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Barriers to financial inclusion among rural households: A garret ranking approach from Chhattisgarh

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Abstract

Financial inclusion has become a central pillar of inclusive development, extending beyond access to banking services to encompass livelihood security, poverty reduction, and economic resilience. Although India has substantially expanded formal financial access through initiatives such as digital banking, Direct Benefit Transfer (DBT), and financial inclusion programmes, meaningful participation in the formal financial system remains uneven across rural areas. The persistence of geographical, institutional, and informational barriers continues to limit the effective use of financial services. Identifying and prioritizing these barriers is therefore essential for designing interventions that promote not only financial access but also sustained financial inclusion.

This study investigates the major barriers to financial inclusion among rural households in Chhattisgarh, India. Primary data were collected from 385 rural households using a structured and pre-tested interview schedule. The Garrett Ranking Technique was employed to convert respondents' ordinal rankings into Garrett mean scores, enabling a systematic prioritization of the constraints affecting access to and utilization of formal financial services.

The findings reveal that the distance between households and bank branches is the most significant barrier, recording the highest Garrett Mean Score (70.38), underscoring the continued importance of physical accessibility despite the expansion of banking infrastructure.

Financial illiteracy emerged as the second most critical constraint (68.92), indicating that limited awareness of financial products, digital banking services, and institutional procedures restricts effective financial participation. Difficulty in obtaining institutional credit ranked third (54.14), reflecting procedural complexity and documentation requirements that discourage rural households from accessing formal lending institutions. Additional barriers include language-related communication difficulties, inadequate suitability of available financial products, limited household financial capacity, affordability concerns, high minimum balance requirements, and low confidence in the banking system. In contrast, branch operating hours were perceived as the least influential obstacle.

The results demonstrate that financial exclusion is shaped by the interaction of geographical, socio-economic, informational, and institutional factors rather than by a single constraint. By empirically prioritizing these barriers, the study provides evidence-based insights for policymakers and financial institutions. Strengthening rural banking outreach, expanding financial literacy initiatives, simplifying institutional credit procedures, and developing affordable, locally relevant financial products are likely to enhance the effectiveness of financial inclusion policies and contribute to more inclusive and sustainable rural development.

Keywords: Financial inclusion, rural households, Garrett ranking technique, financial literacy, banking accessibility, institutional credit, Chhattisgarh, rural development

Introduction

Financial inclusion is widely recognized as a critical policy priority for achieving inclusive and sustainable economic development globally. In developing and agrarian economies, access to affordable and timely financial services is strongly linked to agricultural growth, rural livelihood security, poverty reduction, and enhanced household resilience.

Recognizing these benefits, governments, central banks, and international development agencies have increasingly promoted financial inclusion as an essential component of inclusive growth. According to the World Bank's Global Findex Database 2021^[19], global account ownership increased from 51 percent in 2011 to 76 percent in 2021, while ownership in developing economies rose from 42 percent to 71 percent during the same period. India has also recorded substantial progress in expanding formal financial

access. Account ownership increased from 35 percent in 2011 to 78 percent in 2021, supported by initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), digital payment systems, Aadhaar-enabled financial services, and Direct Benefit Transfer (DBT) programmes. Similarly, the NAFIS 2021–22^[11] survey reported a considerable increase in rural households accessing formal financial institutions for savings and financial transactions (NABARD, 2023).

Despite these achievements, expanding financial access has not necessarily translated into meaningful financial participation. Ownership of a bank account alone does not guarantee its regular use for savings, institutional credit, insurance, digital payments, or other financial services. The Global Findex Database 2021 further reports that nearly one-third of account holders in India maintain inactive accounts, highlighting a persistent gap between financial access and effective utilization (Demirguc-Kunt *et al.*, 2022)

[5]. This challenge is particularly evident in Chhattisgarh, where approximately 90.20 percent of rural adults possess bank accounts, yet the utilization of formal financial services remains limited (MoSPI, 2023). The disconnect between account ownership and active financial participation is reflected in the state's relatively modest financial inclusion performance. Chhattisgarh ranked 19th in the Index of Financial Inclusion (Dhar & Barua, 2020) ^[6], while a more recent assessment reported a financial inclusion score of 22.68, indicating that improvements in access have not been matched by comparable improvements in the depth of financial engagement (Hajam *et al.*, 2024) ^[7]. These findings suggest that the major challenge lies not merely in expanding access but in addressing the barriers that prevent rural households from effectively utilizing available financial services.

