

Financial Inclusion- A Study on Role of Commercial Banks in the State of Karnataka (with Special Reference to Rural Areas)

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ABSTRACT

Financial inclusion is the process of providing financial service for the weaker of section of the society and make sure that all the section peoples are also availing all the financial service. It emphasis on the financial systems for the development of economy. Financial inclusion increase in the saving habit of individuals which lead to the overall development of economy developing to the developed economy. Future Financial inclusion helps in the exploitation of lower section adoption of borrowing facilitates from the banks instead of money lending agency by facilitating easy access to formal credit. Hence a study is proposed to be undertaken to study how for commercial banks playing their role to include the financially excluded people in the state of Karnataka with special reference to rural areas. The samples is selected by administering Random sampling technique. The total numbers of samples are 300, the collected data are analyzed with the help of statistical tool.

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INTRODUCTION

The Reserve Bank and Government of India are making constants effort in promoting Financial inclusion, as its major object the Country. RBI has taken few initiatives in the past decades includes - nationalization of banks, building up of relationship in branch network of scheduled commercial banks, co-operatives and regional rural banks, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The main objective of all these initiatives is to reach the larger sections of financially excluded Indian population. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

Hence a study is proposed to be undertaken to study how for commercial banks playing their role to include the financially excluded people in the state of Karnataka with special reference to rural areas.

Objective of the study

- To find out the performance of commercial banks in the financial inclusion services.
- To understand the level of awareness among customers in the Financial services initiated by commercial banks
- To analyses the Impact of financial service on savings

Hypothesis for the study

H ₀	Theirs no relationship between education qualification and availing the facilities
H ₁	Theirs is a relationship between education qualification and availing the facilities

Review of Literature

Kumbhakar and Sarkar(2005) used the stochastic cost frontier analysis to examine the efficiency of the Indian banking system using panel data for the period 1986-2000. They used a translog specification of the cost frontier to estimate the efficiency of the individual banks. The data set related to 27 public sector banks and 23 private sector banks. Their results indicated that Indian banks, on average, do exhibit the presence of cost inefficiency in their operations. However, there is a tendency for inefficiencies to decline over time. Further, they found that deregulation in the Indian banking sector resulted in an increase in the cost

inefficiency of the Indian banks and a decline in the rate of inefficiency reduction.

Chatterjee and Sinha (2006) estimated cost efficiency of Indian commercial banks using the Data Envelopment Analysis taking loan as the output indicator. Number of bank branches and borrowed capital were taken as two inputs. The results were for 1996-97, 1998-99, 2000-01 and 2002-03 respectively. The results of the cost minimizing DEA show that mean cost efficiency of the in sample commercial banks declined in 2002-03 significantly i.e. the banks have diverged from the best practice cost frontier. Further, the in sample private sector commercial banks exhibited higher mean cost efficiency than the in sample public sector commercial banks. The public sector commercial banks lagged behind the private sector commercial banks both in respect of technical efficiency and allocative efficiency. The result may be the outcome of lending aversion behaviour by the public sector commercial banks.

METHODOLOGY

The data required for the study will be collected from both primary and secondary sources. The primary data are

collected from beneficiaries through Interview schedule. The secondary data will be collected from the published journals, books and various websites. The samples is selected by administering Random sampling technique. The total numbers of samples will be 300. For the purpose of analysis statistical tools like percentage, chi-square test, Correlation, Weighted Mean Rank score Analysis and factor analysis will be used.

Data Analysis and Interpretation

Major Discussion

- Majority of customer are aged between 26-40 years
- Most of the respondent are Male
- Majority of respondent occupation is employees and business
- Majority of respondent monthly income is between 25000-50000.
- Most of the respondent Saving accounts holders
- Majority of respondent are associated with bank is 3 to 5 year
- Most of the respondent education qualification is less than SSLC

Level of Satisfaction of the Financial services provided by the banks

Sl. no	Statements	Components
1	personal attention	.914
2	customer service	.104
3	online Banking	.895
4	Mobile banking	-.201
5	loan services	.932
6	Interest rate for deposited	.885
7	Loan rate	-.260
8	Period taken to avail the loan	.593
9	Loan procedure	.873
10	Interaction	.826
11	Maintained of record	.033
12	ATM services	.864
13	Timely services	.910
14	Branch location	-.249
15	Extension of service	-.093
16	Transaction safety	.835

The above table explain about of satisfaction level of customers towards Banking service in which the Loan service is the dominant factor and second dominant factor is personnel attention in which the customers are extremely satisfied but in which the customers are least satisfied with extension of service and the branch location is least satisfied and the customers are not at all satisfied with the loan of the bank.

