Disparities in Spread of Banking Infrastructure in Rural India

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Abstract

India has witnessed significant economic growth in recent decades but the benefits of this growth have not been spread evenly. One such area which underlines the unequal distribution of growth is spread of banking infrastructure. This unequal spread gets pronounced in the form of spread of Bank Branches, number of ATMs, Bank Correspondents etc. The lack of availability of banking services forces rural population to travel long distances to avail basic banking services. This naturally creates conducive conditions for the moneylenders and other forms of informal economy. The lack of spread of banking services could be one of the drivers of the Vicious Circle of Poverty for these areas. This article explores the data to highlight the Inter State, Inter Regional and Intra-District and Intra Block Disparities in spread of Banking Infrastructure in India. It also emphasizes the importance of ensuring inclusive development across regions in spread of Banking Services in order to promote the economic development of all the regions.

Banking Infrastructure

By banking infrastructure we mean the physical and institutional structures that enable banking transactions to take place. This includes banks, ATMs, payment systems, and other banking institutions." The article examines the spread of banking infrastructure in different regions of India and highlights the disparities that exist in terms of access to banking services. The lack of banking infrastructure in certain regions can hinder economic development and perpetuate poverty, particularly in rural areas.

Benchmarking the Spread of Banking Infrastructure

Here, we are trying to highlight the disparities not in general but for the rural areas specifically. Because study of figures including the urban and semi urban areas are likely to mislead the results. For example, if we include the banking infrastructure in Maharashtra including the Urban and Sub Urban areas the results could change 180 degree. But the disparities in spread of the infrastructure in rural areas could be underlined only when we could analyze the data for rural areas only. There could be a number of indicators for analyzing the spread of infrastructure such as No. of Jan Dhan Accounts, No. of villages having Banks/Total Number of Villages in the District, No. of ATMs in Rural Areas, Bank Correspondents/number of villages, existence of Primary Agricultural Co-op Societies etc. Here,

17

we are using the availability of bank branches in the number of Gram Panchayat villages. We are using this indicator because uniform data regarding this indicator is available and this indicator does away various biases that could be associated with other indicators.

Methodology

The researchers are working on the topic of disparities in rural development as part of the doctoral research. This article presents the data and geospatial findings. Here, we attempt to analyze the data and recommend some remedies. For presenting the case that there exist wide disparities in spread of banking infrastructure especially in rural areas, we will first present the Inter-State Disparities using the State Level Data. Then we will move on to explain Intra-State Disparities using the District Specific Data within the State of Maharashtra. Again to explain the Intra District Disparities we will make use of the block or tehsil specific data.

Inter State Disparities

Here, we present the data regarding the national level spread of banking infrastructure across states. This data is also explained using a map depicting same data. It could be easily inferred from the data that the banking services have not reached to the all parts of the country proportionately. Out of the top worst performing states, five states four states are from the North East. Except Uttar Pradesh all other states which are below the national average of 11.51%, make it clear that these states are either Hilly or Tribal Dominated States. Again it must be underlined that the states such as Maharashtra and Karnataka which

are considered as powerhouses of India have very poor Banking Infrastructure which is closed only to the national average. The spread of banking services in these two states is worse than West Bengal and Bihar. Again if we look at the top five states it is evident the Kerala leads the tally with 89.02% villages having a bank branch which is nearly 43% higher than its predecessor Goa which has 46.52% villages with bank branches. Kerala is nearly eight times ahead of the national average of 11.51%. A possible reason for this could be the huge emigrated population which requires the availability of bank branches. This could also be the reason for high percentage of Bank Branches in West Bengal and Bihar. However, the true benchmarks for spread of banking services could be Haryana (24.16%), Tamil Nadu (25.14) and Gujarat (28.79). Having a branch in every village i.e. 100% coverage may not be feasible considering the expenses involved in operating the branches. However, as suggested in the PURA model propounded by Dr. APJ Abdul Kalam we can think of making provision of a bank branch at least for a cluster of a few villages. During the Seventies and Eighties the Government of India initiated Lead Bank Scheme based on Service Area Approach which was supposed to percolate or 'trickle down' further. But it seems that has not happened. Beside it also highlights that the states have not accorded attention to the spread of Banking Infrastructure. Hence, it is recommended that each state should identify and validate its position at the national level and should adopt a time bound plan to spread the banking infrastructure within the state.

