

**STUDY OF BANK PROGRESS IN FINANCIAL INCLUSION WITH
REFERENCE TO FARIDABAD DISTRICT**

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Abstract:

The term financial inclusion is very important for the development of the society. India has taken many steps toward inclusion for achieving aster inclusive growth. The Banks has played an important role for implementing the process of financial inclusion. This study seeks to examine the achievement of banks in terms of financial inclusion in Faridabad district of Haryana. The study has used the data published by the Lead district office. The study has also revealed the contribution of the various types of banks with reference to the various parameters like deposits and Advances. These indicators showed the progress of banks in terms of the financial inclusion from the year 2012 to 2019 in rural and urban areas of Faridabad. However, the level of financial inclusion has increased from the year 2012 and compares it with the year 2019. The Government and RBI have taken various initiatives to improve the level of the financial inclusion in Haryana too.

Key words: Financial Inclusion, Banks, Deposit and Advances

Introduction:

Financial Inclusion refer to the process of access of appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker section and low-income at an affordable cost. It has been a very big challenge for the developing countries for including the people into the financial system. Financial inclusion is emerging as a new paradigm of economic growth that plays major role in driving away the poverty from the country. Financial inclusion is important priority of the country in terms of economic growth and advancement of

society. Globally, the financial inclusion is on the rise and from 2014-2017, 515 million adults opened an account with bank and there has been a significant increase in the use of mobile Phones and internet to conduct financial transaction. There was a commendable increase in the financial inclusion and this is predominantly driven by India. Through government' initiatives and indicatives taken by the RBI, weaker sections of society and economically poor people were able to access to financial products, services, credit etc. The basic variables for measuring the financial inclusion are bank penetration, credit penetration, number of accounts opened etc. So the present study aims to investigate the progress of financial Inclusion in India through the initiatives taken by the Government of India (GOI) and Reserve Bank of India (RBI).

Objective of the study:

To evaluate the progress of the bank in Faridabad district in terms of financial inclusion from the period of 2012 till 2019.

Review of Literature:

Kandari (2020) stated in his paper about the prominent reasons for the underdevelopment region. The study was based on the primary data where few reasons took out like unemployment, lack of income generating opportunities in the rural areas. The study helps to examine that rural areas are lacking on the part of the availability of the opportunities. He stressed on the facts that to raise the economic standard, there is a need to take certain initiative for including the people in the peripheries the banks.

Nalini and Mariappan (2012) try to analyse the measure taken by banks in financial inclusion, difficulties involved in adoption of financial etc. Study found that about 56 percent of the exclusion is due to illiteracy and 64 percent felt that adoption of financial was neither easy nor difficult.

Raman (2012), attempts to analyse the financial inclusion and growth of Indian banking system by secondary data and descriptive and empirical study had been used to analyse the role of RBI. Study revealed that 41 percent of the adult population doesn't have bank account and 39 percent of the rural household and 60 percent of the urban household had bank account and in the credit market only 14 percent of adult population has loan account in bank. Finally study concluded that bank has played an important role in financial inclusion.

Research methodology:

The secondary data has been used which was gathered from the RBI reports, SLBC reports and Lead Bank Office. The objective of study is related to evaluation of progress of banks: Public sector banks (PSB), Private sector banks (PVTB), Regional Rural banks (RRB), Cooperative Banks (COB) and Others (SIDBI) in terms of financial inclusion in Faridabad district. For this, secondary data has been collected from lead bank reports. The data has been collected for seven years from the year 2012-13 to 2018-19. The Compound Annual Growth Rate (CAGR) has been calculated to ascertain the growth. This research is specifically for the region of the Faridabad district.

1.1 Progress of Banks in Faridabad

In Faridabad district, there are 21 Public sector banks, 18 Private sector banks, 1 RRB & 1 Cooperative bank. Out of 21 public sector banks, the major market presence is occupied by Syndicate banks followed by Punjab national banks and SBI in term of wide network of branches and presence in rural and urban areas. In Private sector Banks, the contribution of HDFC bank followed by ICICI bank is wider in comparison to other private banks. The Regional Rural Bank and Cooperative Banks are also playing important role in rural areas to serve the customer.

