CHAPTER -- II

REVIEW OF LITERATURE

In order to analyze and evaluate the objectives of our study, it is desirable to have an idea of the findings of some of the earlier research studies and the methods adopted. This chapter briefly views previous studies, focuses on review of general literature on inclusive growth, review of no frill account and financial inclusion and some of the related studies.

- Kempson et.al (2001) states that this line of thinking the concept financial exclusion that eliminating from inclusion leaving a minority of individuals and households behind. Thus there exists duality of hyper inclusion with some having access to a range of financial products and at the same time a minority lacking even the basic banking. Services this phenomenon is observed mostly in developed countries with high degree of financial development.

- Government of India (2001), approach paper focused on National Rural Employment Guarantee Scheme (NREGS) on inclusive growth of late it has been held the fact that in our country is that, although GDP growth has accelerated it has not been accompanied by a commensurate increase in employment leading to a worsening in the employment situation. These considerations have led to a demand for greater attention to the employment objective in the eleventh plan, there is also a concern on youth and educated unemployment will lead to waste of human resources and social tensions. These factors were not properly understood and solved in time, it could jeopardize all the developmental activities and nullify. The gains achieved so far particularly the employment generation strategy cannot be distinguished from the broader policy thrust for growth and structural changes in the economy as a whole.

- Sinclair (2001) opened that the financial exclusion, an inability to access necessary financial services in appropriate form. Exclusion can come about as a result of problems with access, conditions, prices, marketing or self exclusion in response to negative experiences or perceptions.

- The nature and forms of exclusion and the factors responsible for it are varied and thus no single factor could explain the phenomenon. The principal barriers
in the expansion of financial services are often identified as physical access high charges attached to products, which make them inappropriate and perceptions of financial service institutions which are thought to be unwelcoming to low income people. Sinclair (2001).

- The financial exclusion is perceived as a process in terms of vulnerability to exclusion rather than simply having access to certain financial services, not in particular financial exclusion may be a long term phenomenon for many consumers of even a lifelong process. Conly and Hajaj (2001).

- Chekravarty (2003), in his study from UNDP considered the functioning of well-being, life expectancy at birth, educational attainment and real GDP per capita difference (l-Ar) represents the short of actual value of the index from its maximum attainable value it can be regarded as a deprivation function for functioning. It r s=1 the deprivation function coincides with the one suggested by UNDP.

- The “focus” on dimension is the middle of the spectrum that links financial exclusion to other dimensions of exclusion. The concept of financial exclusion as the potential difficulties faced by some segments of population in accessing mainstream financial services such as bank accounts home insurance. Meadows et.al (2004),

- Rajan and Zingales (2004), the challenges of achieving more growth that is inclusive can be met by policies that encourage easier and affordable access to financial services. Both, theoretical and empirical researches highlight the role of financial development in facilitating economic development the cross-country level evidence ,indicates that various measures of financial development are positively related to economic growth even recent endogenous growth literature, building on learning by doing processes assigns a special role to finance.

- Barik B.B. (2004), in this paper focus on financial inclusion and empowerment of Indian rural households. The broader concept of financial inclusion is delivery of banking financial services at an affordable cost to the vast sections of disadvantaged and low income groups, these banking/financial services are savings/deposits, loan/ borrowings and payment/settlement and remittance facilities.
The insurance services come under savings facilities. Out of these three above-mentioned important services, it any one of the service is absent the entire concept will be considered as incomplete insufficient financial inclusion commercial banks. RRBs Cooperatives, Governments, M, F, Is, SHGs post office NBFC, NGO, etc.

- **Kempson et.al (2004),** this paper study investigate such questions empirically a robust and comprehensive measure of financial inclusion is required. A good measure of financial inclusion that serves these purpose should be constructed based on

  (a) It should incorporate information on as many aspects (dimensions) of financial inclusion as possible.

  (b) It should be easy and simple to compute.

  (c) It should be comparable across countries.

- **Kempson et al (2004),** this study on financial inclusion some of the questions raised by the academic community are weather high economic development leads to an all-inclusive financial system and whether low financial inclusion is associated with high income in equality.

  Financial inclusion can be described as the broad based delivery of banking and other financial services at affordable costs to all sections of the society especially the weaker sections.

