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# A Study of Microfinance and Financial Inclusion with Reference to SBI, PNB and HDFC Bank in Nagpur

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***Abstract*—Financial inclusion is among the pillars of sustainable economic growth and development particularly in the developing economy. countries such as India, in which the great majority of the population remains without formal financial systems. Microfinance is found to is one of the most effective instruments of financial exclusion in these developing countries such as India. This paper sets out to explore the. contribution of State bank of India, Punjab national bank, and HDFC bank in facilitating microfinance and financial inclusion in Nagpur. city. The research is anchored on descriptive and analytical approach of primary and secondary data collection strategies. Primary data was gathered using a structured questionnaire on 150 bank customers. RBI reports were also found in the secondary data. annual reports of banks, and academic articles on the subject. Percentage analysis, correlation and regression statistical techniques. were also used to evaluate the correlation between microfinance and financial inclusion. The results of this journal showed that Some of the most important aspects of increased levels of financial inclusion are microcredit accessibility and digital banking facilities. Nonetheless, there are procedure intricacies and documentation as some of the issues encountered in the provision of microfinance facilities.**

***Index Terms*—microfinance, financial inclusion, banking services, digital banking, microcredit, Nagpur**

## I. INTRODUCTION

Financial inclusion has become a significant focus on economic policies within the developing countries particularly in India, where there is a concentration on financial inclusion. large number of the population has not been included in the formal banking channel. The financial inclusion can be considered as the. prompt, sufficient and affordable financial services to every section of the society, particularly, the weaker and poorer quarters of the society, in savings, credit, insurance and payment instruments.
Microfinance has gained a lot of relevance in the financial inclusion scenario in which financial services are offered to the people.

who are not able to receive formal financial services because they are unable to give any security, frequent earnings, etc. The role of Such a role of microfinance in facilitating self-employment, women empowerment and rural development is a huge one, particularly in the context. of India, the government has started different programs like Pradhan Mantri Jan-Dhan Yojana (PMJDY), Mudra Yojana, and Direct Benefit Transfer (DBT). Here, big banking organizations, including the State Bank of India, Punjab National Bank, are involved. and HDFC Bank play significant part in the execution of microfinances and inclusive banking policies at the regional. level. It is an important case study because Nagpur is a rapidly developing city in India with both population of urban and semi-urban populations. to determine whether the microfinance strategies in India were successful.

Despite a significant improvement. The banking penetration in India has not reached the level where such issues as awareness, documentation, financial literacy, and the digital are not yet challenges. divide which has an impact on the breadth of financial inclusion. In this regard, this research seeks to determine the role played by SBI, PNB, and HDFC Bank in regard to the promotion of microfinance and. financial inclusion Nagpur, India. It tries to determine the amount of awareness of the customers, availability of microcredit facilities, and the utilization. of the digital banking facilities, and the degree of satisfaction with the inclusive financial services. It seeks to identify the determinants of factors that influence. financial inclusion and its success improvement.

## II. Literature Review

Financial inclusion is a concept that has been internationally known because of the direct correlation it shares with poverty reduction. creation of jobs and financial solidarity. Various institutions, policymakers, and researchers have tried to research on the. role played by microfinance and banking institutions in the growth of the economy.

Financial inclusion was described by the Rangarajan Committee on Financial Inclusion (2008) as the process of inclusion of the unreached and providing access to financial services and access to proper and prompt credit wherever it is required by weaker and low-income households. at an affordable cost." It primarily concentrated on the promotion of banking activities by the introduction of the simple savings accounts, the simplified KYC. demands, and priority sector lending.

Reserve bank of India has conducted research on financial inclusion and its role in economic development. It has shown that financial inclusion assists in enhancing saving behavior, enhancing access to credit, and enhancing entrepreneurship activities. RBI it has been reported that bank expansion through the increase in bank branches and the introduction of BC and digital banking models have enhanced bank. account ownership in India.

A study conducted by the World Bank based on Global Findex database has revealed that access to formal financial services enhances income. women empowerment, management and risk management. It has signified those online financial services.

## III. Research Methodology

The current research used research design of descriptive and analytical research design to determine the significance of microfinance services to. soliciting financial inclusion vis-a-vis State Bank of India, Punjab National Bank, and HDFC Bank which are situated at Nagpur

1) Research Design

The research design that is used in the current study is the following:

- It is a Descriptive Research because it will provide the current situation of microfinance and financial inclusion.
- It is an Analytical Research because it will also examine the correlation between microfinance services and the financial inclusion level.

2) Data Sources

A. Primary Data

Primary data was collected with help of structured questionnaires on the customers of SBI, PNB, and HDFC bank in Nagpur city.

- Sample Size: 150 respondents
- Sampling Technique: Convenience sampling.

Hypothesis: Participants completed a five-point Likert scale (Strongly Agree to Strongly Disagree) where they expressed how inclined they were to use the product.

