AN EVALUATION OF FINANCIAL INCLUSION SCHEME IN BELTHANGADY TALUK, DAKSHINA KANNADA DISTRICT, KARNATAKA

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Abstract

Financial inclusion has emerged as a solution to the quest to promote inclusive growth in India. It would help in poverty alleviation, encourage balanced regional development and create greater equity in India. Rural economy needs the financial support from banks and other financial institutions to make it more vibrant. It is a fact that a large chunk of Indian population are left out of the benefits of the financial system. This paper explores the degree of penetration of financial services into the rural areas based on the study conducted in Belthangady Taluk in Dakshina Kannada District in Karnataka. The study is done by collecting data from three villages of Belthangady Taluk viz., Arva, Badyar and Nainadu (Murje) villages. The study is limited to a sample size of 80. The study explores the dynamics of saving and investment in rural areas and brings to light the preferences of the people in investing their funds among the many options available to them.

Keywords: Financial Inclusion, Self-Help Groups, Financial system, Financial Exclusion, Financial Services, Non-Banking Financial Companies (NBFCs)

I. INTRODUCTION

Finance is an integral part our lives. It is involved in almost every human activity, although there are some aspects which can never be valued and measured in money terms. Since finance is such an important component of our lives, it must be managed efficiently. There is a need for a system through which every individual can organize his/her personal finances in a better way. The system should act as a motivator for people to save and must provide incentive to people to save.

Financial exclusion or a state under which some people are denied access to the benefits of the financial system has causes financial problems to many. At a higher level, we can say that financial exclusion is also bad for the country. A large section of India is left behind in the growth and development process of India. One of the ways to ensure that all partake in the growth process is to provide the underprivileged people of India access to financial services. They need to be brought under the fold of the formal financial system. This is a long process under which the people must be made comfortable and accustomed to use the formal financial system for their financial needs.

Financial inclusion can be understood in a narrow sense as helping the poor and those who do not yet have access to banking services to open bank accounts (No Frills Account) and to provide them with other services that usually accompany banking services. The Reserve Bank of India has defined financial inclusion as "the process of ensuring access to appropriate financial products and services needed by all the sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institution players". This definition given by the Reserve Bank of India is very broad in nature and it sheds light on the actual nature of financial inclusion in the Indian economic scenario. To sum up, financial inclusion means providing access to the financial services of the organised financial system to those to whom these services were hitherto inaccessible. Such a move would help in lifting many from the web of poverty and provide a source of financial support.

II. IMPORTANCE OF FINANCIAL INCLUSION

Financial Inclusion ensures the progress of a nation, especially of a developing nation like India. **Karmakar, Banerjee and Mohapatra (2011)** define financial inclusion as the process of facilitating the access of those sectors/segments of the population which are denied various financial facilities like deposits, credit, micro-insurance/pensions, financial counseling, safe funds transfer at affordable prices etc. to become a part of the formal financial system , either as individuals or as groups. According to the authors, the easiest way to ensure better financial inclusion is to open more branches of banks and financial institutions, removing various obstacles in accessing financial services from banks by very poor people.

The various changes that have brought about in the world economy and the living standards of the people due to globalisation also needs to be studied in order to know the need for financial inclusion. In the book – Globalisation-A Critical Introduction, the author **Jan Aart Scholte** critically looks at globalisation in different angles. In the section – Globalisation and (In)Equality, Scholte (2005) is of the opinion that several decades of accelerated globalisation have not removed morally unacceptable gross inequalities from the world. Hence the need for placing added thrust on financial inclusion. According to **Srivastava and Nigam (2010),** although there are no foolproof techniques to determine how inclusive the financial system of a country is there are certain core indicators by considering the access of a given population to the financial services. Thus, the access to finance could be divided into five segments:

i. Proportion of the population that uses services of a bank or bank like institution.

ii. The population which uses services from non-bank other than formal financial institutions, but does not use bank services.

iii. The population which only uses services from informal financial service providers.

iv. The percentage of population transacting regularly through formal financial instruments.

v. The population which uses no financial services.

