

## **“EXTENT OF FINANCIAL INCLUSION AMONG RURAL HOUSEHOLDS: A STUDY WITH REFERENCE TO KALABURAGI DISTRICT OF KARNATAKA STATE”**

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### **Abstract:**

The present paper entitled “Extent of Financial Inclusion Among Rural Households: A Study with Reference to Kalaburagi District of Karnataka State” is completely based on both primary and secondary data. The present study had been focused on the level of awareness about financial services among rural households in Kalaburagi district of Karnataka state, extent of financial inclusion among rural households in terms of access and usage of bank services, problems faced by rural households in accessing banking services in the Kalaburagi district, To study the respondent's level of income, savings habits, and borrowings pattern etc. The study had continued further and hypothesis were tested and the result of its were systematically drafted. Based on the hypothesis the study had given the findings which may be helpful to the customers as well as to the select Organisation.

### **1. Introduction**

In India, the term financial inclusion was used for the first time in April 2005 by the Governor of Reserve Bank of India (RBI), Y.Venugopal Reddy<sup>1</sup>. Financial inclusion is a process of ensuring access to a wide range of financial services needed by a disadvantaged section of society and vulnerable groups at an affordable cost. Financial Inclusion covered various financial services such as savings, insurance, utility payments, remittance facility, and financial advice. Credit is the most important component of financial inclusion. There are various measures taken by the GOI & RBI for achieving greater financial inclusion. On 8<sup>th</sup> November 2016, many Indians were forced to open bank accounts when our honorable Prime Minister Narendra Modi demonetized 86% of India’s cash overnight.<sup>2</sup>

Demonetization had a strong positive effect on financial inclusion which lead to an increase in account registration, and active and advanced use of registered accounts. The implementation of Pradhan Mantri Jan-Dhan Yojana (PMJDY) in 2014 coincided with only a 34 percent increase in the proportion of the population that held registered financial accounts over the period between 2013 & 2016 compared to a 53 percent increase after demonetization.<sup>3</sup> While there are currently several districts across India that have implemented the financial inclusion drive, this study examines the drive in the Kalaburagi district of Karnataka state. In 2006, the Ministry of Panchayat Raj named Kalaburagias one of the country's 250 most backward districts (out of a total of 640). It is one of the five districts namely

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1 [www.oliveboard.in](http://www.oliveboard.in)

2 [www.bbc.com](http://www.bbc.com)

3 [www.centerforfinancialinclusion.org](http://www.centerforfinancialinclusion.org)

Bidar, Chitradurga, Davangere, Kalaburagi, and Raichur in Karnataka currently receiving funds from the Backward Regions Grant Fund Programme (BRGF).<sup>4</sup>

## 2. Statement of the Problem

The Main Objective of the researcher is to study to what extent banking services have reached rural areas in Kalaburagi District. From the literature review, it is clear that many researchers have conducted a study on financial inclusion among rural households in India, but there are not many studies found on the status of financial inclusion among rural households in the Kalaburagi district of Karnataka state. The majority of the studies are only at the macro level but not at the micro level. Due to the research gap, the researcher intends to research the topic “A Study on Extent of Financial Inclusion among Rural Households in Kalaburagi District of Karnataka State”.

## 3. Objectives of the Study

- a) To examine the level of awareness about financial services among rural households in the Kalaburagi district
- b) To examine the extent of financial inclusion among rural households in terms of access and usage of banking services
- c) To study the problems faced by rural households in accessing banking services in the Kalaburagi district
- d) To study the respondent’s level of income, savings habits, and borrowings pattern

## 4. Significance of the Study

- a) To provide financial services like deposits, fund transfer services, loans, insurance, payment services, etc. by financial inclusion at an affordable cost.
- b) The main aim of financial inclusion is to establish financial institutions. By maintaining high standards in the financial industry these institutions meet the needs of poor and needy people.
- c) Financial institutions which are established by financial inclusion offer financial assistance to clients at an economical price.
- d) Financial inclusion focuses on increasing awareness among the economically disadvantaged and vulnerable sections of society about the benefits of financial services.
- e) The main process of financial inclusion is to create financial products that are available at low cost and suitable for vulnerable groups in society.
- f) Financial literacy and financial awareness among the people can be increased in the nation with the help of financial inclusion.
- g) Financial inclusion also helps to push toward digital financial solutions for the economically disadvantaged section of society.
- h) Financial inclusion also intends to provide digital financial services like mobile banking to the unprivileged section of society who are living in remote areas of the country.

