Factors that Influence the Causes of Financial Exclusion in selected scheduled commercial banks in sivagangai district

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Abstract
Financial Exclusion is the lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from main stream providers." In countries with a large rural population like India, Financial Exclusion has a geographic dimension as well. Inaccessibility, distance and lack of proper infrastructure hinder financial inclusion. Financial Inclusion is the delivery of banking services at affordable costs to vast sections of vulnerable and low income groups including households, enterprises, traders etc. Financial inclusion is intended to connect people to banks with consequential benefits, ensuring that the financial system plays its due role in promoting inclusive growth. The sampling method used by the researcher is that multi stage sampling method to chosen the sample bank customers in selected taluks of sivagangai district. The sample size for the study is 99. Tools used for the analysis is Multiple regression. Therefore, this paper tries to aim the causes of financial exclusion in selected scheduled commercial banks in sivagangai district.
Keywords: Financial Inclusion, Financial Exclusion, Poor household, Lack of Access.

Introduction:
The word of financial exclusion first time used in 1993 by Leyshon and thrift who were concerned about limited access on banking services as a result number of bank branches were closed. In1999, kempson and whyley defined financial exclusion in border sense which refers to those people who have excluded access to mainstream financial services and product till date numbers of analysts added their views to define financial exclusion. Mostly low income, unemployed and illiterate people, women and disabled are excluded from the formal financial services. Lack of Banking habits, high transaction cost, lack of banking knowledge and insufficiency of knowledge on banking products prevents the unbanked people from knocking the door steps of banks. Thus, Financial Exclusion means "No Savings, No Insurance, No access to money advice, No affordable credit, No Bank account and No assets". There are people who desire the use of financial services, but are denied access to the same. Consequently, there are three types of Financial Exclusions, namely:

- People who do not have any access to a regulated financial system;
- People who have limited access to banks and other financial services; and
- Individuals who have inappropriate products.

In India, The Report of the financial inclusion in January 2008 by **C Rangarajan**, Financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services.

Review of Literature:
Dr. Anshu Bansal Gupta (2018)[1], in their article examined that "Financial Exclusion to inclusion in Indian Scenario", the researcher concluded that Financial Inclusion has far reaching consequences, which can help many people come out of abject poverty conditions. Financial inclusion provides formal identity, access to payments system & deposit insurance. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty. There is a need for coordinated action between the banks, the Government and others to facilitate access to bank accounts amongst the financially excluded.
Giorgia Barboni (2017)[2], in their article examined that "Financial Exclusion in developed countries: a field experiment among migrants and low income people in Italy**",** the researcher concluded that the study contributes to the existing literature on FE showing: First, how precarious the lives of poor households in developed countries are, despite a larger presence of social safety nets than in developing countries. Second, how migrants (especially non-Muslim) may be more reactive to financial inclusion campaigns than other categories. Third, how behavioral traits like impatience and risk aversion appear to contribute positively to a hypothetical demand for savings products, although not necessarily translated in actual account opening. Finally, our study indicates that, even when the supply of financial products is unrestricted, there are still binding constraints to

inancial inclusion, which are mainly attributable to low-income and its corollary consequences (low education, low food consumption, social isolation, etc.).

Pallavi Gupta and Bharti Singh (2013)[3], in their article examined that "Role of Literacy Level in Financial Inclusion in India: Empirical Evidence", the researcher concluded that To achieve financial inclusion the government should emphasise on the behavioural factors rather than considering an improvement in literacy rate as a major determinant. Models that do not consider literacy level as a prerequisite to use financial services like, Biometric ATM, Mobile Based Payment System, Smart Card, and Telecentres can be useful to achieve the goal of financial inclusion in India. Large variations in the correlation index, indicates that there is a need to formulate state-level policies for financial inclusion that consider the socio-cultural diversity of the country.

Reasons for Financial Exclusion:

Major reasons for Financial Exclusion in India are:

1) High cost: Providing and utilizing financial services is not available free of cost for both the service provider and service utilizer.

