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FINANCIAL INCLUSION IN HARYANA (INTER-DISTRICT DECADAL COMPARATIVE ANALYSIS)

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Abstract: Financial inclusion plays crucial role to attain the goal of inclusive growth in the country. Financial Inclusion includes many institutions like banks, self-help groups, LIC, post offices and micro finance institutions etc. But the present paper has taken financial inclusion through banking services due to its vast area. The banking includes savings, loans, number of accounts, number of offices, KCC and ATM etc, three determinants have been taken to show district- wise decadal financial inclusiveness i.e. number of offices, total saving and loan amount for the year 2006 and 2016. Index of financial inclusion taken by UNDP will be applied to find the growth of financial services among districts of Haryana. Zero indicates complete financial exclusion and one indicate complete financial inclusion. Due to the policy of Jan Dhan Yojna of Prime Minister Narender Modi ji, most of weaker section or poor people have opened their account in banks. After the success of PM, Jan Dhan Yojna, new scheme Mudra bank loan Yojna has initiated as a vision by prime minister with a slogan, ‘Fund the unfunded’. It has helped to facilitate micro credit up to 10lakh to such small business owners According to the report of RBI (2015), RBI has suggested that Financial Literacy Camps to aware the rural as well as urban people about financial services.

Keyword: IFI, Jan Dhan Yojna, Goal, Offices, Saving, Loan

INTRODUCTION

Financial inclusion is widely known to everyone as one of the most important engines of economic growth and development. It has been amply documented that financial inclusion contributes to GDP, individual and social welfare, and business creation and expansion – mainly small and medium enterprises etc. The poor people are significantly benefited from this by increasing their living standard. In reality, access to formal financial institutions allows poor households to expand consumption, saving, absorb disruptive shocks, manage risks and invest in basic goods, health and education. The world bank global findex database shows that over 90 % people out of 721 million, have opened new accounts between the year 2011 to 2014. This is the great increase in ststus of financial inclusion. This also helps to improve income distribution system[1].

Financial inclusion, in its broadest sense, refers to the delivery of financial services at affordable costs to all sections, including disadvantaged and poor or low-income groups. A committee on financial inclusion

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[1] The business of financial inclusion: Insights from banks in emerging markets, 2016.

headed by Dr. C Rangarajan in 2008 defined financial inclusion 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"[2].

Financial inclusion has always been a priority in India, given the country's socialist beginnings. Since 1969, when banks were nationalized, the strategy for addressing the banking needs of the poor has been biased toward providing credit, neglecting other aspects, such as building a deposit base, promoting a savings culture, or extending the payment network. This credit drive was implemented in two ways like directing a important fraction of credit directly to credit-starved poor famlies and micro, small, and medium-sized enterprises (MSMEs) through priority sector targets for banks; and creating specialized entities, such as regional rural banks and cooperative banks. This step has made good changes in lives of people but for high growth and special benefit to poor at reasonable rate, microfinance institutions (MFIs) and self- help groups emerged to promote the financial inclusion.[3]

Importance of financial inclusion

UK. Throat[4] is of the opinion that financial inclusion is important to India for many reasons such as:

Limited access to affordable financial services such as savings, loan, remittance and insurance services by the vast majority of the population in the rural areas and unorganized sector is believed to be acting as a constraint to the growth process. So to remove this barrier, we need financial inclusion.

Access to affordable financial services — especially credit and insurance — enlarges livelihood opportunities and empowers the poor to take charge of their lives. Such empowerment leads social and political stability.

Apart from these benefits, financial inclusion imparts formal identity, provides access to the payments system and to savings safety net like deposit insurance.

That's why financial inclusion is considered to be critical for achieving inclusive growth; which itself is required for ensuring overall sustainable growth in the country.

According to Crisil report 2013 , Rohtak has scored maximum that is 63.4 and Mewat has minimum scored 25.7 in Haryana district.

