

# AN ANALYSIS OF FINANCIAL INCLUSION OF HARYANA

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**ABSTRACT**

*Financial inclusion is delivery of banking services at an economical cost to the larger section of society comprised of underprivileged especially poor people. Financial inclusion is necessary condition for economic growth of a country or society. Indian government is working in this direction since the nationalization of banks in 1969. Haryana is the wealthiest state of India on the basis of state domestic product. Haryana state has made tremendous achievements in the area of infrastructure development. Present paper is an attempt to measure level of financial inclusion in Haryana at aggregate level as well as district level. An index of financial inclusion is applied for the analysis.*

**Keywords:** Financial Inclusion, Banking Services, Haryana.

**Introduction:**

Financial Inclusion is delivery of banking services at a low cost to disadvantaged sections of society like women, rural people and the poor (Dev 2016). According to financial inclusion committee chaired by C. Rangarajan, “*Financial inclusion is a process of access to financial services, timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at affordable cost*” (Rangarajan 2008). Households who are denied credit in spite of their demand called financially excluded. Financial inclusion also covers various financial services including credit services as saving, payments, remittances and insurance, facilities to the financially excluded population. So Financial Inclusion can be defined as getting institutional credit through commercial banks, cooperative banks, NABARD, RRBs, and micro-finance institutions. There is need of opening new accounts in formal financial set up. But in addition to opening new account there is need of making efforts towards including farmers and vulnerable and underprivileged groups into formal financial system. According to United Nations, “*A financial sector that provides access to credit for all 'bankable' people and firms; in insurance for all insurable people and firms; and to saving and payments services for everyone. Inclusive finance does not require that everyone who is eligible use each of the services, but they should be able to choose to use them if desired*” (UN 2006). It should be conceived by governments as a method to upgrade people's livelihood, eliminate poverty and promote economic advancement. No doubt after much progress still there are gaps remains in financial accessibility of various regions, income groups and many other dimensions like gender. Further there is no authentic evidence available about

effect of financial inclusion on macro economy (IMF 2015). According to World Bank, "*Broad access to financial services implies absence of price and non price barriers in the use of financial services. It is difficult to define and measure because access has many dimensions*" (World Bank 2008). Finally in words of Kodan and Chhikara, "*Financial inclusion is easy availability of all banking services at an affordable cost, in reasonable time and in adequate quantity and appropriate forms to all needy people. The indicator of this is the easy access of needy people to banking services available in appropriate forms*" (Kodan and Chhikara 2013).

Financial inclusion is a necessary condition for economic growth and equal distribution of benefits of growth. It is reality that despite the vast expansion, a large group is still not able to access the services of financial sector. These excluded people may be poor farmers, unorganized sector employees, small businessmen or women. However, recently the government of India accelerated the provisions of financial services to enhance the inclusion of most of these groups. In India efforts in this direction started in 1969 by nationalization of major commercial banks. After that, efforts like lead bank scheme and Regional Rural Banks resulted in expansion of banking network. The Central bank of India have a strong policy of priority sector lending which requires banks to keep aside 40 percent of their assets for these sectors. Few years' back the Pradhan Mantri Jan Dhan Yojana is started with the goal financial inclusion every household through bank account where government claims a figure of 170 million new accounts by July 2015. The National Center for Financial Education also promoted financial literacy through various steps (GOI 2009). On this backdrop the major objective of the study is to find out degree and level of financial inclusion within Haryana state, the richest state of India in terms of State Gross Domestic Product. An index is calculated for measurement of financial inclusion of Haryana at aggregate level as well as district level.

