SAVING BEHAVIOR AND BANKING CHALLENGES FACED BY RURAL PEOPLE IN VIRUDHUNAGAR DISTRICT

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ABSTRACT

Savings habits are crucial for economic stability and financial security, particularly in rural areas. This study examines the saving behavior and banking challenges of rural populations in Tamil Nadu's Virudhunagar District. Despite the increasing availability of banking services, many rural residents face socioeconomic barriers, low financial literacy, and inadequate banking infrastructure, limiting their ability to save. Key factors influencing saving behavior include income levels, employment opportunities, access to financial institutions, and cultural attitudes toward savings. The underutilization of banking services is further driven by limited awareness of digital banking, high transaction costs, and lack of trust in financial institutions. Additionally, inadequate banking infrastructure, such as a shortage of ATMs and bank branches, exacerbates these challenges. This study also explores government initiatives like Jan Dhan Yojana and microfinance programs aimed at enhancing financial inclusion. While these initiatives have made progress, gaps remain in ensuring financial empowerment for rural communities. The findings emphasize the need for improved financial education, better banking infrastructure, and innovative banking solutions tailored to rural needs. Strengthening financial literacy, expanding digital banking access, and providing saving incentives can encourage better saving habits and economic resilience, ultimately promoting sustainable financial growth in Virudhunagar District.

Keywords: Savings Behavior, Rural Communities, Banking Services, Financial Stability, Customer Service, Technology Adoption.

INTRODUCTION

Savings play an indispensable role in fostering financial security, enabling individuals to meet unforeseen expenses, achieve long-term goals, and improve their quality of life. In rural areas, savings are particularly crucial as they act as a buffer against economic uncertainties, seasonal income fluctuations, and emergencies. Despite its importance, saving behavior among rural communities in India, including those in Virudhunagar District, is often influenced by a combination of socio-economic, cultural, and infrastructural factors. Virudhunagar District, known for its rich cultural heritage and agrarian economy, faces unique challenges that hinder financial inclusion and the adoption of saving habits. Rural households in the district often struggle with low and irregular incomes, limited awareness of financial products, and inadequate

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access to banking services. These challenges are further compounded by socio-cultural norms, a lack of trust in formal banking institutions, and insufficient financial literacy, making it difficult for rural communities to integrate into the formal financial system.

The banking sector, a key enabler of savings, has made significant strides in expanding its outreach to rural areas through various government initiatives and technological advancements. However, persistent barriers such as geographical inaccessibility, inadequate infrastructure, lack of customized financial products, and poor customer service continue to undermine these efforts. Moreover, the rapid digitization of banking services has created a digital divide, leaving many rural residents unable to utilize modern financial tools effectively.

This study aims to explore the saving behavior of rural communities in Virudhunagar District, focusing on the socio-economic factors and challenges that influence their saving habits. It also examines the role of financial institutions in addressing these challenges and promoting a culture of saving. By analyzing the interrelationship between demographic variables and saving patterns, the study seeks to provide insights into the barriers faced by rural communities and offer actionable recommendations to enhance financial inclusion and savings in the region.

STATEMENT OF THE PROBLEM

Numerous socio-economic, cultural, and infrastructure issues impact banking services and saving habits in rural communities. Rural residents in Virudhunagar District still face many obstacles with regard to banking accessibility and saving habits, even with the government's efforts to improve financial inclusion and increase banking services. There is little research on how traditional customs and contemporary banking systems impact rural residents' saving habits, and it is unclear how much these difficulties impact their financial behaviour and decision-making.

The purpose of this study is to determine the banking difficulties that rural communities in Virudhunagar District face as well as to investigate their saving habits. The study will concentrate on the obstacles that prevent them from saving efficiently, such as socioeconomic limitations, awareness of savings products, and access to financial services. Additionally, it will look at how banks and other financial institutions might encourage saving practices in rural areas and how well-suited current financial services and products are to the needs of rural communities.

OBJECTIVES OF THE STUDY

- To analyze the saving behavior of rural communities in Virudhunagar District.
- To identify the challenges faced by rural communities in accessing banking services.
- To assess the level of awareness and adoption of digital banking among rural populations.
- To examine the role of local banks and financial institutions in promoting savings and

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financial inclusion in rural areas.

- To evaluate the socio-economic factors that influence saving behavior in rural areas of Virudhunagar District.

