

Effectiveness of Financial Inclusion initiatives of Commercial Banks in Karnataka: An Index Analysis

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Abstract

Financial Inclusion is the initiative to deliver financial services to the untapped society of the rural India at an affordable cost. Commercial Banks along with the Regional Rural Banks are striving to achieve the goals set by the mission financial inclusion through the financial services like timely credit facilities and access to banking facilities like saving deposits, no-frill accounts which are affordable to a common man. As per the Census 2011, the Karnataka state has 27397 villages wherein the basic banking facilities are not met due to non-availability of financial setup. Commercial banks like Syndicate Bank has initiated financial literacy center (FLC) to promote financial inclusion through creating awareness about the financial products offered. Off-late all these initiatives failed to achieve the set results; therefore this research paper makes an attempt to measure the level of financial inclusion by considering four important dimensions like Penetration of Bank Branch, Bank Service Availability, Deposit Penetration and Credit Penetration in different districts in the Karnataka state. The researcher has collected the secondary data from the journals, reports published by Reserve Bank of India and State Level Banker's Committee, Karnataka. Index of Financial Inclusion for different district of Karnataka is calculated by combining four different dimensions using multi-dimensional approach. Researcher found that Bengaluru Urban district has achieved a maximum Financial Inclusion Index of 68.47. The districts like Udupi and Dakshina Kannada has above average (40-55) level of financial Inclusion. The level of financial inclusion in the districts like Kodagu, Chikmagalur, Hassan, Ramnagara, Dharwad, Gadag, Shimoga, Uttara Kannada, Mysore, Bengaluru Rural, Mandya, Chitradurga, and Koppal is below average and the rest of the districts are suffering from very low level of financial inclusion. Based on the Index, all the districts of Karnataka state are ranked with regard to the level of the financial inclusion in the dimensions said above. This ranking will help the concerned authorities to take policy measures for the development of the districts.

Keywords: Financial Inclusion, Karnataka, Account penetration, Branch Penetration, Index of Financial inclusion

Introduction

Financial inclusion is the availability of banking services at an affordable cost to disadvantaged and low-income groups. In India, the basic understanding of financial inclusion is having a saving or current account with any bank. Practically it includes Mutual funds, Share Market, Provident funds, and much more. The first-ever Index of financial inclusion to find out the extent of reach of banking services among 100 countries, India has been ranked 50. Only 34% of Indians have access to banking services (Lakshmi, 2013). Since Independence, various measures have been taken by the Government of India and Reserve Bank of India in order to increase this number. With intention of reaching the rural poor with the accessibility to the banking services the new branches of Regional Rural Banks were opened. Earlier person holding a bank account has to maintain a minimum balance to keep the account operative which was a hurdle to a common man to hold the bank account. Later RBI encouraged people with low income to open a “No Frill” account. It was a whims and fancy of the individual banks to decide whether the account should have zero or minimum balance. As a result of this initiative six million new ‘No Frill’ accounts were opened during the period March 2006-07 with the combined efforts of financial institutions. Now Financial Inclusion acts as a growth wheel to the Banks to expand their business opportunities. In this paper an overall discussion is made about determining Index of financial inclusion in Karnataka with reference to efforts made by banks for managing effectively the inclusion programs in the state of Karnataka.

Review of Literature

(Pal, 2012) Analyzed in their article “Income Related Inequality in Financial Inclusion and Role of Banks: Evidence on Financial Exclusion in India”, there is an inequality in terms of income. His paper discussed about inequality related to financial inclusion in India using a representative household level survey data, through State-level factors. Propensity of a household to use financial facilities and different socio, economic factors of households are discussed in this paper. Findings of this paper suggest that financial inclusion can be made accessible to the rural India by increasing the availability of banking services in the remote location.

(Chattopadhyay, 2011) conducted a study titled “Financial Inclusion in India: A case-study of West Bengal”. Three dimensions of financial inclusion were developed in this study in order to estimate an index of financial inclusion (IFI). His study revealed that Kolkata district leads with the highest value of IFI. His study revealed that there were 38% of the respondents who did not have sufficient income to open an account in the commercial bank of West Bengal.

(Ramasubbian, 2012), suggested, in their article “The Aid of Banking Sectors in Supporting Financial Inclusion – An Implementation Perspective from Tamil Nadu State, India”, that the strategy to improve Financial Inclusion has been successful among the BPL, but strategies to improve credit and saving accounts was ignored. This paper analyzes different factors pertaining to financial inclusion in economically down trodden districts of Tamil Nadu, India.