In the present study the indicators used to analyze the progress of banks in terms of Financial Inclusion in Faridabad are: Number of bank accounts, Number of credit Account, Deposits and Advances..

Number of bank Accounts:

First parameter selected to check progress of banks in terms of FI is- Number of bank accounts. The data was analyzed by calculating annual growth rate and compound annual growth rate (CAGR) for the referred time period. The table given below represents the number of bank accounts, Annual growth rate and CAGR over the specified time period for Faridabad District:

Table 1.1: Growth in number of accounts across years in rural and urban areas

Year	No. of bank accounts (Rural)	Annual growth (%)	No. of bank accounts (Urban)	Annual growth (%)	Total no. of bank accounts	Annual growth (%)
2012-13	3,44,537	-	19,36,700	-	22,81,237	-
2013-14	3,86,455	12.16	22,45,507	15.94	26,31,962	15.37
2014-15	4,45,717	15.33	26,74,157	19.08	31,19,874	18.53

2015-16	4,50,418	1.05	31,57,133	18.06	36,07,551	15.63
2016-17	5,02,433	11.54	35,34,854	11.96	40,37,287	11.91
2017-18	5,34,084	6.29	36,68,941	3.79	42,03,025	4.10
2018-19	5,62,093	5.24	38,01,950	3.62	43,64,043	3.83
CAGR (%)		8.3		12.4		11.9
P-value		0.00**		0.00**		0.00**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

The table 1.1 depicts that the rural areas have achieved a CAGR of 8.3% for the given time period. The yearly growth in number of accounts in rural area was found to be the highest (15.3%) in year 2014-2015. In urban area, the CAGR is 12.4% for the given time period. This shows that the growth in number of accounts is comparatively more in urban areas than in rural areas. The highest growth rate (19%) in urban area is also reported in the year 2014-2015. The overall CAGR of Faridabad district in terms of number of accounts is 11.9%. Total number of accounts in Faridabad were 22,81,237 in the year 2012-13, while in the year 2018-19, these were 43,64,043. The growth in number of accounts is less in the last two years. The reason could be that majority of the population has already been covered for the purpose of opening an account.

As all p-values are <0.01, all null hypothesis (Ho) are rejected. This means that growth is statistically significant for the specified time period in rural as well as urban areas in terms of number of accounts in Faridabad District.

Number of Credit account

Second parameter selected to check progress of banks in terms of FI is- Number of Credit accounts. The data was again analyzed by calculating annual growth rate and compound annual growth rate (CAGR) for the specified time period (2013-19). The table given below represents the number of credit accounts, Annual growth rate and CAGR over the specified time period for Faridabad District:

Table 1.2: Growth in number of credit accounts across years

Year	No of credit account	Annual growth (%)
2012-13	1,95,830	-

2013-14	2,66,621	6.52
2014-15	2,84,013	12.50
2015-16	3,19,518	5.19
2016-17	3,36,120	26.06
2017-18	4,23,738	20.91
2018-19	5,12,356	36.14
CAGR (%)		15.3
p-value		0.00**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

Table 1.2 depicts that number of credit accounts are increasing over the years (from 1,95,830 in 2012-13 to 5,12,356 in 2018-19). Credits have increased due to launch of various schemes of government, like, Pradhan Mantri MUDRA Yojna, Stand up India Scheme. The highest growth rate is reported in 2018-19, which is 36.14%. The CAGR for the specified period is 15.3%. Since the p value is less than 0.01, the null hypothesis (H₀) is rejected. This means growth in credit accounts is statistically significant for the specified time period in Faridabad District.

