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CHALLENGES TO FINANCIAL INCLUSION IN RURAL SONIPAT, HARYANA: A CASE STUDY ON COMMERCIAL BANKS

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Abstract

One of the main forces behind economic growth and the fight against poverty is financial inclusion, which guarantees that everyone has access to necessary financial services. But reaching this objective still presents a big obstacle in rural places like Sonipat, Haryana, especially for commercial banks. The purpose of the current study was to determine the difficulties in Sonipat, Haryana, related to financial inclusion. One of the main issues with India's economic expansion and rural development is financial inclusion. Primarily, the researcher has gathered information for this investigation. Questionnaires that are semi-structured have been used to gather data. The study investigated how respondents perceived the difficulties they encountered in achieving financial inclusion.

Keywords:*Financial Inclusion, Commercial Banks, Rural Development, Socio-economic Barriers, Financial literacy*

1. INTRODUCTION

In especially in rural areas, financial inclusion is essential for fostering economic growth and lowering poverty. The pursuit of financial inclusion in Sonipat, Haryana, is beset with difficulties, particularly in light of the functioning of commercial banks. Many rural individuals continue to be underbanked or unbanked despite government initiatives and laws

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aimed at improving access to financial services. This is mostly because of a mix of socioeconomic, educational, and infrastructure hurdles. This case study explores the particular challenges that commercial banks have while attempting to provide services to Sonipat's rural populace. The study is to contribute to the general growth and development of the region by providing insights into effective ways that can empower rural people economically and promote more financial inclusion by addressing these challenges.

1.1.Socio-Economic Barriers to Financial Inclusion

In Sonipat, socioeconomic issues are crucial in determining the financial environment of rural communities. The high rates of poverty that have an impact on the community's overall financial stability are one of the main problems. Many people find it difficult to satisfy their basic necessities, which frequently causes them to have a short-term perspective on financial planning. Under these conditions, saving money or making investments in bank products are seen as extravagances rather than necessities. By discouraging interaction with conventional banking institutions, this survival-first mentality exacerbates cycles of poverty and financial marginalization.

In rural Sonipat, low literacy rates make the problem of financial inclusion even worse. Many locals are not financially literate enough to comprehend the variety of banking products that are accessible to them. People are less inclined to use banking services if they don't comprehend the fundamentals of terms like interest rates, loans, and savings accounts. Due to the substantial entrance barrier caused by this ignorance, potential clients are unable to take advantage of financial products that could help them financially. Commercial banks must therefore acknowledge this disparity and launch educational programs to close it, enabling rural populations to make wise financial decisions.

Furthermore, the propensity of particular groups to engage in the financial ecosystem can also be influenced by cultural norms and traditions. In many rural places, customs may favor non-formal savings strategies over official banking systems, such as keeping cash on hand or depending on neighbourhood moneylenders. These actions, which are frequently firmly ingrained in local norms, have the potential to foster mistrust of financial institutions by making them appear remote or indifferent to the concerns of the community. Commercial banks must therefore overcome these deeply held notions and build community trust in order to promote increased use of formal banking services.

1.2.Infrastructure and Accessibility Issues

One major obstacle to financial inclusion in rural Sonipat, where access to efficient banking services is frequently limited, is the absence of physical infrastructure. For inhabitants who want to interact with formal financial institutions, getting to the closest bank branch or ATM can be a practical barrier in many rural villages. Because of their remote location, these people frequently turn to unofficial financial institutions like moneylenders or neighborhood savings clubs, which can exacerbate debt cycles and impede economic expansion. The lack of banking facilities exacerbates the barriers to inclusion by lowering trust in the official financial system.

Moreover, since many rural communities lack dependable internet access, poor digital connectivity makes these issues worse. This restricts the potential for mobile banking solutions as well as the accessibility of internet banking services, which have become essential resources for improving financial inclusion. Initiatives to encourage digital literacy and the use of mobile banking confront major obstacles in the absence of a strong internet infrastructure, depriving rural communities of basic banking services. As a result, it gets harder for commercial banks to enter these sectors, which perpetuates a cycle of marginalization and slow economic growth.

Additionally, accessibility is greatly influenced by the condition of the regional transit system. It is difficult for locals to get to bank facilities due to poor road conditions, a lack of public transit options, and inconsistent transportation services. This logistical challenge is especially noticeable for people who have restricted mobility or who have to balance several obligations, like job and family. Long commutes to banking facilities can discourage people from pursuing formal financial options, which serves to maintain the current quo of exclusion.