Tingalaya(2009) observes that bankers are responding to the present needs and they have initiated programs in order to reach out the poor. 100% financial inclusion has been achieved by different banks even before the deadline. Opening ‘no frills’ accounts in the selected districts have worked wonders for bankers.

(K.C, 2011) Outlines that inclusive growth can be achieved by supply-side and demand-side factors Poor individuals are on the supply side and they frequently find it difficult to get access into formal credit institutions. They depend heavily on personal savings or internal sources to invest in health, housing, and activities to make use of growth opportunities. Bankers are expected to alleviate the supply-side processes so that poor social groups can gain access to the financial system. On the other hand, the financial inclusion has significantly high impact on asset holdings. Majority of Indian population is dependent on agriculture, hence rural India plays central role here.

(Ramesh, 2007) Indicated that (Sarma, 2008) has studied ratings published by The Indian Council for Research on International Economic Relations (ICRIER). He observed that India is lagging behind other countries.

“(Unnikrishnan, 2012)”, observed in his article, that financial empowerment is important for effective financial inclusion. Different variables which act as a barrier to financial inclusion initiatives were interpreted and an effort to study to overcome these obstacles was also done. The study emphasized on empowering elements of masses financially through social inclusion and also stated the vital role of self-sustenance at the grass root level of the society.

UN Secretary- General Kofi Annan stated that access to financial services is still a stark reality for most of economically backward class. He also added that constraints to these financial inclusion initiatives are great challenges before (REDDY, 2016). There is a worldwide search for novel approaches to alleviate poverty that may prove more effective than previous efforts (Chiba, 2009).

Demography of Karnataka and Improvements in Financial Inclusion so far:

Geographical Map of Karnataka

Karnataka is one of the relatively large states in India. According to 2011 census the table 1 explains as follows:

Table 1 Total Population				
Total District	Area	Urban	Rural	Total
30	191,976	23625962	37469335	61095297

The total districts were 30 with 191976 Sq. km. geographical area and total population from urban (37469335) and rural (37469335) with total 61095297, with 7.1% of population, ranking eighth in terms of geographical area and ninth in terms of population among the Indian states.

Banking at a Glance

Over the years, the commercial banks have increased its presence in the metro cities.

Nationalization of commercial banks was the turning point in building a strong financial architecture in India. 34% of the bank branches are situated in rural areas of the Karnataka state, while 22% of the bank branches are available in metro cities.

Post nationalization witnessed an amazing progress in the banking system in terms of the geographical coverage. Karnataka consists of 1769 Regional Rural Banks, 8168 Commercial Banks, 203 KSCARD, 32 KSFC and 38 Industrial Coop banks outlets at present operating in the Karnataka

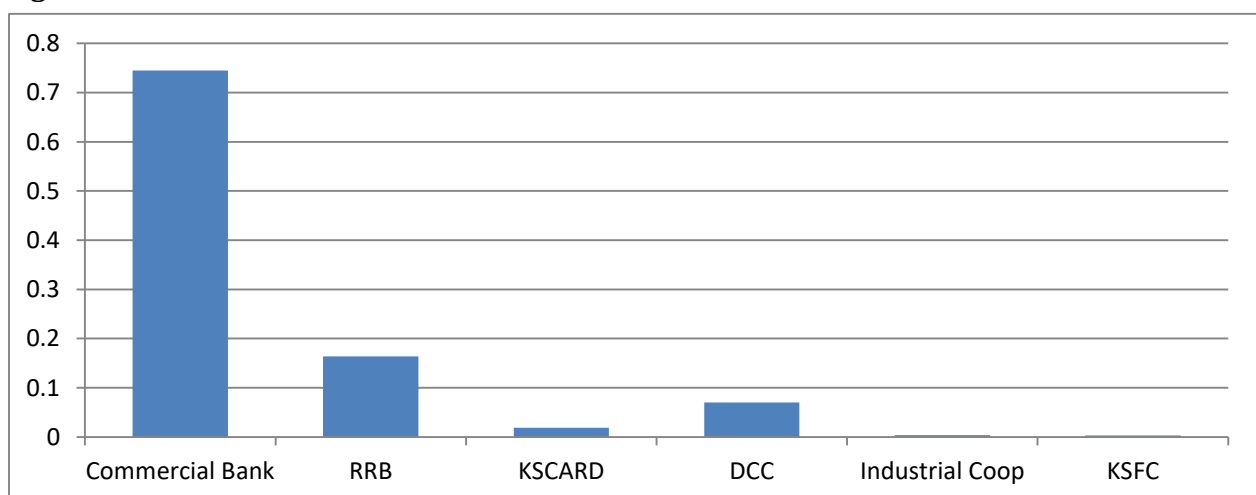
Table 2 - Numbers of bank branches geography wise

