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FINANCIAL INCLUSION and ECONOMIC GROWTH OF JAMMU and KASHMIR STATE: AN EMPERICAL ANALYSIS

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ABSTRACT

Purpose: The purpose of this study is to examine the role of various commercial banks in determining the extent of financial inclusion in the state of Jammu and Kashmir. The study also provides the impact of financial inclusion on the growth of Jammu and Kashmir economy.

Design/Methodology: The Secondary data were collected from reports, books, the government of India, journals, state-level banker's committee reports, census 2011, economic surveys and websites and various banks of Jammu and Kashmir state. The period under consideration for the study is ten years from 2005-2006 to 2014-2015. The data has been analyzed by applying multiple regression as the main tool.

Finding: The level of financial inclusion in the remote state of Jammu and Kashmir is remaining low. Financial information from various sources and awareness of self-help groups, Kisan credit card, financial literacy is an influential factor lending to financial inclusion. Nearness to banks and post office, banks likely to increase the inclusion. Other factors like recipients of government benefits are helpful for various urban people such as PMJDY, SBJY etc. shows an increasing level of financial inclusion. But the recipients of government benefits in rural people individually do not facilitate inclusion.

Keywords: commercial banks, financial inclusion, inclusive growth.

I.INTRODUCTION

The term financial inclusion plays an important role in developing countries like India. In India, the term financial inclusion has been widely used for the past five years. Financial inclusion usually refers to the delivery of banking services at an affordable cost to the vast section of the weaker section and low-income groups. It is true that the banking sector has shown tremendous growth in volume and complexity during the last few decades as for as financial inclusion is concerned. The majority of the people in India lives in a rural part of the country. At the present seventy percent of the people in India live in villages. High level of rural indebtedness is identified. As the root cause of rural poverty village money lender was the focal point on which rural credit system mostly dependent/ the majority of people living rural area remains excluded from the purview of financial institution even after 70 years of independence

Financial inclusion is an important technique to achieve the success of inclusive growth. Inclusive growth is essential for the development of the country. Financial sector reforms are also one of the main indicators of inclusive growth. Since independence various reforms and measure have been taken by the government of India to increase the financial sector. Immediately, after independence, cooperative banks to provide credit for

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agriculture followed by nationalization of banks in 1969 and priority sector lending. In the era of liberalization in 1991 onwards various changes have been seen in the structure of the financial sector, such as interest rate, delicencing privatization, etc. keeping the main social objective in mind various steps has been taken by the government of India to improve the growth of the economy. Because the poor get benefits from the share of subsidized credit and priority sector lending main initiative has been taken to fill the gap of poor and financial inclusion. Those steps are as national bank for agriculture and rural development (NABARD) established the Self-Help Groups (SHG) bank linkage programs was followed by Kisan Credit Card (KCC) scheme in 1998-99 for the welfare of farmers. Recently there are various other schemes has been established by Reserve bank of India and the government of India are trying to launch new schemes to achieve the financial inclusion, namely; launching of Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) of course, these schemes provide insurance at low cost for achieving financial inclusion. As for as Pardhan Mantri Jan Dhan Yojana is concerned is one of the main scheme for the welfare of the poor. PMJDY Is one of the national mission for financial inclusion to ensure access to financial services, such as banking, saving and deposit account, insurance, pension, credit, remittance is an affordable manner. Accounts open under PMJDY are being opened with zero balance, no frills account faces many difficulties commercials banks and their staff have to gear up to meet the increase of large number of accounts, especially in the rural and remote area of the nation. There are still large numbers of the population with no proper access to a bank branch. However, PMJDY sends an important message that a formal financial institution such as banks are best suited to increase the mission of financial inclusion. If we talk about the past where most financial inclusion measures were supply led. Here by asking people to open no frills account, this process has haphazardly demanded driven. The technology could also play and important role to increase the financial inclusion. Reserve bank of India suggests to all the banks in India to providing no frills account and reducing know your customer for achieving the goal of financial inclusion.