Goals of financial inclusion

United Nations states in its report that credit should be available to all at reasonable cost through savings, short and long-term credit, mortgages, insurance, old age and widow pensions, payments, local money transfers and international remittances through well functioning institutions. To gain this goal PMJDY was launched at 28 august, 2014. Its main objective is to bring about financial inclusion among rural as well as urban areas by covering every person of country. That is why the JDY account is bundled with insurance and pension products, need-based credit and overdraft and remittance facilities. According to the report of IBEF (2017), 26.68 cr. bank account has been opened in all public and private banks under the scheme of PMJDY till 11 jan, 2017.[5]

In this way, financial inclusion is an important step towards inclusive growth. The economic and social development is done with the help of financial inclusion.

[2] Crisil report, 2015

[3] ADBI, WORKING paper, 568)

[4] Thorat, U. (2007), *Financial Inclusion – The Indian experience* Speech.

[5] Report of India now business of economy (volume.3, issue 4

Financial inclusion plays very significant role in increasing the business opportunities by formal institutions. It helps in increasing production, investment, productivity of every sector, employment and profit. In fact formal institutions are playing major role in building physical and social infrastructure. There are many factors like education, employment, production, per capita income and employment that are increasing the status of financial inclusion.

OBJECTIVE OF STUDY

- Compare decadal growth of financial inclusion in context of office (c_1), saving(c_2) and loan(c_3) for the year 2006 and 2016
- Construct a comparative composite index and rank of financial inclusion in Haryana for the year 2006 and 2016.

REVIEW OF LITERATURE

Many researchers have different views about financial inclusion and they have applied distinct method to find the extent of financial inclusion. According to Leeladhar (2005), main emphasize to provide the banking services to the poor and needy people. The study argued that financial inclusion is very important, because financial inclusion plays an important role to improve the living standard of the poor people and also contribute in economic growth through generating financial resources for financial initiations. On the other hand financial exclusion may lead to increase the incidence of crime and poverty in society, decrease the investment in the economy.

Arora & Meenu (2010) focused on the major issues like formal and informal finance and intervention of micro finance to achieve the greater financial inclusion. The study got take off with introducing the micro finance as a supply of loans, savings, and other basic financial services to the rural poor to fulfill their small and uncertain needs and provide a chance to them to contribute in economic development. The study also put a light on the outreach and performance of Micro finance as well as adding the references on financial awareness and customer's perception.

Tejani (2011) in her study has described role of co-operative banks in rural areas in increasing financial inclusion. The objective of the study was to find out the performance of the banks which are working in the rural areas which mainly include the co-operative banks and regional rural banks by taking 200 sample size in three villages of Gujarat . Many indicators have been taken for the study as no. of Cooperative Banks, Deposits, Borrowings, Loans and Advances Issued, Investments, Amount of Profit, Amount of Loan, Loans Outstanding, Recovery of Loans to Demand (Per cent). The study concluded that government should take strong steps to develop the rural area as there are many opportunities to do this.

Sarma (2012) in her study has found out country wise (94), financial inclusion for the years (2004 – 2010).The IFI values computed for various countries for the years indicates that countries around the world are at various levels of financial inclusion. She concluded that literacy, easy accessibility of banking facilities, urbanization, all factors are very important to increase the status of financial inclusion.

Singla (2013) in his paper has stated that Financial inclusion provide various benefits to the poor section of the society such as knowledge about financial services, identity to the poor, improving standard of living, economic equality etc. The study concluded that Inclusive growth is very essential for the development of the country. But due to the various constraints the inclusive growth is prohibited such as lack of financial literacy, poverty, lack of advanced technology etc. There is a huge need to adopt various strategies for the financial inclusion such as adaptation of advanced technology, opening up the bank branched in rural areas, introduction of new saving schemes for low income people etc.

Gupta and Singh (2013) in their research have stated that there is low correlation between financial inclusion and literacy. To find out the extent of financial inclusion, three determinants have been taken like banked population, availability of financial services like bank branches and ATM, no. of the transaction in account.

Garg, Agarwal (2014) have stated in their paper that finance has become an integral part of an economy for growth and development of the society as well as economy of nation. For, this purpose to maintain sustainable development in underdeveloped, developing and developed economies, there should be a strong financial system. To achieve the main objectives of the study was that to understand the financial exclusion and take steps to remove it.

