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# BANKING ACCESS TO RURAL PEOPLE – A CASE STUDY OF THENKANIDIYUR VILLAGE IN UDUPI DISTRICT, KARNATAKA

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## Introduction

Since the early national plans, successive governments in independent India have emphasized the link between improving access to finance and reducing poverty, a stance that has had influence globally. The need to improve financial access for India's poor, the overwhelming majority of whom are concentrated in rural areas, motivated the nationalization of commercial banks in the late 1960s, an aggressive drive through the 1970s and 1980s to expand rural banking, coupled with policies mandating banks to provide subsidized credit to rural households. The 1990s saw the partial deregulation of interest rates, a gradual reduction in Government's stake in commercial banks, and increased competition in the banking sector. But political compulsions have dictated the persistence of government intervention in 'priority' sectors such as rural finance. Government still dominates the rural finance institutions, and directed credit and subsidies, albeit lower than before, continue to distort risk-return signals in rural finance. Access to finance for the rural poor has improved somewhat over the past decades, with the public sector commercial banks being the dominant players in the formal rural finance market. Government's policies of branch expansion of public sector commercial banks in rural areas, particularly in the 1970s and 1980s, certainly helped banking outreach. Today, India has over 32,000 rural branches of commercial banks and Regional Rural Banks (RRBs), some 14,000 cooperative bank branches, *98,000* PrimaryAgricultural Credit Societies (PACS), not to speak of the thousands of mutual fund sellers, several Non-Bank Finance Companies (NBFCs) and a large post office network with 154,000 outlets that are required to focus on deposit mobilisation and money transfers. Not surprisingly, India compares favourably with other developing countries in terms of the average population served per bank branch, and the average geographical area served per branch.

The Government of India and the Reserve Bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last five decades include - nationalization of banks, building up of robust 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 fundamental objective of all these initiatives is to reach the large sections of the hitherto financially excluded Indian population.

After taking office in 2014, the current Government set an ambitious target to open a bank account for every household to ensure welfare funds flow directly to India's poor, while improving access to credit and insurance programs. The Government pushed policies that helped bring 310 million people into the formal banking system in just four years, according to the World Bank. But many of India's villages still lack bank branches or ATMs to help service these new customers, while the pace of building new financial infrastructure has actually slowed.

Financial inclusion broadens the resource base of the financial system by developing a culture of savings among large segment of rural population and plays its own role in the process of economic development. Further, by bringing low income groups within the perimeter of formal banking sector; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit.

In this paper, an attempt has been made to study the extent of financial inclusion of the people of Thenkanidiyur Village in Udupi district of Karnataka state. This village is at a distance of 15 km from Udupi. The number of households in this village is around 900 with a population around 3500. There is one nationalised bank, two cooperative societies, one post-office and six self-help groups operating in this village.

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**Objectives**

The broad objective of the study is to understand how the people in Thenkanidiyur village manage their finances in the context of low income and uncertainties. The specific objectives are

1. To ascertain the financial inclusivity of people of Thenkanidiyur village.
2. To understand savings and credit patterns of the people.

**Methodology**

The study employed questionnaire method for collecting relevant information from the households of the Thenkanidiyur village. Questionnaire included items seeking information on number of accounts in the various financial institutions, number of visits in a month to the financial institutions, distance from home to these institutions, reasons for taking loans, outstanding loan amount, possession of ATM cards etc. along with background information of the households. Questions on expectations from financial institutions and drawbacks in the services of the financial institutions were also included in the questionnaire. The nature of the study is only descriptive making use of percentages and diagrams. A total of 56 people responded to the questionnaire.

