

# BANKING EXPANSION AND FINANCIAL INCLUSION IN INDIA

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**Abstract:** The main objective of this paper is to access the intensity of financial inclusion in different provinces of India. In this context, all India has been classified into six provinces such as, northern states, north eastern areas, eastern areas, central area which include Madhya Pradesh, western states, and southern province. The base of the study was secondary data related to the numerous variables which shows the level of financial inclusion. All the data has been extracted from the official website RBI which is called banker's bank. Mainly two major parameters have been considered in the study for evaluation of the intensity of the financial inclusion. These parameters or variables are namely; Access of financial services and the level of Usage of financial services. Here, the access has been evaluated in terms of, number of bank offices and the employees of the banks, while the usage has been evaluated in terms of, number of credit accounts or loan accounts and deposit accounts in the banks. **Keywords:** Financial Inclusion, Commercial Banks, India, Regional, Bank offices, Credit accounts, Deposit accounts, and Employees.

**Introduction:** Financial inclusion is a key process which leads to inclusive growth of the economy through growth of financial sector in the country. It equips the population with financial services and financial instruments and increases the level of financial literacy in the economy. The major aspect of the financial process is that unbanked areas can get the financial services at very reasonable rates and can start accessing all the benefits of banking or financial services at their door step.

**Review of Literature:** Shahul <sup>1</sup> (2014) studies the issues or problems which are being faced by policy makers in measurement of the financial inclusion. Research highlighted that even though the profitability of the banking sector has increased but still it cannot be taken as a measure for the financial inclusion. Banking services no doubts increasing in variety but the complexity and security concerns are also there. Even after huge efforts of the government and mandatory norms, banks are not taking interest in the penetration of the underdeveloped areas due to the less growth rate and less amount of business from these areas. Financial exclusion has emerged as a fundamental problem for all the nations in the world. Poor and underprivileged groups should be included in the planning process of the government for the growth of economy. Financial inclusion can help in lifting the poor people of the society and raising standards of living too. Garg<sup>2</sup> (2014) studied that how rural areas of the community can be developed with the help of financial inclusion. It was

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stated that banking finance enables the rural people in being self-employed, agriculture development, and in raising the income sources for the villagers.

**Objectives:**

1. To make a study on banking expansion and the financial inclusion In India.

**Research Methodology:**

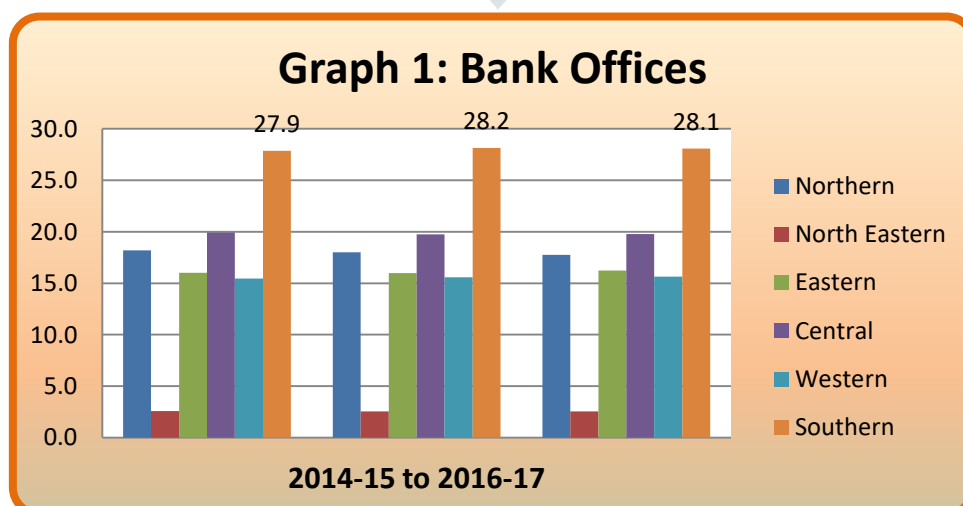
The secondary data has been collected from the period 2014-15 to 2016-17. The financial inclusion has been measured for the six different regions of India i.e. northern, north eastern, eastern, central, western, and southern region. The study is mainly devoted to the financial inclusion through scheduled commercial banks in India. Therefore the data of scheduled commercial banks has been taken for the analysis purpose. On the basis of review of literature two parameters have been used for the purpose of measuring the financial inclusions are the Access and Usage of Financial services by the people.