1.2 Awareness among customers towards new services

Sl. no	Statements	Components
1	Green banking initiatives	.228
2	Plastic Money	.384
3	Instant Money transfer(IMF)	.051
4	Immediate payment services(IMPs)	.568
5	Mobile Application for payments	.743
6	NEFT	-.213
7	Application for bill payments	.877
8	Green loan	.538
9	Digital locker	-.123
10	Online Accounting opening facilities	.932

The above table explains about how far Customer are aware about new service in banks in which the customer are more aware about the online Accounting opening facilities and Mobile application for payments, the least factor is Digital lockers and NEFT is the customers are not much aware about it.

Rank analysis to the know the performance of commercial banks in the financial service

	SA	A	N	DA	SDA		WAS	WS	Rank
Personal attention	36	94	144	16	10	300	1030	3.43	VII
Customer service	93	57	83	48	19	300	1057	3.52	VI
Online Banking	200	25	50	5	20	300	1280	4.27	I
Mobile banking	120	75	50	25	30	300	1130	3.77	III
Loan services	84	48	66	47	55	300	959	3.20	X
Interest rate for deposited	29	41	100	69	61	300	808	2.69	XIII
Loan rate	29	53	95	81	42	300	846	2.82	XIII
Period taken to avail the loan	96	42	52	66	44	300	980	3.27	IX
Loan procedure	2	10	122	120	46	300	702	2.34	XVI
Interaction	29	31	65	122	53	300	761	2.54	XV
Maintained of record	125	52	65	28	30	300	1114	3.71	IV
ATM services	159	61	25	23	32	300	1192	3.97	II
Timely services	72	65	85	68	10	300	1021	3.40	VIII
Branch location	96	65	74	65	0	300	1092	3.64	V
Extension of service	26	29	65	158	22	300	779	2.60	XIV
Transaction safety	16	84	96	56	48	300	864	2.88	XI

From the above rank analysis, which helps the researcher to find out the customer satisfaction and their perception on commercial banks financial service performance in which the 1st Ranked is online banking, 2nd ATM service and least ranked service are Loan Procedures, extension of service. Which clears tell that the banks are yet improve in the new financial services.

Correlation analysis for the relationship between saving pattern and financial service

Correlations			
		Availing the banking Financial Services	Savings
Availing the banking Financial Services	Pearson Correlation	1	.142**
	Sig. (1-tailed)		.007
	N	300	300
Saving	Pearson Correlation	.142**	1
	Sig. (1-tailed)	.007	
	N	300	300

** . Correlation is significant at the 0.01 level (1-tailed).

The correlation between two variables Saving Pattern and availing all the banking facilities, there is low positive correlation the values .142 between Saving habit and availing all the facilities and level of significance .007 i.e., $.007 < .01$ Hence it can be said that their enough evidence to suggest that the correlation observed does exist in the population and their Correlation between Saving Pattern and availing all the banking Financial Services. Chi-square analysis to check the relationship between demographic variable and availing financial service

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.083 ^a	3	.555
Likelihood Ratio	2.139	3	.544
Linear-by-Linear Association	1.894	1	.169
N of Valid Cases	300		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.00.

From the above shown table explain the relationship between education qualification and availing financial service, the chi-square value is 2.083 and the significance level is .555 which is more than 0.05 hence we accept the null hypothesis and reject the alternative hypothesis which means education qualification doesn't create change in using the financial services.

Conclusion

The major population of the India is from rural area, this rural area plays vital role in the overall development of economy but when see the fact the rural people are not aware about their roles development of our economy. Banking sector performance of in those area are need to give more attention new technology rather than concrete on exits service, this financial inclusion move by reserve of bank of India its good move when we see the facts technology distributor like bankers are not contributing more hence the researcher come to conclusion that the banks are initiating the new financial inclusion financial service but the contribution from the bank employee should be more, personal attention should be given in services.

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