Krushna Kulkarni, Dr. Samadhan Patil

Disparities in Spread of Banking Infrastructure across states in 2020

% of Villages having Bank Branches

3   89

State Name	%
ARUNACHAL PRADESH	2.51
NAGALAND	2.7
MANIPUR	3.1
MEGHALAYA	4.24
UTTARAKHAND	5.45
ASSAM	6.69
HIMACHAL PRADESH	6.91
CHHATTISGARH	6.92
MADHYA PRADESH	7.53
ODISHA	7.69
JHARKHAND	8.49
RAJASTHAN	8.51
UTTAR PRADESH	9.39
MIZORAM	11.46
All India	11.51
MAHARASHTRA	11.56
KARNATAKA	12.47
JAMMU AND KASHMIR	12.61
WEST BENGAL	13.52
TELANGANA	13.56
ANDHRA PRADESH	14.85
TRIPURA	16.79
BIHAR	17.32
SIKKIM	17.45
PUNJAB	17.73
ANDAMAN AND NICOBAR ISLANDS	21.31
THE DADRA & NAGAR HAVELI AND DAMAN & DIU	23.53
HARYANA	24.16
TAMIL NADU	25.14
LADAKH	27.55
GUJARAT	28.79
GOA	46.52
KERALA	89.02

Krushna Kulkarni, Dr. Samadhan Patil

Intra-State Disparities- With Reference to Maharashtra
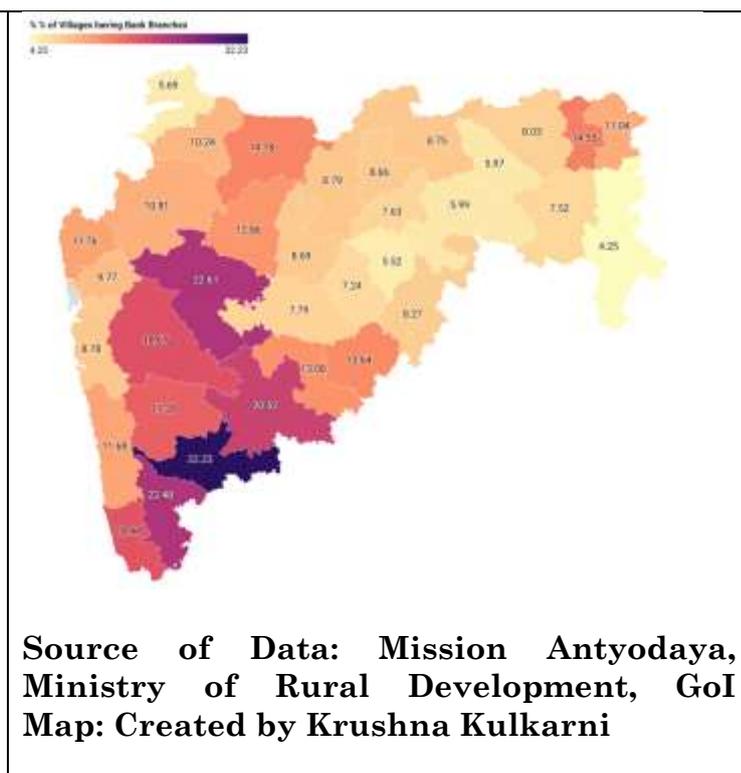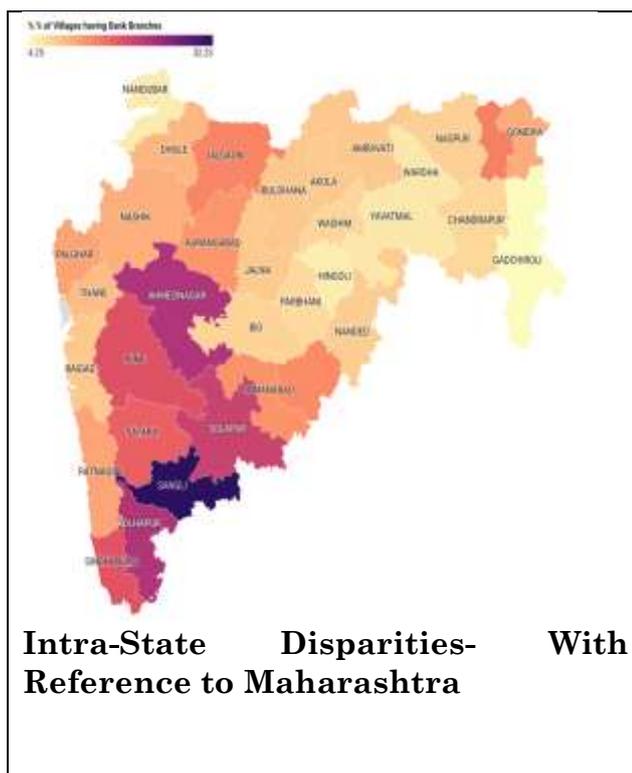
Analysis