- The operational concepts have also evolved from the underlying public policy concerns that many people particularly those things on low income cannot access mainstream financial products such as bank accounts and low cost loans that in turn impose real costs on them often the most vulnerable people. **Treasury H.M. (2004),**

  The “focus” on dimension is in the middle of the spectrum that links financial exclusion to other dimensions of exclusion. The concept financial exclusion as the potential difficulties faced by some segments of population in accessing main stream financial services such as bank accounts/home insurance **Meadows et.al (2004).**
Financial exclusion means the inability to access necessary financial services in appropriate form and exclusion can come about as a result of problems with access conditions, prices, marketing or self exclusion in response to negative experiences or perceptions. Carbo et al (2005).

Leeladhar (2006), in his study observed that financial inclusion is delivery of Banking services at an affordable cost to the vast sections of disadvantaged and low income groups unrestrained access to public goods and services is the sine quanon of an open and efficient society. The banking services are in the nature of public goods is essential, that availability of banking and payment service to the entire population without discrimination is the prime objective of the public policy.

Rangarajan Committee (2006), the Rangarajan committee has recommended formulation of national rural financial inclusion plan with the objective of providing comprehensive financial services to 50 percent of excluded rural cultivator and non-cultivator households by 2012 through rural and semi urban branches of commercial banks and RRBs. The remaining 50 percent of households have to be covered by 2015. The rural and semi urban branches of commercial banks and RRBs have to adopt a target of covering 250 cultivator and non-culturators’ households per branch per year with emphasis on marginal farmers, tenant cultivators and poor non-culturators. The national target is to be disaggregated by state wise, district wise at the SLBC/DLCC levels. The committee recommended that the Government of India may constitute a national mission on financial inclusion. It was also recommended that a financial inclusion (Promotion and development) fund and technology fund to be set up with NABARD for meeting the cost of developmental and promotional interventions and cost of technology adoption respectively. These funds will have an initial corpus of Rs.500 crores with initial funding of Rs.250 crores each to be contributed equally by Government of India, RBI and NABARD.

11th Five Year Plan (Planning Commission 2006) drafts main concept was on “A broad based and inclusive growth and rapid growth” is all essential part of the strategy ensuring access to basic physical infrastructure as well as
wealth and educational services to all is yet another part of the strategy in the approach to the 11th plan.

- A Development Policy Report And World Bank (2006), this Bank study focusing on regional imbalances and strengthen economic gains. This bank reveals that inclusive growth is the indisputable way to reform. The DPR report also reveals that the inclusive growth process should go towards the enhancement of the quality of basic services including education power health care and water supply for every individuals across the country the DPR report suggests that the stress should be not only to the distribution of economic gains but also on empowering people in enjoying their social life and at creating employment opportunities.

- Mohan (2006), in his study on self employed and unorganized sectors in India, the financially excluded sections comprises largely marginal farmers, landless laborers, urban slum dweller, migrants ethnic minorities and socially excluded groups, Senior citizens and women. The institutional credit, risk perception cost of its assessment and management lack of rural infrastructural credit in the rural areas.

- Adams and Wiggon et al (2006), they concluded that there was a “theoretical potential” for advice to improve health, but they recommend more robust methodologies including larger follow up. Since the health and social effects of increased financial resources may take years, to become apparent. They also advocated the use of randomized control trials, 96 per cent in Germany 91 per cent in U.S.A. and 96 per cent in France, have bank accounts. However formal financial sectors in most developing countries serve relatively a small segment often not more than 20-30 percent of the population and majority of them are low income households in rural areas (ADB 2007).

- Kempson and Buckland et al (2006), in his study on comparison less than four percent of adults in Canada and five percent in Belgium lacked a bank account. Countries with high levels of in equality record, higher levels of banking exclusion illustrates in Portugal and about 17 per cent of the adult population had no account.
- **Usha Thorat (2006)** in his study on financial inclusion has the provision of affordable financial services viz access to payments, and remittance facilities, savings, loans, insurance services, by the formal financial system to those who tend to the excluded.

- **Virmani (2006)** in his study aggregate growth ravaged about 5.5 percent during 1980-81 to 1994-95 and has accelerated further to an average of 6.8 per cent. During 1995-96 to 2006-07 this article shown that the interstate difference in poverty rate can be largely explained by different per capital GDP agricultural growth and the share of the bottom 40 per cent at the population in consumption.

