



An Inter-State Analysis of Commercial Banking Development in Rural India

Ruchi Sharma^{1*}

^{1*} Assistant Professor, PG Dept. of Economics, Goswami Ganesh Dutta Sanatan Dharma College, Chandigarh.

E-mail ruchi.sharma@ggdsd.ac.in

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ARTICLE INFO ABSTRACT

Commercial banks may significantly contribute to the equitable development of the economy by reallocating excess capital from more developed regions to less developed areas. Despite the significant advancements achieved by commercial banks since independence, substantial inter-regional discrepancies persist in the growth of commercial banks in India. The analysis of branch growth, deposit mobilisation, and credit deployment has been used to examine interstate differences from 1981 to 2018. The composite index has been developed using Principal Component Analysis based on specified indicators. The states and Union territories have been rated according to composite indexes. A significant number of Indian states and union territories fall inside the low-banked category. Ensuring enhanced access to financial goods and services is essential for achieving equitable economic development. Adequate financial input, with other policy initiatives, is necessary to mitigate regional inequities.

Key words: Commercial Banking Advancement, Inter-State Disparities, Branch Expansion, Deposit Mobilisation, Credit Allocation.

Introduction

The rural sector in India plays a significant role in contributing to GDP and providing jobs in India. In 2021, the rural sector made a substantial contribution to India's economy, with the agricultural and related sector representing 18.8% of the nation's Gross Value Added. The agricultural industry had significant growth with 3.9% increase in 2021-22 rural regions accounted for 48.7% of non-agricultural employment in the nation.

Rural regions are crucial for food security, economic development, and environmental sustainability; nonetheless, they encounter several obstacles. Rural areas often endure poverty levels exceeding those of urban or sub urban districts, attributed to limited access to economic opportunities and insufficient investment in essential infrastructure. The primary constraint in the development of the rural poor is the access to finance for investment and consumption.

The financial system must be inclusive to guarantee access to financial services at a reasonable cost, especially for marginalized groups, low income individuals, small enterprises, farmers, craftsmen, and other key sectors, as well as those living in rural and semi-urban regions.

The inclusion of disadvantaged populations in the economics mainstream may enhance family incomes and have a multiplier impact on the demand for products and services across the economy. Access to finance empowers people, gives them the opportunity to have an account, to save and invest, to insure their homes or to take a loan and –in many cases– to break the chains to poverty (**Peachy, S., Roe, A.**)

Role of Commercial Banks in Development of Rural Sector

The banking system is one of the few institutions that influences the economy and impacts its performance positively or negatively. They function as a development agency and serve as a source of hope and ambition for the population (**Sooden, Minakshi, 1992**). Since independence, the banking sector has played a crucial role in development of the economy by ensuring access to finance in the economy. The government has set up many institutions, starting with cooperative credit organisations in the 1950s, followed by social control in 1968, and the nationalisation of banks in two phases: first in 1969 and again in 1980.

The creation of Regional Rural Banks in 1975 was a significant advancement in that regard. The nationalisation unequivocally initiated a new era in India's financial history by converting 'class banking' into 'mass banking'. This shift resulted in the expansion of banking into previously neglected regions of the nation. Banks operated under a heavily regulated framework, marked by a controlled interest rate system and quantitative limitations on loan distribution. This resulted in reduced profitability within the banking industry, as well as a decrease in production and efficiency.

These changes required a reform program for the financial system. The reform phase resulted in a decrease in branch growth, deposit mobilisation, and credit deployment in rural regions and focus of banks shifted from social banking to profitable banking. Financial exclusion in rural areas where majority of poor reside, results in elevated borrowing costs for consumers and small firms.

A systematic approach to financial inclusion was initiated in 2005. Financial depth is inversely related to headcount poverty (Honohan, P. 2004). Rangarajan (2008) "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." Due to the Financial Inclusion initiatives of the RBI, the number of Banking Outlets in villages with populations under 2000 rose around 16-fold from 2010 to 2018. The total issuance of KCCs almost increased from 24 million in 2010 to 46 million in 2018. The total number of GCCs granted rose significantly from 1 million in 2010 to 12 million in 2018. Despite several initiatives aimed at enhancing financial inclusion in the nation, much more efforts are required to guarantee sufficient access to and utilization of these financial services by diverse groups of the underserved and unserved populations specially in rural India.

