



# Effectiveness of RBI Policy Initiatives I for Financial Inclusion through Bank-Linkage Programme in Mysore District

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## Abstract

Reserve Bank of India identified Strategic objectives of a national Strategy for financial inclusion. These strategies include, universal access to financial services, providing basic bouquet of financial services, Access to livelihood, Skill development and, financial literacy. In addition to strategic objectives, RBI has developed financial propositions for bringing low income groups within the perimeter of formal banking sector. The present Study provides empirical evidence that the effectiveness of RBI propositions for financial inclusion through bank-linkage programme in Mysore District.

**Keywords:** RBI propositions, financial inclusion, bank linkage programme, Mysore district.

## Introduction

Reserve Bank of India (RBI) is one of the apex institutions for identifying and adopting Several bank led models and initiatives for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts.

NABARD is designated as an apex financial institution for promoting and nurturing of SHG-Bank Linkage programme. NABARD extended grant support to credit linkage of SHGS with the Banks are.

- Scheduled commercial Banks (SCBA)
- Regional Rural Banks (RRBS)
- Credit co-operative Banks (CCBs)
- Primary Agricultural credit Co-operative Societies (PACS)
- Non-Government organization (NGOS)
- NGOS-Micro Finance Institutions (MFI)
- Individual Rural Volunteers (IRVS)

A Strategic Advisory Board was constituted in NABARD in 2015 to give focus on strategic action plan on SHG-BLP, evolving quality. Standards, financial literacy, digitization SHGS, livelihood promotion, etc.

Uniqueness of SHG-BLP in Financial Inclusion.

The SHGS are engaged in promoting financial inclusion of its members through various financial services and non-financial activities.

- Informal nature and decentralized design

- Community based savings
- Door Steps financial Services
- Democratic functioning.
- Reduction in transaction costs of banks.
- Creation of Social capital, technical capital and financial capital for sustainable financial inclusion and livelihood.

## Mysore District

Mysore District is an administrative District at Southern part of the State of Karnataka in India. The District has 6763 sq.km total geographical area, 02 Sub-division and 07 Taluks 2106 inhabited and hamlet villages, 137 uninhabited Villages and 266 panchayath.

The population of the district as per the 2011 census is 30, 01, 127 of which male 15, 11, 600 and Female 14, 89,527. As per the 2011 population Census, Mysore District has 5, 58, 814 population full under Below Poverty Line (BPL) accounting for 18.60 percent of total population.

## Review of Literature

- The associated agencies should provide customized training. On financial literacy and financial services to use the internet banking for financial inclusion in rural unbanked Communities. Puja Rajavani and Vyas. S.K. 2019 <sup>[6]</sup>.
- SHG are primarily started to overcome financial problem of the marginised section of the society. Financial awareness leads to improve the socio-economic status of the SHG, members Gaonkar Gopalkrishna M. (2014) <sup>[3]</sup>.

- Access to financial services such as savings, insurance and remittances are extremely important for poverty alleviation and development. In order to achieve the goals of total financial inclusion, policy maker's banks, MFIS, NGOs and regulators have to work together Anurag.B. Singh and Priyanka Tandon (2012) <sup>[1]</sup>.
- Through digital information in open the doorway from Banks, NABARD, NGOs and others to facilitate more SHGS. As digitalization and mobile usage reach more than 50% of population. The platform for low-income households is set to access formal financial services at affordable costs and greater convenience Prabha Kishore and Umamaheswara Rao.T.(2019) <sup>[5]</sup>.
- Ensuring that citizens belonging to vulnerable and marginalized groups, that are already less digitally and financially sophisticated, will be particularly Challenging and will not be achieved unless the mandate to take up this responsibility is clearly assign to an institution Sharon Buteau, Preethi Rao, Fabrizio valenti (2021) <sup>[8]</sup>.
- SHG-BLP shows the ability to contribute towards Social Sustainability and to various Sustainable Development Goals (SDG); in particular SDG 1 bay contributing to ensuring women, the poor and vulnerable in particular, have access to economic resources and basic Services such as financial services including micro Finance. Nada Amer Abdulhafedh Al-Kubati and Doris padmini Selvarautnam (2023) <sup>[4]</sup>.
- Empowerment happened by removing constraints that impede women's and girls' ability to determine and realize their goals. These constraints can be classified into three pillars: Agency, Resources and context. Addressing these constraints across these pillars can empower women to realize specific achievements, leading to gender equality World Bank Group (2023) <sup>[9]</sup>.
- A few factors posed a hindrance to financial literacy and inclusion. These factors can be gender difference, access to education ethnicity, personal finance, lack of trust in financial institutions, distance and lack of proper guidance. Policy makers can remove these hindrances for implementing financial initiatives successfully. Asha prasuna, Alivelu Kasturi and Ramesh Annemalla (2024) <sup>[2]</sup>.
- India has largely benefited. From the Jan Dhan-Aadhaar-mobile trinity over the last few years, adequate measures are needed to strengthen the digital financial Services eco-system including increased awareness on usage of digital modes of transactions, increased access points acceptance infrastructure and a safe environment incorporating the principles of Consent and privacy. RBI (2020) <sup>[7]</sup>.

