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An Analysis on the role of scheduled Banks on the Socio Economic upliftment of different Sections of the Society in Odisha: With Special reference to Puri, Keonjhar and Dhenkanal districts (India)

Un análisis sobre el papel de los bancos programados en la mejora socioeconómica de diferentes secciones de la sociedad en Odisha: con especial referencia a los distritos de Puri, Keonjhar y Dhenkanal

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ABSTRACT
Economic upliftment is a process whereby an economy's real income increases over a long period of time. Economic upliftment absolutely depends on an increase in the output of scarce goods and services in the modern times. It therefore refers to the process whereby, the citizens of a country come to utilize the resources available there to bring about a sustained increase in product per capita. The measurement of the growth in the per capita real income is the only significant parameter of economic upliftment. Capital or Finance is the key to economic development of any developing country. It should not only be generated, but also be harnessed and channeled into productive areas of investment, preferably in capital intensive sector. In this regard the role played by financial institutions is of utmost importance. Bank credit always plays an important role in accelerating the process of economic development. It adds to investible resources of the economy in a context where such resources are scarce in supply. By financing the productive process in the high priority sectors of the economy, it increases the aggregate volume of output and then the level of employment in the system. Bank credit utilizes the real resources of the economy in the most productive channel for the overall development of the country. In order to maximize the productive use of scarce Bank credit from the point of view of the society as a whole it is necessary to divert the flow of credit from those lines along which credit naturally tends to flow, into other fields whose development is considered to be socially and economically important.
Keywords: Economic upliftent, per capita real income

RESUMEN
La mejora económica es un proceso por el cual el ingreso real de una economía aumenta durante un largo período de tiempo. La mejora económica depende absolutamente de un aumento en la producción de bienes y servicios escasos en los tiempos modernos. Por lo tanto, se refiere al proceso

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por el cual los ciudadanos de un país utilizan los recursos disponibles para lograr un aumento sostenido del producto per cápita. La medición del crecimiento del ingreso real per cápita es el único parámetro significativo de la mejora económica. El capital o las finanzas son la clave del desarrollo económico de cualquier país en desarrollo. No solo debe generarse, sino también aprovecharse y canalizarse hacia áreas productivas de inversión, preferiblemente en el sector intensivo en capital. En este sentido, el papel desempeñado por las instituciones financieras es de suma importancia. El crédito bancario siempre juega un papel importante en la aceleración del proceso de desarrollo económico. Se agrega a los recursos invertibles de la economía en un contexto donde dichos recursos son escasos en oferta. Al financiar el proceso productivo en los sectores de alta prioridad de la economía, aumenta el volumen agregado de producción y luego el nivel de empleo en el sistema. El crédito bancario utiliza los recursos reales de la economía en el canal más productivo para el desarrollo general del país. Para maximizar el uso productivo del escaso crédito bancario desde el punto de vista de la sociedad en su conjunto, es necesario desviar el flujo de crédito de aquellas líneas a lo largo de las cuales el crédito tiende naturalmente a fluir, hacia otros campos cuyo desarrollo se considera Ser social y económicamente importante.

Palabras clave: Elevación económica, ingreso real per cápita

1. Introduction

Among the financial institutions, the banking system is obviously the most, eminent constituent not only quantitatively but also qualitatively. Banking is one of the basic industries influencing the process of development. The role of individual bankers is no doubt essentially a passive one, but the role of the Banking system as a whole is both active and important for economic development (Meir and Baldwin, 1976). The commercial Banks play a pivotal role in capital formation. One should not underplay the role Banks have played in the economic development of the country so far, particularly in regard to the growth of savings ratio. This ratio has gone up from about 10 per cent in the fifties to 23 per cent today. This is no mean achievement for a developing country like India. Bank credit always plays an important role in accelerating the process of economic development. The process of economic development is very often obstructed by various domestic obstacles which are both the cause and consequence of poverty. The many hindrances tend to perpetuate a low level of economic development which results in further obstacles as in a “vicious circle”. “A vicious circle of poverty implies a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty`` (Nurkse, 1953). The basic vicious circle is caused due to capital deficiency along with market imperfections. This results in low real income due to low productivity, and hence low savings and investment which further result into capital deficiency.

