

**“A ROLE OF FINANCIAL INCLUSION FOR THE  
DEVELOPMENT OF WEAKER SECTIONS IN RURAL AREAS  
OF MADURAI DISTRICT”**



**ABSTRACT**

*Finance is a major factor for a human being to enhance savings funds and also to spend the funds for the productive uses and also for the exchange facility. Thus finance acts as an important tool for the management of risk by small and medium firms; break even risk for small farmers to manage the risk by safeguarding them against the loss of assets and other agricultural bearings from the sudden uncertainties. Also, finance provides peoples of the rural area for the smooth consumption of the funds and also to enhance the risks and uncertainties by making investment in the different aspects like savings in different domains, buying assets, insurance and other related things to meet the goals to stabilise the finance to accelerate and promote their growth. Financial Inclusion is one of the major factors that develop the weaker sections in the rural area peoples who are earning less earnings and enable them for essential financial services through banks. Thus the present research paper aims to overlook and find the role of the financial inclusion and also give financial assistance to large number of weaker section peoples in Madurai District and also the services provided by the financial service providers like commercial / private banks cooperative banks and other local banks regional / rural banks located in Madurai District.*

**Key Words :** *Funds, Management of Risk & Uncertainties Investment, Financial Services & Institutions and Rural People.*

**Introduction to Financial Inclusion :**

Poverty is one the main reason for the non-development of an economy. A sound financial system is one in which there is the reduction of poverty and also raise the improvised living standards of the people by facilitating a lending and borrowing of funds through a formal banking system. The financial inclusion enumerates that the all the poor and weaker section of people should get able to access the banks and do all the transactions. Thus, the financial inclusion ensures that all the financial services will be applicable to all the group of people especially focusing on weaker and poor people at a moderate cost.

All banks and financial institutions will ready start its operations and transactions in the rural areas where no financial services taken place. The first and foremost initiative to be taken by all the financial institutions is to open a bank account to weaker section peoples in the rural area and also lending other financial services like providing loans, access to use ATM Services, ensures to taken insurance at a moderate cost.

**DEFINITION - FINANCIAL INCLUSION:**

Indian Government framed a committee with constitution for Financial Inclusion in 2006 under the headship - Dr. C. Rangarajan, who acted as a Chairman, Advisory Council for Economics to Prime Minister of India. The Committee recommended and stated the Financial Inclusion as “the process of access of all financial services in a prompt time to the needed people especially weaker section in the rural areas with an affordable cost”

Central Bank of India also defined Financial Literacy as “the process to access all the financial services to the needed community people in the society exclusively focusing

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on low income earning groups called as weaker sections in the rural area and also enhances that all the financial services will be provided in an affordable cost”

World Bank also defined Financial Inclusion as that “all individuals and business have to ready to access the use of various affordable financial services to meet all their transactional needs such making payments, creation of savings, attaining credit or small loans, etc... in a sustained way by focusing on promoting the rural economy by the way of promoting the financial services to the weaker and low income earning community at an convenient and affordable cost”

## **INITIATIVES TAKEN TO PROMOTE FINANCIAL INCLUSION :**

### **1. Credit / Micro Loan access to Weaker Section:**

Agriculture is the primary sector in India. Majority of the occupation in India depends upon the Agriculture and it's the backbone of the nation. Thus, to enhance the farmers those who involving in agriculture must be access the financial services by getting loans for farming and other activities in a moderate and lower cost from the financial institutions to promote financial inclusion inside the country.

### **2. Kisan Credit Card (KCC):**

The KCC was introduced in the year 1998 with a view to enhance small agriculture farmers by issuing a card with a view to purchase the seeds, fertilizers, pesticides, etc... by getting a financial assistance from the banks with a limited value of Rs. 10K to Rs. 50K. Thus, the KCC scheme should be promoted by the banks among the weaker sections in the rural area to promote the financial inclusion.

### **3. Simplification of the Know Your Customer (KYC):**

Village People with lack of education don't know how to open a bank account. Generally all the banks have some formalities and procedures to open a bank account but the rural economy banks doesn't able to know all the process. Banks and other Financial Institutions ensures to enhance the simplification of Know Your Customer (KYC) norms by using the single identity card for all the process of banking activities.

### **4. Enhancing Micro Finance:**

Micro finance refers that all the financial activities will provide a low earnings people who are doesn't have

banking operations. Micro Finance Services enhances to provide immediate funds, access to credit;

better rates for loan repayments, possibility of raise in the future investments and significance of economic gains all over the nation. In India, most of the micro finance activities are taken place through commercial banks, rural banks, cooperative banks, etc... and it should aims to give such kind of micro financial services to the weaker community people at a convenient cost.

### **5. Formation of Financial Literacy Centres:**

Literacy is the most important to impart some knowledge and skills to the unknown community of people. Thus, to promote the Financial Inclusion it is needed that the Government must ensure for setup the Financial Literacy Centres in all rural areas to create awareness by inculcating the importance of various financial services offered by the various financial institutions for the low income earning weaker community group of people.

