



BANKING PENETRATION IN NIZAMABAD DISTRICT OF TELANGANA STATE - AN EMPIRICAL STUDY

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Abstract:

The financial services that are safer, easy and reasonable credit and other services accessible to deprived and valuable groups, underprivileged regions and deficit sectors are identified as prerequisites for speeding growth and plummeting income discrepancies and poverty. Accessibility to improved financial system with equal prospects enables financially and socially barred people to assimilate better into the economy. It also considered as a factor to the development of financially excluded and safeguards themselves in contradiction of financial shocks. Branch penetration plays key role in bringing the people into the fold of formal financial system. The banking industry in India had shown a great shift in volume. Despite all that, even now there are huge sections of the society exterior to the financial system. This paper made an attempt to study the bank branch penetration in Nizamabad district of Telangana State.

Key Words: Commercial Banks, Branches, Growth, Financial Services & District

1. Introduction:

The number of commercial Banks in a country provides an opportunity for the people of that country to participate in the formal financial system and to utilize financial services of formal financial system. Larger the number of commercial banks, larger the scope for bringing people in to formal financial system provided if banks provide suitable financial products and services. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy. Commercial banks play a vital role in the economic development of a country like India. Indian economy in general and banking services in particular have made rapid strides in the recent past. The banking industry has shown tremendous growth in volume and complexity during the last decade which indirectly supported to the movement of financial inclusion in both rural as well as urban areas.

Bank branch penetration is crucial in providing the financial services to the needy and banking sector plays considerable role in bringing financially excluded people in to formal financial sector as policies of the government and Reserve Bank towards financial inclusion are implemented through banking sector.

2. Literature Review:

According to RBI (2009) accessibility to improved financial system with equal prospects enables financially and socially barred people to assimilate better into the economy. It also considered as a factor to the development of financially excluded and safeguards themselves in contradiction of financial shocks. India's fastest growing economies have become prospective via financial inclusion. During the last few decades, the Indian banking sector has exposed to remarkable augmentation in volume (Swapan Kumar Roy, 2012) and commercial banks are effective in the growth of the country (Priyanka Saini & Jyoti Sindhu, 2014). Swapan Kumar Roy (2012) opined that the banking industry in India had shown a great shift in volume. Despite all that, even now there are huge sections of the society exterior to the financial system. It suggested that the banks must establish their branches in distant areas of the country to facilitate the financial inclusion for huge section of the society, also suggested for simplification of the rules. Priyanka Verma & Anupam Singh (2014) highlighted the fundamental features of financial inclusion, and its role in strengthening the socio-economic growth of the rural society. The study suggested that banks have to concentrate on the methods to reach the unbanked. Manav Saurav (2013) studied focusing on the role of financial inclusion in overall development. The study carried out in North East India. The establishment of bank branches, ATMs and opening of no-frills accounts are considered as primary factors of financial inclusion.

3. Objectives and Methodology:

As banking sector plays considerable role in bringing financially excluded people in to formal financial sector, the objective of the paper is to identify the bank branch penetration in Nizamabad District of Telangana State. Annual credit plan and other periodical reports of lead bank of the district were used for analysis.

4. Bank Branch Penetration in Nizamabad:

It can be noted from the Table 1 that there is immense intensification in all sector bank branches in the district from 2011-2016, it has resulted in a great expansion of banking penetration and widened the scope of financial inclusion. In 2016 36 banks are functioning with 360 branches in Nizamabad district, consists of 23 public sector banks, 11 private sector banks, 1 RRB and 1 Co-operative bank. The branches comprises of 215

public sector, 40 private sector, 64 RRB and 41 co-operative bank branches.

