AN EMPIRICAL INVESTIGATION OF REGION WISE PERFORMANCE OF SCHEDULED COMMERCIAL BANKS TOWARDS FINANCIAL INCLUSION IN INDIA ON SELECTED PARAMETERS

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Abstract

The development of an economy in the real sense exists when there is uniformity in growth and the benefit of growth accrues to all the sectors of the economy. Thus, to attain inclusive growth,the concept of financial inclusion evolved which is linked with ensuring timely and adequate resource generation and mobilisation by vulnerable sections of the society at affordable cost.The present study highlights the steps taken by Reserve Bank of India for financial inclusion and analyses the performance of Scheduled Commercial Bank at all India Level and Regional levels. The study brings out that at all India Level, the performance of Scheduled Commercial Banks in terms of social and economic development is praiseworthy but still there exists regionwise disparities in terms of Inclusive growth.

Key Words:- Inclusive Growth, Financial Inclusion, Scheduled Commercial Banks, Region wise disparities, ANOVA

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1. Introduction

Over the past few decades, our economy has witnessed high growth rate,but at the same time social and economic inequalities have also increased which has resulted into unemployment and poverty.

As a result of which the Government of India has made the agenda of Inclusive growth as a part of its national policy.The policy makers duly recoganised Inclusive growth in Eleventh Five Year Plan.

The Government also realised that Financial inclusion is the tool to achieve inclusive growth.It was also included in approach paper to the twelfth five year plans (2012-2017) to achieve the majority of Millenium Development Goals. Moreover to achieve Global Sustainable development goals (2015-2030) financial inclusion is the basic thrust.

In India, Financial Inclusion is a public private partnership to provide fnancial service access, timely and adequate credit facility to the weaker and low income sections of the society at affordable cost. Over the last two and half decades, Indian banking sector has witnessed intense competition and entry of new private sector banks as a result of banking reforms. But still many studies reveal that inspite of such major improvements in banking sector in terms of financial stability, competitiveness and productivity , a large section of the population does not have an access to basic banking financial products ,financial services and delivery channels characterised by improved services.As per World Bank Global findex report , In India, the % adults (age 15+) having account at financial institution was 79.84, 52.75 and 35.23 in the year 2017,2014 and 2011 resectively. Similarly % adults (age 15+) who borrowed from the financial institution was 6.6, 6.37 and 7.70 in the year 2017, 2014 and 2011 respectively. Moreover, the report brings out that 19.60, 14.36 and 11.60 % adult (age 15+) saved at financial institution. The report reveals that inspite of many efforts on the road of financial inclusion in India the data of % adults making savings and borrowings in India is not satisfactory.

2. 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.

3. Need of the Study

Financial Inclusion is the burning topic of present scenario in banking sector. The vision behind Financial inclusion is to ensure that each and every citzen of India in any nook or corner is able to have access to financial services, products and credit so that they become the part of inclusive growth. 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 formalfinance. 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.

4. Objectives of the study

The key objectives of the study are:

(i)   To overview the initiatives taken by Reserve Bank of India for financial inclusion.

(ii)   To analyze the progress of scheduled commercial banks towards financial inclusion

(iii)   To study Region wise performance of scheduled commercial banks with respect to number of offices,

deposit accounts and credit accounts to achieve financial inclusion.

5. Research methodology

5.1 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.

5.2 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.

5.3 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 Region wise performance of scheduled commercial banks. To further study which region groups differ significantly in terms of financial inclusion Tukey's Post Hoc test has been applied using SPSS software.

5.4 Selected Parameters for the Study

To analyse region wise (Northern Region,North eastern region,Eastern region,Central region , western region and Southern Region of India) 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.

6. Initiatives taken by Reserve Bank of India towards Financial Inclusion

It has been well recoganised that access to easy, safe and affordable finance by the poor and unprivileged groups, disadvantaged areas and lagging sectors is the basic need to ensure equitable growth, poverty reduction, employment generation and removal of income disparities. Thus, to promote financial inclusion, a number of collaborated steps have been taken by Government of India and Reserve Bank of India since Independence though its pace leveraged after 2000.

