

Barriers to Financial Inclusion Among Vulnerable Groups in Rural India: Challenges and Pathways to Equity

Ankita R. Potpite and Dr. S. M. Mishra

Department of Business Administration and Research
Shri Sant Gajanan Maharaj College of Engineering, Shegaon
ankitapotpите05@gmail.com

Abstract: *This study examines barriers of financial inclusion among vulnerable groups in India, focusing on rural areas of Karanja taluka and nearby villages. It highlights the gap between access to banking services and their actual usage, despite government schemes like PMJDY ensuring basic financial access. The main objective is to assess awareness of financial inclusion, identify financial services used by rural people, analyze challenges in accessing banking and government services, and evaluate the impact of government schemes.*

The study is based on primary data collected from 150 respondents through structured questionnaires using online and offline methods, analyzed using percentage and thematic analysis. Findings show that all respondents (100%) have bank accounts, but nearly 95% use only basic services like savings accounts due to barriers such as low financial literacy, lack of awareness, complex procedures, limited digital access, and dependence on informal sources. It concludes that financial inclusion in rural India is still incomplete and can be improved through financial literacy, simplified procedures, better infrastructure, and awareness programs..

Keywords: Financial Inclusion, Rural India, Karanja Taluka, Usage Gap, Financial Literacy, Banking Services, Government Schemes, Accessibility, Awareness

I. INTRODUCTION

1.1 Overview and Background of the Study

Financial inclusion means giving easy access to banking and financial services to all people, especially those living in rural and weaker sections of society. In India, the government has started many schemes like PMJDY, DBT, Aadhaar linking, and digital banking to help people open bank accounts and use financial services. These efforts have increased bank account ownership in rural areas like Karanja taluka and nearby villages. However, many people still do not use these services properly. Most of them only use basic services like saving money and do not use other services like loans, insurance, or digital payments. This is mainly because of low awareness, less financial knowledge, poor internet facilities, and difficulty in understanding banking processes. So, even though people have bank accounts, real financial inclusion is still not fully achieved.

1.2 Research Problem

Although the government has made many efforts to improve financial inclusion in India through schemes like PMJDY, DBT, and digital banking, many people in rural areas still face problems in using financial services effectively. Most people have bank accounts, but they do not use all banking services properly and depend only on basic services like savings. There is a clear gap between having access to financial services and actually using them in daily life.



This problem is mainly due to low financial literacy, lack of awareness, poor digital knowledge, difficult banking procedures, and limited understanding of government schemes. Many people also face trust issues with formal financial systems, which forces them to depend on informal sources. The main research problem is to understand why financial inclusion is not fully effective despite access to banking services.

1.3 Objectives of the Study

The main objective of this study is to understand the level of financial inclusion among rural people and the challenges they face in using financial services. This study focuses on analyzing awareness, usage, and the impact of government schemes on vulnerable groups.

The specific objectives are:

- To assess the awareness of financial inclusion among vulnerable groups in India.
- To find out what financial services they are using and how much.
- To identify the challenges, they face while using financial services.
- To review the impact of government schemes on financial inclusion.
- To suggest practical measures to improve access to affordable financial services for everyone.

1.4 Scope of the Study

This study focuses on financial inclusion among vulnerable groups in rural India and examines the challenges they face in accessing and using financial services. It also looks at the role of government schemes, financial institutions, and digital platforms in improving financial access. The study further highlights the outcomes of financial inclusion such as better savings habits, financial security, women empowerment, and reduced dependence on informal credit sources.

II. LITERATURE REVIEW

Objective 1: Awareness of Financial Inclusion

Financial inclusion in India has improved over time, but its effectiveness depends on how well people understand financial services. Many rural and vulnerable groups may have bank accounts, but they still lack awareness about how to use services like savings, insurance, digital banking, and government schemes. Studies show that poor awareness and limited communication with formal institutions prevent people from using financial services confidently, even when access is available (*(Open Access) Awareness of Financial Inclusion on Tribal People in (2014) | C. Annamalai | 1 Citations, n.d.*). This highlights that awareness is a key factor in achieving meaningful financial inclusion.

Objective 2: Use of Financial Services

Financial services are useful only when people actively use them. Research shows that households use different services like savings accounts, loans, and digital payments based on income, education, and access to technology. While cash is still widely used, digital payments and mobile banking are increasing in some areas (*(Open Access) The 2012 Diary of Consumer Payment Choice (2018) | Claire Greene | 36 Citations, n.d.*)(Foster et al., 2012) However, many rural and low-income groups still depend mainly on basic banking services and do not fully use advanced financial products, showing limited and uneven usage of financial services.

