

An Enquiry Into The Status Of Financial Penetration At Jangal Mahal Of West Bengal

Dr. Koushik Dan

Assistant Professor Of Economics A P C Roy Government College,
Siliguri. Mail Id: D76koushik@Gmail.Com

Abstract:

In any economy extension of banking and post office services is closely associated with increase in monetization. In modern economic set-up growth of monetization in turn is expected to facilitate growth of economic activities through extension of markets. Hence level of monetization of any region may be considered as useful to understand developmental achievements of the concerned region. The present paper intends to enquire status of monetization of a region of the state of West Bengal of India. The region considered here is Jangal Mahal. Jangal Mahal is composed of three western districts of the state, Purulia, Bankura and Paschim Medinipur.

• INTRODUCTION

During colonial rule Indian financial system was controlled by private bankers. Government had limited scope to control these privately-run institutions. In 1947 India gained her independence and partition of the country took place simultaneously. During this period banking services particularly in Bengal and Punjab affected severely. The then new rulers of the independent country felt the need to undertake control and resources of the functioning commercial banks. But it took more than 20 years to settle the issue. In 1969, finally the "Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969" was placed in parliament to nationalize commercial banks. Within one month it gained President's approval and from the midnight of 19th July 1969, 14 scheduled commercial banks were nationalized. Through this Government got its control over 85 percent of the country's bank deposit. In 1980 another 6 were nationalized and control over banking business increased to 91 percent. In 1993 New Bank of India was merged to Punjab National Bank. Since nationalization, not only the government acquired its exhaustive control over banking business but a tremendous growth is also observed in the sphere of expansion of branches across the country. Along with expansion of branches of commercial banks, during the post-independence period, Post office services are also being extended

across the country. Considering natural urban bias of banking services, Post office services were mostly extended in rural and semi urban pockets.

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• EXTENSION OF BANKING SERVICES IN INDIA

In 1962 number of branches of all commercial bank was 4061 in all over India of which 128 branches were unclassified.¹ In 1967 branches expanded to 6985. In that pre-nationalization era growth of branch expansion was not impressive. After nationalization in 2009 the number has increased to nearly 80 thousand. The population served per bank office declined from 136000 in 1951 to 92000 in 1960 and further to 65000 in 1967. In 2009 a bank branch is supposed to serve 14550 number of populations in the country. Despite rapid population growth the expansion of branch is altogether quite impressive. With Rapid growth of branches distant rural parts of the country got opportunity of accessing banking services at cheaper rates. Positive effects of nationalization to rural sector was materialized immediately. For instance, direct and indirect finances to agriculture sector increased many folds. In 1951 share of agricultural finance to total bank finance was merely 2.1% but between 1966-67 and 1988-89 the same increased from 2.2% to 15.8%. At the time of independence there were 88 scheduled commercial banks in the country. Of them West Bengal had the largest number of such banks (22) operating in the state followed by Madras (14) and independent states (11). That is around 27% scheduled banks were operating in West Bengal at that time. In 2009 only about 4% banks are found to be serving the state. Though existence of more or a

¹ In 1947 up to 1969 banks were classified as. 1) Class A1 were banks with capital and reserves greater than Rs. 5 lakh and included in the second schedule to the RBI Act 1934. 2) Class A2 were non-scheduled banks with capital and reserves of greater than Rs.5 lakh. 3) Class B were non-scheduled banks with capital and reserves greater than Rs.1 lakh but lower than Rs.5 lakh. 4) Class C were non-scheduled banks with capital and reserves of Rs.50,000 to Rs.1 lakh. 5) Class D were banks with capital and reserves of less than Rs.50,000. (RBI)

smaller number of banks in a state is finally decided by Reserve Bank of India, but it cannot be denied that it is also associated with level of economic activities, degree of monetization, banking habits of inhabitants and many more economic parameters of the respective state. West Bengal must have been lagging with respect to all of these. Hence, it will be no exaggeration to say that the state has clearly lost its economic importance during the plan period. For the state, the glory once achieved is fading day by day.

