



“Deposit concentration of accounts”: a study of usage dimension of financial literacy to understand the extent of banking awareness.

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Abstract

In this article, we aim at studying the usage dimension through the aid of the variable “bank deposits” in two parts in India. 1st part of the analysis discusses about the basic graphical representation of the growth of the deposits and the GDP of the nation in both urban and rural areas in order to highlight the stark difference, if any. This is then further supported by mapping the concentration of Deposits in Indian states in three separate time periods in 2nd part. The 2nd part of the analysis is conducted through a free and open source Geographical information system called “QGIS”.

Introduction

With the economic world full of uncertainty, tight budgets and complex challenges, easy and comprehensible access to these financial institutions can bring in a world of a difference. When people talk of digitalization, various estimates by experts suggest that these initiatives by various governments on digitization, using existing technology, could generate about INR 650 Crore annually worldwide (Naik, 2018). Penetrating deep into the various levels of the society, this form of literacy can act as an important instrument to promote social and financial inclusion of the "newly banked" (Shettar, 2019). This has further been researched and written by Singhania and Sardana in their 2018 where digital divide has been understood as one of the major reasons for India to not harper its large untapped market for financial service technology and start-ups.

The history of financial inclusion in India is actually much older than the formal adoption of the objective. The nationalization of banks, Lead Bank Scheme, incorporation of Regional Rural Banks, Service Area Approach and formation of Self Help Groups - all these were initiatives aimed at taking banking services to the masses. However, with an access or not to such promising services, poor and needy often find it difficult to make use of such institutions and schemes when needed. Financial illiteracy, infrastructural inadequacy along with Problem of security and authentication, management and regulation are some of the examples of the difficulties that the banks are still facing in the adaption of banking sector and hence the inclusive parameter. A vital and influencing switch is observed in the lending patterns of majorly



the private institutions, i.e, focusing more on long term assets and other backed by adequate collateral. The most ironic result of this can easily be observed with the deprivation of credits to the needy one's in dire need of it due to the absence of a good credit score causing double deprivation kind of situation. Another, major issue related to the inclusion factor lies in the non-availability of the financial product and skills of the stakeholders, low-income consumers all of which results into the non-usage of the resources and non-affordability required to access these resources. With all such infrastructural and knowledge obstructions, the claims of government along with the significance of their action clearly become a subject of scrutiny.

Looking at the brighter side, some of the recent developments and researches, like focus on digitalization of the indicates toward a profuse importance is given to the asset quality and efficiency management, but also due to high interest rates and non-regulation of the lending-borrowing process, the marginalized are troubled and harassed (Rathipuniya and Sharma, 2020). Various works pertaining to this act has been carried out by various global entities. The most important work in this regard has however been done and recognised by the World Bank and the International Monetary Fund The World Bank and International Monetary Fund (IMF), who have attempted to measure this by taking various factors affecting inclusive financial stability in the overall sense. The World Bank has developed a financial index to measure the inclusiveness across the world. In the similar sense, the IMF has also conducted its financial survey in 2012 primary based on the access to parameters like, ATM, bank Branch Penetration and outstanding deposits as percentage to GDP.

पूँम जंसा इवनज कमजंपसे विजीम पदकमग बतमंजमक इल प्दथ्ण जीमतमू मतम उंरवतसल 3 इंपब कपउमदेपवदेपूबी
मतम विबनेमक वदण जेमल तमरु
1द्ध च्मदमजतंजपवद बतपजमतपवदरु जीपे बवदेपकमतमक दनउइमत विकिमचवेपजे दक बतमकपज बबवनदज
2द्ध बबमे बतपजमतपवदरु पज इंपबंससल बवदेपकमतमक जीमूल पदपूबी च्मदमजतंजपवद बतपजमतपवद चतमेमदजमक
पजेमसं जीतवनही जीम अंपसंडपसपजल विइंदा इतंदबीमे दक ज्ज्द अंपसंडसम पद चमत नदपज तमंण
3) Usage dimension: this criterion focused on the extent of usage of the available resources. This was measured by the outstanding credit.