Kamath (2015) found that Indian banking system deals with the rural financial requirement through several channels, such as cooperative societies, regional rural banks and commercial banks. But in recent time financial inclusion is an emerging issue in banking system. The study also made an attempt to examine the difference of financial inclusion from traditional banking system. The study concluded that financial inclusion helps in business activities in high employment generating sectors such as retail trade in foods, beverages and tobacco, wood and textile products, textile, restaurants and hotel retail trade in fuel, utilities and durables. Moreover, he suggested that the Indian agriculture sector is more complex and heterogeneous with a shift from cereals to non-cereals crops and activities such as food processing, livestock and fishing.

Therefore, banking system should take more responsibility in changing needs of commercialized agriculture pattern.

Rathor & Garg in their study have described the role of self help group in Yamuna nagar district of Haryana. They have concluded that SHG is playing very important role in increasing empowerment in women by selecting 50 SHGS and three banks with random sampling. They suggested that there should be proper regulation and transparency in interest rates for the successful work of SHGS.

METHODOLOGY AND DATA DESCRIPTION

The methodology employed in the present work is twofold. First is construction of an index of financial inclusion. In the first stage indices of various dimensions are constructed like (c_1), (c_2) and (c_3), in the second stage these indices are aggregated to give a composite index of financial inclusion.

Construction of Index of Financial Inclusion (IFI)

Since banks are the most basic form of financial services, it is only the extent of accessibility (c_1), availability (c_2) and usability of banking services (c_3) that has been treated as equivalent to financial inclusion for the purpose of present work.

Concerning availability of banking services, in an inclusive financial system banking services should be easily available to the users. Thus availability of banking services can be indicated to the number of offices per ten thousand populations and there is no financial inclusion when there is no office per person.

In context of banking penetration, an inclusive financial system should have as many users as possible, that is, an inclusive financial system should penetrate widely amongst its users. The size of the 'banked' population, for example the proportion of people having a bank account with amount deposited, is a measure of the banking penetration of system. Thus, if every person in an economy has a bank account with deposited amount then the value of this measure would be 1. The data has been presented in ten thousand population to avoid the biasedness due to the different geographical areas and population of all districts. The availability of banking services can be indicated to the number of offices, saving and loan per ten thousand populations. For the purpose of constructing index for each component of financial inclusion, we utilise an approach similar to that used by United Nation Development Programme (UNDP) for computation of some well-known development indexes. The index of i^{th}component of financial inclusion is computed as

$$\mathrm{Ci} = \frac{\mathrm{Ai} - \mathrm{mi}}{\mathrm{Mi} - \mathrm{mi}} \mathrm{i} \quad i = 1, 2, 3.$$

Where Ai is the actual value of the i^{th} component, mi is the minimum value and Mi is the maximum possible value of i^{th} component. It can be varied from the above formula that index of each component of financial inclusion varies between zero and one. Zero value corresponds to complete absence of financial inclusion and one corresponds to complete financial inclusion.

In the second stage, the three indexes c_1, c_2 and c_3 are combined into one. c_1, c_2 and $c_3$are denoted as offices, saving and loan. Since, the indexes of components separately do not satisfactorily denote financial inclusion. These component indexes should be aggregated into a single composite index of financial inclusion (IFI).

The index of financial inclusion, IFI, for a state, is then measured by the normalized inverse Euclidean distance of the point c= (from the ideal point I = (w_1, w_2, w_3). The exact formula is

$$\mathrm{IFI} = 1 -- \frac{\sqrt{(w_1-c_1)^2+(w_2-c_2)^2+(w_3-c_3)^2}}{\sqrt{(w_1{}^2+w_2{}^2+w_3{}^2}}$$

In formula, the numerator of the second expression is the Euclidean distance of c = (c_1, c_2, c_3) from the ideal point w = (w_1, w_2, w_3), these takes the value of 1 equal to all three determinants normalizing it by the denominator and subtracting from 1 gives the inverse normalized distance. The normalization is done in order to make the value lie between 0 and 1 and the inverse distance is considered so that higher value of the IFI corresponds to higher financial inclusion.

