

# Saarth

## E-Journal of Research

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### **A STUDY ON THE ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO BHAVNAGAR DISTRICT.**

**Mrs. Jyoti Bharat Mangtani\***

#### **Abstract**

India is a country of 1.353 billion people, spread across 28 states and 9 union territories. Government of India aims to formal financial services in an affordable manner, broadening and deepening financial inclusion and promoting financial literacy and consumer protection. The government of India has also recognized the significance of financial inclusion in the Indian economy and is currently working on NATIONAL STRATEGY FOR FINANCIAL INCLUSION – (2019-2024). Government has many objectives for making transparent India, to make smoothly capital formation with the help of Financial Technology, but in reality a vast majority of people, especially in rural areas, is excluded from the easy access to finance. So this study tries to find role of banks in financial inclusion, because banks are intermediaries from banking services to end users, it becomes necessary to foresee the role of banks in financial inclusion in Bhavnagar district.

#### **Introduction**

##### **About Financial Inclusion**

Financial inclusion refers to efforts to make financial products and services accessible and affordable to all individuals and businesses, regardless of their personal net worth or company size.

Financial inclusion is a method of offering banking and financial services to individuals. The term is broadly used to describe the provision of savings and loan services to the poor in an inexpensive and easy-to-use form. It aims to ensure that the poor and make the best use of their money and attain financial education. With advances in financial technology and digital transactions, more and more startups are now making financial inclusion simpler to achieve. Financial Inclusion wants everybody in the society to be involved and participate in financial management judiciously. There are many poor households in India that do not have any access to financial services in the country. Even if they are aware of banks many poor people do not have the access to get services from banks. They may not meet minimum eligibility criteria led by the banks and they will not be able to secure a bank services.

Financial inclusion is a relatively new socio economic concept in India that aims to change this dynamic by providing financial services at affordable costs to the underprivileged, who might not aware of or able to afford these services.

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So that financial inclusion in the rural as well as financially backward pockets of cities is a win –win opportunity for everybody involve- the banks/ NBFC's intermediaries. Banks handle core infrastructure and services while intermediaries known as Business Correspondents will be the executors and act as the face of the banking and financial institutional in dealing with end users.

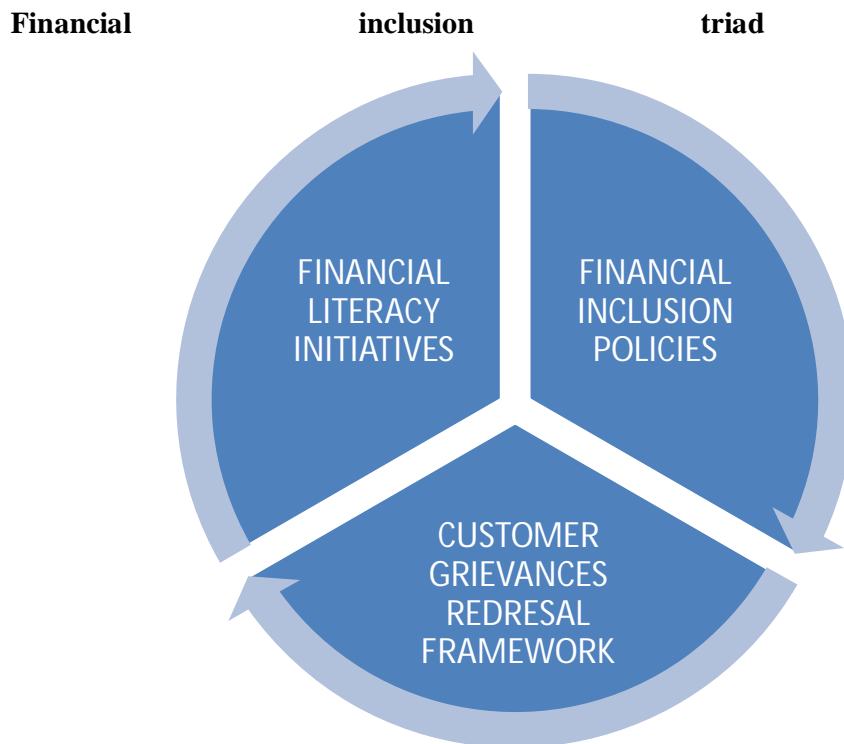
### Definition of Financial Inclusion in the Indian context

The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan).

Financial inclusion may be defined as 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.

(The Committee on Financial Sector Reforms, Chairman: Dr.Raghuram G. Rajan).

Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.



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### **Important milestones in Financial Inclusion**

SBI – 1955

Nationalization of Bank- 1969

LBS-1970

PSL- 1972

RRBs-1975

SHG BANK – 1992

No frill ACCOUNT – 2005

BC/BF Model-2006

Profit making companies allowed to become BC-2010

PMJDY LAUNCHED – 2014

SFBs and PBs – 2015

RRBs PSL target to 75% - 2016

### **How banks are Driving Financial Inclusion?**

**“Banks can encourage more transactions, more savings and stronger economic growth.”**

Banks play vital role in capital formation, making smoothly capital formation in an efficient manner. It is most important intermediaries for financial inclusion. Several important schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) through major public sector banks. Banks are also driving the initiatives of financial inclusion by developing digital banking. Banks have also tied up with third party apps to enable to the inclusion of people.

