OPEN ACCESS

Volume: 12

Special Issue: 1

Month: February

Year: 2025

P-ISSN: 2321-788X

E-ISSN: 2582-0397

Received: 20.12.2024

Accepted: 14.01.2025

Published: 28.02.2025

Citation:
Divya Arockya. SF, and P. Kalpana. "Exploring The Relationship Between Financial Inclusion on Financial Well-Being in Rural Tamil Nadu." *Shanlax Inernational Journal of Arts, Science and Humanities,* vol. 12, no. S1, 2025, pp. 427-35.

DOI:
https://doi.org/10.34293/sijash.v12iS1-Feb.9989.

Exploring The Relationship Between Financial Inclusion on Financial Well-Being in Rural Tamil Nadu

SF. Arockya Divya
Assistant Professor
School of Management
Dwaraka Doss Govardhan Doss Vaishnav College, Chennai, Tamil Nadu

P. Kalpana
Assistant Professor
Department of Management Studies
Kottakkal Farook Arts & Science College

Abstract

The study aims to investigate the factors that influence financial inclusion. It then examines the impact of financial inclusion on the financial well-being of Indian banks. Enhancing the trend of better financial management practices is critical, particularly for working employees, due to higher levels of existing personal indebtedness and a growing emphasis on personal responsibility for financial planning among them. Because of the complexities of financial commodities in the marketplace, employees' roles in managing their finances are becoming more complex. As a result, the primary goal of this research is to investigate the determinants of employees' financial well-being (FWB) among employees in India. A researcher with a multistage sampling technique used it. It chose a sample of 120 public sector employees from the Dindigul district in Tamil Nadu. The data have gathered using a self-administered questionnaire. According to the regression analysis, the variables contributed 32.3% to the model. Financial Inclusion (Availability, Accessibility, and Usage) contributed significantly to FWB, while financial practices have been identified as FWB's most essential performing aspect. The study's findings will help the government and private banks develop a comprehensive approach to improving the living standards and FWB of employees from lower-income households. More understanding of the determinants of FWB plays an essential role in assisting workers in equipping themselves with financial prudence, which in the long run would reduce the rate of Indian workers experiencing financial difficulties.

Keywords: Financial Inclusion, Availability, Accessibility and Usage and Financial Well-Being

Introduction

Financial well-being (FWB) has recently gained expanding consideration by scientists and researchers from various fields. Endeavours have been made to explain a vision of the FWB and distinguish what contributes to FWB or wellness. Shim et al. (2009) characterize FWB as gratification with an individual's existing economic standing and level of debt. As per Joo (2008), FWB is a sensation of being financially strong, pleased, and free from worry and is generally established on an emotional examination of a person's budgetary circumstance. However, van Praag et al. (2003) describe FWB as overall satisfaction with an individual's financial state. Joining two phrases, finance and well-being, lessen one of the greatest hindrances to individuals concentrating on finances, which is the tendency to think about monetary matters as independent from or disconnected from the different lifecycle components. FWB is a significant influence in deciding one's satisfaction. From a person's perspective, FWB is substantial, and studies have demonstrated a solid and constructive connection to the overall well-being of a person. Van Praag et al. (2003) stated that a wise expenditure pattern and savings account balance are critical factors affecting personal well-being. Moreover, they influence employees' mental and physical well-being and enhance work efficiency by fortifying their job duties.

However, an imbalance in FWB among employees could adversely influence organizational efficiency. Employees who are financially unhealthy are regularly stressed and distracted, affecting absenteeism, efficiency, retirement, and medicinal services costs. In this manner, employee well-being is a critical factor that organizations are endeavouring to deliver to guarantee that their staff stay happy and motivated at work. A happy workforce means not only a productive workforce but also a productive workplace. Furthermore, employees of exchanging companies will probably drop revenue, and the non-financial advantages of working for the company make bankruptcy costly for workers. Bankruptcy is a legal process via which individuals who cannot reimburse obligations to lenders may seek help from a few or the majority of debts. In most jurisdictions, bankruptcy is forced by court order, regularly started by the indebted person. Organizations with enthusiasm for employee well-being are, in this manner, prone to diminish the opportunity of bankruptcy, contrasted with companies with lower interests in employee well-being. Since bankruptcy happens when companies cannot satisfy their debt payments, an undeniable method for diminishing the likelihood of financial distress is diminishing the company's influence.