In this article, we aim at studying the usage dimension through the aid of the variable “bank deposits” in two parts in India. 1st part of the analysis discusses about the basic graphical representation of the growth of the deposits and the GDP of the nation in both urban and rural areas in order to highlight the stark difference if any. This is then further supported by mapping the concentration of Deposits in Indian states in three separate time periods in 2nd part. The 2nd part of the analysis is conducted through a free and open source Geographical information system called QGIS.

A state-wise analysis



In the above discussion, multiplicative factors have been highlighted which underlines clearly the shortcomings of the already existing groundwork and therefore the relevance of initiatives taken in the recent period needs examining. The objective of this proposal is thus an attempt to throw light on not only the proposed policies and promises of the governance but further the applicability of obligations manifested. All these impediments to digital banking can also be attributed to the fact that the trust and comfort that the traditional banking structure provides, is a facility that is much likely to be availed by the not so financially-literate people all around the country; rural aspects further worsening this issue. No matter how attractive the innovations and digitally available financial services may seem, traditional financial institutions with their brick and mortar branches are not going to fade away anytime soon. In rural area spreading roots of digitally improvised banking mechanism, not only the lack of financial know-how but also the uneasy access to banking services, poor internet connectivity and unavailability of data related issue is a challenging task. Thus, while understanding this rural-urban issue, it is critical to give importance to the fact that the shift from traditions to a much more modern banking related tenet, though gradually, is taking place. The degree of service digitalization should therefore be the area of interest. Taking forward this recent initiative, a fundamental 5A principle - has been undertaken to ensure the viability and feasibility of providing the digital banking platform to the most under-banked areas of rural India. These are Adequacy, Availability and the Awareness about the financial services and its reach to all the section of the society. Given these, the aim then becomes to make resources Affordable and Accessible. Reserve Bank of India and National Agriculture and Rural Development bank, in accordance with this principle has taken initiatives of involving commercial banks, Regional Rural Banks (RRBs), urban co-operative banks (UCBs), Primary Agricultural Credits (PACs), post offices, Kisan Credit Card (KCC) etc. to further achieve the objective of reaching the poorest segments of the society involving technology for better efficiency. Further, several departments have been brought under the ambit of Digital India and thus the information and awareness sharing feature also enhanced. RBI has also launched a specific project named Financial Literacy to engage people in the digital banking prospect (Karuna 2018).

There is no doubt that India has significantly improved the financial inclusion of the marginalised sections, and Digital India has turned out to be an important intervention. However, the digital divide is too wide and there exist many bottlenecks and challenges which need immediate attention.

India has been one of fastest growing economy considering digital payments, where the RBI claims daily transaction accounting for around 97% of the total volume of transactions taking place. However, the disparity can still be observed when a state-wise performance of its adoption is concerned. There are states like Chattisgarh and Jammu and Kashmir, along with several north-eastern states like Manipur, Mizoram and Meghalaya which have recorded the lowest. This data specially takes care of the latest digitised transactions through various channels operated by the National payment Corporation of India (NPCI) recorded between June 2019 and July 2020.



However, on the opposite side of the spectrum lies mainly southern and some northern India states like Kerala, Andhra Pradesh, Maharashtra and Uttar Pradesh where not only the awareness-based grass root campaigns but also sizable population and higher income that lead to better digital usage. RBI's governor Shaktikanta Das also made a claim stating that the substantial inclusion has been made possible in certain states like Bihar and UP where the accelerated growth of over 50% has been achieved in the last five years. He has made these claims based on the daily processing of more than 10 Cr transactions resulting into nearly 6 Lakh Cr.

Further, it is not only a matter of the nearness and convenience but also the saving and borrowing behaviour, pattern and consumption and investment that decide the final outcome of how a region would respond. For example, the issuance and use of Kisan Credit card (KCC), insurance coverage, and knowledge about various saving and deposit options.

Thus, ramping up investment for digital tools and leveraging development of human resources by skill and awareness along with improved institutional quality can easily be appreciated to be the need of the hour to achieve the last mile connectivity.

Data and Methodology

The present study is based on the secondary data collected mainly through World Bank database and official website of Reserve Bank of India. For a more comprehensive understanding, graphs and table with proper implications have been mentioned.

The data is collected for a period of 1991 to 2017 in order to undertake the effect of digital banking infrastructure (recent revision of the policies) along with the improved functioning of the traditional brick and mortar structure of banking. In order to take care of the stationarity of the time series model, if there exist any, the growth percentage has been taken into consideration for the data analysis.