REVIEW OF LITERATURE

- **Dev (2006)** emphasized the need for banking services tailored to the needs of rural customers, including flexible saving schemes and low-cost accounts.
- **Lusardi and Mitchell (2007)** stressed that financial literacy is a critical determinant of saving behavior, with higher literacy levels leading to better financial decision-making. In rural settings, however, low financial literacy remains a major barrier.
- **Beck, Demirgüç-Kunt, and Levine (2007)** explored the challenges of financial inclusion, identifying geographical inaccessibility, inadequate banking infrastructure, and lack of customized products as major obstacles in rural areas.
- Cultural and social norms have a profound impact on rural saving habits. **Basu and Basu (2010)** noted that traditional beliefs often favor informal saving methods, such as gold or livestock, over formal banking systems.
- **Kumar & Tiwari (2011)** identified that low-income levels and irregular earning patterns in rural areas significantly limit the ability to save. These findings are particularly relevant to regions like Virudhunagar, where agricultural dependence results in seasonal income variations.
- **Chakrabarty (2013)** argued that social influences, such as peer saving habits and family financial practices, shape individual attitudes towards savings in rural areas.
- **Sharma and Reddy (2015)** highlighted that awareness campaigns and targeted financial education programs could significantly improve saving habits among rural populations.

RESEARCH METHODOLOGY

This study is descriptive in nature and the data is collected with the help of questionnaire with convenience sampling method with sample size of 380. This data is collected in rural people of around virudhunagar district rural areas.

Data Collection:

Both primary and secondary data are used in the study's analysis.

Primary Data: Gathered using a methodical survey. Both closed-ended and open-ended questions about banking preferences, issues, and habits are included in the survey.

Methods: In-person interviews and, if possible, online and in-person questionnaire distribution.

Secondary Data: Gathered from government publications, journals, research articles, bank data, and published reports.

GENDER WISE CLASSIFICATION OF THE RESPONDENT

The gender-wise classification of respondents in the study on saving behavior and banking challenges in Virudhunagar district reveals distinct patterns. Male respondents typically demonstrate higher engagement with formal banking services and savings, often due to greater financial independence and employment opportunities.

Table-1
Gender wise Classification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Male**	248	65.3	65.3	65.3
	Female	132	34.7	34.7	100.0
	Total	380	100.0	100.0	

Source: Primary data

From the above table-1 explains the gender classification of the respondents. Out of 380 customers, a majority of 65.3 percent of the respondents is male and the remaining 34.7 percent of respondents are Female. Maximum respondents come under the gender of male.

EMPLOYMENT STATUS OF THE RESPONDENTS

The employment status of respondents plays a significant role in shaping saving behavior and the banking challenges faced by rural communities in Virudhunagar district. Many respondents are engaged in informal or irregular employment, which leads to fluctuating incomes and limited financial stability. This uncertainty impacts their ability to save consistently and access formal banking services, highlighting the need for tailored financial solutions to address these challenges in rural areas.

Table-2
Employment Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**Yes**	282	74.2	74.2	74.2
	No	98	25.8	25.8	100.0
	Total	380	100.0	100.0	

Source: Primary Data

Table-2 shows that employment status of the respondent. Out of the 380 respondents, 282 individuals, or 74.2%, reported being employed. On the other hand, 98 respondent or 25.8% are not employed. The majority of the sample population is engaged in some form of employment.

CATEGORIES OF EMPLOYMENT

The study on saving behavior and banking challenges faced by rural communities in Virudhunagar district examines various categories of employment, such as agriculture, daily wage labor, small-scale businesses, and government jobs. These employment types influence individuals' saving patterns and access to banking services. Challenges like irregular income, lack of financial stability, and limited banking infrastructure in rural areas play a significant role in shaping the saving behavior of these communities.

Table-3
Categories of Employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee in private sector	124	32.6	44.0	44.0
	Employee in public sector	26	6.8	9.2	53.2
	Professionals	16	4.2	5.7	58.9
	Self-employed/Business	86	22.6	30.5	89.4
	Agriculture/Horticulture	28	7.4	9.9	99.3
	Pensioner	2	.5	.7	100.0
	Total	282	74.2	100.0	
Missing	System	98	25.8		
Total		380	100.0		

Source: Primary Data

Table-3 shows that categories of employment. Out of the 380 respondents 282 respondents were employed, 124 (44.0%) respondents are employed in the private sector. 26 (9.2%) respondents are employed in the public sector. 16 (5.7%) individuals work as professionals. 86 (30.5%) respondents are self-employed or own a business. 28 (9.9%) respondents are employed in agriculture or horticulture. Only 2 (0.7%) individuals are pensioners. The majority of the respondents was employed private sector.

CATEGORIES OF UNEMPLOYMENT

Categories of unemployment, as discussed in the context of saving behavior and banking challenges faced by rural communities in Virudhunagar district, include structural, cyclical, and seasonal unemployment. These forms of unemployment directly impact the financial stability of individuals, limiting their ability to save and engage with banking services. The irregularity of income due to these employment categories exacerbates the challenges in fostering consistent saving habits and accessing reliable banking facilities in rural areas.

Table-4
Unemployment categories

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Housewife	68	17.9	69.4	69.4
	Job seeker	28	7.4	28.6	98.0
	Student	2	.5	2.0	100.0
	Total	98	25.8	100.0	
Missing	System	282	74.2		
Total		380	100.0		

Source: Primary Data

Table-4 indicate that the unemployment categories of the rural people. Out of the 380 respondents 98 were unemployed, 68 (69.4%) of them were housewives. In the job seeker survey, 28 (28.6%) of the respondents are unemployed. Two students (2.0%) are unemployed. The vast majority of the jobless population, indicating that a substantial percentage of jobless people in this sample are involved in domestic duties.

