

An Empirical Analysis On Impact Of Financial Inclusion With Special Reference To Commercial Banks In Bengaluru

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ABSTRACT: Financial Inclusion is a factor which helps to access financial services in the area of financial availability and financial Opportunity. These include Banking, Loan and Advances, Equity, Deposits, Investments and Insurance. This research study attempts to test the impact of Financial Inclusion of Selected Commercial Banks in Bengaluru. The main objective of this research is to analyses the impact of financial inclusion of Commercial banks in Bengaluru District.

Key words: Financial Inclusion (FI), Financial Performance (FP) and Commercial Banks (CBs).

INTRODUCTION

Financial Inclusion is a factor which helps to access the financial services in the area of financial availability and financial Opportunity. It includes Banking, Loan and Advances, Equity, Deposits, Investments and Insurance. Commercial banks assume a significant job in the economy by playing out the fundamental elements of tolerating stores, loaning the cash and offering cash move services. This thus empowers the commercial banks to proficiently apportion financial asset or middle of the road assets from the surplus to the deficiency units (Ongore and Kusa, 2013). In developing business sector economies commercial banks remain the prevailing channel of financial intermediation. Diamond, D. and Dybvig, P. (2011) guessed that the essential pretended by the financial part is the arrangement of liquidity. This empowers more interests in beneficial resources and in this manner improves the proficiency of capital aggregation and monetary development. A bank is viewed as effective in the event that it can accomplish these goals and still have the option to get a sensible measure of benefit. For this to happen banks need to draw in savings and utilize the savings to make credit.

The selected banking companies are:

A. Public Sector Bank (PUBs)

1. State Bank of India (SBI)
2. Punjab National Bank (PNB)
3. Bank of India (BOI)
4. Central Bank of India (CBI)

B. Private Sector Banks (PSBs)

1. ICICI Bank Ltd. (ICICI)
2. HDFC Bank (HDFC)
3. Axis Bank Ltd. (AXIS)
4. South Indian Bank (SIB)

OBJECTIVES OF THE STUDY

- ✚ To establish the impact of financial inclusion (Total Deposits, Loans & Advances and Investments) on commercial banks in Bengaluru, Karnataka.
- ✚ To analyze the comparative mode of financial Inclusion and financial performance of the commercial banks in the selected public as well as private sector banks in the Bengaluru, Karnataka state during the period from 2015 to 2020.
- ✚ To suggest and improve the performances of selected public as well as private sector commercial banks in the Karnataka.

RESEARCH METHODOLOGY

Research Design

The study will employ an empirical analysis method. This is the method that is used to explain about the impact of financial inclusion on commercial banks in Bengaluru, Karnataka.

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Data Collection Strategy

Data has collected through Secondary methods. The Secondary data of the selected banking companies in the period of 2015 to 2020. The samples have been chosen from top Eight Public as well as private sector commercial banks in Karnataka. Public Sector Banks such as State Bank of India (SBI) , Central Bank of India (CBI) , Bank of India (BOI), Punjab National Bank (PNB) and Private Sector Banks as follows, ICICI Bank Ltd. (ICICI), HDFC Bank (HDFC), Axis Bank Ltd. (AXIS), and South Indian Bank (SIB) which have been collected from the secondary sources, i.e. Bengaluru, Karnataka. All the above banks were selected on the basis of quantum of total income and balance sheet size.

Analysis of Data

Statistical Package for the Social Sciences (SPSS) package is used to carry out the statistical analyses.

Sampling

The targeted populations are the eight Bengaluru Commercial BANKS in Karnataka.

Sample Size

The proposed sample size for the study will be 8 Bengaluru commercial Banks from Public and Private Sectors for the period from 2015 to 2020.