- **Bird Sall (2007)**, in his study on inclusive growth is now well accepted as the key economic goal for developing countries. There are variations in its definition and characterization these are some of the approaches to inclusive growth adopted in the literature.

- **Ali and Hwason (2007)**, this focus on inclusive growth is growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society. Particularly for the poor.

- **Bird Sall (2007)**, in his study inclusive growth includes but extends pro-poor growth it involves increasing the size and economic command of the middle class the assumption is that growth which is beneficial for the large majority of people in developing countries is more likely to be economically and politically sustainable.

- **Sarma (2008)** this study on cross country analysis as argued before there is a wide range of financial services such as deposit credit, insurance money transfer etc. That appears to be important for economic growth and development. Unlike as in case of HDI there is no consensus in the literature on which set of attributes/variables are important to measure financial inclusion. In this study, we consider some selected indicators of access to and use of banking services.

- **Beck et al (2007)**, this study presented the following eight indicators of financial inclusion corresponding to the year (2003-04)

  - Geographic Branch Penetration (GPEN Branch) number of Bank branches per 1.00 sq km.
- Demographic Branch penetration (DPEN Branch) number of bank branches per 100,000 people.
- Geographic ATM penetration (GPEN-ATM) number of banks. ATMs per 1000sqkm.
- Demographic ATM penetration (DPEN-ATM) number of bank ATMs per 100,000 people.
- Credit Accounts per Capital (CAC-PC) number of loans per 1,000 people.
- Credit-Income ratio (CI, ratio) average size of loans to GDP per capital.
- Deposit accounts per capita (DAC-PC) number of Deposits per 1000 people.
- Deposit income ratio (DI-ratio) average size of deposits to GDP per capital.

However, the Government of India provides its own presentation of inclusive growth in economic survey of 2007 under the title poverty and inclusive growth (GOI 2008: 241-245). In that it distinguishes between consumption data sets based on different periods and examines their comparability.

- Papola (2007) covered that performance of industrial sector has been relative. Better with a 2.5 percent employment growth in GDP thus yielding an employment elasticity of 0.38 within the industrial sector manufacturing registered a higher 2.6 percent growth in employment. It may also be noted that employment elasticity of services declined sharply from 0.62 in 1988-1994 and 0.35 in 1999-2000 while in industrial sector it increased from 0.23 to 0.37 during the same period. In other words employment intensity of the service sector is not only low, but has been sharply declining in recent years.

- Bird Sall (2007), in this study focused on approaches to inclusive growth, although inclusive growth is now well accepted as the key economic goal for
developing countries. There are variations, in its definition and characterizations these are some of the illustrations.

Inclusive growth involves a long-term perspective. It focuses on the generation of productive employment instead of direct income redistribution in order to increase. The income of excluded groups and redistribution gains may however be necessary in the short term (Lanchovichina and Lundstrom 2009). Inclusive growth is growth that not only creates new economic opportunities but also one that ensure equal access to the opportunities created for all segments of society particularly for the poor Ali and Hwason (2007)

- Inclusive growth includes that extends pro-poor growth, it involves increasing the size and economic commend of the middle class. The assumption is that growth which is beneficial for the large majority of people in developing countries is more likely to be economically and politically sustainable Bird Sall (2007).

- Rao (2007) in his study covered that higher perceived operating cost may deter banks from extending even simple banking services such as savings account to low income groups. Some estimates indicate that even the no frills accounts require on an average a balance of around Rs.2000 to be an economically viable activity for instance in the case of Canara Bank, the cost of opening a new (No frills) account was Rs.48 for each.

- UNDP (2008), this report focused on new mantra of national and international agencies like United Nation Development Program (UNDP) and the World Bank. Thus UNDP defines inclusive growth by laying emphasis on the production and income side of the GDP as the process and the outcome. Where all people have participated in the process of growth and have benefited equitably from it, thus inclusive growth represents an equation with organization on the left hand side and benefits on the right hand side.

- World Bank (2008) in the report that financial inclusion is also influenced by specific credit needs of various segments of the society. The demand for credit by the people arises for a number of activities such as housing micro enterprises agricultural operations and consumption needs. Owing to difficulties in
accessing formal sources of credit, the poor individuals and small and micro enterprises usually rely on their personal savings, internal resources to invest in housing health and educations and entrepreneurial activities to make use of growth opportunities.