- **COMPARING EXTENSION OF BANKING SERVICES IN INDIA, WEST BENGAL AND JANGAL MAHAL**

Let us now take a look into the condition of Jangal Mahal compared to state and the country with respect to the status of banking services.

Table 1: Population group wise distribution of bank branches functioning as on March 2009

	Rural	Semi-urban	Urban	Metro politan	Total	Projected population of 2009	Populati on per Branch	% of rural branch to total
All India	31695	18912	15441	13731	79779	1160813000	14550.36	63.43
West Bengal	2311	617	891	1204	5023	87839000	17487.36	58.29
Bankura	148	12	14	0	174	3515540	20204.25	91.95
Paschim Medinipur	242	18	49	0	309	5793354	18748.72	84.14
Purulia	94	12	15	0	121	2849624	23550.61	87.60

Source: Reserve Bank of India and Census of India

Before nationalization bank branches were concentrated in metropolitans and big cities. Banking services or to be correct, lending services, in remote rural areas were left open for unorganized sector. Villagers, in the absence of institutional arrangements, forced to depend on exploitative private money lenders. Rate of interest charged was exorbitantly high; collaterals offered by the villagers were undervalued, agreements between lender and borrower were in favor of lender and many more. With nationalization of commercial banks attempts were made not only to relieve villagers from those money lenders but also to open a new opportunity of saving for the financially able inhabitants. However, it may be seen that the process of branch expansion was

not uniform across the country.² In the process, figures for overall India show that rural areas were accorded adequate priority.³ As on 31st March 2009, 63.43% branches of commercial bank are found to be located in rural areas of the country. Within same period expansion of branches in rural west Bengal is found to be less (58.29%). According to census 2011 about 68% population of the state and 69% of the country reside in rural areas. So, it seems that extension of banking services in the state remains less than adequate compared to the country. At the district level, census 2011 shows that in Jangal Mahal more than 87% population resides in rural areas and except the district of Paschim Medinipur, relative expansion of branches is found to be quite conformable compared to rural population.

It is evident that relative to total number of branches, there is high concentration of branches in rural areas of Jangal Mahal but overall the absolute number of branches in Jangal Mahal is sufficiently less compared to national as well as state level. This fact is reflected in the data showing person per branch. In March 2009 on an average 14550 persons are expected to serve by a branch of commercial bank in India. In west Bengal service deteriorates and one branch is found to exist per 17487 persons. For the districts of Jangal Mahal branch-person ratios further deteriorate. For the districts of Bankura, Paschim Medinipur and Purulia number of persons per branch are 20204, 18749 and 23551 respectively.

Hence, it is evident that after bank nationalization, Jangal Mahal is not blessed with comparable number of branches which would certainly help to include inhabitants in the monetization process of rural areas. In most of the cases, unlike rest of west Bengal, villages in Jangal Mahal are situated in a dispersed manner across the Jangal based wide areas. Hence, population of distant areas finds it difficult to access the cheap banking facilities and in needs they are unwillingly forced to approach local private lenders.

• EXTENSION OF POSTAL SERVICES IN INDIA

Primarily, entry to the formal financial system begins with a bank

² for India and WB figures drawn from http://censusindia.gov.in/Census_Data_2001/Projected_Population/Projected_Population.pdf and for districts calculated using respective decadal growth rates

³ Number of branches are drawn from Branch Banking Statistics; Volume 4 for March 2009 published by RBI. For the population of India, west Bengal and the districts for 2009 respective figures drawn from census 2001 are increased as per decennial growth rate.

account. But unfortunately, according to Invest India Incomes and Savings Survey, 2007 (IISS, 07) Bank penetration rate is still very poor in India. Among different working classes agricultural labourers and other wage earners have the poorest bank penetration rate. In this background services offered by Post Offices may bridge the gap towards succeeding Indian economic policy towards inclusive growth which emphasizes on achieving high growth rates coupled with ensuring participation of the poor in the market led development. This is quite possible as India Post network is nearly twice as larger than network of all commercial banks.