(i) Cost for service provider: Setting up of branches in rural areas are generally not advantageous due to high cost and low business

(ii) Cost for service utilizer: It has been observed that poor living in rural area are reluctant to utilize these services due to high cost example, minimum balance requirements in saving account, fixed charges in credit cards and debit cards, loan processing charges etc.

2) **Non price barriers:** Access to formal financial sources requires documents of proof regarding person's identity, postal address, income etc. poor people generally do not have these documents and thus are excluded from financial services.

3) **Behavioral aspects:** As per IDBI Gilts Report 2007 research in behavioral economics has shown that many people are not comfortable using formal financial services due to difficulty in understanding the language and reading the document.

Objectives of the study:

The Main objectives of the study is to analyze the factors that Influence the Causes of Financial Exclusion in selected scheduled commercial banks in sivagangai district.

Research Methodology:

The present study was carried out with the objective to find out the factors that Influence the Causes of Financial Exclusion in selected scheduled commercial banks in sivagangai district. The researcher reviewed the related literature on Financial Exclusion to identify the research gap. Both primary and secondary data have been used in the study. The primary data were collected from the bank customers at Sivagangai District .The Sivagangai District is divided into 8 taluks. In Eight taluks, there are 19 nationalized banks which are working with 209 branches. The study was conducted only in 1 taluks such as Karaikudi Taluk. The researcher selected those taluks which have more number of bank branches. The researcher selected three Public sector Banks & three Private Sector banks. The selected public sector banks such as Indian Overseas Bank, Indian Bank and State Bank of India. The private sector banks such as ICICI & City union Bank and old Private sector banks such as AXIS bank.

Table No 1.1 List of bank branches of selected banks in Karaikudi Taluk

S.NO	**Taluk Name**	**Bank Name**						**Total**
		IOB	**Indian Bank**	**SBI**	**ICICI Bank**	**HDFC Bank**	**AXIS Bank**	
1	Karaikudi	16	6	2	4	1	1	30

Source: Primary Data

Table No.1.2 List of samples drawn from bank customers in Karaikudi Taluk

Taluk Name	**Bank Name**	**Bank Branches**	**List of samples drawn Proportionately**
Karaikudi	Indian Overseas Bank	16	53
	Indian Bank	6	20
	State Bank of India	2	7
	HDFC	4	13
	ICICI	1	3
	Axis Bank	1	3
	Total	30	99

Source: Primary Data

Sample Size:

The sample size for the study is 99.

Sampling Technique:

Proportionate Random sampling Method random sampling method is used to draw required samples for the study.

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Tools used for the analysis

The tools used for the analysis is Correspondance analysis and Multiple Regression.

Data Analysis & Interpretation:

Financial inclusion (FI) focuses its attention on the people who are excluded under the umbrella of financial activities. Financial inclusion is a process to bring the weaker and vulnerable sections of society within the scope of the organized financial system. It creates conditions for access to timely and adequate credit and other financial services for vulnerable groups, such as weaker sections and low income groups at affordable cost. Improving access to financial services would help to overcome a host of constraints that have hampered growth both at the level of an individual and that of the country. Constraints identified and need intervention may either be specific to the individuals or may be triggered by system or institutional inadequacies and/or shortcomings.

Relationship between causes of financial exclusion and Age, Literacy level and occupation – Regression Analysis:

Multiple regressions is a Multivariate Variate statistical analysis that involves one dependent variable and two or more than two independent variables. The variable wanted to predict is called as dependent variable. **The Age, Literacy Level and Occupation are Independent variable and causes of financial exclusion is dependent variable**. The regression of Multiple R Value is one of the best qualities of the prediction of the dependent variable. The value of multiple R ranges from zero to one. There are two hypothesis framed in the multiple regression. For testing the model, ANOVA test has been used. The Null hypothesis is that the model is not fit. In order to test the prediction level of each independent variable on dependent variable, regression table is considered in the analysis.