ANALYSIS AND INTERPRETATION

Table-1 Statement showing the Analysis of Mean Growth of Total Deposits, Loans & Advances and Investments of the selected PSBs in India individually and as a whole

Banks	Mean Growth of Deposits	Mean Growth of Loans and Advances	Mean Growth of Investments	Total
SBI	20.94	28.99	26.82	76.75
PNB	20.34	25.99	10.55	56.88
BOI	26.08	26.85	22.17	75.10
CBI	21.10	27.18	13.58	61.86
Mean score	22.12	27.25	18.28	67.65

[Source: Collected and compiled

Figure1: Annual Growth Rates of Total Deposits, Loans & Advances and Investments of all selected PSBs taken together

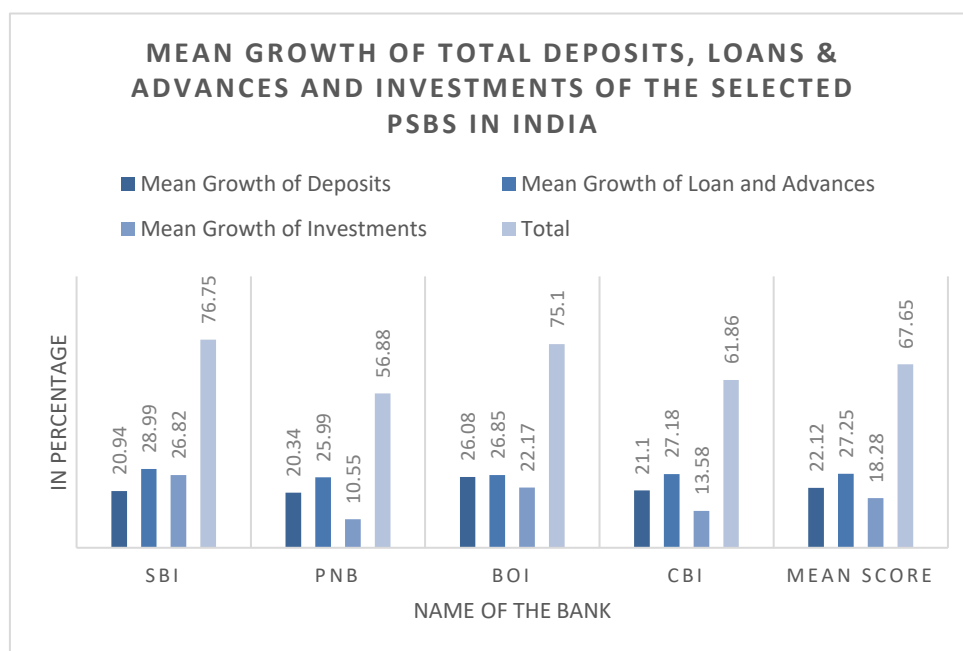


Table 2 showing Return on Advances (RA) of all selected PSBs in India for the period
 [Source: Collected and compiled from year wise RBI data base]

Table1.9.7 gives an outlook about the ranks and ultimate ranks of the selected PSBs in India based

Years PSBs	2015	2016	2017	2018	2019	2020	Mean	SD	CV%
SBI	7.03	8.19	9.24	9.64	8.52	8.54	8.53	1.345	7.185
PNB	7.03	8.39	9.14	9.61	8.63	9.65	8.74	2.455	6.285
BOI	7.18	8.41	9.54	9.68	8.51	8.14	8.58	1.003	7.577
CBI	8.10	8.50	8.39	9.72	9.16	9.17	8.84	2.012	6.828
Mean Scores	7.34	8.37	9.08	9.66	8.71	8.88	8.67	0.981	7.689

on RA. From Table 4.47.1, it is observed that the highest rank (based on mean performance of interest earnings) goes to OBC and the rank based on CV, highest rank goes to UCO Bank. The ultimate rank has been computed based on mean rank of rank based on mean and on CV and ranking methodology have been applied in ultimate ranking by putting highest rank on the value of least mean rank and on that ideology highest rank goes to SB and least rank is occupied jointly by PNB and BOI.