## **THREE BASIC PATTERNS LAUNCHED BY NATIONAL GOVERNMENT FOR PROMOTING FINANCIAL INCLUSION :**

The following three basic patterns launched by Government of India for enabling the financial inclusion/ services are:

1. Pradhan Mantri Jan Dhan Yojana Scheme (PMJDY)
2. Pradhan Mantri Suraksha Bima Yojana Scheme (PMSBY)
3. Pradhan Mantri Jivan Jyoti Bima Yojana Scheme (PMJJBY)

### **1) Pradhan Mantri Jan Dhan Yojana Scheme (PMJDY):**

PMJDY is a National Mission taken by Government of India for inclusion of finance to ensure / enable that some which includes the financial schemes such as opening of bank accounts, savings deposits, credits, insurance, pensions, etc... should be accessible in an affordable cost in the financial institutions. The following are the advantages under the Scheme

- a) One account for Savings should be opened for non-banking persons



- b) There is no Minimum amount of Balance for the account holder.
- c) Interest Accrued/ earned based on the deposited value of money
- d) A Debit Card will be given.
- e) Accident Insurance Cover Rs. 2 Lakh

### 2) Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Pradhan Mantri Suraksha Bima Yojana Scheme is a governmental policy for accidental insurance and it is available for the age holder of 18 years to 70 years of old. The beneficiary will pay an annual amount of Rs. 20 Lakhs and the insurance schemes are administered by through public sector general insurance companies. It leads to promote financial inclusion by ascertaining the following features:

- a) Premium Plan is Rs. 12 per annum and it covers the benefits like Death Coverage Rs. 2 Lakhs, Total / Irrecoverable loss of eyes / hands / feet Coverage Rs. 2 Lakhs
- b) Aadhar Card should be submitted for the primary KYC holder for such account.
- c) Such Policy will be auto terminated after attaining 70 years of age of the account holder.

### 3) Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY)

Pradhan Mantri Jivan Jyoti Bima Yojana Scheme is a life insurance scheme originated in the year 2015 which is applicable for the those persons who are in between 18 and 50 years of age group with the such account maintained in the bank. The life cover of this insurance scheme is upto Rs. Two Lakhs for the period of an year from 01st June to 31st May of every year. This scheme also enhances the financial inclusion by ensuring the following features:

- a) Life Insurance coverage of Rs. 2 Lakh at premium charges as low as Rs. 330 p.a.,
- b) The scheme covers only life risks and no maturity benefits shall be claimed
- c) It covers all the death benefits and it will be paid after 45 years of death.
- d) Aadhar / Government Document would be given as the he primary KYC for the such kind of bank account.

### REVIEW OF LITERATURE:

Dayakar Samidi and S Sivaraj Murugan (2022), stated that the financial inclusion is at moderate level in the rural areas and the government must make some measures through RBI by simplifying the banking process to strengthen the financial inclusion because, it will enhances the economy to grow faster and makes the economy as stable.

Anitha Choudhary (2022), stated the role of financial institutions in raising the inclusion/ exclusion of finance by giving a small savings and spending / issue services to weaker sections like medium income earning households, migrating labour workforce, small and micro businesses, and others by enabling high value of deposits, payments and other services in a safer technology driven eco system in the rural areas.

Purva Khera, Stephanie Ng and Sumiko Ogawa (2022), stated that the involvement of digital financial services using the technology will be act a key catalyst for such inclusion and there may be wide variation in between all the countries and should be cause of new normal economy emphasizes the advancement of financial inclusion by adopting and practising all the digital financial services offered by various financial institutions.

Victor Ediabonya, Comfort Tioluwani (2022), stated that financial inclusion gap has been increased because of the government regulations and also the increase in the usage of various digital services like usage of smartphones for mobile payments, usage of ATM's, Unified Payment Interface (UPI) features offered by the financial institutions which are lack because of illiteracy and poor infrastructural facilities in the rural areas.

Vanesa Pesque, Lihui Tian, Deming Luo (2021), stated that the existing practices adopted for the financial inclusion was suffered due to lot of conceptual practices which are fails and measure accurately through some factors which cause negative impacts among the individuals (categorised as weaker sections in the rural areas) in order to access the financial services.

### OBJECTIVES FOR THE RESEARCH:

1. To frame the role about the Financial Inclusion for developing the weaker sections in rural areas of Madurai District.



2. To Study the different factors that are determining the level of financial awareness among weaker sections in the households who are rural or under developed areas of Madurai District.
3. To study the impact towards the financial inclusion by analysing the social and economic status of the weaker sections in the rural areas of Madurai District.
4. To suggest the suitable guidelines for promoting financial services through financial inclusion among the under developed sections in the rural / village areas of Madurai District.

#### RESEARCH DESIGN :

Research Design refers to the blueprint for the research. A good research design provides the specific directions for the research work. The research design used for the present research work is descriptive study and it aims to measure the financial inclusion of selected 20 rural villages in the Madurai District.

#### DATA COLLECTION :

The objectives framed will be achieved by inclusion collection of primary data and secondary data. The primary data was gathered from the respondents of the 20 selected rural villages in the Madurai through a structured questionnaire and the secondary data was analysed from the reports of RBI, World Bank and other financial institutions.

