FINANCIAL INCLUSION IN RURAL KARNATAKA : AN EMPIRICAL STUDY

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Abstract : *Sustaining and accelerating the growth momentum of a country needs an increased participation of the economically vulnerable segments of population, in the process of economic growth. As India is moving towards higher growth trajectory, financial inclusion is the road in which it needs to travel towards becoming a global player. Financial inclusion of excluded segments of population is a critical part of this process of inclusion. The researcher identifies the research potential in exploring the problems of bank in rural areas in achieving financial inclusion. This paper covers two districts of Karnataka as sample for collecting primary data through structured questionnaire as well as interview with rural bank staff. Mean, percentages, chi-square test and ANOVA tools have been used to test the hypothesis. The result highlights that there is no significant difference between population occupation and also there is a significant difference between occupation and the level of awareness of banking products and services. Even today rural people depend on money lenders for loan. There is a potential for banking industry to augment finance and include the un served people by bringing them into the main fold of financial inclusion.*

KEY WORDS: *Rural, Banking, Financial Inclusion, Inclusive Growth*

Introduction

Sustaining and accelerating the growth momentum of a country needs an increased participation of the economically vulnerable segments of population, in the process of economic growth. As India is moving towards higher growth trajectory, financial inclusion is the road in which it needs to travel towards becoming a global player. Financial inclusion of excluded segments of population is a critical part of this process of inclusion. Hence, the researcher identifies the research potential in exploring the problems of bank in rural areas in achieving financial inclusion. This paper covers two districts of Karnataka as sample for collecting primary data through structured questionnaire as well as interview with rural bank staff.

BACKGROUND

Although tremendous reforms and developments have taken place in the banking sector in India since 1960s, from 1990s the focus has shifted to strengthening financial institutions as part of the financial sector reforms. The developments in banking technology in the second half of 1990s have transformed banking from staffed branches to a system supplemented by other channels like automated teller machines (ATMs), credit/debit/visa cards, internet banking, online money transfer, etc. Despite the tremendous growth in volume and complexity of banking industry during the last few decades, there are concerns that banks have not been able to include vast majority of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Efforts are being made, internationally also, to study the causes of financial exclusion and designing strategies to ensure financial inclusion of the poor and disadvantaged. The reasons may vary from country to country and hence the strategy could also vary but all our efforts are being made as financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged.

FINANCIAL EXCLUSION

Since there is large section of the population who lacks access even to the most basic banking services, there is said to be financial exclusion. Out of 600000 habitations in the country only about 30000 have a commercial bank branch. Only about 40 percent of

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the population across the country has bank accounts, and this ratio is much lower in north east states of India. The proportion of people having any kind of life insurance cover is as low as 10 percent and proportion having non-life insurance is very low at 0.6 percent. People having debit cards comprise only 13 percent and those having credit cards only marginal 2 percent. As per national sample survey (2003) out of the 89.3 million farmer households in the country, 51 percent did not seek credit either from institutional or non-institutional sources of any kind. Out of 19.9 crore households in India, only 6.82 crore households have access to banking services. In rural area, out of 13.83 crore rural households in India, only 4.16 crore rural households have access to basic banking services. In respect of urban areas, only 49.52 percent of urban households have access to banking services. Over 41 percent of adult population in India does not have bank account.

The problem of financial exclusion is not India specific; rather it is a global phenomenon. It is evident from the fact that 2.5 billion adults, which is just over half of the world's population, do not use formal financial services to save or borrow. Moreover, about 2.2 billion of these un reached adults live in Africa, Latin America, and Middle East.

As a solution to the above problem, Financial Inclusion has become an issue worldwide, and a concern equally in developed, developing and underdeveloped economies. Building an inclusive financial sector has emerged a growing global recognition bringing to the fore front the need for developing strategies that touch all lives, instead of a few selected population.