## Methodology

### Data Base

Primary data on opinion of SHG-BLP collected from target-respondents such as SHG members covering Seven Taluks from Mysore District. The sample Size of the respondents contained are 350 members. The data consisted financial inclusion information, rating of financial inclusion propositions. Towards the Strengthening of socio-economic Status through financial inclusion initiatives.

Secondary data were collected from the sources of RBI, NABARD publications on financial inclusion initiatives, Zilla panchayat publication of Statistic on Mysore District, Mysore District credit plan of SBC, Journals, working papers and occasional papers.

## Analysis and Results

The RBI initiatives for financial inclusion were considered for measuring effectiveness in Mysore District with the sample size of 350 respondents across the Taluks of Mysore Districts. The RBI initiatives are classified into three dimensions vis-

- Financial Inclusion Information
- Financial Inclusion propositions-I
- Financial Inclusion propositions-II

The study considered Seven Variables for financial Inclusion Information. Twelve variables for financial Inclusion propositions-I and fifteen variables for financial Inclusion proposition-II.

To check the reliability of Sample size of the respondents and data, KMO and Bartlett's test; ascertaining the effectiveness test: Exgen Values, Scree plot and VARIMAX Rotated Component Analysis methods are employed. An alpha value of call the variable under consideration found to be Community accepted value.

## Analysis on Financial Propositions

Table (1) shows the opinion of respondents on propositions of financial inclusion information through bank-linkage programme in Mysore District. To measure the degree of effectiveness of financial information related propositions on financial inclusion through bank-linkage programme seven variable are considered as factors. Thus all the seven variables are statistically significant as indicated Chi-Square test value of 384.073 and collectively meet the necessary threshold of sampling adequacy with KMO value of 0.157 respectively. All the tested variables in respect of adequacy of variable indicate that, the set of variable are appropriate for analysis to ascertain the effectiveness of seven variables in financial inclusion through bank-linkage programme in Mysore District.

**Table 1:** VARIMAX-Financial inclusion information

Factors	Component Factors			Communalities
	1	2	3	
No-Frill Accounts	.829	.053	-.048	.692
Usage of Regional Language	-.171	.516	-.741	.844
KYC	-.128	.295	.852	.829
Easier Credit facilities	.094	.701	.117	.514
Using IT	-.144	.735	-.067	.565
Insurance	.620	-.348	-.120	.520
Financial Education	.807	.038	.120	.668
Total				
Eigen values	1.798	1.509	1.323	
Percentage of Trace	25.687	21.559	18.902	66.147
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization				

**Source:** Survey Data

Table (1) presents the Varimax rotated component analysis with Kaiser Normalization technique for ascertaining the effectiveness of variables on financial information. The result of analysis indicates that the total amount of variance extracted is 66.147%. In the Varimax Rotated factor solution indicates that the first factors NO-frill Accounts (0.829) and Financial Education (0.807) accounting for 25.687%. The effectiveness of second factors-Easier Credit Facilities and

using information are accounting for 21.559%. While the third factor-Know Your Customer (KYC) effect is accounted for 18.902.

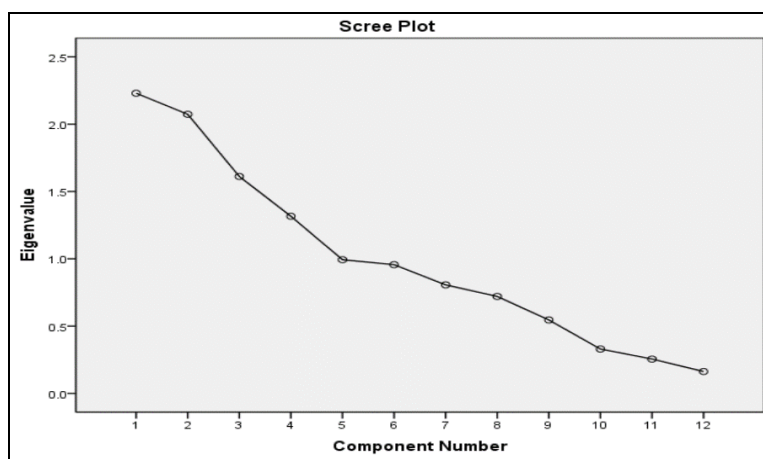
It is observed from the result of rotated factor solution component factor-1: No-Frill accounts and Financial Education are very effective propositions for financial inclusion. In Rotated Factor solution-2: Easier credit facility and using Information Technology (IT) are secondary impact of 21.559%. In Rotated Factor Solution-3: Know Your Customer (KYC) impact on financial inclusion through bank-linkage accounted for 18.902%. The value of commercial shows the contribution of each variable to total variance exhibited by Varimax Rotated Factor Matrix. The percentage of trace is 66.147%, which is positive impact at more than 50

