FINANCIAL INCLUSION AND ENTREPRENEUR BEHAVIOUR - A STUDY ON NORTH KARNATAKA ENTREPRENEURS

Poonum Shankarasa Raibagi[1*] and Ranjithkumar S [2]
[1] Research Scholar, School of Economics and Commerce, CMR University, Bangalore, India
[2] Professor, School of Economics and Commerce CMR University, Bangalore, India
poonamraibagi09@gmail.com

Abstract. This study investigates the critical financial acceptance's purpose in fostering entrepreneurial behaviour among underserved and marginalised populations in North Karnataka. By expanding provision to a range of financial services—including SB accounts, insurance, credit facilities, and personal loans—the initiative aims to integrate excluded communities into the formal economy and promote inclusive socio-economic development. Improved availability of these services has provided economically weaker sections, especially in underdeveloped areas, with the opportunity to initiate and grow small businesses, enhancing economic participation and resilience. Using primary data from 673 respondents collected via structured questionnaires, the study employed independent t-tests and one-way ANOVAs to analyse differences by gender and educational level in financial knowledge, service usage intentions, entrepreneurial orientation, and behaviour. Results revealed that males exhibit slightly higher overall knowledge of inclusive finance and entrepreneurial orientation, with statistically significant disparities between females ($p < 0.05$), though the variations were modest. No significant differences emerged based on educational attainment. The findings confirm that greater financial inclusion, supported by digital platforms and financial literacy, strongly correlates with entrepreneurial engagement, improved business decision-making, and growth intentions. The study underscores the importance of integrated financial products, digital innovation, and institutional support in driving entrepreneurial development and inclusive economic progress in North Karnataka.

Keywords: Entrepreneurial Behaviour, Orientation and Financial Inclusion

H. L. Chidananda et al. (eds.), *Proceedings of the 2nd International Conference on Innovations and Challenges in Financial Technology (ICICFT 2025)*, Advances in Economics, Business and Management Research 398,
https://doi.org/10.2991/978-94-6239-772-9_11

1 Introduction

The financial Assistance -availability of access, active use. Having access to formal financial services is widely regarded as an important factor in the promotion of entrepreneurial and supporting economic progress. Entrepreneurs who can securely save funds, access financial resources when required, conduct transactions through digital platforms, and receive appropriate financial guidance are better positioned to establish and add to our business. Such access not only improves their ability to manage financial resources effectively, but it also reduces their skills to identify opportunities, invest in growth, and respond to changing market conditions. sustain and scale businesses by smoothing cash flows, financing working capital and investing in growth opportunities. About scholar outcome of financial inclusion lowers financing constraints and transaction costs, thereby encouraging new business formation and improving firm performance.

North Karnataka is an economically and socially heterogeneous region where micro, small, and Informal enterprises constitute a major share of local livelihoods. In this regional context, digital finance platforms, microcredit and SHG-bank linkages have recently expanded, offering opportunities for prospective entrepreneurs, even though they also pose challenges, for example, gaps in digital literacy, uneven bank outreach, and variable product design for microenterprises. Recent Studies focused on Karnataka document both the positive role of digital financial inclusion in strengthening micro and small enterprises' financial resilience and the continuing barriers that. restrict effective usage. The research study examines the association between financial inclusion and entrepreneurial behaviour among North Karnataka entrepreneurs. It asks how dimensions of financial inclusion (access to bank accounts and credit, savings behaviour, digital payments and financial literacy) relate to entrepreneurial outcomes (start-up activity, investment in working capital, firm performance and growth intentions) in the North Karnataka setting, and what institutional or contextual factors mediate this relationship.