Reserve Bank's Initiatives towards Financial Inclusion

RBI launched NATIONAL STRATEGY FOR FINANCIAL EDUCATION on July 16, 2012 with a vision to build 'a financially aware and empowered India' with the following goals:

- To create awareness and educate consumers, on access to financial services, availability of various types of products and their features.
- To change attitudes to translate knowledge into behavior.
- To make consumers understand their rights and responsibilities as clients of financial services.

The Reserve Bank's approach towards Financial Inclusion aims at connecting people with banking system and not just opening accounts. This includes meeting small credit needs of the people, giving them access to the payments system and providing remittance facilities. Since past couple of years the Reserve Bank has adopted the following strategy towards financial inclusion:

(a) **No frills accounts :** In November 2005, the RBI asked the banks to offer a basic banking no frills account with low or zero minimum balances and minimum charges to expand the outreach of such accounts to the low income groups.

(b) **Easier credit facility :** Banks were asked to introduce a General Purpose Credit Card (GCC) facility up to Rs. 25,000. By end March 2009, 0.15 million GCC were issued.

(c) **Simpler KYC norms:** KYC procedure for opening accounts was simplified for those accounts with balances not exceeding Rs.50,000 and credits, not exceeding Rs.1,00,000 per year.

(d) **Use of Information Technology:** (a) Smart cards for opening bank accounts with biometric identification. These would help the customers to get the banking services at their doorsteps.(b) Link to mobile handheld electronic devices for banking transactions.

(e) **EBT:** The Reserve Bank is in consultation with state governments to encourage them to adopt Electronic Benefit Transfer (EBT) system.

(f) **100 per cent financial inclusion drive:** The RBI launched a financial inclusion drive targeting one district in each state for 100 per cent financial inclusion.

(g) **Business Correspondent Model:** The Business Correspondent (BC) model ensures a closer relationship between the poor people and the organized financial system. In 2006, the banks were permitted to use the services of NGOs, Micro-finance institutions, retired government employees, etc. to act as business correspondents in providing financial and banking services.

(h) **Bank branch and ATM expansion liberalized:** In 2009, RBI totally freed location of ATMs from prior authorization. In October 2009, branch opening was made free in towns and villages with population below 50,000.

(I) **Project financial literacy :** It includes the (i) spread of financial education through website in 13 languages; (ii) opening of credit counseling centres in the country to provide financial education to people in rural and urban areas on the various financial products; (iii) introduction

of financial curriculum in schools and colleges.

(j) **Financial Inclusion Plan (FIP):** Banks are asked to formulate a board approved Financial Inclusion Plan which must be integrated with the normal business plans for a period of three years.

CHALLENGES OF FINANCIAL INCLUSION

- Due to limited literacy, especially financial literacy, there is lack of awareness about the financial services and products;
- The financial products are unsuitable for low income groups and the attitude of banks towards such customers is unfriendly & unempathetic;
- The low income groups cannot fulfill KYC norms due to lack of proper documents regarding identity, address, income proof, etc;
- The fees charged by banks are exorbitant & non-transparent; apart from this the terms and conditions are burdensome;
- There is communication gap due to language barriers.

Hence, in order to achieve proper Financial Inclusion, it is necessary for the banks to overcome the above-mentioned challenges in due course.

STATEMENT OF THE PROBLEM

In India, a committee was set up under the chairmanship of Dr. C. Rangarajan to suggest measures to increase financial inclusion. The Committee submitted its final Report on January 4, 2008. The Report viewed financial inclusion as a comprehensive and holistic process of ensuring access to financial services and timely and adequate credit, particularly by vulnerable groups such as weaker sections and low income groups at an affordable cost. According to Rangarajan committee, financial inclusion should include access to mainstream financial products such as bank accounts, credit, remittances and payment services, financial advisory services and insurance facilities. Several steps have been taken by the various banks, NGOs and government to bring the financially excluded people to the fold of the formal banking services. The 100 per cent financial inclusion drive is progressing all over the country. Financial inclusion is necessary not only in urban areas; rather, the focus should be on the rural vulnerable section, where abundant potential can be expected. Since financial inclusion is necessary in rural area is necessary and profitable for banking sectors, the focus of the present study is on the financial inclusion among the rural people with the help of sample survey. Hence, the problem of the study is "FINANCIAL INCLUSION IN RURAL KARNATAKA: AN EMPIRICAL STUDY ON".

