

Causes for Rural Financial Problems: A Factor Analysis

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ABSTRACT

The existing study has examined the basic causes for rural financial problems in Hassan District of Karnataka. The current study has based on primary data and factor analysis has used for analysis of collected data. It has been found from the study that rural areas are facing many problems to achieve financial sovereignty. The real development of rural India is possible; when villagers become financial sound. Therefore the financial empowerment of rural people will make a significant gift on nation's economic development. Developing economy like India has expecting superior donation from rural areas. Hence, to achieve the target of \$ 5 trillion economy by 2025 the rural areas need to strengthen financially.

Key words: Rural Finance Crisis, Empowerment of Rural People, Rural Financial Inclusion, Factor Analysis.

I. Introduction

Our country is divided into two folds one is India another one is Bharatha, India exist in Tier I and Tier II cities with having good infrastructure facilities like metro, six lane highways, multi stair buildings, flyovers, luxuries cars and excellent standard of living around 31% of total population in this urban areas. And the poor second part that is Bharatha: 70% of total population is living here in 6.40 lakh villages with its bad dusty roads, bullock carts and tractors. Why this distance exist because of poor financial inclusion to rural areas. India is celebrating its 74th Independence Day there is plenty to be done in terms of achieving socio-economic similarity with in the country. Concerned government, agencies are required to take immediate remedies to make Bharath as developed India. Almost 1/3rd of the total population living in rural areas, Rural development is real development but these areas are fading without industries and basic support for agriculture because of this even though enough job opportunities are there but jobs are not creating as per our expectation, villages are becoming empty due to migration. To stop migration a best solution is strengthen the rural people financially.

Rural areas has undergone an unbelievable technological and economic transformation in recent decades that has dramatically improved the region's food security, reduced poverty and raised incomes, even while the population continued to grow rapidly. This transformation was initiated by the green revolution in agriculture, the first major expression of the application of modern science to India's agriculture problems. Yet serious problem remain, despite sustainable rural migration, India's rural population (about 2 Billion) continues to grow and the vast majority of them still depend directly or indirectly on agriculture, forestry or fishing for their livelihoods. This is placing enormous pressure on remaining natural resources; many resources have already been degraded to the point of declining productivity. For this reason migration is inevitable, it will create imbalance in

urban areas why rural people migrated because of lack of financial support to their families, many rural families performance is not up to the expectation because of problem in India agriculture is gambling with monsoon, lack of training and financial assistance for rural poor.

Present study helps to solve the potential financial problems of poor rural people then it will be very fruitful for government and rural people to minimize the financial problems and ultimately helps to analyze the financial sources and spending styles of rural people.

The Objectives of the study was to understand the reasons for rural financial crisis. The present study has based on both primary as well as secondary data. To collect the primary data pre-prepared questionnaires, interviews and observation method were used. The secondary data were collected from newspaper, books, journals, etc. The present study has used factor analysis to analyse the primary data. The data has collected from 136 rural respondents in Hassan district by convince sampling technique. Data has collected for the financial issues and problems of rural people to achieve financial independence. The respondents have given information on Likert-scale.

II. Literature Review

Zhang Qinhuai (2017), the rural economy has revealed a sluggish growth development. Nevertheless, as the rural economy pretentious by the rural financial arrangement, it will also be pretentious by the negative impact of rural financial repression, resulting in the economic development rate once again fell into a slow development stage. By entering “Internet plus” era, gradually increased and the computer technology, Internet technology, information and communication technology applications, to promote rural financial development. Jian Zhang (2020) the rural finance is the blood of rural economy. However, the rural financial problem has become a bottleneck restricting the development of rural economy, and the key to solve this problem is to develop the rural inclusive financial system. Rural areas need inclusive finance and digital inclusive financial system. Gede Sedana (2018) The basic problem of rural people is usually limited access to finance, information, technology, and capability on economic management and lack of capability of human resources, the conditions of socioeconomic of rural people. Boraiah G B; K B dhananjaya (2012) Now a day the comprehensive rural credit system is threatened by the malaise of chronic over dues which have choked fresh lending and recycling of funds. This has led to serious consequences on the one hand it has eroded the financial viability of several cooperatives and on the other side it has resulted in the emergence of new type of moneylenders in the rural scene whose usurious money lending practices have led to the suicide of farmers in many states. Gertrud Schrieder and Franz Heidhues (1995) the impact of missing rural finance schemes for the poor's food security reveals itself in two ways. Firstly, if the poor have no access to financial means to bridge temporary, often seasonal short—term food shortages, an income shortfall and inaccessibility to external financial means can undermine the ability of rural households to invest in agriculture which may sap long—term food security. Kaat Van Hoyweghen and others (2020) Job creation is important for rural development, that wage employment in agriculture can lead to considerable growth multiplier effects and that synergies exist between large-scale and small-scale agriculture. Hok Bun Ku and Karita Kan (2020) The impact of globalisation on local agriculture and food systems has brought issues such as food security and rural sustainability to the forefront of policy-making in developing countries. Sahoo and others