#### SAMPLING DESIGN :

The present research study analyses the financial inclusion among the weaker sections of the rural areas of Madurai District and the data was collected from 200 respondents of 20 rural villages in Madurai District using the Quota Sampling technique by adopting 10 respondents from each villages.

#### HYOTHESES USED FOR THE STUDY:

1. Weaker Sections in Rural areas of Madurai District have significantly had low level of awareness of financial services offered through financial institutions.
2. Social Status of Weaker Sections in Rural areas of Madurai District has significantly had a positive impact among financial inclusion.

#### ANALYSIS AND

#### INTERPRETATION OF DATA:



#### 1) Demographic Profile of Respondents :

S. No.	Gender of the Respondents	Frequency	Percentage
1	Men	140	70
2	Women	60	30
Total		200	100

The above table interprets that 70% are Men and 30% respondents are Women

#### 2) Age of Respondents :

S. No.	Age Splitup of Respondents	Frequency	Percentage
1	21 – 35 Years	65	32.5
2	36 – 50 Years	120	60
3	Above 50 Years	35	17.5
Total		200	100

The above table predicts that 60% respondents are belongs in the category of 36 – 50 years, 32.5% respondents categorized under 21 -35 years and above 50 years falls with 17.5%

#### 3) Occupation / Employment Status of Respondents :

S. No.	Employment Respondents	Frequency	Percentage
1	Govt. Sector	45	22.5
2	Private Sector	97	48.5
3	Self – Employed	48	24
4	Others	10	5
Total		200	100

The above one shows that 48% are occupied in private job, 24% of respondents are self-employed, and 22.5% respondents are occupied in Government Sector and rest 5% are categorized under other occupations.

**4) Income of Respondents (per month) :**

S. No.	Age of Respondents	Frequency	Percentage
1	Less than 25,000 Rupees	87	43.5
2	25,001 to 50,000	53	26.5
3	50,001 to 75,000	41	20.5
4	Above 75,000 Rupees	19	9.5
Total		200	100

The above table mentioned that 43.5% are earning less than Rs. 25,000 per month, 26.5% respondents are earning in the earning 25,001 to 50,000 rupees of income per month, 20.5% respondents falls under the earning 50,001 to Rs. 75,000 rupees and the rest 9.5% are categorized in the income group of above Rs. 75,000 per month.

**5) Level of Awareness about Financial Services :**

**Hypotheses :** Weaker Sections in Rural areas of Madurai District have significantly had low level of awareness of financial services offered through financial institutions

The one sample t-test was used to prove the above hypotheses.

One-Sample t- test Statistics for Financial Awareness About Financial Services offered through financial institutions in the weaker sections in the rural areas of Madurai District							
N = 200	Skewness	Kurtosis	Mean	Standard Deviation	Test Value = 3		
					T	df	Significant
Level of Awareness among Financial Services	-0.357	-0.042	3.88	0.715	12.8	246	0

Weaker Sections of the Rural Peoples have significantly high level of financial awareness about financial services offered through formal financial institutions ( $p < .001$ ). So, we reject the framed hypotheses.

**6) Impact among Financial Inclusion :**

Hypotheses Social Status of Weaker Sections in Rural areas of Madurai District has significantly had a positive impact among financial inclusion.

The one sample t-test was used to prove the above hypotheses



N = 200	Skewness	Kurtosis	Mean	Standard Deviation	Test Value = 3		
					T	df	Significant
Impact on Financial Inclusion about the social status	-1.009	1.431	3.783	0.521	15	248	0

Social Status of Weaker Sections in Rural areas of Madurai District has significantly had a positive impact among financial inclusion ( $p < .001$ ). So, we accept the framed hypotheses.

**SUMMARY OF FINDINGS :**

70% respondents are male; 60% samples are belongs in the age category of 36 – 50 yrs; 48% respondents were occupied in private job; 43.5% respondents are earning less than Rs. 25,000 per month; Weaker Sections in Rural areas of Madurai District have significantly had high level of awareness of financial services offered through financial institutions and Social Status of Weaker Sections in Rural areas of Madurai District has significantly had a positive impact among financial inclusion.

**SUGGESTIONS :**

Government should be frame some suitable strategies for creation of the good impact towards the finance inclusion among weaker sections in the rural areas of Madurai District because it is the level as well as the impact of the weaker sections peoples are comparably very low when compare to high income earning groups in the rural areas. Financial institutions that are offering financial services must be enhance them among the rural peoples for the upliftment of Financial Inclusion in the society. Also, the Government scheme which provides the financial assistance and support to the lower level section should be implemented by simplifying the procedures and regulations.

**CONCLUSION :**

The main purpose of the financial inclusion is to open an account in a bank to ascertain all the financial services. The present research paper should had studied the weaker

sections in the rural areas of Madurai District in the following perspective such as financial awareness to the households, the financial access and avail of services of rural areas. Commercial Banks must encourage the rural households to encourage them to access the financial services offered for them. Thus, it enhances to create the positive impact with the social status and they are much aware about the financial services offered through various financial institutions will enable an eco system through sound Financial Inclusion among the rural sides of Madurai District,

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