Table 1

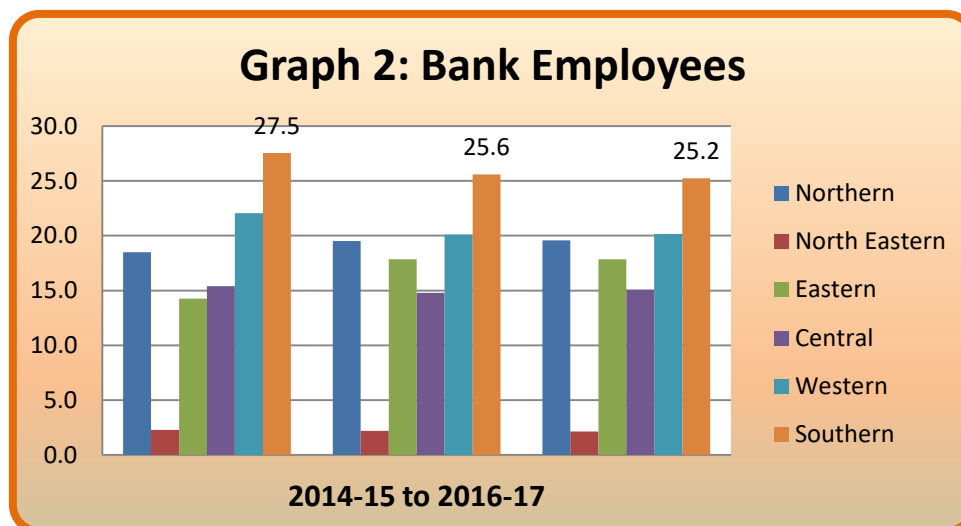
Parameters	Variables Used
Access of Financial services	Number of Bank Offices and Bank Employees
Usage of Financial Services	Number of Deposit Account and Credit Account

**Data Analysis:**

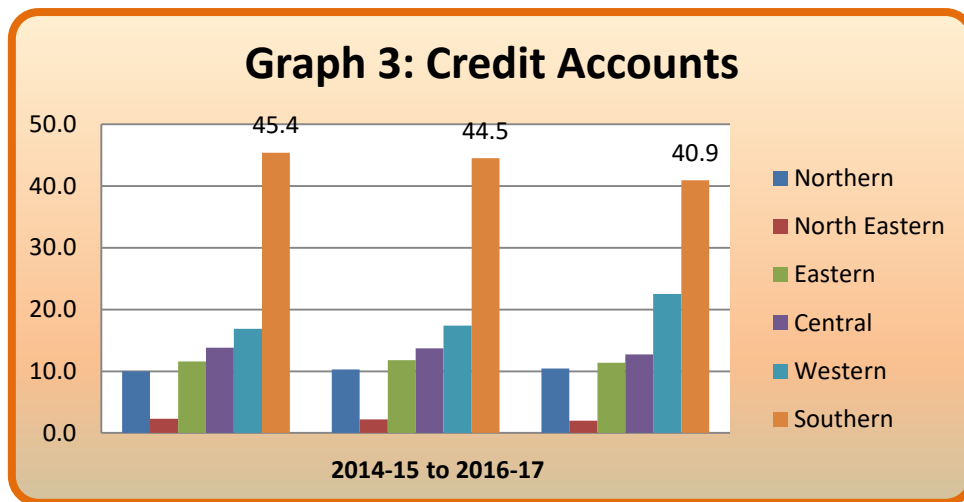
Graph 1 shows the number of bank offices of scheduled commercial banks in different regions of India from the year 2014-15 to 2016-17.



Interpretation: It can be interpreted from the graph 1 that southern region of India have highest number of bank offices followed by central region and northern region of India. North eastern region of India has lowest number of bank offices of scheduled commercial banks in India. Therefore it can be concluded that the north eastern region of India has lowest access to financial services in comparison to other regions of India.