Moreover, an abnormal state of employee well-being is related to a lower debt-assets ratio (Verwijmerena & Derwall, 2010). According to the studies, developing countries face a financing gap and limited access to banking services. As a result, for long-term growth, countries are focusing on individual financial access and financial well-being (FWB). Individuals need to be better developed, despite various innovations in finance and technology, to promote financial inclusion and increase access to finance-oriented products and services banks provide.

Review of Literature

Kumar, J., & Bansal, G. (2021). Thus, the findings show that without AC, FL alone cannot improve the level of FWB among people living in India's National Capital Region. Prior research has undoubtedly investigated the relationship between FL and FWB; however, the mediating role of AC in this domain has yet to explore. The findings will allow governments and policymakers to target vulnerable groups and develop financial strategies and policies to increase their FL level, increasing their access to banking services and thus help advance the FWB level.

Nandru, P., Chendragiri, M., & Velayutham, A. (2021). The study aims to investigate the factors that influence financial inclusion. It then investigates the impact of financial inclusion on the financial well-being of marginalized street vendors in India. Accessibility, availability, usage, and affordability were significant determinants of financial inclusion among the study's five dimensions; however, the financial literacy dimension is statistically insignificant. Furthermore, the study findings confirm that financial inclusion significantly improves the well-being of marginalized street vendors. The study's findings will assist all stakeholders, including policymakers and financial institutions, in developing policy guidelines to ensure the financial well-being of marginalized street vendors through financial inclusion initiatives.

Omar, M. A., & Inaba, K. (2020). This study will examine the impact of financial inclusion on poverty and income inequality and the factors that influence it. To that end, we develop a novel index of financial inclusion based on a broad set of financial sector outreach indicators. It also discovered that per capita income, internet user ratio, age dependency ratio, inflation, and income inequality significantly impact financial inclusion in developing countries. Furthermore, the findings prove that financial inclusion reduces poverty and income inequality in developing countries. The findings support further promoting access to and utilization of formal financial services by marginalized populations to maximize society's overall welfare.

Le, T. H., Chuc, A. T., & Taghizadeh-Hesary, F. (2019). According to the estimation results, increasing financial inclusion hurts financial efficiency while positively impacting financial sustainability. The findings are consistent across the entire sample and the two subsamples of countries with varying income levels. This means that while there are policy synergies between increasing financial inclusion and maintaining financial sustainability, proper attention must pay to the side effect of increased financial inefficiency.

Theoretical Background

Accessibility

Accessibility refers to the ability to use available financial services, such as having few potential barriers to opening a bank account, being affordable, and being physically close to bank service points such as branches, automated teller machines (ATMs), and so on (Alliance for Financial Inclusion, 2010). Financial inclusion is associated with improved access to financial services, such as lower banking costs, closer proximity to branches, and fewer documentation requirements to open a bank account (Allen et al., 2012). Individuals' ability to use formal financial services was represented by accessibility, and greater accessibility has been expected to foster financial inclusion (Camara & Tuesta, 2014). The accessibility dimension built by Sarma (2008) is one of the three basic dimensions of financial inclusion. Similarly, two additional studies have used 'accessibility' as a dimension to measure financial inclusions as part of the development of IFIs (Chakravarty & Pal, 2013; Chattopadhyay, 2011).

