FINANCIAL INCLUSION IN INDIA - A STATE-WISE ANALYSIS

Parijat Dhar

Assistant Professor, Department of Economics, Bongaigaon College, Bongaigaon, India
Ph.D Research Scholar, Department of Economics, Gauhati University, Guwahati, India

Dr. Nissar A. Barua

Professor, Department of Economics, Gauhati University, Guwahati, India

ABSTRACT

Since the process of nationalization of banks in 1969, there has been a significant expansion both in the geographical as well as functional reach of the commercial banks, regional rural banks and co-operative credit institutions. However, a large section of Indian population remains outside the purview of the formal financial system. The present study is an attempt to analyze the extent of financial inclusion across the various states of India. It has been observed that although various initiatives have been undertaken to improve outreach activity in the banking sector, the achievement is not a remarkable one. An index of financial inclusion (IFI) has been constructed in the study on the basis of three dimensions of financial inclusion. The state-wise IFI has been constructed using principal component analysis done using SPSS for making a comparative study. This state-wise index constructed has actually brought into light the non-uniformity among the states with respect to access to financial services. Assam has shown a consistent poor performance in all the three dimensions of financial inclusion with the implication that the state has a long way to go in improving financial inclusion position. Thus, it has been observed that although various efforts have been made for improving financial inclusion, the result is not satisfactory. A whole-hearted effort is required from all the stakeholders for making the financial inclusion process more effective.

Key words: Availability, Financial Inclusion, Index of financial inclusion, penetration, usage

1. INTRODUCTION

There has been a considerable spread in the functioning of the formal banking institutions after bank nationalization since 1969. However, a significant proportion of the Indian population has been excluded from the services of the formal financial system. Those among the excluded groups constitute small and marginal farmers, informal sector workers, self-employed persons etc. Those at the bottom of the pyramid have miserably failed to have access to the formal financial system [1].

The Committee on Financial Inclusion under the chairmanship of C Rangarajan has observed that 73 percent of Indian households did not have any debt from formal banking institutions [1]. Again the survey of indebtedness that has been carried out by the National Sample Survey Organization (NSSO) reported that in 2002, three out of four rural households and four out of five rural households don't have a bank loan [2]. This scenario highlights on the failure of the formal banking system in India to accomplish the daunting task of including the huge unserved population.

Accordingly, increasing focus has been laid on expanding the reach of the formal financial system to bring into its fold the vast excluded population and move forward towards achieving 100 percent financial inclusion. Financial inclusion can be defined as providing banking services at an economic cost to the huge groups of disadvantaged and low-income groups [3]. Studies have proved that lack of inclusion or rather exclusion from the banking system results in a loss of 1 percent to GDP [4]. Thus, the importance of financial inclusion is not merely restricted to socio-political necessity but also it has economic benefits.

The main factors responsible for financial exclusion, from the demand side, are generally lack of awareness, low income, poverty and illiteracy and from the supply side are distances from bank branch, branch timings, complicated documentation and processes, language, attitude of staffs etc. Lack of physical infrastructure and insufficient staff strength also pose as limitations for the potential clientele to be served. Moreover, speedy and easy availability of credit from informal sources serves as another impediment in the way of bringing the urban poor into the formal financial system [5]. Although there are segments of large excluded population in all parts of the country, the North East, Eastern and Central regions of India contain most of the financially excluded population [6].

With this background, the major objective of this study is to analyze the position of financial inclusion in Assam by constructing an index of financial inclusion which captures a number of dimensions of that aspect in one single figure. In this study, state-wise index of financial inclusion (IFI) will be calculated on the basis of pre-determined dimensions to get a clear picture about the financial inclusion in Assam.

2. REVIEW OF LITERATURE

Banking system/institutions has a vital role in facilitating the development of financial system. A large body of empirical literature suggests that developing the financial sector and improving access to finance may accelerate economic growth along with a reduction in income inequality and poverty. At the cross-country level, evidence indicates that various measures of financial development (including assets of the financial intermediaries, liquid liabilities of financial institutions, domestic credit to private sector, stock and bond market capitalization) are robustly and positively related to economic growth [7].

Equally important is access to finance by all segments of the society [8]. Without inclusive financial systems, poor people must rely on their own limited savings to invest in their education or become entrepreneurs and small enterprises must rely on their limited earnings to pursue promising growth opportunities. This can contribute to persistent income

inequality and slower economic growth. [9]. Financial inclusion, within the broader context of inclusive development, is viewed as an important means to tackle poverty and inequality and to address the millennium development goals [10].