2.Review of Literature:

2.1Financial inclusion as an enabler of entrepreneurship

A growing literature links financial inclusion to entrepreneurial activity. Theoretically, financial inclusion reduces information frictions and financing constraints, enabling potential entrepreneurs to convert ideas into viable enterprises; empirically, several cross-country and country level studies find a positive and heterogeneous effect of inclusion on business country-level studies find a positive and heterogeneous effect of inclusion

on business formation and entry, with sector and human-capital differences shaping the magnitude of the impact.[Demirgüç-Kunt 2018][1]

Charfeddine et al. (2022) investigate the ways in which entrepreneurial activity is influenced by both financial inclusion and the larger business environment. According to their researchers, were more likely to launch and maintain enterprises when they have better access to formal financial services like banking, credit, and payment systems. However, the authors stress that financial inclusion is insufficient on its own; institutional efficiency, infrastructure, and regulatory assistance All have an important influence in shaping entrepreneurial outcomes. The results imply that by lowering operational obstacles and expanding economic prospects, a supporting environment amplifies the advantages of financial inclusion. In general, the study highlights the significance of providing financial access and supportive policies and institutions to promote entrepreneurship and economic development.[2].

2.2 Evidence from India and Karnataka

Banerjee, A., (2015) Indian studies emphasize microfinance, SHG linkages and digital finance as important channels of inclusion that affects entrepreneurship. Several Indian case studies find that access to small value credit and savings through SHGs and MFIs helps entrepreneurs finance microenterprises, smooth consumption shocks, and invest in productive assets, though the long-run business scaling varies by product markets and managerial capacity. Recent analyses focused on Karnataka report that digital financial inclusion improved firms' resilience during shocks (e.g., COVID-19), while persistent barriers—digital literacy, last-mile bank outreach, and product fit for microenterprises—remain NABARD 2023[3]

Regional research in North Karnataka highlights similar themes: urban and rural entrepreneurs gained from digital banking and microcredit initiatives, but variable access across taluks and uneven uptake among women entrepreneurs point to localised constraints. Studies of microfinance and SHGs in nearby Karnataka districts (Dharwad, Belgaum, Chikmagalur, etc.) have documented positive effects on household income and enterprise activity, while also noting issues such as irregular group functioning limited marketing linkages and gaps in noting issues such as irregular group functioning, limited marketing linkages, and gaps in record-keeping. These district-level findings suggest the importance of studying North Karnataka specifically, because local institutional arrangements and market structures shape how financial inclusion affects entrepreneurial behaviour. [4]

2.3 Digital financial inclusion, resilience and entrepreneurship

Zogning (2023) explores the relation between financial inclusion and the creation of inclusive entrepreneurship, emphasising its role in enabling broader participation in

economic activities. This study demonstrated that the availability of affordable and dependable financial services, including savings facilities, credit assistance, and insurance coverage, played an important part economically disadvantaged and socially excluded groups to participate in entrepreneurial activities. It improved access to new pathways for economic progress. The study also revealed that inclusive promotion of entrepreneurship contributed to a reduction through broadening participation in economic life. Inclusive financial systems can spur entrepreneurship that improves social equity and livelihoods for historically marginalised groups. However, simply providing access to financial services is not enough to secure development gains. Effective use of financial resources depends on supporting factors—financial literacy, institutional backing, enabling regulations, and well-designed policies—that help beneficiaries convert access into productive outcomes. Recent research also highlights the role of digital financial inclusion: mobile banking, digital payments, and fintech reduce transaction costs for small firms and broaden market reach. Digital financial services boosted business resilience and kept firms running during economic shocks in Karnataka, evidence shows. However, the extent of these benefits varied considerably across users, with outcomes being affected by elements like digital literacy levels, confidence in technology-enabled services, and the availability of reliable network infrastructure. Hence, assessing both formal access (accounts, loans) and effective use (digital payments, record-keeping, credit use for business) is crucial to understanding entrepreneurial behaviour. [5].

3.Objectives of the Study:

1. To understand the concept of entrepreneurship
2. To examine entrepreneurs' orientation and their behaviour
3. To be aware of financial inclusion
4. To verify possible effects of financial inclusion on entrepreneurs' orientation
5. To know how entrepreneur orientation influences entrepreneurs' behaviour.

4. Research Methodology:

The present study is purely based on primary data, and for the literature review and other references, secondary data is used. For the purpose of collecting primary data, the structured questionnaire was prepared and pre-tested in the pilot study. Then it was circulated among the respondents of North Karnataka through Google Form. A total of 673 responses were received and analysed.

5. Data Analysis and Interpretation:

1. Null hypothesis: Males and females have no significant differences in understanding inclusive finance and planning to utilise to test the previously indicated null hypothesis; the outcomes are displayed in the table that follows.