Although previous studies have examined the determinants, measurement, and socio-economic outcomes of financial inclusion, relatively few have systematically prioritized the barriers perceived by rural households. Most existing studies identify multiple constraints but provide limited evidence regarding their relative importance. Understanding these priorities is essential because policy interventions are more effective when they target the most influential barriers rather than treating all constraints equally.

Against this backdrop, the present study identifies and prioritizes the major barriers to financial inclusion among rural households in Chhattisgarh using the Garrett Ranking Technique. By converting respondents' ordinal rankings into Garrett mean scores, the study provides a systematic assessment of the relative severity of different constraints. The findings offer empirical evidence that can assist policymakers, financial institutions, and development agencies in designing targeted interventions to strengthen financial accessibility, improve financial capability, and promote inclusive and sustainable rural development.

Materials and Methods

A multistage proportionate random sampling technique was employed for the study. Chhattisgarh was purposively selected due to its predominantly rural population. Six districts—Surguja, Balrampur, Durg, Gariyaband, Kanker, and Sukma—were purposively selected based on the district-level CRISIL Inclusix 2018 scores to represent the three agro-climatic zones of the state. Two blocks from each district, representing the maximum and minimum number of bank branches, were selected, followed by the random selection of two villages from each block, resulting in 24 villages. The sample size was determined using Cochran's (1977) formula, yielding a minimum requirement of 384 respondents; however, 385 rural households were ultimately surveyed. The sample was proportionately allocated across districts according to the number of bank account holders and subsequently distributed among the selected blocks based on the number of bank branches.

Respondents were randomly selected from the sampled villages. Primary data were collected through a structured and pre-tested interview schedule. The constraints to financial inclusion were prioritized using the Garrett Ranking Technique, wherein respondents ranked the identified constraints, and the assigned ranks were converted into Garrett scores to determine their relative importance.

Results and Discussion

a) Socio-Economic Profile of Sampled Households

Table 1: Socio-economic character of sample households (n=385)

Socio-Economic Parameter	Category	Frequency	Percentage%
Age group of the respondents	18-35 years	171	44.42
	35-60 years	206	53.51
	Above 60 years	8	2.08
Total		385	100
Gender	Male	320	83.12
	Female	65	16.88
Total		385	100
Education	Illiterate	7	1.82
	Primary	7	1.82
	Middle	28	7.27
	High School	83	21.56
	Higher Secondary	174	45.19
	Graduation	78	20.26
	Post-Graduation	8	2.08
Total		385	100

Socio-Economic Parameter	Category	Frequency	Percentage%
Social Groups of Respondents	General	29	7.53
	OBCs	195	50.65
	Schedule Tribes	88	22.86
	Schedule Caste	73	18.96
Total		385	100
Occupation of Respondents	Farming	131	34.03
	Employee(Public & Private)	75	19.48
	Labor	68	17.66
	Self-employed	55	14.29

	Gig-workers	27	7.01
	Others	29	7.53
Total		385	100
Annual Income of Respondents	Upto 1 Lakh	48	12.47
	1-2 Lakh	155	40.26
	2-5 Lakh	90	23.38
	5-10 Lakh	57	14.81
	Above 10 Lakh	35	9.09
Total		385	100

Table 1 presents the socio-economic characteristics of the sampled households. Most respondents (53.51%) belonged to the 35–60 years age group, followed by 44.42% in the 18–35 years category, indicating that the sample primarily comprised economically active individuals. Male respondents constituted 83.12% of the sample, reflecting the common practice of interviewing the principal financial decision-maker within rural households.

The educational profile suggests a moderate level of human capital, with 45.19% of respondents having completed higher secondary education, followed by 21.56% with high school education and 20.26% graduates. Respondents from Other Backward Classes (50.65%) formed the largest social group, followed by Scheduled Tribes (22.86%) and Scheduled Castes (18.96%). Farming was the predominant

occupation (34.03%), although a considerable proportion of households were engaged in salaried employment, labour, self-employment, and other non-farm activities, reflecting diversified livelihood strategies.