As for as Jammu and Kashmir state is concerned is one of the most secluded state of India with low level of financial inclusion and high poverty. The state is divided into three main regions Jammu, Kashmir and Ladakh all the region different from another. Financial inclusion plays an important role in the upliftment of the weaker section and low-income groups at an affordable cost. To achieve the objective of financial inclusion in the state various initiatives taken by the banking fraternity in the state. The Jammu and Kashmir state level banker committee have established Jammu and Kashmir bank is the leading bank of Kashmir and Ladakh region and state bank of India in the Jammu region JKSLBC to provide various banking facilities to the people such as saving account, no frills account business correspondent, financial literacy camp to provide awareness to the poor and underprivileged people. The present study is an attempt to look into the role of various commercial banks in the state of Jammu and Kashmir and impact analysis of financial inclusion on the growth of Jammu and Kashmir economy.

II.PROFILE OF THE JAMMU AND KASHMIR STATE

The state has a population of 1,25,48,926 with a population density of 56 and literacy rate 67.74. the state has been divided into three divisions; Jammu with 10 districts, Kashmir with 10 districts and ladakh with 2 districts (census 2011). The state 2 leads banks; j and k bank for all 10 district of Kashmir division and district Rajouri and district Poonch of Jammu division, and state bank of India for 8 remaining districts of Jammu division and 2 district of ladakh division (104th JKSLBC report). The state has21.63% of its population living below poverty line (Economic survey 2007-08).in such a scenario, the banking profile of the state (exhibited in table 1) consists of 24 public sector banks having 482 branches, 9 private sector bank with 898 branches. 2 regional rural banks having 723 branches and10 cooperatives banks having 268 branches. In total there are 46 banks operating in the state with 2385 branches.

Table no 1 Banking/financial sector profile of J and k state.

Banking profile of the state		Public sector banks	Private sector banks	Regional rural banks	Cooperatives banks	Other financial institutions	Total banks
	Banks	24	9	2	10	1	46
	Branches	482	898	723	268	14	2385
Banking parameters (amount in RS. crores	Total deposits	Total advances		C.D. Ratio	Advanced to priority sector	Share of priority sector advances to total advances	
	99,264.61	44,305.60		44.63%	21,394.02	48.49%	

Source: 104th JKSLBC Report.

PROBLEMS THAT PEOPLE ARE FACING

During study it is observe that the people are facing number of problems from the banks so far as financial inclusion is concerned. A few to mention are as under.

LACK OF AWARENESS

Most of the people about 70% in state of Jammu and Kashmir are illiterate and are not aware about the various services offered by banks. Due to this, the majority of people are not connected to the banks.

POOR PEOPLE

Majority of the population in the state of Jammu and Kashmir is living below poverty line about 63% and are not in a position to maintain the account well. These people open the bank account only for the purposes of realization of MGNREGA payments. They do not operate the account there after. The majority of the people narrated that they are not having regular source of income and are leading miserable life that they do not having regular saving and hence cannot make any operation in the account.

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Financial institutions are usually located at very far off centre from village which is also another problem for opening of the bank account in branches and there is also a problem of connectivity of roads.

TIME CONSUMING

Most of the processes of the banks are time consuming and labourers have to spend a number of days to avail any services and in return they feel not to avail the same.

LACK OF FINANCIAL EDUCATION

Most of the people of Jammu and Kashmir are illiterate and are not aware about various schemes offered by the banks. Financial institutions are taking number of formalities for opening of the account. Moreover, bank account opening forms are generally in English and these illiterate people cannot understand their contents and are reluctant to open the account.