SIGNIFICANCE OF THE STUDY

Several studies on financial inclusion worldwide were found to be more of analytical and based mainly on the secondary data. We found hardly empirical or exploratory studies in the Indian scenario. The present study is based on the survey conducted in the rural area for the problem of financial exclusion.

Moreover, the study contributes to the existing literature by exploring the new dimensions of problems faced by the rural people in banking services that cause the financial exclusion. The policy makers in the financial institutions and the banking sector can make use of the suggestions based on the survey results and thereby increase their financial services by designing innovative methods for the millennium goal of RBI and finance sector of the country.

LITERATURE REVIEW

Banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. One of the ways in which this can be achieved in a cost-effective manner is through forging linkages with micro finance institutions and local communities. Banks should give wide publicity of no frills account. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility **(V.Leeladhar, 2005).**

The breadth of financial inclusion in a country is usually measured by the percentage of people in the region who have access to bank accounts **(Beck & De la Torre, 2006).** This is primarily because a bank account enables poor households to perform important financial functioning such as saving money safely outside the house, accessing credit, making loan or premium payment and transferring money within the country. Thus, although a bank account covers only one aspect of financial inclusion, it may determine access for many other financial services **(Littlefield et al, 2006).**

Pal and Sura (2006) concluded that the overall position of RRBs in India is not quite encouraging. The poor credit-deposit ratio is still making dent on

the desired functioning of RRBs. Since the RRB is supposed to be a bank for poor people, government should spread the branches of RRBs at grass root level to provide such banking service to the really needy rural people and to take corrective measures to raise the credit deposit ratio of the bank that would make RRBs relevant in the rural India.

In recent years, Indian banking sector is grappling with the issue of financial inclusion. But, it is not altogether a new exercise. Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also, though in a disguised form and without the same nomenclature **(Rao, 2007).**

Laveesh Bhandari and Sumitha Kale (2008) in their research paper titled 'Digital Payments and Financial Inclusion' emphasized the present scenario and the paper has brought out the importance of embracing technology as a cost effective measure to improve financial inclusion. Payments through mobile phones have been suggested as the most appropriate measure.

Micro-finance offers significant potential for achieving financial inclusion. The experience of the bank in this segment has been quite encouraging. In the words of Prof.C.K.Prahalad "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers, a whole world of opportunity will open up" **(K.C.Chakrabarty, 2008).**

Increasing proliferation of mobile services and ATMs in rural areas of India has created a new opportunity to attain financial inclusion and thus an effective tool to provide financial services to the un-banked areas with reduced overheads with providing access to banking services in remote rural destinations of India (Gupta and Gupta, 2008).

Cole et al. (2009) concluded that financial literacy program has no effect on the likelihood of opening a bank savings account, but do find modest effects for uneducated and financially illiterate households. In contrast, small subsidy payments have a large effect on the likelihood of opening a savings account. These payments are more than two times more cost-effective than the financial literacy training.

According to **Ravichandran and Alkhathlan (2009),** very few people have access to banking services. There are number of factors affecting access to financial services by weaker section of society in India. The lack of awareness, low incomes and assets, social exclusion, illiteracy are the barriers from demand side. The distance from bank branch, branch timings, cumbersome banking procedure, over requirement of documents for opening bank accounts, unsuitable banking products/schemes, language, high transaction costs and attitudes of bank officials are the barriers from supply side. Bank-SHG, bank-MFI, MFI-NBFC and bank- post office linkage models were discussed and new models like rural students banking model, RBI-Education institute linkage models were proposed.