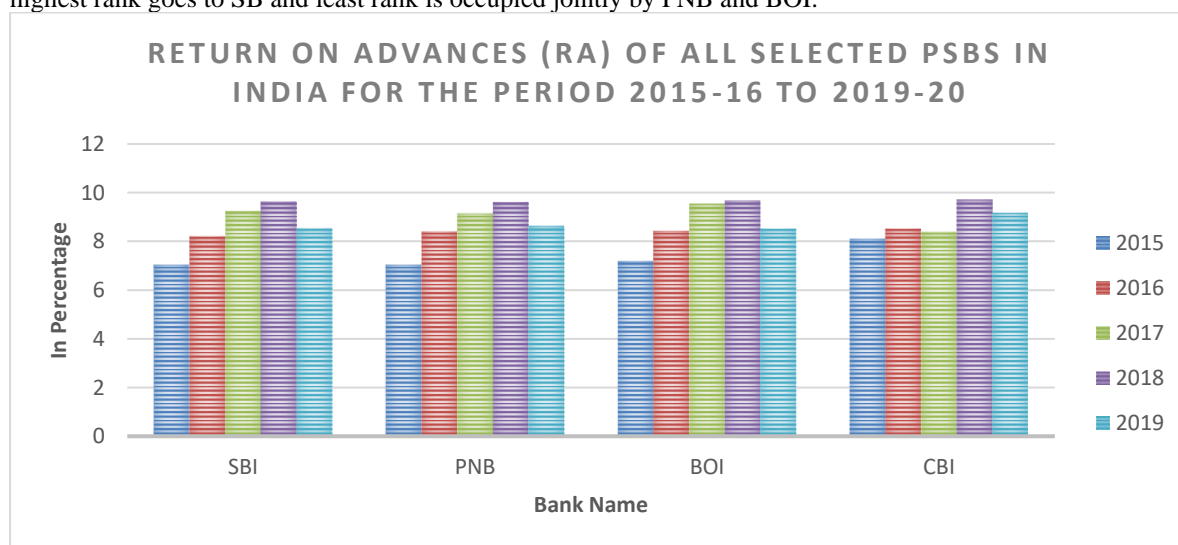


Figure- 2: Return on Advances (RA) of all selected PSBs in India for the period 2015-16 to 2019-20

Table-3: Statement showing the Analysis of Mean Growth of Total Deposits, Loans & Advances and Investments of the selected Pvt.SBs in India individually and as a whole

Banks	Mean Growth of Deposits	Mean Growth of Loans and Advances	Mean Growth of Investments	Total
ICICI	10.07	11.17	13.45	34.69
HDFC	26.09	32.87	19.37	78.33

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AXIS	34.21	44.26	26.18	104.65
K.Bnk	15.23	16.30	15.48	47.01
SIB	22.79	25.34	23.63	71.76
Mean Score	21.68	25.99	19.62	67.29