The Low Income, Transaction cost, Low Literacy Level, Terms & Conditions, Staff attitude and Poor Market Linkage are dependent variable and Age, Literacy Level and Occupation is independent variable. The regression of Multiple R Value is one of the best qualities of the prediction of the dependent variable. The value of multiple R ranges from zero to one. There are two hypothesis framed in the multiple regression. For testing the model, ANOVA test has been used. The Null hypothesis is that the model is not fit.

In order to test the prediction level of each independent variable on dependent variable, regression table is considered in the analysis. But to test the significant level, every independent variable on dependent variable P Value is considered to reject or accept the hypothesis. The Null hypothesis is that, there is no significant linear relationship causes of financial exclusion and Age, Literacy level and occupation

Table 1.3 Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
BPRCO	.515(a)	.512	.526	.162
a. Predictors: (Constant), Low Income, transaction cost, Low Literacy Level, terms & Conditions, staff attitude and Poor Market Linkage.				

The multiple regressions are shown in the above table. The model summary table shows R square for this model is 0.512. This means that 51% of the variation in motivational factors towards agriculture credit cab be explained from the six independent variables. The table also shows the adjusted R-Square of the model is 0.526

Any time another independent variable is added to a multiple regression model, the R-Square will increase consequently; it becomes difficult to determine which models do the best job of explaining variation in the same dependent variable. The adjusted R Square by the number of variable in the model. The adjustment allows the easy comparison of the explanatory power of models with different numbers of predictor's variable. It also helps us decide how many variables to include in our regression model.

Table 1.4 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
FE	Regression	227.326	4	3.267	118.670	.000(a)
	Residual	32.981	510	.571		
	Total	260.307	514			

a. **Predictors**: (Constant), **Age, Literacy level & Occupation**
b. **Dependent Variable:** Causes of Financial Exclusion

The ANOVA table, as displayed in the above table shows the F ratio for the regression model that indicates the statistical significance of the overall regression model. The F ratio is calculated in the same way for regression analysis as it was for the ANOVA technique. The variance Independent variable that is associated with dependent variable is referred to as explained variance. The remainder of the total variance in independent variable that is not associated with dependent variable is referred as unexplained variance.

The larger F ratio the more will be the variance in the dependent variable that is associated with the independent variable. The F ratio= 118.670. The statistical significance is .000- the Sig". So we can reject the null hypothesis that means there is relationship between independent and dependent variables.

Table 1.5 Coefficient

Variable	**Unstandardized Coefficients**		**Standardized Coefficients**		
	B	Std. Error	Beta	**T**	**Sig.**
Constant	3.472	.521		7.215	.000
Low Income	.134	.041	.178	3.262	.001
Transaction cost	.189	.078	.162	3.024	.003
Low Literacy Level	.014	.095	.009	.162	.762
Terms & Conditions	.167	.088	.162	1.917	.046
Staff attitude	.178	.072	.104	1.872	.004
Poor Market Linkage	.188	.092	.112	1.162	.000

Dependent Variable: Causes of Financial Exclusion.

Findings of the study:

It is observed that, the Low Income, Transaction cost, Low Literacy Level, Terms & Conditions, Staff attitude and Poor Market Linkage are dependent variable and Age, Literacy Level and Occupation is independent variable. The regression of Multiple R Value is one of the best qualities of the prediction of the dependent variable. The value of multiple R ranges from zero to one. There are two hypothesis framed in the multiple regression. For testing the model, ANOVA test has been used. The Null hypothesis is that the model is not fit. In order to test the prediction level of each independent variable on dependent variable, regression table is considered in the analysis. But to test the significant level, every independent variable on dependent variable P Value is considered to reject or accept the hypothesis. The Null hypothesis is that, there is no significant linear relationship causes of financial exclusion and Age, Literacy level and occupation.

Conclusion:

In a huge country like India, there needs to be huge publicity for popularizing the concept of Financial Inclusion and its benefits to the common man. Consequently, a comprehensive approach needs to be developed for achieving the cause of economic growth. All the financial institutions should adopt financial inclusion as a corporate social responsibility and chalk out strategies in tune with the national policy on financial inclusion.The researcher concluded that the Reserve bank of India take several measures to taken initiatives for implementing and reduces the different causes of Financial Exclusion.

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