On the recommendations of All India Rural Credit Society Survey Committee in 1954, the efforts to provide financial services especially credit facilities to the rural population got pace. The traditional Commercial Banks expanded to rural areas after the nationalisation of Imperial Bank of India and its conversion into SBI in 1955. In 1969, 14 commercial banks were nationalised. In 1971, Lead Bank Scheme was launched to push up expansion of banking system in unbanked parts of India. In 1975, Regional Rural Banks were established to overcome the cultural obstacles in dealing with rural people. It also aimed to remove the problem of high cost faced by commercial banks in establishing branches in rural areas. 6 more banks were nationalised in the tear 1980. In 1982, NABARD was established with the aim to provide credit

and financial services to farmers and the rural population. In 1992, Self Help Group Bank linkage programme was launched and this scheme proved very beneficial for the upliftment of women in particular. In 2000, SIDBI was established to provide micro credit. During post 2000 reforms, RBI took drastic steps to intensify the pace of financial inclusion like opening of No frill accounts,Business Correspondent and Business facilitator model,Simplification of branch authorisation norms, relaxation of KYC norms,more investment on financial literacy programmes,Direct Benefit Transfer scheme,Lauch of General Purpose Credit cards,Kisan Credit Cards. Adoption of ICT based solution to extend the outreach and to reduce the transaction cost. In 2014, Pradhan Mantri Jan Dhan Yojna, a state led initiative towards financial inclusion was taken up on a mission mode. Infact, Government of India and Reserve Bank of India are making constant efforts to enlarge banking penetration in the country.

7. 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(annex.) 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 performance in these aspects is at par in different regions of the country (Northern region, North eastern region, Eastern region, Central region, Western region and Southern region)to achieve the objective of financial inclusion in real sense.

8. Region wise performance of scheduled Commercial Banks

The region wise performance from 2011 to 2017 with respect to number of offices, deposit accounts and credit accounts of scheduled commercial banks in Northern region, North eastern region, Eastern region, Central region, Western region and Southern region of India has been compared using ANOVA .

H0 :   There is insignificant difference in Region wise average number of offices .

H1 :   There is significant difference in Region wise average number of offices .

The output of the ANOVA analysis [Table 2(annex.)] for Region 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 region wise (Northern region, North eastern region, Eastern region, Central region, Western region and Southern region) average number of offices.

Tukey Post hoc test [Table 3(annex.)] depicts that there is significant difference in number of offices of scheduled commercial banks in Northern Region when compared with North eastern Region and Southern Region. Similarly number of offices significantly differs in North Eastern Region relative to Eastern Region, Central Region, Western Region and Southern Region. Even the number of offices in Eastern region differ significantly with number of offices in Southern region.Number of Offices in Central region differ significantly with number of offices in western and Southern region. There is also significant difference between number of offices in Western Region and Southern Region.

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

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

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

Tukey Post hoc test [Table 5(annex.)]   shows that there is significant difference in number of deposit accounts of scheduled commercial banks in Northern Region when compared with North eastern region and Southern region.The number of deposit accounts in North Eastern region also vary signifcantly as compared to number of deposit accounts in Eastern Region, Central Region, Western region and Southern Region.There is also significant difference in number of deposit

accounts in Eastern Region and Southern Region. Moreover, the number of deposit accounts differ significantly between Western region and Southern Region.

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

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

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

Tukey Post hoc test [Table 7(annex.)]   reveals that there is significant difference in number of credit accounts of scheduled commercial banks in Northern region when compared with North Eastern region and Southern Region. Similarly, number of credit accounts of North eastern region differs significantly in comparison to eastern region, central region, western region and southern region and the number of credit accounts in Eastern Region also differs significantly with Southern Region. Again ,the number of credit accounts vary significantly with number of credit accounts in Southern region.