Objective 3: Challenges Faced While Using Financial Services

Despite improvements in financial inclusion, vulnerable groups in rural areas still face several challenges in effectively using financial services. Research shows that issues like distance from banks, long procedures, lack of financial literacy, and low education levels make it difficult for people to use formal banking services regularly (Sachindra G R, 2013) In addition, women face extra barriers due to social restrictions and dependence on family members, which limits their independent use of banking, credit, and digital services (Manta, 2019). Digital barriers such as poor internet



connectivity, lack of smartphone access, and fear of online fraud further reduce the use of digital financial services among rural people.

Objective 4: Impact of Government Schemes on Financial Inclusion

Government schemes like PMJDY, direct benefit transfer, and digital banking initiatives have significantly improved financial access in rural India. These programs have helped bring large numbers of people into the formal banking system and increased account ownership among vulnerable groups. Studies show that such initiatives have improved financial access, especially among women and low-income households, and promoted savings and digital transactions (Agrawal, 2019; Mohanty & Mitra, 2024). However, despite these efforts, many people still use services only partially due to lack of awareness and proper understanding.

Objective 5: Practical Measures to Improve Financial Inclusion

Studies suggest that improving financial inclusion requires making financial services more accessible, simple, and affordable for rural people. Key measures include increasing financial literacy, improving digital awareness, simplifying banking procedures, and expanding banking infrastructure in rural areas. Technology like mobile banking and digital payments can also help improve access if proper training and support are provided (Friedline, 2018; Lahaye, 2017). Overall, combining awareness, easy processes, and digital support can help vulnerable groups fully benefit from financial services.

2.1 Research Gap

Although financial inclusion has improved in India, most studies focus on access rather than actual usage of financial services. Limited research is available on awareness levels and real usage patterns among different rural vulnerable groups. Also, practical challenges and reasons for low adoption of banking and digital services are not fully explored. This creates a need for more field-based studies to understand real ground-level situations.

III. RESEARCH METHODOLOGY

3.1 Research Design

The study follows a descriptive research design to understand financial inclusion among vulnerable groups. It focuses on describing the current situation without manipulating any variables. The design helps in studying awareness, usage, and challenges faced by rural people in accessing financial services. It provides a clear picture of real field conditions.

3.2 Data sources

This study will use both primary and secondary data

Primary Data:

Primary data will be collected directly from respondents through:

Structured questionnaires

Personal interactions wherever necessary

Secondary Data:

Secondary data will be obtained from:

Published research papers

RBI and NABARD documents

Journals, articles, and literature related to financial inclusion

Sample Design:

Sample Size: 150 respondents

Sample Unit: Rural individuals (farmers, women, labourers, elderly people, etc.)

Sample Technique: simple random sampling



Geographical Area: Karanja region
Time Frame: October 2025 to March 2026

3.3 Tools for Data Analysis:

Excel

Percentages

Thematic analysis for open-ended questions

Included Factors: Awareness of financial inclusion, usage of financial services, challenges faced, and impact of government schemes

Exclusion: Urban population, corporate sector, and financial institutions are not included in the study

3.4 Tools Used for Data Analysis

Data is collected through online and offline questionnaires.

Data is organized and analyzed using Microsoft Excel.

Quantitative analysis:

Percentages

Tables

Charts and bar diagrams for graphical presentation

Qualitative analysis:

Thematic analysis for open-ended questions to identify barriers and perceptions

IV. DATA INTERPRETATION AND ANALYSIS

Question 1. Do you have a bank account?

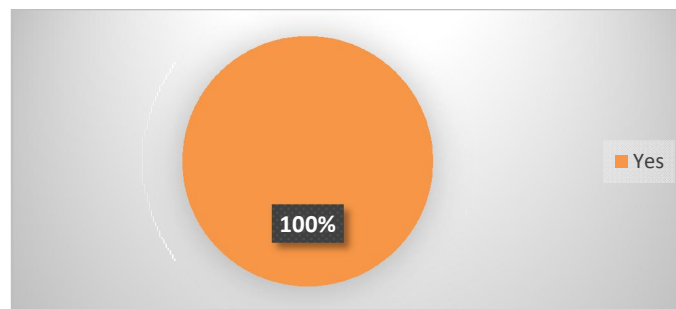


Fig 4.1: Graph showing the rating given by the respondents.

Analysis

The table and graph show that all respondents (100%) have a bank account, indicating complete access to basic banking services. However, although access is high, it does not ensure active usage of financial services.

Question 2. How often do you visit a bank?

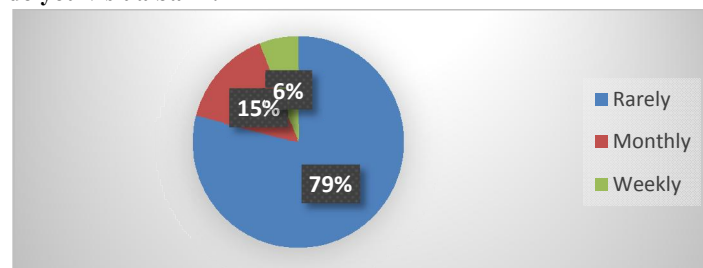


Fig 4.2: Graph showing the rating given by the respondents.



