Growth of Financial inclusion in Haryana

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Abstract

In developing countries for enhancing sustainable economic growth the direction of policy maker's shifted from financial development to financial inclusion. This paper focused the effect of financial inclusion in Haryana into direction as its effect on growth as to whether it is positive and negative; also study the increase in demand for financial sector services in the states across the years. The Main focus in this paper to examine the current status of Financial Inclusion in Haryana from 2016 to 2018 . Also examine the status of various Financial Inclusion Schemes in Haryana. Some studies are based on positive view and other based on negative view. In positive views for financial inclusion on growth, based on the ease of access of financial services includes; extension of bank branches, minimizing a barrier in access to finance and contribution of banking sector. On other hand, negative or weak contribution of financial inclusion on growth is due to weak financial system, low availability of financial system.

Keywords- Financial inclusion, Economic growth, Financial Development, Haryana

INTRODUCTION

Finance is a powerful involvement for economic development and over the last decade or so the financial sector in India has undergone rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. However, the banking sector is the major player in the financial sector ecosystem. Government of India had constituted a committee in 2006 under the chairmanship of Dr. C. Rangarajan study the pattern of financial inclusion as the process of access to financial services, and timely and adequate credit needed by vulnerable groups such as weaker section of the society. **Indian Institute of Banking & Finance** (IIBF) defines, "Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group.

According to Dr. K.C. Chakrabarty**,** Deputy Governor, Reserve Bank of India, financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. **V. Leeladhar (2005)** define Financial inclusion usually refers to the delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups. **Basu, Priya, (2005)** investigate that structural barriers prevent the poor from accessing banking facilities, thereby resulting in financial exclusion. The study further argues that the poor do not have savings bank accounts, let alone insurance policies and other financial services. An empirical study of **Sendhilvelan.M and Karthikeyan (2006)** revealed to ensure financial inclusion of all segments of the population, in both rural and urban areas bank should give wide publicity to the facility of 'no frills accounts'. Further efforts must be made to move from the concept of anytime, anywhere banking and to everyone banking**. Harun R. Khan** (**2012**) Deputy Governor of Reserve Bank of India examined in Symposium on Financial Inclusion in Indian Economy that financial inclusion is about ensuring 5A's

- Adequacy
- Availability
- Accessibility
- Awareness

- Affordability

It's also focused on adoption of multi-pronged strategy, network of bank branches, patter SHGs, MFIs, etc. and enhancing network through BCs/BFs & TSPs wide range of banking products.

OBJECTIVES

- To study the current status of Financial Inclusion in Haryana from 2016 to 2018.
- To examine the status of various Financial Inclusion Schemes in Haryana.
- To study the increase in demand for financial sector services in the states across the years.

METHODOLOGY

In this present paper mainly focused in secondary data. Secondary data collected from books, journal, various websites, newspapers and Govt. publications etc.

FINANCIAL INCLUSION GROWTH

The central government has introduced several landmark reforms in the financial sector which have had an impact on the working of the sector at the individual state-level too. The financial sector's growth has also been cushioned by a rise in rural demand which in turn has been catalyzed by a rise in rural wages across farm and non-farm sectors. As a result, various states have seen a proliferation of branches of regional rural banks (RRBs) and a rise in credit-deposit ratio over the years.

As per the CRISIL Inclusix score, there has been a wide disparity observed in the performance of various states. States such as Gujarat followed by Rajasthan have seen a maximum jump in their financial inclusion scores over the years, while among the non-special category of states, Uttar Pradesh and Madhya Pradesh have fared poorly. The untiring efforts of both the centre and state governments on the financial inclusion front are expected to help achieve greater success in the years to come.

