

## CHALLENGES FACED BY BANKERS IN FINANCIAL INCLUSION OF MINORITIES & THROUGH NATIONALIZE AND COMMERCIAL BANKS IN MARATHWADA REGION

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### ABSTRACT

*Financial inclusion is a critical driver of equitable economic growth, yet achieving it among minority communities in underdeveloped regions like marathwada remains a significant challenge. This study explores the obstacles faced by bankers—specifically those in nationalized and commercial banks—in promoting financial inclusion among minorities in the marathwada region of maharashtra. Despite various governmental initiatives and policy frameworks, barriers such as socio-economic disparities, lack of financial literacy, cultural resistance, and inadequate banking infrastructure persist. The research highlights how institutional limitations, language barriers, mistrust in formal banking systems, and difficulties in kyc (know your customer) compliance further complicate outreach efforts. Through qualitative interviews with banking professionals and community representatives, the study uncovers a nuanced understanding of ground-level challenges. It also examines the effectiveness of current financial inclusion strategies and suggests tailored approaches to bridge the gap. The findings aim to contribute to more inclusive banking policies and practices that address the unique socio-cultural dynamics of minority populations in marathwada.*

*Keywords: Poverty alleviation, financial exclusion, financial illiteracy, Financial Inclusion,*

### INTRODUCTION

Financial inclusion empowers the people and provides them the opportunity to save, invest, to get insurance cover or to take a loan. These financial services are often instrumental in breaking the chain of poverty (Noose, 2006). According to Karmakar et al. (2011), financial inclusion facilitates access to the formal financial system to those segments of the populations who are denied these services and remain excluded. Financial inclusion is the process that ensures the ease of access, availability and usage of the formal financial services for all members of an economy (Sarma, 2008), specifically to the vulnerable groups of the society (Rangarajan, 2008). However, according to Barclays (2010), about 74 per cent of world's population across the countries are excluded from formal banking services. The World Bank has directly linked such exclusion from formal financial system with higher poverty (World Bank, 2018). According to a World Bank estimate, about 2 billion adults worldwide do not have a basic bank account (World Bank, 2018) and this exclusion is more acute in developing countries (Chibba, 2009). Financial inclusion is often emphasized as an important policy option for economic development. It is regarded as an essential policy measure in alleviating poverty, minimizing social exclusion and enhancing economic growth (Cnaan et al., 2011).

### REVIEW OF LITERATURE

**Badar Alam Iqbal, Shaista Samia,** (2017) Role of banks in financial inclusion in India. Contaduría y Administración, CYA-134; No. of Pages 13, 2016 Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. It refers to delivery of banking services to masses including privileged and disadvantaged people at an affordable terms and conditions. Financial inclusion is important priority of the country in terms of economic growth and advancement of society. It enables to reduce the gap between rich and poor population. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. The present study aims to examine the impact of financial inclusion on growth of the economy over a period of seven years. Secondary data is used which has been analyzed by multiple regression model as a main statistical tool. Results of the study found positive and significant impact of number of bank branch and Credit deposit ratio on GDP of the country, whereas an insignificant impact has been observed in case of ATMs growth on Indian GDP.

**Dipasha Sharma** (Accepted 2 November 2015) Nexus between financial inclusion and economic growth Evidence from the emerging Indian economy. <https://www.emerald.com/insight>, Most of the literature is focused on the theoretical and conceptual development of financial inclusion and inclusive growth achieved through financial inclusion in the context of developing and developed economies. However, there are multiple 0 5 10 15 20 25 30 35 40 45 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 Bank Branches per 1000 Km Bank Branches per 0.1 million adults ATM per 1000 Km ATM per 0.1 million adults Source: IMF Database Figure 7. Financial inclusion in India: availability of financial services Figure 8. Financial inclusion in India: usage of financial services JFEP 8,1 20 dimensions of financial inclusion, and banking institutions, MFIs

and SHGs play a major role. The deepening impact of financial inclusion has been analyzed in terms of women empowerment, entrepreneurship development, policy and regulatory issues and sustainable financial systems. Different studies have defined financial inclusion based on different terms and perspectives, with the ultimate objective of providing access of formal financial services to the common person and the society at large.

**OBJECTIVE OF STUDY**

1. To study financial inclusion of minorities’ in banking sector.
2. To examine challenges faced by bankers in providing financial services to minority community customers.

**Hypothesis / Research Question**

H0: Financial inclusion of minority community in banking is low.

H2: Financial inclusion of minority community in banking is high.