**Results and Discussion**

**Profile of the households**

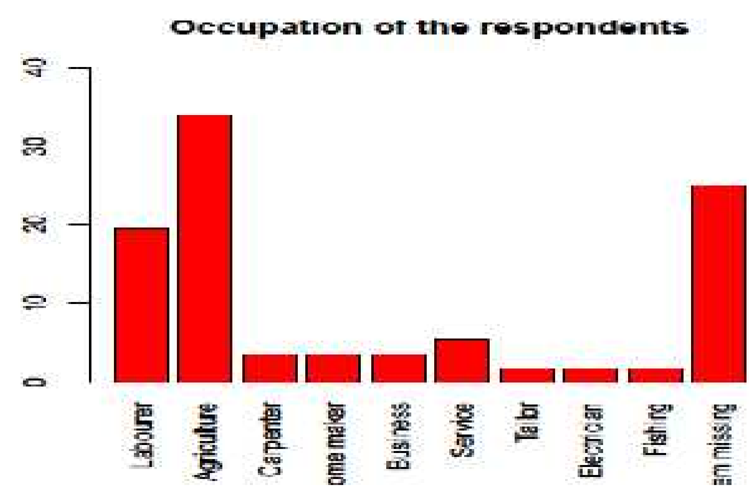
The sample comprised 61% males and 39% females. 63% of the households have tiled, 17% have cement sheet, another 17% have RCC and remaining have thatched rooftops. Table 1 gives the occupation details of the respondents. 43% of the respondents have education up to primary level. The visual representation is given in

**Table 1**

**Occupation of family head**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| | Labourer | 11 | 19.6 | 26.2 | 26.2 |
| | Agriculture | 19 | 33.9 | 45.2 | 71.4 |
| | Carpenter | 2 | 3.6 | 4.8 | 76.2 |
| | Home maker | 2 | 3.6 | 4.8 | 81.0 |
| | Business | 2 | 3.6 | 4.8 | 85.7 |
| | Service | 3 | 5.4 | 7.1 | 92.9 |
| | Tailor | 1 | 1.8 | 2.4 | 95.2 |
| | Electrician | 1 | 1.8 | 2.4 | 97.6 |
| | Fishing | 1 | 1.0 | 2.4 | 100.0 |
| | Total | 42 | 75.0 | 100.0 | |
| Missing | System | 14 | 25.0 | | |
| Total | | 56 | 100.0 | | |

Figure 1.



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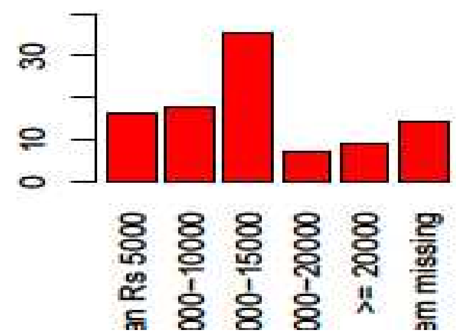
It can be noted that 33.6% of the household depended on agriculture for the livelihood and 20% are labourers. Monthly income details are given in table 2. Visual representation is given in figure 2.

**Table 2** **Monthly family income**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Less than Rs 5000 | 9 | 16.1 | 18.8 | 18.8 |
| | 5000-10000 | 10 | 17.9 | 20.8 | 39.6 |
| | 10000-15000 | 20 | 35.7 | 41.7 | 81.3 |
| | 15000-20000 | 4 | 7.1 | 8.3 | 89.6 |
| | >= 20000 | 5 | 8.9 | 10.4 | 100.0 |
| | Total | 48 | 85.7 | 100.0 | |
| Missing | System | 8 | 14.3 | | |
| Total | | 56 | 100.0 | | |

**Monthly Income of household**




We observe that around 70% of the households have the income below Rs 15000.
The descriptive statistics pertaining to age of respondents and number of earners in the household are tabled in table 3.

**Table 3** **Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Age of family head | 53 | 20 | 85 | 55.89 | 14.556 |
| Number of earners in the family | 45 | 1 | 6 | 1.98 | 1.177 |
| Valid N (listwise) | 44 | | | | |

It can be noted that respondents belong to the age group 20and 85 and the average age is 56 years and average number of earners in the family is 2.