The banking industry in India has shown remarkable growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include a vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. It is estimated that about 40 per cent of Indians lack access even to the simplest kind of formal financial services. According to one indicator of financial deepening, the ratio of bank assets to GDP, financial deepening in India was among the lowest in the world [7].

The extent of financial exclusion is staggering. Out of the 600,000 habitations in the country, only about 36,000+ had a commercial bank branch [11]. Another study has revealed that as on 31st March 2006 in India, the saving accounts per 100 adult populations were 63 and credit accounts were only 16 [12]. Region-wise bank accounts of all scheduled commercial banks on 31st March 2009 are maximum in southern region and followed by Central, Western, Northern, Eastern and North-Eastern region. Thus, access to banking services is low and there also exists a large variation across the regions in accessibility.

3. OBJECTIVES

The study has been taken up with the following objective:

1. To construct a state-wise index of financial inclusion for India.

4. DATA SOURCE AND METHODOLOGY

The study is based on secondary sources of data. Data pertaining to different aspects of financial inclusion has been collected from the published sources of various reports of RBI, Government of India, Economic Survey of India and Census reports. The data pertains to the year 2017-18 for financial variables.

The index of financial inclusion will be computed by first calculating a dimension index for each dimension of financial inclusion. The proposed index of financial inclusion will take values between 0 and 1, with zero indicating complete financial exclusion and one indicating complete financial inclusion. To construct the index we will use the Principal Component Analysis (PCA) technique. The objective of PCA is to reduce the dimensionality of the data set.

Before running the PCA, the following procedure is adopted to convert raw data into normalized form. This is done to make the raw data unit free. First, the best and the worst values in a particular indicator are identified. In case of a positive indicator, the highest value is treated as the best value and the lowest as the worst value. Once, the best and worst values are identified, the following formula is used to obtain normalized values:

$$\text{Normalized Value of Indicator} = 1 - \left[\frac{\text{Best } X_i - \text{Observed } X_i}{\text{Best } X_i - \text{Worst } X_i}\right] \qquad (1)$$

The normalized values will always lie between 0 and 1.

Once the normalized values are identified, the next step is to assign weights to the indicators considered for constructing the index. Principal Component analysis is used to compute weights of these indicators.

The study will consider three dimensions of inclusive financial system- branch penetration, usage of banking system and banking penetration. For the fulfillment of the objective, the state-wise index of financial inclusion will be constructed using all these three dimensions.

5. FINDINGS OF THE STUDY

5.1. Computation of Index of Financial Inclusion

Depending on the values of IFI, states are categorized into three categories viz.,

    (i) $0.5 < IFI < 1$ – High financial inclusion

    (ii) $0.3 < IFI < 0.5$ – Medium financial inclusion

    (iii) $0 \leq IFI < 0.3$ – Low financial inclusion

Before analyzing the results of the index of financial inclusion, we start with the computation of the three dimensions viz. banking penetration, availability of banking services and usage of banking services.

5.1.1. Banking Penetration (Dimension 1)

It is the primary indicator of financial inclusion. In this study we use number of bank accounts as a proportion of the total population as an indicator of this dimension. The calculation of this dimension is presented in table 1 below.

Table 1 State-Wise Banking Penetration

Districts	Total Bank Accounts*	Population**	Bank Accounts as Proportion of Population	Bank Penetration Dimension#
Andhra Pradesh	93580933	84580777	1.106409001	0.161591405
Arunachal Pradesh	1142599	1383727	0.825740193	0.072872644
Assam	29398571	31205576	0.942093522	0.109651662
Bihar	72450026	104099452	0.695969331	0.031852376
Chattisgarh	25907323	25545198	1.014175854	0.13243672
Delhi	43767655	16787941	2.607088922	0.635952852
Goa	5482351	1458545	3.75878084	1
Gujarat	79715954	60439692	1.318933822	0.228770008
Haryana	38820089	25351462	1.531276145	0.295890925
Himachal Pradesh	11175022	6864602	1.627919871	0.326439783
Jammu & Kashmir	16532472	12541302	1.318242077	0.228551346
Jharkhand	31413444	32988134	0.952264957	0.112866829
Karnataka	106412098	61095297	1.741739597	0.362417935
Kerala	66396971	33406061	1.987572585	0.440125173
Madhya Pradesh	76259874	72626809	1.050023745	0.143768156
Maharashtra	173905567	112374333	1.547555944	0.301036932
Manipur	1908556	2570390	0.742516116	0.046565706
Meghalaya	2220544	2966889	0.748441886	0.048438829
Mizoram	998525	1097206	0.910061556	0.099526432
Nagaland	1177608	1978502	0.595201824	0
Odisha	47257951	41974218	1.125880439	0.167746281
Punjab	48838366	27743338	1.760363731	0.36830498
Rajasthan	63914282	68548437	0.932395906	0.106586268
Sikkim	769883	610577	1.260910581	0.210428996

