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"An Empirical Investigation of Population Wise Performance of Scheduled Commercial Banks towards Financial Inclusion in India on Selected Parameters"

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ABSTRACT

Financial Inclusion is the key to ensure improved and sustainable development of an economy.Financial inclusion of a country depends on the extent of access to financial services like savings,payments, credit ,pension etc. by taking into account the participation of vulnerable groups such as weaker section of the society and low income group.This study attempts to highlight initiatives taken by banking sector to achieve financial Inclusion and analyzes the current performance of scheduled commercial banks under financial inclusion plans . The study reveals that financial inclusion efforts of scheduled commercial banks are playing a remarkable role for social and economic development of the society but still there exist population wise disparities in terms of inclusive growth.

Key Words:- Financial Inclusion, Scheduled Commercial Banks, Population wise disparities

INTRODUCTION

Financial Inclusion is regarded to be the foremost objective of many developing nations since many researches establish that there is positive correlation between the financial exclusion and poverty prevalent in developing nations. Financial Inclusion denotes 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 an affordable cost that is a prerequisite for poverty reduction and social cohesion (Rangarajan Committee, 2008) . In India Financial Inclusion is a public private partnership initiative for Below the Poverty Line (BPL) citizen of India to have an access to the main stream banking services. Access to finance will provide an opportunity to vulnerable section of the society to have a bank account, to save their hard earned money, to make investment, to insure their home, to take credit and hence getting liberty from the clutches of poverty.

Indian Banking sector has undergone remarkable changes over the last two and half decades in response to banking reforms resulting in increased competition, entry of new generation private sector banks A number of research reports and surveys put the light on the fact that in spite of remarkable improvements in banking sector relating to financial stability, competitiveness and productivity ,there is a large section of the population which does not have an access to basic banking , financial products , financial services and delivery channels characterized with improved services . This is nothing but Financial Exclusion. This large section of population comprises of individuals or family living on low income and is not able to access the most basic banking services such as bank account, credit, remittances, financial advisory services, payment services , insurance etc. This excluded section comprises of the marginal farmers, self employed, landless labourers, urban slum dwellers, migrants, ethnic minorities, socially excluded group, senior citizens and women (Rangarajan Committee Report).

REVIEW OF LITERATURE

A number of studies have been conducted so far on financial inclusion in India. A brief literature enabled the researcher to acquaint with selected problem.

Anand and Saxena (2012) emphasize on all the steps taken by Indian Commercial Banks in terms of technology, financial literacy, distribution channels etc. and conclude that banking institutions need to redesign their business strategies to promote financial inclusion of weaker section of society by taking it as business opportunity as well as social responsibility. Mukherjee & Chakraborty (2012) critically examine and highlight the role of the commercial banks in the state of Jharkhand towards financial inclusion and suggest that it should be the statutory obligation on the part of every bank, whether public or private, to report more frequently to RBI on its achievements on financial inclusion. Singh and Tandon (2013) discuss the initiatives for financial inclusion in India by Commercial banks and analyses how financial inclusion leads to economic development of the country by giving reference to Grameen Banks in Bangladesh. Gandhi (2013) vitally evaluates the initiatives taken by the Banks in context of financial inclusion and the steps taken for IT enabled financial services. He further stresses on the need of positive, matured attitude and approach and rational strategy to attain complete financial inclusion. Ghosh and Dixit (2013) compare Financial Inclusion in India with China , Germany and World on the basis of indicators of Financial Inclusion and conclude that Financial Exclusion is quite large in India which needs to be properly addressed. They also employ Cluster analysis and Dendogram analysis to study financial inclusion in different states of India.Garg and Parul (2014) focus on various approaches adopted by different Indian banks for financial inclusion to achieve the target of inclusive growth and analyze the progress of scheduled commercial banks from 2010-2013. They suggest that out of box service models, innovative products, proper regulatory norms and technology are the need of the time to boost the progress of Financial Inclusion Program. Basil Hans (2016) considers that financial inclusion and financial literacy both have to work together to achieve inclusive growth. If financial inclusion is a supply side force then financial literacy is a demand side approach. The policy makers and banks have to pay attention on financial literacy to ensure productive financial inclusion. Berwal and Berwal (2017) focus on the reasons for low financial inclusion inspite of a number of steps taken by banks to promote financial inclusion and suggest that the banks should redesign their business strategies to promote financial inclusion.