III.REVIEW OF LITERATURE

Bader Alam Iqbal and Shasta, (2017) analyzed the role of banks in financial inclusion in India. The main purpose of this paper to examine the present situation of financial inclusion in India and what is the impact of financial inclusion indicators on the growth of Indian economy. In his studies finds that the positive significant impact of a number of bank branches and the credit-deposit ratio of banks of the gross domestic product. Whereas as one indicator of financial inclusion is concerned. ATMs growth has been shown a statistically insignificant impact on the Indian gross domestic product. Hence the observed that financial inclusion is strongly associated with the progress and development of the economy. In spite of this he also suggests there should be a proper need to financial inclusion regulation in the country to achieve proper financial services and awareness camps, financial education, etc. thus financial inclusion is a big road which India needs to travel to make it completely successful.

Disha Bhanot, Varadraj Bapat, Sasadhar Bera, (2012) in their paper an attempt to understand and estimate the factors which are crucial in determining the extent of financial inclusion in the geographically remote area. The authors selected the northeast region in view the socioeconomic profile of the regions, while using the primary data for analysis. The finding of the study reveals that the performance of the financial inclusion in northeast India remains very low. Income, financial information from various channels and awareness of self-help groups and education are influential factors lending to inclusion. They further suggest banks and policymakers should work in close coordination to spread financial information.

Priyanka Yadav, Anil Kumar Sharma, (2016) in their paper made an attempt to understand the uses an index of financial inclusion in which computes the composite index of financial inclusion in different states and UTs across the India. The finding of the study reveals that the performance of the financial inclusion for India on composite IFI has increased during the study period. The Share of agriculture to state domestic product, literacy ratio, population density, infrastructure development, etc. is a significant factor affecting financial inclusion. A composite multi-dimensional index of financial inclusion has been built by using three broad dimensions were considering, banking penetration, availability of the banking services and usages of the banking system.

The paper by Thankom Arun, Rajalaxmi Kamath (2015) discusses the policies and practices of financial inclusion. Financial inclusion is firmly a key indicator of most of the governments. Because most of the

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government concern with financial inclusion across the world. The study measures adoption and utilization of proper financial products of the 30 countries globally. The study covers the fully adult population in the countries. Including salaried employees, self-employed, owners of business welfare dependents and farmers. The finding of the study applies not only to consumers but also to business. Especially small and medium sized businesses. The study also finds the global micro-scope of financial inclusion assess the policy environment for financial inclusion in 55 countries. The micro-scope examines 12 policy dimensions essential for creating a solid regulatory and institutional framework within which financial inclusion can develop.

Shashank Bansal, (2014) suggests that the economic welfare and growth of a nation depends upon the accessibility of people to financial product and services. Efficiently mobilizing their household saving and allocating them effectively to the growing credit requirement of the economy helps in sustainable development of the country, government, reserve bank of India and the banking sector are making a tremendous effort to bring every selection of the country into the mainstream financial system. Modern information and communication technology (ICT) can act as a tool to develop a platform which helps us to extend the financial services in remote area. Technology intervention helps banks to reduce their costs, to increase customer reachability and in better management of business risk. Financial inclusion in true sense would mean not only to make people aware bit encourage them to buy the financial products and services. The institutions must foresee the challenges lying ahead and take necessary steps to support the policies of inclusive growth. ICT may act as a tool to overcome those challenges and provides us a platform to reach customers directly. ICT not only helps us to bring the cost of transaction significantly, but also provide as a competitive medium. This ICT creates the win-win situation for both banks and customers.

Rangarajan Committee (2008) on financial inclusion stated that: “Financial inclusion may be defined as 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.’’ The financial services include the entire gamut of saving, loans, insurance, credit, payments, etc. the financial system is expected to provide its function of transferring resources from surplus to deficit unit, but both deficit and surplus units are those with low incomes, poor background, etc. by providing these services, the aim is to help them come out of poverty.

Sreelatha Guntupali (2016). Suggests that financial inclusion can be called a movement, initiated by various committees of the reserve bank of India, to achieve the goal of bringing in low income and disadvantaged groups of economists into ambient of banking and financial services. As part of the national mission of financial inclusion, the Pradhan Mantri Jhan Dhan Yojana PMJDY, is an important approach of government of India to bring ‘universal access’ to banking facilities to every household, improve financial literacy access to credit, insurance and pension facilities to every individual. So we can say that Pradhan Mantra Jhan Dhan Yojana is a comprehensive approach of including every individual and every household in the country in the banking fold.