Tamil Nadu	139568876	72147030	1.934506188	0.42351008
Telengana	59785458	35193978	1.698741131	0.348826219
Tripura	4885375	3673917	1.329745609	0.232187589
Uttarakhand	15297694	10086292	1.516681651	0.291277639
Uttar Pradesh	209669268	199812341	1.049330922	0.143549156
West Bengal	107375677	91276115	1.176383077	0.183710048
All India	1584131919	1210193422	1.308990687	0.225627006

Source: *-Basic Statistical Returns of Scheduled Commercial Banks in India, RBI (2018)

**- Census of India, 2011, #- Own calculations

In the table 1 above, banking penetration in all the 29 states of India and one National Capital Region has been computed for the year 2017-18. For the purpose of computation of the banking penetration dimension, the calculation of bank accounts as proportion of the total population in all the states has been undertaken. From the table above it can be seen that Goa has the highest number of bank accounts as proportion of its total population while Nagaland has the lowest figure in this respect. Accordingly for the computation of the dimension, Goa's figure has been taken as the best value and Nagaland's figure as the worst value. The dimension index, thus, turns out to be 1 for Goa and 0 for Nagaland. Closer the value of the dimension index to 1, higher is the state's achievement in that respective dimension. Apart from Goa, only Delhi has recorded a high value of 0.635 in respect of its achievement in the banking penetration dimension. While states like Kerala, Tamil Nadu, Karnataka, Telengana, Punjab, Maharashtra and Himachal Pradesh have recorded medium values with values ranging between 0.3 and 0.5 in respect of their achievements in this dimension. Among the states which have recorded low values in the range 0-0.3, Manipur, Mizoram, Meghalaya, Bihar, Chattisgarh, Assam, Arunachal Pradesh and Rajasthan are at the bottom positions in respect of their achievements in this dimension. Even the all-India average figure in respect of the banking penetration dimension is low with a value of 0.22. But the banking penetration dimension alone cannot be sufficient to point out a state's achievement in respect of financial inclusion.

5.1.2. Availability of Banking Services (Dimension 2)

To capture this dimension, in the present index, total number of bank branches per 1000 population has been used as the indicator. The calculation of this dimension is presented in table 2 below by using the formula for dimension index mentioned in methodology.

Table 2 State-Wise Availability of Banking Services

Districts	Total Offices*	Population**	Branch per 1000 population	Availability Dimension#
Andhra Pradesh	6290	84580777	0.07436678	0.050973077
Arunachal Pradesh	135	1383727	0.097562597	0.108151608
Assam	2103	31205576	0.067391802	0.033779504
Bihar	6210	104099452	0.059654493	0.014706756
Chattisgarh	2253	25545198	0.088196615	0.085064123
Delhi	3447	16787941	0.205325954	0.373792188
Goa	670	1458545	0.459361898	1
Gujarat	7241	60439692	0.119805376	0.162980863
Haryana	4407	25351462	0.173836128	0.296168627
Himachal Pradesh	1466	6864602	0.213559359	0.394087829
Jammu & Kashmir	1634	12541302	0.130289503	0.188824616