In view of the vicious circle of perpetuated underdevelopment, it becomes necessary to break the process by way of Governmental planning which involves intervention by the state in the process of economic development. Planning for development, therefore, has the objective of raising the level of savings and investment; by removing the locational imbalances in banking expansion (Ballal, Murali.1979). In the light of this, monetary policy becomes a conscious instrument of planning which accelerates the process of economic development. Capital formation is one of the most important factors in the process of economic development. The volume of capital formation is determined by the volume of real savings in the country which depends on ability, willingness and opportunity to save by the public. Economic growth can be regarded as a direct function of industrial growth. The history of all the under developed countries shows that their periods of under development have always been characterized by hindrances from industrial sickness (Ghosh, 1991). The crucial role of the Banking system for encouraging institutionalized savings and then channelling such acquired funds in desired direction in India, for that proper credit planning is needed with the progress of banking (Bhat 1986), Over the years, there has been increasing co-ordination and integration of Planning and Banking for regional development by matching resource potential of the region and the desired pattern of development with bank finance.

2. Literature review

In this section, a review of some important research studies in the field of Banking conducted by different scholars at various points of time has been made. Studies at national level: Ghosal (1988) has made an attempt to analyze the role of commercial Banks in the economic growth of a developing economy like India. They have identified various stages of economic growth and established that Commercial Banks have a greater role to play in different stages of economic growth. In the same line, Goyal (1998) has emphasized that Banking as an important sector of Indian economy vas the fountain head of financing every- scheme and also different sectors of the economy. Bhabatosh (1998) has evaluated the growth of banking activities in the country since nationalization and concluded that the objective of nationalization has not been achieved so far. In this context, Chippa (1987) revealed that the steps taken to achieve the objectives of nationalization of Commercial Banks have brought about structural and qualitative changes in the profile of Indian Banks.

Regional studies on Banking: Viswanathan, (1989) has highlighted the role played by Banks in the socio-economic transformation of the country with special reference to Odisha during post-nationalization period. Sharma (1985) has put forth the Banking development in the state of Odisha during the post-nationalization era. He has presented the summary of different schemes and its impact on the banking development of the state.

Relevance of the study: A brief review of the various research studies reveals that studies already conducted in the field of Commercial Banks' Involvement in the process of economic development relates to the financing aspect and the impact of Bank finance on the socio-economic upliftment of different sections of the society. Most of the above works relate to all India level studies. However, there are quite a few studies conducted at regional level. Though a few studies relating to the growth of Commercial Banking in the State have been conducted, there has been no sincere attempt made yet to assess the role of Bank finance for the economic development of the State. The present study is a sincere attempt to analyze both the flow and impact of Bank finance on the economic development of the state. Its focus is regional and pertains to the State of Odisha. It may be treated as an addition to the existing bulk of literature in the field of banking studies at the regional level.

3. Research objectives

In this back-drop the major objectives of this work are as follows:

(i) To study the growth and development of Banking in the state Odisha.

(ii) To analyze the flow of Bank finance to Agriculture and Allied activities; Industry and other sectors such as trade; transport activities; financial help to the professional and the self-employed;

(iii) To evaluate the contribution of the commercial Banks in bringing about a balanced economic development between the different sectors and regions;

4. Scope and period of the study

The Commercial Banks in the study refers to only scheduled Commercial Banks and does not includes Regional Rural Banks (RRBs) which constitute more than 98 per cent of the total Commercial Banks operating in the country. Economic development in the present work has been explained through the flow of Bank fund to different sectors of the economy and its impact on the borrowers of different sectors for their socio-economic upliftment.

The study basically covers the financing function of Commercial Banks and does not include non-financial services of the Banks like E.D.P., Merchant Banking, and Project consultancy services etc. The study relates to a period of 5 years from 2015 to 2020.

5. Research methodology

5.1. Data base

The study is based on two sets of data: Primary and Secondary. The secondary data have been collected from various publications of Reserve Bank of India and State and Central Government. The Publications of Reserve Bank of India include banking statistics (Basic Statistical Returns), Statistical Tables relating to Banks in India. The relevant materials at the Government level have been collected from Economic Survey of Odisha (different issues).Apart from these; some classified data have also been collected from Regional Office of Reserve Bank of India, Bhubaneswar The primary data have been collected by making a field survey. The information was collected from the sample beneficiaries through a set of pre-tested questionnaire personally by the present researcher. The sample beneficiaries were selected by Stratified Random Sampling method.