Reddy (2010) suggested a new approach to banks to reach wider population in rural areas by establishing mobile-banks/representatives/agents who operate on commercial basis rather than just by self-help groups. These agents/representatives work on commission basis and hence self-motivated and cost effective in assisting banks in service provision/deposit mobilization.

To boost micro financing initiatives and financial inclusion program banks are deploying Biometric ATM solutions to its rural customers helping illiterate or barely literate folks to become part of the banking user community **(Biswas, 2010).**

There are still emerging innovative ideas such as Banking without banking, banking through mobile phone, inclusion through business correspondents, social stock exchange, legal inclusion of properties, mainstreaming the slum dwellers, etc. Since, the challenges of financial inclusion are multifaceted and dynamic in nature, consistent study on the requirements and perception of the rural people is sought to be continued. With this background the present paper addresses the problems and reasons for low financial inclusion in rural Karnataka.

OBJECTIVES OF THE STUDY

The following objectives are set for the present study:

- To study the financial inclusion in rural Karnataka
- To find out the reason for low financial inclusion in rural Karnataka
- To study the rural people perception towards banking services in rural areas
- To offer pertinent suggestions based on the research findings.

HYPOTHESES:

H01: There is no significant difference between the occupation and the level of satisfaction towards bank services.

H11: There is no significant difference between the occupation and level of awareness and availing of services.

DATA AND METHODOLOGY

This exploratory and Descriptive research is based on both primary data and secondary data. Secondary data were collected from RBI reports, journals, working papers, research articles newspapers, and internet. Primary data was collected through structured questionnaires both English and Kannada language. Judgment sampling and purposive sampling method was adopted and 240 sample was collected from two districts, Mandya and Hassan. Totally eight villages were chosen as sample units and 30 questionnaires were addressed to filled from the respondents of each village as shown below.

Hassan District :		Mandya District:	
Suranahalli	30	Kesturu	30
Padavalahippe	30	Besagarahalli	30
Hirisave	30	Koppa	30
srinivasapura	30	Belluru	30

The data collected were tabulated and chi- square test, ANOVA was used through SPSS 16.0 version package.

DISCUSSION AND ANALYS:

Table 1 shows the demographic profile of the respondents. Sample collected from eight villages, four from each district describes that 53.3 percent of the total population belong to job working occupation and 25.4 percent are farmers and 13.8 percent are land labour. These people are low income group as 75.8 percent of their annual income is below rupees 30000. The analysis shows that most of the people are literates but studied only upto SSLC.

Table 1: DEMOGRAPHIC PROFILE

		GENDER					
		MALE		FEMALE		TOTAL	
		Count	%	Count	%	Count	Column N %
AGE	BELOW 25	54	33.8%	15	18.8%	69	28.8%
	25-40	83	51.9%	41	51.2%	124	51.7%
	ABOVE 40	23	14.4%	24	30.0%	47	19.6%
	Subtotal	160	100.0%	80	100.0%	240	100.0%
OCCUPATI	FARMER	38	23.8%	23	28.8%	61	25.4%
ON	JOBWORKER	93	58.1%	35	43.8%	128	53.3%
	LAND LABOUR	16	10.0%	17	21.2%	33	13.8%
	OWN BUSINESS	13	8.1%	5	6.2%	18	7.5%
	Subtotal	160	100.0%	80	100.0%	240	100.0%

EDUCATION	SSLC& BELOW	114	71.2%	44	55.0%	158	65.8%
	PUC	35	21.9%	27	33.8%	62	25.8%
	GRADUATION	11	6.9%	9	11.2%	20	8.3%
	Subtotal	160	100.0%	80	100.0%	240	100.0%
ANNUAL INCOME	BELOW 30000	120	75.0%	62	77.5%	182	75.8%
	3000060000	26	16.2%	13	16.2%	39	16.2%
	ABOVE 60000	14	8.8%	5	6.2%	19	7.9%
	Subtotal	160	100.0%	80	100.0%	240	100.0%