The state in focus is Haryana. As per the advance estimates, the state is expected to grow at an impressive rate of 8 per cent in FY18 as compared to 8.2 per cent in the previous fiscal and the national average of 6.5 per cent. A sharp correction in the agriculture sector growth from 10.4 per cent in FY17 to 2.4 per cent in FY18 is expected to drive the mild moderation in growth. Industrial and service sector is expected to perform well in FY18 as compared to the previous year. In terms of attracting investments, the state has registered an improved performance as net equity FDI flows posted a sharp increase of over 30 per cent in FY18 over the previous year. On the socio-economic front, though the state has shown an improvement across the major parameters, a skewed sex ratio is an area where the policymakers need to pay more attention as it remains way below the national average.

Table 1.1 **Rise in demand for financial sector services in the states across the years**

State-wise Rise in CD Ratio and Number of RRB Branches

	Credit-Deposit ratio (end March)	Credit-Deposit ratio (end March)	Growth in number of RRB branches (y-o-y%)
	2000	2017	2000-2017
AP	64.4	86.7	2.8
Bihar	23.1	50.4	11.6
Gujarat	56.8	53.9	84.5
Haryana	48.0	64.8	119.1
Karnataka	81.0	76.9	58.1
Kerala	117.3	113.2	113.2
MP	33.6	56.1	-13.9
Maharashtra	50.8	73.1	24.5
Odisha	50.4	49.6	18.0
Punjab	37.6	81.3	100.5
Rajasthan	41.3	71.4	41.1
Tamil Nadu	59.5	86.9	163.2
Uttar Pradesh	30.2	55.2	38.4
West Bengal	31.6	44.5	11.0
India	40.9	62.8	46.9

From the fact of **Table1.1** that most states have seen a rise in credit-deposit ratios over the period 2000-2017, which is a sign of increase in financial services across the states. Top five states like Tamil Nadu, Haryana, Kerala, Punjab and Gujarat are increased in number of Regional Rural Branches, in which Haryana percentage of Regional rural Banks increased by

119.1 % its overall a good achievement. Also, except, Madhya Pradesh, all the major states have seen a sharp increase in the number of regional rural banks (RRBs) over the years. Over time, the rise in rural income has translated into a rise in per capita levels in the rural areas across major states, which in turn has increased the demand for financial sector services. In CRISIL Inclusix Scores for the first time, Kerala moved to the top spot with score of 90.9 in 2016. Most states saw an improvement in their scores in 2016 propelled by a significant increase in the number of deposits, largely because of the Jan – Dhan initiative and increase in credit penetration. In terms of measuring improvement in the last four years, Gujarat followed by Rajasthan has seen a maximum jump in their financial inclusion scores. This is driven by progress seen in both credit and deposit penetration in these states.

2. Investment trends in Haryana remain robust; most indicators are higher than the national average

CRISIL Inclusix Scores, 2016

	2013	2014	2015	2016
Andhra Pradesh	69.2	76.4	80.3	78.4
Bihar	30.2	30.6	33.2	38.5
Gujarat	46.0	56.1	57.5	62.4
Haryana	53.2	63.4	69.0	67.7
Karnataka	74.4	78.0	83.8	82.1
Kerala	88.9	90.3	92.1	90.9
Madhya Pradesh	40.5	44.7	50.0	48.7
Maharashtra	49.0	54.6	58.9	62.7
Odisha	55.2	54.4	60.6	63.0
Punjab	59.7	70.5	73.0	70.9
Rajasthan	39.4	42.2	46.6	50.9
Tamil Nadu	79.2	78.5	82.8	77.2
Uttar Pradesh	40.1	40.5	43.5	44.1
West Bengal	46.6	47.0	43.5	53.7
India	50.1	53.2	56.2	58.0

Note: *A Score of above 65.0 denotes high level of financial inclusion and value below 35.0 denotes low level of inclusion.*

Source: *RBI and CRISIL Inclusix (Feb 2018, Vol 4).*

Haryana attracted FDI worth US$7.7 billion in 2017-18, posting a sharp increase of over 30 per cent over the previous year. Owing to its strategic location and its proximity to New Delhi, the state makes for an attractive FDI destination. Investment trends in the state remain healthy as depicted by the growth in gross fixed capital formation. Average growth in investment spending during the period FY14-FY16 in Haryana stood at 6.6 per cent, while the comparable figure at the national level was an anemic 3.1 per cent.

