



Impact of Financial Inclusion indicator on CRAR –

An empirical Study of Sarva Haryana Gramin Bank in Haryana

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Abstract –

This paper is based on financial inclusion growth through the Sarva Haryana Garmin bank in Haryana. The present study aims to evaluate the growth of financial inclusion over a period of last three years 2013 to 2018 of SHGB in Haryana. Also study the impact of the financial inclusion indicator on Capital adequacy ratio. This ratio is used to protect depositors and promote stability and efficiency of financial systems around the world. For developing nations the era is of inclusive growth and the key for inclusive growth is financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of society. The eleventh Five year plan (2007-12) main focus on the need for a more inclusive growth in order to ensure that the per capita income growth is broad- based. The study is based on secondary data which has been analyzed by multiple regression models as a main statistical tool.

Keywords –Financial Inclusion, Business correspondent model, Sarva Haryana Garmin Bank, Capital Adequacy Ratio.

Introduction –

A country is growing when a proper utilization of funds .In developing country the Finance is a field that deals with the study of investments. It includes the dynamics of assets and liabilities over time under conditions of different degrees of uncertainty and risk. Finance has become an essential part for development of the society as well as an economy. A proper financial system is not required only for under developed countries but also for developed countries for sustainable growth.

Financial inclusion plan - In April 2005 financial inclusion' was used for the first time by Y.Venugopal Reddy, the Governor, Reserve Bank of India. In the Khan Committee Report, the RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account. Into the mid-term review of the policy (2005–06) the recommendations of the Khan Committee were incorporated. Growth of a country is depends on how money is utilized by its citizens. Savings of the citizen's has also same importance. For the purpose of proper utilization of money and savings of people government has developed many financial plans. These plans are helpful for people who want to access financial services. Every citizen of India should have an account holder in any bank which is the ultimate goal of Government of India. To achieve this goal, Government of India and Reserve Bank of India have accepted the concept of Financial Inclusion. The concept of "inclusion" was defined as a process of including the excluded as agents whose participation is essential in the very design of the development process (Planning Commission, 2007). Financial inclusion (FI) means and includes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups in a given society. Access to finance by the poor and vulnerable groups is a prerequisite for achieving inclusive growth in any given economic system. Indian Government has initiated various financial measures in the banking sector, and different microfinance models have been playing an active role in providing microfinance and other financial services to the rural people.

The process of financial inclusion in India can broadly be classified into three phases.

During the **First Phase (1960-1990)**, the focus of banks on weaker sections of the society and provide the financial services to them. **Second Phase (1990-2005)** focused mainly on strengthening the financial institutions as part of financial sector reforms. Financial inclusion in this phase was encouraged mainly by the introduction of Self- Help Group (SHG) - bank linkage program in the early 1990 and Kisan Credit Cards (KCCs) for providing credit to farmers. During the **Third Phase (2005onwards)**, the 'financial inclusion' was explicitly made as a policy objective and thrust was on providing safe facility of savings deposits through 'no frills' accounts.

In short Financial Inclusion is:

NFA + Banks+ OFIs+ MFI+ IT = Financial Inclusion

Where, NFA - No frills bank account OFIs - Other financial Institutions MFI – Micro financial Institutions, IT-Information Technology Thus, financial inclusion needed for equal opportunities to all section of people in country, inclusive growth, economic development, social development and business opportunity.

Growth of Sarva Haryana Gramin bank

After amalgamation of 2 RRBs namely Haryana Gramin Bank, Head Office, Rohtak (Sponsor by Punjab National Bank) & Gurgaon Gramin Bank, Head Office, Gurgaon (Sponsor by Syndicate Bank) then came into existence Haryana Sarva Haryana Gramin Bank 29.11.2013. At present the Head Office of the Bank is at Rohtak. India Act, 1934, as permitted under the Reserve Bank of India and Section 5 is authorized to affect banking transactions (b) of the Banking Regulation Act, 1949 - Scheduled bank as the bank is included in the schedule. In the Indian banking industry Punjab National Bank play the leading bank-sponsored SARVA Haryana Gramin Bank. Currently, all Haryana Gramin Bank with a workforce of over 3073 dedicated employees, 650 branches throughout the state, the best bank in the command area is striving hard to provide banking services. SHGB has been all branches in 22 Districts of Haryana State. Sarva Haryana Gramin Bank is the 1st Bank of India regarding printing of Material on Financial Literacy as per R.B.I. standards. Bank has established 7 Financial Literacy Centers in different Districts of Haryana State. SHGB has been adjudged as a facilitator for Distribution of E-Pension in the State. Sarva Haryana Gramin Bank has been selected as Self Help Group Promotion institution (SHPI) by NABARD.