Availability

For an inclusive financial system, availability refers to the ease with which users can obtain financial services (Sarma, 2008). Sharma (2016) defines availability as geographic and demographic penetration of banking services. However, most of the literature on IFI in the Indian context examined that geographic penetration of banks, ATMs, and the availability of financial services at affordable credit are strategic policy objectives for increasing financial inclusion (Chakravarty & Pal, 2013). To analyze availability issues, it is necessary first to understand the quantum of financial services available to the public (Claessens, 2006).

Usage

Usage is concerned with the longevity and breadth of financial services or products. It also refers to the regularity, frequency, and length of time spent (Alliance for Financial Inclusion, 2010). The use of formal financial services can determine by socioeconomic factors such as GDP per capita, human capital, legal framework, and cultural habits that encourage individuals to use financial services regularly (Camara & Tuesta, 2014). In terms of population density, the number of branches and ATM networks contributes to greater individual access to financial services (Beck et al., 2007). Simply having a bank account is insufficient for financial inclusion; the account must be utilized appropriately (Sarma, 2008). According to the existing literature, the banking system's use has been incorporated into the construction of IFIs (Camara & Tuesta, 2014; Chattopadhyay, 2011; Gupte et al., 2012; Sarma, 2008; and Yorulmaz, 2013).

Financial Well-Being

Financial well-being has defined as the ability to meet financial goals and have enough money to enjoy life (Michael Collins & Urban,2020). Financial well-being is defined by Mahendru (2020) as "an individual's ability to quickly meet his/her current financial obligations and needs of the present and future (financial security), and his/her temperament toward financial freedom today and tomorrow (financial freedom)." As measured by access to bank accounts and credit cards, women's financial inclusion positively impacts economic development (Cabeza-Garcia et al., 2019). Financial inclusion will ensure inclusive growth by providing socially and economically marginalized groups equal access to financial services (Thorat, 2007). Financial inclusion can benefit rural residents and the poor worldwide (Allen et al., 2012). Financial inclusion significantly impacts primitive tribal households' socioeconomic well-being (Nandru & Rentala, 2019). Compared to unbanked households, financial inclusion accrues economic benefits through access to financial services to banked rural households (Dupas et al., 2017).

4. Objectives of the Study

1. To study the demographic profile of the respondents
2. To investigate the Influence of Financial Inclusion on Financial Well- Being.

Conceptual of the Study

The availability, accessibility, and usage strategies are some of the significant factors that affect FWB; hence, PIH is used as one of the supportive hypotheses of the theoretical framework.

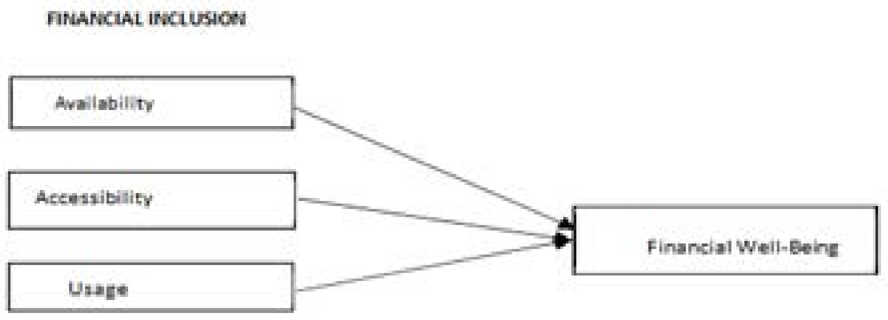

Fig. 1. Theoretical framework

Research Methodology

There were 140 participants randomly chosen for this research, and 120 completed questionnaires were received from respondents. Thus, 120 respondents are obtained from the Dindigul district in Tamil Nadu. A list of all government and private banks in the selected areas will be provided upon confirming the locations.

Results and Discussion

It may be a reliability test to determine whether or not items on a five-point Likert scale consistently identify the same criteria. Cronbach's alpha values of 0.852 and 0.926 indicate that all the things for Financial Inclusion on Financial Well- Being are trustworthy and acceptable. It ensures that the researcher can rely upon the research questions' answers. A questionnaire asked respondents to provide details about themselves, including their gender, age, marital status, educational background, monthly income, and residing since. Summary respondent demographics are provided in Table 1.