**Access to organized financial institutions**

To formulate policies which will lead to improving the banks' reach among the poor and strengthening financial inclusion, it is important to understand first to what extent the poor have been brought under the ambit of organized financial institutions. The present study, therefore, explored how far the poor households in the sample have accounts; deposit as well as credit, in commercial banks, cooperative banks and primary cooperative societies.

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The descriptive statistics related to number of accounts in households is given in table 4.

**Table 4 Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Number of bank accounts in the family | 56 | 1 | 5 | 3.95 | 1.271 |
| Valid N (listwise) | 56 | | | | |

It can be noted that all households in the sample have at least one account in a financial institution. The average number of accounts in a household is 4 with a standard deviation 1.3. Table 5 lists the responses given by the respondents to a question about the types of accounts they have in various financial institutions.

**Table 5 $typeaccount Frequencies**

| | | Responses | | Percent of Cases |
|---|---|---|---|---|
| | | N | Percent | |
| Type of Accounts in households[a] | SB account | 54 | 81.8% | 96.4% |
| | Current account | 5 | 7.6% | 8.9% |
| | Recurring deposit account | 1 | 1.5% | 1.8% |
| | Fixed deposit account | 2 | 3.0% | 3.6% |
| | Pigmy account | 4 | 6.1% | 7.1% |
| Total | | 66 | 100.0% | 117.9% |

a. Dichotomy group tabulated at value 1.

96.4% of the households reported that they have savings bank account whereas very less number of households reported possession of other types of savings accounts.

The responses to a question seeking information about the financial institutions in which they have savings accounts are given in table 6.

**Table 6 $FinancialInstitution Frequencies**

| | | Responses | | Percent of Cases |
|---|---|---|---|---|
| | | N | Percent | |
| Accounts in the Financial Institution[a] | Commercial Banks | 51 | 47.2% | 92.7% |
| | Self-help group | 23 | 21.3% | 41.8% |
| | Co-operative Society | 12 | 11.1% | 21.8% |
| | Post Office | 17 | 15.7% | 30.9% |
| | Cooperative Bank | 5 | 4.6% | 9.1% |
| Total | | 108 | 100.0% | 196.4% |

a. Dichotomy group tabulated at value 1.

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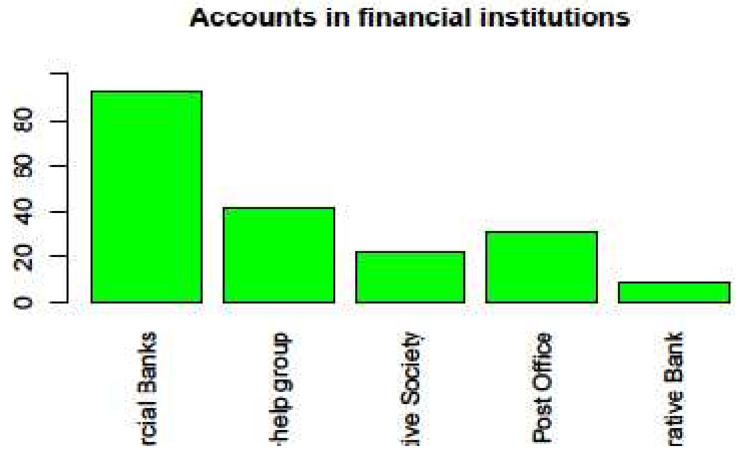


It appears that commercial banks are the ones in which households prefer to have accounts (93%) followed by self- help groups (42%) and post office (31%). The average distances villagers will have to travel to reach the financial institutions is given in table 7.