Functions of Sarva Haryana Gramin bank –

- Financial needs of rural masses to make them self-reliant.
- To facilitate them with better and safer saving opportunities.
- Providing the deposits, withdrawal and draft facilities to middle and for weaker sections of the society.
- Bank has been biggest contributor to BPL families in the state for rendering financial assistance under Housing Board Scheme.
- To focus on Housing Loans, Car Loans, MSMEs & KCC above 10 Lakhs to increase the Credit Deposit Ratio of the Bank.
- To focus on promotion of micro credit dispensation through Self Help Groups, JLGs etc.
- Making 100% financial inclusion in the villages allocated to our Bank in particular and in the command area of all branches of the bank, in general.
- Bank envisages diversifying its lending activities to meet all productive and consumption needs of its customers in a hassle-free manner with holistic approach.
- For BPL families providing the rendering financial assistance under Housing Board Scheme.
- Playing a vital role in rural development and poverty alleviation, in Haryana Out of total 653 branches, 510 branches (78%) are in rural areas.
- Providing technology driven banking services like NEFT, ECS and 100% CBS compliant.
- Bank's role in socio-economic upliftment of rural poor, small and Marginal farmers is the highest in the state.

Objective of this study

- To study the financial inclusion growth of Sarva Haryana Gramin bank in last five year.
- To study the impact of financial inclusion indicators on the Capital Adequacy Ratio.
- To study the function of Sarva Haryana Gramin bank in Haryana.

Research Methodology –

This study is based on secondary data which is collected from Ministry of Finance, Government of India, reports of RBI, reports of Sarva Haryana Gramin and Reports on trend and progress of India. Data has been received from Research Journals, E-Journals, Books and Magazines. Various websites were also used like RBI, Ministry of Finance, and Government of India (GOI). The period under consideration for the study is last five years from 2013 to 2017. By applying multiple regressions and correlation as a main statistical tool the data has been analyzed. Multiple regression analysis has been used to establish an empirical relationship between Financial Inclusion indicators and capital adequacy ratio. Correlation is shows the association between variables.

The present study taking Capital Adequacy Ratio as a dependent variable and independent variables are Number of Bank Branches of SHGB in Haryana, total advances, total Deposits.

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Where Y = Capital Adequacy Ratio (CRAR)

X1 = Number of bank branches

X2 = Number of total advances

X3 = Number of total deposits

Hypothesis of the study

On the basis of the objectives of the study, following hypothesis has been formulated:

H₀1. There is no significant impact of financial inclusion on the capital adequacy ratio.

H_A1. There is a significant impact of financial inclusion on the capital adequacy ratio.

Sub-hypotheses

H₀1.1. There is no significant impact of number of bank branches on CRAR.

H_A1.1. There is a significant impact of number of bank branches on CRAR.

H₀1.2. There is no significant impact of advances on CRAR.

H_A1.2. There is a significant impact of advances on CRAR.

H₀1.3. There is no significant impact of total deposits on CRAR.

H_A1.3. There is a significant impact of total deposits on CRAR.

Growth of financial inclusion plan in Haryana

Financial inclusion plan growth day by day increased in Haryana. SHGB is largest Bank in PNB Sponsored RRBs in Total Business and forming 35.37% of the total business of all 5 RRBs. As on 30.03.2017 Sarva Haryana Gramin Bank is having 630 Branches and 560 USBs (including 1 special

USB) all over Haryana. As on 30.03.2017 Total Business of the Bank is Rs.14921.77 Crore, having Total Deposits Rs12030.50 Crore and Total Advances Rs.7432.34 Crore. Share of Prime Deposit to Total Deposit is 54.53%. “Mission Financial Literacy and Financial Inclusion Day” was organized by the Bank on 29.01.2014, 34071 new customers were added to bank on the day. The Network of the bank consists of 9 Regional Offices, 653 branches and number of employees 3009 as on 28.02.2018.

Table 1.1 variable of this study
Crore)

(amount in

Year	Capital adequacy ratio(CRAR)	No. of bank branches	Total advances	Total deposits
2013	18.12	498	5453.22	8483.42
2014	18.19	549	5635.32	8709.52
2015	19.28	597	6321.65	9193.04
2016	19.26	615	6777.49	10123.69
2017	18.12	630	7432.34	12030.50

Source: Compiled on the basis of different publication of RBI and Sarva Haryana Gramin Bank

Table 1.1 displays that large number bank accounts have been opened through branchless mode and branch mode during the period of 2013 to 2017. From 2013 to 2017 changes in number of bank branches increased 132, the changes in total advances 1,979.12 Crore and changes in total advances 3,547.08 Crore. Capital Adequacy Ratio (CAR) is also known as Capital to Risk (Weighted) Assets Ratio (CRAR) is the ratio of a bank's capital to its risk. This ratio is used to protect depositors and promote stability and efficiency of financial systems around the world. Capital adequacy ratio increased from 2013 to 2015 but its decreased last two years.

Results of regression analysis: model summary

All these tables shows the result of regression analysis which is carried out through SPSS. The table 1.2 shows the descriptive analysis of all dependent and independent variables which includes the means and standard deviation of each variable.