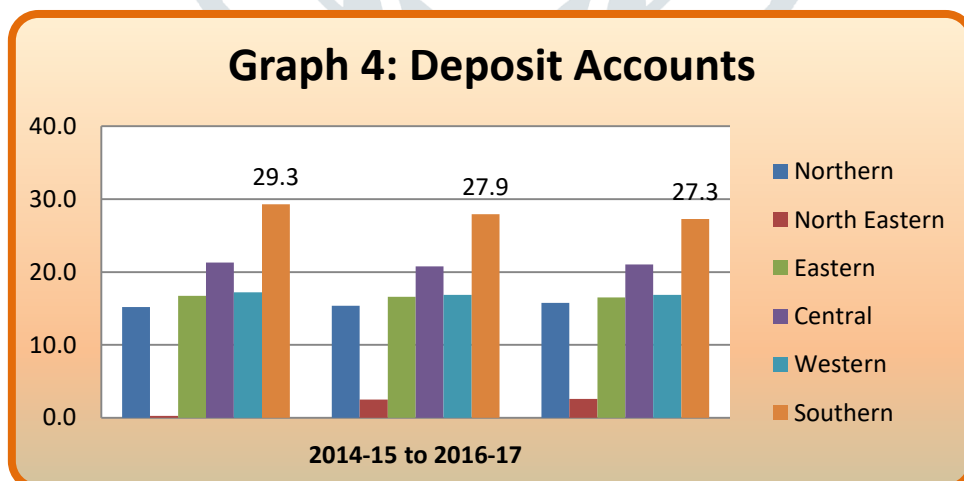


Interpretation: Graph 2 shows the total number of bank employees of scheduled commercial banks in India region wise. It can be interpreted from the graph 2 that southern region of India have highest number of bank employees followed by western region and northern region of India. North eastern region of India has lowest number of bank employees of scheduled commercial banks in India. Therefore it can be concluded that the north eastern region of India has lowest access to financial services due to lowest number of bank offices and lowest number of bank employees, in comparison to other regions of India. Year wise comparison of number of bank offices and bank employees of different regions shows a declining trend of banks offices and bank employees in north eastern region which shows that this region has already lowest access to financial services and year by year financial services accessibility in this region is declining in comparison to the other regions of India. Thus scheduled commercial banks need to focus on this region for the success of financial inclusion program in India. An increasing trend in bank offices and bank employees has been recorded for the eastern region, which is a signal of increasing accessibility of financial services to this region.



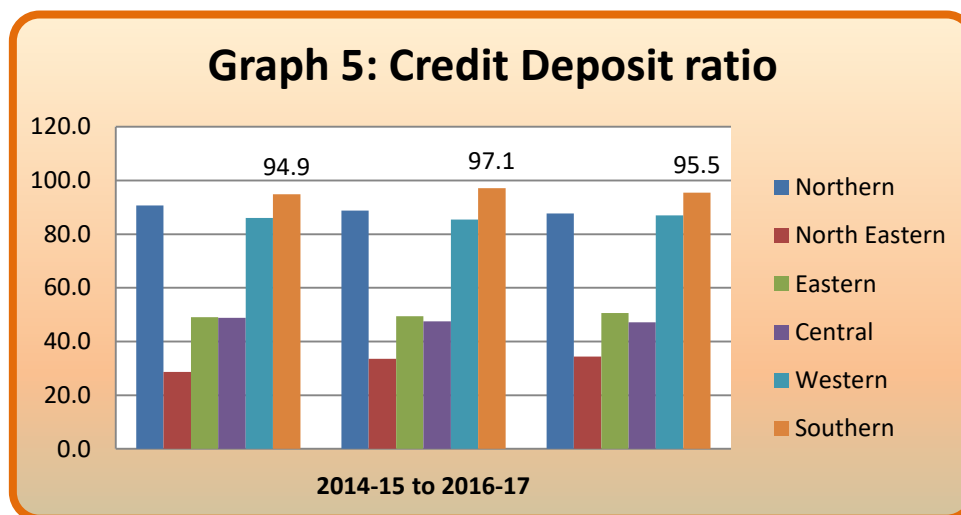
Interpretation: Graph 3 shows the total number of credit accounts of bank customers with scheduled commercial banks in India region wise. It can be interpreted from the graph 3 that southern region of India have highest number of credit accounts followed by western region and central region of India. North eastern region of India has lowest number of credit accounts of scheduled commercial banks in India. Therefore it can be concluded that the north eastern region of India has lowest usage of financial services by the people in comparison to other regions of India. Year wise comparison of number of credit accounts of different regions shows a declining trend of credit accounts in southern region while an increasing trend of credit accounts in northern region and western region during last three years, which is a good signal of financial inclusion in these two regions.

Graph 4 shows the number of deposit accounts consists current deposit, saving deposit and term deposit account with scheduled commercial banks of India on the basis of different regions.



Interpretation: It can be interpreted from the graph 4 that southern region of India have highest number of deposit accounts followed by central region and western region of India. North eastern region of India has lowest number of deposit accounts of scheduled commercial banks in India. Therefore it can be concluded that the north eastern region of India has lowest usage of financial services by the people in comparison to

other regions of India. A declining trend in deposit accounts can be seen from graph 4 in southern region, eastern region and western region. An increasing trend in deposit accounts in north eastern region shows that the usage of financial services in this region during last three years has increased which is good signal for the financial inclusion program.



Interpretation: Graph 5 shows the credit deposit ratio of scheduled commercial banks in India region wise. It can be interpreted from the graph 5 that scheduled commercial banks have highest credit deposit ratio in southern region of India have followed by northern region and western region of India. North eastern region of India has lowest number of credit deposit ratio for scheduled commercial banks in India. Year wise comparison of credit deposit ratio of scheduled commercial banks in different regions shows a increasing trend in eastern and north eastern region during last three years, which is a good signal of financial inclusion in these two regions. Credit deposit ratio shows the usage of public deposits for the purpose of lending by the banks which is the main activity of the banks. Higher credit deposit ratio in the particular region shows the increased usage of financial services by the banks through loans.

**Conclusion:** It can be concluded from the study that north eastern region of the country have lowest access of financial services accordingly lowest usage of financial services too in this region of country therefore it can be said that in the north eastern region the rate of financial inclusion is lowest than other regions of the country.

#### References:

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2. Bhoomika Garg "Financial Inclusion and Rural Development", Journal of Commerce, Vol. 2, No.1, February 2014, pp.1-6.