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FINANCIAL INCLUSION, MICRO-CREDIT ACCESSIBILITY, AND CUSTOMER SATISFACTION WITH DIGITAL BANKING SERVICES: AN EMPIRICAL STUDY OF SMALL TRADERS, AGRI-BUSINESSES, AND DRY LAND FARMERS IN KADUR AND BIRUR TOWNS OF CHIKKAMAGALURU DISTRICT

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Abstract
This empirical study evaluates the accessibility, operational efficiency, and customer satisfaction surrounding micro-credit facilities, self-help group financing, and digital banking platforms among small traders, daily wage earners, agri-input dealers, and dryland agriculturalists in Kadur and Birur—the twin commercial hubs of eastern Chikkamagaluru district. Unlike the coffee-plantation economy of the Western Ghats region, Kadur and Birur present a distinct semi-arid agricultural and trade-centric economic profile dependent on crops like coconut, onion, pulses, and ragi. Relying on primary field observations and structured stakeholder feedback from public sector banks, private banks, cooperative societies, and Karnataka Gramin Bank branches, this research identifies critical operational bottlenecks, digital transaction adaptation patterns, loan processing delays, and credit delivery constraints, while providing actionable strategies to strengthen micro-financial ecosystems in semi-urban Karnataka.

Keywords: Financial Inclusion, Micro-Credit, Digital Banking, Kadur-Birur Trade Corridor, Regional Rural Banks, APMC Markets, Dryland Agricultural Credit, AEPS Authentication.

1. Introduction

Kadur and Birur serve as crucial economic, transit, and commercial nodes in the eastern belt of Chikkamagaluru district. Positioned along major rail and road transit routes, these twin towns function as vital collection and distribution centers for agricultural produce, livestock, hardware, and retail goods. Characterized by vibrant regulated markets (APMC), small-scale commercial establishments, and rain-fed agricultural operations, the economic dynamics of this region differ substantially from the plantation-heavy western taluks like Mudigere, Sringeri, or Koppa. Financial institutions operating across Kadur and Birur—including public sector banks (such as State Bank of India and Canara Bank), private commercial banks, Primary Agricultural Credit Societies (PACS), and Karnataka Gramin Bank—have progressively rolled out digital banking services and targeted government credit schemes (such as PM SVANidhi, Kisan Credit Cards, and MUDRA loans). However, the real-world impact of these initiatives depends heavily on regional digital infrastructure stability, loan processing turn-around times, collateral requirements, and digital financial literacy. Examining how local merchants, street vendors, women-led SHGs, and farmers interact with these formal banking frameworks provides critical empirical insights for regional banking policy and rural financial integration.

2. Statement of the Problem While digital payment channels (such as UPI QR codes and POS terminals) have expanded rapidly across retail shops in Kadur town and the Birur market area, access to timely micro-credit and formal institutional finance for small traders, tenant farmers, and dryland agriculturalists remains constrained by procedural complexities and rigid documentation mandates. Furthermore, technical issues—such as server downtime during peak APMC trading days, biometric authentication failures under Aadhaar-Enabled Payment Systems (AEPS), and rising apprehensions regarding cyber fraud—hinder seamless financial inclusion. A dedicated regional study focusing on

the Kadur-Birur commercial corridor is essential to map these operational challenges and provide localized policy solutions.

3. Research Objectives

1. To examine the adoption rates and frequency of digital banking solutions (UPI, Mobile App Banking, AEPS, micro-ATMs) among retail merchants, vendors, and agricultural households in Kadur and Birur.
2. To assess the institutional credit flow, sanction efficiency, and documentation challenges associated with micro-credit schemes (MUDRA, KCC, PM SVANidhi, and SHG-Bank Linkage) in the region.
3. To evaluate customer satisfaction levels regarding branch service responsiveness, ATM availability, server uptime, and grievance redressal mechanisms.
4. To propose actionable strategies for local bank management, regional rural banks, and regulatory bodies to optimize credit delivery and build trust in digital financial infrastructure.

4. Conceptual Framework & Research Methodology

[Target Demographics] ---> [Financial Touchpoints] ---> [Key Performance Indicators]

• Small Retailers	• Public Sector Banks	• Credit Sanction Speed
• APMC Merchants	• Karnataka Gramin Bank	• Digital System Reliability
• Dryland Farmers	• Cooperative Societies	• Customer Satisfaction
• Women SHG Members	• Micro-ATMs / BC Points	• Fraud Prevention & Trust

Research Design: Empirical, descriptive, and field-driven research methodology incorporating quantitative survey metrics and qualitative stakeholder interactions.