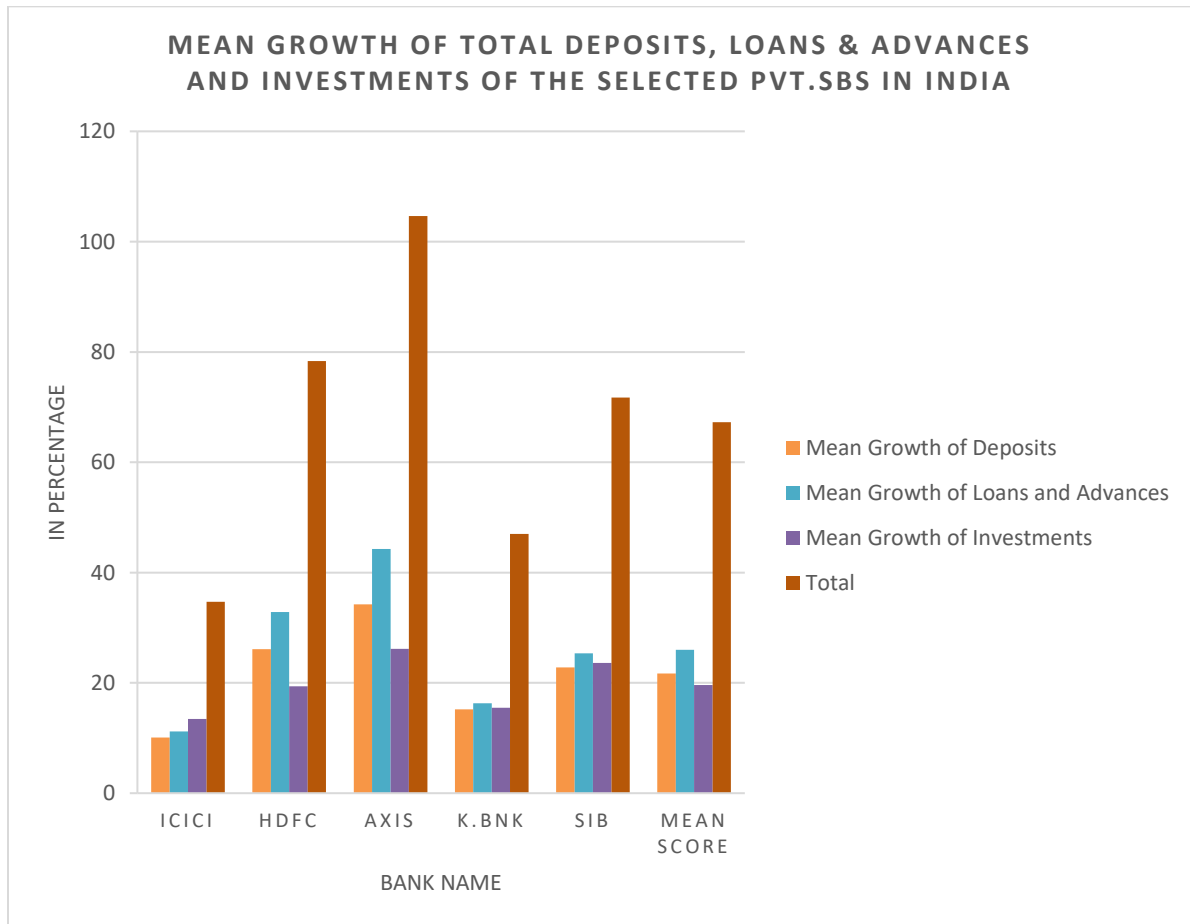


Figure-3: Statement showing the Analysis of Mean Growth of Total Deposits, Loans & Advances and Investments of the selected Pvt.SBs in India individually and as a whole

Table 4 : Statement showing Rank, Mean Rank and Ultimate Rank of Return on Advances (RA) of Selected Pvt.SBs in India

Pvt.SBs	Mean	Rank based on Mean	CV%	Rank based on CV%	Mean Rank	Ultimate Rank
ICICI	9.85	2	10.85	2	2	2
HDFC	11.43	5	12.42	3	4	4