Today Post Offices also offer savings bank facilities to its customers. With its wide network and easy terms and conditions it can attract residual part of weaker section of the country to participate in the process of 'Inclusive Growth'.

According to the Ministry of Communications and Information Technology; government of India there was 153218 numbers of post offices functional in the country as on 31st March 2013. The number is significantly higher than functional branches of commercial banks. The state of Uttar Pradesh possesses the maximum number (17726) followed by Andhra Pradesh (15973), Maharashtra (12566), Tamil Nadu (10996) and others. Despite having larger population than some of the Indian states like Andhra Pradesh, Tamil Nadu, Rajasthan, Karnataka and Gujarat the state of west Bengal (8853) possesses considerably lesser number of Post offices.

In India Post offices are mainly concentrated in rural areas and one of the major problems of these areas is rural indebtedness. It is seen that population having higher income depend less on unorganized sources of loan whereas poor people are more prone to avail loans from various unorganized sources and trapped by several hidden loan obligations. According to IISS 2007 survey portion of population belonging to lowest income quartile depends primarily on relatives/friends and moneylenders for loan. About 79% of their loans are taken from these two sources whereas 9.6% of total loan are taken from banks. As income increases share of unorganized sources declines and that of bank increases. For example, population belonging to highest income quartile has taken 46% of their loans from these sources and share of bank loan for this group of people is found to be 45.8%. (Expert Committee, 2010, p. 24) In most of the cases the rate of interest charged by private lenders exceeds many times compared to loan from organized market. According to the term, rate of interest varies from 5% to 10% per month.

It is evident that in India despite the efforts contained in bank nationalization still there are sufficient hollow pockets in rural money economy and oppressive moneylenders has been taking advantage in it. Post Office Savings Banks are gradually trying to increase control of organized sector by strengthening the process of monetization in the distant rural parts of India. Theoretically as number of Post offices increases in rural areas people living in those parts can take advantages of that. The practical effectiveness of such service however may be judged to some extent by the number of functional Post Offices in the area and number of people served by a Post office.

• **COMPARING EXTENSION OF POSTAL SERVICES IN JANGAL MAHAL**

We have already seen that west Bengal is less fortunate in having comparatively sufficient number of Post Offices. Now let us see

Table 2	No. of Postlation per P O as on 31/03/2012 Offices	
West Bengal	8853	9183
Bankura	512	6315
Paschim Medinipur	790	6669
Purulia	443	5814
India	153218	6833

nsus of India & [www.indiapost.gov. in/Pdf/IIEF-IndiaPostReport.Pdf](http://www.indiapost.gov.in/Pdf/IIEF-IndiaPostReport.Pdf)

what exact position that our state and concerned districts are occupying in the country.

With respect to the extension of Post office services status of the state of West Bengal is found to be less satisfactory. Whereas in India, a single Post office is expected to serve 6833 persons, in the state 9183 persons are to be served by a Post office. In Jangal Mahal the district of Paschim Medinipur possesses maximum number of Post Offices (790) followed by Bankura (512) and Purulia (443). Distribution is however proportional to the respective areas of the districts. It is seen from the adjacent table that with respect to person served per office the relative condition of the districts of Jangal Mahal is somewhat better. For all the three districts on an average a Post Office is expected to serve lesser number of populations compared to even all India figure.

• **CONCLUSION**

From the above discussion it appears that financial penetration at Jangal Mahal of West Bengal is comparatively low. It certainly exhibits lower growth of money economy within the region. The findings are however not less predictive. Historically the area suffers from droughts. Agricultural lands are mostly less fertile. Except few instances industrial activities are also not very common in the area. Moreover, during last decade the area of Jangal Mahal suffered heavily from Maoist disturbances. All these factors have contributed in lower financial achievements of the region. However, the situation is changing rapidly. Maoist disturbances are ended. Consequently, the area is experiencing drastic changes. Urbanization is taking place, forest tourism is developing, petty economic activities are flourishing and many more. As per conventional development approach, the change is positive but few questions are also figuring out with respect to associated environmental degradation.

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