percentages, is sufficient to confirm that variable is related to one another. It is concluded that there is a significant difference among the financial information with regards to effectiveness on financial inclusion through bank-linkage programme in Mysore District.

**Table 2:** KMO and Bartlett's Test for rating of financial inclusion propositions.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.579
Bartlett's Test of Sphericity	Approx. Chi-Square	1103.873
	df	66
	Sig.	.000

Source: Survey Data



Source: Survey Data

**Fig 1:** Scree plot for rating of financial inclusion propositions.

**Table 3:** VARIMAX-Rating of financial inclusion propositions

Factors	Component Factors				Communalities
	1	2	3	4	
Reducing Bank transaction costs	.321	.400	.495	-.324	.613
Credit at low rates of interest	-.073	-.713	-.001	-.063	.517
Proximity of Banks	.295	.094	-.165	.748	.683
Developing financial	.181	.751	-.120	.122	.626
Saving Habits	.063	.460	.589	-.227	.614
Reducing dependence on informal money lenders	.525	.072	-.074	.231	.340
Reduction in the procedural complicity	-.244	-.052	.735	.388	.753
Socio-Economic Empowerment Skills for income Generation	-.024	.042	.000	.832	.694
Infrastructure facilities-Health, Sanitation and Education	.837	.151	.095	.063	.736
Communication and Co-operation among community	.030	.233	-.696	.199	.580
Eradication of Social Evils-alcohol abuse, undesirable social practice	-.709	.059	.070	.074	.516
Elevation of economic social status	.434	-.604	-.059	.014	.557
					Total
Eigen values	1.960	1.908	1.682	1.680	
Percentage of Trace	16.333	15.902	14.015	14.001	60.250
Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization					

Source: Survey Data

Table (2 and 3) depicts the opinion of respondents on rating of financial inclusion propositions in implementing financial inclusion through SHGs bank linkage programme in Mysore

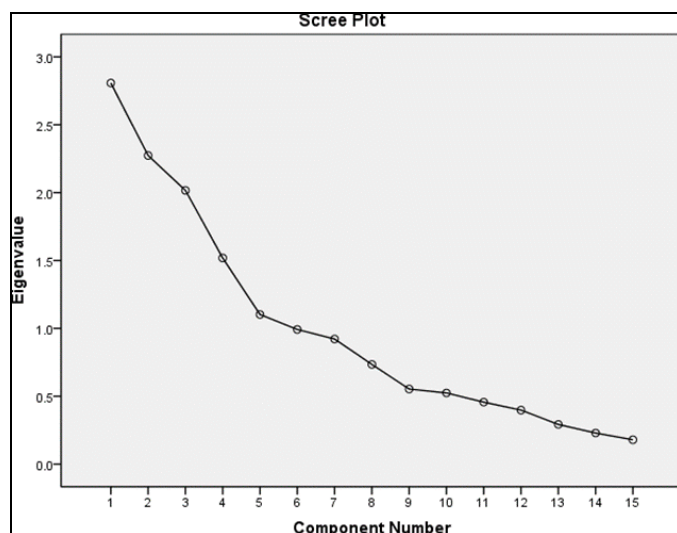
District. To assess the overall significance of the adequacy of sampling size of variable, the correlation matrix with Bartlett test has been applied, the result of the test indicates that all twelve variable are statistically found to be significant by the

result of Chi-Square 1103.873 and collectively meet the necessary threshold of sampling adequacy with KMO value of 0.579. The twelve propositions are considered as variable to assess the effectiveness of each proposition On financial inclusion through bank linkage programme. Out of twelve propositions, the respondent's percentage the Infrastructure Facilities-Health, Sanitation and education are scored at 0.837, its impact accounted for 16.333%. Developing Financial Literacy scored is 0.751 with impact of 15.902%. Reduction in the procedural complicity secured 0.735 score and its impact stood at 14.015%, Socio-Economic Empowerment Skills for income generation and proximity of Banks score of 0.832 and 0.748 respectively with impact on financial inclusion respectively with impact on financial inclusion accounted for 14.001%, which are presented in table 4.2. The values of all propositions in communalities shown the contribution of each variable to total variance trace stood at 60.25%, which is good as more than 50 percent is considered as sufficient to say that the variables are related to one another. The result of the analysis indicates, most of the variables are with positive signs. The result suggested that there is a significant difference among the variable with regards to the effectiveness of propositions on financial inclusion through bank linkage programme in Mysore District.