Table.1: Demographic Profile of the Respondents

Variable	Description	Frequency	Percentage
Sex	Male	62	52
	Female	58	48
Age (in years)	<20	12	10
	21-30	35	29
	31-40	18	15
	41-50	15	13
	51-60	24	20
	>60	16	13
Marital Status	Married	80	67
	Unmarried	18	15
	Divorcee	16	13
	Widow/widower	6	5
Education	UG	84	70
	PG	24	20
	Above PG	12	10
Monthly Income	<30,000	35	29
	30,000 – 40,000	18	15
	40,000-50,000	15	13
	50,000-60,000	24	20
	Above 60,000	28	23
Residing since	0-5 years	147	36.75
	5- 10 years	35	29
	10- 15 years	58	48
	>15 years	27	23
	Total	120	100

*** Source: Primary data

Regarding gender, 52% of the participants were female, and the remaining balances were male. More than half (29%) of the respondents were between 21-30 years old, and more than two-thirds were married (67%). Regarding education, about 70 % of the respondents had a tertiary level of education from undergraduate graduates. The result displays that a higher percentage of the respondents had monthly incomes less than RM3, 000. The majority of the participants were a monthly income is less than 30,000 (29%). At the same time, 48 % of the respondents have been Residing since.

Table 4: Pearson's Correlation Coefficients between Availability, Accessibility and Usage with FWB

Variable	R-Value	P-value
Availability	0.472**	0.000
Accessibility	0.414**	0.000
Usage	0.397**	0.000

***Significant: **p<0.01; *p<0.05

H1: A significant difference exists between employees' Availability and FWB.

Pearson's Correlation Coefficient is utilized to study whether there is a connection between availability and FWB of workers. A positive relationship was identified according to Pearson's Correlation results in Table 4 between availability, and FWB (r=0.472, n=120, p=0.000), which fits the research hypothesis. More elevated levels of availability were related to more prominent dimensions of FWB. Previous research has also proved that availability distinctions have encouraged the perception of an individual's income and FWB. Furthermore, availability becomes one of the significant indicators of FWB as expanded favourable availability significantly affects individuals' overall well-being, thereby decreasing social and psychological pressures. It demonstrates that the person with favourable availability stimulates the mortality salience on the perception of money and tends to accomplish a more significant amount of income. A decent income substantially affects financial satisfaction, which leads to a superior FWB. Therefore, the hypothesis was accepted.

H2: A significant difference exists between employees' Accessibility and FWB.

Pearson's Correlation Coefficient was applied to find out the association between accessibility and employees' FWB, and the results were lined with the research hypothesis because a positive association was observed between accessibility and FWB (r=0.414, n=100, p=0.000). More familiarity with accessibility is linked with higher percentages of FWB. Past studies have shown a special connection between accessibility and FWB (Gutter & Copur, 2011). Further, pointed out that a higher number of positive financial behaviours and financial practices were associated with a higher FWB level. It showed that inappropriate financial management practices are negatively linked to wellness, and specified that problematic financial behavioural practices of university undergraduates might influence their future FWB of them. Hence, the hypothesis was accepted.

H3: A significant difference exists between employees' Usage and FWB.

Pearson's correlation coefficient is utilized to analyze the association between usage and FWB of employees. The results are compatible with the research hypothesis because a positive correlation is indicated between usage and FWB (r=0.397, n=120, p=0.000). A higher level of SWB is shown by persons with more substantial general usage (Yuehua & Song, 2004). Furthermore, the results confirmed that general usage plays a vital role in workers' well-being in the collectivist society of China. Sahu and Rath's (2003) study found a solid connotation between usage and FWB. In contrast, an employee with high usage can uplift the level of their FWB. Hence, the hypothesis was acknowledged.