- **World Bank (2008)**, report study was on financial inclusion states broad access to financial services is defined as on absence of price or non price barriers in the use of financial services.

- **C. Rangarajan Committee (2008)** this study on working definition for financial inclusion, financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

- **Suryanarayana M.H. (2008)**, in his study estimates indicate that the growth process between 1993-94 and 2004-05 by passed the majority was not inclusive at the national level, the inclusive co-efficient is higher for the rural sector than for the urban and attempts to define the concept and aims to develop measure of inclusion.

- **Natu A.J, et.al. (2008)** in a working paper focused on linking financial inclusion with social security schemes. This paper advocates for combining financial inclusion with social security schemes in order to promote not just access of the poor to financial services but also their usage. The assumption is that the promotion of access of the financial services such as bank accounts will not be effective in the absence of reliable income stream to the poor, such income stream are often as in the case of India provided through targeted social security schemes a combined program could encourage the poor to save surplus cash from social security schemes in no frills bank accounts.

- **Usha Thorat (2008)**, this study working highlighted that the broad strategy for financial inclusion in India recent years comprises the following elements:
(i) Encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs MFIs CSOs and business correspondents (BCs).

(ii) Focusing on a decentralized strategy by using existing arrangements such as State Level Bankers committee (SLBCs) and district consultative committee (DCC) and strengthening local institutions such as co-operatives and RRBs.

(iii) Using technology for furthering financial inclusion.

(iv) Advising banks to open a basic bank no frills accounts.

(v) Emphasis on financial literacy and credit counseling.

(vi) Creating synergies between the formal and informal segments.

- The Government of India’s committee on financial inclusion defined financial inclusion as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost, C. Rangarajan Committee (2008).

- Lanchovichina and Lundstrom (2009), in this study on inclusive growth involve a long term perspective. It focuses on the generation of productive employment instead of direct income redistribution, in order to increase the incomes of excluded groups, some redistribution schemes may however be necessary in the short term.

- Pal and Vaidya (2010), in this study covered that we not here that although India had a low density of bank branches at that time the performance in the last two dimensions seems to be reasonably good. Analyzing data from 1981 to 2007 found that the patterns of changes in different dimensions, the diversified picture of India’s banking performance along different dimensions, it becomes necessary to get a comprehensive picture of the situations. This in turn necessitates the constructions of an overall index of financial inclusion. This indicator is a measure of the extent of banking performance.

Initiatives undertaken could broadly be categorized into three phases in the first phase starting in the late 1960s through the 1980s the focus was on
channeling of credit to the neglected sectors of the economy special emphasis was also laid on weaker sections of the society in the second phase spanning the early 1990s through March 2005. The focus was mainly on strengthening the financial institutions as part of financial sector reforms, financial inclusion in this phase was encouraged mainly by the introduction of SHG-bank linkage program in the early 1990s and Kisan Credit Cards (KCCs) for providing credit to farmers, in the third phase beginning in April 2005 financial inclusion; was explicitly made as a major policy objective and thrust was on providing safe facility of savings deposits through “no frill” accounts.

- **Beck and (2004), Levine (2005),** the study of financial inclusion is highly important for the society because consequences financial exclusion may be quite harmful. Financial exclusion may generate lower investment resulting from difficulties in getting access to credit or gaining credit from informal sector at very high interest rates, particularly, without broad and easy access consequences may be grave for the small business sector and poor sections of the society, a well to develop financial system is highly important for economic development. It is likely that through entry of new firms, financial development will promote economic growth (**Klapper et al. (2004)),** Finally since well-being of a population depends on many attributes such as income, health housing etc. Access to financial services can as will be regarded as a basic ingredient of human well being. It is therefore necessary to design appropriate policy for financial inclusion.