(2020) the rural regions were witnessed a negative growth in farm output, lower reduction in rural poverty and distress occupational mobility from farm to non-farm sector. the growth of the farm sector, which remains the major driver of rural poverty reduction. Fathimathul Fasnah T A and Ramya K (2020) the rural Indian market is also growing and the rural customers are engaged in value based shopping on e-commerce sites. The outbreak of Covid- 19 pandemic lockdown has caused a severe disruption in business and services across the world. As our country went to lockdown and social distancing became the new norm, the application of e- commerce has changed. Kumar and Prem (2020) Shift of majority of working population from farm employment to non-farm employment is in rural areas. Employment vulnerability has increased more among female workers as compared to male workers in rural India. Bella Gazdiyeva and others (2020) The Entrepreneurial marketing pedagogy model in rural region is practically implementable at business schools worldwide to produce high quality graduate entrepreneurs in the future, which are well-skilled to overcome Entrepreneurial marketing challenges and survive of entrepreneurs at rural areas. Arghyadeep Das and others (2020) the rural non-farm sector (RNFS) has the potential to play a pivotal role in holistic and inclusive development of India's rural areas by increasing the employment and wages of rural labour, which can reduce income inequalities. Lucie Galanova (2020) the rural areas are experiencing the contemporary changes in three major areas: politics and economy, infrastructure and technology, and local population and community life.

III. Results and Discussions

Table: 01
Demographic Profile of the respondents

Variable	Categories	Frequency	Percentage
Gender of the Respondents	Female	77	56.6
	Male	59	43.4
Marital Status	Married	106	77.9
	Unmarried	30	22.1
Occupation	Home Maker	40	29.4
	Agricultural Labour	49	36.0
	Private Employee	13	9.6
	Business man	13	9.6
	Student	19	14.0
	Others	02	1.5
Education	No formal education	23	16.9
	Primary Education	34	25.0
	Secondary Education	25	18.4
	PUC	28	20.6
	Bachelor's Degree	21	15.4
	Others	05	3.7
Monthly Income	Less than 10.000	34	25.0
	10.001 to 15.000	86	63.2
	15.001 to 20.000	13	9.6
	Above 20.001	03	2.2
Is there any additional sources for family	Yes	26	19.1
	No	110	80.9
Religion	Hindu	97	71.3
	Muslim	19	14.0
	Christian	11	8.1
	Others	09	6.6

Demographic Profile of the Respondents: The present study was purposive in its nature, only rural people were chosen for the study. The total number of respondents was 136, out this sample major number (77) of respondents was female and rest 59 respondents were male. Out of the total respondents, 106 (77.9%) were married and the rest 30 (22.1%) were unmarried, which shows that sample was skewed towards married respondents. In term of occupation 40 (29.4%) were home maker, 49 respondents (36%) were working as agricultural labours, 13 respondents were doing their own business and students respectively. Furthermore major percentage of respondents 34 (25%) were just completed their primary education. 28 samples have completed PUC. In terms of the monthly income 86 (63.2%) of people having the monthly income of 10.001 to 15.000 and 34 (25%) respondents are having the income less than 10.000 per month. The study reviles that 110 (80.9%) of respondents family not having any additional financial sources. Lastly come the religion of the respondents; 97 (71.3%) of people were Hindu, 14% of respondents were Muslim.

Identification of real reasons for rural financial is equally important to find the solution for the trouble. In overall development of rural areas the financial problems need to be identify and solved. Accordingly in the following section an attempt has been made to identify the factors which Causes for Rural Financial Problems. 14 factors have been considered for analyzing Causes for Rural Financial Problems in the study area. The list of factors is given below;

1. Poor Credit Culture
2. Bad micro finance policies
3. Move out of young people from rural areas
4. Traditional Agriculture techniques
5. Rural banking without roots / plans
6. Unemployment in rural areas
7. Choosing a party or person to vote
8. Sachets are popular in rural areas
9. Lack of women empowerment
10. Lack of Rural Entrepreneurship development
11. Lack of strengthen marketing system
12. Lack of public and private extension systems
13. Lack of adoption of science and technology in rural areas
14. Lack of Transportation facilities

Table Number :02
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.698
Approx. Chi-Square	256.052
Bartlett's Test of Sphericity df	91
Sig.	.000

Source: Primary data, results are computed by researcher.