NEED OF THE STUDY

Financial Inclusion is the burning topic of present scenario in banking sector. Mohanty Committee (2015) has set the target to ensure that by 2021, 90% of the undeserved section of the society should become active participant in formal finance. Thus it is very much required to analyze the current status of banking institutions so that appropriate steps can be taken to achieve the requisite target.

OBJECTIVES OF THE STUDY

The key objectives of the study are:

(i) To overview the initiatives taken in Banking sector for financial inclusion.
(ii) To analyze the progress of scheduled commercial banks towards financial inclusion
(iii) To study population wise performance of scheduled commercial banks with respect to number of offices, deposit accounts and credit accounts to achieve financial inclusion.

RESEARCH METHODOLOGY

Data Collection:

The research in this study is carried out through secondary source. The secondary data has been taken from research papers, referred journals, magazines, various websites, RBI reports and the reports of committees on financial inclusion etc.

Time period :

Period of study to evaluate the financial performance of Scheduled Commercial Banks is 7 Financial years i.e. 2010-11 to 2016-17.

Tool of Analysis :

To estimate the progress of all scheduled commercial banks under financial inclusion, comparative study has been made with the help of Trend analysis by taking 2011 as base year. .Statistical Tool ANOVA with SPSS software has been used to study population wise performance of scheduled commercial banks. To further study which population group differ significantly in terms of financial inclusion Tukey's Post Hoc test has been applied using SPSS software.

Selected Parameters for the Study

To analyse population wise (rural, semi urban, urban, metropolitan areas) performance of scheduled commercial banks ,the parameters selected for the study are number of offices ,number of deposit accounts and number of credit accounts. These parameters have been selected on the basis of availability of comparable data.

INITIATIVES TAKEN BY SCHEDULED COMMERCIAL BANKS TOWARDS FINANCIAL INCLUSION

Financial Inclusion means the delivery of financial products and services at affordable cost in a just and transparent terms and conditions to the wider section of drawbacks, low income groups and weaker section of the society including Micro, Small and Medium enterprises. It has been well recognized that access to easy, safe and affordable finance by the poor and unprivileged groups, disadvantaged areas and lagging sector is utmost requirement to ensure increasing growth and poverty reduction and removal of income disparities.

Highlights of initiatives taken by banking sector for financial inclusion in india :

1969	14 Commercial Banks nationalized
1971	Lead Bank Scheme introduced
1975	Regional Rural Banks established
1980	6 more Commercial Banks nationalized
1982	NABARD established
1992	Self Help Group Bank linkage programme launched
2000	SIDBI established to facilitate micro credit
2005	No Frill Accounts Scheme introduced on the recommendation of Khan commission
2008	Stakeholders in public sector, private sector and NGOs sustained in undertaking various promotional activities on the recommendations of Rangarajan committee to achieve National Mission on Financial Inclsion
2014	Pradhan Mantri Jan Dhan Yojna ,a state led initiative towards financial inclusion taken up on a mission mode
2015	Mohanty Committee suggested more dependence on technology to reduce costs and improve service delivery, so that by 2021 over 90 per cent of the underserved sections of society become active stakeholders in economic progress empowered by formal finance.

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In nut shell, Banking Sector is constantly endeavoring to increase banking penetration in the country. The RBI has taken a number of initiatives to attract the financially excluded people into the structured financial system.

PERFORMANCE TOWARDS REACHING OUT UNBANKED AREAS UNDER FINANCIAL INCLUSION PLANS IN INDIA

Both RBI and Government are focused to achieve inclusive growth with the help of financial inclusion. Reserve Bank of India and Scheduled Commercial banks are making constant efforts to achieve financial inclusion through financial inclusion plans.