It is multivariate results for the Financial Inclusion determinants of FWB among employees.

The contributory influences of FWB were analyzed using multiple regression analysis for the availability, accessibility, and usage are considered as the independent variables for the study. Therefore, multiple regression analysis can be performed.

Table 5: Results of multiple regression analysis for the determinants of FWB

Variable	b	Beta	t	Sig.
Availability	1.339	0.235	5.107	0.000**
Accessibility	0.566	0.324	8.273	0.000**
Usage	0.573	0.203	4.568	0.000**

H4: Availability, Accessibility and Usage are significant determinants of the FWB of employees.

The multiple regression results of the study for the four factors are displayed in Table 5 and clarified 32% of the variance of FWB. It could explain the capability of other elements that explain the rest of the variance of FWB of the selected employees. The Beta values demonstrate the percentage of involvement of independent variables to describe the dependent variable, and the significant value may describe whether the effects of independent variables are significant or not on the prediction of the dependent variable. According to the obtained results, all three independent variables, accessibility, usage, and availability, were significant. Therefore, the hypothesis was accepted, and accessibility was the highest forecaster of FWB among employees in rural India (Beta= 0.324). The results also have shown that availability, accessibility and usage were positively predicting FWB.

Furthermore, employees with greater availability, accessibility, and usage have greater FWB. In addition, some favourable availability may support a person to succeed in his/her financial status via budgeting, intensify their determination to earn better earnings, and secure their upcoming financial requirements. Beta values indicated that accessibility becomes the most significant predictor of FWB, followed by availability and usage.

Conclusion and Implications

This study investigated the contributory factors of FWB among bank employees in a rural area in India using multiple regression analysis. The aftereffects of the current study offer numerous vital understandings. First, the outcomes proposed that the employees must display necessary financial practices such as savings, cash, and credit management to become financially healthy. FWB is expressed as ''high'' if the employees have well financial behaviours and positive financial attitudes. That is reliable with prior examinations (Shim et al., 2009; Xiao et al., 2009), and it has revealed positive effects of positive financial behaviours on FWB. It has specified that employees with positive financial behaviours such as saving, budgeting, not carrying out any risky credit card behaviours, and less prone to compulsive buying significantly expanded the FWB. The tremendous financial behaviours are significant because they determine the possible alterations in FWB (Joo, 2008). Xiao et al. (2009) likewise have shown that proper financial strategies in managing money, credit card, and saving were positively associated with the FWB. Therefore, financial education programs will be recommended to uplift positive financial accessibility to improve employees' well-being directly.

Second, favourable availability helps people be cautious in expenditures via budgeting and planning for their upcoming financial necessities. Further, it demonstrates the influence of attitudes towards money on the association between subjective and objective indicators of employee wealth in India. Third, the results have supported the positive association between general usage and FWB. The outcome was validated by past findings (Chen et al., 2001; Judge & Bono, 2001). People with lower dimensions of usage demonstrated a higher degree of decrease in mental well-being than those with higher levels of usage as pressure levels expanded. Generally, general usage assumes a significant job in FWB (Siu et al., 2007). Schaubroeck and Merritt (1997) clarified that job control alleviates the impacts of difficulties on anxieties among people with significant usage, which would have pressure-improving impacts among those with low usage. Therefore, improving the usage levels in employees is essential to increase workplace productivity as well as their well-being.

Therefore, the current study outcomes are inconsistent with some of the previous studies. The research outcomes could be guidelines for the RBI, especially for the Economic Planning Unit (EPU), in planning economic policies. Further, it is imperative to elevate financial education to employees because it can deliver the essential skills, knowledge, and tools to make knowledgeable conclusions with self-confidence. Therefore, this activity will feature the significance of financial accessibility as essential talent for workers to train them on how to improve and continue well financial behaviour and practices for FWB. Endeavours to give quality financial practices to Indians might support increasing purchasers' comprehension of their FWB. Hence they can set up and accomplish individual financial goals and develop financial security.

