

## **A Critical Study In Understanding The Critical Barriers To Financial Inclusion Among Youths With Special Referece To Thanjavur City**

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### **Abstract**

In recent years, there has been a rising interest in the scientific community in the process through which children develop into adults. There is a growing demand for financial goods and services while the transformation is taking place. The lack of financial participation has the potential to have long-term repercussions for the level of independence and stability that individual enjoys in the years to come. The primary objective of this study is to investigate and assess the reasons that prevent young people in Thanjavur city in South India. The findings of the research are presented in the form of suggestions that have as their overarching objective the improvement of the group in question's social inclusion and which are targeted at boosting the group's financial inclusion. The results of the research indicate that the lack of a bank account may commonly be linked to either a family member already owning a bank account or inadequate financial means to access financial services. Both of these explanations are supported by the findings of the study. According to the findings of the research, there is a considerable connection between the need of using formal financial services and the ownership of a bank account. In addition, the study discovered a significant correlation between a student's financial awareness and their ownership of a bank account, debit card, and credit card. This was a very interesting finding. The results of the research may be exploited by decision-makers in the city's economic and social policy-making processes in order to build successful policies and strategies.

**Keywords:** Strategic financial management, Artificial intelligence, Regression analysis

### **Introdution**

Inclusion in the financial system is one of the most important building blocks for inclusive prosperity at the national level. However, the World Bank estimates that more than two billion people do not make use of official financial services. In addition, more than half of the people living in the most impoverished families do not have access to financial services. The process of increasing access to and utilisation of formal financial services while simultaneously removing inadvertent obstacles that hinder non-participants from interacting with the formal financial system is what Camara and Tuesta (2014) refer to as "financial inclusion."

A portion of the population that does not have access to financial products and services at all or just has restricted access to these resources is said to suffer from the phenomenon known as "financial exclusion." It is possible for people to fall into poverty or be marginalised from society if they are unable to effectively manage their financial resources or keep their expenditures under control. It is generally agreed that the younger members of the population are one of the most vulnerable categories. As a result of restricted access to financial services, only a tiny percentage of young people, which the United Nations estimates to be fewer than 5%, have savings accounts in their names. This research aims to identify the most prevalent barriers to financial inclusion, since this would help young people achieve their full economic potential by removing some of the obstacles that stand in the way of gaining access to financial services. According to the findings of several studies, a higher level of financial inclusion is connected with a higher rate of economic growth as well as superior employment outcomes.

Since 2011, there has been a considerable rise in the number of people who have access to financial services, according to the data that were published in 2016 by Child and Youth Finance International (CYFI). It has also been observed that the proportion of young people between the ages of 15 and 24 years old who have accounts at formal institutions has increased from 37% to 46%. According to the evidence that has been given, state agencies and international organisations face significant roadblocks. In compared to industrialised countries, developing and underdeveloped nations are confronted with a higher number of challenges. Only 53% of people aged 15 and older in Bosnia and Herzegovina (BiH) have accounts with financial institutions, according to the most recent figures provided by Findex. This indicates that financial inclusion in this country is rather low. This percentage is much lower than the average for industrialised countries, which is now at 94%, as well as the average for countries that are adjoining this country. The purpose of this

research is to analyse the obstacles that prevent young people from becoming included in the financial system. In addition to this, the research intends to provide actionable solutions to overcome these difficulties.

It has been noted that the young population in the city, comprised of people aged 15 to 24, has a rather high vulnerability to the disease. This might be linked to the high percentage of unemployment that is prevalent among this population, which the Agency of Statistics estimated to be 62.3% in the year 2015 when the data was collected. In addition to this, the lack of data on financial inclusion also adds to this vulnerability. The fundamental objective of this research is to identify and elaborate on the reasons that contribute to the restricted financial inclusion of the city of Thanjavur's young population. This will be accomplished by collecting data from a variety of sources. The primary hypothesis for this piece of study is as follows: The extent to which young people are included in the financial system is hampered by a number of reasons, including restricted access to financial services, insufficient understanding of financial matters, costly financial goods, an excessive amount of paperwork, and geographic distance from financial institutions.