As a result of these endeavors, there has been increase in number of offices of Scheduled Commercial Banks, number of deposit accounts and number of credit accounts in India.

Table 1: Trend of Performance of Scheduled Commercial Banks towards Financial Inclusion (All India Level)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
No. of offices	100	109.43	118.63	131.32	141.65	146.39	152.22
No. of Deposit Accounts	100	111.49	129	151.42	177.74	203.19	225.48
No. of Credit Accounts	100	108.41	106.26	114.93	119.48	134.50	142.79

[Table 1] shows number of offices of Scheduled Commercial Banks, number of deposit accounts and number of credit accounts has been increased by 52.22%, 125.48% and 42.79% respectively till the year ending 31st March 2017 as compared to the year ending 31st March 2011. The analysis shows that RBI and Govt. of India's efforts are producing fruitful results on the path of financial inclusion.

However, along with the progress towards financial inclusion at all India level, it is better to comprehend the results by knowing whether the progress in these aspects is at par in rural, semi urban, urban and metropolitan cities to achieve the objective of financial inclusion in real sense.

POPULATION WISE PERFORMANCE OF SCHEDULED COMMERCIAL BANKS

The population wise performance from 2011 to 2017 with respect to number of offices, deposit accounts and credit accounts of scheduled commercial banks in rural ,semi urban, urban and metropolitan areas in India has been compared by using ANOVA .

H0 : There is insignificant difference in population wise average number of offices .
H1 : There is significant difference in population wise average number of offices .

Table 2: ANOVA Result of population wise number of Offices of scheduled commercial Banks

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1989.82	3	663.27	27.43	.000
Within Groups	580.29	24	24.18		
Total	2570.11	27			

The output of the ANOVA analysis [Table 2] for population wise number of offices depicts that the significance level is 0.000 (p = .000), which is below 0.05. and, therefore, there is a statistically significant difference in the population wise (rural, semi urban, urban, metropolitan) average number of offices.

Table 3: Post Hoc Test: Tukey HSD (Dependant Variable: Number of offices)

Pop Group I	Pop Group J	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Rural	Semi urban	11.71*	2.63	.001	4.46	18.96
	Urban	19.71*	2.63	.000	12.46	26.96
	Metropolitan	21.29*	2.63	.000	14.04	28.53
Semi urban	Rural	-11.71*	2.63	.001	-18.96	-4.46
	Urban	8.00*	2.63	.027	.75	15.25
	Metropolitan	9.57*	2.63	.007	2.32	16.82
Urban	Rural	-19.71*	2.63	.000	-26.96	-12.46
	Semi urban	-8.00*	2.63	.027	-15.25	-.75
	Metropolitan	1.57	2.63	.932	-5.68	8.82
Metropolitan	Rural	-21.29*	2.63	.000	-28.54	-14.03
	Semi urban	-9.57*	2.63	.007	-16.82	-2.32
	Urban	-1.57	2.63	.932	-8.82	5.67

*. The mean difference is significant at the 0.05 level.

Tukey Post hoc test [Table 3] depicts that there is significant difference in number of offices of scheduled commercial banks in rural area when compared with semi urban area, urban area and metropolitan areas. Similarly number of offices significantly differs in semi urban area relative to urban areas and metropolitan areas. However there is insignificant difference between number of offices in urban area and metropolitan area.

H0 : There is insignificant difference in population wise average number of deposit accounts.

H1 : There is significant difference in population wise average number of deposit accounts

Table 4: ANOVA Result of population wise number of Deposit Accounts of scheduled commercial Banks

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1554.11	3	518.04	4.93	.008
Within Groups	2521.14	24	105.05		
Total	4075.25	27			

[Table 4] reveals that the p value is less than 0.05 thus null hypothesis is rejected and there exist significant difference in population wise average number of deposits accounts.