Category	Number of Branches	Percentage
Rural	3,425	0.34
Semi Urban	2,324	0.23
Urban	2,047	0.20
Metropolitan	2,243	0.22
Total	10,039	

Source: (RBI, 2017)

As a result of huge network of financial institution, there is a transformation observed in the rural economy as well as agrarian economy. Therefore, a significant progress was made in terms of coverage of the rural population by formal credit institution.

Figure 1 Bank Structure in Karnataka



The figure 1 showed that spreading of banks in Karnataka as category wise, the majority 74 % of the branch were Commercial Bank, while 16% of the banks were RRB and 2% of the banks were KSCARD whereas 7% of the banks were DCC. In the Pre- nationalization era, people in the rural

area depended on informal source for obtaining credit facilities. Concentrated and diversified efforts to extend institutional credit to financially weak sections of society; the dependence on informal sources of credit has decreased in rural areas.

Business Analysis of Banks

A sizeable share of population in India continues to remain outside the formal banking system despite considerable expansion in branch network.

Sl. No.	Particulars	Rs. in Crore
1	Total Deposits in the state	772383
2	Total Credits in the state	563209
3	Priority sector advances	256093

Source: (SLBC, 2017)

Alternative strategies are being experimented to meet the objective of financial inclusion. The table 3 indicates overall banking performance in Karnataka. The total deposits in the state Rs. 772383 crores for the year of 2017, total advances in the states Rs563209 crores whereas total priority sector advances Rs256093 Crores.

Table 4

Outstanding Advances to Weaker Sections

Sl. No.	Particulars	Rs. In Crore
1	Agricultural Advances	116007
2	Total Priority sector Advances	256093
3	Advances to Weaker section	80587.00
4	Small and Marginal farmers	59512

Source: (SLBC, 2017)

Agricultural advances as at the end of March, 2017 is Rs. 116007 crores. Total Agricultural advances registered a growth of 9.10% over March, 2016 and 18.35% over September, 2016 (i.e., year to year growth). Total Priority sector advances are Rs.1, 62,915 crores as on 30.09.2016 constituting 49.78%. Priority sector advances registered a growth rate of 5.63% over March, 2016.

Penetrations of banks in Karnataka**Table 5 - Penetrations of banks in Karnataka**

Sl. No.	Details	March, 2017	March, 2016	March, 2015
1	No. of Rural Branches	3,425	3,395	3262
	No of Urban Branches	2,047	2,025	1950
	No of Semi- Urban Branches	2,324	2,306	2211
	No of Metropolitan Branches	2,243	2,215	2046
2	Deposit(Amounts in Crore)	772383	687935	658554
3	Advances(Amounts in Crore)	563209	522155	494443
4	Crop Loan(Amounts in Crore)	39056	29155	28463
5	Total priority sector advances(Amounts in Crore)	256093	219763	202011

Source: (RBI, 2017)

Financial Literacy and Financial development are believed to be positively correlated to the economic development. In Karnataka, different levels of banking penetration are observed because lot of diversification is observed and different levels of the economic growth exists at different districts. Hence emphasizing only on banking density (defined in terms of population per office) is not adequate to highlight the extant disparity in banking spread across districts.

The Karnataka state has 10039 bank branches as on 30.03.2017. It had 9941 bank branches in the State as on 30.03.2016. 98 new branches were opened in a span of 1 year (Rural- 30, Semi urban- 18, Urban-22 and Metro-28).

Regional Rural Banks

An important aspect of the economy is financial support to Agriculture and Allied activities in from Regional Rural Banks. The performance of the Regional rural Bank is reviewed by Reserve Bank and NABARD and sponsored banks. It is important for the Indian economy to look after the performance of Regional Rural. See the table below.

Table 6 – Details of Regional Rural Banks (RRB’s) in Karnataka

Sl. No.	RRB’s	Rural	Semi-Urban	Urban	Metro	Total
1	KaveriGrameena Bank	350	52	33	15	450
2	Pragathi Krishna Grameena Bank	487	87	71	0	645
3	Karnataka VikasGrameena Bank	414	75	56	0	545

Objectives

- To construct financial inclusion Index for 30 districts of Karnataka State and Rank them to facilitate policy measures.
- To have an inter-district comparison in order to measure the level of Financial Inclusions of Karnataka State.