The Kaiser-Mayer-Olkin and Bartlett's test was conducted to identify the adequacy of samples for factor analysis of causes for rural financial problems. It has been found that the KMO value is 0.698 and it is greater than 0.5. Hence, the samples used for factor analysis are adequate. The chi-square value is 256.052 and it is also significant at one percent level. Therefore, there are strong relations among the factors used for factor analysis.

Table Number :03
Communalities for Factors of Causes for Rural Financial Problems

Factors	Initial	Extraction
Poor Credit Culture	1.000	.522
Bad micro finance policies	1.000	.710
Move out of young people from rural areas	1.000	.512
Traditional Agriculture techniques	1.000	.541
Rural banking without roots / plans	1.000	.460
Unemployment in rural areas	1.000	.500
Choosing a party or person to vote	1.000	.489
Sachets are popular in rural areas	1.000	.505
Lack of women empowerment	1.000	.680
Lack of Rural Entrepreneurship development	1.000	.594
Lack of strengthen marketing system	1.000	.685
Lack of public and private extension systems	1.000	.360
Lack of adoption of science and technology in rural areas	1.000	.691
Lack of Transportation facilities	1.000	.729

Extraction Method: Principal Component Analysis.

Source: Primary data

The communalities for each factor of causes for rural financial problems are calculated, and found that initial values for factors are one and extraction values are other than zero. Accordingly, the present factor analysis for causes for rural financial problems will identify at least one component, which represents more than one factor for causes for rural financial problems in the study area.

Table Number: 04
Total Variance Explained on Causes for Rural Financial Problems

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.786	27.041	27.041	3.786	27.041	27.041
2	1.730	12.355	39.397	1.730	12.355	39.397
3	1.325	9.467	48.864	1.325	9.467	48.864
4	1.137	8.121	56.985	1.137	8.121	56.985
5	.969	6.920	63.906			
6	.911	6.510	70.416			

7	.813	5.810	76.226		
8	.739	5.277	81.503		
9	.632	4.515	86.018		
10	.548	3.911	89.928		
11	.453	3.235	93.163		
12	.399	2.851	96.014		
13	.313	2.237	98.251		
14	.245	1.749	100.000		

Extraction Method: Principal Component Analysis.

Source: Primary data, results are computed by researcher.

The total Eigen value for the factors of Causes for Rural Financial Problems related components and percentage of variance explained by each component for cause for Rural Financial troubles has estimated and presented in the above table.

From the PCA for Causes for Rural Financial Problems on factors, it has been found that out of 14 factors all factors have been identified under 4 components, which significantly (with factor score 0.7 and above) are the prime reason for Rural Financial Problems. Based on the Eigen value, 4 components are extracted. The first component explains 27.041 Percent of variation in total variation explained by all the variables. The second component explains 12.355 percent of variation. The third component explains 9.467 percent of variation. The fourth component explains 8.121 percent of variation. Together, four components have explained 56.985percent of variation.

According to the respondents, by analyzing the factors identified under different components that all factors are directly or indirectly reasons for rural financial. Poor Credit Culture, Bad micro finance policies, Move out of young people from rural areas, Traditional Agriculture techniques.

It has been confirmed from the above descriptions that it is possible to eradicate the rural financial problems by better understanding the financial need of rural. Accordingly, it can be concluded that the financial scarcity of rural people can easily addressable.

IV. Conclusion

Mahatm Gandhi said rural development is real development in this context he said gram swarajya because Almost 1/3rd of the total population living in rural areas. Rural development is real development but these areas are fading without industries and basic support for agriculture because of this even though enough job opportunities are there but jobs are not creating as per our expectation, villages are becoming empty due to migration. To stop migration a best solution is strengthen the rural people financially. The real development of rural India is possible; when villagers become financial sound. Therefore the financial empowerment of rural people will make a significant contribution on nation's economic development. Developing economy like India has expecting good contribution from rural areas. Hence, to achieve the target of \$ 5 trillion economy by 2025 the rural areas need to strengthen financially.

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