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An Investigation into Factors Affecting Financial Exclusion in Rural Areas

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ABSTRACT: This study delves into the complexities of financial exclusion in rural India, focusing particularly on the challenges faced by marginalized communities, including farmers. It highlights the critical role of financial literacy in accessing formal financial services and emphasizes the gap in specialized training programs that contributes to the widespread financial illiteracy. Without a universally accepted definition of financial literacy, efforts to improve it and the benefits it can bring in terms of financial inclusion are hindered. The research underscores the importance of financial inclusion initiatives in reducing inequality and stimulating economic growth. Through an examination of financial literacy, family and economic development, and personality traits, the study aims to understand the impact of financial inclusion on rural demographics. It sheds light on the urgent need for enhanced access to banking and credit services, and for broadening the understanding of financial products among India's rural population. By addressing these issues, the study suggests pathways to improve the socio-economic conditions of rural communities through greater financial inclusion.

I. INTRODUCTION

Financial exclusion is still a major problem, especially in India's rural areas where a large percentage of the population makes their living from agriculture. Due to a number of issues, such as low financial literacy and little knowledge of government initiatives, many rural communities lack access to basic financial services. Because of this exclusion, vulnerable populations become more dependent on unofficial sources of credit, which feeds a vicious cycle of financial fragility.

Improving financial literacy and increasing access to formal banking services should be the top priorities in efforts to combat financial exclusion in India. Comprehensive financial education programs that are suited to the unique requirements of rural communities are desperately needed, as only a small portion of the population is considered financially literate. However, attempts to assess these programs' efficacy and precisely gauge development are hampered by the absence of a consensus definition of financial literacy.

II. LITERATURE REVIEW

1) Chattopadhyay, S., & Sethi, A. (2018): Chattopadhyay and Sethi (2018) investigated rural financial inclusion, emphasizing the challenges in accessing formal financial services in India. Rural areas encounter infrastructural, cultural, and gender-related obstacles. Government initiatives such as PMJDY strive to enhance access, but hurdles persist. Mobile banking and digital finance present potential remedies. Nonetheless, entrenched social norms and gender disparities continue to impede progress. This study emphasizes the necessity of tailored, context-specific measures to realize effective financial inclusion.

2) Dubey, S. K., & Verma, P. (2020): The study by Dubey and Verma (2020) investigates the factors affecting financial exclusion in rural India. Existing literature suggests that financial exclusion in rural areas is influenced by various socio-economic factors such as income level, education, access to banking infrastructure, and awareness of financial services. Additionally, cultural and geographical factors may also play a significant role. Understanding these determinants is crucial for devising effective strategies to promote financial inclusion and alleviate poverty in rural communities.



3) Jha, S., & Singh, D. (2017): The study by Jha and Singh (2017) investigates financial inclusion and exclusion in rural India through empirical analysis. It delves into existing literature on the subject, exploring factors contributing to both inclusion and exclusion within rural communities. By reviewing prior research, the authors aim to identify key determinants and patterns related to financial access and participation. This literature review provides a foundation for their empirical study, highlighting gaps in knowledge and informing their research methodology and analysis.

4) Kumar, A., & Deka, M. (2019): Kumar and Deka (2019) emphasize the complexity of financial exclusion in rural India, attributing it to factors like limited banking access, low literacy, poor infrastructure, and socio-economic disparities. Recognizing and understanding these determinants are essential for crafting interventions and policies that aim to enhance financial inclusion and stimulate rural development, suggesting a targeted approach to overcoming these barriers is critical.

5) Mishra, S., & Mohanty, B. K. (2016): Mishra and Mohanty's 2016 study investigates financial exclusion in India's countryside, analyzing its prevalence across various states. Highlighting the universal problem of rural financial exclusion, the research focuses on India's unique socio-economic disparities. It identifies factors such as poor infrastructure, limited literacy, and cultural barriers as major impediments to financial service access. The study advocates for customized solutions for each state to enhance financial inclusion and drive inclusive economic growth in India's rural areas.