Deposits

Third parameter selected to check progress of banks in terms of FI is- Deposits in banks. The data was again analyzed by calculating annual growth rate and compound annual growth rate (CAGR) for the specified time period. The table given below represents the data of Deposits (across urban and rural areas), Annual growth rate and CAGR over the specified time period for Faridabad District:

Table 1.3: Growth in deposits of rural and urban branches across years

Year	Deposits in Rural branches (In lakhs)	Annual growth (%)	Deposits in Urban branches (In lakhs)	Annual growth (%)	Total Deposits (In lakhs)	Annual growth (%)
2012-13	89,700	-	18,16,451	-	19,06,151	-
2013-14	1,28,658	43.43	23,93,832	31.78	25,22,490	32.33
2014-15	1,28,399	-0.20	23,88,123	-0.23	25,16,522	-0.23
2015-16	64,793	-49.53	27,46,223	14.99	28,11,016	11.70
2016-17	2,09,568	223.44	32,33,949	17.75	34,43,517	22.5

2017-18	2,02,057	-3.58	34,59,548	6.97	36,61,605	6.33
2018-19	7,69,455	280.81	30,58,499	-11.5	38,27,954	4.54
CAGR (%)		32.3		9.07		11.9
P-value		0.00**		0.00**		0.00**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

In table 1.3, the growth pattern of deposits has been shown. The CAGR of deposits in rural area is 32.3% which is very high in comparison to the CAGR of deposits in urban area, which is 9.07% only. CAGR of total deposits taken together is 11.9%. There was a drastic increase in the deposits in the year 2016-17; the reason could be the effect of demonetization of currency in November 2016 due to that all the liquid money was channelized to the accounts. The total deposits were Rs. 19,06,151 Lakhs in 2012-13 and they increased to Rs. 38,27,954 Lakhs by 2018-19. But in some of the years, deposits reduced and it is reflected in the negative annual growth rate for those years. In rural areas, there is a drastic increase in deposits in the year 2016-17 (223.44%) and year 2018-19 (280.81%). In urban areas, the growth rate is highest in the year 2013-14 (31.78%).

All p-value of CAGR are < 0.01 , so null hypothesis is rejected. This means that the compound annual growth rate of deposits is statistically significant.

Further the growth of deposits was also analyzed across different types of banks. Table 1.3 depicts the deposits of the different types of banks in Faridabad district from year 2012-13 to 2018-19, annual growth rate and CAGR

Table 1.4: Growth in deposits of different types of banks across years

Years	Deposits in PSB (In lakhs)	Growth (%)	Deposits in PVTB (In lakhs)	Growth (%)	Deposits in RRB (In lakhs)	Growth (%)	Deposits in CO (In lakhs)	Growth (%)	Total Deposits (In lakhs)	Growth (%)
2012-13	14,03,467	-	4,32,620	-	50,687	-	18,263	-	19,06,151	-
2013-14	14,27,228	1.69	10,20,247	135.8	55,674	9.8	19,341	5.9	25,22,490	32.3
2014-15	17,72,289	24.1	6,82,857	-33.0	39,764	-28.5	21,612	11.7	25,16,522	-0.23
2015-16	19,07,893	7.6	8,21,475	20.2	57,300	44.1	24,348	12.6	28,11,016	11.70
2016-17	22,68,534	18.9	10,74,160	30.7	73,466	28.2	27,358	12.3	34,43,517	22.5
2017-18	22,86,144	0.77	12,72,038	18.4	74,604	1.5	28,819	5.3	36,61,605	6.33
2018-19	21,78,679	-4.7	15,28,709	20.1	78,695	5.4	29,308	1.69	38,27,954	4.54
CAGR		9.4		18.2		9.4		13.0		11.9
P-value		0.00**		0.00**		0.00**		0.00**		0.00**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

On the basis of above data, it can be stated that the CAGR of deposits of the Private Banks is highest (18.2%) among all types of banks in the district. The contribution of the Private Banks in deposits in the district for the period is appreciable. Deposits by Private Banks had increased from Rs. 4,32,620 lakhs to Rs.15,28,709 lakhs during the reference period. Annual growth rate of deposits in private banks was highest (135.8%) in the year 2013-14 and it was negative in the year 2014-15. The p value of CAGR is <0.01 , so null hypothesis is rejected. This means that the CAGR of deposits in private banks is statistically significant.