Measuring Index of Financial Inclusion

An inclusive nature of the financial system is a most important characteristic in order to achieve an equal. Availability of the financial institutions and timely service are some important dimensions of financial inclusion. The level of financial inclusion in present scenario is measured by the Financial Inclusion Index. This index is based on four basic dimensions of an inclusive financial system (a) banking penetration, (b) availability of the banking services and (c) deposit penetration (d) credit penetration.

- Banking penetration:** This dimension is measured by calculating the ratio of bank accounts to the total population (Gupte, 2012). Banking penetration is significant indicator as it determines the level of presence of the bank branches in different districts of Karnataka.
- Availability of Banking Services:** The second parameter, availability of banking services provides an indication to the number of bank outlets available per 1000 people to deliver financial services (RBI, 2017). This parameter includes the brick and mortar branches, Automated Teller Machines, business correspondents, etc.
- Deposit Penetration:** Deposit penetration is definitely the most critical parameter for measuring financial inclusion and is measured as a ratio of bank deposit to the total population.
- Credit Penetration:** Credit penetration is the fourth parameter for measuring financial inclusion. It is measured as Total credit/ Total Population.

Therefore, the researcher formulated the hypothesis as follows:

Testing of Hypothesis

H-value	Interpretation
(H1) $0.5 < IFI \leq 1$	High Level Financial inclusion
(H2) $0.3 \leq IFI < 0.5$	Medium financial inclusion
(H3) $0 \leq IFI < 0.3$	Low level financial inclusion

The proposed IFI takes values between 0 and 1, zero indicating lowest financial inclusion (i.e., complete financial exclusion) and 1 indicating complete financial inclusion.

Methodology

The study focuses on 4 parameters that are Branch Penetration, Credit Penetration, Deposit Penetration, and number of Bank accounts. These parameters are calculated for each districts of the Karnataka State.

$$X_i(\text{Normalized}) = (X_i - X_{\min}) / (X_{\max} - X_{\min})$$

(Bhuvana, 2016)

Where as

X_i = the value of the parameter for the i^{th} district.

X_{\min} = the minimum value of the parameter.

X_{\max} = the maximum value of the parameter.

X_i is determined for each parameter and for all the districts of Karnataka State. The X_i is in the range of 0 to 100. Min- Max method of normalization is used to do the above calculation. In this method, 100 is the best performer for the particular parameter and 0 is the worst performer for the particular parameter of the district 'i'.

First Dimension measures Branch Penetration in each district of Karnataka.

Second Dimension measures Credit Penetration in each district of Karnataka.

Third Dimension measures Deposit Penetration in each district of Karnataka.

Fourth Dimension measures the number of Bank accounts in each district of Karnataka.

All the four dimensions are Index Scores of Financial Inclusion from the CRISIL Inclusion Index that has been listed in the above Table. With reference to the above table the researcher has ranked the dimensions for each district.

From the RBI data, index scores are calculated by the researcher for each of the district. This calculation is done for each of the dimensions of the particular district. Index score is compared and analyzed by the researcher.

The ranks for each district based on the different dimension scores are provided by the researcher. Overall Financial Inclusion Index scores are individually calculated as well as the ranks are provided for each district.

Dimension 1: Branch Penetration

Financial institutions like banking industries acts as drivers for improving the potential of economic condition of the country, to reduce the level of inequality and poverty in an indirect way of facilitating financial services (Bhuvana, 2016). Commercial Banks along with Regional Rural Banks envelope the entire states to achieve financial inclusion. There is an increasing demand for the brick and mortar branches in rural areas of Karnataka. Hence financial inclusion initiatives can

be easily reached to rural areas by increasing the penetration of bank branches in rural areas. Savings habits will be encouraged in the weaker sections in the society which will in-turn contribute to the economic growth of the nation.

Dimension 2: Availability of Banking Service:

The second parameter, availability of banking services provides an indication to the number of bank outlets available per 1000 people to deliver financial services.

Dimension 3: Credit Penetration

Financial Inclusion is defined as an activity of facilitating financial and banking services to the rural people and offering them timely credit facilities to the poor people in order to improve their welfare measures(Bhuvana, 2016). In order to meet the short term requirements of the farmers like food, agriculture etc., The RBI has rolled out initiatives like the Kisan Credit Cards (KCCs) and General purpose Credit Cards (GCCs). To avail the credit facilities to the large population in rural, Commercial banks have adopted different strategies. As a result of inadequate resources, the condition of rural people in our society is becoming worse. Commercial and Regional Rural Banks provide Agricultural Credits and Small loans as a credit facilities in order to reduce their scarcity of credit requirements for the rural people.

