

## “ROLES OF INDIAN COMMERCIAL BANKS FOR FINANCIAL INCLUSION”

Dr. Jaideep Sharma<sup>1</sup>, Harsh Tyagi<sup>2</sup>

<sup>1</sup>Guide, Galgotias university India.

<sup>2</sup>Student, Galgotias university India.

### ABSTRACT

The study investigates the roles of Indian commercial banks in fostering financial inclusion, recognizing the persistent challenge of financial exclusion among marginalized populations. Employing a mixed-methods approach, data is gathered from both primary and secondary sources, focusing on the NFL Society of Uttar Pradesh State. The research aims to understand the effectiveness of bank initiatives, regulatory frameworks, and collaborative efforts in promoting financial inclusion. Hypotheses are formulated to test the impact of various factors on inclusion outcomes. The study's significance lies in informing policy, improving banking practices, fostering collaboration, and empowering communities to advocate for equitable access to banking services.

### 1. INTRODUCTION

The passage explores the significance of banks in modern society, particularly in India, by delving into their functions, historical context, and impact on economic development. It begins by describing the familiar sight of bank branches in urban areas and transitions into the fundamental role banks play in providing secure avenues for individuals and businesses to save and borrow money. Banks are depicted as essential pillars of economic activity, facilitating savings, investments, and transactions while fostering growth across various sectors. The narrative emphasizes the symbiotic relationship between banking and economic progress, highlighting the pivotal role banks play in supporting development initiatives and ensuring financial stability.

### 2. LITERATURE REVIEW

The passage outlines various initiatives and studies related to financial inclusion and the challenges faced in India's banking sector:

1.RBI's 2005 Initiative: Inspired by Brazil, aimed at extending banking services to rural areas via the business facilitators/business correspondent model. Identified factors hindering rural banking expansion and proposed models to enhance credit delivery to rural sectors.

2.Government of India's (GOI) 2008 Examination: Focused on providing affordable financial services to disadvantaged groups. Emphasized access to mainstream financial products, employment generation, and the establishment of a National Mission on Financial Inclusion (NMFII) and financial inclusion funds.

3. Klamath's 2008 Study: Analyzed the impact of Micro-Finance Institution (MFI) loans on household cash flows, highlighting issues such as loan repayment, consumption-based usage of loans, and difficulties in repayment leading to indebtedness.

4.Development Research Project of 2013: Investigated financial requirements of impoverished households, analyzing cash flow patterns, saving habits, and reliance on formal and informal financial entities for savings and credit.

### FINANCIAL EXCLUSION

Financial exclusion refers to the inability of certain individuals or segments of the population to access basic financial services. Initially observed in Europe in the 1990s, it has since expanded to include individuals denied financial services, not just specific geographical areas. This exclusion poses a significant barrier to economic growth, as it prevents governments from reaching all citizens and undermines trust in the economy. Globally, over 3 billion people are affected by financial exclusion, with India ranking second in the number of financially excluded households. Factors contributing to this issue include lack of financial awareness and literacy, hindering efforts to integrate excluded individuals into the formal financial sector.

### NECESSARY OF FINANCIAL INCLUSION

Financial literacy is essential for Indian commercial banks to achieve financial inclusion. It empowers individuals by equipping them with the knowledge and skills needed to understand financial products and make informed decisions. This understanding builds trust and confidence, reduces risks such as debt and fraud, and enhances access to banking services. Ultimately, improved financial literacy supports economic development by promoting savings, investment, and entrepreneurship.

## OBJECTIVE OF THE STUDY

The primary aim of this research is to assess the extent of financial inclusion and awareness within the community. With this goal in mind, the study has established the following specific objectives:

Evaluate the current state of financial inclusion and analyze the contribution of various banks towards promoting financial inclusion.

Assess the level of awareness among individuals regarding different financial products and services.

## 3. RESEARCH METHODOLOGY

The data necessary for this study are gathered from both primary and secondary sources. Secondary data are obtained from published books, periodicals, journals, etc. These sources also contribute to the formulation of the questionnaire required for collecting primary data. Primary data are acquired through a questionnaire administered to a sample of 40 respondents from various occupational backgrounds residing in the NFL Society of Uttar Pradesh State.