The study is conducted to understand the different between the deposit growth of rural and urban deposit on percentage growth of GDP. This part is followed by depicting state-wise concentration of deposits. This is one of the dimensions of assessing the financial inclusion. This mapping is conducted through a Geographical information system called QGIS. The GDP data of India is taken at constant price from the World Bank Database and several reports of RBI have been evaluated to collate the data for deposits in the banks for the urban and rural regions

Graphical analysis and discussions

Part A

This part majorly presents the mapping of the relationship between the percentage growth of deposits of the urban, Rural population in order to highlight the considerable difference in the attitude of the two towards the usage dimension of the financial inclusion.

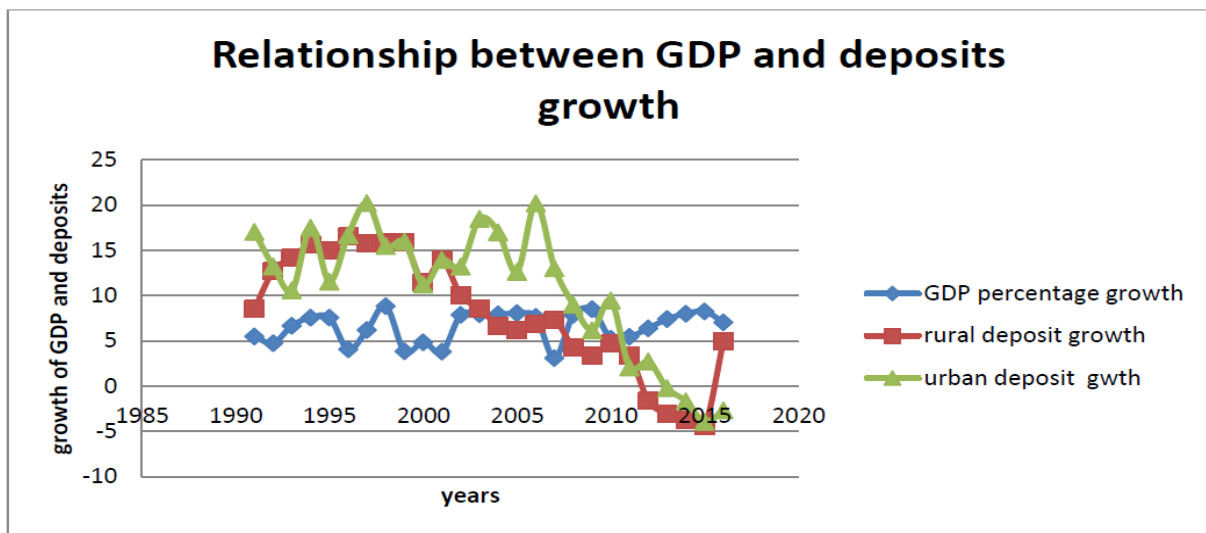


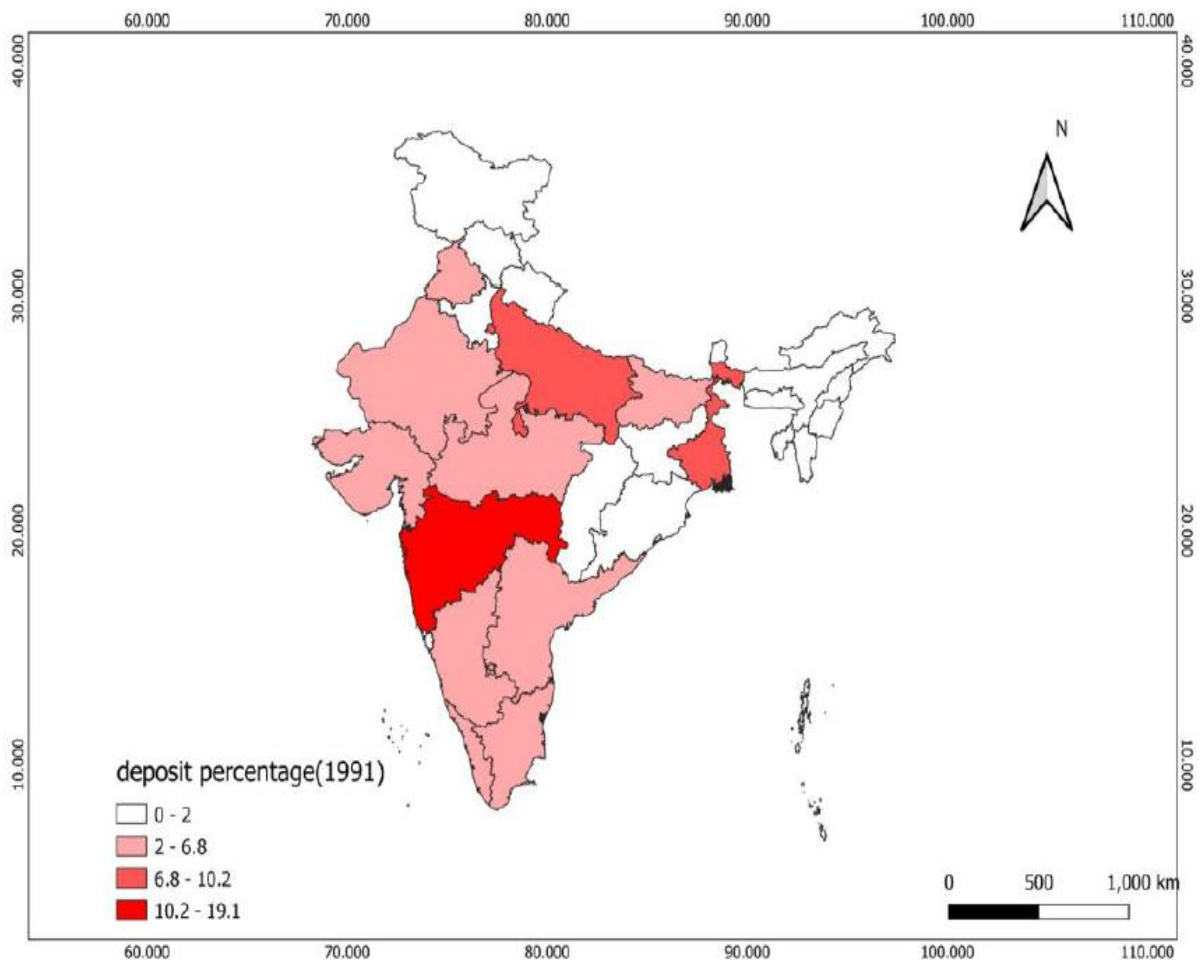
Fig 1

This figure represents the growth trajectory of the two different deposit forms, namely rural and urban with respect to the GDP. The range is in tune with the major banking-based events that took place in the given time period. The controlled impact of the 2008 crises on GDP of the India economy is depicted by the dip in the GDP of the nation which is followed by a decline in the both the deposits thereafter. Further, the impact of a relative economic slowdown in 2015 followed by demonitisation of currency in 2016 can be observed in both the urban as well as the rural deposits.