The results of the study provide substantial new insights that may be used by decision-makers in the government of the FBIH to design economic policies and plans. The first section of this piece of writing goes into the terminology utilised in financial inclusion, the relevance of this notion, the challenges it provides, and past research that have been undertaken on the subject matter. The second half of the research provides an overview of the procedures for collecting the data, while the third portion of the study digs into the analysis and discussion of the empirical results. The culmination of the study includes a number of findings as well as suggestions.

## Review of Literature

According to the findings of the study that was conducted by Mohan (2006), financial inclusion has been recognised on several occasions as a factor that has the potential to have a positive influence on the economy as a whole. It is impossible to overestimate the relevance of boosting financial inclusion among the young demographic, since they form a considerable part of the population and play a crucial role in the progression of an economy. The existence of adequate levels of financial inclusion among young persons is advantageous for both the economic growth of the community and the personal development of the individuals. This is because both of these outcomes are favourable to the growth of the community as a whole. According to the United Nations (2013), one of the most important factors in attaining the goals of empowering young people and ridding the world of poverty is the availability of financial and social resources. Previous research indicates that an individual's level of financial literacy is correlated favourably with the degree to which they have access to formal financial services. It has been shown that this association has a positive impact on the progression from childhood to adulthood in terms of one's own personal finances as well as the overall economy. (Johnson & Sherraden, 2007; Lusardi, Mitchell, & Curto, 2010). The term "unbanked" is often used to refer to people who are not presently a part of the official financial system. The idea of "financial inclusion" seeks to include these "unbanked" persons into the formal financial system. Because of this integration, they would have access to a wide variety of financial services like credit, insurance, payment processing, and money transfers.

In reaction to the fact that the population of Europe is becoming older, the European Union has established a youth strategy. This strategy recognises the relevance of young people both as a resource that is valued and as a population that is vulnerable to being exploited. In 2012, this information was said to have been gathered by the European Commission. The e-MFP Youth Financial Inclusion Action Group was created in 2010 with the purpose of contributing to the rising body of knowledge about the provision of necessary financial and supplementary services to young people in developing countries. According to the findings of the European Microfinance Platform in 2018, this is essential to ensure that they are included in the financial system. Beck et al. (2007) established the existence of a negative correlation between indicators of access obstacles and actual utilisation of financial services. This suggests that people may be prevented from using bank services as a result of the existence of such hurdles. There may be legislative limitations that prevent persons under the age of majority from creating bank accounts in some countries. This is one of the obstacles that young people face on their path to being financially included. Alternately, these roadblocks might be the same as those that people of all ages encounter when they attempt to participate in the financial system.

There are some universal obstacles that occur as a result of a mix of supply- and demand-driven variables, despite the fact that problems and their causes might differ depending on the country and area in question. The study emphasises the following variables that impact financial inclusion: discrimination based on age and gender, poor financial literacy among both service providers and clients, and the financial obstacles experienced by low-income persons due to their erratic cash flow. Banks that are functioning in distant locations have enormous problems, the most notable of which are the barriers posed by geographical distances, the high transaction costs, and the high opportunity costs for people to bank with formal financial institutions. CARE, Plan, and Barclays collaborated in 2013 to carry out a research project. Kesavan (2015) uncovered a number of obstacles that impede individuals from gaining access to financial services. The psychological and cultural aspects, the legal identity, the income level, the terms and conditions, the procedural formalities, the restricted literacy, the residency, the social security payments, the job kinds, and the attractiveness of the product are all considered to be obstacles. Rani (2015) investigated the implications of financial inclusion by developing a conceptual framework

that studied the availability of banking and financial services in rural areas. This allowed her to analyse the impacts of financial inclusion. There are a wide variety of obstacles that must be overcome before financial inclusion can be achieved by banks. concerns include financial illiteracy, insufficient product knowledge, difficulties in contacting low-income groups, difficulty in accessing low-income populations, trouble accessing low-income populations, difficulty accessing low-income populations, inconsistent rules, different degrees of financial literacy, income inequalities, trust concerns, and poor banking infrastructure in remote regions are some of these challenges.