FINANCIAL INCLUSION SCHEMES IN HARYANA

1.Direct Benefit Transfer (DBT)- On Ist January, 2013 the Government of India take a major reform initiative to re-engineer the existing the bulky delivery processes using modern Information and Communication Technology. This scheme is an attempt to ensure a better and timely delivery of benefits to the people. DBT is the process which directly beneficiaries into the hands of customer, speeding up payments, removing leakages, and enhancing financial inclusion of delivering government benefits like payments, fuel subsidies, food grain subsidies, etc.DBT its direct and time-bound transfer system enables the government to transfer benefits using just an individual's bank account number preferably linked through Aadhaar. In the financial year 2016-17 the ghost beneficiaries removed/ de-duplication are 13, 38,431 such as resulting in a saving of rupees 262.84 crores. The State DBT portal has been created. The State Departments are in the process of uploading the State and Centrally Sponsored Schemes (sharing basis) on the State DBT portal along with beneficiaries and transactional data. The process of inclusion of new formats for the State DBT portal is under process after which the Departments will enter data in the new formats for the financial year 2017-18. Up to 31.1.2018, 115 State/Centrally Sponsored Schemes have been uploaded on the State DBT portal. Out of these 115 schemes, 74 are State Schemes and 41 Centrally Sponsored Schemes.

2. Pradhan Mantri Jan Dhan Yojana (PMJDY) - On 15th August, 2014 this scheme was launched. Haryana became the 4th State in the country to achieve the milestone by covering all the 48.58 Lakh households and providing them with a bank account by 18th December, 2014.In to year 2016 account opening is 56.75 Lakh and Aadhaar seeding is 37.61 Lakh. Upto Dec. 2017, 64.54 Lakh bank accounts have been opened in the state and 58.26 Lakh RuPay cards have been issued, which is 90 percent of the total accounts opened (Table 1.3). In account opening, Aadhaar seeding and RuPay cards issued it will increase 7,79,110, 1,965,820 and 9,86,756 from 2016 to 2018.

Table 1.3- Accounts Opened, Aadhaar Seeding & RuPay Cards Issued Under PMJDY.

Particulars	31.12.2016 - 2017	31.12.2017-18	Increasing amount
Accounts Opened	5,675,611	6,454,721	779110
Aadhaar Seeding	3,761,276	5,727,096	1,965,820
RuPay Cards Issued	4839816	5,826,572	9,86,756

Source: Economic Survey of Haryana, (2016-17 and 2017-18) Govt. of Haryana, Department of Economic and Statistical Analysis, Haryana

3. Pradhan Mantri Mudra Yojana (PMMY)-On 8th April, 2015 was launched a new scheme the Micro Units & Development Refinance Agency Ltd. (MUDRA) as a new financial entity for developing and refinancing last mile financial intermediaries like banks, NBFCs and MFIs etc. who are in the business of lending to smaller of the micro enterprises in manufacturing, trading and service sector. On the similar day Pradhan Mantri MUDRA Yojana was launched to "fund the unfunded" by bringing such enterprises to the formal financial system. It is felt that there is a need to give a special boost to the bank finance on a mission mode, considering huge task in reaching to the large number of such units, currently excluded from the formal credit. This segment mainly consists of non-farm enterprises in manufacturing, trading and services whose credit needs are below rupees 10 lakh. The MUDRA loans have been classified into Shishu, Kishore and Tarun.