**Table 4: KMO and Bartlett's Test for Rating of effectiveness and awareness**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.517
Bartlett's Test of Sphericity	Approx. Chi-Square	1609.429
	df	105
	Sig.	.000

Source: Survey Data



Source: Survey Data

**Fig 2: Scree plot for Rating of effectiveness and awareness.**

Table (4) presents the opinion of respondents on effectiveness and creating awareness through propositions of financial inclusion programme. To ascertain the overall effectiveness, fifteen propositions of financial inclusion programme have been considered for the analysis. To measure the sampling adequacy of selected propositions as factors the correlation matrix with the Bartlett test has been used. The result of the test indicated that the fifteen variables are statistically found significant with the Chi-Square value of 1609.429 and collectively with KMO value of 0.517. All the measures of

sampling adequacy tests indicate the set of variable as factors are appropriate for factor analysis on effectiveness of propositions of financial inclusion through bank-linkage programme in Mysore District.

**Table 5: VARIMAX-Rating of financial inclusion propositions**

Factors	Component factors					Communalities
	1	2	3	4	5	
No Frills accounts	.151	.002	.032	.094	.890	.825
Location of Banks	.712	-.191	.193	.045	.116	.596
Banking Information	.622	.457	.231	.225	-.040	.701
KYC	-.204	.326	.693	-.236	.198	.723
Benefits of No Frill accounts	-.183	.507	.023	.479	-.085	.528
Intermediary Banks	-.068	.858	-.070	-.104	-.107	.767
Co-operative Banks	.085	-.030	.652	.197	.298	.560
Regional Rural Banks	.691	.007	-.093	-.246	.207	.589
Scheduled Commercial Banks	-.029	.800	.026	.102	.155	.676
IDBI	.649	-.006	.212	-.360	-.190	.631
NABARD	.348	.104	.633	-.370	-.274	.744
Natural: Land, Water, forests, livestock's, weather	.061	-.021	.027	.851	-.055	.733
Physical: Roads Buildings, Infrastructure	.046	-.211	.722	.034	-.231	.622
Human: Nutrition health, education, skills, competencies	.653	-.199	-.287	.202	.035	.591
Social: Kinship groups associations, trusts, and norms institutions	-.067	.081	-.080	.580	.278	.431
						Total
Eigen values	2.460	2.088	2.067	1.836	1.267	
Percentage of Trace	16.400	13.922	13.777	12.240	8.447	64.786

Extraction Method: Principal Component Analysis Rotation Method: Varimax with Kaiser Normalization

Source: Survey Data

Table (5) shows the Varimax Rotated Component analysis for factor matrix. The result of the analysis indicates the total amount of variance extracted of 64.786% percent. In the Varimax Rotated factor solution, under the component-1, the effect of location of bank factor on financial inclusion accounting for 16.40% with the score of 0.712. Under the components-2, intermediary bank score value of 0.858 and



137 the score value of scheduled commercial banks at 0.800, the effect of these two factors on financial inclusion accounting for 13.922 percent. Under the components-3, factor related physical infrastructure such as Roads, Building scored 0.722 the effect of this factor accounting for 13.777 percent. Under the component-4, Natural Environment Such as land, water, forests, live stocks and weather scored 0.851, the effect of this factor on financial inclusion stand at 12.24%. Under the components-5, No Frills Accounts score value is 0.890, the effect of this factors accounting for 8.447%. The overall communalities effectiveness stood at 64.786%, which is good as than 50 percent. This result suggests saying that the considered variable as factors for measuring the effectiveness of financial inclusion through bank linkage programme are related to one another. In this analysis, most of the variables are with positive signs. The variables such as location of banks, intermediary banks, scheduled commercial banks, physical infrastructure, Natural Environment and NO Frills accounts are to be considered as significant propositions factors that are effectively positive impact on financial inclusion through bank linkage programme in Mysore District.

To conclude, it is evident from the various statistical tests and analysis that, there is a significant difference among the variable in effective implementation on financial inclusion through bank linkage programme.

### Conclusion

It is concluded that access to banks and financial institutions alone is not sufficient, the RBI has emphasized the importance of financial literacy and education to empower individuals to make informed financial decisions. In essence, the RBI'S proposition to financial inclusion is multifaceted, combining strategic planning, targeted. Initiatives and a commitment to leveraging technology to achieve its financial inclusion goals.

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