Vipins Kumar Agarwal (2014). Suggests that India is at moderate level of financial inclusion as compared to other countries on different ways, there are many constraints to promote financial inclusion in India like financial literacy, poverty, advanced technology etc. So, we can say that the inclusive growth is not possible. Inclusive growth is [possible through a proper mechanism which channelizes all the resources from top to bottom. Thus, there is a titanic need to adopt strategies like adaptation of advanced technology, opening up the bank branches in rural areas, no frills account, use of regional languages etc. to strength financial inclusion. Also, in order to achieve the goal of total financial inclusion, policy maker, banks, MEIs, NGOs and regulators have to work together.

M M Gandhi (2013) suggests that the need of mature, positive attitude and approach and sound strategy to achieve complete financial inclusion. Also suggests some business models and essential elements of profitable models for financial inclusion so as to increase the meaningful and wholehearted participation of the banks in achieving complete financial inclusion.

Nitin Kumar (2013), in his paper title financial inclusion and its determinants. Suggests that branch network has an unambiguous beneficial impact on financial inclusion. Both proportion of factor and employee has turned out to be important determinants of penetration indicators. The finding reveals the importance of a region’s socioeconomic and environmental setup in shaping banking habits of the masses. Using a test of convergence, it is found that region tend to maintain their respective level of banking activity, with no support for class gap.

In the late 1970s, prof. Yunus introduced to the concept of micro-credit, the extension of small amounts of collateral-free institutional loans to jointly liable poor group members for their self-employment and income-generation through the Grameen Bank innovation (Yunus, 1998). By the 1980s micro credit programs throughout the world defined the conventional wisdom about financing for the poor. In the early 1990s, the term “microfinance’’ rather than “microcredit” began to be used to refer to a range of financial (savings, loans, insurance, etc.) as well as non-financial (training and education programs, building leadership, etc.) services to the excluded majority by use of innovative lending mechanisms such as group leading, dynamic incentives, regular payment schedules and collateral substitutes (Morduch, 1999).

Kavishwav N Nalawade, (2010). Suggests that a need for coordinated action between the banks, the government and others to facilitate access to bank account among the financially excluded.

SCOPE OF THE STUDY:

The study covers the state of Jammu and Kashmir. In this study, the researcher evaluated the role of various commercial banks and impact analysis of financial inclusion on the growth of Jammu and Kashmir economy. In accelerating the development, eradication of poverty through more and more financial services by ensuring the stability of financial and contributing toward the growth of the state economy. The finding and conclusion are drawn from the secondary data.

OBJECTIVES OF THE STUDY:

1. To study the role of various commercial banks in Jammu and Kashmir state for financial inclusion.
2. To study the impact of financial inclusion on indicators of growth of Jammu and Kashmir state.
3. To suggest remedial measure.

IV.RESEARCH METHODOLOGY

The study is based on the secondary data, which has been collected from reports, research articles, books, government of India, journals, state level banker’s committee reports, census 2011, economic surveys and

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websites and various banks of Jammu and Kashmir state. The period under consideration for the study is ten years from 2005-2006 to 2014-2015. Data has been analysed by applying multiple regression as a main tool. Multiple regression analysis has been used to established an empirical relationship between financial inclusion and growth of the state. The present taking gross state domestic product (GSDP) as a dependent variable and independent variables are number of bank branches in the state and credit deposit ratio.

$Y = b0 + b1X1 + B2X2 + u$

Where Y = Gross state domestic product (GSDP)

X1 = Number of bank branches

X2 = Credit deposit ratio

V.RESULT AND DISCUSSION

ROLE OF VARIOUS COMMERCIAL BANKS FOR FINANCIAL INCLUSION IN JAMMU AND KASHMIR STATE.