Employer-sponsored work environment, financial counselling, and education might be a solid deal for the future. The financial knowledge-improving projects, for example, cluster workshops on appropriate financial practices or individual programs between financial counsellors, and employees, might help employees effectively. Borden et al. (2008) presumed that successful financial training in a workshop setup might be both advantageous and open to a more extensive group of employees. It might be compelling to encourage FWB in Malaysian employees. Decreased financial stress might assist employees in being more focused on the work environment, thus benefiting companies. To summarize, this study gives extra knowledge concerning the effect of accessibility, availability, and usage on employees' FWB. It appears that it is essential to study the instrumental and affective aspects of accessibility usage and availability distinctly, as their effect on the connection between subjective and objective wealth indicators varies. Future studies will be expected to recreate outcomes presented in this paper in various samples and cultures and with different measures of FWB and accessibility, usage, and availability, to improve our comprehension of the current study.

References

1. Arendt, S., & Brettel, M. (2010). Understanding the influence of corporate social responsibility on corporate identity, image, and firm performance. Management Decision, 48(10), 1469-1492.
2. Borden, L. M., Lee, S., Serido, J., & Collins, D. (2008). Changing college students' financial knowledge, attitudes and behav- ior through seminar participation. Journal of Family and Economic Issues, 29, 23-40.
3. Joo, H., & Grable, J. E. (2004). An exploratory framework of the determinants of financial satisfaction. Journal of Family and Economic Issues, 25, 25-50.
4. Joo, S. (2008). Personal financial wellness. In J.J. Xiao (Ed.), Handbook of consumer finance research (pp. 21-33). New York: Springer.
5. Kumar, J., & Bansal, G. (2021). Impact of Financial Literacy (FL) and Access to Banking Services (AC) on Financial Well-Being (FWB): An Empirical Study. Jitender Kumar and Garima Bansal, Impact of Financial Literacy (FL) and Access to Banking Services (AC) on

Financial Well-being (FWB): An Empirical Study, International Journal of Management, 11(12), 2020.

6. Le, T. H., Chuc, A. T., & Taghizadeh-Hesary, F. (2019). Financial inclusion and its impact on financial efficiency and sustainability: Empirical evidence from Asia. Borsa Istanbul Review, 19(4), 310-322.
7. Mahdzan, N. S., Zainudin, R., Sukor, M. E. A., Zainir, F., & Ahmad, W. M. W. (2019). Determinants of subjective financial well-being across three different household income groups in Malaysia. Social Indicators Research, 143, 1-28.
8. Nandru, P., Chendragiri, M., & Velayutham, A. (2021). Examining the influence of financial inclusion on financial well-being of marginalized street vendors: an empirical evidence from India. International Journal of Social Economics, 48(8), 1139-1158.
9. Omar, M. A., & Inaba, K. (2020). Does financial inclusion reduce poverty and income inequality in developing countries? A panel data analysis. Journal of economic structures, 9(1), 1-25.
10. Sahu, F. M., & Rath, S. (2003). Self-efficacy and well-being in working and non-working women: The moderating role of involvement. Psychology Developing Societies, 15, 187-200.
11. Schaubroeck, J., & Merritt, D.E. (1997). Divergent effects of job control on coping with work stressors: The key role of self- efficacy. Academy of Management Journal, 40, 738-754.
12. Shim, S., Xiao, J. J., Barber, B. L., & Lyons, A. C. (2009). Pathways to life success: A conceptual model of financial well- being for young adults. Journal of Applied Developmental Psychology, 30, 708-723.
13. Siu, O., Lu, C., & Spector, P. E. (2007). Employees' well-being in greater China: The direct and moderating effects of general self-efficacy. Applied Psychology: An International Review, 56(2), 288-30.
14. Verwijmerena, P., & Derwall, J. (2010). Employee well-being, firm leverage, and bankruptcy risk. Journal of Banking & Finance, 34(5), 956-964.