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A STUDY ON CONSTRAINTS TO FINANCIAL INCLUSION AMONG DAILY WAGE EARNERS IN MADURAI DISTRICT

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Introduction:

Financial inclusion is the new paradigm of economic improvement which is focused by researchers, government agencies, banking, financial sectors and other institution in the recent decades. Financial inclusion plays predominant role in eliminating poverty and empowers the economically and socially weaker sections in a country. Financial inclusion is providing) range of financial services equally to all the people in a society without any discrimination by the formal financial institutions in a country. In India, majority of poor people are not able to access the financial services from the formal financial institutions. These people have been used to approach the informal financial institutions like private money lenders which hamper their standards of living as well as the economy of the country. A country's economic development depends upon the participation of all the sectors and people in that country. Financial inclusion is the key driver to economic growth and it is the duty and responsibility of the government to include the financially excluded people in the mainstream of formal financial system. Therefore the government of India and other financial institutions are taking several initiatives for including these people. Though there are many initiatives like No frill Savings account, self help Groups, Micro Finance institutions etc., taken by the government and other institutions still majority of the people in India are not able to access the services from the financial institutions. Hence this study is aimed to reveal the constraints faced by daily wage earners in accessing the formal finance system in Madurai district.

Review of literature:

According to Rangarajan, C. (2008), Financial Inclusion is defined as "the process of ensuring use of financial services and credit facility that are needed by vulnerable groups such as weaker sections and low- income groups at a reasonable cost".

Dr.Swamy, V and Dr.Vijayalakshmi, (2010), claimed that around three billion people across the world are financially excluded and it shows the significance of financial inclusion. India has 135 million financially excluded households, the second highest number after China.

Mohammad Shafi and Ali Hawi Medabesh (2012) have studied the financial inclusion in the state of Jammu & Kashmir in India. They found that all the banks are giving much importance to opening No frill account instead of giving affordable credit. So banks concentrate in profit making rather than economic improvement of downtrodden.

Gwalani and Parkhi (2014) have studied the financial inclusion in the Indian context. They pointed out that poverty, unavailability of banking services, complex procedures, financial illiteracy, traditional cultural values and lack of faith in the banking system are the reasons for financial exclusion in their research.

Raja Babu (2015) has studied the determinants of financial inclusion in Andhra Pradesh. This study aims at finding out the reason for financial exclusion and the factors influencing the households to approach informal financial sources. His study revealed that most of the rural people depend upon the informal financial sources due to lack of documents and financial illiteracy.

Sanderson Abel et.al (2018), have studied the determinants of financial inclusion and they proved that age, education, financial literacy, income, documentation and internet connectivity are positively connected to financial inclusion. They claimed that an increase in any of these variable significantly increase the level of financial inclusion in the country.

Objectives of the study:

a) To reveal the socio economic profile of the respondents in Madurai district.
b) To identify the reasons for financial exclusion.
c) To explore the constraints faced by the respondents in financial inclusion.

Methodology:

In the present study, descriptive research design has been administered and Madurai district was purposively selected because it consists of both urban and rural people. The Madurai district has been divided into 13 blocks. All the blocks have been included for the study. 30 respondents from each block have been selected for the study. Hence the sample size is 390. The applied sampling procedure is purposive sampling.

The present research study is based on both primary and secondary data. The primary data is collected from the unorganized workers in Madurai district by interview schedules. The secondary data is collected from the different websites, as well as from different articles, published by the Reserve Bank of India, Government of India, other institutions, research journals through internet.

Analysis & Interpretation:

Table.1. Demographic profile of the respondents:

S.No	Demographic variables	Particulars	Frequencies	Percentage
1.	**Gender**	Male	218	56%
		Female	172	44%
2	**Age**	Less than 25	91	23%
		26-35	141	36%
		36-45	94	24%
		46-55	40	11%
		Above 55	24	6%
3	**Nativity**	Urban	218	56%
		Rural	172	44%
4	**Level of Education**	School Level	19	5%
		High School	129	33%
		Higher Secondary	113	29%
		ITI/Diploma	76	20%
		Under-graduation	17	4%

		Others	36	9%
5	**Occupation**	cooks	48	12%
		Agriculture labours	82	21%
		Street vendors	63	16%
		Construction workers	104	27%
		Drivers	43	11%
		Others	50	13%

S.No	Demographic variables	Items	Frequencies	Percentage
6	**Family's Income**	Less than Rs.5000	79	20%
		Rs.5,001-Rs.10,000	87	22%
		Rs.10,001-Rs.15,000	96	25%
		Rs.150,001-Rs.20,000	72	18%
		Above Rs.20,000	56	15%
7	**Marital Status**	Unmarried	121	31%
		Married	251	64%
		Others	18	5%

*source: primary data

The above table shows that the dominant gender among the respondents is male (56%), the most influential age group among the respondents is 26-35 years (36%), the dominant nativity among the respondents is urban (56%), the most influential level of education among the respondents is high school (33%), the most influential occupation among the respondents is construction (27%), the dominant income among the respondents is Rs.10,001 – 15,000 (25%) and the dominant marital status among the respondents is Married (64%).