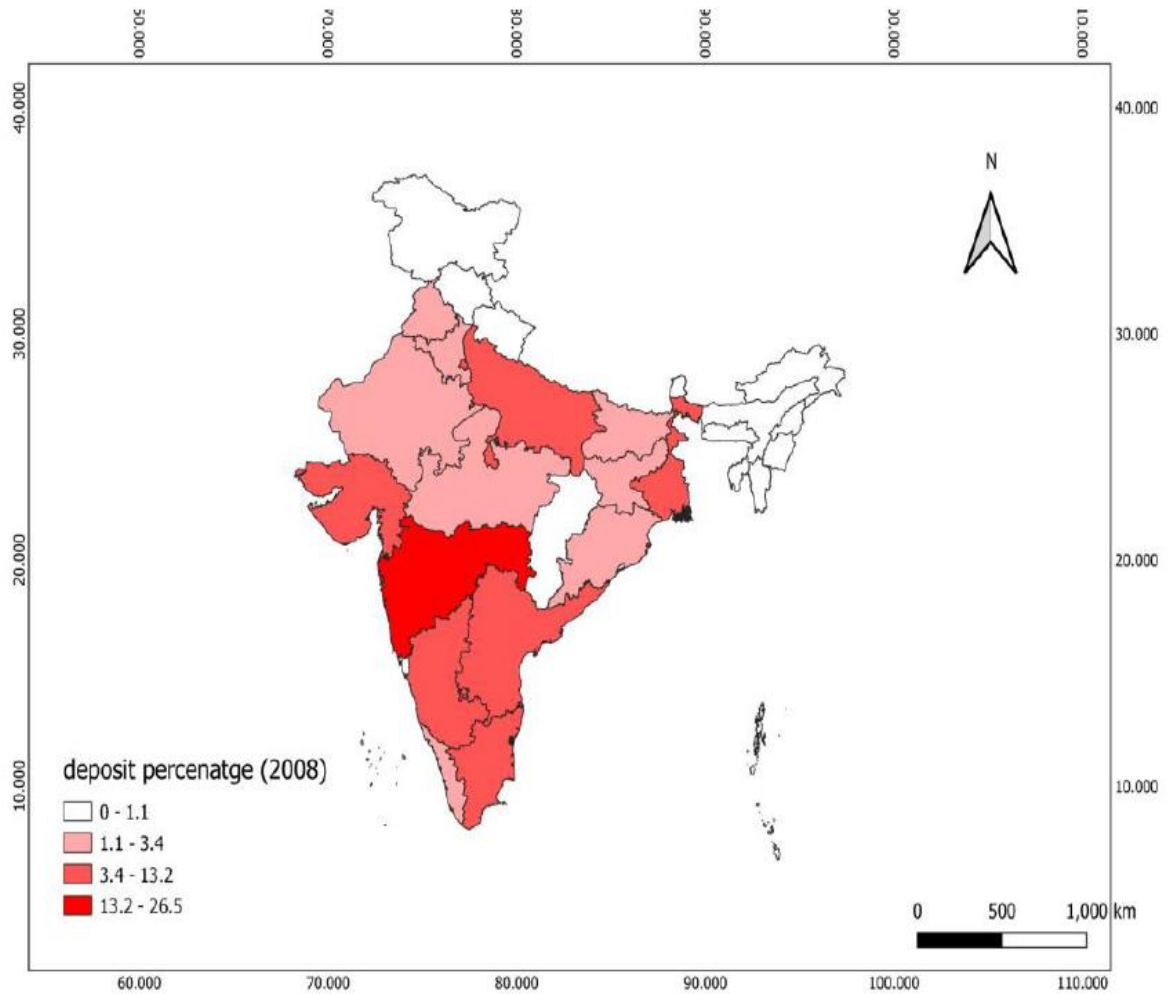
Part 2

This part graphically depicts the state-wise deposits in the formal banking system. It will help the reader get an idea regarding how different states acknowledge the banking system differently through the lens of deposit concentration. This part closes with three different periods to track acceptance of financial inclusion through the deposit dimension over a period of time. The three-time period taken here are 1991, 2008 and 2017 to cover the important banking related events influencing states appreciation of the formal banking infrastructure. Post the liberalization policies of 1991 and opening up of the National Payment Corporation of India, not only the significance of formalizing the lending borrowing ambit was accorded a crucial importance but to further this, the infrastructural adequacy was prioritized.