The present study will study the commercial banking development in rural areas of India from 1981 to 2018 and will focus on how the policy changes in different phases i.e. nationalization, banking reforms and financial inclusion measures have influenced the rural banking development.

Review of Literature

Bhole (1983) The research indicated that the growth rate of bank branches was favourable in rural regions, but it has proportionately declined in semi-urban areas. Regarding the mitigation of regional difference, the clientele of a bank office decreased; yet, the clientele remained above the national average in many states. **Sreekantaradhy and Marulasiddappa (1986)** The research examined the link between rural branch growth, deposit mobilisation, and credit deployment, revealing a significant relationship among these factors. The research indicated that not only rural deposits were mostly used in rural regions, but also deposits gathered in metropolitan centres have been redirected to rural areas. **Chavan Pallavi (2005)** in her paper "How Inclusive are the Banks under Financial Liberalisation" said that social banks failed to establish an equitable financial system. **Chattopadhyay, Sadhan Kumar (2011)** The research aimed to evaluate the level of financial inclusion in the nation overall and specifically in West Bengal. The analysis indicated that, the disparity in outreach between rural and urban communities persisted even post-reform. Although substantial progress has occurred in credit and loan accounts among urban consumers, the circumstances have deteriorated for rural households. **Sanjaya Kumar Lenka and Rajesh Barik (2018)** evaluated the accessibility, mobility, and utility of financial products and services in India from 1991 to 2014, in both rural and urban regions. The research indicated that, despite a notable rise in financial inclusion in India after 1991, financial accessibility for rural populations did not considerably improve in comparison to urban residents. **Takeshi Inoue (2018)** aimed to investigate the impact of financial growth on poverty in India using imbalanced panel data from Indian states and union territories from 1973 to 2004. The generalised method of moments estimation technique was used. The findings indicated that financial deepening exhibited statistically significant negative correlations with the poverty ratio for public sector banks, but not for private sector banks.

Research Gap

The studies so far have concentrated on examining the commercial banking development and disparities at state level or inter-state disparities for certain period. The present study is going to be a pioneer study in identifying the inter-state disparities of commercial banking development in rural areas of the country. Moreover this is a comprehensive study covering a period of 38 years. It will give a deeper understanding of how the transformation of banking system has influenced in rural banking development.

Period of Study

The period under examination was divided into four phases.

- The first phase included the years 1981 to 1990. The strategies for branch growth, deposit mobilisation, and loan deployment were aimed at attaining the goal of equitable regional development.
- The second phase included the years 1991 to 2000. This period witnessed the banking reforms which brought structural changes in the financial sector, technical advancement, and human resource development.

- c. The third phase was the post-reform era of 2001 to 2010. The decade from 2001 to 2010 experienced the whole effects of the changes implemented in the preceding decade.
- d. The fourth phase taken was 2011-2018. The period witnessed a change in banking strategies focusing on profitability rather than regional development.

Scope of study

Scheduled commercial banks were selected for study which included Nationalized banks, SBI and its associates, private banks, Regional Rural Banks and foreign Banks.

Progress of Commercial banks at a Glance

Table 1 shows the progress of commercial banks since 1981.

Table 1 Rural Commercial Banking Growth in India												
	1981	1990	CA GR	1991	2000	CA GR	2001	2010	CA GR	2011	2018	CA GR
Number of branches	18887	34184	6.10 %	35134	32673	- 0.70 %	32640	32320	- 0.10 %	33367	47878	4.60 %
Population served per branch	27914	15504	- 1.65 %	15202	19246	2.39 %	19671	18435	- 0.65 %	20212	14252	- 4.21 %
Deposit mobilization(in rupees lakhs)	583446	2623364	16.20 %	3100980	12053919	14.50 %	13943136	42033772	11.70 %	4935883	12097864	11.90 %
Deposit per branch(in rupees lakhs)	33.16	106.8	12.40 %	126.18	520.65	15.20 %	589	1824	11.70 %	1980	2988	9.08 %
Deposit per capita (in rupees)	122.53	451.25	13.94 %	522.61	1,781.43	13.05 %	2030.557189	6,051.76	11.54 %	6330.008915	15380.06	11.74 %
Credit deployment(Amount in rupees lakhs)	353125	1606785	14.55 %	1859898	4875339	10.12 %	5443125	24927696	16.43 %	29581454	72310010	11.80 %
Credit per branch	17.22	50.4	11.34 %	56.16	155.94	9 %	167.78	931.85	18.70 %	1083	1340.03	2.69 %
Credit per capita	130.3	444.33	13.05 %	498.64	1268.14	9.78 %	1366.51	10309.67	21.32 %	11564.32	13658.37	2.10 %
Credit deposit ratio	0.57	0.59	0.28 %	0.55	0.36	- 4.04 %	0.34	0.46	4.67 %	0.53	0.51	- 0.41 %