Table 1: Bank Branches in Nizamabad District

S.No	Bank	2011	2012	2013	2014	2015	2016
	Public Sector Banks						
1	State Bank of Hyderabad	54	56	65	65	68	75
2	State Bank of India	18	18	18	18	18	18
3	State Bank of Mysore	0	0	0	2	2	2
4	Andhra Bank	26	29	29	32	34	42
5	State Bank of Travencore	0	0	0	0	1	1
6	Syndicate Bank	20	24	24	25	25	26
7	Indian Overseas Bank	7	7	7	7	7	7
8	Vijaya Bank	5	5	5	6	6	7
9	Corporation Bank	2	4	5	5	6	7
10	Canara Bank	3	3	3	5	5	6
11	Indian Bank	3	3	3	3	4	4
12	Dena Bank	2	2	2	2	2	2
13	Punjab National Bank	2	2	2	2	2	3
14	Union Bank of India	2	2	2	2	3	3
15	Bank of Baroda	1	1	1	2	3	4
16	Allahabad Bank	1	1	1	1	1	1
17	Bank of India	1	1	1	1	1	1
18	Bank of Maharashtra	1	1	1	1	1	1
19	Central Bank of India	1	1	1	1	1	1
20	Oriental Bank of Commerce	1	1	1	1	1	1
21	UCO Bank	1	1	1	1	1	1
22	IDBI Bank	1	1	1	1	1	1
23	United Bank of India	0	0	0	1	1	1
	Regional Rural Banks						
24	Telangana Grameena Bank	37	41	46	54	56	64
	Cooperative Banks						
25	NDCC Bank Ltd.,	31	32	39	40	40	41
	Private Banks						
26	HDFC Bank Ltd.,	1	4	9	15	15	15
27	ING Vysya Bank	8	8	8	8	8	0
28	ICICI Bank Ltd	3	3	3	3	4	5
29	Axis Bank Ltd.,	1	2	2	2	3	4
30	Karur Vysya Bank Ltd.,	1	1	1	2	2	2
31	City Union Bank Ltd.,	0	1	1	2	2	2
32	Karnataka Bank	0	0	0	1	1	1
33	Dhanalaxmi Bank Ltd	1	1	1	1	1	1
34	Kotak Mahindra Bank	0	0	1	1	1	8
35	Lakshmi Vilas Bank	0	0	0	0	0	1
36	DCB Bank	0	0	0	0	0	1
37	APSFC	1	1	1	1	1	1
	Total	235	256	284	313	327	360

Source: Nizamabad District Lead Bank Reports, Total* excludes APSFC

Table 1 also reveals that State Bank of Hyderabad has highest outreach with 75 branches followed by Andhra Bank (42) and State Bank of India (18). In Addition to these banks there are other 20 public sector banks and 11 private sector banks have significant presence in the district. Regional Rural Bank i.e.Telangana Grameena Bank (TGB) has presence with 64 branches, it is the second highest bank after State Bank of Hyderabad (SBH) in terms of bank branches and Nizamabad District Central Cooperative Bank (NDCCB) also has its presence with 41 branches. Presently foreign banks have not made their existence in the district. Public sector banks are playing central role in promoting the financial inclusion, it is evident from banking outreach through branches. Role of public sector banks is imperative in providing the banking services as they have considerable presence in the district. There is 53.1% of increase in all the bank branches from 2011 to 2016. It can be observed that number of the bank branches have been increased from 2011-2016 in all the group of banks.

Table 2: Group-wise Number of Bank Branches in Nizamabad District-2016

S.No.	Banks	2011	2012	2013	2014	2015	2016
1	Public Sector Banks	152	163	173	184	194	215
2	Regional Rural Banks	37	41	46	54	56	64
3	Cooperative Banks	31	32	39	40	40	41
4	Private Sector Banks	16	21	27	35	38	40
	Total	236	257	285	313	328	360

Source: Nizamabad District Lead Bank Reports

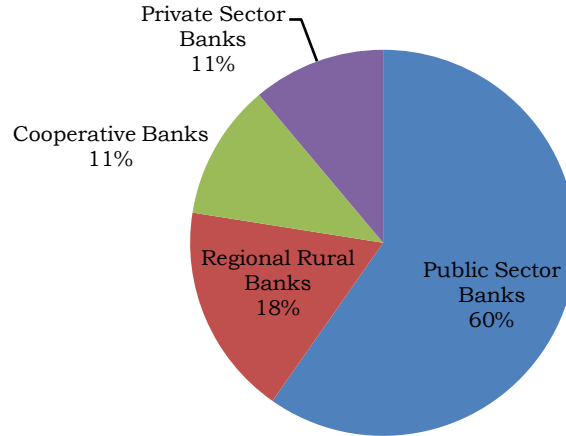


Figure 1: Group-wise Number of Bank Branches in Nizamabad District-2016

S.No	Revenue Division	Mandal	Total Bank Branch	Population	House Holds	Banking Penetration/ Population	Banking Penetration/ House Hold
1	Nizamabad	Armoor	30	121987	29962	4066	999
2		Balkonda	11	81003	20027	7364	1821
3		Bheemgal	9	62666	14965	6963	1663
4		Dharpalle	6	47954	11220	7992	1870
5		Dichpalle	9	76896	17460	8544	1940
6		Jakranpalle	10	45505	11182	4551	1118
7		Kammarpalle	5	42765	10736	8553	2147
8		Makloor	8	58588	14500	7324	1813
9		Mortad	11	56153	14273	5105	1298
10		Nandipet	13	70598	18407	5431	1416
11		Navipet	6	55125	13305	9188	2218
12		Nizamabad	74	412500	89657	5574	1212
13		Sirkonda	6	51078	11943	8513	1991
14		Velpur	7	42486	10538	6069	1505
		Sub Total	205	1225304	28817	5977	1406
15	Bodhan	Banswada	10	68732	15291	6873	1529
16		Bichkunda	6	64044	13958	10674	2326
17		Birkoor	7	52391	12108	7484	1730
18		Bodhan	20	143749	32319	7187	1616
19		Jukkal	2	53980	11273	26990	5637
20		Kotgiri	4	56917	13714	14229	3429
21		Madnoor	5	59002	12511	11800	2502
22		Nizamsagar	3	36913	8324	12304	2775
23		Pitlam	5	47581	10484	9516	2097
24		Ranjal	5	38880	9076	7776	1815
25		Varni	9	72230	17712	8026	1968
26	Yedpalle	5	40028	9403	8006	1881	