Dimension 4: Deposit Penetration

With the direction from The Reserve Bank of India (RBI), the Commercial Banks open No- Frill Accounts. No-Frill Accounts is also labeled as Basic Saving Deposit Accounts. The saving habit is being encouraged among the rural and poor people. They can maintain minimum amount say even zero balance can be maintained in order keep the account operative. Bank has developed banking products like deposit accounts with the overdraft facilities to meet the basic needs of rural and low income group people. In India number of saving bank accounts has been increased from Rs. 5.17 Lakh Crore to Rs. 19.09 Lakh Crore(Bhuvana, 2016). RBI has started yojana scheme whose main objective is to include the rural people from the unbanked segments to the formal financial system.

Results and Discussion

Overall Index Score of Financial Inclusion for each district of Karnataka is shown in Table 7. From the Table below, it can be observed that Bengaluru Urban District has achieved a maximum score of 68.4. The district Udipi has Medium (0.3-0.5) level of financial inclusion.

Table 7 – Financial Inclusion Index Construction

Rank	District	Population of the District	Dimension 1: Branch Penetration	Dimension 2: Availability of Bank Service	Dimension 3: Deposit Penetration	Dimension 4: Credit Penetration	Index of Financial Inclusion (IFI)
1	Bengaluru Urban	9,621,551	74.23	0.0	100.0	100.00	68.47
2	Udipi	1,177,361	100.00	29.5	32.1	19.38	45.18
3	Dakshina Kannada	2,089,649	88.45	27.6	33.3	24.17	43.34
4	Kodagu	554,519	85.25	42.9	14.6	12.00	38.63
5	Chikmagalur	1,137,961	59.14	72.4	10.0	9.30	37.67
6	Hassan	1,776,421	39.38	91.6	6.7	6.42	35.95
7	Ramanagara	1,082,636	27.58	100.0	7.8	6.25	35.32
8	Dharwad	1,847,023	47.41	44.3	19.1	16.84	31.90
9	Gadag	1,064,570	25.32	86.9	5.5	4.26	30.43
10	Shimoga	1,752,753	34.48	61.0	11.5	7.66	28.65
11	Uttara Kannada	1,437,169	45.15	51.8	13.2	1.20	27.83
12	Mysore	3,001,127	36.46	45.4	17.4	11.44	27.69
13	Bengaluru Rural	990,923	55.65	46.0	0.0	6.92	27.12
14	Mandya	1,805,769	55.65	46.0	0.0	6.92	27.12
15	Chitradurga	1,659,456	15.63	84.3	3.8	3.09	26.65
16	Koppal	1,389,920	11.62	81.6	3.6	3.39	25.00
17	Raichur	1,928,812	12.14	74.6	4.1	5.67	24.09
18	Tumkur	2,678,980	12.43	72.9	4.7	5.17	23.75
19	Bellary	2,452,595	12.20	70.2	6.4	5.45	23.51
20	Davangere	1,945,497	13.32	68.0	5.4	6.42	23.25
21	Haveri	1,597,668	16.99	66.8	3.7	3.71	22.75
22	Chikkaballapura	1,255,104	15.15	69.7	4.1	1.99	22.69
23	Chamrajnagar	1,020,791	10.29	68.8	2.6	1.21	20.70
24	Belgaum	4,779,661	15.82	51.9	7.4	5.31	20.09
25	Bagalkote	1,889,752	19.29	45.2	5.7	7.22	19.34
26	Kolar	1,536,401	10.41	55.8	5.8	3.57	18.87
27	Bijapur	2,177,331	5.79	50.2	4.6	3.60	16.03
28	Gulbarga	2,566,326	3.94	41.8	6.0	2.52	13.56
29	Bidar	1,703,300	2.90	43.0	2.9	0.00	12.18
30	Yadgir	1,174,271	0.00	45.9	2.2	0.44	12.13

The Districts Dakshina Kannada, Kodagu, Chikkamagaluru, Hassan, Ramnagara, Dharwad and Gadag have Medium (0.3-0.5) level of financial inclusion. The districts with below average financial inclusion are Shimoga, Uttara Kannada, Mysore, Bengaluru Rural, Mandya, Chitradurga, Koppal, Raichur, Tumkur, Bellary, Davangere, Haveri, Chikkaballapura, Chamrajnagar, Belgaum, Bagalkote, Kolar, Bijapur, Gulbarga, Bidar and Yadgir Table 8 has illustrated that only seven districts

namely Udipi, Dakshina Kannada, Kodagu, Bengaluru Urban, Chikmagalur, Bengaluru Rural, Mandya has higher level (> 50) of Branch penetration in the rural areas. The five Districts Dharwad, Uttara Kannada, Hassan, Mysore, and Shimoga have medium (Between 30 and 50) of Branch Penetration in Rural areas. For the rest of the districts level of financial inclusion is below average.