B. Secondary Data

1) Secondary data will involve:

- Reports published by RBI
- Annual reports of SBI, PNB and HDFC Bank.
- Government publications are on financial inclusion.
- articles and research journals.
- Policy documents in financial inclusion.

2) Variables of the Study

Independent Variables:

- Microcredit Accessibility
- Interest rate affordability is the third type of integrity information.
- Digital Banking Services
- Employee Furniture and Customer Service.

Dependent Variable: The level of Financial Inclusion

3) Hypotheses

H0 1 Hypotheses: Microfinance services do not affect financial inclusion.

H1 Hypotheses: No relationship exists between microfinance services and financial inclusion.

4) Tools and Techniques Used

The statistical analysis packages used to analyze the collected data to gauge the strength of relationship between microfinance services and variables: financial inclusion:

- Percentage Analysis
- Correlation Analysis
- Regression Analysis
- Graphical Representation (Bar charts and Pie charts)

## IV. OVERVIEW OF THE SELECTED BANKS IN NAGPUR.

In this chapter, the author has given a brief but comprehensive review of the three chosen banks i.e. the state bank of India, Punjab national banks. The contribution of the two banks in microfinance and financial inclusion process in Nagpur: Bank and HDFC bank will be discussed.

a) State Bank of India (SBI)

Background: The most popular bank within the country in terms of public sector bank is the state bank of India, which has very large bank branches within the country. Nagpur and metropolis of semi urban and rural environment.

a) Financial Inclusion/ Role Microfinance:

- SHG Bank linkage program: State bank of India supports the Self-help groups by giving them credit facilities along with savings mobilization.
- Microcredit Facilities: State Bank of India is providing the microcredit facilities to poor people, women entrepreneurs and micro- entrepreneurs. households.

b) Punjab National Bank (PNB)

Background: Punjab national bank is also a state sector bank and has the huge customer base of Nagpur and also very active. In rural financial and credit inclusion.

a) Role Microfinance and Financial Inclusion;

- Agriculture Finance: PNB has a major role of offering credit facilities to the agricultural industries in. The Nagpur rural and urban hinterland.
- Micro-Enterprise Loans: The loans are provided to small traders, artisans and micro-enterprises.

c) HDFC Bank

Background: HDFC bank is a large privately owned bank in India and has the reputation that it is not a bank that has lagged behind in terms of technology. most effective customer services and efficiency of it in delivering banking products to its clients.

a) Best Microfinance and Financial inclusion:

- Digital banking products: HDFC bank provides mobile banking and internet banking services to its consumers and it is of high quality. value addition to the banking operations of its customers.
- Mudra Loans and Microcredit: HDFC bank promotes microcredit that is a small-scale business loan that is obtained by micro entrepreneurs.

In the analysis performed above, it can be concluded that both SBI and PNB can be credited with the fact that they are a government bank to expand their operation to a. wider customer segment. In contrast, HDFC bank focuses on the banking solutions which are grounded in technology and make the banking operations more efficient. easier for its customers. The microfinance services in Nagpur are to be developed by playing an important role by the three banks.

## V. MICROFINANCE AND FINANCIAL INCLUSION ANALYSIS.

This section will be used to assess the impact of microfinance services offered by the state bank of India, Punjab national bank, and the HDFC bank. on Nagpur financial inclusion. The assessment of results to all 150 obtained by the structured questionnaire will be based on the results. customers.

### A. Access to Microcredit

According to the survey, it is witnessed that the services of micro finance are made available to a majority of the individuals. Out of 150 people surveyed, sixty eight percent said that they had used microfinance services. However, a fifth of the respondents said that they had heard of such schemes but had not. They were supplied with such facilities. 12 percent of the respondents answered that they were unacquainted with these facilities.

The operations of the microfinance have enabled the State Bank of India and Punjab national bank to reach the rural and semi-urban bank consumers. The HDFC bank had been noted to be extremely successful in processing loan service to urban microentrepreneurs.

B. Microcredit centers have been implemented in:
- Growth of small business.
- Agricultural activities
- Female particularly self-employment.

## VI. DATA ANALYSIS AND RESULTS

These were measured using percentage analysis, correlation and regression analysis to measure the results between the provision of microfinance service and financial inclusion in Nagpur.

6.1Accessibility of Microfinance Services.
As it is observed in the bar diagram above, it is possible to observe that:
- 68% of the respondents have borrowed the micro-loans.
- 20%has been introduced to the microfinance programs but they have not consumed it.
- 12 are not at all aware of such facilities.