Jharkhand	2763	32988134	0.08375739	0.074121271
Karnataka	9365	61095297	0.153285121	0.245509649
Kerala	6190	33406061	0.185295716	0.324416926
Madhya Pradesh	5997	72626809	0.082572814	0.071201249
Maharashtra	11810	112374333	0.105095173	0.126719681
Manipur	138	2570390	0.053688351	0
Meghalaya	294	2966889	0.099093697	0.111925825
Mizoram	151	1097206	0.137622288	0.206900197
Nagaland	145	1978502	0.07328777	0.048313279
Odisha	4410	41974218	0.105064495	0.126644057
Punjab	6024	27743338	0.217133209	0.402897499
Rajasthan	6426	68548437	0.093743932	0.098738459
Sikkim	122	610577	0.199810998	0.360197623
Tamil Nadu	9847	72147030	0.136485175	0.204097172
Telengana	4721	35193978	0.134142267	0.19832182
Tripura	379	3673917	0.103159652	0.121948551
Uttarakhand	1903	10086292	0.188671912	0.332739372
Uttar Pradesh	15773	199812341	0.078939068	0.062243934
West Bengal	7327	91276115	0.080272917	0.065531919
All India	130482	1210193422	0.107819128	0.133434329

*Source: *- Basic Statistical Returns of Scheduled Commercial Banks in India, RBI (2018)*

**- Census of India, 2011, #- Own calculations

In the table 2 above, the availability dimension has been computed for 29 states and one National capital region of India for the year 2017-18. To capture the availability dimension, total branches of the scheduled commercial banks per 1000 population has been calculated for all the states. It can be seen from the above table that Goa has the highest number of branches per 1000 population among all the states while Manipur has the lowest number of branches per 1000 population. For the purpose of computation of the availability dimension, Goa's figure is taken as the best value and Manipur's figure as the worst value. Accordingly Goa has recorded the highest value of 1 and Manipur has recorded the lowest value 0 in this respect. Besides Goa no other state has recorded a high value between 0.5 and 1 in respect of its achievement in the availability dimension. States like Delhi, Himachal Pradesh, Punjab, Kerala, Sikkim and Uttarakhand have recorded medium values with values ranging between 0.3 and 0.5 in respect of their achievements in this dimension. All other states including the all India average figure lie in the low value range between 0 and 0.3 in terms of their achievements in this particular dimension index. Assam has shown a consistent poor performance in both the penetration and availability dimensions. Thus, some states which showed better performance in the banking penetration dimension have not achieved similar positions in the availability dimension. For instance, Delhi which recorded a high value in the banking penetration dimension has achieved a medium value in the availability dimension. Therefore, the availability dimension alone cannot highlight a state's achievement in respect of financial inclusion.

5.1.3. Usage of Banking Services (Dimension 3)

For the computation of the usage dimension, two basic banking services are considered- credit and deposit. Accordingly, credit-deposit ratio has been used to measure this dimension. The calculation of the dimension index is shown in the table below. The usage dimension has been calculated using the formula for dimension index mentioned in methodology.

Table 3 State-Wise Usage of Banking Services

States	Deposits*	Credit**	Credit-Deposit Ratio	Usage Dimension#
Andhra Pradesh	1933489.3	1986138.7	1.02723	0.82527237
Arunachal Pradesh	80085.6	21456	0.267913	0.012337541
Assam	973814.4	357149.1	0.366753	0.11815633
Bihar	2168098.5	728622.4	0.336065	0.085301812
Chhattisgarh	991656.2	610622.4	0.61576	0.384747019
Delhi	8843833.6	9073472.2	1.025966	0.823918799
Goa	515442.3	137474.5	0.266712	0.011051074
Gujarat	4777581.9	3471167.6	0.726553	0.503363546
Haryana	2226845.1	1688939.9	0.758445	0.537507469
Himachal Pradesh	598764.8	211148.2	0.35264	0.10304665
Jammu & Kashmir	737205	310963.6	0.421814	0.177105955
Jharkhand	1421112.8	420294.7	0.29575	0.042140293
Karnataka	6342916.2	4292248.4	0.6767	0.449989499
Kerala	3283993.6	2121607.8	0.646045	0.417170402
Madhya Pradesh	2793419.1	1530340.6	0.547838	0.312028422
Maharashtra	21500095.1	19772979.7	0.919669	0.710116293
Manipur	57300.7	19466.9	0.339732	0.089227912
Meghalaya	166439.4	43081.9	0.258844	0.002628178
Mizoram	53152.5	20076.8	0.377721	0.129898784
Nagaland	69382.7	22685.7	0.326965	0.075558821
Odisha	1900738.8	796964	0.419292	0.17440524
Punjab	2619723.4	1966442.3	0.75063	0.529140172
Rajasthan	2354794.7	2029555.2	0.861882	0.64824834
Sikkim	57144.3	14651.2	0.25639	0
Tamil Nadu	5453170.4	6491637	1.190434	1
Telengana	3235158.7	3335467.7	1.031006	0.829314627
Tripura	154626.7	52145	0.337232	0.086550538
Uttarakhand	886329.2	306106.2	0.345364	0.095257262
Uttar Pradesh	6725295.6	3054626.8	0.4542	0.211778142
West Bengal	5536916.1	3200914.4	0.578104	0.344432014
All India	89221112.1	68784725.2	0.770947	0.550891818