For simplification, if we consider all dimensions to be equally important in measuring the inclusiveness of a financial system, then $w_i = 1$ for all i. In this case, the ideal situation will be represented by the point I = (1, 1, 1) in the n-dimensional space and the formula for IFI will be

IFI = 1- - $\frac{\sqrt{(1-c_1)^2+(1-c_2)^2+(1-c_3)^2}}{\sqrt{3}}$...... by adopting this method of UNDP, values and ranks of financial inclusion of all districts of Haryana have been find out.[6]

RESULT AND DISCUSSION

By applying the index of financial inclusion, the in composite index of financial inclusion in Haryana of all districts for the year 2006 and 2016, the result shows that Panchkula had gained maximum value (1.00) in financial inclusion and Jind had minimum value for financial services (0.016). The rank of Punchkula and Jind was 1st and 19th. In 2006, there was twenty districts in Haryana. Mewat new name (Nuh) was made district in april 2005 but data of Mewat district for banking services is not available separately. Till 3 december, 2016 there are 21 district in the state but later on 4th december 2016, Charkhi Dadri was made 22nd district officially in Haryana but data for Dadri district is not available. In the research it is found out that Gurugram (new name of Gurgaon) attained the value(1.00) and Mewat has attained (0.000) value of index of financial inclusion and gained 1st and 21st rank respectively. It means that there is wide disparity between two districts in context of financial inclusion.

In the second phase, variation among the districts for the year 2006 and 2016 has been found. It shows that in 2006, Panchkula and gurugram have gained 1st and 2nd rank in composite index of financial inclusion. Panchkula has maintained highest value (1.00) in office, saving and loan also, but Jind has lowest value in office and deposit. In the 3rd determinant Mahendragarh has lowest value in loan only. According to composite index Jind and Mahendragarh have gained lowest ranks 19th and 18th respectively in financial inclusion. On the other hand, Gurugram has gained highest value (1.00) in all three determinants that are office, saving and loan but Mewat(Nuh) is least performed (0.00) in all three factors as well as composite index (0.000) in financial inclusion. The status of Jind has improved that is 17th rank with the value of (0.090) compare to (0.016) in 2006. Punchkula is at 2nd stage in 2016 compare to 1st in 2006.

The result shows the decadal growth of financial services of all districts of Haryana. This shows tremendous growth of banking services in Gurugram in ten years. The value of composite index was 0.383 in 2006, has increased positively highest value that is 1.000. The performance of Jind district was lowest in 2006 with the composite value of 0.016 has increased considerably 0.090 having with the rank of 17th in the state better than the previous having 19th. In this way most of the districts have shown tremendous growth in banking services after the policies for financial inclusion.

[6] ' Financial inclusion in India: A state level study.' by poonam and Archna chaudhry, 2016.

Table: 1.1

Values of Determinants Used for Financial inclusion in Haryana in 2006

Sr. no	District	Ai-mi/Mi-mi(office)	Ai-mi/Mi-mi(Deposit)	Ai-mi/Mi-mi(Credit)	Composite index(IFI)	Rank
1	Ambala	0.544	0.155	0.203	0.280	3
2	Bhiwani	0.151	0.019	0.041	0.069	15
3	Faridabad	0.153	0.159	0.196	0.169	8
4	Fatehabad	0.117	0.022	0.079	0.072	14
5	Gurgaon	0.370	0.506	0.292	0.383	2
6	Hisar	0.170	0.049	0.216	0.142	10
7	Jhajjar	0.077	0.048	0.048	0.058	17
8	Jind	0.000	0.000	0.049	0.016	19
9	Kaithal	0.096	0.017	0.090	0.067	16
10	Karnal	0.284	0.077	0.260	0.201	6
11	Kurukshetra	0.236	0.086	0.170	0.162	9
12	Mahendragarh	0.056	0.004	0.000	0.020	18
13	Panchkula	1.000	1.000	1.000	1.000	1
14	Panipat	0.357	0.117	0.331	0.261	5
15	Rewari	0.281	0.072	0.046	0.127	11
16	Rohtak	0.479	0.153	0.184	0.257	4
17	Sirsa	0.269	0.021	0.081	0.117	12
18	Sonipat	0.138	0.100	0.039	0.091	13
19	Yamunanagar	0.368	0.081	0.135	0.185	7

Source: Researcher calculation.