Shankar (2013) carried out research on the factors that contribute to or stand in the way of financial inclusion. According to the findings of the research, there are a number of obstacles to financial inclusion. Concerns on the supply side include the existence of physical hurdles, a dearth of relevant things, and difficulties with documentation. According to the findings of the research, psychological and cultural obstacles, as well as financial literacy deficits, are key variables that impact demand. According to Demircuc-Kunt and Klapper (2012), there are three primary kinds of barriers to financial inclusion. These include physical barriers, administrative barriers, and financial barriers. The field of finance is distinguished by the high expense of maintaining formal accounts, which excludes a significant number of people from having access to these records. The data that can be found in the worldwide Findex database are often employed in the research that is being conducted now to evaluate the worldwide extent of financial inclusion. In the current analysis, we used the exclusionary criteria from the Global Findex Database that was used the most often, which was the lack of a bank account. The research investigates the common factors that lead people not to open bank accounts, such as religious beliefs, distrust, the difficulty of opening an account, insufficient documentation, geographical barriers, high account fees, familial account ownership, perceived non-necessity, and financial constraints. These factors are examined in greater detail in the study.

According to the Committee on Financial Inclusion, the practise of providing vulnerable groups, such as low-income and weaker sectors, with access to financial services and appropriate credit at a fair cost when it is required is known as financial inclusion. The study focuses on the population that is disadvantaged and impoverished, with a special emphasis placed on young people owing to the high unemployment rates within that age group. among the quest to achieve the Sustainable Development Goals set out by the United Nations, one of the most important goals is to encourage the development of entrepreneurial abilities among young people. To ensure the success of any endeavour, it is essential to work towards achieving financial inclusion and literacy. The elimination of barriers to financial inclusion is the only way to make it possible to work towards the goal of expanding young people's access to financial services. The situation of people being excluded from the financial system is one that is often seen in nations that have a low GDP per capita, high levels of economic inequality, low literacy rates, low rates of urbanisation, and poor connectivity. This, on the other hand, is in contradiction to the concept of financial inclusion and is seen as a manifestation of social exclusion. In 2008, Mandira and Pais presented their results to the research community. According to Mitton (2008), the decrease of social isolation caused by financial exclusion should be emphasised by the government because of the potential for it to be caused by financial exclusion.

In order to guarantee the authenticity and dependability of the findings, the research approaches that were used in this examination were thoughtfully chosen. Research was conducted using a variety of methods, such as reviewing existing literature, conducting surveys and interviews, and analysing collected data. Statistical techniques were used to conduct an analysis on the data that was obtained in order to discover patterns and trends. The research methods that were used in this investigation were selected on the basis of their capacity to provide information that is both complete and accurate pertaining to the research issue. The outcomes of these methodologies served as the basis for the formulation of conclusions as well as suggestions for directions for further investigation.

## Methodology

The World Savings and Retail Banking Institute (WSBI) released some new numbers in 2014 that indicate the worldwide population of young people is anticipated to be somewhere around 1.5 billion, with emerging countries having a youth population ranging from 20% to 60%. In spite of this, data shows that young people experience greater rates of unemployment compared to adults, with rates that are anywhere from two to three times higher for young people. When a person is in the transition period of their life, which is more popularly referred to as youth, they confront significant financial demands as they attempt to fulfil different goals such as continuing their education, joining the career, or beginning a family. These goals may be expensive. Therefore, financial assistance is very necessary if they are going to be able to achieve their objectives. The existence of a significant barrier carries with it the risk of bringing about economic marginalisation. It is essential, for the purpose of assisting young people to fulfil their economic potential, rise above poverty, and avoid social exclusion, to locate and eliminate the barriers that prevent financial inclusion. It is possible that gains in both financial and social inclusion might result from the identification and removal of variables that contribute to poor financial inclusion. Multiple studies have shown a link between rising economic power and greater social inclusion. This association has been observed to exist. It has been determined that increased financial inclusion and bank competition are elements that lead to economic development and increased demand in the employment market, which, in turn, results

in growth that is more inclusive. According to the findings of a research project that was carried out in 2015 by Nenadovi and Golicin, it was discovered that... Young people face a substantial danger to their economic prospects and financial stability due to a lack of adequate financial literacy and restricted access to financial services.