AXIS	8.73	1	10.74	1	1	1
K.Bnk	10.44	3	12.43	4	3.5	3
SIB	10.61	4	11.38	5	4.5	5

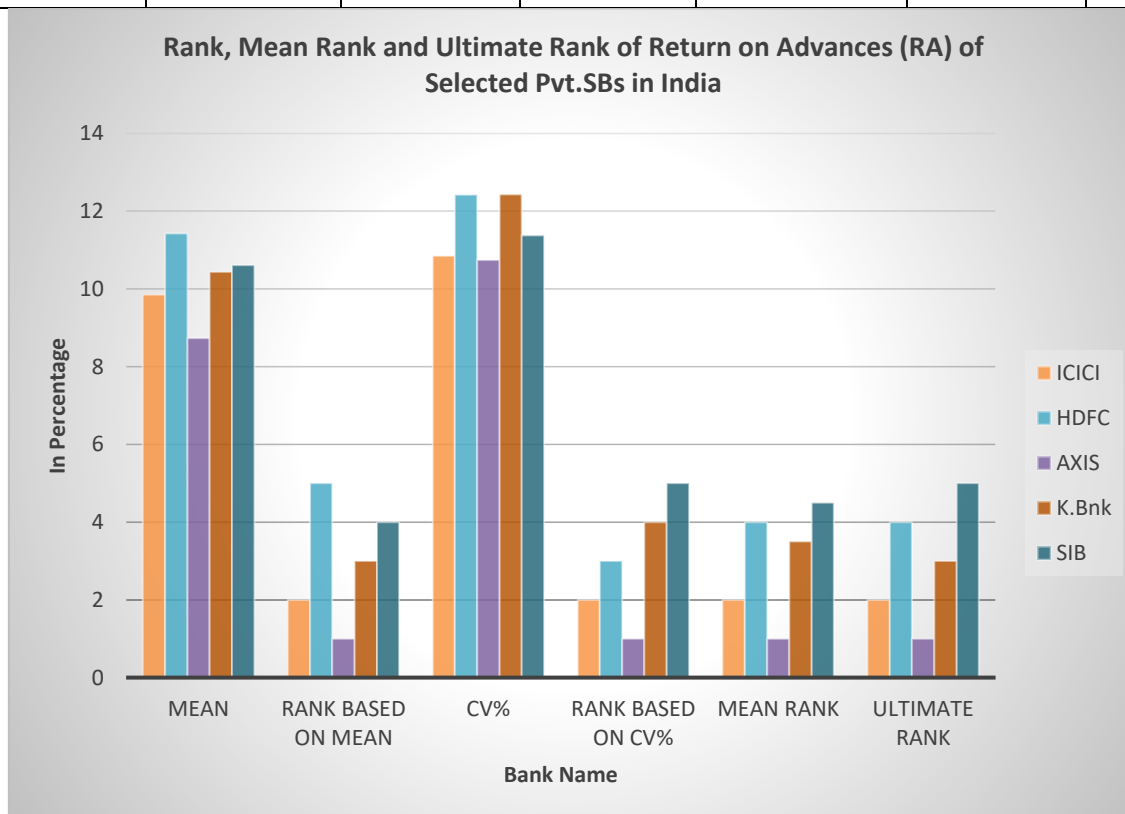


Figure – 4: Statement showing Rank, Mean Rank and Ultimate Rank of Return on Advances (RA) of Selected Pvt.SBs in India

SUGGESTIONS OF THE STUDY

For Beneficiaries

1. All commercial banks should provide all types of FI services to their b effectively.
2. The private sector banks should come forward to offer more FI services like public sector banks.

For Bankers

1. For the inclusive growth and upliftment of the population, in the study area the banks should take measures for FL of the rural people along with the FI.
2. Banks should use local community based organizations and post offices for availing the information about the customers in order to reduce the credit risk and transaction cost.

LIMITATIONS OF THE STUDY

- ✓ The study has certain limitations. They are as follows,
- ✓ The study restricted to 8 commercial banks financial reports.
- ✓ The result of current study is applicable only to the Bengaluru, Karnataka state commercial banks.
- ✓ The study consists of selected eight public as well as private sector commercial banks.
- ✓ The aimed study is limited to only the five years period (i.e. 2015-2020).

CONCLUSION OF THE STUDY

Now a days, Financial Inclusion plays a major in the Banking Sectors. The Financial Stability and Development Council (FSDC) headed by the Finance Minister is mandated to focus on FL and FL. All financial sector regulators including the RBI are committed to the mission and directing the banking sector and

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other financial sector entities. Indian Government taking initiatives on the financial, economic, political or social and inclusive growth with stability, it is not possible to attain these goals without achieving FI. FI promotes thrift and develops the culture of saving, improves access to credit both entrepreneurial and personal emergency and also enables efficient payment mechanism, thus strengthening the resource base of the financial institution. In this Method, data has used RBI annual reports and respective eight commercial banks (4 Public Sector Banks and 4 Private Sector Banks) in view to Total Deposits, Loans & Advances and Investments of for Financial Performance analysis from 2015 to 2020. This empirical evidence shows that this study has found that Financial Inclusion factors like Total Deposits, Loans & Advances and Investments has a positive and significant influence on Eight Commercial banks. And also, Financial Inclusion factors like Total Deposits, Loans & Advances and Investments have a significant impact on financial performance and need to control credit risk.

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