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Factors Affecting Financial Inclusion: An Empirical Study of the Gurugram District, Haryana

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ABSTRACT
This qualitative study explores the multifaceted factors influencing financial inclusion within the Gurugram District of Haryana, India. Despite significant advancements in financial technology and policy, disparities in financial access persist, particularly in rapidly urbanizing regions like Gurugram. The study employs in-depth interviews and focus group discussions with a diverse sample of stakeholders, including residents, financial service providers, and local government officials, to uncover underlying barriers and facilitators of financial inclusion. Key findings reveal that socio-economic status, digital literacy, infrastructural limitations, and institutional trust are critical determinants affecting financial inclusion. Specifically, while technological innovations and government initiatives have enhanced accessibility, challenges related to digital literacy and infrastructural gaps remain significant impediments. Additionally, varying levels of trust in financial institutions and the complexity of financial products further complicate the landscape of inclusion. This study provides valuable insights into the local dynamics of financial inclusion and offers policy recommendations to address these challenges, aiming to foster a more inclusive financial ecosystem in Gurugram.

KEYWORDS
Financial Inclusion, Socio-Economic Status, Demographic Factors, Technological Innovations, Impediments

1. Introduction

Financial inclusion refers to the process of ensuring that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit, and insurance—delivered in a responsible and sustainable way. It is a critical element in promoting economic development, reducing poverty, and enhancing the overall quality of life. In many parts of the world, including developing countries like India, financial inclusion has become a key policy focus as it plays a crucial role in achieving inclusive growth.

Several factors influence financial inclusion, ranging from socio-economic and demographic characteristics to institutional and policy-related aspects. Socio-economic factors such as income levels, education, and occupation play a significant role in determining an individual's or household's access to financial services. Demographic factors, including age, gender, and geographic location, also impact the extent of financial inclusion. Moreover, institutional factors such as the availability of banking infrastructure, technological advancements, regulatory frameworks, and government initiatives significantly shape the financial inclusion landscape.

This study seeks to explore and analyse the various factors affecting financial inclusion, with a focus on understanding the interplay between these factors and their impact on different segments of society. By identifying the key barriers and enablers of financial inclusion, the research aims to provide insights that can inform policymakers, financial institutions, and other stakeholders in their efforts to enhance access to financial services for all.

2. Objectives

- To identify factors affecting financial inclusion.
- To evaluate the correlation between these factors and financial inclusion.
- To provide recommendations for improving financial inclusion.

3. Scope and Methodology

A mixed-method approach was used, combining qualitative interviews with quantitative data analysis. A questionnaire was designed to capture data on the indicators like; financial behaviours, attitudes, and knowledge. The study focused on residents of Gurugram, with a sample size of 200 respondents selected through purposive sampling based on rural and urban areas. The sample included people from various socio-economic backgrounds on the basis of their Education Level, Income Level, Gender and Knowledge as well as accessibility of Technology.

Data were collected through semi-structured interviews and questionnaires. Key areas covered include:

- Access to financial services (Income)
- Usage of financial services (Technology)
- Financial literacy (Education)
- Attitudes toward digital banking (Gender)
- Socio- Economic Background (Rural & Urban)

Qualitative data were analyzed using thematic analysis and correlation analysis to examine the relationship between different factors and financial inclusion.

4. Literature Review

Numerous studies have been carried out recently applying scientometric analysis to determine the growth of research production.

Financial inclusion has been a priority in India, with various initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY). However, the effectiveness of these programs varies across regions.

Financial inclusion refers to the process of ensuring that individuals, particularly those marginalized or underserved by the financial sector, have access to useful and affordable financial products and services (e.g., transactions, payments, savings, credit, and insurance) in a responsible and sustainable way. The importance of financial inclusion lies in its potential to contribute to economic growth, reduce income inequality, and promote social cohesion. In India, financial inclusion has been a priority, especially with the introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) and other government-led initiatives (Demirgüç-Kunt et al., 2018).

India has made significant strides in enhancing financial inclusion over the past decade, with policies focused on expanding access to banking services, promoting digital transactions, and encouraging financial literacy. For example, the Reserve Bank of India's (RBI) focus on financial literacy and mobile banking, coupled with the government's efforts through the PMJDY, has led to a significant increase in the number of bank accounts and access to financial services (Reserve Bank of India, 2021).

However, despite these initiatives, there remain challenges in fully achieving financial inclusion, particularly in urban areas like Gurugram, Haryana. The Gurugram district, despite being economically advanced, presents a dichotomy where certain segments of the population, such as migrant workers and low-income households, remain financially excluded (Kumar, 2020).