Haryana is located in the northern part of India where agriculture remains main stay of the state economy. Haryana have achieved a high economic growth since 1961 with annual growth rate of more than eight percent in recent years. The State had a network of 59 banks with 4884 branches on March 2015. Banking network includes 26 Public Sector Commercial Banks & 11 Private Sector Commercial Banks (together 3674 Branches), one RRB (597 Branches), Short-term Cooperative Credit Structure (STCCS) with the Haryana State Cooperative Apex Bank Ltd. (HSTCB) at the State level and 19 DCCBs (594 Branches), Long-term Cooperative Credit Structure (LTCCS) with The Haryana State Cooperative & Agriculture Bank Ltd. (HSCARDB) at the State level and 19 District Primary Cooperative Agriculture & Rural Development Bank Ltd. (DPCARDBs). Besides this, 663 Primary Agricultural Credit Societies (PACS) also cater to the crop loan needs of the farmers under STCCS. As many as 2154 branches are providing banking services in rural areas and 1117 branches in semi urban areas. Total numbers of 456 new bank branches were opened during the year 2014-15 (NABARD 2016).

## Review of Literature

There are various studies which suggested that access to financial services is a critical factor in people's employment, transformation of production and removal of poverty (Agion and Botton 1997, Banerjee and Newman 1993, Banerjee 2001). Kelkar (2014) give vital importance to financial inclusion as a tool of providing economic security to individuals and families. Carbo (1995) finds financial exclusion as the inability of accessing financial system by certain social groups. According to Sharma (2008) inclusion financially is a process through which every member of society gets access, availability and usage of financial system easily. Other way round Leysnon & Thrift (2005) observe that financial exclusion is a process that denies some social groups or individuals accessibility to the formal financial system of the economy. Agarwal (2008) finds that demand and supply side factors affect the level of financial inclusion in a nation. In rich nations where banking system is very strong and mature, mainly low income groups, the ethnic minorities, immigrants, the aged are financially excluded (Kempson & whyley 1998, Barr 2004). Further rural population and remote area population who do not have access to urban financial sectors are most financially excluded sections (Kempson & whyley 2001). Another section which comprises unemployed and people in insecure jobs have low access to financial system (Goodwin et.al 2000). There is a positive impact of number of bank branches and number of ATMs on economic growth of an economy (Kamboj 2014). Banking is a fundamental factor for financial inclusion but large numbers of poor are excluded from this system. Iqbal & Sami (2017) analyzed the relationship between the number of bank branches and credit-deposit ratio of banks on economic growth of India and find a positive relationship, but growth of ATMs shows no statistically significant effect on economic growth. The study relates financial inclusion with economic progress of the economy. Rangarajan committee (2008) suggests that without financial inclusion of all sections of society, it is very difficult to accelerate and sustain economic growth of the Indian Economy. Further same committee recommends that an integrated strategy like establishment of an integrated national level initiative of financial inclusion by promoting RRBs, cooperatives, and microfinance institutions. CRISIL (2013) analyzes the level of financial inclusion in India. The three parameters as branch deposit and credit penetration were used for construction of a financial inclusion index. The study finds that half of Indian population has saving accounts but only one in seven Indians has get facility of bank credit. CRISIL index of financial inclusion at all India level is very low 40.1 in 2011 (scale 100). In this backdrop present study is going to analyze the level of financial inclusion in Haryana through access, availability and usage of formal financial services.

## Research Methodology and Data Sources

Financial accessibility, availability and usage of financial services are the three dimensions through which index of financial inclusion is measured. The depth and access of financial services and financial products to population of a

certain area is analyzed through these dimensions and index. The multi-dimensional approach of computing IFI is in lines with Human Development Index (HDI), Human Poverty Index (HPI) and Gender Development Index (GDI) computed by UNDP. In this methodology, first a dimension index is computed for each dimension to be included for financial inclusion and IFI is computed by assigning an appropriate weight as per the importance of each dimension in IFI.

Values of Index is ranges between 0 to 1

- 0 to 0.29- No Access or Low access
- 0.30 to 0.50 – Medium Access
- 0.51 to 1- High Access

Dimension 1 may be calculated as:

$$D1 = \frac{\text{Total number of saving accounts}}{\text{Adults population}} \times 100$$

$$D2 = \frac{\text{Total number of branches + ATMs}}{\text{Adults population}} \times 2000$$

$$D3 = \frac{\text{Amount of Loan and Deposit}}{\text{GSDP (At current price)}} \times 100$$