Bankers throughout the country have been thriving to achieve the allocated targets towards financial inclusion and so have the bankers of the state of Jammu and Kashmir. Financial inclusion programme was taken on pilot basis for 100% inclusion in the state has been assigned to the banks. Banking community of the state have been working in line with the various strategies pursued elsewhere in the country. Some of the major initiative in this direction and the progress made in the same are discussed as under.

NO FRILL ACCOUNTS:

Pradhan Mantri Jan Dhan Yojana (PMJDY), a comprehensive financial inclusion package, was launched across the country on 28th of august 2014 for ensuring access to financial services by all and timely adequate credit to the excluded section, that weaker section and lower income groups of the country. It emphasizes on an urgent need to push the financial inclusion among the financially excluded segment to the society to have financial stability and sustainability of economic and social order. Pursuant to the reserve bank of India guidance, banks in the state are offering no-frills account to its vast majority of excluded population. Specially under government recently announced pardon mantra jhan dhan yojana scheme. The basic banking no frill account is offered with zero minimum balance, relaxed know your customer (KYC) norms and minimum charges to the low income population to expand outreach of financial access. The consolidated progress on number of accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) in J&K State extracted from the PMJDY portal up to 29.03.2017 is given below table 02.

Table 2: position of no frill account in Jammu and Kashmir state (as on 31 march 2017).

	Number of account opened		Out of total account opened under PMJDY.

	BANKS	Rural	Urban	total	Total deposits in lacs	number of zero balance account with %age.	
Public sector banks	24	209192	133172	342364	11282.17	75374	22.02 %
Private sector banks	9	1305328	110433	1415761	52955.60	533251	37.67%
Regional rural banks	2	117362	37822	155184	6562.87	54688	35.24%
Cooperatives banks	2	6347	2060	8407	248.67	4585	54.54%

Source. 104th JKSLBC report.

An introspection of table 2 reveals that during the quarter ending march, 2017 total number of accounts 1,921,710 were opened with an aggregate amounts of RS. 60,895.31 lacs in all these accounts. Out of these total number of accounts opened under PMJDY as on march 2017, 667, 898 no frills accounts were opened. So we can say that the aggregate figures are showing a very rosy picture of the progress of no frill accounts but there are several banks which have not made any progress and also there are accounts which have been opened just for the sake of meeting the allocated targets. A large amount of these no frills account is inoperative and thus these accounts are not serving the purpose of achieving the goals of greater financial inclusion.

ADVANCES TO WEAKER SECTIONS:

Advance to weaker section credit of RS. 7,470.85 crores disbursed in favour of 1,98,137 beneficiaries. (constituting achievement of 80% in financial terms and 65% in physical terms). Total amount towards weaker section is RS. 443.05 crores outstanding in 1909574 accounts. So we can say that banks play an important role for increasing weaker section accounts for promoting financial inclusion. Table 3 below show the sector wise distribution of advances outstanding under advances to weaker sections.

Table 3 Status of advances to weaker sections. (amounts RS in LACs).

S NO.	NAME OF THE BANKS	ADVANCES TO WEAKER SECTIONS	
		Accounts	Amounts
1	Public sector banks	69941	371.43
2	Private sector banks	377910	4698.62
3	Regional rural banks	77898	836.73
4	State cooperatives banks	52979	211.36
Total	4	578728	6118.14

Source: JKSBLC Report.

KISAN CREDIT CARD SCHEME:

Kissan credit card scheme came into existence in 1998-99 *as* a credit product and as an important tool and a variant of agriculture credit delivery mechanism which allotted farmer's liquidity and avail credit when it was needed. As for as J&K state is concerned government of India initiative for 100% coverage of farmers under kissan credit card was launched in January 2012 in collaboration with agriculture department and the banks operating in J&K state. The programme have been successfully forward with 10,66,275 kissan credit card issued and the total amount disbursed into KCC is 89,9215.81 up to the end of march 2017. If we talk about the previous year, the total kissan credit card issued in the year 2016 was 482195 and the total amounts disbursed among the Kissan credit card was 613720.54. the bank in the JK state have been advised to scale up their initiative to achieve the targets set for KCC scheme. Progress implementation of 100% coverage of Kissan Credit Card: 100% coverage of farmers in Jammu and Kashmir state under Kissan Credits Cards scheme position as on 31 March 2017.