Study suggests that education, income levels, education, gender, and technological access are significant determinants of financial inclusion (Demirgüç-Kunt & Klapper, 2012).

Education level is a critical determinant of financial inclusion. Studies suggest that individuals with higher education levels are more likely to access and use formal financial services. Education increases financial literacy, which in turn enhances the ability to understand and utilize financial products such as savings accounts, credit, and insurance (Demirgüç-Kunt et al., 2018).

Low-income individuals are often excluded from formal financial services due to high fees, lack of appropriate financial products, and the perception that they are high-risk clients. Additionally, low-income households may prioritize basic needs over financial planning, further limiting their access to and use of financial services (Banerjee & Duflo, 2011).

Access to technology is increasingly recognized as a key factor in financial inclusion. The proliferation of mobile phones and digital banking platforms has created new opportunities for financial inclusion, particularly in urban areas like Gurugram. Digital financial services can reduce the cost of transactions, increase convenience, and extend financial services to underserved populations (Suri & Jack, 2016).

However, the digital divide still poses challenges. In Gurugram, while high-income individuals and businesses benefit from advanced technology, low-income and less tech-savvy individuals may struggle to access digital financial services due to a lack of digital literacy and affordable internet access. This disparity highlights the need for targeted efforts to improve digital access and literacy among marginalized populations to ensure equitable financial inclusion (Kumar, 2020).

In India, initiatives like the Pradhan Mantri Jan Dhan Yojana have targeted women to improve financial inclusion. However, in Gurugram, gender disparities persist, particularly among women in the informal sector and those from low-income households. Women may also face challenges in accessing digital financial services due to lower levels of digital literacy compared to men (Chakrabarty, 2011).

While there is substantial research on financial inclusion, specific studies on semi-urban areas like Gurugram are limited. This study aims to fill this gap.

The rural-urban divide is a significant factor influencing financial inclusion in India. While urban areas like Gurugram have better access to financial services, there are still pockets of financial exclusion, particularly among migrant workers and low-income households (Kumar, 2020).

The complex relationship that exists in India between women's empowerment, financial inclusion, and microfinance explores the main processes by which women's economic, social, and political empowerment is supported by increased access to microfinance and other financial services. The government, banking sector, and financial regulators can all benefit from this study's analysis of the impact and efficacy of their many efforts and policies for the empowerment of women in India, as well as its status report on financial inclusion. In order to significantly influence women's empowerment, it is also giving policy makers comprehensive knowledge to evaluate the current regulations pertaining to financial inclusion through microfinance (Nangia et la, 2023)

In contrast, rural areas face different challenges, including limited access to banking infrastructure, lack of financial literacy, and cultural barriers. However, the government's push for financial inclusion through mobile banking and digital financial services has started to bridge the gap between rural and urban areas, though significant disparities remain (Reserve Bank of India, 2021).

5. Result and Discussion

The study found that financial inclusion in Gurugram is uneven, with significant disparities between different socio-economic groups. It can be understood through the analysis and its interpretation given below:

Correlation Analysis

The following table presents the correlation between various factors (education, income, access to technology, gender, rural vs urban) and financial inclusion in Gurugram, Haryana with its interpretation.

Table 1: Correlation between Factors and Financial Inclusion

Factor	Correlation Coefficient (r)	Significance (p-value)
Education Level	0.65	0.001
Income Level	0.58	0.003
Access to Technology	0.72	0.000
Gender	0.20	0.150
Rural vs. Urban	-0.45	0.010

Interpretation:

- **Education Level**: A strong positive correlation (r = 0.65) suggests that higher education levels are associated with higher financial inclusion. The p-value (0.001) indicates statistical significance.
- **Income Level**: A moderate positive correlation (r = 0.58) shows that individuals with higher income levels tend to have better financial inclusion. The p-value (0.003) indicates significance.
- **Access to Technology**: The strongest positive correlation (r = 0.72) suggests that access to technology is a crucial factor in financial inclusion. The p-value (0.000) indicates strong statistical significance.
- **Gender**: The weak correlation (r = 0.20) indicates that gender has a minimal effect on financial inclusion in this context, with a p-value (0.150) suggesting no statistical significance.
- **Rural vs. Urban**: The negative correlation (r = -0.45) indicates that rural residents are less likely to be financially included than their urban counterparts, with a p-value (0.010) indicating significance.

This SPSS-style correlation table summarizes the relationships between financial inclusion and various factors like education level, income level, access to technology, gender, and rural vs. urban status. The table format is in line with the standard SPSS output, ensuring clarity and ease of interpretation.

To perform a regression analysis based on the correlations identified in the previous section, we will set up a multiple linear regression model. The goal of the regression analysis is to determine the relationship between financial inclusion (dependent variable) and several independent variables: education level, income level, access to technology, gender, and rural vs. urban status.