Table.2. Reasons for financial exclusion

Sl.No.	*Reasons*	*Number of Respondents in* Urban	*Number of Respondents in* Rural	*Total*
1.	No Money/little Money	83	58	141
2.	No identity proof	24	37	61
3.	Tried to open but refused	14	5	19
4.	No bank in our area	19	27	46
5.	Previous bad history	23	3	26
6.	Anticipated rejection	26	18	44
7.	Not interested	29	24	53
	Total	218	172	390

From the above table, it is inferred that 36.15 percent of the respondents stated that no money or little money is the reason for not opening a bank account and 15.64 per cent of the respondents **opined** that not having the identity proof is the reason and 13.59 percent of the respondents stated that they were not interested in opening account in a bank. The important reason for not opening bank account among the urban people and rural people is not having enough money which constituted a dominant percent 38.07 and 33.71 to its total respectively.

Constraints in financial Inclusion|:

The constraints faced by the respondents under financial inclusion in the present study are examined with the help of 25 variables. The respondents are asked to give their opinion on these first 13 variables at five point scale. The mean score of the urban and rural respondents on first 13 variables have been estimated individually along with its 't' statistics. The results are given in the Table below.

Table No. 3. Constraints in financial Inclusion

Sl.No.	Constraints in financial inclusion	Mean score among respondents in		't' statistics
		Urban	Rural	
1.	Opening balance requirements	3.4084	-3.6562	-0.5173
2.	Difficult to understand financial venues	3.0246	3.5141	-2.5781*
3.	Cumbersome tasks	3.7084	3.0452	2.6976*
4.	Unfriendly bank staffs	3.4102	3.9173	-2.5856*
5.	Bank staffs are not ready to teach	3.3041	3.8089	-2.4237*
6.	Minimum balance requirements	3.3841	3.5089	-0.5888
7.	High bank's charges	3.2045	3.7884	-2.5928*
8.	Terms & Conditions regarding the use of accounts	3.3909	-3.4886	-0.3996
9.	Lack of communication skills	2.7384	3.3841	-2.6886*
10.	Access to bank	3.6589	3.8022	-0.3184
11.	Time taken to reach the bank	3.6044	3.8173	-0.2673
12.	Provision of standard products	3.1109	3.6683	-2.6379*
13.	Lack of customer centric products	3.6996	3.1173	2.5876*

*Significant at five per cent level.

The highly observed variables in constraints faced by the urban respondents are cumbersome tasks and lack of customer centric products since its mean scores are 3.7084 and 3.6996 respectively. In case of rural respondents, these two are time taken to reach the bank and unfriendly bank staffs since its mean scores are 3.8173 and 3.9173 respectively. There are significant difference among the urban and rural respondents have been noticed in their view on eight out of thirteen variables in CAFI since their respective 't' statistics are significant at five per cent level.

Table No. 4. Constraints in financial Inclusion

Sl.No.	Constraints in financial inclusion	Mean score among respondents in		't' statistics
		Urban	Rural	
14.	Insufficient Identification proof	3.2771	3.5112	-0.8996
15.	No knowledge on financial inclusion	3.0792	3.6461	-2.7646*
16.	Banks are not meant for poor	3.0224	3.7996	-2.9989*
17.	Poor attitude of bank staff	3.5117	3.8848	-1.4576
18.	Submission of witness	3.4117	3.3403	0.2686
19.	Afraid about giving identify	3.0441	-3.3886	-0.9147
20.	Lack of literacy on banking products	2.7919	3.5088	-3.1173*
21.	Religious values	2.9117	3.0896	-0.3564
22.	Language barriers	2.6884	3.3089	-2.6799*
23.	Lack of transport facilities to bank	3.5144	3.7083	-0.5168
24.	Insufficient products	3.8997	3.1773	2.8069*
25.	Lack of provision of other services	3.8084	3.2086	2.7741*

*Significant at five per cent level.

The highly observed variables in constraints faced by the urban respondents are insufficient products and lack of provision of other services since its mean scores are 3.8997 and 3.8084 respectively. In case of the rural respondents, the two variables are poor attitude of bank staffs and banks are not meant for poor since its mean scores are 3.8848 and 3.7996 respectively. Significant differences have been noticed on the six out of above 12 variables in constraints, among the urban and rural respondents since their respective't' statistics are significant at five per cent level.

Concluding remarks and suggestions:

Even though the central and state governments, Reserve Bank of India and other financial institutions have taken many initiatives, the level of financial inclusion among the rural respondents are lesser than the urban respondents. The important factors affect the access of financial inclusion among the respondents are lack of financial knowledge, opinion on banking, shortage of customized products, bank staffs attitude, geographical distance, identification requirements and terms and conditions. Based on the findings of the study, the following suggestions are drawn:

1. Develop financial literacy among the people about savings, investments, opportunities for economic growth and atrocities of private money lenders.
2. Behavioural training should be given to the Bank's staff to deal with financially illiterate people.
3. Reduce the geographical remoteness of bank branches through mobile, net and other feasible financial modes.
4. The bankers should simplify the banking procedures and processes for creating friendly approach towards banking.
5. Create financial awareness through proper media.

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