay (2011). MFIs' function in financial inclusion. Market Integration Review, 3(3), pp. 243-286. P. Nayak, 2005. Financial Institutions' Contribution to Assamese EntrepreneurshipAssamese small-scale industry. General Economics and Teaching.
34. Singh, U. (2014). Two facets of EfficientEconomy are financial stability and financial literacy. Journal of Accounting and Finance, 5(2), p. 59.
35. N. Subbiah (2012). Banks' function in financial inclusion. RJCBS, TIJ's Research Journal of Commerce & Behavioral Science, 1(4).
36. Swamy, V. (2012). Bank-Based Financial Intermediation for Inclusive Development and Financial Inclusion. [Online] Accessible at:
37. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2126834[As of April 13, 2021].
38. M. Tsurkan and associates, 2017. financial and organizational frameworks for carrying out initiatives aimed at improving the area economy's energy efficiency. Issues and Views in Management, 15(3), 453-466.
39. Singh, A., and Verma, P. (2014). Financial inclusion in India: A miracle or a cure-all for rural

economic growth? [Online] accessible at:
40. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2436745[As of 13 42021]