## 5. Hypothesis Testing and Its Results

- a) **To examine the level of awareness about financial services among rural households in Kalaburagi district of Karnataka state**

**H<sub>0</sub>:** The coefficient of correlation between awareness about financial services and rural households is not significant

**H<sub>1</sub>:** The coefficient of correlation between awareness about financial services and rural households is significant

<b>Tabulated Value</b>	<b>r=0.9226</b>
Remark	Reject H <sub>0</sub>

It shows a high degree of correlation (r = 0.9) between awareness of financial services and rural households

Test of Hypothesis (t-test)

Test for Proportion

**H<sub>0</sub>:** Variables are independent

**H<sub>1</sub>:** Variables are dependent

<b>t Value</b>	<b>5.8608</b>
$\alpha$ (0.05)	2.447
Accept/Reject	Reject H <sub>0</sub>

$$t_{cal} > t_{tab}$$

i.e. 5.8608 > 2.447, Reject H<sub>0</sub>

**Conclusion: Variables are correlated in the population**

**b) To examine the extent of financial inclusion among rural households in terms of access and usage of bank services**

**H<sub>0</sub>:** Access and usage of banking services are independent

**H<sub>1</sub>:** Access and usage of banking services are not independent

<b>X<sup>2</sup> Value</b>	<b>13.8914</b>
$\alpha$ (0.05)	9.488
Accept/Reject	Reject H <sub>0</sub>

$$X^2_{cal} > X^2_{tab}$$

i.e. 13.8914 > 9.488 ( $\alpha=0.05$ ), Reject H<sub>0</sub>

**Conclusion:** Access and usage of banking services are not independent i.e. both characteristics influence each other

**c) To study the problems faced by rural households in accessing banking services in the Kalaburagi district.**

**i. Behavior of the bank personnel**

**H<sub>0</sub>:** 50% of the people expressed difficulty in availing of banking services due to the behavior of the bank personnel

**H<sub>1</sub>:** 50% of the people did not express difficulty in availing of banking services due to the behavior of the bank personnel

<b>Z Value</b>	<b>-16.41</b>
Critical Value ( $\alpha =0.05$ )	$\pm 1.96$
Accept/Reject	Reject H <sub>0</sub>

$$Z_{cal} > Z_{tab}$$

i.e.  $-16.41 > \pm 1.96$ , Reject  $H_0$

**Conclusion:** Comparing the critical value with the z-test statistic, the researcher found that, z falls in the rejection region therefore researcher rejects  $H_0$

**ii. Eligibility Criteria**

**H<sub>0</sub>:** 30% of the people could not meet the eligibility criteria for availing of banking services

**H<sub>1</sub>:** 70% of the people met the eligibility criteria for availing of banking services

<b>Z Value</b>	<b>-9.87</b>
Critical Value ( $\alpha = 0.05$ )	$\pm 1.96$
Accept/Reject	Reject $H_0$

$$Z_{cal} > Z_{tab}$$

i.e.  $-9.87 > \pm 1.96$ , Reject  $H_0$

**Conclusion:** Comparing the critical value with the z-test statistic, the researcher found that, z falls in the rejection region therefore researcher rejects  $H_0$

**iii. Lengthy Procedure**

**H<sub>0</sub>:** 10% of the people expressed difficulty in availing of banking services due to the lengthy procedure

**H<sub>1</sub>:** 10% of the people did not express difficulty in availing of banking services due to the lengthy procedure

<b>Z Value</b>	<b>0.25</b>
Critical Value ( $\alpha = 0.05$ )	$\pm 1.96$
Accept/Reject	Accept $H_0$

$$Z_{cal} < Z_{tab}$$

i.e.  $0.25 < 1.96$ , Accept  $H_0$

**Conclusion:** Comparing the critical value with the z-test statistic, the researcher found that, z falls in between  $\pm 1.96$ ; therefore researcher accept  $H_0$

**iv. Lack of Awareness**

**H<sub>0</sub>:** 25% of the people could not avail of banking services due to a lack of awareness.

**H<sub>1</sub>:** 75% of the people availed of banking services

<b>Z Value</b>	<b>-1.12</b>
Critical Value ( $\alpha = 0.05$ )	$\pm 1.96$
Accept/Reject	Accept $H_0$

$$Z_{cal} < Z_{tab}$$

i.e.  $-1.12 < \pm 1.96$ , Accept  $H_0$

• **Conclusion:** Comparing the critical value with the z-test statistic, the researcher found that, z falls in between  $\pm 1.96$ ; therefore researcher accept  $H_0$