5.2. Sample design

There are 30 districts in the State. Out of them few districts are developed and few districts are under developed districts. At the first stage one district from the developed districts, Puri, one district from the under developed districts; Keonjhar and one district from developing district Dhenkanal have been selected. At the second stage two blocks from each district have been chosen at random. At the third stage 5 villages from each block selected are taken. At the fourth stage sample beneficiaries of the banks have been selected from each village on random basis from different sectors of the economy, In total 100 sample beneficiaries were selected comprising of Agriculture, Allied activities, Small- scale industry, rural artisans and Service sector. The sample includes beneficiaries from Purl district, Dhenkanal district and Keonjhar district.

5.3. Hypothesis

To further examine the contribution of commercial banks to economic development of Odisha, Analysis of relationship between their credit to the economy and development is made here. The idea is to establish if the facilities they extended to the various productive sectors of the economy had any positive impact on development. To achieve this, the following hypotheses are formulated for testing.

5.4. Test of hypothesis I

H0: There is no significant relationship between commercial bank credits to the primary sector and development of it.

H1: There is significant relationship between commercial bank credits to the agricultural sector and allied sector and development of it.

5.5. Test of hypothesis II

H0: There is no significant relationship between commercial bank credits to industrial activity and development of it.

H1: There is significant relationship between commercial bank credits to the industrial activity and development of it.

5.6. Test of hypothesis III

H0: There is no significant relationship between commercial bank credits to the other sector and development of it.

H1: There is significant relationship between commercial bank credits to the other sector and development of it.

5.7. Techniques / tools for analysis

The information collected from both Primary and Secondary sources are suitably classified and tabulated for the purpose of analysis and interpretation. The analysis has been made with the simple statistical tools of analysis like ratio, percentage along with the following techniques and tools which are discussed in detail.

5.8. Limitations

The sample chosen for the present study is relatively a small sample, when it is compared with the borrowers of different sectors of the economy. The sample therefore may not reflect all the genuine characteristics of the universe. All the limitations associated with the small samples exist in the present study. It is not possible to make an objective assessment of the impact of Bank finance on the borrowers, because there are many other factors which are responsible for it. However finance is a catalytic factor is presumed to play the most important role in the process of economic development.

6. Results and discussion

6.1. Impact on irrigation

As a result of various minor irrigation activities facilitated by bank loans the proportion of Net Cropped Area (NCA) under irrigation pertaining to sample borrowers witnessed an increase (From 32.7 per cent to 38.6 per cent). In the area of minor irrigation activities, bank financing related to buying/hiring of pump sets, installation of L.I. points, development of wells, digging and deepening of wells, tube wells etc. Table-1 presents the impact of bank finance on the extension of irrigation facility.

Table 1

Impact on extent of Irrigation

District	Pre-loan	Post-loan	Variation in (Percentage points)
Puri	55.8	63.8	+ 8.0
Dhenkanal	22.3	27.8	+ 5.5
Keonjhar	17.7	22.3	+ 4.6
Total	32.7	38.6	+ 5.9

Source: Compiled Data

A glance at the data presented in Table-1 reveals that the positive variation in the extent of irrigation in all the districts was not very significant. Among the districts covered under study Puri witnessed a higher positive variation due to better infrastructural facilities. The change in Dhenkanal and Keonjhar was very little which indicates the marginal impact bank finance had on the extent of irrigation.

6.2. Impact on cropping intensity

The bank finance for term loans for minor irrigation schemes, agricultural implements, plough and bullock, reclamation of land and the crop loan for purchase of inputs, have a direct impact on cropping intensity. The cropping intensity is :

$$\frac{Gross\ Cropped\ area}{Net\ cropped\ area} \times 100$$

Availability of inputs due to bank finance encouraged farmers owning fallow land to go in for cultivation. This facilitated diversification of the cropping pattern to a large extent. It can be seen from the table-2 that taking all the districts together the cropping intensity has increased by 25.8 percentage points. It is also observed that the cropping intensity in case of big and large farmers was more than that of marginal and small farmers during the pre-loan and post-loan periods in all the individual districts as well as taking all the districts together. But the increase in the cropping intensity in the post-loan period in case of marginal and small farmers was more than big and large farmers in all the districts as well as in the total sample beneficiaries.