Table 5: Post Hoc Test: Tukey HSD (Dependant Variable: Number of Deposit Accounts)

Pop Group I	Pop Group J	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Rural	Semi urban	6.71	5.48	.617	-8.40	21.83
	Urban	18.29*	5.48	.014	3.17	33.40
	Metropolitan	16.57*	5.48	.028	1.46	31.68
Semi urban	Rural	-6.71	5.48	.617	-21.83	8.40
	Urban	11.57	5.48	.178	-3.54	26.68

	Metropolitan	9.86	5.48	.298	-5.26	24.97
Urban	Rural	-18.29*	5.48	.014	-33.40	-3.17
	Semi urban	-11.57	5.48	.178	-26.68	3.54
	Metropolitan	-1.71	5.48	.989	-16.83	13.40
Metropolitan	Rural	-16.57*	5.48	.028	-31.68	-1.46
	Semi urban	-9.86	5.48	.298	-24.97	5.26
	Urban	1.71	5.48	.989	-13.40	16.83

*. The mean difference is significant at the 0.05 level.

Tukey Post hoc test [Table 5] shows that there is significant difference in number of deposit accounts of scheduled commercial banks in rural area when compared with urban area and metropolitan areas. However there is insignificant difference in number of deposit accounts among semi urban area, urban area and metropolitan area.

H0 : There is insignificant difference in population wise average number of credit accounts.

H1 : There is significant difference in population wise average number of credit accounts.

Table 6: ANOVA Result of population wise number of Credit Accounts of scheduled commercial Banks

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2574.96	3	858.32	27.62	.000
Within Groups	745.71	24	31.07		
Total	3320.68	27			

The p value as the output of ANOVA analysis [Table 6] is less than 0.05 which indicates that there is significant difference in population wise average number of credit accounts. Thus null cannot be accepted.

Table 7: Post Hoc Test: Tukey HSD (Dependant Variable: Number of Credit Accounts)

Pop Group I	Pop Group J	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Rural	Semi urban	9.00*	2.98	.028	.78	17.22
	Urban	26.57*	2.98	.000	18.35	34.79
	Metropolitan	10.00*	2.98	.013	1.78	18.22
Semi urban	Rural	-9.00*	2.98	.028	-17.21	-.78
	Urban	17.57*	2.98	.000	9.35	25.79
	Metropolitan	1.00	2.98	.987	-7.22	9.22
Urban	Rural	-26.57*	2.98	.000	-34.79	-18.35
	Semi urban	-17.57*	2.98	.000	-25.79	-9.35
	Metropolitan	-16.57*	2.98	.000	-24.79	-8.35
Metropolitan	Rural	-10.00*	2.98	.013	-18.22	-1.78
	Semi urban	-1.00	2.98	.987	-9.22	7.22
	Urban	16.57*	2.98	.000	8.35	24.79

*. The mean difference is significant at the 0.05 level.

Tukey Post hoc test [Table 7] reveals that there is significant difference in number of credit accounts of scheduled commercial banks in rural area when compared with semi urban area, urban area and metropolitan areas. Similarly, number of credit accounts of semi urban area differs significantly in comparison to urban area and the number of credit accounts in urban area also differs significantly with Metropolitan area. However there is insignificant difference in number of credit accounts between semi urban area and metropolitan area.

Therefore, population wise average number of offices, average number of deposit accounts and average number of credit accounts are not same.

CONCLUSION

Financial Inclusion and Inclusive Growth are the basic needs of a developed nation. The study puts the light on the fact that banking sector is progressing in terms of offices, Number of Deposit Accounts, Number of Credit Accounts and thus depicting the praiseworthy performance of banking institutions. At the same time, the paper also reveals the other side that population wise average performance of banking institutions vary significantly. Financial inclusion does not mean just achieving the target by focusing on few segments and areas but it should ensure inclusive growth. Though there are a number of challenges on the road of financial inclusion still positive efforts are being made constantly by RBI and Government of India to uplift the weaker sections of the society.

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