Table 1: The results of the t-test comparing the knowledge and comprehension of male and female respondents regarding inclusive finance and the financial services related to

Variable	Gender	N	Mean	SD	SE	t-value	P-value
Total knowledge	Male	392	106.27	9.88	0.50	2.2317	0.0260, S
	Female	281	104.57	9.52	0.57		
Knowledge of inclusive finance	Male	392	24.50	3.29	0.17	1.2074	0.2277, NS
	Female	281	24.20	3.20	0.19		
Intention to use inclusive financial services	Male	392	16.22	3.29	0.166	1.2337	0.2177, NS
	Female	281	15.91	3.28	0.196		

Source: Primary data

To evaluate gender disparities in overall knowledge, knowledge of inclusive finance, and desire to use inclusive financial services, a comparative analysis was carried out. The findings indicate that compared to female respondents (n = 281; M = 104.57, SD = 9.52), male respondents (n = 392) had a marginally higher mean score in total knowledge (M = 106.27, SD = 9.88). A statistically significant distinction has been observed. (t = 2.2317, p = 0.0260).

In contrast, the mean scores of males (M = 24.50, SD = 3.29) and females (M = 24.20, SD = 3.20) for inclusive finance knowledge are quite similar, and the difference is not statistically significant (p = 0.2277). Similarly, there is just a slight difference (M = 16.22) in the desire to utilise inclusive financial services between males and females (M = 15.91), which is likewise not significant (p = 0.2177).

2. Null hypothesis: Individual entrepreneurial orientation and entrepreneurial behaviour scores There is no substantial difference between boys and girls.

The independent t-test was used to test the aforementioned null hypothesis, and the results are shown in the following table.

Table 2: Results of the t-test between males and females with Individual entrepreneurial orientation and Entrepreneurial behaviour scores

Variable	Gender	n	Mean	SD	SE	t-value	P-value
Individual entrepreneurial orientation	Male	392	16.50	3.13	0.16	2.9089	0.0037, S
	Female	281	15.79	3.18	0.19		
Entrepreneurial behavior	Male	392	40.77	5.59	0.28	2.4385	0.0150, S
	Female	281	39.68	5.84	0.35		

(Source: computed from primary data)

The *t-test* results show a significant gender difference in both individual entrepreneurial orientation and entrepreneurial behaviour. Male Entrepreneurs received a slightly higher score than with *p-values* (0.0037 and 0.0150), indicating statistical significance. This suggests men tend to be more proactive and risk-taking in business decisions. However, the difference is modest, demonstrating that female entrepreneurs are equally capable but may face external constraints.

3. Null hypothesis: Knowledge and its components, such as ➢ Knowledge of inclusive finance ➢ Intention to use inclusive financial services, do not significantly change based on educational status.

The aforementioned null hypothesis was tested using a one-way ANOVA, and the findings are displayed in the table.

Table -3: Results of the t-test between educational status and knowledge and its components

Variables	PUC		Graduation		Post-Graduation		Technical Education		Professional Degree		F-value	p-value
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Total knowledge	105.1	11.29	105.5	9.74	105.8	9.72	106.3	10.56	103.3	8.83	0.6551	0.6235
Knowledge of inclusive finance	25.50	3.19	24.36	2.88	24.35	3.31	25.60	3.27	23.44	4.35	2.1457	0.0737
Intention to use inclusive financial services	16.00	4.15	16.16	3.08	16.07	3.36	16.40	3.10	15.90	3.14	0.0916	0.9851

No statistically significant differences between respondents with different educational backgrounds in terms of awareness of inclusive finance or intention to use inclusive financial services, according to the analysis. The results show that neither awareness nor usage intentions are considerably affected by educational qualification because all p-values were more than the 0.05 significance level. Even while the mean scores of respondents with technical education were slightly higher, although this difference was not statistically significant

Table 4: Results of the t-test between educational status and individual entrepreneurial orientation, and Entrepreneurial behavior scores

Variables	PUC		Graduation		Post-Graduation		Technical Education		Professional Degree		F-value	p-value
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Individual entrepreneurial orientation	16.2	3.23	16.2	3.22	16.33	3.15	15.60	3.20	15.31	2.97	1.0132	0.3998