With respect to household income, 40.26% of respondents reported an annual income between ₹1–2 lakh, while 23.38% earned ₹2–5 lakh. Overall, the sample predominantly represented low- and middle-income rural households, providing an appropriate context for examining the barriers to financial inclusion discussed in the subsequent Garrett ranking analysis.

b) Ranking of Barriers to Financial Inclusion using Garrett Ranking

Table 2: Garret mean score of different constraint of financial inclusion among rural household

Sr. No.	Constraints	Garret Mean Score	Rank
1	The Bank is Far Away from Home	70.38	1
2	Financial Illiteracy	68.92	2
3	Difficult to get loan from institutional source	54.14	3
4	Language problems	51.24	4
5	The financial services or products available are not suitable for us	49.08	5
6	Do not have enough money	48.65	6
7	The financial services or products are not affordable	45.63	7
8	The minimum balance is too high	45.08	8
9	Lack of required documents	43.91	9
10	No trust in the banking system or non-reliability on bank	27.16	10

The results presented in Table 2 indicate that the bank is far away from home emerged as the most severe constraint with the highest Garrett mean score of 70.38, securing Rank I. This finding suggests that physical distance from banking institutions remains a significant barrier to financial inclusion in rural areas, as households face difficulties in accessing banking services due to transportation costs and time constraints.

Financial illiteracy was identified as the second most important constraint, obtaining a Garrett mean score of 68.92 and Rank II. The result highlights the limited awareness and understanding of financial products, banking procedures, and digital financial services among rural households. Lack of financial knowledge restricts the effective utilization of available financial services.

The constraint difficulty in obtaining loans from institutional sources received a Garrett mean score of 54.14, ranking third among the identified constraints. This indicates that procedural complexities, documentation requirements, and stringent eligibility criteria discourage rural households from accessing formal credit institutions.

Language problems (51.24) and financial services/products not suitable for users' needs (49.08) were ranked IV and V, respectively. These findings imply that communication

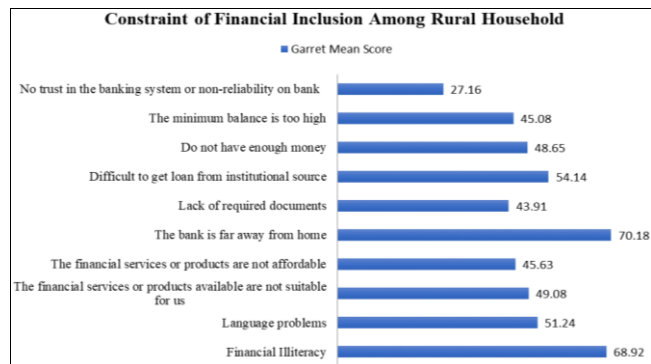
barriers and the mismatch between available financial products and the specific requirements of rural households continue to hinder financial inclusion.

The constraints not having enough money (48.65) and financial products being unaffordable (45.63) secured Ranks VI and VII, respectively. This reflects the limited income-generating capacity of rural households and their inability to bear the costs associated with certain financial products and services.

The constraint minimum balance requirement being too high obtained a Garrett mean score of 45.08 and was assigned Rank VIII, indicating that account maintenance requirements still discourage some households from actively using banking services. Similarly, Lack of required documents received a Garrett mean score of 43.91, ranking IX, indicating that documentation-related requirements continue to pose a barrier for some rural households seeking access to formal financial services. However, compared with infrastructural, informational, and credit-related constraints, inadequate documentation was perceived as a relatively less severe obstacle to financial inclusion.

Finally, lack of trust in the banking system or perceived non-reliability of banks received a score of 27.16, ranking X, suggesting that although trust-related issues exist, they

are relatively less severe compared to accessibility and awareness-related challenges and generally not perceived as a major obstacle by the respondents compared to other structural and informational barriers.



Overall, the findings reveal that physical accessibility, financial literacy, and access to institutional credit are the most critical barriers to financial inclusion among rural households, whereas operational issues such as branch timings have comparatively limited influence. These results suggest that policy interventions should focus on expanding banking outreach, strengthening financial literacy programs, and simplifying institutional credit procedures to enhance the level of financial inclusion in rural areas.

Policy Implications

The findings suggest that improving financial inclusion in rural Chhattisgarh requires a comprehensive policy approach that simultaneously addresses geographical, informational, institutional, and economic barriers. Since distance to bank branches emerged as the most severe constraint, expanding Business Correspondent (BC) networks, strengthening Bank Sakhi initiatives, and improving digital banking infrastructure in underserved villages should receive priority. Previous studies have demonstrated that doorstep banking services substantially reduce transaction costs and improve the utilization of formal financial services among rural households (Uzma & Pratihari, 2019; Kumar *et al.*, 2020) [18, 9].