**Table 7** **Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Bank | 54 | .5 | 25.0 | 6.083 | 4.6690 |
| Self help group | 30 | 1.0 | 11.0 | 3.950 | 3.3383 |
| Cooperative Society | 22 | 1.0 | 20.0 | 5.068 | 4.6657 |
| Post Office | 29 | 1.0 | 20.0 | 4.672 | 4.3472 |
| Money lenders | 5 | 4.000 | 15.000 | 9.60000 | 4.037326 |
| Valid N (listwise) | 4 | | | | |

We can see that self-help groups are nearer to villagers in terms of distance compared to other financial institutions. But commercial banks are preferred financial institution for banking purposes. Also, it can be seen from table 8 that villagers visit financial institutions 1-2 times in a month.

**Table 8** **Number of visits to financial institutions in a month**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1 -2 times | 39 | 69.6 | 69.6 | 69.6 |
| | 3 - 4 times | 14 | 25.0 | 25.0 | 94.6 |
| | 5 or more | 3 | 5.4 | 5.4 | 100.0 |
| | Total | 56 | 100.0 | 100.0 | |

**Table 9** **$Saving Frequencies**

| | | Responses | | Percent of Cases |
|---|---|---|---|---|
| | | N | Percent | |
| Where do they prefer to save? [a] | Banks | 42 | 56.8% | 76.4% |
| | Gold purchase | 2 | 2.7% | 3.6% |
| | Purchase of land | 2 | 2.7% | 3.6% |
| | Post offfice | 5 | 6.8% | 9.1% |
| | Self help group | 7 | 9.5% | 12.7% |
| | Keep at home | 12 | 16.2% | 21.8% |
| | cooperative society/bank | 4 | 5.4% | 7.3% |
| Total | | 74 | 100.0% | 134.5% |

a. Dichotomy group tabulated at value 1.

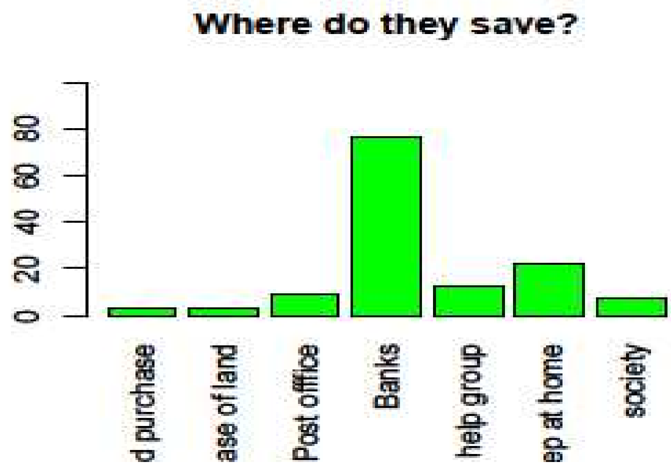


Table 9 gives the response summary to a question that where villagers prefer to save their money? 76% of the respondents answer that they prefer to save their money in banks. 22% said that they would prefer to keep their surplus money at home itself. Also, 89% of the respondents said that they possess ATM cards (Table 10).

**Table 10** **Possessing ATM card**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | No | 6 | 10.7 | 10.7 | 10.7 |
| | Yes | 50 | 89.3 | 89.3 | 100.0 |
| | Total | 56 | 100.0 | 100.0 | |

**Loan Accounts**

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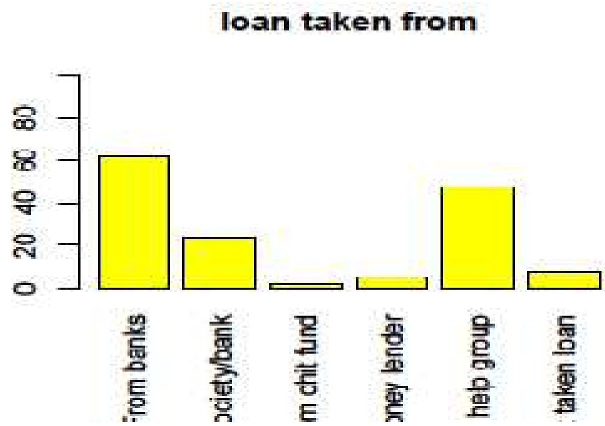
Table 11 gives summary of the responses to a question that whether any of the family member ever taken a loan from the listed financial institutions.