Source: Data Source: RBI Basic Statistical Returns of Scheduled Commercial Banks in India (Various Issues)

The number of offices increased from 18887 to 47878 period (1981-2018) registering highest compound growth rate of 6.1% in pre-reform era. The branch expansion fell in 1991-2000(-.70%) and 2001-2010(-.10%) due the contraction policy of the commercial banks. Financial inclusion measures adopted since 2005 however led to an improvement in branch expansion in rural areas and CAGR of number of branches increased to 4.60%.

The population serviced per branch serves as the metric for assessing branch expansion and the development of commercial banking activity. During the pre-reform era, the population serviced per branch decreased from 27,914 in 1981 to 15,504 in 1990. Population served per branch which stood at 15202 in 1991 rose to 19246 in 2000 and fell to 18435 and 14252 in 2010 and 2018 respectively.

Public deposits serve as the foundation for credit creation. Deposit mobilisation in India rose from Rs. 583,446 lakh in 1981 to Rs. 12,097,864 lakh in 2018, reflecting a 20.73 fold growth. The CAGR of deposit mobilization was highest in pre-reform era and fell in reform and post reform phase. The growth however improved during 2011-2018(11.9%).

The deposit per branch served as an indicator for assessing the expansion of commercial banking operations via the criteria of deposit mobilisation. The average deposit per branch in rural areas surged 55-fold, rising from 33.16 lakh in 1981 to 1820 lakh in 2018.

Deposit per capita increased from Rs.122.5 in 1981 to Rs.15380 in 2018. This variable showed highest CAGR in pre reform period(13.94%) and declined continuously in other phases under study.

Total credit deployment in rural sectors of India increased from Rs. 353125 lakh in 1981 to Rs.72310010 lakh in 2018. Credit deposit ratio saw maximum fall in reform period (1991-2000). Due to enhanced profitability measures taken by banks, the credit deployment fell in rural sectors. Credit per capita increased from Rs.117.31 in 1981 to Rs.13472.17 in 2018. Credit per capita which stood at Rs11564 in 2011 increased to Rs.13658 in 2018.

Research Methodology

An index of commercial banking development was constructed to examine the degree of commercial banking growth and inequities in rural India from 1981 to 2018. Six indicators were used for the creation of the index. The chosen indicators were Branches per 10,000 individuals in the population, Deposits per capita, Deposits per branch, Per Capita Credit, Credit allocated per branch and Credit-Deposit Ratio. Weights were allocated to the indicators by Principal Component Analysis. The composite index was constructed using certain variables to provide an overview of the degree of commercial banking development across various states in India.

The weights and composite indices (development levels) were calculated using the following model. **Model**

$$Y_j = \sum Z_{ij} h_i^2$$

Y_j denotes the composite weighted score of the j^{th} state. Z_{ij} represents the normalised value, derived from the Z-sum approach, of the i^{th} indicator pertaining to the j^{th} state. h_i^2 (communalities) represents the weight allocated to the i^{th} indicator.

The states and union territories were categorised as high, moderate, low, and extremely low based on composite indexes.

Table 2 Basis of categorization of states	
Composite indices range	Extent of banking development
Greater than $\bar{x} + k\sigma$ (top 25% of normal distribution curve)	Highly banked
Below $\bar{x} - k\sigma$ (situated in the lowest 25 percent of the normal distribution curve)	Very low banked
Between \bar{x} to $\bar{x} + k\sigma$	Moderately banked
Between \bar{x} and $\bar{x} - k\sigma$	Low banked

Here k is the value that partitions the area under the normal distribution curve into 25 percent.

Results and Discussion

The following table indicates the weights assigned to indicators of Commercial Banking Development based on the selected methodology.