It is possible if bank and bankers try to reach all weaker sections but there are some barriers Important supply side barriers are convenience of the branch timing appropriateness of products and services, collateral requirements, language, staff attitude, cumbersome procedure, cost and risk perception of financial institutions about pool; there are many reasons why formal financial institutions do not offer low income and poor customers more access to financial services.

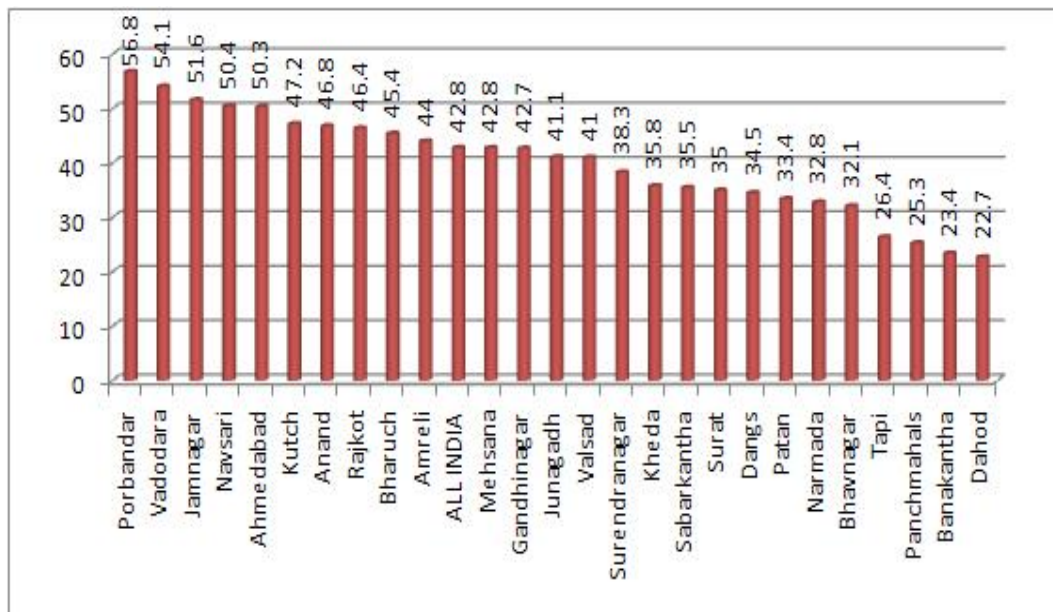
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The demand side factors mainly from socio economic conditions of financial service users. They include mainly lack of awareness, low income, gender issue, lack of education, non availability of legal rights documents.

Majority of districts fail to perform better than national average: Rating agency CRISIL



A new report by the top consulting firm, Crisil, has revealed that the financial inclusion index, called Inclusix – a concept it worked out in alliance with the Ministry of Finance, Government of India, to find out how deep is financial penetration among larger sections of population – has revealed that Gujarat has failed to improve its performance over the last four years in providing the three critical parameters of banking services, viz. branch penetration, deposit penetration, and credit penetration.

Bhavnagar scored 32.1, ranking No 409

### Literature Review

**Ammannaya, K.K. (2007)** in the study on financial inclusion task and strategies explains about both from the perspective of macroeconomic management and the banking industry is desire for a business model of sustained growth a policy of involving a wider section of population in deposit mobilization and credit intermediation makes eminent sense it is for banks themselves to see inclusive banking as an opportunity rather than irk some of regulatory compliances.

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**Alpana vats (2007)** In the study on promoting financial inclusion and analysis of the role of banks the term financial inclusion isn't walk in financial circle world over India in spite of being one of the fastest growing economic of the world lags behind in Human Development Index social an economic activity people at the bottom of the pyramid are still left Behind in the race of development and continued to financial physically ecological socially and politically excluded this paper focuses on financial inclusion and role of banks in achieving the goal of financial inclusion and provide some food for thought to meet the challenge of financial inclusion.

**Satheeshkumar, L and Selvaraj (2008)** in their study titled, “customer services and financial inclusion”, evaluates about ensuring that everyone has access to appropriate financial services, enabling them to manage their money day to day basis, effectively, securely, and confidentially, deal effectively with financial distress should unexpected events lead to serious financial difficulty.

**Mehotra(2009)** find that prolonged and persistent deprivation of banking services to large segment of the population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion.

**Chattopadhyay(2011)** Has developed the financial inclusion index for the major states in India and for all the districts in West Bengal.

**Roy (2012)** the study concluded the banks have set up their branches in the remote corner of the country rules and regulations have been simplified. The study also say the banking industry has shown tremendous growth in volume during the last few decades.