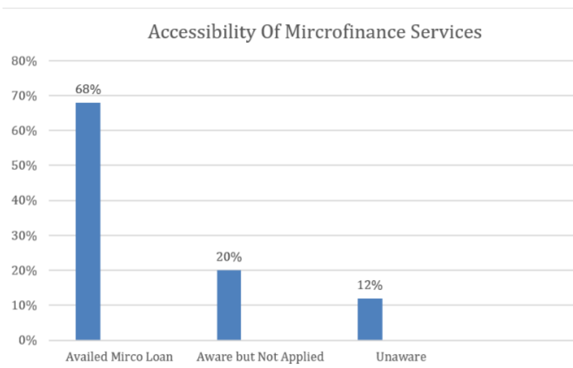


Fig 6.1Accessibility of Microfinance Services.

Interpretation:
Most customers have been integrated financially through microfinance premises. Nevertheless, 32 percent of the respondents are in the aware and. not aware category.” This is an indication that SBI, PNB, and HDFC are yet to achieve financial integration.
Bank.

6.2 Digital Banking
The pie chart shows that:
- 72% the respondents are accessing digital banking services.
- 28% is not utilizing digital banking facility.

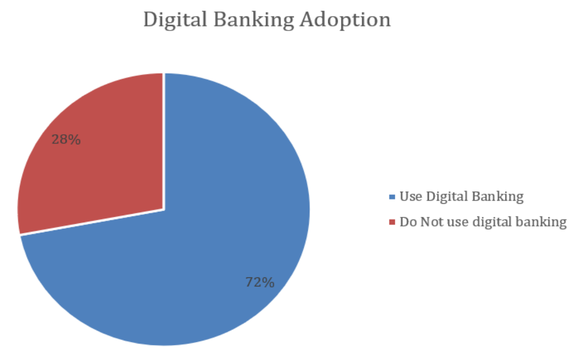


Fig.6.2 Digital Banking

Interpretation:
Digital banking is very effective in ensuring financial integration since it lowers the cost of transactions and enhances accessibility to the same by the underprivileged. customers. Nonetheless, 28% of the respondents are yet to take up digital banking facilities.

## VII. FINDINGS AND DISCUSSION

This section will provide the overall findings of the statistical analysis and discuss them within the framework of the study objectives. In this case, the role of HR Analytics in decision-making in workforce planning and management in Aditya I Birla Sun life insurance, Nagpur, is covered.

7.1 Major Findings of the Study
This part presents the key findings of the study and addresses them on the basis of the goals and the available literature on microfinance and financial inclusion in relation to State Bank of India, Punjab National Bank and HDFC bank in Nagpur.

1. Major Findings
Based on the interpretation of the primary data that was received, a total of 150 respondents, the following important results

High identified:
- Access to Banking Services: The access to banking services has been higher with a big proportion of people possessing savings account.
- Microcredit as a Key Driver: The accessibility to microcredit was the most positively related to financial inclusion (Beta =).
- 0.71). Financial inclusion was more in people who had availed microcredit services.

2. Discussion of Findings

The research results have confirmed that microfinance has emerged as one of the biggest contributors of the financial inclusion in Nagpur. This is observed based on the fact that accessibility of microcredit services was strongly and positively correlated with financial inclusion. This can be supported by financial inclusion theories, in which it is mentioned that accessibility is among the key determinants of financial. inclusion. These results fall in line with the perception of the Reserve Bank of India where it is said that expansion of branches, simpler KYC norms,

## VIII. MANAGERIAL IMPLICATIONS

- Make the loan documentation easier.
- Empower the rural Nagpur rural population on financial literacy.
- Train the digital banking awareness programs.
- Improve customer complaints procedures.

## IX. LIMITATIONS OF THE STUDY

- The area of study is Nagpur district.
- Only 150 respondents will be used.
- It is a cross-sectional study that is time dependent.
- It is founded on self-reports.
- The bank financial information is limited.

## X. FUTURE SCOPE

The research has provided valuable insights, and there are numerous aspects which can be pursued in the future as research issues:

- Geographical Expansion: The study can take up more districts or states.
- More Sample Size: It is possible to take more respondents in order to make the study more reliable.
- Longitudinal Study: It is possible to conduct a time study to determine the long-term impacts of microfinance on income and economic. Stability.
- More Statistical Tools: Structural Equation Modeling (SEM) or can be used to conduct more sophisticated statistical analysis.
- Comparison of Public and Private Banks: It can be done, in more in-depth comparative performance study.

## XI. CONCLUSION

Analysis shows that State Bank of India and Punjab national bank reach a large number of people in the rural and semi-urban regions.as regards SHG finance, priority sector finance and the government-backed initiatives. Conversely, HDFC Bank performs. more efficiency on the adoption of digital banking and system of loan processing. The most influential factor has been observed to be the access of microcredit as far as the accessibility of financial services is concerned, Next, there is fintech banking and financial literacy. The statistical outcomes have also validated the positive presence of the existence of a positive. connection between microfinance services and the degree of financial inclusion.

Nonetheless, there are some obstacles that include the complexity of documentation, awareness, digital illiteracy

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