The researcher has chosen a sample size of 137, through convenience sampling method. The secondary data is used in order to understand the previous study conducted in the similar area. The study involves in using SPSS software for making critical analysis and make interpretations from the data collected.

### Research Hypothesis

There is no significant difference between Lack of Financial knowledge among the youths and Barriers to financial inclusion

There is no significant difference between Socio economic reasons and Barriers to financial inclusion

There is no significant difference between banking procedures are complex and Barriers to financial inclusion

### Critical Analysis and Interpretation

This part of the study is involved in presenting the data analysis based on the information collected from the respondents, the sample population were chosen using convenience sampling method. The data is analysed used SPSS statistical package and the tools used are percentage rate analysis, regression analysis and univariate ANOVA.

**Table 1:** Percentage rate analysis

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	78	56.9
Female	59	43.1
<b>Agegroups</b>	<b>Frequency</b>	<b>Percent</b>
15 - 17 years	44	32.1
18 - 20 years	44	32.1
21 - 22 years	18	13.1
22 - 24 years	31	22.6
<b>Role</b>	<b>Frequency</b>	<b>Percent</b>
Pursuing Schooling	62	45.3
Pursuing college degree	52	38
Others	23	16.8
<b>Type of Family</b>	<b>Frequency</b>	<b>Percent</b>
Nuclear Family	81	59.1
Joint Family	56	40.9
<b>Level of Management</b>	<b>Frequency</b>	<b>Percent</b>
Yes	19	13.9
Yes, joint account	21	15.3
No	97	70.8
<b>Bank / ATM visit</b>	<b>Frequency</b>	<b>Percent</b>
Once a week	38	27.7
Once a month	37	27
Once in 6 months	24	17.5
Once a year	27	19.7
Havent operated it	11	8
Total	137	100

The table 1 shows that the 56.9% of the respondents are male and remaining are female, 32.1% were in the age group between 15 - 17 years, another 32.1% were in the age group of 18 - 20 years, 45.3% were pursuing schooling, 59.1% were in nuclear family and remaining 40.9% were in joint family, 70.8% mentioned that they don't possess any bank account, out of the remaining majority has stated that they hold joint account with their parents. 27.7% mentioned that they visit to bank, financial services institutions or ATM once a week, this is mainly to understand if they possess foundational awareness in operating banks and other services offered

### Correlation Analysis

The next step is to measure the level of association between the independent variables: Lack of Financial knowledge; Socio economic reasons and Procedures are complex towards the dependent variable : Barriers to financial inclusion.

**Table 2: Correlation Analysis**

Correlations	Lack of Financial knowledge	Socio economic reasons	Procedures are complex	Barriers to financial inclusion
Lack of Financial knowledge	1.000	.886**	.817**	.865**
Socio economic reasons	.886**	1.000	.856**	.870**
Procedures are complex	.817**	.856**	1.000	.829**
Barriers to financial inclusion	.865**	.870**	.829**	1.000

Based on the above table it is noted that coefficient of correlation is high for the variables Socio economic reasons and Barriers to financial inclusion with the value of +0.870 , followed by the Lack of Financial knowledge and Barriers to financial inclusion with coefficient value of +0.865 and lastly the association between Procedures are complex and Barriers to financial inclusion is at +0.829, this shows that all the variables possess high positive correlation.