- **Tendulkar Committee (2004-05),** this committee suggested according to the committee. The level of income poverty in rural areas of the country is 28.3 percent 2004-05 it has increased the percentage of income poverty in rural areas around 10 percent. Indian economy is growing at a rate of 8.5 to 9 percent in last five years. This GDP growth rate is mostly contributed by industry and service sector, the growth rate of agriculture in the country is around 2 percent. But there is possibility of accelerating the growth rate of agriculture (primary sector) and MSME sector. Larger percentage of population in the country live in rural areas and the percentage of poor persons is also more than the urban poor. The livelihood of rural people depends upon agriculture and allied activities, vast majority of rural population have also limited access to financial services like savings, insurance etc. Due to their in
accessibility in the financial services, the rural households are not able to take up better economic activities in order to improve their livelihood through raising the income level. The financial inclusion can act not only as driver for eradication of poverty in rural areas but also helpful in accelerating the growth rate of agriculture and MSME sector, considering the importance of financial inclusion for the economy of the country the Government of India (Ministry of Finance), Reserve Bank of India, and NABARD are adopting different measures for the financial inclusion. (2012).

- Carbo et al (2007), this study about the denial of financial services and the conditions that lead to depriving an individual or a group from the benefits of these services is called financial exclusion. It can be of any type like access exclusion, condition exclusion, price exclusion, marketing exclusion or self-exclusion. It also depicts social deprivation or social standing. It can be due to many social and economic factors viz., low household incomes, expensive source of credit, no savings and no insurance coverage. This takes us to the issue of financial inclusion.

- Honohan (2007), here attempted to measure some aspects of financial inclusion estimated the fraction of the adult population using formal financial intermediaries using the information on number of banking and MFI accounts for more than 160 countries, and then correlated with inequality (Gini coefficient) and poverty.

- Natu A.J. et.al (2008), in this working paper focused on linking financial inclusion with social security schemes. This paper advocates for combining financial inclusion with social security schemes in order to promote not just access of the poor to financial services but also their usage the assumption is that the promotion of access of the financial services such as bank accounts will not be effective in the absence of reliable income stream to the poor; such income stream are often as in the case of India provided through targeted social security schemes a combined programme could encourage the poor to save surplus cash from social security schemes in no frill bank accounts.

- See Sarma, (2008), this indicates in order to get an aggregate picture of banking activities in different dimensions, we need to design an index of financial inclusion. This is because from individual dimensions we get only partial information
on banking activities. The position of a country may be quite good in one dimension but not in another. For instance in 2004 in India the number of bank accounts (per 1000 adults), number of bank branches (per 100,000 adults), domestic credit (as percentage of GAP) and domestic deposit (as percentage of GDP) were respectively 627 194,369, and 549. Thus we note here that although India had as low density of bank branches at that time. The performance in the last two dimensions seems to be reasonably goods, while data between 1981 to 2007.

- **Government of India (2008)**, this defines financial inclusion “as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at affordable cost.

- **Pal and Vaidya (2010)**, find that the patterns of changes in different dimensions of banking services over time are quite diverse, given this diversities picture of India’s banking performance along different dimensions, it becomes necessary to get a comprehensive picture of the situation. This in turn necessitates the construction of an overall index of financial inclusion. This indicator is a measure of the extent of banking performance, higher value of the index will indicate a better performance since an improvement in the banking activity in a dimension will represent a higher value, such an index may be referred to as a functioning achievement index

**Significance of the Study**

From time to time, the central and State governments have introduced several rural development programs for the benefit of rural communities. However, one of the principal shortcomings of these programs is that the there is high degree of pilferage of funds released under these schemes. The corrupt bureaucracy and the scope for vested interests which tend to eat up bulk of payments before they reach the targeted groups. As a panacea for this problem, the government has contemplated payments under the schemes through bank accounts. It is in this context that the no frills accounts introduced. Thus linking payments under the rural development schemes with the no-frills accounts schemes can overcome the handicaps of both the schemes.
Although the Government has already made a beginning in this regard, there is a need for an in-depth study which can throw light on the strengths and weaknesses of this linkage, so that it would provide some policy guidelines for making both the rural development programs and financial inclusion drive more effectively.

The present study would attempt to evaluate the performance of both these schemes in as much as one’s success or failure can be attributed to that of the other. The Government of India has introduced several rural development schemes like Swaranjayanti Gram Swarozgar Yojana (SGSY), re-christened as National Rural Livelihood Mission (NLRM), Pradhan Manthri Gram Sadak Yojana and National Rural Employment Guarantee Program (NREGP) besides a host of programs operated by the various State governments. For eradication of rural poverty and rapid development of rural areas it is essential that the benefits of the government’s anti-poverty and rural development programs reach the poor promptly. Financial inclusion drive can compliment these schemes to make the more effective.