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

9. Conclusion

Inclusive Growth and Financial Inclusion are the foremost needs of a developed nation. The current study presents that the performance of banking sector in terms of offices, Number of Deposit Accounts, Number of Credit Accounts at all India Level is appreciable. At the same time, the paper also reveals the other side that Region wise average performance of banking institutions vary significantly. Financial inclusion aims to achieve inclusive growth i.e to make each and every one a part of growth.The policy makers should design appropriate strategies to remove regional financial inclusion disparities and to ensure Financial inclusion in the real sense.

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Annexure

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 2: ANOVA Result of Region wise number of Offices of scheduled commercial Banks

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3358.69	5	671.74	59.35	.000
Within Groups	407.43	36	11.32		
Total	3766.12	41			

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

Region (I)	Region (J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Northern Region	North Eastern Region	18.29*	1.80	.000	12.88	23.70
	Eastern Region	2.57	1.80	.709	-2.84	7.98
	Central Region	-2.14	1.80	.838	-7.55	3.27
	Western Region	3.29	1.80	.462	-2.12	8.70
	Southern Region	-11.86*	1.80	.000	-17.27	-6.45
North Eastern Region	Northern Region	-18.29*	1.80	.000	-23.70	-12.88
	Eastern Region	-15.71*	1.80	.000	-21.12	-10.30
	Central Region	-20.43*	1.80	.000	-25.84	-15.02
	Western Region	-15.00*	1.80	.000	-20.41	-9.59
	Southern Region	-30.14*	1.80	.000	-35.55	-24.73
Eastern Region	Northern Region	-2.57	1.80	.709	-7.98	2.84
	North Eastern Region	15.71*	1.80	.000	10.30	21.12
	Central Region	-4.71	1.80	.118	-10.12	.70
	Western Region	.714	1.80	.999	-4.70	6.12
	Southern Region	-14.43*	1.80	.000	-19.84	-9.02
Central Region	Northern Region	2.14	1.80	.838	-3.27	7.55
	North Eastern Region	20.43*	1.80	.000	15.02	25.84
	Eastern Region	4.71	1.80	.118	-.70	10.12
	Western Region	5.43*	1.80	.049	.02	10.84
	Southern Region	-9.71*	1.80	.000	-15.12	-4.30
Western Region	Northern Region	-3.29	1.80	.462	-8.70	2.12
	North Eastern Region	15.00*	1.80	.000	9.59	20.41
	Eastern Region	-.714	1.80	.999	-6.12	4.70
	Central Region	-5.43*	1.80	.049	-10.84	-.019
	Southern Region	-15.14*	1.80	.000	-20.55	-9.73
Southern Region	Northern Region	11.86*	1.80	.000	6.45	17.27
	North Eastern Region	30.14*	1.80	.000	24.73	35.55
	Eastern Region	14.43*	1.80	.000	9.02	19.84
	Central Region	9.71*	1.80	.000	4.30	15.12
	Western Region	15.14*	1.80	.000	9.73	20.55

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

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

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3693.05	5	738.61	15.13	.000
Within Groups	1757.43	36	48.82		
Total	5450.48	41			