Table 3 Weights Assigned to Different Indicators of Commercial Banking Development in Rural India				
	Phase-I	Phase-II	Phase-III	Phase IV
Population served per branch	.369	.973	.929	.419
Deposit per capita	.856	.87	.694	.85
Deposit per branch	.814	.945	.929	.709
Credit per capita	.809	.92	.925	.9
Credit per branch	.829	.911	.812	.924
Credit deposit ratio	.916	.92	.315	.898

Source: Author's own calculations

Composite Index of Rural Banking Development

Composite indices were calculated and the states and UTs were ranked on the basis of these indices.

Table 4 Ranking of States on the basis of Composite Index										
	1981	1981	1991	1991	2001	2001	2011	2011	2018	2018
Northern Region	6.299	1	4.918	1	3.345	2	5.612	1	4.819	1
Haryana	2.415	6	1.049	10	-0.261	13	0.075	10	0.646	12
Himachal Pradesh	0.932	7	1.467	8	1.358	7	-0.366	12	2.479	7
Jammu & Kashmir	-1.281	20	-2.156	21	-0.836	15	-1.158	21	0.447	13
Punjab	3.862	4	3.673	5	4.210	5	0.298	7	2.459	8
Rajasthan	-1.105	18	-2.511	23	-1.922	24	-0.179	11	0.056	15
Chandigarh	10.026	1	7.900	3	8.289	2	17.911	1	4.379	3
Delhi	3.912	3	8.523	1	11.490	1	10.032	2	9.289	1

North-Eastern Region	-5.824	6	-3.625	5	-3.231	6	-4.161	6	-2.518	5
Arunachal Pradesh	-1.193	19	0.523	12	-1.763	21	-1.221	24	-0.899	18
Assam	-2.100	24	-3.021	26	-2.912	34	-1.593	28	-1.800	26
Manipur	0.299	10	-2.311	22	-2.292	29	-1.394	25	-1.743	25
Meghalaya	-2.782	29	-3.305	30	-2.566	31	-1.896	30	-1.024	19
Mizoram	-3.459	30	-2.151	20	-1.455	19	-0.877	16	-3.319	33
Nagaland	-2.768	28	-2.061	18	-3.829	35	-1.195	22	-2.465	29
Tripura	-1.455	21	0.947	11	-1.859	23	-1.398	26	-1.246	22
Eastern Region	-4.541	5	-3.766	6	-2.801	5	-3.166	4	-2.573	4
Bihar	-2.297	26	-3.230	28	-2.901	32	-1.942	31	-3.092	31
Jharkhand	----	-----	----		-2.346	30	-2.132	33	-3.292	32
Odisha	-0.392	15	-2.140	19	-1.954	25	-1.108	19	-2.859	30
Sikkim	-4.545	31	-4.136	32	-1.823	22	-0.466	13	-1.100	20
West Bengal	-2.010	23	-3.143	27	-2.276	28	-1.627	29	-1.656	24
Andaman & Nicobar islands	-2.506	27	-3.284	29	-1.484	20	-0.744	15	0.663	11
Central Region	-0.761	4	-2.470	4	-2.121	4	-3.396	5	-3.229	6
Chhattisgarh	-----	----			-2.903	33	-2.061	32	-3.494	34
Madhya Pradesh	-1.543	22	-2.554	25	-2.242	27	-1.066	18	-1.168	21
Uttar Pradesh	-0.745	17	-2.530	24	-2.110	26	-1.424	27	-2.305	28
Uttarakhand	----	----			-1.141	17	-1.050	17	0.178	14
Western Region	1.299	3	1.020	3	1.119	3	0.174	3	0.365	3
Goa	6.680	2	8.016	2	7.409	3	0.271	8	6.237	2
Gujarat	-0.130	14	-0.313	15	-0.552	14	-1.141	20	-1.257	23
Maharashtra	-0.434	16	-1.662	17	-0.951	16	-0.505	14	-0.695	17
Dadra & Nagar Haveli	0.583	9	2.857	7	0.839	8	-2.771	34	-4.351	35
Daman & Diu			-3.668	31	-1.192	18	-3.788	35	-2.100	27
Southern Region	3.529	2	3.923	2	3.689	1	4.937	2	3.135	2
Andhra Pradesh	0.740	8	0.042	14	-0.125	11	1.884	3	2.166	9
Karnataka	0.295	11	0.159	13	0.130	10	0.258	9	1.185	10
Kerala	-0.079	13	6.350	4	7.046	4	1.739	4	4.039	4
Tamil Nadu	0.074	12	1.240	9	-0.140	12	1.170	5	2.973	6
Lakshadweep	-2.161	25	-1.631	16	2.653	6	-1.219	23	-0.527	16
Pondicherry	3.169	5	3.062	6	0.412	9	0.683	6	4.819	1