The above map simply testifies that the strategies adopted in the state of Maharashtra to address intra regional disparities for over 62 years (Maharashtra was carved as a separate state on 1st of May, 1960) have not yielded desired transformation. Especially, if we consider the regions of Marathwada and Vidarbha which were promised that they will brought at par with the rest of Maharashtra, the promise stands compromised. If we consider the fact that for the districts of Western Maharashtra, the average % of villages having bank branches exceeds the 25% benchmark while the regional average for Marathwada and Vidarbha Region falls below the national average of 11.51%. Except Latur and Osmanabad(now, Dharashiv) in Marathwada and Bhandara and Gondiya in Vidarbh region no other district crosses the 10% mark. Especially, in the cotton belts of Amaravati and Aurangabad Division which have witnessed large scale farmer suicides, the percentage of villages having bank branches is less than 8%. Has this contributed for growth of moneylenders and informal banking channels leading to farmer suicides is the question that needs no validation. When the financial needs are not met out of the formal banking channels then demand creates its own supply in the form of informal channels like money lenders. So, in a way, the negligence of the state in spreading the banking infrastructure creates further backwash effects that accentuate the Vicious Circle of Poverty for these regions.

If we consider the Western Maharashtra region it could be found that the % of villages having bank branches in this region is comparable with the best performing states in the country. Besides the data of only bank branches could be quite misleading as it does not capture the existence of primary agricultural cooperative societies in this region. If that is considered, this could be categorized as

20

Krushna Kulkarni, Dr. Samadhan Patil

one of the most well served regions in the country. But this region also harbors intra district disparities that we will discuss next.

Intra-District Disparities- The Granular Aspects of Development

Do the disparities end at the regional level? No. The "isles of underdevelopment" also exist within the districts which are considered developed. Thanks to the availability of the data, here, we are trying to analyze the inter block disparities in spread of bank branches.