Bank wise implementation of KCC scheme is shown in Table 4 below.

S No.	Name of the banks	KCC issue during 2016- 17		Cumulative position of KCC issued since inception	
		No of cards issued	Amount disbursed RS in lakhs	No of cards issued	Amount disbursed RS in lakhs
1	Public sector bank	94061	106637.44	167177	135278.93
2	Private sector bank	193544	396900.17	572034	609226.83
3	Regional rural bank	121169	92398.85	237681	133760.75
4	State cooperative bank	74021	11784.08	88783	20948.67
	Total	482795	613720.54	1066275	899215.18

Source: JKSLBC Report.

LEVERAGEING TECHNOLOGY TO EXPAND OUTREACH:

Bank wise progress on opening of branches in allocated villages having population above 5000 in Jammu and Kashmir state as on 31 march 2017.

Pursuant the guidelines issued by reserve bank of India regarding the provision of banking services in all the unbanked villages having population above 5000 a time bound comprehensive state financial inclusion plan has been developed. In J&K state 95 villages having population above 5000 but without any branch of scheduled commercials banks were identified by Jammu and Kashmir state level banker's committees. progress achieved by banks in the matter continues to be dismal, as only three branches have been opened, two branches by Jammu and Kashmir bank and only one branch by state bank of India out of 95 bank branches. The 92 unbanked villages yet to be covered as on 31 March 2017. In table below show bank wise progress on opening of branches in allocated villages having population above 5000.

TABLE NO. 5

S NO	NAME OF THE BANKS	NO OF VILLAGES ALLOCATED	PROGRESS ACHIEVED AS ON 31 MARCH 2017	NO OF VILLAGE YET TO BE COVERED
1	J&K bank	48	2	46
2	SBI	15	1	14
3	PNB	11	0	11
4	HDFC	11	0	11
5	ICICB	5	0	5
6	Canara bank	5	0	5
Total	6	95	3	92

Source: JKSLBC Report.

SELF HELP GROUP LINKAGE PROGRMME:

Data under SHGs banks linkage programme as on 31 march 2017.

Reserve bank of India desired to have a proper review of disbursement of credit through SHGs as it is an effective tool for delivery credit to rural poor for their economic empowerment and on alternative loan delivery system, which minimise the cost of operation and transaction for the banks.

The position of self-help groups bank linkages programmes in J&K state (excluding NRLM, NULM.) as at the end of 31 march 2017 is given below. The scheme has been launched in the J&K state way back and a significant progress has been made in this regards but the banks are still hesitating in venturing out in this scheme and a lot yet to done to achieve growth and development. From 2017 to march 2017, a total amount of RS757.92 lakhs has been disbursed to 767 credit linked self-help groups during the periods; also 606 self-help groups have been linked as saving linked self-help groups during the period. Only 12 banks are reported to have carried forward the self-help groups banks linkage programmes and their progress shows in below table.

TABLE NO 6
(Amount RS in lakhs)

S.	NAME OF	SHGs SAVING LINKAGE	SHGs CREDIT LINKAGE

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NO.	THE BANKS	No of SHGs saving account opened during financial year 2016-17	Total no of active SHGs saving account as on 31 march 2017	Total available balance in active SHGs saving account as on 31 march 2017	No of SHGs credit linkages during the financial year 2016-17	Total amount disbursed during the year 2016-17	Total no of SHGs accounts as on 31 march 2017	Total amount outstanding as on 31 march 2017
1	Public sector banks	231	914	95.90	177	126.03	558	310.74
2	Private sector banks	60	397	30.07	200	102.70	370	209.28
3	Regional rural banks	315	1496	138.97	390	524.64	673	573.56
4	State cooperatives banks	0	1123	39.40	0	4.50	415	65.47
Total		606	3930	274.34	767	757.92	2016	1159.05

Source: JKSLBC Report.