6) Pankaj, A. (2017): Financial inclusion, vital for rural development, remains a critical concern globally. Pankaj (2017) explores this in "Financial Inclusion and Exclusion: A Case Study of Rural Bihar, India." Rural areas, like Bihar, often face barriers such as limited access to banking infrastructure and financial services. Government initiatives like PMJDY aim to alleviate these issues. However, challenges persist due to cultural, social, and economic factors. Understanding these complexities is crucial for effective policymaking to foster inclusive economic growth.

7) Rao, K., & Das, R. K. (2018): Rao and Das (2018) conducted an empirical analysis to identify the determinants of financial exclusion in rural India. The study explores factors influencing the limited access to financial services in rural areas, shedding light on challenges faced by marginalized communities. Through quantitative analysis, the researchers investigate variables such as income levels, education, geographic location, and awareness of financial products to understand the dynamics of financial exclusion in rural India.

III. RESEARCH METHODOLOGY

This is a descriptive type of research in this research we studied the effect of financial exclusion in rural area in Akola region. Majorly the research will be on the farmers and the people who are belong to poverty and living in rural area. The people who have an irregular income source still also they don't have a bank account and they are facing trouble to get financial benefits from government.

Objective of Study

1. To understand the extent of the problem and its consequences on individuals, farmers and the overall area.
2. To the potential risk and challenges associated with exclusion.
3. To study the impact on the farmers and on the below poverty line people.
4. To understand the causes of the financial exclusion.

Data collection method:

1. Primary Method of Data Collection: -

- Questionnaire method

2. Secondary Method of Data Collection: -

- Corporate website
- Internet/Books/Journals and other written data about company and Topics
- Research type: Descriptive type of research
- Sample size: - 100
- **Sampling Techniques:** Stratified Random Sampling Technique.
- **Collection of data through:** Through the interviews and visit to the village.

Through online questionnaires by using goggle form platform



3. Limitations:

- Area is Limited
- Sample Size is Limited
- Data is collected on the basis of Candidate responses

4. Hypothesis:

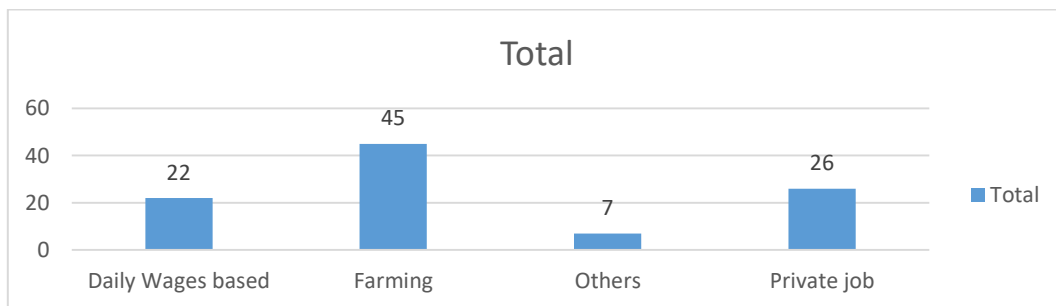
- **Null Hypothesis (H0):** There is no significant relationship between the identified factors and financial exclusion in rural areas.
- **Alternate Hypothesis (Ha):** There is a significant relationship between the identified factors and financial exclusion in rural areas.

IV. ANALYSIS AND DATA INTERPRETATION

Drawing from the survey data, we present five pivotal questions underpinning our study on "An Investigation into Factors Affecting Financial Exclusion in Rural Areas," accompanied by a concise mixed-methods analysis:

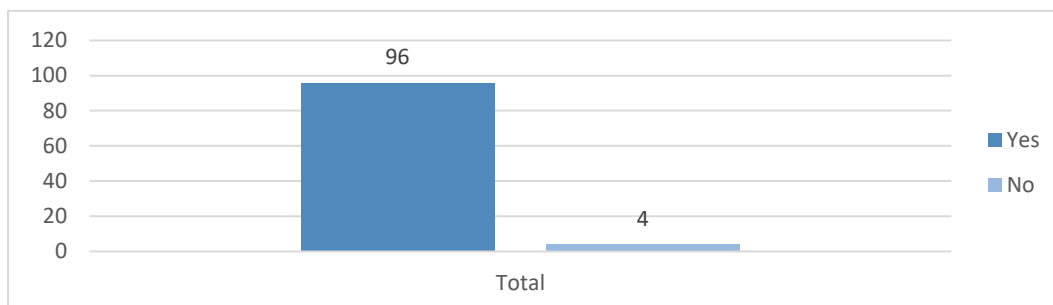
What is a main source of your income?

What is a main source of your income?	What is a main source of your income?
Daily Wages based	22
Farming	45
Others	7
Private job	26



Do you have bank account?

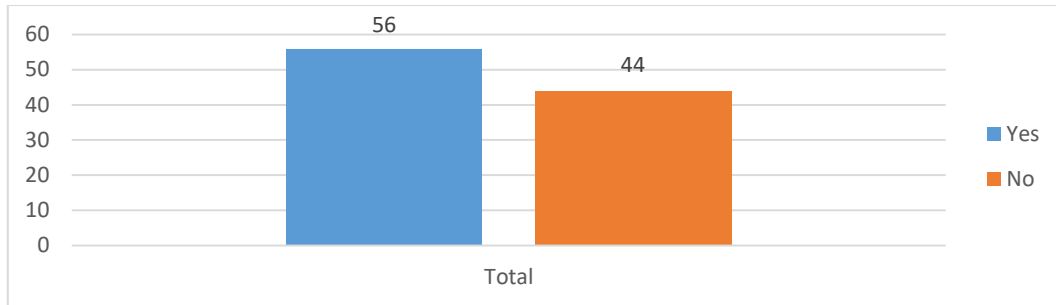
	Yes	No	Grand Total
Count of No.	96	4	100





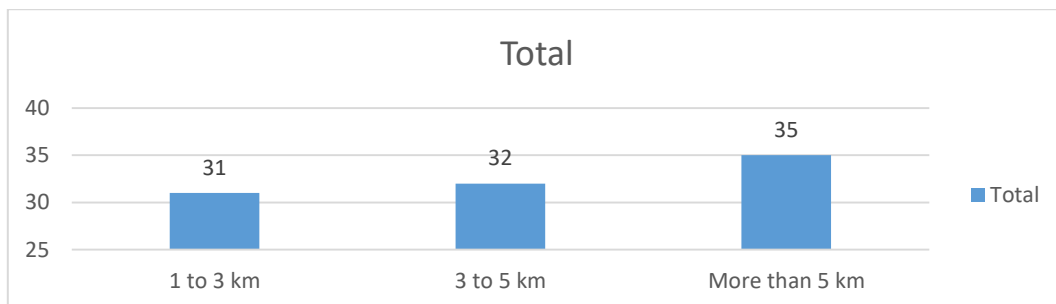
Do you have bank branch in your area (Village, Local area)?

	Yes	No	Grand Total
Count of No.	56	44	100



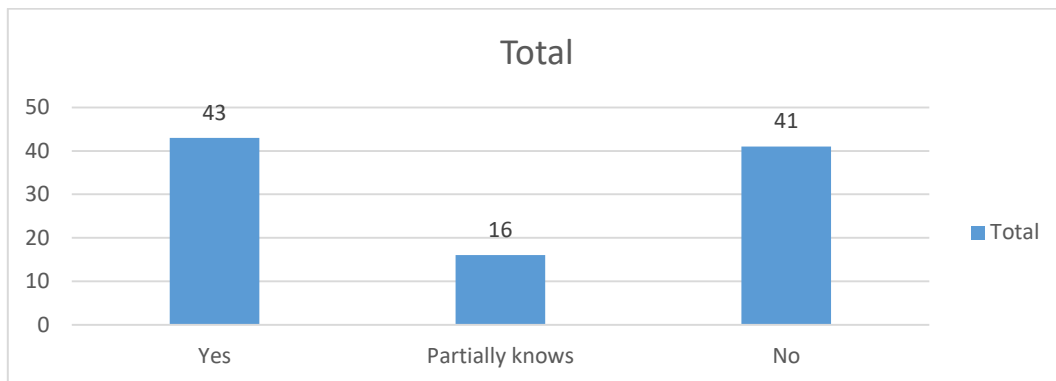
If not how far you need to travel to reach to the bank?