If we take the Ahmednagar District, we could find that the Pathardi and Akole are the two blocks which are below the national and state average. The Akole is tribal dominated region while Pathardi is rain fed block with very little canal irrigation. The other blocks which also have poor irrigation facilities such as Jamkhed, Karjat, Parner have much better spread of banking facilities than the national or state average. Similarly, if we peruse the data for Pune District it could be observed that the four blocks namely Velhe, Bhor, Maval and Mulshi have the lowest bank branch presence which is below the national and state average.
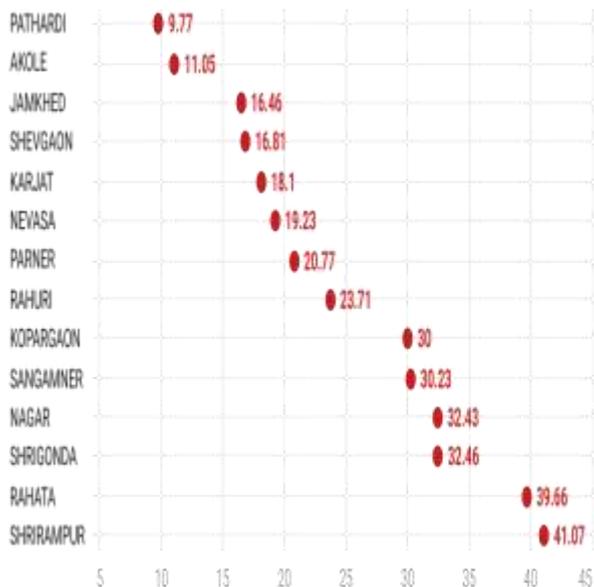
Ahmednagar District

Source: Mission Antyodaya, Ministry of Rural Development, GoI

The spread of bank branches show a greater correlation with irrigation facilities and it was found that the blocks which have greater irrigation facilities such as Shrirampur, Rahata, Shrigonda, Sangamner in Ahmednagar District and Baramati, Indapur, Daund, Shirur have high presence of bank branches. If we analyze the data further it is found that some blocks like Nagar and Haveli which are close to district headquarters also have high bank branch presence. This could be because of semi urban nature of the villages. But what is curious to note that the blocks such as Karjat, Jamkhed and Parner which have poor irrigation facilities still have a greater concentration of bank branches. This is because of the influence of the surrounding areas and due to Same is the case with Khed,

21

Krushna Kulkarni, Dr. Samadhan Patil

Ambegaon and Purandar in Pune District. Thus, it could be concluded that the two important factors which affect the bank branch presence are the irrigation facilities and proximity to district or metropolitan centers.

Remedial measures and suggestions

Considering the above analysis following remedies could be suggested.

✓ First, the existence of Regional and Intra Regional Disparities should be first accepted and identified.

✓ Second, there should be benchmarking for spread of such facilities across the states and districts. Such benchmarking should be based on a broad set of indicators in each sector. For example for spread of banking infrastructure various parameters such as bank branches, PMJDY Accounts, presence of bank correspondents, availability of PACSs, Self Help Groups etc should be used.

✓ Third, the data for the parameters should get automatically collected and updated from time to time. Fourthly, Data Driven Decision Making should be followed while planning the government policies not just in this but in all types of decision making at various levels of the government.

✓ Fifth, the vast disparities in spread of basic services like baking could be addressed effectively by quantifying the extent of underdevelopment. If we use objective tools for public policy making.

✓ Sixthly, if we consider availability of the banks as a proxy indicator to underline the economic prosperity of the residents then it is evident that most of the areas which do not have sufficient access to bank branches are likely to be in vicious circle of poverty. The non availability of banks could be cause and effect of the underdevelopment of the deprived regions.

✓ Seventhly, the geo spatial analysis also proves that disparities do exist across states but they are sharper within the states and even more sharper within the districts itself. The researchers would also like to add that even within the block the uneven spread of banking facilities is much more pronounced which could be directly linked with the prosperity of the residents which in rural areas is mostly affected by the availability of irrigation.

✓ Lastly, there has to be conscious effort to do away with the disparities based on objective tools. The progress made on these indicators can be easily quantified. This quantification can serve as the measuring rod of the Government Officials who are responsible for ensuring the spread of these services.

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Krushna Kulkarni, Dr. Samadhan Patil