GOVERNMENT SPONSERD SCHEMES:

The various government sponsored operating in the state are National rural livelihood mission scheme (NRLM), National urban livelihood mission (NULM), Prime Ministers employment generation programme (PMEGP) and SC/ST/OBC schemes. Banks in the state, as on 31 march 2017, have achieved in all four schemes mention above. Against targets of RS.201.88 crore for 9991 beneficiaries for all banks operating in the state, the achievement as on 31st March, 2017 under four major government sponsored schemes, viz. NRLM, NULM, PMEGP and SC/ST/OBC is to the tune of RS. 136.89 crore spread over 7508 beneficiaries in all the three regions of the state thereby registering an achievement of 68% of the target in financial and 75% in physical terms, against achievement of 77% in financial and 67% in physical terms during the corresponding period of previous year. Region wise analysis of achievement as given below table.

TABLE NO.7

(amount in crores of RS.)

Regions	Target		Achievement		%age ACH.	
	Accounts	Amount	Accounts	Amount	Physical	Financial
Kashmir	5116	105.26	3216	69.80	63%	66%
Jammu	4467	82.38	4057	61.14	91%	74%

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Ladakh	408	14.24	235	5.95	58%	42%
Total 03	9991	201.88	7508	136.89	75%	68%

KASHMIR REGION:

Banks have disbursed an amount of RS. 69.80 crore to 3216 beneficiaries upto 31st March 2017 under four major government sponsored schemes against annual target of RS. 105.26 crore for 5116 beneficiaries, thereby achieving 66% of the target in financial terms and 63% in physical terms against achievement of 79% in financial and 55% in physical terms during corresponding period of the previous year (2015-16).

JAMMU REGION:

Banks have disbursed an amount of RS.61.14 crore in favour of 4057 beneficiaries up to 31st March 2017 under four major government sponsored schemes against annual targets of RS.82.38 crore to 4467 beneficiaries, which accounts for 74% and 91% achievement in financial and physical terms respectively, against achievement of 79% in financial and 106% in physical terms during the corresponding period of the previous financial year (2015-16).

LADAKH REGION:

Banks have disbursed an amount of RS.5.95 crore in favour of 235 beneficiaries up to 31st March 2017, under four major government sponsored schemes against annual target of RS.14.24 crore for 408 beneficiaries, which works out to 42% achievement in financial and 58% in physical terms, against achievement of 43% in financial and 31% in physical terms during corresponding period of the previous financial year (2015-16).

DATA ANALYSIS:

Gross state domestic product is an important economic indicator to find out the growth of a Jammu and Kashmir state. Gross state domestic product (GSDP) of Jammu and Kashmir state during a period of ten years starting from the financial year 2005-2006 to the financial year 2014-2015. Gross state domestic product has been on continuous increases during these financial years. In 2005-2006 GSDP recorded at constant price 28882.83, it was noted at a level of 30601.58 in financial year 2006-2007 (an increase of 5.95% from the previous financial year). GSDP shows 7.66% growth in the year 2011-2012, which is the highest growth over the period of time. The study also covered the number of banks branches in the state. It is clear from the table that bank branches showing trend over the period of ten years. There were 856 bank branches in 2005-2006 that has been increased up to 1936 in 2014-2015. The study also covered the credit deposit ratio during the period of ten financial years which is started from2005-2006 to 2014-2015. The remarkable growth has been observed in the year 2007-2008 and maximum declined recorded in 2011-2012. in table 8

Variables of the study.