Calculations of Financial Inclusion Index

$$IFI=1 \sqrt{\frac{(1-d1)^2+(1-d2)^2+(1-d3)^2}{\sqrt{n}}}$$

Dimensions of Index of Financial Inclusion:-

**I. Dimension-1: Financial Accessibility or Banking Penetration (Dimension 1):** This dimension has been explained by the number of banked people or people with a bank account. This measure shows the

penetration of the banking system. The highest value of index is one which shows that everybody have a bank account. It includes figures on current account, saving account, as well as time deposit account for all businesses, individuals. Dimension 1 represents saving accounts per 100 adults in Haryana state. Data of population is based on Census of 2011 by Indian government where we extract data on estimated adults population>14 years and saving accounts of commercial banks and regional rural banks etc.

**II. Dimension-2: Availability of Banking Services:** The indicator shows the availability of banking services like offices, branches, banking personnel etc. The availability of services is measured by calculating the number of banking branches (per 1000 population), total number of ATMs per 1000 population or number of bank offices etc. This dimension include estimated adults population>14 years, number of branches of commercial banks and regional rural banks, number of off-site ATMs etc.

**III. Dimension-3: Usage of Financial Services (Dimension 3):** This dimension use two basic services to measure this index, the volume of total credit and deposit in the banking system. This dimension is result of ratio of the volume of credit and deposit to state/National Gross Domestic product.

**Financial Inclusion in Haryana:** In this section financial inclusion index of Haryana is presented. Table 1 shows the financial accessibility in Haryana through calculation of saving accounts per 100 adults which were 47 in 2011-12, but after that there is a drastic change as dimension's value has become 1 in recent years which shows that every average Haryanvi has a saving bank account in 2015-16

Table 1 : Saving Accounts per 100 adults in Haryana 2011-2016 (Dimension D1)

Year	Population of 2011 (Millions)	Estimated Adults>14 years in Millions	No.of saving accounts of CBs+RRBs	Savings accounts per 100 adults(#)	Applying cap of 100 as the highest	Dimension-1
2011-12	25.35	17.60	84,451	47	47.98	0.47
2012-13	25.35	17.60	3,90,367	221	100.00	1.00
2013-14	25.35	17.60	4,49,021	255	100.00	1.00
2014-15	25.35	17.60	4,91,980	279	100.00	1.00
2015-16	25.35	17.60	5,35,275	304	100.00	1.00

SelfCalculations

Table 2 shows availability of financial services which is on continuous rise since 2012 and dimension-2 value rise from .543 to 0.815. Loan and deposits to GDP ratio is very high for

Haryana. There is continuously rising trend in loan and deposits in recent years.

**Table 2 : Availability of Financial Services in Haryana (2012-16)**

Sr. No.	Year	Adults population >14 years in (million)	No. of Offices (CBs)	No. of Offices (RRBS)	No. of Off-site ATMs	No. of Branches + off site ATM	No. of Branches +ATM/ 2000 adults	D-2
1	2012	17.60	2690	416	1678	4784	0.543	0.543
2	2013	17.60	3022	446	1940	5408	0.614	0.614
3	2014	17.60	3412	508	1978	5898	0.671	0.671
4	2015	17.60	3962	542	1998	6502	0.738	0.738
5	2016	17.60	4407	597	2170	7174	0.815	0.815

Self Calculations

Table 3 shows the usage of financial services in Haryana which again very high as per criteria. In usage ratio of sum of loan outstanding and deposit outstanding to state Gross

Domestic Product is measured which is much greater than 100 so we use scale-1 to that value.

**Table 3 : Usages of Financial Services in Haryana (in millions)**

Sr. No.	Year	Loan Outstanding	Deposit Outstanding	Loan +Deposit	GSDP at Current Price	Loan & deposit/GDP	Usage Ratio
1	2010	69,13,799	109,17,186	1,78,30,985	2,64,149	6750.35	1.00
2	2011	92,78,663	129,38,082	2,22,16,745	3,09,326	7,182.31	1.00
3	2012	115,77,539	145,84,430	2,61,61,969	3,50,407	7466.17	1.00
4	2013	129,66,046	169,39,333	2,99,05,379	3,95,748	7,556.67	1.00
5	2014	150,88,570	193,31,450	3,44,20,020	4,41,864	7789.73	1.00
6	2015	168,89,309	222,68,451	391,57,760	4,85,183	8,070.72	1.00

Self Calculations

Table 4 shows the index of financial inclusion for Haryana. Value of Financial Inclusion Index has increased from 0.60 percent to 0.89 in 2016. The level of financial inclusion of

Haryana is continuously improving. It shows that Haryana has high financial inclusions in terms of accessibility, availability and usage of financial services.