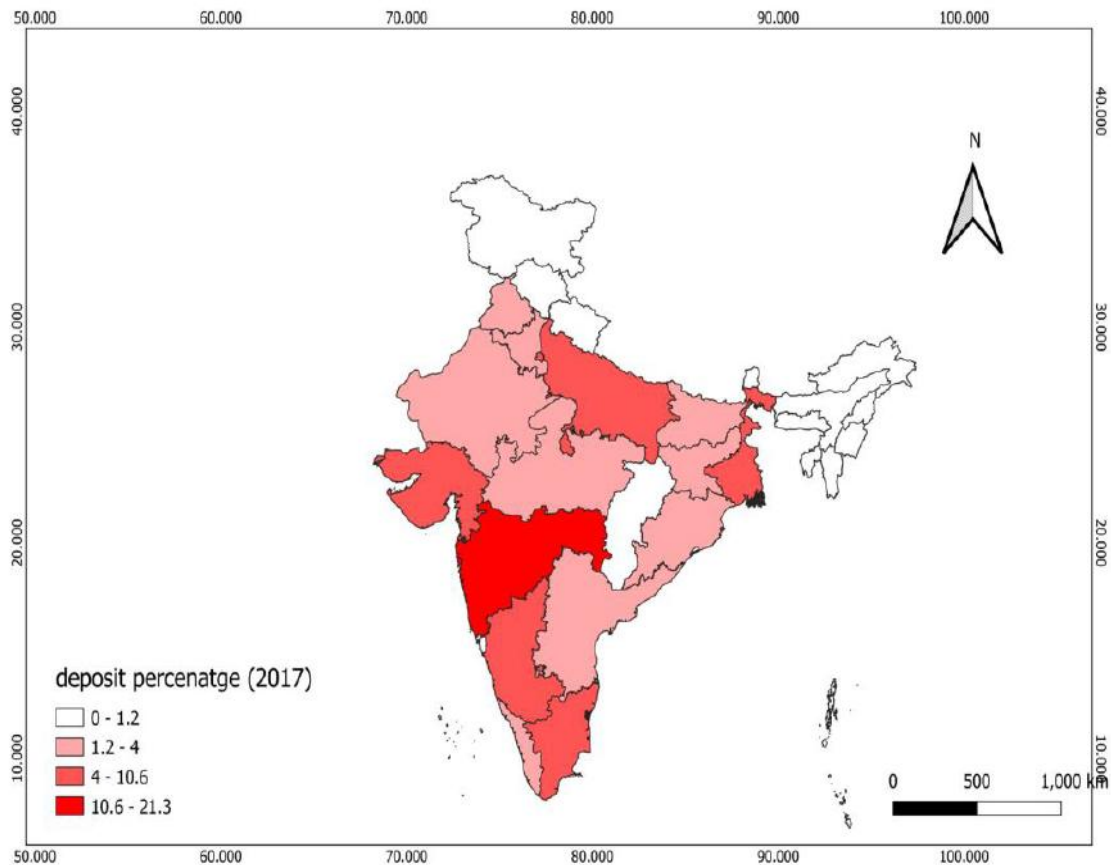
Map 1-Deposit percentage: 1991



Map 2-Deposit percentage: 2008



Map3-Deposit percentage: 2017



➤ Best performing state

Maharashtra consistently is been performing well throughout the time period taken into consideration. This takes care of the deposits from the rural as well as the urban areas

➤ Moderate performing states

The urban and the rural regions of both Uttar Pradesh and Bengal have been consistently performing moderately in all the time periods taken. Further, with steps towards promoting inclusivity, additions of states namely, Gujarat, Karnataka and Tamil Nadu (from below average performers) have been included in the list on a consistent basis during the late 1980s.



➤ Below average performing states

Punjab, Haryana, Rajasthan, Madhya Pradesh, Bihar, Odisha are some of the states which have been performing consistently below average due to the lack of incentives to properly avail the banking facilities as far as deposits are concerned.

➤ Poor performing states

In tune with the literature, Jammu Kashmir, north-east Indian states, Himachal Pradesh, Uttarakhand and Chhattisgarh have been performing very poorly in the deposit criterion. Unavailability and inaccessibility are considered to be the major reason behind the poor performance.

Table 2: Summary of the above maps

Best performing state	Maharashtra
Moderately performing state	Uttar Pradesh, west Bengal, Gujarat, Karnataka, Tamil Nadu,
Below average performing state	Punjab, Haryana, Rajasthan, Madhya Pradesh, Bihar, Odhisa,
Poor performing states	Jammu Kashmir, North-eastern States, Himachal Pradesh, Uttarakhand, Chhattisgarh

Conclusion

The discussion of the usage dimension of the paper, i.e., deposits help understand how, other dimension which includes penetration and access also needs to have a significant impact on the growth of the economy. This has been proven with the help of the linear regression run where no significant relationship got established with the GDP of the nation. However, the overall urban as well as the rural deposits are in tune with the literature regarding their graphical representation, tracking their course over the various initiatives taken. Further, the states acknowledgement through mapping exercise also bespeaks the growth in the deposit concentration with respect to the steps taken for making India more financially included. This has been proven through the movement of the states towards better usage dimension criterion. However, a lot still needs to be done, especially in the north-eastern and other marginalised areas to realise the full potential of the inclusion.



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