Research Gap

Rangarajan Committee (2006), on Eleventh Five-year plan strategy is towards Faster and more Inclusive growth through the approach paper Government of India (GOI) 2006.

The most of the previous research studies and reports not dealt with inter linkages between Financial inclusion and rural Development Programs and their implementation. Further many earlier studies have not covered the financial inclusion drive, and the role and the significance of no frilled accounts and their inadequacies. In this study we attempted to explore the linkages between Information technology and financial literacy in effective implementation of financial inclusion and rural development programs. In the light of above observations the following objectives are as follows:-

Objectives of the Study

1. To examine the performance of the major rural development programs with a view to identify the defects in their implementation.

2. To review the progress of financial inclusion drive through “No Frills” accounts with a view to identify the snags in the drive.

3. To analyze the linkage between the effectiveness of Financial Inclusion Drive and the Performance of Rural Development Programs

4. To examine the role of IT and financial literacy in the more effective implementation of financial inclusion and rural development programs.

Hypotheses:

The basic premise (argument) of the proposed study is that financial inclusion drive and rural development programs can mutually reinforce one another. Keeping this in view, the following key hypotheses have been formulated based on the above objectives:

1. The Strategy of Financial inclusion effective if it is pushed through the compulsory disbursement of benefits of rural development programs through banks.
2. Rural Development programs would be more effective if payments through these schemes are channeled through ‘no frills’ accounts of banks.

**Research Methodology:**

This study is based on the secondary and primary data. The secondary data has been collected from the latest Reserve Bank of India reports, statistics of Indian Economy and Economic Survey of India and Economic survey of Karnataka and NABARD reports. The data has been collected from 1981- to 2011 comprised of 20 years.

*Nature and Sources of data:* The study is based on both primary and secondary data. Primary data is collected from 300 sample households who are the beneficiaries of various rural development programs, and opinions on both rural development programs as well as financial inclusion drive of the banks. Opinions have also been collected from the rural development functionaries and banks with regard to the linkage between the effectiveness of rural development programs and that of the financial inclusion drive and who have opened no-frills accounts with the banks. The information on households consists of the size of the household, literacy status, assets including land, occupation, income, savings, investment and banking/financial aspects of the respondents.

A simple random sampling method and purposive sampling procedure used in the survey. The primary data collected by administering the structured interview scheduled questionnaire. Those who received loans and other benefits reasonably confident that the experiences recorded are indicative of the range of people are engaged in agriculture in rural areas.
Sample Design:

Two Taluks in Chamarajanagara District out of 4 Taluks.

- Gundlupet Taluk
- Chamarajnagara Taluk

- Five Gramapanchayats

- Each Gram panchayat 30 +

Chamarajanagara Taluk = (5 GPs X 30 house holds) = 150
Guadalupet Taluk = (5 GPs X 30 house holds) = 150

Total - 300.

It was conducted by a pilot survey to examine the pros and cons of the questionnaire. Accordingly, all irrelevant questions were removed from the schedules and the questions that were relevant to gather information are included.

Log Linear Multiple Regression Analysis has been used to estimate the coefficients of independent variables such loans extended by Regional Rural Banks, Cooperative Banks, Scheduled Commercial Banks, and loans also extended by Primary Agricultural Cooperative Societies, State Cooperatives Agricultural, and Rural Development Banks etc., based on the size of landholdings of the farmers. All these financial institutions extending credit facilities delivery mechanism, which are directly influencing the production of agriculture and allied activities in the country. Log linear regression model is specified below:
Secondary Data specification:

\[ \ln(\text{AGDP}_t) = \beta_1 + \beta_2 \ln(\text{CRRBs})_{2t} + \beta_3 \ln(\text{OLCCOS})_{3t} + \beta_4 \ln(\text{OLSCBs}_{4t}) + \beta_5 \ln(\text{OLRRBs}_{5t}) + \mu_t \ldots \ldots (1) \]