Note: Till 2006, twenty districts were made in Haryana but data on Mewat new name (Nuh) is not avail

Table: 1.2

Values of Determinants Used for Index of Financial Inclusion in Haryana in 2016

Sr. no	District	Ai-mi/Mi-mi(office)	Ai-mi/Mi-mi(Deposit)	Ai-mi/Mi-mi(Credit)	Composite index(IFI)	Rank
1	Ambala	0.463	0.16	0.149	0.243	5
2	Bhiwani	0.149	0.037	0.062	0.081	18
3	Faridabad	0.279	0.256	0.28	0.272	3
4	Fatehabad	0.257	0.031	0.111	0.128	15
5	Gurgaon	1.000	1.000	1.000	1.000	1
6	Hisar	0.222	0.067	0.18	0.156	12
7	Jhajjar	0.274	0.08	0.102	0.148	13
8	Jind	0.157	0.0248	0.092	0.09	17
9	Kaithal	0.24	0.025	0.128	0.127	16
10	Karnal	0.385	0.086	0.317	0.252	4
11	Kurukshetra	0.434	0.093	0.144	0.209	9
12	Mahendragarh	0.183	0.041	0.032	0.082	19
13	Mewat(Nuh)	0.000	0.000	0.000	0.000	21
14	Palwal	0.099	0.024	0.038	0.053	20
15	Panchkula	0.934	0.493	0.719	0.663	2
16	Panipat	0.341	0.088	0.225	0.21136	8
17	Rewari	0.334	0.104	0.074	0.163	11
18	Rohtak	0.357	0.162	0.134	0.21138	7
19	Sirsa	0.229	0.037	0.139	0.131	14
20	Sonipat	0.314	0.102	0.293	0.23	6
21	Yamunanagar	0.308	0.089	0.109	0.163	10

Note: Till 2016, there are Twenty two districts in Haryana, but Dadri as a district was made in december,2016 officially, so data on Dadri separately not available yet.

Source: Calculated by researcher through the index used by UNDP.

Table: 1.3

Comparative_Analysis of Index of Financial Inclusion for the year 2006 and 2016

Sr. no	District	IFI in 2006	IFI in 2016	Rank in 2006	Rank in 2016
1	Ambala	0.280	0.243	3	5
2	Bhiwani	0.069	0.081	15	18
3	Faridabad	0.169	0.272	8	3
4	Fatehabad	0.072	0.128	14	15
5	Gurgaon	0.383	1.000	2	1
6	Hisar	0.142	0.156	10	12
7	Jhajjar	0.058	0.148	17	13
8	Jind	0.016	0.09	19	17
9	Kaithal	0.067	0.127	16	16
10	Karnal	0.201	0.252	6	4
11	Kurukshetra	0.162	0.209	9	9
12	Mahendragarh	0.020	0.082	18	19
13	Mewat(Nuh)	N.A	0.000	N.A	21
14	Palwal	N.A	0.053	N.A	20
15	Panchkula	1.000	0.663	1	2
16	Panipat	0.357	0.21136	5	8
17	Rewari	0.281	0.163	11	11
18	Rohtak	0.479	0.21138	4	7
19	Sirsa	0.269	0.131	12	14
20	Sonipat	0.138	0.23	13	6
21	Yamunanagar	0.368	0.163	7	10

CONCLUSION

A number of studies have established a link between financial development and economic development. In a democratic country like India, where people are openly free to choose their profession or means of earning, their livelihood, it necessitates that the fruits of financial development reach to the vast majority of our population, so that they can bring efficiency in their occupation. Although there are many dimensions of financial inclusion that are very important for growth and development of every country yet Socio-economic factors plays very important role in increasing the status of financial inclusion. In Haryana most of the people are engaged in agricultural activities. So to increase the financial activities people should have better jobs, good education and accessibility of financial services.

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