Scheme Loan	Limit (Rs.)	From.2016 -17 to 2017-18							
		Total no. of account in 2016-17	Total no. of account in 2017-18	Amount disbursed(Rs. Lakh) in 2016-17	Amount disbursed(Rs. Lakh) in 2017-18	Women beneficiaries 2016-17	Women beneficiaries2017-18	%age of cases disbursed to women to total cases disbursed 2016-17	%age of cases disbursed to women to total cases disbursed 2017-18
Shishu	Up to 50000	68312	83143	17904	23728	39751	39808	58.19	47.87
Kishore	50,001 to 5,00,000	22336	41261	45082	93768	3858	9342	17.27	22.64
Tarun	5,00,000 to 10,00,000	6757	11380	49838	87680	499	1620	7.38	14.23
Total		97405	135784	112824	205176	44108	50770	82.84	37.39

Source: Finance Department Haryana.

4) Pardhan Mantri Suraksha Bima Yojana (PMSBY):- This scheme is a one year cover, renewable from year to year, Accidental Insurance Scheme offering insurance of rupees 2 Lakh on accidental death and disability cover for disability on account of an accident. This scheme was launched on 9th May, 2015 which is being offered/administered through Public Sector General Insurance Companies (PSGICs) and other General Insurance Companies. All saving bank account holders in the age group of 18-70 years can enroll themselves in participating banks on payment of an annual premium of 12 renewable on year to year basis. Up to 31.3.2016, banks enrolled 24, 32,364 persons under this scheme and enrolment increased to 27, 94,368 up to 31.12.2017. Out of 1302 lodged claims of rupees 2,584 Lakh, 1056 claims of ` 2,101 Lakh have been settled up to 31.12.2017 under this scheme.

5) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):-This scheme came into effect from 1st June, 2015. The scheme is being implemented through Life Insurance Corporation of India/other insurance companies willing to offer product on similar terms with necessary approvals and tie ups with banks for this purpose. Under this scheme, all saving bank account holders with the age-group of 18-50 years can enroll themselves to avail benefits of the scheme on payment of annual premium of 330. Under the scheme, ruppes 2 Lakh is payable on member's death due to any reason. Up to 31.3.2016, banks enrolled 7, 91,767 persons under the scheme and enrolment increased to 8, 53,218 up to 31.12.2017. Out of 2,612 lodged claims of rupees 5,224 Lakh, 2,302 claims of rupees 4,604 Lakh have been settled up to 31.12.2017.

6). Stand up India: - In April, 2016 this scheme was launched. The objective of the Stand Up India scheme is based on recognition of the challenges faced by SC, ST and Women entrepreneurs in setting up enterprise, obtaining loans and other support needed from time to time for succeeding in business. As per direction of Govt. of India every branch of the each bank has to provide at least one loan to each SC/ST and Women beneficiary between 10 Lakh and 1 crore. Under Stand up India programme, loan of rupees 21,177 Lakh have been sanctioned to 995 entrepreneurs (244 SCs/STs and 751 Women) by 531 bank branches from 1.4.2017 to 31.12.2017 in the State.

7). Atal Pension Yojana (APY):- Keeping in mind the concern about the old age income security of the working poor, 27 to focus on encouraging and enabling them to save for their retirement, to address the longevity risks among the workers in unorganized sector and to encourage them to voluntarily save for their retirement, the Government of India has introduced Atal Pension Yojana, with effect from 1st June, 2015. All bank account holders which are citizen of India and in the age group of 18-40 years can join APY and avail benefits of the scheme on payment of subscription. Under APY, there is guaranteed minimum monthly pension for the subscribers ranging between rupees 1,000 to rupees 5,000 per month depending upon the premium paid and age of entry to the scheme by the subscriber. To get a fixed monthly pension between rupees 1,000 per month and rupees 5,000 per month, the subscriber has to contribute on monthly basis between rupees 42 and rupees 210, if he joins at the age of 18 years. For the same fixed pension levels, the contribution would range between rupees 291 and ` 1,454, if the subscriber joins at the age of 40 years. Up to 31.3.2016, banks enrolled 55,797 persons under the scheme and enrolment increased to 1, 49,896 up to 31.12.2017.

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