Table 8 - Dimension Index (Branch Penetration)

Rank	District	Number of Branches	Population(Population Census 2011 published by Govt. of India)	Number of Bank Branches for every 100000 people	Branch Penetration
1	Udipi	349	1,177,361	30	100
2	Dakshina Kannada	560	2,089,649	27	88.4517463
3	Kodagu	148	554,519	27	85.2453468
4	Bengaluru Urban	2,155	9,621,551	22	74.2259999
5	Chikmagalur	236	1,137,961	21	59.1377533
6	Bengaluru Rural	204	990,923	21	55.6487936
7	Mandya	222	1,805,769	12	55.6487936
8	Dharwad	339	1,847,023	18	47.4144566
9	Uttara Kannada	258	1,437,169	18	45.1524334
10	Hassan	295	1,776,421	17	39.3807381
11	Mysore	472	3,001,127	16	36.4628801
12	Shimoga	278	1,752,753	16	34.4798653
13	Ramanagara	157	1,082,636	15	27.5756685
14	Gadag	142	1,064,570	13	25.3170128
15	Bagalkote	228	1,889,752	12	19.2925684
16	Haveri	182	1,597,668	11	16.9906354
17	Belgaum	544	4,779,661	11	15.8161547
18	Chitradurga	198	1,659,456	12	15.633942
19	Chikkaballapura	143	1,255,104	11	15.154355
20	Davangere	210	1,945,497	11	13.3202612
21	Tumkur	292	2,678,980	11	12.4298199
22	Bellary	289	2,452,595	12	12.2040303
23	Raichur	201	1,928,812	10	12.1376275
24	Koppal	144	1,389,920	10	11.6188617
25	Kolar	160	1,536,401	10	10.4078175
26	Chamrajnagar	108	1,020,791	11	10.2866681
27	Bijapur	203	2,177,331	9	5.79110585
28	Gulbarga	239	2,566,326	9	3.9439624
29	Bidar	159	1,703,300	9	2.89522952
30	Yadgir	100	1,174,271	9	0

The Districts Ramanagara, Gadag, Bagalkote, Haveri, Belgaum, Chitradurga, Chikkaballapura, Davangere, Tumkur, Bellary, Raichur, Koppal, Kolar, Chamrajnagar, Bijapur, Gulbarga, Bidar, Yadgir

have below average level (below 30) of Bank Penetration.

Table 9 has illustrated that 18 districts namely Ramanagara, Hassan, Gadag, Chitradurga, Koppal, Raichur, Tumkur, Chikmagalur, Bellary, Chikkaballapura, Chamrajnagar, Davangere, Shimoga, Haveri, Kolar, Belgaum, Uttara kannada, and Bijapura has higher level (> 50) of Bank Account penetration in the rural areas.

Table 9 – Dimension Index (Availability of Banking Services)

Rank	District	Availability of Bank Service	Population(Population Census 2011 published by Govt. of India)	Availability of Banking Services
1	Ramanagara	26796	1,889,752	100.00
2	Hassan	24572	554,519	91.57
3	Gadag	23328	1,752,753	86.86
4	Chitradurga	22652	1,928,812	84.30
5	Koppal	21951	1,659,456	81.64
6	Raichur	20099	1,255,104	74.62
7	Tumkur	19635	1,945,497	72.86
8	Chikmagalur	19511	1,177,361	72.39
9	Bellary	18927	1,536,401	70.18
10	Chikkaballapura	18807	1,437,169	69.72
11	Chamrajnagar	18568	990,923	68.82
12	Davangere	18351	4,779,661	67.99
13	Haveri	18027	1,805,769	66.77
14	Shimoga	16504	1,847,023	61.00
15	Kolar	15126	1,597,668	55.77
16	Belgaum	14106	2,678,980	51.91
17	Uttara Kannada	14087	1,389,920	51.84
18	Bijapur	13653	1,020,791	50.19
19	Bengaluru Rural	12558	3,001,127	46.04
20	Mandya	17383	1,082,636	46.04
21	Yadgir	12525	1,703,300	45.91
22	Mysore	12400	1,137,961	45.44
23	Bagalkote	12332	2,177,331	45.18
24	Dharwad	12091	2,089,649	44.27
25	Bidar	11752	1,174,271	42.99
26	Kodagu	11724	9,621,551	42.88
27	Gulbarga	11452	2,566,326	41.85
28	Udipi	8184	1,776,421	29.46
29	Dakshina Kannada	7684	1,064,570	27.57
30	Bengaluru Urban	410	2,452,595	0.00