Improving the reach of commercial banks in rural Sonipat requires addressing these infrastructure problems. Banks can investigate many approaches to address accessibility issues, like collaborating with nearby companies or community groups to establish banking locations in underprivileged regions. Furthermore, financing for the construction of new

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infrastructure, such as bettering roads and transit systems, can greatly ease access to banking facilities. Commercial banks may build more trust and encourage financial inclusion in rural areas by proactively interacting with the community and customizing their services to fit local requirements.

2. LITERATURE REVIEW

Sathiyan, S., & Panda, P. K. (2016) Using a Financial Inclusion Index (FII) at the district level, the article aims to determine the determinants influencing financial inclusion in the state of Punjab. The primary socio-economic factors of financial inclusion have been identified as the literacy rate, level of urbanization, district gross domestic product, and percentage of working population. We have used step-wise regression and correlation analysis to find the key factors that influence financial inclusion. To make conclusions, the district-level Financial Inclusion Index has been considered the dependent variable and a selection of socio-economic indicators the independent variables. With the exception of the indicator pertaining to the percentage of the working population, all four variables were found to have a substantial positive association with the degree of financial inclusion. Urbanization, however, was found to be the single most significant factor influencing inter-district differences in financial inclusion in Punjab, accounting for 53% of the overall variations, while the combined effects of the three factors accounted for 79.2% of the variations in financial inclusion.

Kaur, J. (2017) The pattern, advancement, and factors influencing financial inclusion in India after the reform era were examined in this research. The study employed secondary data from 2001 to 2011 for 28 Indian states. The factors were looked at using a multiple regression model. Even while the proportion of Indians using financial services has increased, especially for deposits made during the post-reform era, there is still cause for worry over the significant exclusion of rural residents from these services. Regression analysis revealed that variables including the number of bank branches, population reliance per branch, and industry concentration in the state influence the rise in the number of bank accounts that households open. Socioeconomic variables including the state's per capita income, literacy rates, and urbanization did not show up as important influences. In India, branch expansion has been crucial to financial inclusion. Achieving more financial inclusion will be made possible by

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utilizing current bank branches and putting financial literacy programs into effective action. Jan-Dhan Yojana and other incentive-based initiatives are crucial in this context.

Chithra, N., & Selvam, M. (2013) The goal of this article is to determine and examine the factors that influence financial inclusion. The findings of the analysis indicate that there is a substantial correlation between the level of financial inclusion and three socio-economic factors: income, literacy, and population. Deposit and credit penetration among the banking variables showed a strong correlation with financial inclusion. Lastly, there was no significant correlation found between financial inclusion and the credit-deposit ratio or the investment ratio.

Rajeev, M. (2015) Based on macro data, the article illustrates the disparities in financial penetration and usage in India and demonstrates the need for policy makers to provide particular attention to some regions, such as the Northeastern or Eastern parts of the nation. Formalizing credit schemes is necessary to provide access to formal credit for socially disadvantaged groups, particularly those in lower income brackets, and weaker areas. The National Sample Survey Organization (NSSO) unit record (household level) data analysis indicates that the gender gap is still present, especially when it comes to credit availability. This essay makes the case that the formal credit institutions should give certain of these chosen group’s extra consideration. It is insufficient to just open a bank account in the sake of financial inclusion for these groups. They must be assisted in a way that makes their relationship with banks viable.

3. RESEARCH METHODOLOGY

This is the most significant part of the work since it justifies the study strategy and methodologies as well as the tools used for data gathering and analysis.

3.1.Data collection

Primarily, the researcher has gathered information for this investigation. Questionnaires that are semi-structured have been used to gather data. The majority of the questions used a five-point Likert scale in their design. The questionnaire had only closed-ended questions. Face-to-face mode and a Google Forms link were used to send the questionnaire.

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Sonipat, Haryana served as the research sample universe, and the sample size was calculated using this information. There were 100 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 indicates that there was not an equal chance for a respondent to be included in the sample population. This indicates that, in an effort to save time and money, the researcher selected the sample based on its ease of accessible. Since the researcher's data collection was quantitative in nature, the data analysis tool also had to be quantitative. To analyze the data, the researcher employed quantitative data analysis methods.