Source: Field Survey

Table 2 shows that 28.3 percent of rural people do not have bank account. Surprisingly 54 percent of the people are able to save rupees 1000 per month. And 20.4 percent of the people can save upto rupees 5000. In the rural areas, central government poverty alleviation programmes such as employment guarantee schemes, Gramswaraj yojana, old age pension, and other social security cash disbursements enable rural population to save certain amount for future spending. In both the districts, and eight villages, only one village(Kestur) has commercial bank(Vijaya Bank). In rest of the villages have co-operative banks and Grameena Banks like, Kalpatharu, Visheshwaraya Grameena Bank, Agricultural Credit Co-operative Banks, Vasavamba Co-operative Banks. Except the commercial banks in the rural areas, these regional rural banks and co-operative banks are not much effective in outreaching the underprivileged population in rural Karnataka. Despite RBI's guidelines and instructions, rural banks are running except operating efficiency and good quality services.

Table 2 : OCCUPATION WISE BANK TRANSACTIONS

		OCCUPATION									
		FARMER		JOBWORKER		LAND LABOUR		OWN BUSINESS		Subtotal	
What is your initial deposit?	NO ACCOUNT	14	23.0%	43	33.6%	10	30.3%	1	5.6%	68	28.3%
	less than 50	10	16.4%	12	9.4%	2	6.1%	0	.0%	24	10.0%
	50-100	15	24.6%	26	20.3%	4	12.1%	0	.0%	45	18.8%
	100-500	3	4.9%	10	7.8%	4	12.1%	0	.0%	17	7.1%
	more than 500	19	31.1%	37	28.9%	13	39.4%	17	94.4%	86	35.8%
	Subtotal	**61**	**100.0%**	**128**	**100.0%**	**33**	**100.0%**	**18**	**100.0%**	**240**	**100.0 %**
What is the monthly saving you deposit?	less than 500	19	31.1%	16	12.5%	11	33.3%	6	33.3%	52	21.7%
	500-1000	31	50.8%	79	61.7%	16	48.5%	4	22.2%	130	54.2%
	1000-5000	8	13.1%	27	21.1%	6	18.2%	8	44.4%	49	20.4%
	above 5000	3	4.9%	6	4.7%	0	.0%	0	.0%	9	3.8%
	Subtotal	**61**	**100.0%**	**128**	**100.0%**	**33**	**100.0%**	**18**	**100.0%**	**240**	**100.0 %**

Which type of account?	NO A/C	14	23.0%	43	33.6%	10	30.3%	1	5.6%	68	28.3%
	SAVING BANK	47	77.0%	80	62.5%	23	69.7%	0	.0%	150	62.5%
	CURRENT A/C	0	.0%	0	.0%	0	.0%	10	55.6%	10	4.2%
	FIXED DEPOSIT A/C	0	.0%	5	3.9%	0	.0%	7	38.9%	12	5.0%
	Subtotal	**61**	**100.0%**	**128**	**100.0%**	**33**	**100.0%**	**18**	**100.0%**	**240**	**100.0 %**

Source: Field Survey

Even today rural customers are not very much attracted by the banks by opening NO FRILL accounts. Table 2 shows that only 10 percent of the account holders have opened their account with less than 50 rupees. RBI stipulates that number of customers to be increased and thereby include maximum rural population. This helps banks to secure more finance and increase capital adequacy ratio, as well as can lend rural vulnerable segment of the population for the purpose of removing poverty. Therefore, SHG bank linkage programme of NABARD works very well in bank education and financial literacy among the illiterate and downtrodden people and there by financial inclusion can happen by including un-served youth, farmers and women in the rural areas for agricultural activities, entrepreneurship development as well as micro saving and micro credit facility. Dr Mohamad Yunus of Bangladesh popularizing the social stock exchange and helping all the sections of the society in fund raising micro saving that helps large group of world population with a very low and no level of income.