The high ranking of financial illiteracy indicates the need for continuous village-level financial literacy programmes rather than one-time awareness campaigns. Training should focus on practical aspects such as digital banking, institutional credit procedures, savings, insurance, and fraud prevention. Integrating financial literacy with agricultural extension services, Self-Help Groups (SHGs), and Farmer Producer Organizations (FPOs) can further strengthen financial capability and improve long-term financial participation (Athar *et al.*, 2021; Anjana *et al.*, 2024) [3, 1].

The difficulty in obtaining institutional credit highlights the importance of simplifying loan documentation, reducing procedural delays, and expanding collateral-free lending through Joint Liability Groups (JLGs) and Primary Agricultural Cooperative Societies (PACS). Aligning repayment schedules with agricultural production cycles can also improve credit accessibility and repayment performance among small and marginal farmers (Anjugam, 2021; Singh *et al.*, 2023) [2, 16].

Barriers related to language, unsuitable financial products,

and low household income require more localized interventions. Financial products should be designed according to regional livelihood patterns, while banking communication, mobile applications, and awareness materials should be made available in local languages and tribal dialects. In addition, integrating financial inclusion with livelihood promotion programmes such as MGNREGS, DAY-NRLM, and social security schemes can strengthen household income, thereby enhancing the capacity to save, borrow, and invest through formal financial institutions (Banerjee & Duflo, 2007; NITI Aayog, 2021) [4, 12].

Although minimum balance requirements and lack of required documents were perceived as comparatively less severe constraints, they continue to exclude vulnerable households from formal finance. Wider adoption of Aadhaar-enabled e-KYC, organization of periodic documentation camps, and increased awareness regarding Basic Savings Bank Deposit (BSBD) and Pradhan Mantri Jan-Dhan Yojana (PMJDY) zero-balance accounts would further reduce entry barriers to the formal financial system (RBI, 2019; UIDAI, 2022) [13, 17].

Finally, although lack of trust in the banking system was ranked as the least severe constraint, it should not be overlooked, as public confidence remains fundamental to sustained financial inclusion. Strengthening the RBI Integrated Ombudsman Scheme, ensuring timely grievance redressal, and improving transparency in banking operations can enhance customer confidence in formal financial institutions. Furthermore, regular awareness campaigns on digital payment security, cyber fraud prevention, and consumer protection mechanisms should be conducted through Gram Panchayats, Business Correspondents, and financial literacy centres to encourage the safe adoption of digital financial services. Such initiatives can reduce perceived risks associated with formal banking and promote long-term financial participation (Kumar, 2013; RBI, 2021; Shankar, 2013) [8, 14, 15].

Conclusion

Financial inclusion has the potential to promote inclusive economic growth only when rural households are able to access and effectively utilize formal financial services. The findings of this study demonstrate that financial exclusion in rural Chhattisgarh is not driven by a single constraint but by the combined influence of geographical, informational, institutional, and economic barriers. The Garrett Ranking analysis revealed that distance to bank branches, financial illiteracy, and difficulty in obtaining institutional credit are the three most critical constraints limiting financial inclusion, whereas documentation requirements and lack of trust in the banking system were perceived as comparatively less severe. These results suggest that improving access alone is insufficient; equal attention must be given to strengthening financial capability, simplifying institutional processes, and ensuring that financial products are responsive to the needs of rural households.

The study contributes to the financial inclusion literature by systematically prioritizing the constraints experienced by rural households rather than merely identifying them. Such prioritization provides a stronger empirical basis for policy formulation, enabling governments and financial institutions to allocate resources towards the barriers that have the

greatest influence on financial participation. Expanding Business Correspondent networks, strengthening financial literacy initiatives, simplifying institutional credit procedures, designing locally relevant financial products, and promoting digital financial infrastructure can collectively improve the depth and effectiveness of financial inclusion in rural areas.

Although the study provides valuable evidence from six districts representing the three agro-climatic zones of Chhattisgarh, the findings are based on cross-sectional data and capture respondents' perceptions at a single point in time. Future research could extend this work by employing longitudinal data, comparing barriers across different states, or examining how emerging digital financial technologies influence financial inclusion over time. Such investigations would further strengthen the evidence base for designing more inclusive, resilient, and sustainable rural financial systems.

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