Analysis

The data shows that most respondents (79%) rarely use their bank accounts, while only a few use them monthly or weekly. This indicates that although many people have bank accounts, regular usage is low. It highlights a gap between ownership and active use, possibly due to lack of awareness, trust, or convenience.

Question 3. Which financial services do you currently use?

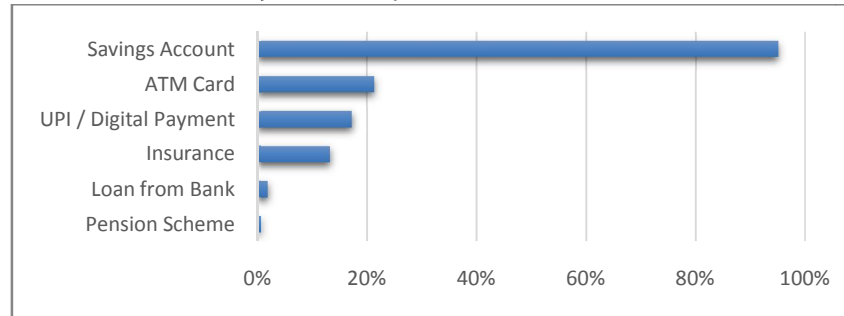


Fig 4.3: Graph showing the rating given by the respondents.

Note: Multiple responses are included, so total percentage exceeds 100%.

Analysis

The data shows that most respondents (95%) use savings accounts, while fewer use ATM cards and digital payments. Usage of insurance, loans, and pension schemes is very low. This indicates reliance on basic banking services and highlights the need to improve awareness and access to advanced financial products.

Question 4. Have you ever faced difficulty in using financial services?

From the thematic analysis of responses, it is found that most respondents have faced difficulties in using financial services. The key issues are lack of awareness, complex banking procedures, and low digital literacy. Some also reported internet problems and lack of proper guidance. Overall, the analysis shows that even with access to services, many people face challenges in effectively using them. Overall, despite having access, many people still find it difficult to effectively use financial services.

V. FINDINGS AND CONCLUSION

The data analysis shows that all respondents have bank accounts, indicating strong financial access in the study area. However, the frequency of bank visits is low, and most respondents mainly use only basic services like savings accounts, with very limited use of advanced financial products such as loans, insurance, and digital payments. Thematic analysis also reveals that many respondents face difficulties in using financial services due to lack of awareness, low digital literacy, and complex banking procedures. Overall, the study concludes that while financial access is high, actual usage and effective participation in financial services remain limited, highlighting a clear gap between access and utilization of financial inclusion.

REFERENCE

- [1]. Foster, K., Meijer, E., Schuh, S. D., & Zabek, M. A. (2012). The 2008 Survey of Consumer Payment Choice. *SSRN Electronic Journal*. <https://doi.org/10.2139/SSRN.1559959>
- [2]. Manta, A. (2019). Financial inclusion and gender barriers for rural women. *The International Journal of Management*, 10(5), 61–72. <https://doi.org/10.34218/IJM.10.5.2019.006>
- [3]. (Open Access) Awareness of financial inclusion on tribal people in (2014) | C. Annamalai | 1 Citations. (n.d.). Retrieved December 7, 2025, from <https://scispace.com/papers/awareness-of-financial-inclusion-on-tribal-people-in-2h55ptev14>



- [4]. (Open Access) *The 2012 diary of consumer payment choice (2018)* | Claire Greene | 36 Citations. (n.d.). Retrieved December 7, 2025, from <https://scispace.com/papers/the-2012-diary-of-consumer-payment-choice-ty9f0kn8hs>
- [5]. Sachindra G R, S. G. R. (2013). Need for Financial Inclusion and challenges ahead - an Indian Perspective. *IOSR Journal of Business and Management*, 9(5), 33–36. <https://doi.org/10.9790/487X-0953336>
- [6]. Mohanty, V., & Mitra, R. (2024). Understanding the governments schemes designed for tribal womens financial inclusion in the state of jharkhand and odisha. *International Journal of Advanced Research*, 12(07), 437–443. <https://doi.org/10.21474/IJAR01/19072>
- [7]. Agrawal, R. (2019). Review of Initiatives taken by the Government and the Banking Regulator for Successful Transition to a Financially Inclusive Economy: An Empirical Study of India. *Economic Analysis*, 52(1), 81–96. <https://doi.org/10.28934/EA.19.52.12.PP81-96>
- [8]. (Open Access) *Vision of the future: financial inclusion 2025 (2017)* | Estelle Marie Lahaye | 2 Citations. (n.d.). Retrieved December 10, 2025, from <https://scispace.com/papers/vision-of-the-future-financial-inclusion-2025-2te0ar59vf>