		Sub Total	81	734447	16617	9067	2052
27	Kamareddy	Bhiknoor	9	59656	14732	6628	1637
28		Domakonda	7	56939	14089	8134	2013
29		Gandhari	6	58535	12449	9756	2075
30		Kamareddy	24	126445	29050	5269	1210
31		Lingampet	3	48122	10641	16041	3547
32		Machareddy	6	58443	13870	9741	2312
33		Nagareddipet	4	34601	8130	8650	2033
34		Sadasivanagar	5	56005	13708	11201	2742
35		Tadwai	4	48585	11793	12146	2948
36		Yellareddy	6	46253	10424	7709	1737
		Sub Total	74	593584	13888	8021	1877
		Total	360	2553335	59323	7093	1648

Source: Nizamabad District Annual Credit Plan (Lead Bank Reports)

Table 3: Mandal -wise Banking Penetration/Population in Nizamabad District -2016

Table 3 provides the mandal and population-wise branch penetration. Among all the revenue divisions Nizamabad revenue division with lowest population per branch, shows the easy access, while Bodhan division has highest population per branch. Status of population per bank branch in the district (7093) is comparatively better than state (8030) and country (10100). However, there are 17 mandals, in which bank branches have to be increased to provide the easy access and as to reach state average.

Table 4: Growth Rate of Group-wise Bank Branches in Nizamabad District (in %)

Year	Public Sector Banks	RRB's	Cooperative Banks	Private Sector Banks
2012	7	11	3	31
2013	6	12	22	29
2014	6	17	3	30
2015	5	4	0	9
2016	11	14	3	5

Source: Nizamabad District Lead Bank Reports

Table 5: Results of ANOVA-Growth Rate of Group-wise Bank Branches

Groups	Count	Sum	Average	Variance		
Public Sector Banks	5	35.98	7.19	4.52		
RRB's	5	58.38	11.67	26.01		
Cooperative Banks	5	30.16	6.03	79.94		
Private Sector Banks	5	103.28	20.65	159.59		
ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	661.16	3	220.38	3.26	0.048	3.23
Within Groups	1080.30	16	67.51			
Total	1741.46	19				

Table 4 provides the growth rate of banks in the district from 2012-16. Significance growth rate of banks has been tested with ANOVA and H_0 is rejected. It is concluded that, there is a significant variation in growth rate of group-wise bank branch penetration (F value 3.264 > F crit 3.238). (Table 5).

Table 6: Revenue Division-wise Bank Branches in Nizamabad District

S.No	Revenue Division	2011	2012	2013	2014	2015	2016
1	Nizamabad	133	145	163	175	190	205
2	Bodhan	57	60	64	69	71	81
3	Kamareddy	46	52	58	69	67	74
	Total	236	257	285	313	328	360

Source: Nizamabad District Annual Credit Plan (Lead Bank Reports)

Table 7: Revenue Division-wise Growth Rate of All Bank Branches (in %)

Year	Nizamabad	Bodhan	Kamareddy
2012	9	5	13
2013	12	7	12
2014	7	8	19
2015	9	3	-3
2016	8	14	10

Source: Nizamabad District Annual Credit Plan (Lead Bank Reports)

Table 8: Results of ANOVA-Revenue Division-wise Growth Rate of All Bank Branches

Groups	Count	Sum	Average	Variance		
Nizamabad	5	45.26	9.05	3.93		
Bodhan	5	36.72	7.34	17.55		
Kamareddy	5	51.09	10.21	64.58		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	20.89	2	10.44	0.36	0.70	3.88
Within Groups	344.27	12	28.68			
Total	365.17	14				

Analysis found that there is immense intensification of bank branches among all three revenue divisions. ANOVA test statistics rejected the H_0 and proved that there is no significant variation found in growth rate of bank branch penetration among revenue divisions (F value $0.36 < F$ crit 3.88).(Table 8)

Table 9 described that mortar bank branch penetration is high in rural areas in all the years from 2011-2016 compared to urban and semi urban areas in the district. Majority of the public sector banks are operating in rural areas followed by semi urban and urban areas in the district.