Table 2
Impact of Cropping Intensity (In percentage)

District Category	Pre-Loan	Post-Loan	Variation in percentage points
1	2	3	4
PURI			
Marginal and Small	246.2	323.0	38.4
Big and Large	337.6	360.6	11.3
Total	890.8	341.4	25.3
DHENKANAL			
Marginal and Small	208.6	281.2	36.8
Big and Large	238.6	297.4	29.6
Total	222.2	288.6	38.2
KEONJHAR			
Marginal and Small	191.8	231.0	19.6
Big and Large	206.4	337.6	15.6
Total	197.8	333.8	18.0
TOTAL			
Marginal and Small	218.6	278.8	31.8
Big and Large	267.6	305.9	18.9
Total	239.0	290.8	25.8

Source: Compiled Data

Table 3
Impact on usage of Fertilizer, Pesticides, Manures etc (In percentage)

District Category	Pre-Loan Rs.	Post-Loan Rs.	Increase in percentage
1	2	3	4
PURI			
Marginal and Small	388	480	23.7
Big and Large	460	680	36.4
Total	424	538	26.9
DHENKANAL			
Marginal and Small	246	400	62.5
Big and Large	340	472	38.6
Total	288	432	50.0
KEONJHAR			
Marginal and Small	222	284	27.9
Big and Large	272	318	16.9
Total	242	298	22.3
TOTAL			
Marginal and Small	284	388	36.6
Big and Large	368	480	30.4
Total	322	430	33.5

Source: Compiled Data

Table 4
Impact on Income per borrowers (Service Sector)(Amount in Rupees)

Sl. No.	Name of the Activity	PURI			DHENKANAL			KEONJHAR			TOTAL		
		Pre (Rs.)	Post (Rs.)	% of change	Pre (Rs.)	Post (Rs.)	% of change	Pre (Rs.)	Post (Rs.)	% of change	Pre (Rs.)	Post (Rs.)	% of change
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Small business	6440	10626	+65.0	7080	11380	+61.0	5294	9768	+35.0	6272	10590	+69.0
2	Tailoring	5000	10000	+100.0	4800	8000	+67.0	3600	9000	+15.0	4466	9000	+102.0
3	Hair cutting	5200	6800	+31.0	5400	6000	+11.0	4200	4800	+14.0	4934	5866	+19.0
4	Repairing shop	1460	20400	+40.0	13000	18200	+40.0	6800	8200	+21.0	11466	15600	+36.0
5	Rickshaw pulling	11400	15600	+37.0	10680	15400	+44.0	9600	12400	+29.0	10362	14466	+37.0
6	Transport operation	2000	8000	+300.0	15000	64000	+326.0	16000	60000	+275.0	17000	68000	+300.0
Total		10072	22806	+126.0	9304	202558	+118.0	7582	17240	+127.0	8986	20118	+124.0

Source: Compiled Data

Table 5
Depicts the family income pattern of poultry sample borrowers in the pre-loan and post-loan period.

District	Pre-loan Rs.	Post-loan Income			Percentage of change
		Poultry Rs.	Other Sources Rs.	Total Rs.	
Puri	4,500	2,000 (33.3)	4,000	6,000	+ 33.3
Dhenkanal	4,200	1,500(27.8)	3,900	5,400	+ 28.6
Keonjhar	2,800	1,300(37.1)	2,200	1,500	+ 25.0
Total	4,040	1,660 (31.6)	3,600	5,260	+ 30.2

Source: Compiled Data

Hypothesis Testing: To further examine the contribution of commercial banks to economic development, analysis of the relationship between their credit to the economy and the socioeconomic development is made here. The idea is to establish if the facilities they extended to the various productive sectors of the economy had any positive impact on them. Pearson's correlation technique is adapted to establish relationships between the variables and student's t test was used to test the significance of relationships established. For Pearson's correlation coefficient and decision are below:

(i) Pearson's correlation coefficient

rxy =**√**nΣxy - ΣxΣy

√ {nΣx2 – (Σx) 2}{nΣy2– (Σy) 2}

(ii) Decision rule:

Accept Ho: if tc < tt Degree of freedom = n-2 = 8 Level of significance = 5%

Reject Ho: if tc > tt

tt for 2 tailed test = 1.86

Where tc =**√** (rxy) (n-2)/ **√** 1-(rxy) 2

Test of Hypothesis I

Hypothesis Tested:

H0: There is no significant relationship between commercial bank credit to the agricultural sectors with allied activities and development of it.

Table 4

	Var 00003	**Var 00001**
Var 00003 Pearson's correlation Sig (2 tailed) N	1 - 17	.786** .000 17
Var 00001 Pearson's correlation Sig (2 tailed) N	.786** .000 17	1 - 17

Source: Complied Data

H1: There is significantly relationship between commercial bank credit to the agricultural

Sector with allied activities and development of it.