Various institutions play a significant role in promoting financial inclusion. In the article titled 'NBFCs, MFIs better placed for financial inclusion in Deccan Herald, **Suresh Nandi (2013)** calls the RBI to accord NBFCs a greater role to play in the Indian banking sector. He observes that banks alone cannot serve the majority of people as they tend to concentrate in those areas where easy money is available. NBFCs are more innovative than banks and they have mastered the skills of generating profits from their operations in the rural areas.

Inclusive growth has been the focus of India's policy making. According to **Massey (2012)** the achievement of inclusive growth is a challenge. Financial inclusion is one of the ways to meet this challenge. The author is of the strong opinion that to promote financial inclusion, the market players must keep aside the conventional notions of social responsibility or charity with regard to financial inclusion. In fact, business houses need to consider financial inclusion as a cause of creating new business opportunities for them. He quotes C K Prahalad who stated "fortune lies at the bottom of the pyramid and the business needs to exploit the vast demand base of customers". Massey also expresses the view that with 400 million account holders and 80500 branches banks could be highly instrumental in fostering financial inclusion. Financial education and financial integration, which means the integration between financial intermediaries, together is essential to bring about financial inclusion. Microfinance can contribute in developing the financially starved segments of India through micro-enterprise development and self-help development **Khadem (2011).** The credit provided by SHGs help in the development of new businesses that generate job opportunities. This contributes to the local economy.

Joshi (2011) in his book Financial Inclusion Imperative studies the extent of reach of formal financial sector in the Indian context and also he studies the need for financial inclusion. Though Indian economy is showing impressive growth rates the benefits of growth has not seeped into the poor areas. Growth is uneven across states. It is estimated that 50% of banking business in India is concentrated in 6 major cities: Mumbai, Delhi, Chennai, Kolkata, Bangalore, and Hyderabad. The extent of financial exclusion is skewed across states and regions. Hence it becomes very essential to analyze the impact of financial inclusion activities and schemes.

III. OBJECTIVES OF THE STUDY:

The study is conducted with the primary objective of learning whether the various financial services offered by different financial institutions have actually penetrated into the rural areas.

The secondary objectives of the study are as follows:

1. To find out the avenues available for saving, investment and borrowing among the respondents and also studying their preferences with regard to these services.
2. To gather opinion regarding the problems faced by the respondents due to lack of/ inadequacy of financial services to them.
3. To study the effect and reach of financial inclusion activities of banks and other financial institutions.
4. To assess the impact of other bodies like cooperative societies, Self-Help Groups (SHGs), Non–Governmental Organisations (NGOs) and other institutions offering financial services in the rural economy.
5. To find out how the credit facility acquired has been used by the agriculturists.
6. To give suggestions as to how financial services can be delivered in a better way to the agriculturists under the financial inclusion measures.

With the above objectives in perspective, the study tries to get an opinion about the spread of financial services to the villages. No doubt financial inclusion efforts must be implemented with regular improvements. Such improvements must be based on field data which this study tries to obtain.

IV. SCOPE OF THE STUDY:

The study concentrates on finance available to the rural people, especially for agricultural use. The study is done by collecting data from three villages of Belthangady Taluk viz., Arva, Badyar and Nainadu (Murje) villages. The study is limited to a sample size of 80. This study relates only to the socio-economic situation of the villagers who are the respondents.

V. SAMPLE AND SAMPLE SIZE

The primary data for the study has been gathered from the population through a sample size of 80. The respondents are agriculturists and agricultural labourers from three different parts of Belthangady Taluk viz., Badyar, Arva and Nainadu (Murje). Convenience sampling is the sampling method adopted for the distribution of questionnaires. The questionnaires were distributed through the members of Self-Help Groups and through personal house visits.

VI. MATERIALS AND METHODOLOGY

The study involves the gathering of both primary and secondary data. Primary data is collected using questionnaire prepared in Kannada and having 28 questions. Questionnaires were distributed to the members of Self-Help Group run by CODP India (Canara Organisation for Development and Peace) and also through personally visiting the homes of the respondents.

The data collected is analysed and presented in the form of tables, charts and graphs. Analysis is done using average figures and percentage values. Hypothesis tests are also done by using Karl Pearson Correlation coefficient.