### RESEARCH OBJECTIVES

- ❖ To comprehend the underlying concept behind sustainable financial planning.
- ❖ To assess its necessity by looking at people's levels of the financial literacy
- ❖ Based on the research methodology described for studying the roles of Indian commercial banks in financial inclusion, the types of research that could be employed include:

### NEED & SCOPE OF THE STUDY

- Addressing Financial Exclusion
- Enhancing Policy Effectiveness
- Improving Banking Practices
- Fostering Collaboration
- Empowering Communities

### HYPOTHESIS

The research focuses on understanding the roles of Indian commercial banks in promoting financial inclusion. It employs a mixed-methods approach, utilizing both primary and secondary data sources. Secondary data from published sources inform the development of a questionnaire for collecting primary data from 40 respondents representing various occupational backgrounds in the NFL Society of Uttar Pradesh State.

The study aims to explore the current state of financial inclusion, the effectiveness of commercial banks' initiatives, and the factors influencing their roles. Hypotheses are formulated to test the impact of bank strategies, technology adoption, collaborative efforts, customer perceptions, and regulatory frameworks on financial inclusion outcomes. Overall, the research seeks to provide insights into how Indian commercial banks can enhance their contributions to financial inclusion efforts.

### RESEARCH METHODOLOGY

- ❖ **Descriptive Research:** This type of research aims to describe the current state or characteristics of a phenomenon, such as the roles and practices of Indian commercial banks in financial inclusion. Descriptive research provides insights into what exists and may involve gathering data through surveys, interviews, or observation.
- ❖ **Exploratory Research:** Exploratory research is conducted to explore new ideas, concepts, or areas of inquiry where little is known. In this context, exploratory research could be used to investigate emerging trends, challenges, or opportunities related to financial inclusion and the potential roles of Indian commercial banks.
- ❖ **Explanatory Research:** Explanatory research seeks to identify causal relationships or explanations for observed phenomena. In the study of Indian commercial banks' roles in financial inclusion, explanatory research could examine the factors influencing banks' practices, the impact of regulatory policies, or the effectiveness of specific strategies in promoting financial inclusion.
- ❖ **Qualitative Research:** Qualitative research focuses on understanding the meanings, perspectives, and experiences of individuals or groups. Qualitative methods such as interviews, focus groups, or content analysis could be used to explore stakeholders' perceptions, attitudes, and behaviors related to financial inclusion and the roles of commercial banks.
- ❖ **Quantitative Research:** Quantitative research involves collecting and analyzing numerical data to test hypotheses or identify patterns and relationships. Surveys, statistical analysis, and quantitative modeling could be used to quantify the extent of financial inclusion, measure the impact of bank interventions, or assess customer preferences and satisfaction with banking services.

- ❖ **Mixed-Methods Research:** Mixed-methods research combines both qualitative and quantitative approaches to gain a comprehensive understanding of a research problem. In studying Indian commercial banks' roles in financial inclusion, a mixed-methods approach could involve collecting both qualitative data on stakeholders' perspectives and quantitative data on financial inclusion indicators and bank performance.

**Data Collection:**

- **Secondary Data:** Gather secondary data from sources such as published reports, articles, financial statements, and regulatory documents to understand the historical context, regulatory environment, and performance of Indian commercial banks in financial inclusion.
- **Primary Data:** Collect primary data through methods such as surveys, interviews, or focus groups to gather insights from stakeholders, including bank officials, policymakers, and customers. Develop a structured questionnaire or interview guide to explore various aspects of financial inclusion and the roles of commercial banks.

#### 4. ANALYSIS & INTERPRETATION OF DATA

The data from the questionnaire survey reveals insights into the financial behavior and awareness of the respondents. Most families had four members, predominantly relying on a single earner and exhibiting monthly expenditures primarily within the range of Rs. 20,000 to Rs. 40,000. While nearly half of the respondents already possessed bank accounts, a significant majority expressed interest in acquiring one, motivated by various factors such as interest, medical, educational, and social expenses, as well as future investment. However, awareness levels regarding social security programs and micro insurance were relatively low. Respondents emphasized the importance of customer care centers in every bank and supported initiatives like compulsory no-frill account offerings and the establishment of credit counseling centers to enhance financial inclusion.