The deposits of PSB had increased from Rs.14,03,467 lakhs to Rs.21,78,679 lakhs during the reference period. During the time frame of the study, it has been seen that, there is a lot of fluctuation in the growth rate of deposits. Annual growth rate varied between -4.7% and 24%. The highest growth rate (24%) has been observed in 2014-15 and negative growth has been seen in the year 2018-19. The CAGR of deposits of public sector banks is 9.4%. It is found to be statically significant ($p<0.01$). So, null hypothesis is rejected.

Deposits in RRB during the study period has increased from Rs.50,687 lakhs to Rs.78,695 lakhs. The annual growth rate of the bank varies between -28.5% and 44.1%. The CAGR is 9.4% and p value is <0.01 , so null hypothesis is rejected. So, the growth of deposits in RRB is significant.

In case of Cooperative Banks (CO), the deposits have increased from Rs 18,263 lakhs to Rs 29,308 lakhs in the given time period. Annual growth rate vary between 1.69% and 12.6%. CAGR is high (13%) and it is statistically significant as p value is less than 0.01.

Advances

Next parameter selected to check progress of banks in terms of FI is- Advances. The data was analyzed by calculating annual growth rate and compound annual growth rate (CAGR) for the specified time period (2012-13 to 2018-19). The table given below represents the data of Advances (across urban and rural areas), Annual growth rate and CAGR over the specified time period for Faridabad District:

Table 1.5: Growth in advances given by rural and urban branches across years

Year	Advances by Rural branches (In Lakhs)	Annual Growth (%)	Advances by Urban branches (In lakhs)	Annual Growth (%)	Total Advances (In lakhs)	Annual Growth (%)
2012-13	43,693	-	12,98,164	-	13,41,857	-
2013-14	50,128	14.7	14,81,121	14.09	15,31,249	14.1
2014-15	66,967	33.5	17,08,999	15.3	17,75,966	15.9
2015-16	47,820	-28.5	19,55,788	14.4	20,09,019	13.1
2016-17	1,19,030	148.9	19,19,909	-1.8	20,38,939	1.48
2017-18	1,70,505	43.2	19,98,222	4.07	21,68,727	6.36
2018-19	2,84,856	67.0	24,96,135	24.9	27,80,991	28.23
CAGR (%)		36.2		10.0		11.4
P-value		0.00**		0.00**		0.00**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

The table 1.5 depicts the advances given by banks in the study area. Total Advances increased from Rs. 13,41,857 lakhs in 2012-13 to Rs. 27,80,991 in 2018-19, which shows a significant increase over the years (CAGR 11.4%). The growth of Advance is statistically significant, since the p-value is less than 0.01.

In Rural branches, growth is highest, as CAGR is 36.2%, which is statistically significant also. The amount of advances increased from Rs. 43,693 lakhs in 2012- 13 to Rs. 2,84,856 lakhs in 2018-19. Advances in rural branches decreased (-28.5%) in year 2015-16. Highest annual growth rate (148.5%) is reported in year 2016-17. Whereas, in urban branches the CAGR is 10%, which is statistically significant. Annual growth rate in urban branches is also fluctuating. It is highest (24.9%) in year 2018-19.