VII. SOCIAL RELEVANCE AND CONTRIBUTION

Financial inclusion has become a topic of importance in the present Indian economic scenario. It is a very relevant topic for study because financial inclusion has a great role to play in the future development of our country. It is necessary to uplift the economic condition of the financially downtrodden and ensure a more just and equitable growth. Therefore this study derives importance. This study in particular benefits others in the following ways:

- This study throws more light on the ground situation regarding the impact of financial inclusion activities of financial institutions in villages, especially in Belthangady Taluk.
- The findings of the study relating to the needs and problems of agriculturists with regard to agricultural finance and would support the task of evaluating existing financial schemes and services.
- This study gives an independent opinion on the working of financial institutions and the success of their efforts in reaching interior areas of Mangalore.
- The study also helps in identifying those areas where there is a possibility of setting up financial inclusion centres on a commercial basis.

Rural economy is the backbone of Indian economy. The focus of this study is on rural economy. The rural economy in India is in need of consistent support, not only from the government but also from the private entities for its improvement and progress. This study tries to voice this same concern through its findings.

VIII. DATA ANALYSIS AND INTERPRETATION

Table No 1: Saving habit of the respondents

Savings Habit	No of responses	Percentage
Yes	56	70
No	9	11.3
Cannot say	15	18.70
Total	80	100

Source: Field Survey

The above table shows that 70% of the respondents save a part of their income and 11.3% do not save a part of their income for various reasons. Therefore, there is a need to encourage and educate the non-savers to save a portion of their earnings. Saving and investment must become a priority to them.

Table No 2: Proportion of respondents that possess a bank pass book with them or their family

Bank Account	Frequency	Percentage
Yes	73	91.3
No	6	7.5
Cannot say	1	1.3
Total	80	100

Source: Field Survey

The table shows that bank accounts are opened by most of the respondents and hence most of the respondents have access to the formal financial system in order to make deposits. But this factor alone does not constitute financial inclusion.

Table No 3: Preferred avenue for investment used by the respondents.

Savings	Frequency		Percentage	
	Yes (151)	No (329)	Yes	No
Bank	50	30	62.5	37.5
Post office deposit	22	58	27.5	72.5

Self-Help Group	63	17	78.8	21.3
Cooperative bank	15	65	18.8	81.3
Chit funds	0	80	0	100
Do not save	1	79	1.3	98.7

Source: Field Survey

From the above given table it is clear that the investors prefer to invest in self help groups as it appears to be the most widely preferred investment avenue. The second most widely preferred investment avenue is bank deposits.

Table No 4 : Preferred mode of borrowing for the respondents

Borrowing	Frequency		Percentage	
	Yes (107)	No (293)	Yes	No
SHG	57	23	71.3	28.8
Cooperative Banks	20	60	25	75
Finance companies	4	76	5	95
Bank	25	55	31.3	68.8
Friends and relatives	1	79	1.3	98.8

Source: Field Survey

From the above table, it is evident that the respondents prefer the most to borrow from self help groups in case of need. The second most preferred source for borrowing is banks with 31.3% of the people surveyed opting for it.

Table No 5: Respondents' ease in obtaining loan from banks

Ease of getting loan	Frequency	Percentage
Yes	28	35
No	45	56.3
Can't say	7	8.7
Total	80	100

Source: Field Survey

The table shows the opinion of the respondents as to whether it is easy for them to obtain bank credit. According to the majority of the respondents, i.e., 56.3% of the respondents, it is not easy for them to obtain loans from banks. 35% think that it is easy to obtain bank credit.

Table No 6: Benefits from Self-Help Groups

Benefits	Frequency		Percentage	
	Yes (222)	No (258)	Yes	No
To save money	55	25	68.8	31.2
To obtain loans	40	40	50	50
To gain information	30	50	37.5	62.5
Public programmes	32	48	40	60
Information about rights	22	58	27.5	72.5
Unity among people	43	37	53.8	46.2

Source: Field Survey

The above table gives a picture of the various reasons that motivate people to join Self-Help Groups. 68.8% have given financial reasons for joining SHGs, i.e. to save money and 50% join SHGs for they provide easy loan facility. About 53.8% have stated that SHGs promote unity among the people.

Table No 7: Percentage of the respondents that have taken insurance coverage.