They perceived awareness about financial products and services as the most effective means for financial empowerment, followed by understanding the significance of regular saving. This data underscores the need for targeted efforts to improve financial literacy and accessibility to banking services among the surveyed population.

#### 5. FINDINGS

The project examines commercial banks' initiatives to promote financial inclusion, utilizing both secondary and primary data sources. Primary data, collected through questionnaire surveys in Noida, aimed to gauge awareness levels regarding financial products and interest in inclusion programs. Findings indicate:

Commercial banks play a significant role in promoting financial inclusion through branch expansion, investment schemes, financial education centers, and ATM availability, attracting previously unbanked populations.

Lack of knowledge and low income hinder bank account access for many surveyed individuals, while others cite high account opening charges and inadequate customer care.

Awareness of banking products and services, such as educational loans and investment options, is generally low among respondents.

Government initiatives like social security and micro-insurance are also poorly understood.

Respondents believe regular savings habits are key to financial empowerment.

#### 6. RECOMMENDATION

The data suggests that addressing financial exclusion requires a multifaceted approach by banks, focusing on raising awareness about financial products, providing education on money management, and ensuring access to affordable credit. To achieve this:

**Strengthening Financial Literacy:** With 47% financial inclusion already in the area, efforts should be made to bring the remaining 53% into the mainstream through basic bank accounts and financial inclusion initiatives.

**Decentralized Banking System:** Banks should have more autonomy to tailor their services, ensuring viability, and flexibility, especially for small banking operations.

**Segment-Specific Products and Services:** Tailored strategies are needed to address the credit requirements of economically disadvantaged groups, with Business Correspondents being a viable option to reach those with limited time for traditional banking.

**Professional Approach:** Enhancing professionalism within banks and affiliated organizations is crucial to mitigate issues of negligence and lack of professionalism, requiring training and capacity-building efforts.

## 7. LIMITATION OF THE STUDY

The sample size is inadequate to represent either the broader population or the specific population of interest due to the limited number of people in the community. Ensuring an adequate sample size is crucial for obtaining valid research results, as it enhances the precision of findings. Challenges were encountered in securing suitable respondents, as individuals were preoccupied with their responsibilities. Additionally, data collection was hindered during the day, as people were busy with work, resulting in limited insight from respondents, primarily senior citizens who lacked relevant knowledge.

## 8. CONCLUSION

The text discusses the importance of financial inclusion, highlighting challenges faced by banks in providing services to all segments of society. It emphasizes the need for promoting financial literacy to foster inclusivity and active utilization of services. Despite barriers like limited knowledge and high fees, commercial banks play a crucial role through initiatives like financial literacy programs and simplified KYC norms. However, achieving complete financial inclusion requires addressing ongoing challenges and implementing measures to ensure affordability, accessibility, and tailored services for underserved communities.

## 9. REFERENCES

### Websites

- [1] www.rbi.com
- [2] www.thehindu.com
- [3] www.newyorktimes.com
- [4] www.economictimes.com
- [5] www.iob.in

### Books Referred

- [6] "The Next Billion Customers: A road map for expanding Financial Inclusion in India", Sinha J. And A. Subramanian – Boston Consulting Group, 2007
- [7] Report of C. Rangarajan Committee on Financial Inclusion, 2008
- [8] Press Release of PNB for the Year ended 31st March 2009
- [9] [Http://www.skoch.in/SDF/html/national\\_study\\_on\\_speeding\\_fin.html](http://www.skoch.in/SDF/html/national_study_on_speeding_fin.html)
- [10] Draft Report of the Committee on Financial Sector Reforms (CFSR), ch.3, Planning Commission, 2008
- [11] Anshul Agarwal, "Financial Inclusion: Challenges and Opportunities", 23rd Skoch Summit, 2010.
- [12] Bhaskarans, R. (2006) "financial Inclusion: What needs to be done?" Reading on Financial Inclusion, published by IIBF & Taxman, New Delhi.
- [13] B.B. Barik, "Financial inclusion and empowerment of Indian Rural Households".
- [14] Reserve Bank of India, "Report on financial Inclusion".
- [15] Chakraborty, K.C (2006) "Indian bank: A case study on financial Inclusion", Readings on financial Inclusion Published by IIBF & Taxman, New Delhi.