Geographical Focus: Urban, peri-urban, and commercial zones of Kadur town (including BH Road, Market Square, and APMC yard) and Birur junction market belt, along with adjacent agricultural catchment villages.

Sample Distribution: 150 respondents comprising 50 retail merchants/vendors, 40 dryland farmers, 30 APMC commission agents, and 30 women SHG members.

Data Sources: Primary field data gathered through structured questionnaires and face-to-face interviews; secondary data derived from the Lead Bank Office Reports (Chikkamagaluru District), NABARD Potential Linked Credit Plans (PLP), State Level Bankers' Committee (SLBC) Karnataka publications, and RBI Bulletins.

5. Empirical Findings and Discussion

5.1. Digital Channel Adoption and Usage Dynamics Field observations reveal a dual-track pattern in digital adaptation:

Retail Trade Sector: Over 88% of retail merchants and street vendors in Kadur and Birur actively utilize UPI QR platforms for daily micro-transactions due to instant settlement convenience and zero transaction fees.

Agricultural Sector: Adoption among dryland farmers and rural laborers remains largely restricted to basic account balance inquiries, direct benefit transfers (DBT subsidies), and cash withdrawals through Business Correspondents (BCs) or micro-ATMs. Advanced mobile app features (such as online loan applications, fixed deposits, or recurring transfers) show low utilization (< 22%) due to interface complexity and language barriers.

5.2. Evaluation of Operational Challenges

Operational Domain	Observed Problem / Bottleneck	Primary Affected Demographic	Impact Severity
Micro-Credit Sanctioning	Prolonged approval cycles, documentation delays, and informal collateral expectations	Small merchants, MUDRA applicants	High
Network & Server Downtime	Transaction time-outs and payment hangs during peak APMC trading hours	Grain traders, retail shopkeepers	High
Biometric Failures (AEPS)	Fingerprint scanning failures caused by worn skin on agricultural workers' hands	Elderly dryland farmers, wage workers	High
Grievance Redressal	Slow resolution times for failed transactions and account debit errors	First-time digital app users	Medium-High
Cybersecurity Anxiety	Fear of OTP scams, fraudulent phone calls, and malicious payment links	Rural account holders, SHG women	High

6. Policy Recommendations for Regional Banking Development

1. **Establishment of Accelerated Micro-Credit Desks:** Branches in Kadur and Birur should institute dedicated "Micro-Enterprise &Agri-Credit Facilitation Desks" to streamline document verification and reduce MUDRA/KCC loan processing turnaround times to under 7 working days.
2. **Bandwidth Optimization for Commercial Zones:** Lead banks and regional telecom service providers must prioritize network infrastructure upgrades and dedicated data pipes around major commercial areas, such as the Kadur APMC Yard, Birur Railway Station market road, and central bus stand commercial clusters.
3. **Multi-Modal Authentication Deployment:** To overcome AEPS fingerprint failures among manual and agricultural laborers, bank correspondent networks should transition to dual-authentication devices featuring face-recognition or iris-scanning technology.
4. **Vernacular Digital Literacy Programs:** Local bank branches, in coordination with NABARD and local educational institutes, should conduct regular financial safety workshops in Kannada. These programs should focus on safe UPI practices, identifying fraudulent links, and utilizing the official 1930 cybercrime reporting helpline.
5. **Flexible Credit Products for Semi-Arid Agriculture:** Financial institutions should structure customized credit products that align repayment schedules with the harvest timelines of dryland crops (such as coconut and pulse yields) rather than standard rigid monthly cycles.

Conclusion

The Kadur-Birur economic corridor represents a dynamic trade and agricultural ecosystem within Chikkamagaluru district. While digital transaction processing has achieved impressive penetration among urban retail establishments, critical gaps remain in micro-credit processing speed, network resilience, biometric authentication, and digital safety awareness among rural farmers and small enterprise owners. By implementing targeted credit desks, upgrading digital infrastructure around trade hubs, and fostering vernacular financial literacy, regional financial institutions can build a more resilient, inclusive, and customer-centric banking framework.

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