\[ \ln(\text{AGDP}_t) = \beta_1 + \beta_2 \ln(\text{PACS})_{5t} + \beta_6 \ln(\text{SCARDBs})_{6t} + \beta_7 \ln(\text{PCARDBs})_{7t} + \mu_t \ldots \ldots (2) \]

\[ \ln(\text{AGDP}_t) = \beta_1 + \beta_2 \ln(\text{Below 2.5 Acre})_{2t} + \beta_3 \ln(\text{Between 2.5-5.0 Acre})_{3t} + B4 \ln(\text{Above 5.0 Acre})_{4t} + \mu_t \ldots \ldots (3) \]

\[ \ln(\text{AGDP}_t) = \beta_1 + \beta_2 \ln(\text{tfs})_{2t} + \beta_3 \ln(\text{afas})_{3t} + \beta_4 \ln(\text{nabard})_{4t} + \beta_5 \ln(\text{Above 5.0 Acre})_{5t} + \mu_t \ldots \ldots (4) \]

Primary Survey Data specification:

\[ T\text{Loan} = \beta_1 + \beta_2 (\text{Working})_{2t} + \beta_3 (\text{Education})_{3t} + \beta_4 (\text{Savings})_{4t} + \beta_5 (\text{Assets})_{5t} + \mu_t \ldots \ldots (5) \]

\[ \text{Income} = \beta_1 + \beta_2 (\text{Working})_{2t} + \beta_3 (\text{Education})_{3t} + \beta_4 (\text{Savings})_{4t} + \beta_5 (\text{Assets})_{5t} + \mu_t \ldots \ldots (6) \]

\[ T\text{Loan} = \beta_1 + \beta_2 (\text{Wage})_{2t} + \beta_3 (\text{Tland})_{3t} + \beta_4 (\text{Assets})_{4t} + \beta_5 (\text{Income})_{5t} + \mu_t \ldots \ldots (7) \]

In the above equations \( \beta_1 + \beta_2 \) terms equal to parameters and \( \mu \) equals random disturbance term

**Dependent Variable:** Agriculture & Allied Sector GDP at constants prices 2004-05.
Independent Variables:

CRRBs= Credit of Regional Rural Banks

OLCCOS= Outstanding Loans of Credit Cooperative Societies

OLSCBs = Outstanding Loans of Scheduled Commercial Banks

OLRRBs= Outstanding Loans of Regional Rural Banks

Below 2.5 Acre, Between 2.5-5.0 Acre and Above 5.0 Acre of land possessed by farmers

PACS = Primary Agricultural Cooperative Societies

SCARDBs = State Cooperatives Agricultural and Rural Development Banks

PCARDBs = Primary Cooperative Agriculture and Rural Development Banks

Area under the Study:

The present study has been confined to two taluks Gundlupet and Chamarajanagar of Chamarajanagar District of Karnataka and considered household unit of analysis rather than individual. It is one of the backward districts of Karnataka state. In the study area there are good number of voluntary organizations involved in rural development programs for a longer period along with government agencies and financial institutions in the implementation of several schemes. The self help groups, micro financial institutions and tribal organizations are active in this district and for study it considered suitable to carry the proposed work.

Techniques of data analysis:

The data has been analyzed by using statistical and econometric tools and also appropriate graphic presentations such as the histograms and pie diagrams. The chief technique of analysis in the study is the multiple regression analysis for institutional data on financial inclusion and data on households.
Limitations of the study

1) The study has confined to one district in Karnataka. Chamarajanagar district and the findings of the study of one district may not reflect the overall situation at the State or national level.

2) The study is based on the Primary and secondary data, Primary data covers between 2007 to 2012. The quality and quantity of data may not be adequate to generalize the results of the present study.

Plan of the Thesis

The thesis is organized into seven chapters. The first chapter deals with framework of the study including introduction, importance of the study, research gap, objectives, hypotheses, methodology and limitations of the study.

The second chapter is devoted for Review of current Literature.

The third chapter deals with profile of district and study area.

The fourth chapter deals with the Impact of Institutional credit on Agriculture and Rural Development in India – An assessment of financial inclusion

The fifth chapter evaluates the role of scheduled commercial banks in Karnataka an evaluation of financial inclusion

The six chapter analyses with Financial Inclusion and Rural Development a case study in Chamarajanagara district.

Finally, chapter seventh deals with the Results of Hypothesis Testing, Findings, and conclusion.