PROBLEMS FACED BY CUSTOMER

The study on saving behavior and banking challenges faced by rural communities in Virudhunagar district highlights several key issues, including limited access to banking infrastructure, lack of financial awareness, and inadequate support from local banks. Customers often face difficulties in saving due to low income, irregular earnings, and limited trust in formal banking systems. These challenges create barriers to adopting regular saving habits, hindering financial stability and growth in rural areas.

Table-5
Problems faced by customer

	N	Mean	Rank
Low income	380	4.94	1
Poor advertisement on the services available	380	6.09	2
No willing to take risk	380	6.20	3
Lack of awareness of savings	380	6.23	4
Limited time and services	380	6.40	5
Poor co-operation from banking staff	380	6.52	6
Poor network connectivity	380	6.52	7
I'm unable to get proper information	380	6.53	8
Already I have lost my money	380	6.92	9
Service not available at the nearest place	380	6.95	10
No reliable person to advice	380	7.27	11
I'm advised, but I'm unwilling to saving	380	7.40	12

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Valid N (listwise)	380		

Source: Primary Data

- Low Income (Mean = 4.94, Rank = 1): The most significant problem faced by customers is low income, with the lowest mean value of 4.94. This suggests that a large number of customers consider financial constraints as the primary barrier to effective banking or saving practices.
- Poor Advertisement on the Services Available (Mean = 6.09, Rank = 2): Poor advertisement or lack of awareness about available banking services ranks second. With a mean of 6.09, this indicates that many customers feel inadequately informed about banking options or services due to insufficient marketing efforts.
- No Willingness to Take Risks (Mean = 6.20, Rank = 3): A lack of willingness to take financial risks is also a notable concern, as indicated by the mean of 6.20, ranking third. This suggests that customers are hesitant to explore certain banking services due to the perceived risks involved.
- Lack of Awareness of Savings (Mean = 6.23, Rank = 4): Customers also face issues with a lack of knowledge about saving options. With a mean of 6.23, this ranks fourth, showing that financial literacy remains a significant challenge for many.
- Limited Time and Services (Mean = 6.40, Rank = 5): Limited time and availability of services is a moderately ranked problem. The mean of 6.40 indicates that customers are restricted in terms of when and where they can access banking services, which impacts their overall banking experience.
- Poor Cooperation from Banking Staff (Mean = 6.52, Rank = 6): Customer interactions with banking staff seem to be problematic, with poor cooperation from staff ranked sixth. This issue, with a mean of 6.52, highlights dissatisfaction with the service quality or attitude of staff.
- Poor Network Connectivity (Mean = 6.52, Rank = 7): Network connectivity problems, which affect online and digital banking services, rank similarly to poor cooperation from staff, with a mean of 6.52. This suggests that unreliable internet or network services create significant hurdles in accessing banking services, especially in rural areas.
- Unable to Get Proper Information (Mean = 6.53, Rank = 8): A lack of proper and reliable information is also a notable problem, as indicated by the mean of 6.53. Customers feel that they are not receiving the necessary information to make informed financial decisions.
- Already Lost Money (Mean = 6.92, Rank = 9): Concerns about losing money in previous banking or financial transactions are more pronounced, with a mean of 6.92, indicating that past negative experiences have led to trust issues among customers.
- Service Not Available at the Nearest Place (Mean = 6.95, Rank = 10): The issue of banking services not being available at a convenient or nearby location ranks tenth, with a mean of 6.95. Customers find it challenging when banking services are not easily accessible in their vicinity.

- No Reliable Person to Advise (Mean = 7.27, Rank = 11): The absence of trusted advisors or reliable sources of financial advice ranks second-to-last, with a mean of 7.27, suggesting that customers lack guidance in making financial decisions.
- Advised but Unwilling to Save (Mean = 7.40, Rank = 12): The final and most significant problem faced by customers is their unwillingness to save, even when advised to do so, with the highest mean of 7.40. This indicates that many customers recognize the importance of saving but are reluctant or hesitant to engage in saving practices.

CONCLUSION

The study on saving behavior and banking challenges faced by rural communities in Virudhunagar District reveals a complex interplay between socio-economic factors, access to banking services, and individuals' financial habits. It is evident that while rural populations are increasingly aware of banking services, there remains a significant gap in their full utilization due to various challenges. The findings highlight that saving behavior in rural communities is largely influenced by factors such as income stability, education levels, and the availability of suitable banking products. A considerable portion of the population prefers informal saving mechanisms, such as savings in physical assets or local saving groups, due to a lack of trust in formal banking systems or limited knowledge of banking products. Furthermore, financial literacy appears to be a critical factor in shaping saving behavior, with many rural individuals unaware of the potential benefits of formal savings accounts, investment schemes, and government-backed financial products.

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