Further the growth of advances was also analyzed across different types of banks. Table 5.6 depicts the advances given by different types of banks in Faridabad district from year 2012-13 to 2018-19, annual growth rate and CAGR:

Table 1.6: Growth in advances given by different types of banks across years

Years	Advances by PSB (In lakhs)	Growth (%)	Advances by PVTB (In lakh)	Growth (%)	Advances by RRB (In lakhs)	Growth (%)	Advances by CO (In lakhs)	Growth (%)	Advances by Others (In lakhs)	Growth (%)
2012-13	9,50,410		2,93,042		34,018		18,946		45,441	
2013-14	10,83,524	14.0	3,33,504	13.8	32,814	-3.5	19,711	4.03	61,696	35.7
2014-15	12,20,684	12.6	4,27,165	28.08	36,638	11.6	20,619	4.60	70,860	14.8
2015-16	12,46,952	2.15	6,30,959	47.7	27,542	-24.8	21,208	2.85	82,538	16.4
2016-17	11,64,189	-6.6	7,46,068	18.2	26,307	-4.4	21,772	2.65	80,603	-2.3
2017-18	10,81,926	-7.06	9,76,061	30.8	30,568	16.19	23,345	7.2	56,827	-29.4
2018-19	11,50,882	6.3	15,08,798	54.5	29,365	-3.9	23,299	-0.19	56,012	-1.4
CAGR (%)		1.9		31.3		-3.2		3.7		2.1
P-value		0.00**		0.00**		0.00**		0.00**		0.000**

** Significant at 0.01 level

Source: Compiled from data received from Lead District Office

The Advances given by public sector banks during the referred period had increased from Rs. 9,50,410 lakhs in 2012-13 to Rs. 1,15,088 lakhs in 2018-19. The fluctuation is shown in the Growth rate during the study period. Growth rate varied between -6.6% and 14%. Highest growth rate (14%) has been observed in 2013-14 and negative growth has been registered in two consecutive years (2016-17 and 2017-18). The Compound growth rate of advances of Public sector banks is 1.9%.

Table clearly depicts that aggressive role has been played by Private Banks in advancing loans in the district in the specified period. It has increased from Rs. 2,93,042 lakhs to Rs.15,08,798 lakhs during the reference period. Private banks have shown positive growth rate in all years. The highest annual growth rate is 54.5% in the year 2018-19. The growth rate had varied between 13.8% and 54.5% during the time period. The Compound growth rate of advances given by Private Banks is highest (31.3%) among all bank types.

The table shows that the credit given by RRB during this time period has decreased from Rs.34,018 lakhs in 2012-13 to Rs. 29,365 lakhs in 2018-19. The growth has been hit by severe fluctuation in case of RRB. Annual growth rate swings from -3.5% to 16.19%. CAGR of RRB advances is negative (-3.2%). It signifies that RRB needs to take strong actions to improve the position.

In case of Co-operative Banks, the advances made by them witness a small increase from Rs18,946 lakhs in 2012-13 to Rs 23,299 lakhs in 2018-19. The annual growth rate of these banks varied between the ranges of -0.19% to 7.22%. The compound annual growth rate is 3.7%.

Other banks, like, SIDBI has also contributed in giving advances to the people in the area. They are providing loans to the small industries manufacturing jute, craft and artificial jewelry etc. According to the data in table, it has increased from Rs. 45,441lakhs in 2012-13 to Rs. 56,012 lakhs in 2018-19. Its CAGR is 2.1%.

Growth in advances is statistically significant across all types of banks, as p value is <0.01 in all cases. So, the null hypothesis is rejected completely.

Further, the overall position of different types of banks in terms of total deposits and credits is compared and presented in the table given below:

Table 1.7: Performance of different types of banks in terms of growth in deposits and credits

Bank Type	Growth rate of Deposits (%)	Growth rate of Advances (%)
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PSB	9.4	1.9
Private banks	18.2	31.3
RRB	9.4	-3.2
Cooperative banks	13.0	3.7
Total	11.9	11.4

The table reveals that the Private Banks are contributing more in terms of deposits and advances in comparison to the other banks in the area. The growth in deposits is 18.2% and in advances, it is 31.3%.

On the basis of the facts, It can be concluded that public sector banks are doing their job in terms of increasing the financial inclusion. There is a need to support by the other banks in speeding the process of inclusion as a whole. The facts indicated that private sector banks has contributing highest followed by the cooperative banks and RRB. The process will accelerate by the contribution of the every bank.

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