Descriptive Statistics

	Mean	Std. Deviation	N
Capital adequacy ratio	18.5940	.61780	5
Bank branches	577.80	54.025	5
Advances	6324.0040	816.48855	5
Deposits	9708.0340	1442.96108	5

Correlations

		Capital adequacy ratio	Bank branches	Advances	Deposits
Pearson Correlation	Capital adequacy ratio	1.000	.469	.231	-.054
	Bank branches	.469	1.000	.929	.812
	Advances	.231	.929	1.000	.959
	Deposits	-.054	.812	.959	1.000
Sig. (1-tailed)	Capital adequacy ratio	.	.213	.354	.465
	Bank branches	.213	.	.011	.047
	Advances	.354	.011	.	.005
	Deposits	.465	.047	.005	.
N	Capital adequacy ratio	5	5	5	5
	Bank branches	5	5	5	5
	Advances	5	5	5	5
	Deposits	5	5	5	5

Table 1.3 shows the correlation between the variable. It indicates the Deposits which is -0.54 that perfectly negative correlated. On the other hand total advances, total deposits, No. of bank branches, capital adequacy ratio are perfectly high correlated because its shows positive relation.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df 1	df 2	Sig. F Change	
1	.997 ^a	.995	.980	.08806	.995	65.300	3	1	.091	3.381

a. Predictors: (Constant), Deposits, Bank branches, Advances

b. Dependent Variable: Capital adequacy ratio

Table 1.4 indicates the model summary of multiple regression analysis which is carried out through SPSS. The result model shows that the value of R is 0.997, which indicates a high correlation between CRAR (dependent variable) and total advances, total deposits and no. of bank branches (independent variables). The value of R square is 0.995 and adjusted R square 0.980. The standard error of Estimate is 0.08806 which measures the dispersion of regression line. The p-value of the variable 0.91 which is less than 0.5 indicating that regression model is statistically significant and fit model. The model summary of the value of Durbin-Watson test is 3.381 which are free from autocorrelation problem.

ANOVA^s

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.519	3	.506	65.300	.091 ^b
	Residual	.008	1	.008		
	Total	1.527	4			

a. Dependent Variable: Capital adequacy ratio

b. Predictors: (Constant), Deposits, Bank branches, Advances

The table 1.5 shows the value of this model is 0.091 which is not less than 0.05 so the null hypothesis is accepted such that the value of all variable is no significant. The ANOVA table shows overall value is significant or not.

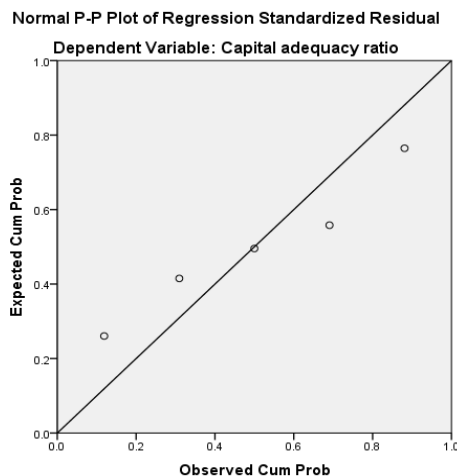
Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	16.419	.623		26.340	.024
Bank branches	-.003	.003	-.228	-.779	.579
Advances	.003	.000	3.919	6.538	.097
Deposits	-.002	.000	-3.626	-9.567	.066

The table 1.6 shows the individual value of variable is significant or not. Its illustrates the result of regression analysis of CRAR and Financial inclusion indicators, it is noted that financial inclusion variable include the different independent variable .The beta value of Number of bank branches is-.228 which have negative impact on CRAR and t- value is -.779, as the p-value is greater than 0.05. The total advances 3.919 which have positive impact on GDP. The t- value is 6.538. As the value which is less than 0.05 at 5% level of significance that indicates there is statistically significant impact on CRAR, the p- value is 0. 097 which is less than 0.05 It further reveals that value of total deposits is -0.002 and t- value is -9.567 which shows negative significant impact on CRAR. Such that all variables has been shown the significant impact on CRAR. The following regression equation was obtained:

$$Y=16.419 -.003X1+.003X2-.002X3+e$$

Therefore, study finds the dynamic relationship between CRAR and financial inclusion indicators in India.



This graph shows that the normal p-p plot regression standardized residual value. On y- axis shows the observed cum probability and on the x- axis expected cum probability.

Conclusion –

This paper mainly focused to study the financial inclusion growth of Sarva Haryana Gramin bank in last five year and also study the impact of financial inclusion indicators on the Capital Adequacy Ratio. The SHGB provide financial needs of rural masses to make them self-reliant. Now a day the growth of Sarva Haryana Gramin increased. SHGB is largest leading Bank in PNB Sponsored RRBs in Total Business and forming 35.37% of the total business of all 5 RRBs. As on 28.02.2018 Sarva Haryana Gramin Bank is having 653 Branches and 560 USBs (including 1 special USB) all over Haryana. As on 28.02.2018 Total Business of the Bank is Rs.24921.77 Crore, having Total Deposits Rs12868.50 Crore and Total Advances Rs.7063.44 Crore.

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