In 2018, top five ranks based on composite index were obtained by Delhi(9.289), Goa(6.237), Pondicherry (4.819), Chandigarh(4.379) and Kerala(4.039). Chandigarh was ranked first in 1981 but moved to fourth place in 2018. Delhi (3rd to 1st), Pondicherry(5th to 3rd) and Kerala(13th to 5th) improved their position from 1981 to 2018. The least ranked five states/UT in 2018 were Dadra & Nagar Haveli(-4.351), Chhattisgarh(-3.494), Mizoram(-3.319), Jharkhand(-3.292) and Bihar(-3.092). The position improved drastically to 3rd and slipped to 9th in 2018.

The region wise analysis shows that Northern region performed fairly well throughout the study period in rural banking development. The composite index was highest in this region followed by western and southern region with positions changing intermittently. The North- Eastern region and Eastern region had lowest composite score.

In the northern states Haryana, Himachal Pradesh and Punjab had performed fairly well as far as rural banking development was concerned and remained in top 10. Jammu and Kashmir, Rajasthan slipped down the ranking chart in reform era and improved slightly in 2018. Delhi and Chandigarh have outperformed and are in highly ranked top three positions.

Several states and UTs in south improved their position in pre reform era . In pre reform era major improvement was seen in Kerala (13th in 1981 to 4th in 1991) .Kerala maintained the same position till 2018. Tripura was 21st in 1981 and improved to 11th in 1991. In reform phase the rural composite index deteriorated to 23rd and improved slightly to 22nd in 2018. Tamil Nadu was at 12th position in 1981 but improved its position and was at 9th place in 1991 .The state had low composite score in 2001 (12th), improved to 5th position in 2011 and declined to 7th position in 2018. Andhra Pradesh moved from 8th position in 1981 to 14th in 1991 and 11th in 2001. In 2011. Pondicherry has performed well in terms of rural banking development and remained in top five.

The rural areas lying in eastern region have been in low or very low banked category throughout. Bihar, Jharkhand and Odisha were the bottom three states in 2018. Odisha slipped from 15th position in 1981 to 30th in 2018. Bihar and Jharkhand had not shown any improvement in composite score. Sikkim (31st to 20th) and Andaman and Nicobar Island (27th to 11th) had shown improved composite index from year 1981 to 2018.

None of the state from central region was in high or moderately banked category. Chattisgarh was the worst performer in this region and was in bottom two category. Uttar Pradesh moved from 17th position in 1981 to 24th in 1991. The composite score was however low throughout and state had 27th place in 2018.

The north –eastern states performed poorly in rural banking development. Arunachal Pradesh moved from 19th position in 1981 to 12th. Position in 1991. In reform phase the rural composite index deteriorated to 24th in 2001, 23rd in 2011 and slightly improved to 20th in 2018. Assam moved from 24th position in 1981 to 26th position in 1991 .The position deteriorated drastically to 34th in 2001 and slightly improved to 28th and 25th in 2011 and 2018 respectively. Manipur had slipped down the ranking chart in reform era and improved slightly in 2018.

In the western region Goa had been in top three states in all the years under study except 2011 when it slipped to 8th position. Maharashtra remained in the bracket of 14th to 17th position throughout. Gujarat moved from 14th position in 1981 to 23rd in 2018. Dadra & Nagar Haveli, Daman & Diu had 35th and 27th position respectively.

Grouping of States on the basis of Composite Index

In rural regions, Chandigarh, Delhi, Goa, and Kerala have consistently ranked among the most banked categories across all stages of the survey. Haryana, Punjab, Pondicherry, Tamil Nadu, and Karnataka were classified as the Moderately Banked. Himachal Pradesh was included in this category just during the pre-reform and reform phases. In rural regions, Tripura, Odisha, Maharashtra, Arunachal Pradesh, Andaman and Nicobar Islands, Rajasthan, Madhya Pradesh, Sikkim, West Bengal, and Jammu and Kashmir have been categorised as low-banked areas. Manipur has consistently remained in the low-banked category over the intervening years.