4. DATA ANALYSIS

Table 1: Correlation Analysis

	Age	Income	High Maintenance charges	Complexity of documents	User interface	Privacy issues
Age	1	.618**	-.052	-.178	-.079	-.059
Income	.618**	1	-.121	-.228	-.257	-.122
High Maintenance charges	-.056	-.121	1	.638**	.763**	0.999**
Complexity of documents	-.179	.258	.763**	1	.742**	.639**
User interface	-.78	-.257	.765**	.741**	1	0.762
Privacy issues	-.059	-.122	0.999**	.637**	.762**	1

Significant correlations between the variables under study are revealed by the correlation analysis shown in Table 1. Notably, there is a positive correlation between age and income (r =.618), meaning that as people get older, their income typically rises as well. Excessive maintenance costs are positively correlated with both document complexity (r =.763) and user interface complexity (r =.765), indicating that more complex documentation and user experiences are linked to higher maintenance costs. High maintenance costs and privacy concerns are highly associated (r = 0.999), suggesting that services that charge more may raise privacy concerns. Furthermore, there is a noteworthy positive correlation (r =.741)

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between the complexity of documents and user interface, which emphasizes the interdependence of both elements concerning user experience and service accessibility.

Table 2: Friedman Test

N	50
Chi-Square	0.388
Df	1
Asymp. Sig.	0.527

According to the findings of the Friedman Test, the Chi-Square statistic for a sample size of 50 (N = 50) is 0.388, meaning that there is one degree of freedom (Df = 1). As indicated by the asymptotic significance value of 0.527, there may not be a statistically significant difference between the groups under comparison.

Table 3: Ranking Means

Ranking	Mean Rank
Understanding	1.52
Velocity	1.48

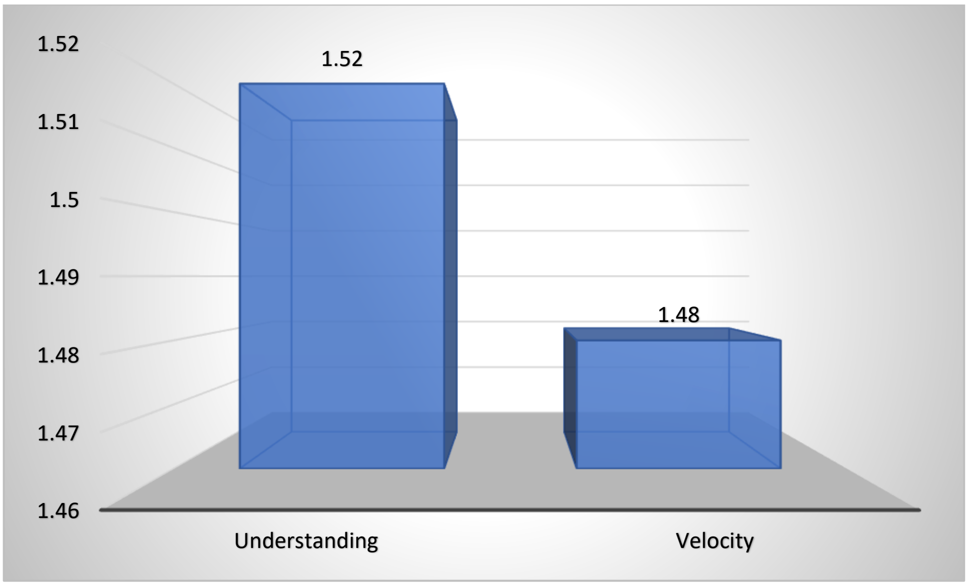

Figure 1: Ranking Means

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The ranking means for Understanding and Velocity are shown in Table 3. Compared to Velocity, which has a mean rank of 1.48, Understanding has a mean rank of 1.52, suggesting that people view it as more significant or impactful.

Table 4: Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Understanding	100	2.1121	1.21852	1.00	5.00
Velocity	100	2.0850	1.14923	1.00	5.00

Based on a sample of 100 respondents, Table 4 shows the descriptive statistics for two variables: understanding and velocity. Understanding scores range from a minimum of 1.00 to a maximum of 5.00, with a mean score of 2.11 and a standard deviation of 1.22 indicating a moderate degree of understanding among participants. Velocity similarly has a slightly lower mean score of 2.09 and a standard deviation of 1.15, indicating a similar degree of variability and a steady trend in velocity perceptions within the same range.

5. CONCLUSION

This study concludes by highlighting the major obstacles to financial inclusion in rural Sonipat, Haryana, and providing important new information about the interrelationships between important variables. Strong relationships between variables like age and income are revealed by the correlation analysis, as is the complicated interaction between high maintenance costs, document complexity, and user interface problems. Though understanding is thought to be marginally more important than velocity, the ranking means show that there are no significant differences between the groups under study according to the Friedman Test.

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