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

Region (I)	Region (J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Northern Region	North Eastern Region	15.57*	3.74	.002	4.34	26.81
	Eastern Region	-2.71	3.74	.977	-13.95	8.52
	Central Region	-8.14	3.74	.272	-19.38	3.09
	Western Region	-1.71	3.74	.997	-12.95	9.52
	Southern Region	-15.29*	3.74	.003	-26.52	-4.05
North Eastern Region	Northern Region	-15.57*	3.74	.002	-26.81	-4.34
	Eastern Region	-18.29*	3.74	.000	-29.52	-7.05
	Central Region	-23.71*	3.74	.000	-34.95	-12.48
	Western Region	-17.29*	3.74	.001	-28.52	-6.05
	Southern Region	-30.86*	3.74	.000	-42.09	-19.62
Eastern Region	Northern Region	2.71	3.74	.977	-8.52	13.95
	North Eastern Region	18.29*	3.74	.000	7.05	29.52
	Central Region	-5.43	3.74	.695	-16.66	5.81
	Western Region	1.00	3.74	1.000	-10.24	12.24
	Southern Region	-12.57*	3.74	.021	-23.81	-1.34
Central Region	Northern Region	8.14	3.74	.272	-3.09	19.38
	North Eastern Region	23.71*	3.74	.000	12.48	34.95
	Eastern Region	5.437	3.74	.695	-5.81	16.66
	Western Region	6.43	3.74	.527	-4.81	17.66
	Southern Region	-7.14	3.74	.411	-18.38	4.09
Western Region	Northern Region	1.71	3.74	.997	-9.52	12.95
	North Eastern Region	17.29*	3.74	.001	6.05	28.52
	Eastern Region	-1.00	3.74	1.000	-12.24	10.24
	Central Region	-6.43	3.74	.527	-17.66	4.81
	Southern Region	-13.57*	3.74	.010	-24.81	-2.34
Southern Region	Northern Region	15.29*	3.74	.003	4.05	26.52
	North Eastern Region	30.86*	3.74	.000	19.62	42.09
	Eastern Region	12.57*	3.74	.021	1.34	23.81
	Central Region	7.14	3.74	.411	-4.09	18.38
	Western Region	13.57*	3.74	.010	2.34	24.81

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

Table 6: ANOVA Result of Region wise number of Credit Accounts of scheduled commercial Bank

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13416.286	5	2683.257	155.230	.000
Within Groups	622.286	36	17.286		
Total	14038.571	41			

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

Region (I)	Region (J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Northern Region	North Eastern Region	11.14*	2.22	.000	4.46	17.83
	Eastern Region	-3.00	2.22	.756	-9.69	3.69
	Central Region	-5.00	2.22	.241	-11.69	1.69
	Western Region	-12.00*	2.22	.000	-18.69	-5.31
	Southern Region	-46.00*	2.22	.000	-52.69	-39.31
North Eastern Region	Northern Region	-11.14*	2.22	.000	-17.83	-4.46
	Eastern Region	-14.14*	2.22	.000	-20.83	-7.46
	Central Region	-16.14*	2.22	.000	-22.83	-9.46
	Western Region	-23.14*	2.22	.000	-29.83	-16.46
	Southern Region	-57.14*	2.22	.000	-63.83	-50.46
Eastern Region	Northern Region	3.00	2.22	.756	-3.69	9.69
	North Eastern Region	14.14*	2.22	.000	7.46	20.83
	Central Region	-2.00	2.22	.944	-8.69	4.69
	Western Region	-9.00*	2.22	.003	-15.69	-2.31
	Southern Region	-43.00*	2.22	.000	-49.69	-36.31
Central Region	Northern Region	5.00	2.22	.241	-1.69	11.69
	North Eastern Region	16.14*	2.22	.000	9.46	22.83
	Eastern Region	2.00	2.22	.944	-4.69	8.69
	Western Region	-7.00*	2.22	.036	-13.69	-.31
	Southern Region	-41.00*	2.22	.000	-47.69	-34.31
Western Region	Northern Region	12.00*	2.22	.000	5.31	18.69
	North Eastern Region	23.14*	2.22	.000	16.46	29.83
	Eastern Region	9.00*	2.22	.003	2.31	15.69
	Central Region	7.00*	2.22	.036	.31	13.69
	Southern Region	-34.00	2.22	.000	-40.69	-27.31
Southern Region	Northern Region	46.00*	2.22	.000	39.31	52.69
	North Eastern Region	57.14*	2.22	.000	50.46	63.83
	Eastern Region	43.00*	2.22	.000	36.31	49.69
	Central Region	41.00*	2.22	.000	34.31	47.69
	Western Region	34.00*	2.22	.000	27.31	40.69

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