Row Labels	Count of 8) If not how far you need to travel to reach to the bank?
1 to 3 km	31
3 to 5 km	32
More than 5 km	35
Grand Total	98



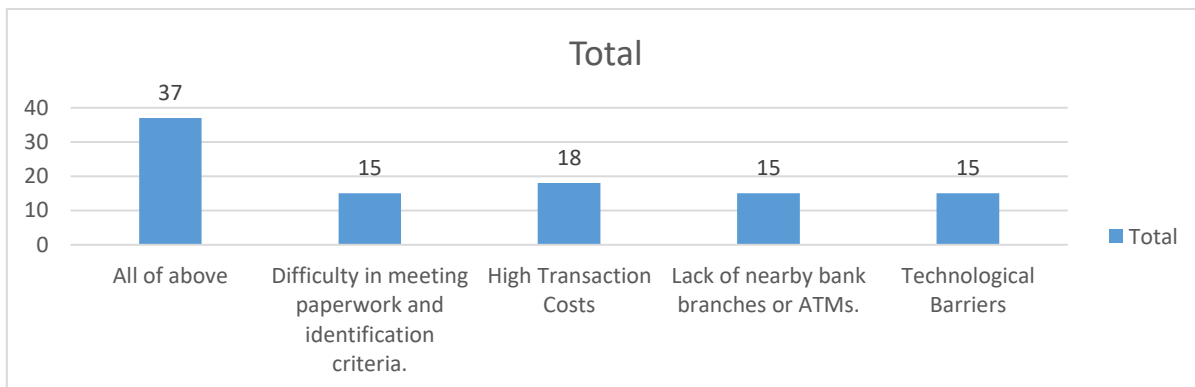
Do you know about financial literacy and government schemes?

Row Labels	Count of No.
Yes	43
Partially knows	16
No	41
Grand Total	100



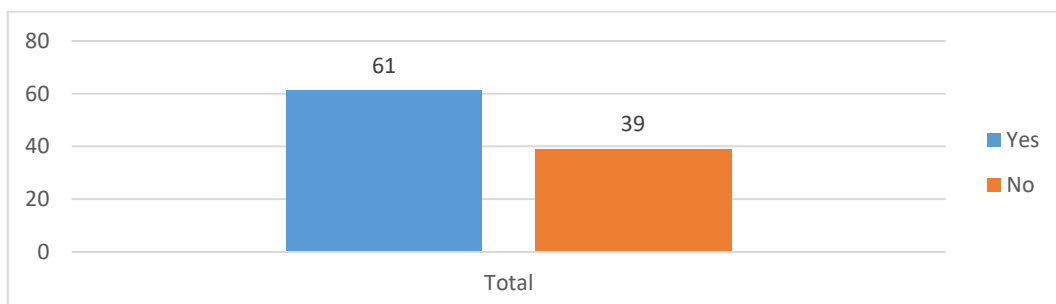
What are the challenges faced by people while using banking services?

Row Labels	Count of No.
All of above	37
Difficulty in meeting paperwork and identification criteria.	15
High Transaction Costs	18
Lack of nearby bank branches or ATMs.	15
Technological Barriers	15
Grand Total	100



Are you using digital banking applications?