**v. 65% of the people expressed no difficulty in availing of banking services.**

**H<sub>0</sub>:** 65% of the people expressed no difficulty in availing of banking services.

**H<sub>1</sub>:** 65% of the people expressed difficulty in availing of banking services.

<b>Z Value</b>	<b>-6.98</b>
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Critical Value ( $\alpha = 0.05$ )	$\pm 1.96$
Accept/Reject	Reject $H_0$

$$Z_{cal} > Z_{tab}$$

i.e.  $-6.98 > \pm 1.96$ , Reject  $H_0$

**Conclusion:** Comparing the critical value with the z-test statistic, the researcher found that, z falls in the rejection region; therefore researcher rejects  $H_0$

**d) To study the respondent's level of income, savings habits, and borrowings pattern**

**i. Distance of bank and borrowings**

**H<sub>0</sub>:** Distance of bank and borrowings are independent

**H<sub>1</sub>:** Distance of bank and borrowings are not independent

<b>X<sup>2</sup> Value</b>	<b>49.2013</b>
Critical Value ( $\alpha = 0.05$ )	16.919
Accept/Reject	Reject $H_0$

$$X^2_{cal} > X^2_{tab}$$

i.e.  $49.2013 > 16.919$  ( $\alpha = 0.05$ ), Reject  $H_0$

**Conclusion:** The researcher concludes that the distance between banks and borrowings is not independent i.e. both characteristics influence each other

**ii. Savings and borrowings**

**H<sub>0</sub>:** Savings and borrowings are independent

**H<sub>1</sub>:** Savings and borrowings are not independent

<b>X<sup>2</sup> Value</b>	<b>50.6786</b>
Critical Value ( $\alpha = 0.05$ )	16.919
Accept/Reject	Reject $H_0$

$$X^2_{cal} > X^2_{tab}$$

i.e.  $50.6786 > 16.919$  ( $\alpha = 0.05$ ), Reject  $H_0$

**Conclusion:** The researcher concludes that savings and borrowings are not independent i.e. both characteristics influence each other

**6. Hypothesis Based Findings**

- a) 25% of the people could not avail of banking services due to a lack of awareness. Rural people were aware of those banking services that they had used and most of the rural households were aware of zero balance accounts and opened the same account to receive government benefits.
- b) The access and usage of banking services are dependent on each other. More distance, less usage of banking services, and less distance, more usage of banking services that is why bank branches should be increased in rural areas where there is no bank branch.
- c) 50% of the respondents did not express any difficulties in availing of banking services due to the behavior of the bank personnel. This can be true because the respondents who were well-educated and aware of banking services did not face any difficulties in accessing banking services due to the behavior of the bank personnel.

- d) 70% of the people met the eligibility criteria for availing of banking services. This can be true, because the respondents who were well educated and aware of banking services met all the eligibility criteria like age, income and required documents, etc.
- e) 10% of the people expressed difficulty in availing of banking services due to the lengthy procedure. This can be true because the respondent’s illiteracy and lack of awareness about banking services faced some difficulties in using banking services due to the lengthy procedure
- f) 25% of the people could not avail of banking services due to a lack of awareness. This can be true; because the respondents, who were not educated, didn’t have any awareness regarding banking services and they faced some difficulties in using banking services.
- g) 65% of the people expressed no difficulty in availing of banking services. This can be true; because the respondents who are well educated and aware of banking services didn’t face any difficulties in using banking services.
- h) Distance of bank and borrowings are dependent on each other i.e. respondents didn’t borrow from a bank where the distance of a bank branch is far and respondents borrowed money from a bank where the distance of a bank branch is short.
- i) Savings and borrowings are dependent on each other i.e. the respondents who didn’t have savings didn’t borrow money from the bank because they were not in a position to pay the interest and the respondents who had saved borrowed money from the bank. After all, they were in a position to pay the interest amount.

#### **6.7: Suggestions**

- a) Banks should increase awareness through financial literacy programs in rural areas.
- b) There should be an increased penetration of bank branches in rural areas.
- c) Digital inclusion should be increased in rural areas.

#### **6.8: Conclusion**

The rural population is still beyond the reach of all the banking services, many people are not using modern technologies like mobile and internet banking due to a lack of knowledge and illiteracy. So there must be an increase in digital inclusion in rural areas. Under Pradhan Mantri Jan Dhan Yojana (PMJDY) many people opened zero balance accounts just to receive government benefits. During the Covid-19 pandemic, many people took benefit from this scheme. Therefore there is a need to increase awareness about all the banking services among rural people through financial literacy programs and the government should open bank branches in rural areas where the bank branch is far and inaccessible.

#### **References**

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