CHART 1:

FREQUENCY OF BANK VISIT

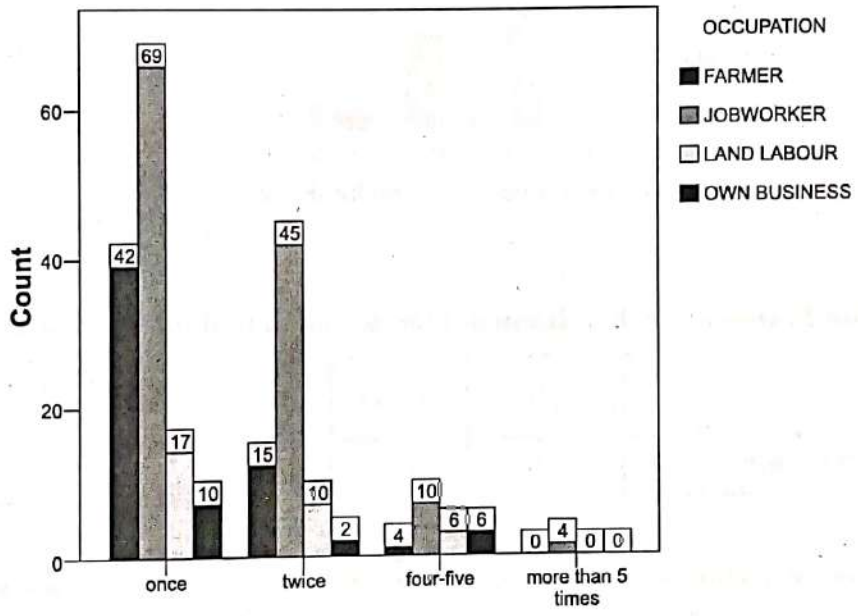


Chart 1 indicates that 69 member of the sample visit bank once in a month. This may be for people who avail government social security money once in a month, visit to withdraw money. 45 members visit twice in a month. SHG members visit 4 times a month for their banking transactions. Rest of the people are not utilizing the banking services. The reasons quoted by the respondents are to withdraw money, and they do not have any transactions to do with the bank. Farmers and job workers do not have the opportunity to visit and avail bank services due to lack of financial knowledge, timing and procedural difficulties to the rural people. Even the attitude of the bank staff, and banks situated mostly in hoblies and Taluks. They find no time because of their job. Rural respondents opinion for not availing bank

services and not opening bank account has been compiled in the descriptive statistics from 3 to table 11. Most of the people are not aware of the minimum bank products and services such as pass book, cheque book, credit card and debit card. Only respondents running the small business avail these services and most of the people have only saving bank account without ATM card. Rural people do not have the knowledge of mobile banking and money transfer facility. Every bank now-a-days print challans and documents in kannada language also that help rural population to understand the procedure without any hassle. Test statistics shown in table 12 signifies that the level of awareness about the services availed by the rural people in Karnantaka. Due to lack of knowledge and literacy, and the interest in various 'unwanted services' which are not relevant as perceived by the population, these services are not popular even today in rural areas.

CHART 2 :