Correlations Result

**Correlation is significant at the 0.01level (2 tailed)

Summary of Results:

rxy=0.8 tc=7.00 tt=2.13 Decision: Since tc > tt we reject H0 and accept H1

Test of Hypothesis II

Hypothesis Tested:

H0: There is no significant relationship between commercial bank credit to the other sector and development of it.

H1: There is significantly relationship between commercial bank credit to the other sector and development of it.

Table 5
Correlation results

	Var 00003	**Var 00002**
Var 00003 Pearson's correlation Sig (2 tailed) N	1 - 17	.883** .000 17
Var 00002 Pearson's correlation Sig (2 tailed) N	.883** .000 17	1 - 17

Source: Complied Data

**Correlation is significant at the 0.01level (2 tailed)

Summary of Results:

rxy=0.8 tc=7.00 tt=2.13 Decision: Since tc > tt we reject H0 and accept H1

Test of Hypothesis III

Hypothesis Tested:

H0: There is no significant relationship between commercial banks credit to the industry and development of it.

H1: There is significant relationship between commercial banks credit to the industry and development of it.

Table 6
Correlation Result

	Var 00004	**Var 00005**
Var 00004 Pearson's correlation Sig (2 tailed) N	1 - 17	.801** .000 17
Var 00005 Pearson's correlation Sig (2 tailed) N	.801** .000 17	1 - 17

Source: Complied Data

**Correlation is significant at the 0.01level (2 tailed)

Summary of Results:

rxy=0.80 tc=5.16 tt=2.13

Decision: Since tc > tt we reject H0 and accept H1

6.3. Findings

Pearson's correlation coefficient showed strong positive relationship between commercial banks credit to the agricultural sector with allied activities and development of it. This position was confirmed by the student's t test which established that this relationship is significant. This implies that agricultural sector is getting the much required. Also a significant positive relationship was established between commercial banks credit to the other sector and development of it. Same scenario played out between commercial banks credit to the industry and development of it, Giving rise to the rejection of the null hypotheses. The implication of that is the credit commercial banks contributed significantly to these sectors' productivity.

During the two decades after nationalization of commercial banks, Orissa witnessed a phenomenal growth in branch expansion, deposit mobilisation and credit deployment. The number of branches increased from 1111 (1.2 per cent of the all India figure) to 1850 at the end of study (i.e. 3.3 per cent of the total number of branches at the all India level). The growth rate of branch expansion was higher during the initial period. The average population served per branch had been reduced sharply indicating phenomenal improvement in banking facilities provided by commercial banks in the state.

The disparity between the back-ward and non-back-ward districts of the state had been reduced over the period of time. The co-efficient of variation of number of branches per million populations came down from 78.02 per cent to 9.13 per cent at the end of the period.

The commercial banks have opened 79.24 per cent of new branches in unbanked areas during the period of study. The growth of banked centres was more in the back-ward districts than the non-back-ward districts. The volume of deposits mobilised by the commercial banks in the state increased from Rs.36 crores to Rs.1829 crores. The deposits as percentage of state income increased from 4.06 to 31.11. The per capita deposit of Orissa was Rs.612 in the state against Rs.1792 at national level. The percentage of rural deposits to total deposits mobilised in the state was much less than the percentage of rural branches to total branches in the state. This is ascribed to the lower per capita income of rural folks, greater attachment of the rural people to land, immovable property and precious metals poor banking habit among rural people and lack of initiative taken by banks to motivate rural people to deposit their savings in the banks.

The disparity between the districts as regards deposit mobilisation has been, reduced at a low pace. The amount of credit deployed by commercial banks in the state rose from Rs.18 crores to Rs.1535 crores.

7. Conclusion of the study

Financial institutions play a pivotal role in raising the capital formation which is the most significant variable in the process of economic development. Among the financial institutions, commercial banks comprise the largest repository of the economy's liquid resources, and therefore, the lending policy followed by the banks has a great influence in shaping the economy. It then becomes the banking system's responsibility to ensure that productive needs of all the sectors and regions of the economy are met by them. This would mean that geographically as well as sartorial the credit gaps of the economy have to be carefully identified and suitably filled. After the nationalization of the major commercial banks, banking system in India has undergone a major structural transformation both qualitatively and quantitatively. Banks during the last two decades have emerged as effective catalytic agents of socio-economic, change in our country.

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