**METHODOLOGY**

**a. Primary Data Collection**

Primary data was collected from the Bankers of Selected Public Sector Banks, Private Sector Banks and Regional Rural Banks in the state of Maharashtra. For collecting Primary data a structured questionnaire is used as it was the most suitable tool to meet the objectives of the study.

**b. Secondary Data Collection**

Secondary data was collected from various RBI reports, World Bank reports, Global Findex Database, Industry publications and research reports of previously conducted studies in this direction in order to understand the existing scenario of financial inclusion.

**c. Geographical Scope**

The geographical scope of the study is limited to the banks of Marathwada region

**d. Period of Study**

The study was between the period from 2011 to 2020

- e. Tools & Techniques of Analysis data collected was analyzed with the help of ratio, averages, percentages, charts, various test required**

Sr.No	City / Taluka	Total No. of Banks in Aurangabad District		Selected Banks	No. of Bankers	Minority Beneficiaries
		Nation-alised	Comme-rcial			
01	Aurangabad	30	15	4	20	Assuming 100000
02	Gangapur	7	4	1	5	
03	Kannad	5	3	1	5	
04	Khuldabad	3	2	1	5	
05	Paithan	8	4	1	5	
06	Phulambri	3	3	1	5	
07	Sillod	7	4	1	5	
08	Soegaon	2	1	1	5	
09	Vaijapur	5	4	1	5	
<b>TOTAL</b>	<b>110</b>	<b>12</b>	<b>60</b>			<b>100000</b>

**Sample Size: As It Is Not Possible For The Research To Cover All Banks Of Aurangabad District .**

- Hence out of 110 number of banks 12 number of banks are randomly selected for study.
- 12 number of banks selected for study from each bank 05 number of employees from different stratus was selected for study amongst to 60 employees.
- Hence total 12 banks was selected randomly by convenience sampling method.
- Hence researcher decided to adopt optimum sample size by assuming that minority beneficiary are more than one lakh.
- There was no definite population size of minority beneficiaries was available.

- Assuming maximum beneficiary population of 100000 and by applying Taro Yamane formulae for optimum sample size.

$$N = \frac{N}{1 + N(E)^2}$$

Therefore for 100000 sample size accordingly

$$N = \frac{100000}{1 + 100000(0.05)^2} \quad N = 398$$

Rounding up it come to 400 minority beneficiaries.

Hence the 12 banks choosen roundly for the study are as follows

S.N.	Name Scheduled Commercial Banks	No of beneficiaries/Respondents	Bank Employees
1	State Bank of India	35	5
2	Bank of Maharashtra	33	5
3	Central bank of India	33	5
4	Punjab National Banks	33	5
5	Bank of India	33	5
6	Bank of Baroda	33	5
	<b>Private Commercial Banks</b>		
7	HDFC Bank	35	5
8	ICICI Bank	33	5
9	DCB Bank Ltd	33	5
10	IDBI Bank	33	5
11	Axis Bank	33	5
12	Kotak Mahindra Bank	33	5
	<b>Total</b>	<b>400</b>	<b>60</b>

Hence, according to Taro Yamane (1967) at ± 5% level of significance it comes to 398 and for more reliability it comes to 400 beneficiary’s choosen randomly for the sake of convenience

**Scope of Study**

The present study will focus on studying the banks financial inclusion towards minorities of Marathwada region. This study will focus on bankers perception towards financial inclusion of minorities, what are the expectation of customers from the banks. The study will also unveil the issues and challenges faced by minorities’ as bank customers.

**Limitation of Study**

The study will be limited to Marathwada region as there will be time constrain for the study.

**RESULT AND DISCUSSION**

**Table no. 1:** showing do respondents have a bank account.

Statistics		
Do you have a bank account?		
N	Valid	400
	Missing	0

Do you have a bank account?					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Yes	400	100.0	100.0	100.0

Source: field survey 2023-24

**The problems encountered by minority community in availing banking services.**

**Table no. 2:** showing the problems encountered by minority community in availing banking services.

Statistics		
For all the statements		
N	Valid	400
	Missing	0

**1. It is difficult to access bank branches due to their distant locations.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	90	22.5	22.5	22.5
	Neutral	150	37.5	37.5	60.0
	Agree	150	37.5	37.5	97.5
	Strongly agree	10	2.5	2.5	100.0
	Total	400	100.0	100.0	

**2. I face long waiting times when visiting the bank for services.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	60	15.0	15.0	15.0
	Neutral	190	47.5	47.5	62.5
	Agree	150	37.5	37.5	100.0
	Total	400	100.0	100.0	