Table 9: Area-wise Bank Branches in Nizamabad District-2016

S.No	Banks	Rural	Semi Urban	Urban	Total
1	Public Sector Banks	102	70	44	215
2	Regional Rural Banks	12	14	14	40
3	Cooperative Banks	25	13	3	41
4	Private Banks	44	17	3	64
	Total	183	114	63	360

Source: Nizamabad District Annual Credit Plan (Lead Bank Reports)

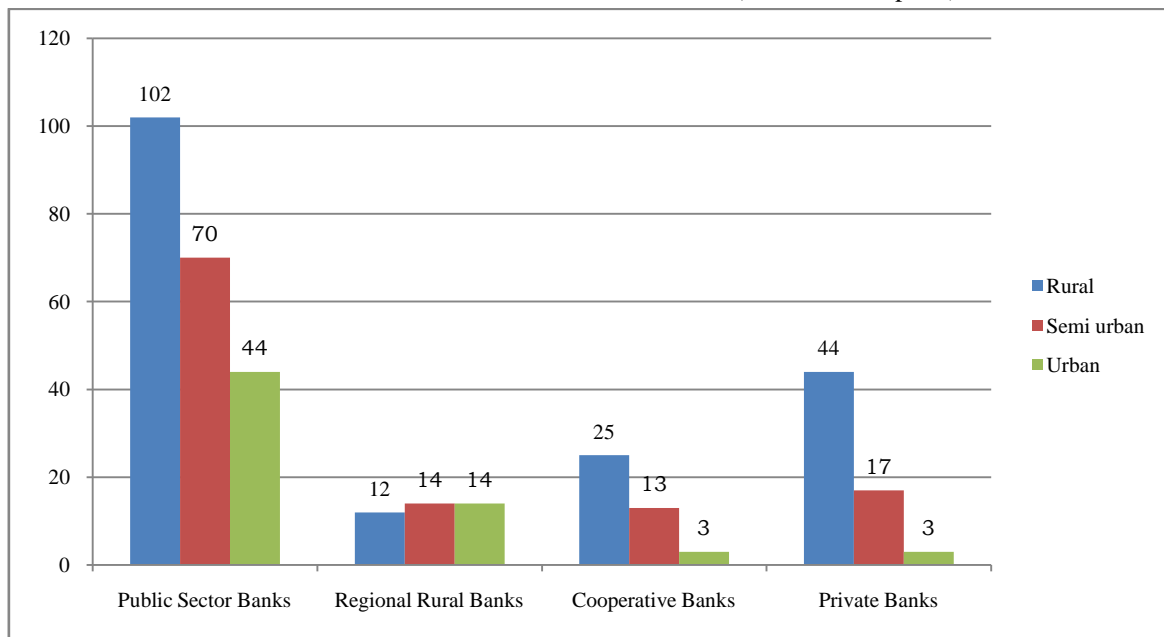


Figure 2: Area-wise Bank Branches in Nizamabad District

Source: Nizamabad District Annual Credit Plan (Lead Bank Reports)

Banking services can reach the people in various modes, that includes brick and mortar mode and branch less mode. Table 10 depicts the various alternative banking channels operating population group-wise in Nizamabad. It revealed that out of total number of banking channels 49% are situated in rural area, 28% in semi urban and 23% in urban areas. Out of 360 bank branches 61% are situated in rural areas. It also disclosed that 31% of banking channels are in the form of brick and mortar mode, followed by ATM's with 29%, but the presence of ATM's are more in semi and urban areas in contrast with rural areas. It is due to the involvement of the technical aspects in the handling of ATM's. Existence of other modes like PoS machines, BC's and Kiosks are 17%, 21% and 2% respectively in the district.

Table 10: Bank Branch Network and Alternate Delivery Channels in Nizamabad District – 2016

Particulars	Rural	Semi urban	Urban	Total	%
No of Bank Branches	212	82	66	360	31

No. of ATM's	91	128	119	338	29
No of POS Machines	112	54	34	200	17
No. of BC's appointed	150	65	35	250	21
No of Kiosks	12	3	8	23	2
Total	577	332	262	1171	100
%	49	28	23	100	

Source: Nizamabad District Lead Bank Reports

5. Conclusion:

Study concluded that there is immense intensification in all sector bank branches in the district from 2010-2016, it has resulted in a great expansion of banking penetration and widened the scope of financial inclusion in Nizamabad district. Eventual success would rely on steps that expand the extent of the official banking division, increasing the awareness on financial issues and development of a suitable group of financial amenities, which satisfy the requirements of the financially excluded. The banking segment is suggested to make attempts to augment inclusion not as an investment expense or as a liberal cost, but as a long-term speculation in the future.

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