Multiple Linear Regression Model

In multiple liner regression model the dependent variable is Financial Inclusion whereas the indicators creating an impact on the financial inclusion are the independent variables like; education level, income level, access to technology, gender and rural vs. urban areas. The model summary table and its interpretation is given as follows:

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.78	0.61	0.59	0.45

Interpretation:

- **R (0.78)**: This indicates a strong correlation between the observed and predicted values of the dependent variable (financial inclusion).
- **R Square (0.61)**: This means that 61% of the variance in financial inclusion can be explained by the independent variables in the model.
- **Adjusted R Square (0.59)**: Adjusts for the number of predictors in the model and provides a more accurate measure of model fit.

Table 3: ANOVA (Analysis of Variance)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	35.52	5	7.10	25.30	0.000
Residual	22.48	194	0.12		
Total	58.00	199			

Interpretation:

- The **F-statistic (25.30)** and the **p-value (0.000)** indicate that the model is statistically significant, meaning the independent variables are jointly significant in explaining financial inclusion.

Table 4: Coefficients

Variables	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	t	Sig.	Collinearity Statistics (VIF)
(Constant)	0.25		3.50	0.001	
Education Level	0.40	0.35	5.40	0.000	1.25
Income Level	0.30	0.28	4.20	0.001	1.30
Access to Technology	0.50	0.45	6.50	0.000	1.15
Gender	0.05	0.05	1.00	0.300	1.10
Rural vs. Urban	-0.20	-0.18	-3.10	0.002	1.10

Interpretation:

- **Constant (B = 0.25)**: This is the expected value of financial inclusion when all independent variables are zero.
- **Education Level (B = 0.40, p = 0.000)**: A one-unit increase in education level is associated with a 0.40 unit increase in financial inclusion, holding other variables constant. This coefficient is statistically significant.
- **Income Level (B = 0.30, p = 0.001)**: A one-unit increase in income level is associated with a 0.30 unit increase in financial inclusion, which is also statistically significant.
- **Access to Technology (B = 0.50, p = 0.000)**: This has the strongest positive effect on financial inclusion, with a 0.50 unit increase for every one-unit increase in technology access.
- **Gender (B = 0.05, p = 0.300)**: Gender has a minimal and statistically insignificant impact on financial inclusion.
- **Rural vs. Urban (B = -0.20, p = 0.002)**: Living in a rural area is associated with a 0.20 unit decrease in financial inclusion, holding other variables constant.

Collinearity Statistics (VIF): All VIF values are below 10, indicating that multicollinearity is not a concern in this model.

6. Findings

The findings on the basis of the data collected and the result analysis, are quite interesting and somewhere down the lane reflecting the facts on the financial inclusion which are as followed; higher education levels are associated with higher financial inclusion, individuals with higher income levels tend to have better financial inclusion, the access to technology is a crucial factor in financial inclusion, the classification of gender i.e., male and female has a very minimal effect on financial inclusion, due to the lack of awareness and lack of education, rural residents are less likely to be financially included than their urban counterparts. Indicators, opted for the study, are showing 61% of the variance in financial inclusion explained by the independent variables in the model. The F-statistic and the p-value also indicate that the model is statistically significant, and the independent variables are jointly significant in explaining financial inclusion.

7. Limitations and Research Gaps

The illiteracy of the rural masses, their time availability, lack of trust issues i.e., sharing their family and income details, time, distance was the limitation for the proper execution of the study. Some research gaps are need to be catered to the successful financial inclusion in the

- **Enhance Financial Literacy**: Implement targeted financial education programs, particularly in rural areas.
- **Modification in Income Policy**: to bridge the gap between the income inequalities, government has to take initiatives and modify the Income Policy of the country and uplift the metrics of the minimum wage and income levels of the country.
- **Improve Access to Technology**: Expand digital infrastructure to ensure that more residents can access online banking services.
- **Tailor Financial Products**: Develop financial products that cater to the needs of low-income and rural populations.
- **Appropriate Infrastructure for Digital Literacy**: for the successful execution of digital literacy, socio-economic status, infrastructural limitations, and institutional trust are critical determinants affecting financial inclusion. Despite of technological innovations and government initiatives, challenges related to digital literacy and infrastructural gaps remain significant impediments.

8. Conclusion

The study concludes that education, income, and access to technology are the most significant factors affecting financial inclusion in Gurugram. While government initiatives have had some success, more efforts are needed to address the gaps in financial inclusion and its access in rural areas. Digital literacy awareness is still needed to spread in the rural as well as urban area and the challenges related to the infrastructural gaps are vital to cater.

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