

A Study on Financial Inclusion Level in the Indian Context

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Abstract

Financial inclusion is indispensable for development. Financial inclusion is making available financial services, particularly banking services to poor. Overall financial inclusion level of India is very low but the states in the south are having good financial inclusion. For increasing financial inclusion general literacy campaign together with financial literacy, branch penetration, deposit and loan penetration are required.

Key words: *financial inclusion, financial services, Indian states*

I. INTRODUCTION

Financial inclusion is the provision of financial services at an affordable cost to weaker and disadvantaged sections of the society. India's financial inclusion is very low when compared to many other countries. There are different reasons for the same like remote location of the villages, uneconomic operational level to set up branches, illiteracy etc. Government of India and RBI has introduced several measures to increase the financial inclusion level of Indian's, particularly poor like no frill account campaign, compulsory rural branches, simplification of KYC norms etc. Still the level of financial inclusion in many states of India is not satisfactory.

II. REVIEW OF LITERATURE

Poonam and Archana Chaudhry (2016) tried to measure financial inclusion level in India by constructing a composite index. The comparative study of Financial Inclusion Index of 2001 and 2014 revealed that there were changes in the case of financial inclusion levels of the states. But only Goa has shown high financial inclusion in 2014. Jammu Kashmir in 2001 and Chandigarh and Delhi in 2014 have shown medium financial inclusion. All other states are having low inclusion level. So India needs to take steps to develop financial inclusion since economic development is based on financial inclusion.

Garg (2014) conducted a study to analyse the effectiveness of the measures adopted by RBI and commercial banks for increasing financial inclusion. The study revealed that the policies like opening rural branches, relaxed KYC norms, opening no frill

accounts etc. were helpful in promoting financial inclusion and also for increasing the GDP.

Gupta & Chotia (2014) conducted a study on the level of financial inclusion in 28 states and 6 union territories of India. The study revealed a positive relationship between GDP, Human Developmental Index (HDI) and financial inclusion i.e., the states with high financial inclusion is also having high GDP and HDI.

Choithrani (2013) identified the reasons for low financial inclusion in India. Even though banks are opening branches, they are not doing the same willingly. Hence many accounts remain inoperative. This is a real barrier in the financial inclusion drive.

Sahu (2013) studies financial inclusion level of the states in India and also on the relation between financial inclusion and socio economic variables. He found that only Chandigarh and Delhi was having medium level of financial inclusion. All other states in India are categorized under low financial inclusion states. India for the development of financial inclusion, financial education is to be improved and banks should take banking as an opportunity for increasing the financial inclusion rather than a business prospective.

Das (2012) study revealed that financial inclusion among the poor in India is low. For better financial inclusion, financial services should be available to poor at low cost. Then only financial inclusion will increase and poverty will be eliminated.

III. STATEMENT OF THE PROBLEM

Financial inclusion is required for the financial uplift of the poor. The present study analyses financial inclusion level in the Indian context. Government of India and RBI is keen in promoting financial inclusion in Indian states. Still there exists financial exclusion and also there is a difference in the financial inclusion level between Indian states i.e., some states have low, some have average and some have high financial inclusion. The present study aims to analyse the present scenario of financial inclusion in India.

IV. SIGNIFICANCE OF THE STUDY

Financial inclusion is considered as a necessity for poverty eradication and improving the standard of living globally. After 60 years of independence people in many states are under

poverty grip. The standard of living in many Indian states is far from global average. Financial inclusion in India needs to be analysed in order to get a clear picture on why the situation persists. When analysing many prosperous countries around the globe where the standard of living of the people is high, one thing definitely comes to sight is the high financial inclusion level of those nations. Hence the study is significant and the study will throw light into the level of financial inclusion in different states of India.

V. OBJECTIVES OF THE STUDY

1. To get an overall picture of financial inclusion level of India.
2. To findout the financial inclusion level of different states in India.

VI. METHODOLOGY

The study is based only on secondary data. The data available from various online sights, official publications, journals, books etc. have been analysed in order to get a clear picture about financial inclusion of India.

VII. FINANCIAL INCLUSION LEVEL OF INDIAN STATES

Financial inclusion level of India is very low when compared to many other countries of the globe. But when analyzing the state level financial inclusion level, some states are having very good financial inclusion level while some are very poor. The table given below will be a great help in identifying the financial inclusion level of Indian states.

Table:1 Overall Financial Inclusion Rank of States & Union Territories

S.I. No.	STATE/UNION TERRITORIES	RANK
1	Andaman & Nicobar Islands	15
2	Andhra Pradesh	7
3	Arunachal Pradesh	32
4	Assam	27
5	Bihar	33
6	Chandigarh	5
7	Chhattisgarh	31
8	Dadra & Nagar Haveli	22
9	Daman & Diu	23
10	Delhi	8
11	Goa	4
12	Gujarat	20
13	Haryana	16
14	Himachal Pradesh	11
15	Jammu & Kashmir	21
16	Jharkhand	28
17	Karnataka	6
18	Kerala	2
19	Lakshadweep	9

20	Madhya Pradesh	25
21	Maharashtra	17
22	Manipur	35
23	Meghalaya	30
24	Mizoram	24
25	Nagaland	34
26	Orissa	14
27	Puducherry	1
28	Punjab	12
29	Rajasthan	29
30	Sikkim	18
31	Tamil Nadu	3
32	Tripura	10
33	Uttarakhand	13
34	Uttar Pradesh	26
35	West Bengal	19

Based on CRISIL Inclusix score

Puducherry, Kerala, Tamil Nadu, Goa etc. are having high financial inclusion level whereas Manipur, Nagaland, Bihar etc. are having low financial inclusion. Orissa, Haryana, Maharashtra etc. are having medium level of financial inclusion. Variation in literacy level, branch penetration level, Deposit level, loan dispersion level etc. are the main reasons for financial inclusion level variation among Indian states.

VIII. FINDINGS

Overall financial inclusion level of India is low when compared to many other nations. When we analyse the financial inclusion level of different states, states in the south are having very good financial inclusion level whereas states in the east and north east are having very low level of inclusion. Kerala tops among the states in financial inclusion level whereas Manipur is the state with lowest financial inclusion. Among union territories Puducherry tops the list.

IX. CONCLUSION

Overall financial inclusion of India is very low. But the South Indian states are having good level of financial inclusion. In order to improve financial inclusion level of India, states in the north, north east, east and west have to be brought to the level of the southern states. For that a combined step of branch increase, deposit campaign and loan disbursement along with general literacy campaign is to be strengthened.

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