**3. Bank branches in my area are understaffed, making service slow.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	90	22.5	22.5	22.5
	Neutral	150	37.5	37.5	60.0
	Agree	150	37.5	37.5	97.5
	Strongly agree	10	2.5	2.5	100.0
	Total	400	100.0	100.0	

**4. There is a lack of atms available in my locality.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	80	20.0	20.0	20.0
	Neutral	170	42.5	42.5	62.5
	Agree	140	35.0	35.0	97.5
	Strongly agree	10	2.5	2.5	100.0
	Total	400	100.0	100.0	

**5. I find it hard to communicate with bank staff due to language barriers.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	80	20.0	20.0	20.0
	Neutral	190	47.5	47.5	67.5
	Agree	130	32.5	32.5	100.0
	Total	400	100.0	100.0	

**6. Bank staff are not always helpful when i need assistance.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	80	20.0	20.0	20.0
	Neutral	190	47.5	47.5	67.5
	Agree	130	32.5	32.5	100.0
	Total	400	100.0	100.0	

**7. I have faced difficulty in understanding the terms and conditions of financial products.**

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	80	20.0	20.0	20.0
	Neutral	150	37.5	37.5	57.5
	Agree	160	40.0	40.0	97.5
	Strongly agree	10	2.5	2.5	100.0
	Total	400	100.0	100.0	

<b>8. Bank staff do not provide clear information on how to access various banking services.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	90	22.5	22.5	22.5
	Neutral	190	47.5	47.5	70.0
	Agree	120	30.0	30.0	100.0
	Total	400	100.0	100.0	
<b>9. The process to open a bank account is too complicated.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	120	30.0	30.0	30.0
	Neutral	180	45.0	45.0	75.0
	Agree	100	25.0	25.0	100.0
	Total	400	100.0	100.0	
<b>10. It is difficult to apply for loans due to excessive paperwork.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	60	15.0	15.0	15.0
	Neutral	200	50.0	50.0	65.0
	Agree	140	35.0	35.0	100.0
	Total	400	100.0	100.0	
<b>11. I have experienced delays in processing my financial transactions.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	90	22.5	22.5	22.5
	Neutral	150	37.5	37.5	60.0
	Agree	150	37.5	37.5	97.5
	Strongly agree	10	2.5	2.5	100.0
	Total	400	100.0	100.0	
<b>12. I face challenges in using digital banking services such as mobile banking and internet banking.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Disagree	80	20.0	20.0	20.0
	Neutral	210	52.5	52.5	72.5
	Agree	110	27.5	27.5	100.0
	Total	400	100.0	100.0	
<b>13. I am not aware of the various financial products available at the bank.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	64	16.0	16.0	16.0
	Disagree	92	23.0	23.0	39.0
	Neutral	170	42.5	42.5	81.5
	Agree	74	18.5	18.5	100.0
	Total	400	100.0	100.0	
<b>14. I do not know how to access government financial schemes through the bank.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	60	15.0	15.0	15.0
	Disagree	77	19.3	19.3	34.3
	Neutral	161	40.3	40.3	74.5
	Agree	102	25.5	25.5	100.0
	Total	400	100.0	100.0	
<b>15. There is a lack of financial education provided by the bank to help me make better financial decisions.</b>					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly disagree	53	13.3	13.3	13.3
	Disagree	70	17.5	17.5	30.8
	Neutral	141	35.3	35.3	66.0
	Agree	128	32.0	32.0	98.0
	Strongly agree	8	2.0	2.0	100.0
	Total	400	100.0	100.0	