**Nwankwo, Odi, Feib and Nwankwo and Ogonna N.O. (2014)** in their study titled, “sustainability of financial Inclusion to Rural Dwellers in Nigeria: problems and way forward”, this study critically examines the sustainability of Financial inclusion to rural dwellers in Nigeria using descriptive study and content analysis. it observed that the sustainability to dwellers in Nigeria remains in the mainstream for economic growth in any country. The implementation of this study is that economy cannot grow fast without proper implementation of financial inclusion in rural areas. The study recommended that the promotion collaboration between Deposit Money Banks (DMBs), Microfinance Banks and communication service providers for enhanced intermediation of financial services.

**Dr.Gomathy Thyagarajan, Prof. Jyoti Nair (2016)** analysis that banking into unbanked and rural areas. He is of the opinion that in spite of the massive branch expansion activity carried out by the banks. The challenges of the banking sector have inclusive growth in the country.

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### Research Gap

The above review of literature proves beneficial in indentifying research issues and research gaps, which mainly focuses on the role of SHGs in Financial inclusion, the role of Micro Financial institution so in financial inclusion. Very few studies have cited the role of banks for financial inclusion. In this regard this study is an attempt to fill the gap by explaining the role of banks in financial inclusion.

### Research Methodology

### Research Problem

Financial inclusion is the biggest problem in front of the financial system today in rural and infrastructural bottlenecks are worsening it even further with each passing day. Given the fact that most of the banking parameters show dismal condition of Bhavnagar District, it is important to examine the nature of financial inclusion in the Bhavnagar District.

Hence the researcher intents to conduct a study of the extent to which the people having different demographic profile residing in a rural area are conversant with banking and the study is titled as “ A STUDY ON THE ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO BHAVNAGAR DISTRICT”.

### Objectives of the study

1. To study the role, responsibility, and opinion of bankers in introducing the concept of financial inclusion and its implications.
2. To evaluate the role of public and private sector banks in ensuring financial product among the members.
3. To study the challenge faced by bankers in offering banking services to the customers residing in rural areas.
4. To analysis financial literacy and awareness among account holders.
5. To suggest policy implication regarding financial inclusion.

### Hypothesis

1. H0: There is no significant difference in the role of public sector banks and private sector banks to ensure financial product.  
  
H1: There is significant difference in the role of public sector banks and private sector banks to ensure financial product.
2. H0: There is no significant difference between type of banks and type of respondents.  
H1: There is significant difference between type of banks and type of respondents.

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### Research plan :

Population :

Total Public sector Banks in Bhavnagar – 12

Total private sector Banks in Bhavnagar – 22

Saurashtra Gramin Bank - 1

Sample size:

Public sector banks	Private sector banks	RRB
State Bank Of India-95	HDFC bank Ltd.-13	Saurashtra Gramin Bank-22
Bank of Baroda-30	ICICI -8	
Bank of India -17	Axis -18	
Punjab National Bank-2	Indusind Bank-1	
Indian Overseas Bank-2	Kotak Mahindra Bank-3	
Total branches – 146	Total branches - 43	Total branches – 211

### Scope of the study

Financial inclusion has become a concern in India as majority of the population live in rural areas and are dependent on agriculture and other related activities. The present study aims at analyzing the role of banks in financial inclusion with special reference to Bhavnagar District.

Types of public sector banks and its branches in Bhavnagar district

Types of private sector banks and its branches in Bhavnagar district

Saurashtra Gramin Banks in Bhavnagar

Growth of branches in rural area

Growth of deposits and growth of advances

View of New Initiatives schemes

This study is to provide a better understanding of financial inclusion and identify the contribution made by the programmed in the overall wellbeing of the beneficiaries.

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### **Data Collection:**

The present study has been made of primary as well as secondary data. It includes the choice of study area, the sampling techniques and tools of analysis.

### **Data analysis:**

The data analysis involves several methods like mean, T-test, Correlation and Kruskal Wallis test.

### **Study area:**

Bhavnagar district is one of the most important cities in Gujarat. It is purposive selected as the study area by the researcher, as the expansion of bank facilities to develop rural poor in good stud.

### **Sampling method**

Stage I – There is 211 bank branches includes both public, private and Saurashtra Gramin Bank. This selection is based on proportionate sampling method. A total of 30 bank branches would be selected as sample.

Stage II – The respondents from rural area people are selected on simple random sampling method. Sample would be selected for the study which comes to 300 members.

### **Limitation of the study**

The limitations are part and parcel of any study and this is not an exception to it. The study has following limitations:

1. This study would be suffers lack of knowledge on the part of beneficiaries about financial inclusion and its implications.
2. Lack of knowledge about financial inclusion on the part of the bank personnel may be another limitation associated with the study.
3. There may be problem for visit to convince the bank managers on the importance of the study and to collect their feedback.

### **Conclusion**

One of the most important area of economic reforms lies in the financial system. There are so many challenges to achieve a higher rate of financial inclusion. In India bank play vital role due to nationalization that shifts from class banking to mass banking. The rationale for creating RRB is also take the banking services to poor. This banking profile give



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information regarding profile of Bhavnagar District. Bank and bankers play vital role for increasing high financial inclusion.

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