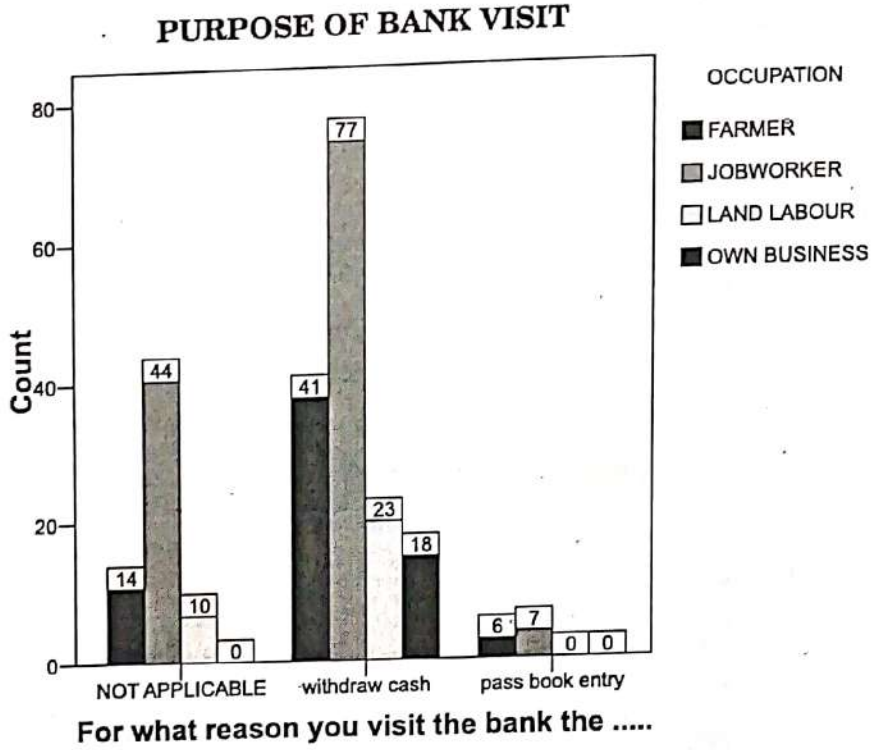


Table 3 : Due to Lack of financial knowledge I had no account before

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	240	100.0	100.0	100.0

Table 4: Due to Low income and assets I had no account before

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	108	45.0	45.0	45.0
Indifferent	45	18.8	18.8	63.8
Disagree	87	36.2	36.2	100.0
Total	240	100.0	100.0	

Table 5 : Illiteracy / language Caused not opening account

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	162	67.5	67.5	67.5
	Indifferent	24	10.0	10.0	77.5
	Disagree	54	22.5	22.5	100.0
	Total	240	100.0	100.0	

Table 6 : Branch timings is not convenient

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	207	86.2	86.2	86.2
	Indifferent	16	6.7	6.7	92.9
	Disagree	17	7.1	7.1	100.0
	Total	240	100.0	100.0	

Table 7 : Banking procedures are complex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	191	79.6	79.6	79.6
	Indifferent	25	10.4	10.4	90.0
	Disagree	24	10.0	10.0	100.0
	Total	240	100.0	100.0	

Table 8 : Documents required were not available for opening the account

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	205	85.4	85.4	85.4
	Indifferent	11	4.6	4.6	90.0
	Disagree	24	10.0	10.0	100.0
	Total	240	100.0	100.0	

Table 9 : Banking products and schemes are unsuitable for us

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	187	77.9	77.9	77.9
	Indifferent	17	7.1	7.1	85.0
	Disagree	36	15.0	15.0	100.0
	Total	240	100.0	100.0	

Table 10 : Bank transaction costs are high

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	194	80.8	80.8	80.8
	Indifferent	29	12.1	12.1	92.9
	Disagree	17	7.1	7.1	100.0
	Total	240	100.0	100.0	

Table 11 : Attitude of the bank officials is not pleasing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	196	81.7	81.7	81.7
	Indifferent	20	8.3	8.3	90.0
	Disagree	24	10.0	10.0	100.0
	Total	240	100.0	100.0	

Table 12 shows ONE-WAY ANOVA for testing the null hypothesis (H01) that there is no significant difference between the occupations and the level of satisfaction towards bank services. As per table 12 computed value of F is 1.463 which is less than the critical value (2.60). Therefore, there is not enough evidence to reject our null hypothesis (H01) and hence can be inferred that there is no significant difference between the occupation and the level of satisfaction. In fact the population, irrespective of their occupation, do not enjoy the satisfactory services of rural banks and co-operative banks. Perhaps this may be construed as one of the reasons for lacunae in financial inclusion in rural Karnataka.