**Table 4 : Index of Financial Inclusion in Haryana.**

Sr. No.	Year	Dimension-1	Dimension-2	Dimension-3	IFI	Average
1	2012	0.47	0.54	1.00	0.60	0.67
2	2013	1.00	0.64	1.00	0.77	0.87
3	2014	1.00	0.67	1.00	0.81	0.89
4	2015	1.00	0.74	1.00	0.85	0.91
5	2016	1.00	0.84	1.00	0.89	0.94

Self Calculations

Table 5 presents data on various financial indicators of Financial Inclusion Index for 21 district of Haryana. Karnal, Gurugram, Faridabad show highest bank offices as well as deposit accounts whereas Nuh, Kaithal, Palwal, Jind and Mahendergarh show the lower accessibility. The table shows

district wise indicators of financial inclusion which shows inter-district variations. As higher number of bank branches in Gurugram and lowest in Nuh. Same variations reflect in other indicators also.



Table 5 : District-wise indicators of Financial Inclusion in Haryana

Sr. No.	State/ Districts	Total Banks Offices	Deposit accounts (2012)	Deposits Amount in 2016 (millions)	Credit amount as in 2016 (millions)	Total Population millions	Adult Population (millions)	Deposit accounts per 100 adults
1.	Ambala	258	1413573	12,209	5,866	1.14	7,889	179.18
2.	Panchkula	220	975380	16,862	12,271	0.56	3,879	251.47
3.	Yamunanagar	209	1142534	7,992	4,823	1.21	8,426	135.59
4.	Kurukshetra	209	777208	6,590	4,846	0.96	6,692	116.14
5.	Kaithal	160	600379	3,122	4,878	1.07	7,446	80.63
6.	Karnal	300	1088474	9,720	15,162	1.51	10,454	104.12
7.	Panipat	223	988127	7,933	8,917	1.20	8,348	118.37
8.	Sonipat	259	1119877	10,894	13,889	1.48	10,272	109.02
9.	Rohtak	202	1172274	11,551	5,013	1.06	7,347	159.55
10.	Jhajjar	154	661376	5,841	3,618	0.96	6,641	99.59
11.	Faridabad	293	1912485	29,404	16,226	1.80	12,485	153.19
12.	Palwal	104	513206	2,953	1,959	1.04	7,221	71.07
13.	Gurugram	630	3079781	90,232	45,718	1.51	10,508	293.10
14.	Nuh	69	279752	1,523	824	1.09	7,560	37.00
15.	Rewari	163	871581	6,720	2,646	0.90	6,219	140.14
16.	Mehendragarh	119	707876	3,515	1,578	0.92	6,396	110.67
17.	Bhiwani	190	968365	5,808	4,222	1.63	11,306	85.65
18.	Jind	160	684177	3,856	4,650	1.33	9,244	74.01
19.	Hisar	248	1167525	9,268	10,986	1.74	12,095	96.53
20.	Fatehabad	147	525212	3,077	3,845	0.94	6,534	80.38
21.	Sirsa	188	803475	4,637	6,304	1.30	8,988	89.39

**Source :** RBI- Quarterly statistics of Deposits and Credits of Haryana and Census 2011

Table 6 presents Index of Financial inclusion for 21 districts of Haryana. Accessibility of Bank services high in most of districts or 100 percent in 13 districts. The availability of banking services is high in Gurugram, Panchkula, Ambala,

Kurukshetra, Karnal, Sonapat Rohtak and lower in Jind, Bhiwani, Mahendergarh, Nuh and Palwal which shows that economically advanced district have more banking availability as compared to economically backward states.