Table 5 Grouping of States on the basis of Composite Index					
	1981	1991	2001	2011	2018
Highly banked	Haryana Punjab Chandigarh Delhi Goa Pondicherry	Punjab, Chandigarh, Delhi, Dadra & Nagar Haveli, Kerala, Pondicherry, Goa	Punjab, Chandigarh, Delhi, Goa, Kerala, Lakshadweep	Chandigarh, Delhi	Punjab, Chandigarh, Delhi, Goa, Andhra Pradesh, Kerala, Tamil Nadu, Pondicherry
Moderately Banked	Himachal Pradesh, Manipur, Dadra & Nagarhaveli, Andhra Pradesh, Karnataka Tamil nadu	Haryana, Himachal Pradesh, Arunachal Pradesh, Tripura. Andhra Pradesh, Karnataka Tamil nadu	Himachal Pradesh, Dadra & Nagar Haveli, Karnataka, Pondicherry	Haryana, Punjab, Goa Andhra Pradesh, Karnataka, Kerala, Tamil Nadu	Haryana, Himachal Pradesh, Jammu and Kashmir , Rajasthan, Andaman & Nicobar Islands, Uttarakhand, Karnataka
Low Banked	Jammu & Kashmir, Rajasthan, Arunachal Pradesh, Tripura, Odisha, Madhya Pradesh, Uttar Pradesh,	Jammu & Kashmir, Mizoram Nagaland, Odisha, Gujarat, Maharashtra, Lakshadweep, Rajasthan	Haryana, Jammu and Kashmir, Rajasthan, Arunachal Pradesh, Daman & Diu Andhra Pradesh, Uttarakhand, Tamil Nadu, Mizoram	Himachal Pradesh, Jammu and Kashmir, Rajasthan, Arunachal Pradesh, Nagaland, Tripura,	Arunachal Pradesh, Assam, Manipur, Meghalaya, Tripura, Sikkim, West Bengal, Madhya

	Gujarat, Maharashtra, Kerala		Tripura, Orissa, Maharashtra ,Gujarat, Sikkim, Andaman & Nicobar Islands, Uttar Pradesh	Bihar, Jharkhand, Orissa, Sikkim West Bengal, Assam, Manipur, Meghalaya, Mizoram, Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Uttarakhand, Gujarat, Maharashtra, Lakshadweep,	Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Daman &Diu,Lakshad weep
Very low Banked	Assam, Meghalaya, Mizoram, Nagaland, Bihar, Sikkim, West Bengal, Andaman & Nicobar islands, Lakshadweep	Assam, Manipur, Meghalaya, Bihar, Sikkim, West Bengal, Andaman & Nicobar islands, Madhya Pradesh, Uttar Pradesh, Daman and Diu	Assam, Manipur, Meghalaya, Nagaland, Bihar, Jharkhand, West Bengal, Chhattisgarh, Madhya Pradesh	Dadra & Nagar Haveli, Daman & Diu	Mizoram, Nagaland, Bihar, Jharkhand, Orissa, Chhattisgarh, Dadra & Nagar Haveli

In rural areas, all northeastern states were classified in very low group during the pre-reform era. Assam, Manipur, Sikkim, Mizoram, Nagaland, Bihar, Jharkhand, Odisha, and Dadra and Nagar Haveli have been categorised under the extremely low banked category. In the post-reform Phase II, the majority of northeastern and eastern states, with few exceptions, transitioned from a very low to a low banking category.

In India, the states that excelled during the pre-reform era continued to outperform in the post-reform phase and consistently remained in the 'highly banked' category. Moreover, the status of almost all states in the 'low banked category' has remained relatively unchanged.

Conclusion

More effective policies must be developed to enhance the accessibility of commercial banking services in low and extremely low-banked areas. The Reserve Bank of India introduced a financial inclusion strategy in 2005 to guarantee access to secure, convenient, and cheap credit and other financial services for impoverished and vulnerable segments of society. Commercial banks are offering fundamental financial services to rural populations via different cost-effective means. However, a significant disparity persists between the requirements of the financially excluded people and the services provided by the banking industry. Considering that the impoverished are also creditworthy, banks should tailor their products to meet the specific demands of low-income. To mitigate regional differences, a substantial influx of funding, in addition to several other policy measures, is necessary. This may significantly contribute to integrating the financially excluded into the economic mainstream, enabling them to increase their earnings via capital acquisition for future investment. This may result in a decrease in interstate inequities.

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