**Table 11** **$loantaken Frequencies**

| | | Responses | | Percent of Cases |
|---|---|---|---|---|
| | | N | Percent | |
| loan taken Financial Institutions[a] | From banks | 34 | 42.0% | 61.8% |
| | From society/bank | 13 | 16.0% | 23.6% |
| | from chit fund | 1 | 1.2% | 1.8% |
| | From Money lender | 3 | 3.7% | 5.5% |
| | from self help help group | 26 | 32.1% | 47.3% |
| | Not taken loan | 4 | 4.9% | 7.3% |
| Total | | 81 | 100.0% | 147.3% |

a. Dichotomy group tabulated at value 1.




62% of the respondents replied that they have taken loan from banks and 47% of the respondents taken loan from self-help groups. Table 12 details the purposes for which loans were taken.

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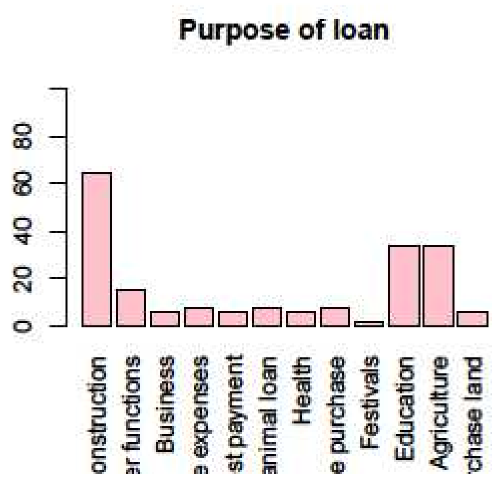
**Table 12** $loan purpose Frequencies

| | | Responses | | Percent of Cases |
|---|---|---|---|---|
| | | N | Percent | |
| Purpose of taking loan[a] | House construction | 34 | 33.0% | 64.2% |
| | Marriage/other functions | 8 | 7.8% | 15.1% |
| | Business | 3 | 2.9% | 5.7% |
| | House expenses | 4 | 3.9% | 7.5% |
| | loan/interest payment | 3 | 2.9% | 5.7% |
| | animal loan | 4 | 3.9% | 7.5% |
| | Health | 3 | 2.9% | 5.7% |
| | Vehicle purchase | 4 | 3.9% | 7.5% |
| | Festivals | 1 | 1.0% | 1.9% |
| | Education | 18 | 17.5% | 34.0% |
| | Agriculture | 18 | 17.5% | 34.0% |
| | To purchase land | 3 | 2.9% | 5.7% |
| Total | | 103 | 100.0% | 194.3% |

a. Dichotomy group tabulated at value 1.




House construction appears to be the primary reason for availing loan from the financial institution followed by Agriculture and education.

**Expectations from financial institutions and drawbacks of financial services**

The following are some of the expectations villagers have from the financial institutions.

1. Low interest rates on the loans and high interest rates on the deposits
2. Facilities to farmers
3. Proper behavior with customers
4. Agriculture loan waiver
5. Local language seeking employess
6. Better ATM services

**Summary of findings**

We can gather the following findings from the above discussions.

1. Villagers prefer to have accounts whether savings or credit from commercial banks followed by self-help groups and post offices and average number of accounts in a household is 4. Most of the villagers would visit financial institutions at least once or twice in a month. Most of the villagers possess ATM cards.

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2. Commercial banks and self-help groups are the most preferred options for the villagers to avail loans. House construction, agriculture and education are the primary purpose for which the loans were taken.
3. Villagers would want to have low interest rate on the loans whereas higher rates of interest on deposits and there by exhibit financial literacy. Also, they want the employees of the financial institutions to exhibit good customer support.