The Districts Udipi, Dakshina Kannada, and Bengaluru Urban have below average level (below 30)

of Bank Account Penetration. 8 Districts Bengaluru Rural, Mandya, Yadgir, Mysore, Bagalkote, Dharwad, Bidar, Kodagu, Gulbarga have medium (Between 30 and 50) of Bank Account Penetration in Rural areas. Level of financial inclusion is below average for the rest of the districts

Table 10 - Dimension Index (Deposit Penetration)

Rank	District	Deposits	Population(Population Census 2011 published by Govt. of India)	Deposit/ Population	Deposit Penetration Index
1	Bengaluru Urban	5,032,686,000,000	9,621,551	52306390103	100
2	Dakshina Kannada	376,167,000,000	2,089,649	18001444262	33.31584207
3	Udipi	204,588,000,000	1,177,361	17376828347	32.10167352
4	Dharwad	197,415,000,000	1,847,023	10688280547	19.10004455
5	Mysore	295,033,000,000	3,001,127	9830740252	17.43310262
6	Kodagu	46,341,000,000	554,519	8356972439	14.56829805
7	Uttara Kannada	110,080,000,000	1,437,169	7659502814	13.21251178
8	Shimoga	119,231,000,000	1,752,753	6802498698	11.54661212
9	Chikmagalur	68,438,000,000	1,137,961	6014090114	10.01405285
10	Ramanagara	52,532,000,000	1,082,636	4852231036	7.755556524
11	Belgaum	223,440,000,000	4,779,661	4674808527	7.410671252
12	Hassan	76,365,000,000	1,776,421	4298812050	6.67978514
13	Bellary	101,293,000,000	2,452,595	4130033699	6.351702937
14	Gulbarga	101,254,000,000	2,566,326	3945484712	5.992964759
15	Kolar	59,161,000,000	1,536,401	3850622331	5.808565167
16	Bagalkote	71,699,000,000	1,889,752	3794095733	5.698685134
17	Gadag	39,445,000,000	1,064,570	3705251886	5.525984755
18	Davangere	70,843,000,000	1,945,497	3641383153	5.401832608
19	Tumkur	87,853,000,000	2,678,980	3279345124	4.698079825
20	Bijapur	70,637,000,000	2,177,331	3244201272	4.629764948
21	Raichur	57,215,000,000	1,928,812	2966333681	4.089628071
22	Chikkaballapura	36,976,000,000	1,255,104	2946050686	4.050200681
23	Chitradurga	46,934,000,000	1,659,456	2828276254	3.821263174
24	Haveri	44,017,000,000	1,597,668	2755078026	3.678975755
25	Koppal	37,499,000,000	1,389,920	2697925060	3.567878148
26	Bidar	40,067,000,000	1,703,300	2352316092	2.896061229
27	Chamrajnagar	22,659,000,000	1,020,791	2219749194	2.638369175
28	Yadgir	23,651,000,000	1,174,271	2014100663	2.238616347
29	Bengaluru Rural	8,546,400,000	990,923	862468628	0
30	Mandya	48,854,000,000	1,805,769	2705440175	0

Table 10

Table 10 has illustrated that 1 district namely Bengaluru Urban The districts Dakshina Kannada,

Udipi, Dharwad, Kodagu, Mysore, Chikmagaluru, Shimoga, Bagalkote, Bengaluru Rural, Mandya, Davanagere, Hassan, Ramnagar, Raichur, Bellary, Belgaum, Tumkuru, Gadag, Haveri, Bijapur, Kolar, Koppal, Chitradurga, Chikkaballapura, Gulbarga, Yadgir, Uttara Kannada, and Bidar have low Deposit penetration.

