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# AN ECONOMIC ANALYSIS OF FINANCIAL INFRASTRUCTURE IN KARNATAKA

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***ABSTRACT***

*Finance is the life blood of all economies in the worldwide economy. Financial infrastructure certainly promotes growth through effective mobilization of savings into productive capital for further productive purposes. Financial infrastructure is not a single element. It includes financial institutions of different types, several facilitating institutions to mobilize capital and regulatory set up that facilitates smooth functioning of the financial system. The main objective of the present is to analysis of Gramina Banks and Micro Finance Institutions in Karnataka in general. The present study it is based on secondary sources of information.*
Keywords: Finance, Banks, Self-Help Groups, Populations and Savings

## INTRODUCTION

Finance is the life blood of all economies in the worldwide economy. Financial infrastructure certainly promotes growth through effective mobilization of savings into productive capital for further productive purposes. Financial infrastructure is not a single element. It includes financial institutions of different types, several facilitating institutions to mobilize capital and regulatory set up that facilitates smooth functioning of the financial system.

Financial institutions such as Commercial Banks, Regional Rural Banks (Gramina Banks), Cooperatives, NBFCs etc provide financial infrastructure for growth and development. It is a fact that the Southern States have made significant progress in micro-finance compared to rest of the country. Among the Southern States, Andhra Pradesh and Tamilnadu take larger stake compared to Karnataka. Yet, over all, according to Karnataka Development Report (2007) published by the Planning Commission, Government of India, Karnataka achieved significant progress in financial infrastructure front; still there is considerable scope for future development in the context of globalised environment.

## REVIEW OF LITERATURE

A very brief review of studies on the subject has been made here under;

Lohith G (2001), in his study on ***Financial Inclusion in Karnataka state: an Assessment,*** found that banking industry has shown tremendous growth in volume and complexity since nationalization of commercial banks in India. However, there are concerns that the banking sector has not been able to provide basic banking services to a large portion of the populace, particularly the underprivileged groups in society. As a result, the development of financial inclusion as a tactic to reintegrate the marginalized into society is desperately needed. This article examines the situation of financial inclusion in Karnataka, India, and its progress. According to the survey, Karnataka has a higher banking penetration rate than the national average in terms of both demographic and geographic access to financial inclusion.

Günther, M. (2017) studies ***the progress of financial inclusion in India,*** The author observed that between 2013 and 2015, there was a major improvement in financial inclusion. 90 percent of households in 2015 had at least one bank account, up from 47 percent of individuals in 2013 and 66 percent in 2015.

World Bank's Global Findex Database (2015) It reveals that the percentage of Indian people with a deposit at a recognized bank is just 53.1%. Of the adults in the lowest quintile, just 43.1% have a formal account. Furthermore, just 14.4% of individuals saved money in an official account. In India, only 6.4% of adults reported taking out a new loan from a formal financial institution in the preceding year, indicating a low level of formal borrowing. Compared to other significant developing Asian nations, this is lower.

## METHODOLOGY

The present paper focused on an analysis of Gramina Banks and Micro Finance Institutions in Karnataka in general. The paper is descriptive and analytical in nature; based on secondary sources of information gathered from different published sources like Books, Journal articles, periodicals, unpublished Thesis, Governments Reports, RBI reports, News Papers, websites etc.,.

## ANALYSIS AND DISCUSSION

**Regional Rural Banks (RRBS) and Micro Finance Institutions:**The RRBs lend financial support based on geographical coverage, clientele out reach and business volume and thus contribute to the development of rural economy in Karnataka. Their aim, all along, has been lending to the weaker sections in a routine manner. The RRBs have been attempting to reach out to the Self Help Groups of rural women. Yet, they are to reach out further. Today, RRBs have shifted their orientation from micro-credit to micro- finance institutions. The RRBs, now, have started selling other financial products like insurance and mutual funds. The annual report of Krishna Grameena Bank operating in the less developed districts in northern Karnataka, discloses that, "bank has taken a cooperate agency of marketing SBI-Life Shakthi group insurance for SHGs, covering 2829 members with sum assured Rs. 7.07 crore and the premium being 0.11 crore". The personnel of the RRBs, numbering 65,599 needs to be trained in handling micro finance with conceptual clarity and understanding the operational intricacies.

The NABARD has played a major role in fostering the largest numbers of SHGs in India. To be more apt, the NABARD, through refinancing and offering training facilities, has laid the foundation for the development of micro finance. Its website declares that it is ***A Micro Finance Revolution: Committed by Compassion; Driven by Passion.*** Further, the NABARD discloses that, more than 400 women every hour SHG movement in India every hour. This is not only an achievement, but exhibits the popularity of Micro-Finance Movement all over the country. The NABARD also envisages facilitating mature SHGs to graduate from micro finance for consumption or production credit to micro enterprises. Given the necessary support, the RRBs can emerge as reliable Micro Finance Institutions. There is no need for any institutional innovation, rather a purposive utilization of the under- utilized installed capacity of the existing rural financial infrastructure would be sufficient.

## CHALLENGE

In India 60 per cent of rural households do not have bank account, also 70 per cent of the marginal farmers do not have deposit account (in the UK it is 5%, in Australia it is 7-8%). The average population per bank branch, in India, is about 16,000. Thus attempting at increasing the banking habits, to promote thrift and savings, among the rural mass is a real challenge in the wake of encouraging Micro Finance Institutions. Overall, the SHGs have strengths, to claim, like: community group spirit, simple and informal organization, democratic set up and unity among members. The problems they face are: limited local demand, lack of strength to compete with the organized sector. These may adversely affect on their further performance.

## CONCLUSION

Any effort put in, to yield better results, must sustain for long. In the case of SHGs, they are to be properly guided as far as marketing of their products are concerned. Further attempts are to be made at slowly turning Micro Finance activity into Micro Enterprises where all-out efforts of the State, NGOs and the Bank are to be clubbed with strong and undivided commitment of the members concerned. This is one of the urgent needs in countries like India.

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