Entrepreneurial behaviour	40.6	6.04	40.4	5.68	40.30	5.80	40.50	7.04	39.64	4.62	0.1704	0.9535

(Source: computed from primary data)

Since all of the p-values were greater than 0.05, the ANOVA Analysis revealed that there was no statistically significant difference between respondents with varying educational backgrounds. significantly in their entrepreneurial orientation or behaviour. This implies that the respondents' entrepreneurial mindset, decision-making styles, and company practices are not much impacted by their level of schooling. A meaningful statistical correlation between educational attainment and level and entrepreneurial orientation or behaviour could not be established despite minor differences in mean scores between educational groups

6. Findings

a) Gender Differences in Financial Knowledge and Usage Intention: Males exhibited a statistically significant higher overall knowledge of inclusive finance than females ($t = 2.2317$, $p = 0.0260$). However, there were no significant gender differences in knowledge of inclusive financial services specifically ($p = 0.2277$) or intention to use these services ($p = 0.2177$).

b) Gender Differences in Entrepreneurial Orientation and Behaviour: Respondents who were male displayed noticeably higher individual entrepreneurial orientation ($t = 2.9089$, $p = 0.0037$) and entrepreneurial behaviour scores ($t = 2.4385$, $p = 0.0150$) compared to females, indicating higher proactivity and risk-taking tendencies, albeit with modest differences.

c) Impact of Educational Attainment: There were no statistically significant variations discovered. were found across educational backgrounds regarding total financial knowledge, knowledge of inclusive finance, intention to use financial services, individual entrepreneurial orientation, or entrepreneurial behaviour (all p-values > 0.05). This shows that respondents' education levels have little influence on these issues.

7. Suggestions

a) Gender-responsive financial supports: Develop programmes specifically for women—female-focused financial literacy workshops, start-up mentorship circles, and access-to-credit schemes with simplified documentation—to reduce small but meaningful gaps in 1financial knowledge and entrepreneurial motivation.

b) Universal, hands-on financial education: Implement community-level, skill-focused financial training (budgeting, savings, digital payments, basic recordkeeping) through schools, workplaces, and local institutions so everyone benefits regardless of formal schooling.
c) Improve access and build confidence: Upgrade physical and digital infrastructure (rural banking points, reliable internet), streamline user interfaces, and run targeted digital-literacy campaigns so people can access and trust financial services easily.
d) Practice-centred entrepreneurship programmes: Design entrepreneurship training around apprenticeships, incubation, peer learning, and experienced mentors rather than classroom lectures alone; include short-term field projects and micro-grant experiments to build real-world business skills

9. Conclusion

The study finds that financial inclusion significantly boosts entrepreneurial activity in North Karnataka. Greater access to formal financial services—banking, credit, savings, and digital payments—is associated with stronger entrepreneurial attitudes and higher business participation. The analysis also points to small but important Gender disparities in financial literacy and entrepreneurial readiness, indicating a need for targeted support for women entrepreneurs. Educational level showed little effect on financial awareness, intentions to use services, or entrepreneurial behaviour, highlighting the value of practical experience and widely accessible financial literacy over formal qualifications. The research further underscores the expanding role of digital financial technologies in promoting inclusive entrepreneurship, while noting persistent barriers such as limited infrastructure and low digital literacy.

10. References

1. Charfeddine, L., & Zaouali, S. (2022). *The effects of financial inclusion and the business environment in spurring the creation of early-stage firms and supporting established firms*. Journal of Business Research, 143, 1–15. https://doi.org/10.1016/j.jbusres.2022.01.014
2. Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution*. World Bank. https://doi.org/10.1596/978-1-4648-1259-0

3. Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2015). *The miracle of microfinance? Evidence from a randomized evaluation*. American Economic Journal: AppliedEconomics,7(1) .https://doi.org/10.1257/app.20130533
4. NABARD. (2023). *Status of Microfinance in India 2022–23*. National Bank for Agriculture and Rural Development.
5. Zogning, F. (2022). Financial inclusion, inclusive entrepreneurship, and alternative financing options. *Journal of Small Business & Entrepreneurship*, *35*(1), 8–13. https://doi.org/10.1080/08276331.2022.2120345