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S NO.	YEARS	GSDP AT CONSTANT PRICES	NO. OF BANK BRANCHES	CREDIT DEPOSIT RATIO
01	2005-2006	28882.83	856	44.90
02	2006-2007	30601.58	867	47.26
03	2007-2008	32560.98	914	48.08
04	2008-2009	34664.12	973	46.29
05	2009-2010	36224.89	1002	46.88
06	2010-2011	38569.76	1302	35.57
07	2011-2012	41203.05	1449	34.36
08	2012-2013	43401.97	1638	36.51
09	2013-2014	45847.15	1893	42.27
10	2014-2015	45126.30	1936	46.23

Source: Economic survey of Jammu and Kashmir state 2016.

TABLE NO.9

VI.FINDING AND INTERPRETATION:

RESULTS OF REGRESSION ANALYSIS: MODEL SUMMARY.

R	R square	Adjusted R square	F value	Sig.	Durbin-Watson
.969	.939	.921	53.460	.000	.940

Source: SPSS.

TABLE NO.10

Regression coefficients.

Variables	Unstandardized coefficients B	Standardized coefficients Beta	t-value	Sig.	VIF	HO rejected/accepted
Constant	24882.024		4.037	.005		
Number of bank branches	13.298	.928	8.935	.000	1.229	Rejected
Credit deposit ratio	-99.581	-087	-841	.428	1.229	Accepted

Dependent variable: GSDP. Source SPSS.

Table 9 indicates the model summary of multiple regression analysis which is carried out through SPSS. The result shows that the value of R is .969, which indicates that 96.9% the independent variables variates the dependent variable. The value of R square is .939 which shows that our model is quite good because the value of R^2 is lying between 0 and 1. the p value of the model is .000 which is less than .05 indicating that the regression model is statistically significant and the model is fit.

TABLE 10 Illustrates the results of regression analysis for GSDP and financial inclusion indicators, it is noted that financial inclusion variables include number of bank branches and credit deposit ratio. Results of multiple regression reveals that the beta value of number of bank branches is 13.298 which shows a positive impact of GSDP. The p value is.000 which is less than .05 at 5% level of significance, which indicates that there is a statistically significant impact on GSDP.it further reveals that the beta value of credit deposit ratio Is -99.581 and p value is .428 which shows insignificant impact on GSDP, as the p value is more than .05. If the variance inflation factor (VIF) values more than 10 are not acceptable which shows a sign of multicollinarity. But our regression model is free from multicollinarity as all VIF values are less than 10 for all of the independent variables shown in table 8. The following regression equation was obtained:

$Y= 24882.024 + 13.298X1 - 99.581X2 + u$

Therefore, study find that there is a relationship between economic growth and financial inclusion indicators in states.

VII.SUGGESTIONS AND POLICY IMPLICATION

The study is maiden attempt to determining the role of various commercial banks and impact analysed of financial inclusion on the growth of the state economy due to unavailability of proper data study not done before. As far as study highlight is concerned following suggestion can help policy maker to focus on state in which people deprived from the various formal source of finance and other financial services.

1. More and more awareness camps should be organized in rural area to make full awareness of basic banking services among the people in villages.
2. There should be no political interference every possible effort should be made to keep away leaders including others to allow the banks to make the payment in proper.
3. There should be easy access to get information about various schemes of government, so that people get easily information under the scheme and also may be connected to the banks for financial inclusion.
4. It is also suggesting that commercial bank should open ultra-small branches in the area for the purposes of financial inclusion.
5. Financial education need to be intensified banks needs to do efforts in this area through innovative dissemination channels including films, documentation pamphlets and road shortage.

VIII.CONCLUSION

In our study we have found that the banks play a significant role in increasing the financial inclusion. Various efforts have been taken by reserve bank of India and government agencies to achieve the greater objective of financial inclusion in the state. Banks operate the significant services in the state such as no frills account, self-help groups, Kisan credit card scheme. In our second objective we also found that the significant impact of number of banks branches and insignificant credit deposits ratio of banks on gross state domestic product of the

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state economy. A lot of study has done but a lot yet to be done. There is a requirement to remove the various problems in order to achieve the greater financial inclusion in the state.

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