Table 12 : ANOVA

Are you satisfied with the products which are offered by your bank?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.816	3	1.605	1.463	.225
Within Groups	258.980	236	1.097		
Total	263.796	239			

Table 13: ANOVA of OCCUPATION*AWARENESS

		Sum of Squares	df	Mean Square	F	Sig.
Deposit /withdrawl of cash	Between Groups	4.045	3	1.348	2.970	.033
	Within Groups	107.139	236	.454		
	Total	111.183	239			
Money transfer/ Mobile banking	Between Groups	1.882	3	.627	2.937	.034
	Within Groups	50.414	236	.214		
	Total	52.296	239			

Passbook	Between Groups	4.838	3	1.613	3.244	.023
	Within Groups	117.324	236	.497		
	Total	122.163	239			
Cheque Book	Between Groups	8.347	3	2.782	14.076	.000
	Within Groups	46.649	236	.198		
	Total	54.996	239			
Loans	Between Groups	7.556	3	2.519	13.792	.000
	Within Groups	43.094	236	.183		
	Total	50.650	239			
Overdraft	Between Groups	2.878	3	.959	11.151	.000
	Within Groups	20.305	236	.086		
	Total	23.183	239			
General credit card/ Kisan CC	Between Groups	1.426	3	.475	6.636	.000
	Within Groups	16.907	236	.072		
	Total	18.333	239			
ATM Card/Debit card	Between Groups	2.054	3	.685	1.555	.201
	Within Groups	103.929	236	.440		
	Total	105.983	239			

Table 13 shows computed value of chi-square test to test the **second null hypothesis (H11)** that there is no significant difference between the occupation and level of awareness and availing of services. As the computed values in all the variables at 3 degrees of freedom is more than the critical value at 5% level of significance (2.60), our null hypothesis is rejected and confer that occupation determines the level of awareness. However, in the case of ATM/Debit cards and credit cards, only people with own business aware and availing the services. This reflects that except private and public sector commercial banks, rural co-operative banks and Grameen banks do not provide such services. Provision of innovative services may attract large sections of the society who are out of the service network. Therefore, in India, financial inclusion is a great challenge at this movement unless a vast campaign and banking literacy is initiated by the banking and finance industry.

SUGGESTIONS AND CONCLUSIONS

As major chunk of the population do not have bank account, it is time to bring these population into the fold of banking services. Findings of the study highlights that there is a great potential for commercial banks to step into this arena to effect financial inclusion. Attractive products and services shall be innovated that most suited to the rural peasants and wage earners. Aadhar based cash disbursement and rural employment guarantee programmes and other schemes may boost up the banking sector to explore more opportunity to augment abundant financial resources and thereby provide in time credit facility to the needy for both agricultural development and entrepreneurial development. The study notes that even today rural people depend much on money lenders and do not avail bank loans due to collateral insistence and delayed procedures. Therefore, to build confidence among the people, the banks should streamline the credit and lending policies and procedures that are customer friendly. Customized Credit card and Debit card facility is another innovative idea that the banks should look into. Moreover, the banks and financial institutions must conduct a timely campaign to create awareness and banking and financial literacy through customer friendly advertisements. The policy of the RBI should be more rural oriented and focus much on farmers and youth. It is also advisable to make it mandatory to all the students and Aadhar

card holders to have a bank account to transact and increase financial awareness and financial inclusion. Zero balance accounts at the village for every citizen can be made mandatory. Bank officials may adopt different alternative documents to open the account rather than insisting on one specified document.

To summarize the researcher analysed the relevant primary data through questionnaire and secondary data to find the problems of financial inclusion in rural Karnataka. The study shows that the lack of financial knowledge, low income, and problems pertaining to banks operations and procedures are the major problems in rural area. Through test statistics such as chi-square test and ANOVA, both the hypothesis were tested and pertinent suggestions to augment financial resources and achieve the inclusive growth, the vision of Dr.Amarthyasen, increasing the commercial banks branches and modernizing rural and co-operative banks. Only when the rural population come out of poverty and come to mainstream by increasing the standard of life, the countries inclusive growth can be achieved.

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