### Chi square analysis

The last section is to test the hypothesis using the chi square analysis

**Table 3: Chi square test 1**

Cross Tabs	Barriers to financial inclusion					
Lack of Financial knowledge	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	0	3	0	0	0	3
Disagree	4	10	0	0	0	14
Neutral	0	0	17	0	0	17
Agree	0	0	0	12	15	27
Strongly Agree	0	0	0	25	51	76
Total	4	13	17	37	66	137
Chi-Square Tests	Value	df	P Value			
Pearson Chi-Square	284.569a	16	0.00			
Likelihood Ratio	203.595	16	0.00			
Linear-by-Linear Association	101.854	1	0.00			
Contingency Coefficient	0.822		0.00			

Based on the overall analysis it is noted that the p value of chi square test is 0.00, also the contingency coefficient is 0.00 which is less than the threshold level of 0.05, hence null hypothesis is rejected and it is concluded that there is a significant difference between Lack of Financial knowledge among the youths and Barriers to financial inclusion.

**Table 4:** Chi square test 2

Cross Tabs	Barriers to financial inclusion					
Lack of Financial knowledge	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	0	3	0	0	0	3
Disagree	4	10	0	0	0	14
Neutral	0	0	17	0	0	17
Agree	0	0	0	12	15	27
Strongly Agree	0	0	0	25	51	76
Total	4	13	17	37	66	137
Chi-Square Tests	Value	df	P Value			
Pearson Chi-Square	284.569a	16	0.00			
Likelihood Ratio	203.595	16	0.00			
Linear-by-Linear Association	101.854	1	0.00			
Contingency Coefficient	0.822		0.00			

Based on the overall analysis it is noted that the p value of chi square test is 0.00, also the contingency coefficient is 0.00 which is less than the threshold level of 0.05, hence null hypothesis is rejected and it is concluded that there is a significant difference between Socio economic reasons and Barriers to financial inclusion.

**Table 5:** Chi square test 3

Cross Tabs	Barriers to financial inclusion					
Procedures are complex	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Strongly Disagree	4	3	0	0	0	7
Disagree	0	10	0	0	0	10
Neutral	0	0	14	4	0	18
Agree	0	0	3	11	29	43
Strongly Agree	0	0	0	22	37	59
Total	4	13	17	37	66	137
Chi-Square Tests	Value	df	P Value			
Pearson Chi-Square	282.506a	16	0.00			
Likelihood Ratio	178.344	16	0.00			
Linear-by-Linear Association	93.38	1	0.00			
Contingency Coefficient	0.819		0.00			

Based on the overall analysis it is noted that the p value of chi square test is 0.00, also the contingency coefficient is 0.00 which is less than the threshold level of 0.05, hence null hypothesis is rejected and it is concluded that there is a significant difference between banking procedures are complex and Barriers to financial inclusion.

## Conclusion

As was discussed before, there is a possible connection between being excluded from the financial system and being excluded from society. Therefore, it is very necessary for governments to make the elimination of financial exclusion and the promotion of financial inclusion their top priorities. It is essential that young people have access to a variety of financial products and services in order for them to be able to make autonomous choices about their own finances, break free from the cycle of poverty, and realise their full potential. Research has indicated that persons who actively participate in social groups, engage in a variety of activities, participate in forums, and become members of nongovernmental organisations tend to have a greater degree of financial literacy. This may be attributed to the fact that these individuals are exposed to more information. In addition, making use of the opportunities presented by financial inclusion may also help to the financial literacy of a person. Because of their enhanced financial knowledge, prospective employers may have a more favourable impression of them. Policymakers need to depend on systematic evidence to understand the underlying causes of the problem of underutilization of financial services and to prioritise policy responses so that the problem may be successfully addressed. The purpose of this research is to investigate the degree to which young people in the Federation of Bosnia and Herzegovina are aware of the advantages that come with using formal financial services. It also evaluates



their financial habits, including whether or not they have a propensity to be financially inactive and how they feel about the importance of using financial services. According to the findings of the research, the young in the area are suffering from a lack of knowledge and awareness, which is causing them to lose out on potential financial opportunities and underutilize financial services. The lack of sufficient financial and material resources is a typical contributor to nonbanking as a method of financial management. According to the findings of the research, in order to make full use of the potential that young people have in terms of their financial well-being, it is important for the government and financial institutions to offer banking products that are geared specifically towards the requirements of young people. To do this, products and services need to be provided at prices that are affordable. In addition, it is of the utmost need to discover a method that is simpler and more user-friendly for minors to begin the account creation process.

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