Insurance Policy	Frequency	Percentage
Yes	52	65
No	28	35
Total	80	100

Source: Field Survey

The above table shows that more than half of the respondents have taken various kinds of insurance policies. This indicates that the respondents have exposure to the financial institutions other than banks.

Hypothesis Tests

Table No 8: Relationship between possession of bank accounts and making savings

Ho – There is no relationship between possession of bank accounts and making savings

H1 – There is a relationship between possession of bank accounts and making savings

		savings from income	bank account
savings from income	Pearson Correlation	1	.458(**)
	Sig. (2-tailed)		.000
	N	80	80
bank account	Pearson Correlation	.458(**)	1
	Sig. (2-tailed)	.000	
	N	80	80

Karl Pearson r value	P value	
0.458	.000	Significant

The above table shows the correlation between possession of bank accounts and making savings. There is a positive correlation between possession of bank accounts and making savings as r = 0.458 and p = .000, which is less than 0.05. Hence possession of bank accounts by people makes an influence on the people to save. Hence the alternative hypothesis is valid and null hypothesis cannot be accepted.

Table No 9: Relationship between holding a bank account and holding an insurance policy

Ho – There is no relationship between possession of bank accounts and holding an insurance policy
H1 – There is a relationship between possession of bank accounts and holding an insurance policy

		Bank Account	Insurance Policy
bank account	Pearson Correlation	1	.015
	Sig. (2-tailed)		.892
	N	80	80
insurance policy	Pearson Correlation	.015	1
	Sig. (2-tailed)	.892	
	N	80	80

Karl Pearson r value	P value	
0.015	0.892	Not Significant

There is almost no correlation between possession of bank accounts and holding an insurance policy. The Karl Pearson Correlation co-efficient is 0.015 and p value is more than 0.05. Hence it can be said that those who possess a bank account need not necessarily have an insurance policy. The null hypothesis is accepted.

IX. SUMMARY OF THE FINDINGS

The study has provided a lot of insights about the various aspects of financial inclusion in Belthangady area. The study shows that 81.3% of the total respondents are the members of various Self-Help Groups (SHGs) which are found to be very active in Belthangady area. This indicates that Self-Help Groups have a potential to create greater financial inclusion in the rural areas. However, it is observed that people need not necessarily save money when there is adequate facility to save. This is shown by the fact that although 92.5% of the respondents agree that there is adequate facility in their village to save, only 70% of the respondents state that they save their income regularly. While all the respondents say that they have bank facility in their villages, all of them do not consider banks as the first and the best avenue to invest. Self Help Groups come out as the most preferred of all the avenues for investment. The study also finds that the traditional avenues of investment like post office deposit schemes and co-operative banks are not the preferred avenues for investment. Less than one third of the sample has invested in these schemes when these schemes are looks at individually. The role of these institutions also needs to be considered in spreading financial inclusion. The study also tries to find out the benefits from joining SHGs. Some of the main reasons for the villagers to join SHGs are both financial and non-financial. While a SHG help to save money and to borrow, it brings about unity among the people and also gives them information about their rights through various programmes and training sessions. Therefore, it can be seen that the financial inclusion can also be achieved through non-financial means also.

X. CONCLUSION:

Financial inclusion has emerged as a new answer to promote inclusive growth in India. It would help in poverty alleviation, encourage balanced regional development and create greater equity in India. Rural economy needs the financial support from banks and other financial institutions to make it more vibrant. Financial inclusion can also support agriculture and also shelter the rural economy against the uncertainties of agriculture, which is an essential economic activity in rural areas. Therefore financial inclusion has an answer to the financial problems facing a large portion of India.

Financial inclusion should come as a response to the core problems faced by every ordinary Indian. Therefore, before implementing any scheme of financial inclusion, the problems of the people must be studied in detail. Success of financial inclusion should not be just measured numerically, but also qualitatively. This is because financial inclusion must change and improve the quality of life of every individual in India. Indian economy is a capital starved economy. This capital deficit can be overcome by a higher degree of capital formation when every person saves and invests. This can trigger a virtuous circle in the Indian economy with greater production, more employment, lesser imports, etc and can thereby improve the fundamental economic situation in India.

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