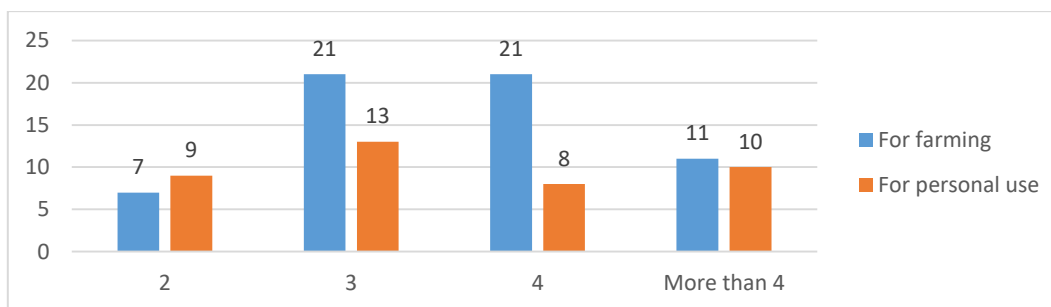
	Yes	No	Grand Total
Count of No.	61	39	100





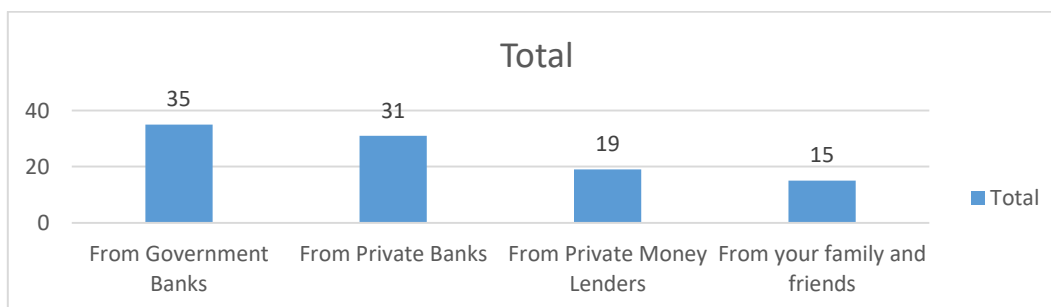
For what reason you need finance?

Family Member	For farming	For personal use	Grand Total
2	7	9	16
3	21	13	34
4	21	8	29
More than 4	11	10	21
Grand Total	60	40	100



From whom do you like to take financial help?

Row Labels	From whom do you like to take financial help?
From Government Banks	35
From Private Banks	31
From Private Money Lenders	19
From your family and friends	15



V. CONCLUSION

This study sheds light on the profound challenges of financial exclusion faced by marginalized groups in the Akola region of rural India, with a special focus on farmers and the impoverished. It underscores the significant gap in specialized training for financial literacy, crucial for leveraging formal financial services, which is exacerbated by the lack of a standardized definition of financial literacy. Our research indicates a heavy reliance on agriculture for income, with many respondents lacking bank accounts and facing difficulties accessing banking services due to infrastructural issues. There's a marked deficiency in awareness about financial literacy and governmental schemes, emphasizing the need for extensive educational programs. The findings stress the importance of financial inclusion efforts in reducing inequality and stimulating economic growth, suggesting that improving access to banking services and knowledge of financial products among rural populations is vital. The conclusion advocates for specific interventions to improve the socio-economic well-being of rural communities through better financial inclusion, recommending the development of state-specific solutions to address the complex issue of financial exclusion and advance towards a more financially inclusive society.



VI. SUGGESTIONS

1. Check if educational programs are working, look at whether the classes about money in rural areas are helping people like farmers and poor folks. See if these programs are making it easier for them to use banks and understand money better.
2. Study government plans, see how well the government's ideas for helping poor people with money are actually working. Figure out what problems they're having and how they can do better.
3. Look at problems with banks like as find out why it's hard for people in rural places to use banks. Try to find ways to fix these problems, like using phones to do banking.
4. Talk to people in villages and ask people in villages what they think about money stuff and if they're getting help from the government or banks. See what they need to do better with money.
5. Think about each state's financial needs see if each state in India needs different ways to help people with money. Find out what's working best and share those ideas with other states.

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