Table 6 : District-wise Dimensions of Financial Inclusion in Haryana

Sr. No.	State/District	D-1	D-2	D-3	IFI	Average of Dimensions
1.	Ambala	1.00	0.76	0.04	0.42	0.60
2.	Panchkula	1.00	1.00	0.06	0.45	0.68
3.	Yamunanagar	1.00	0.56	0.03	0.38	0.53
4.	Kurukshetra	1.00	0.68	0.02	0.40	0.56
5.	Kaithal	0.80	0.50	0.02	0.35	0.44
6.	Karnal	1.00	0.62	0.05	0.41	0.55
7.	Panipat	1.00	0.59	0.03	0.39	0.54
8.	Sonipat	1.00	0.61	0.05	0.41	0.55
9.	Rohtak	1.00	0.67	0.03	0.41	0.56
10.	Jhajjar	1.00	0.54	0.02	0.37	0.52
11.	Faridabad	1.00	0.58	0.09	0.42	0.55
12.	Palwal	0.71	0.37	0.01	0.30	0.36
13.	Gurugram	1.00	1.31	0.28	0.55	0.86

14	Nuh	0.37	0.23	0.004	0.19	0.20
15	Rewari	1.00	0.60	0.02	0.38	0.54
16	Mehendragarh	1.00	0.39	0.01	0.33	0.46
17	Bhiwani	0.85	0.41	0.02	0.33	0.43
18	Jind	0.74	0.41	0.02	0.32	0.39
19	Hisar	0.96	0.50	0.04	0.37	0.50
20	Fatehabad	0.80	0.53	0.01	0.35	0.45
21	Sirsa	0.89	0.53	0.02	0.37	0.48

Self Calculations

### Conclusion

The study finds a high level of financial inclusion in Haryana, however the data reflect inter district disparities in financial inclusion. Karnal, Gurugram, Faridabad show highest bank offices as well as deposit accounts whereas Nuh, Kaithal, Palwal, Jind and Mahendergarh show the lower availability. District-wise value of banking penetration is between 0.50 to 1.00 in 20 districts like Ambala, Gurugram, Kurukshetra, Kaithal, Karnal, Panipat, Sonipat, Rohtak, Jhajjar, Faridabad, Palwal, Rewari, Mehendragarh, Bhiwani, Jind, Hisar, Fatehabad and Sirsa Panchkula, Yamunanagar. District-wise value of availability of banking services (dimension 2) represent the value while it is between 0.50 to 1.00 in 16 districts have achieved high financial inclusion namely Ambala (0.76), Panchkula (1.00), Yamunanagar (0.56), Kurukshetra (0.68), Kaithal (0.50), Karnal (0.62), Panipat (0.59), Sonipat (0.61), Rohtak (0.67), Jhajjar (0.54), Faridabad (0.58), Rewari (0.60), Hisar (0.50), Fatehabad (0.53) and Sirsa (0.53). It is between 0.30 to 0.50 in 4 districts namely Palwal (0.37), Mehendragarh (0.39), Bhiwani (0.41) and Jind (0.41) whereas Nuh (0.23) represent very low financial inclusion in Haryana. District-wise usage of banking system (dimension 3) represents the high usage of credit and deposit ratio of Gurugram (0.28) and lowest usage of credit and deposit ratio of Nuh (0.004). In the case of index of financial inclusion Gurugram, achieve high financial inclusion whereas Ambala, Panchkula, Yamunanagar, Kurukshetra, Kaithal, Karnal, Panipat, Sonipat, Rohtak, Jhajjar, Faridabad, Palwal, Rewari, Mehendragarh, Bhiwani, Jind, Hisar, Fatehabad and Sirsa achieve medium financial inclusion in Haryana and the index of financial inclusion of Nuh is very low. The analysis shows that state of Haryana have well established financial service system however there are inter-district disparities. The economically backward districts have also low financial inclusion. So government should focus more on these districts. Further this study is based on secondary data, there is need of primary study which can study how lack of availability these financial services impact the lives of people especially marginalized sections.

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