Table 11 - Dimension Index (Credit Penetration)

Rank	District	D3(Credit Penetration)	Population(Population Census 2011 published by Govt. of India)	Credit/Population	Credit Penetration
1	Bengaluru Urban	3,253,283,000,000	9,621,551	33812459135	100
2	Dakshina Kannada	198,818,000,000	2,089,649	9514420843	24
3	Udipi	93,960,000,000	1,177,361	7980559913	19
4	Dharwad	132,363,000,000	1,847,023	7166288671	17
5	Kodagu	31,144,000,000	554,519	5616399077	12
6	Mysore	163,181,000,000	3,001,127	5437324045	11
7	Chikmagalur	54,046,000,000	1,137,961	4749371903	9
8	Shimoga	74,055,000,000	1,752,753	4225067651	8
9	Bagalkote	77,208,000,000	1,889,752	4085615467	7
10	Bengaluru Rural	39,523,000,000	990,923	3988503648	7
11	Mandya	43,651,000,000	1,805,769	2417308083	7
12	Davanagere	74,484,000,000	1,945,497	3828533275	6
13	Hassan	68,002,000,000	1,776,421	3828034008	6
14	Ramanagara	40,855,000,000	1,082,636	3773659845	6
15	Raichur	69,201,000,000	1,928,812	3587752461	6
16	Bellary	86,251,000,000	2,452,595	3516724123	5
17	Belgaum	165,935,000,000	4,779,661	3471689729	5
18	Tumkur	91,788,000,000	2,678,980	3426229386	5
19	Gadag	33,376,000,000	1,064,570	3135162554	4
20	Haveri	47,298,000,000	1,597,668	2960439841	4
21	Bijapur	63,701,000,000	2,177,331	2925646124	4
22	Kolar	44,767,000,000	1,536,401	2913757541	4
23	Koppal	39,723,000,000	1,389,920	2857934270	3
24	Chitradurga	45,839,000,000	1,659,456	2762290775	3
25	Gulbarga	66,187,000,000	2,566,326	2579056597	3
26	Chikkaballapura	30,216,000,000	1,255,104	2407449901	2
27	Chamrajnagar	22,026,000,000	1,020,791	2157738460	1
28	Uttara Kannada	30,993,000,000	1,437,169	2156531347	1
29	Yadgir	22,452,000,000	1,174,271	1911994761	0
30	Bidar	30,166,000,000	1,703,300	1771032701	0

Table 11 shows that the level of credit penetration is said to be high (> 50) for the one district namely Bengaluru Urban. The districts Dakshina Kannada, Udipi, Dharwad, Kodagu, Mysore, Chikmagalur, Shimoga, Bagalkote, Bengaluru Rural, Mandya, Davanagere, Hassan, Ramnagar, Raichur, Bellary, Belgaum, Tumkuru, Gadag, Haveri, Bijapur, Kolar, Koppal, Chitradurga, Chikkaballapura, Gulbarga, Yadgir, Uttara Kannada, and Bidar have low credit penetration.

Conclusion

Financial development is an essential component for the developing nation. Human development has to be enhanced by improving access facilities to the financial institution. By developing financial status of the developing nation like India inequality in the income level can be reduced to a greater extent. In the past few decades policy makers are focusing more on financial inclusion. We attempt to construct and compare the extent of financial system in districts of Karnataka State with this research. The present study reviewed the role of commercial Bank at district level. Branch expansion, deposit mobilization, credit penetration and priority sector lending are the indicators used to assess the growth of banking. The study assesses the performance of commercial bank of the state through a comparative study of major indicators like branch expansion, deposit mobilization and credit penetration at National and State level. The mission of RBI has been to using business correspondents for making financial institutions more accessible to the unbanked population. Telecommunications is increasing its penetration in the different parts of Karnataka; hence business models based on telecommunication will prove to be influential in realizing the mobile banking and enabling low cost and real-time transaction. Once the financial services are available to the rural people, they have to be encouraged and made literate so as to use those services effectively. Women in different districts of Karnataka have to be motivated to use mobile banking. This can open a new opportunity in uplifting of the weaker sections of Karnataka. Women in Rural have to be made literate in terms of financial knowledge so as to make them able to deal with bank transactions. The results measured in terms of Index should be considered policymakers and imbibe this in any new legislation for the districts of Karnataka. Policymakers must give their primary attention to those districts which were ranked low in financial index calculation. Cost of accessing the financial services must be lowered for the customers.

Further research can be done by including different indicator in calculating the financial inclusion index. Change in living style and changing preference are motivating developing countries to establish mobile banking, but availability of the internet banking data is another issue for measurement. The Index of Financial Inclusion can be constructed for different economies of the country to compare the levels of financial inclusion. A causal relationship between index and different economic parameter can be established in the further research papers.

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