Source: field survey

**Hypothesis testing:**

**H02:** Financial inclusion of minority community in banking is low.

**Ha2:** Financial inclusion of minority community in banking is on higher side.

<b>One-sample statistics</b>				
	N	Mean	Std. Deviation	Std. Error mean
1. I find it easy to access bank branches in my area.	400	3.60	.918	.046
2. Banking services are available in locations convenient to the minority community.	400	3.73	.837	.042
3. I have access to basic banking services such as savings accounts and loans.	400	3.75	.889	.044
4. The bank offers digital services (like mobile or internet banking) that are accessible to me.	400	3.88	.782	.039
5. The bank provides sufficient ATMs in my locality for withdrawals and other services.	400	3.53	.837	.042
6. The bank offers financial products that are suited to my needs (e.g., microloans, savings schemes).	400	3.78	.881	.044
7. There are specialized banking products available for minorities in my area.	400	3.58	.834	.042
8. I am aware of different loan schemes provided by banks.	400	3.90	.801	.040
9. The bank provides information on government schemes for minorities.	400	3.55	.866	.043
10. I can easily access financial services like insurance and pension plans.	400	3.73	.837	.042
11. The bank staff are helpful and provide good customer service.	400	3.71	.896	.045
12. The bank staff clearly explain the terms and conditions of financial products.	400	3.88	.813	.041
13. I find the banking process easy to understand and follow.	400	3.63	.887	.044
14. The bank provides assistance in my preferred language.	400	3.68	.819	.041
15. The bank resolves issues and complaints efficiently.	400	3.69	.902	.045
16. I have received adequate information about financial services from my bank.	400	3.90	.801	.040
17. I understand how to use digital banking services like mobile banking apps.	400	3.63	.887	.044
18. The bank organizes awareness programs about banking products and services for minorities.	400	3.67	.902	.045
19. The bank helps minorities in understanding the importance of saving and investment.	400	3.70	.844	.042
20. I feel confident in making financial decisions because of the guidance from my bank.	400	3.90	.801	.040

<b>One-sample test</b>						
	Test value = 0					
	z	Df	Sig. (2-tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
1. I find it easy to	78.460	399	.000	3.600	3.51	3.69

access bank branches in my area.						
2. Banking services are available in locations convenient to the minority community.	88.973	399	.000	3.725	3.64	3.81
3. I have access to basic banking services such as savings accounts and loans.	84.410	399	.000	3.750	3.66	3.84
4. The bank offers digital services (like mobile or internet banking) that are accessible to me.	99.155	399	.000	3.875	3.80	3.95
5. The bank provides sufficient atms in my locality for withdrawals and other services.	84.196	399	.000	3.525	3.44	3.61
6. The bank offers financial products that are suited to my needs (e.g., microloans, savings schemes).	85.690	399	.000	3.775	3.69	3.86
7. There are specialized banking products available for minorities in my area.	85.697	399	.000	3.575	3.49	3.66
8. I am aware of different loan schemes provided by banks.	97.378	399	.000	3.900	3.82	3.98
9. The bank provides information on government schemes for minorities.	82.018	399	.000	3.550	3.46	3.64
10. I can easily access financial services like insurance and pension plans.	88.973	399	.000	3.725	3.64	3.81
11. The bank staff are helpful and provide good customer service.	82.808	399	.000	3.710	3.62	3.80
12. The bank staff clearly explain the terms and conditions of financial products.	95.322	399	.000	3.875	3.80	3.95
13. I find the banking process easy to understand and follow.	81.758	399	.000	3.625	3.54	3.71
14. The bank provides assistance in my preferred language.	89.724	399	.000	3.675	3.59	3.76
15. The bank resolves issues and complaints efficiently.	81.747	399	.000	3.685	3.60	3.77
16. I have received adequate information	97.378	399	.000	3.900	3.82	3.98

about financial services from my bank.						
17. I understand how to use digital banking services like mobile banking apps.	81.758	399	.000	3.625	3.54	3.71
18. The bank organizes awareness programs about banking products and services for minorities.	81.398	399	.000	3.670	3.58	3.76
19. The bank helps minorities in understanding the importance of saving and investment.	87.712	399	.000	3.700	3.62	3.78
20. I feel confident in making financial decisions because of the guidance from my bank.	97.378	399	.000	3.900	3.82	3.98

**Interpretation:**

H2 is one sided, we shall determine the rejection region applying one tailed **z test** (in the right tail) at 5 percent level of significance.

**Accepted region:  $z < \pm 1.96$** 

The observed value of z for all the statements is less than **1.96 i.e.  $0.00 < 1.96$**

Thus, the alternate hypothesis- is accepted and we can conclude that **“financial inclusion of minority community in banking is on higher side in aurangabad district.”**

**CONCLUSION**

The analysis of customer data indicates that financial inclusion in the region is well-established, as evidenced by the complete banking penetration among respondents. However, the demographic profile of the customers—characterized by a predominantly young and middle-aged population with high educational attainment—suggests that while these individuals are receptive to banking services, there remains a disparity in service delivery and outreach that could potentially hinder deeper financial engagement. The majority of customers expressed satisfaction with the accessibility of branches and digital banking services, yet a considerable number remain neutral on aspects such as product clarity, procedural simplicity, and the efficacy of communication by bank staff. This neutrality points to the existence of gaps in service quality and the dissemination of financial information.

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