*Source: * and **- Basic Statistical Returns of Scheduled Commercial Banks in India, RBI (2018)*

Note: # and ##- Own calculations

In the table 3 above, the usage dimension has been computed for the year 2017-18. To capture the usage dimension, credit-deposit ratio of the scheduled commercial banks of all the 29 states and one National Capital region of India have been calculated. It can be seen from the table above that Tamil Nadu has the highest value in terms of credit-deposit ratio among all other states and Sikkim has the lowest value in this respect. Thus Tamil Nadu's value is taken as the best value and Sikkim's value is taken as the worst value for the purpose of the estimation of this dimension. Accordingly Tamil Nadu has recorded the highest value of 1 in respect of its achievement in the usage dimension while Sikkim has recorded the lowest value of 0. Apart from Tamil Nadu, other states which have recorded high values in respect of their achievements in the usage dimension are Andhra Pradesh, Delhi, Telengana, Maharashtra, Rajasthan, Punjab, Haryana, Gujarat and the all India average. While Karnataka, Kerala, West Bengal, Madhya Pradesh and Chattisgarh have recorded medium values in the range of 0.3 and 0.5 in terms of their achievements in the usage dimension. All other states have recorded

low values with values ranging between 0 and 0.3 in the usage dimension. Thus, it can be pointed out that Goa which has high density of bank accounts and bank branches seems to have very low credit-deposit ratio and thus has dropped to be among one of the worst performing states in respect of usage dimension. Further, the performance of Assam in respect of the usage dimension is relatively better than the other two dimensions and thus has managed to climb up from the bottom positions.

5.1.4. State-wise Index of Financial Inclusion

As the inclusiveness of a financial system should be evaluated along several dimensions, we follow a multidimensional approach while constructing the index of financial inclusion (IFI). Thus, the state-wise index of financial inclusion for India has been estimated by using data on the three dimensions viz. banking penetration, availability of banking services and usage of banking services. The index will be constructed using Principal Component Analysis as mentioned in the methodology.

Table 4 State-Wise Dimension Indices

States	Penetration Dimension	Availability Dimension	Usage Dimension
Andhra Pradesh	0.161591405	0.050973077	0.82527237
Arunachal Pradesh	0.072872644	0.108151608	0.012337541
Assam	0.109651662	0.033779504	0.11815633
Bihar	0.031852376	0.014706756	0.085301812
Chattisgarh	0.13243672	0.085064123	0.384747019
Delhi	0.635952852	0.373792188	0.823918799
Goa	1	1	0.011051074
Gujarat	0.228770008	0.162980863	0.503363546
Haryana	0.295890925	0.296168627	0.537507469
Himachal Pradesh	0.326439783	0.394087829	0.10304665
Jammu & Kashmir	0.228551346	0.188824616	0.177105955
Jharkhand	0.112866829	0.074121271	0.042140293
Karnataka	0.362417935	0.245509649	0.449989499
Kerala	0.440125173	0.324416926	0.417170402
Madhya Pradesh	0.143768156	0.071201249	0.312028422
Maharashtra	0.301036932	0.126719681	0.710116293
Manipur	0.046565706	0	0.089227912
Meghalaya	0.048438829	0.111925825	0.002628178
Mizoram	0.099526432	0.206900197	0.129898784
Nagaland	0	0.048313279	0.075558821
Odisha	0.167746281	0.126644057	0.17440524
Punjab	0.36830498	0.402897499	0.529140172
Rajasthan	0.106586268	0.098738459	0.64824834
Sikkim	0.210428996	0.360197623	0
Tamil Nadu	0.42351008	0.204097172	1
Telengana	0.348826219	0.19832182	0.829314627
Tripura	0.232187589	0.121948551	0.086550538
Uttarakhand	0.291277639	0.332739372	0.095257262
Uttar Pradesh	0.143549156	0.062243934	0.211778142
West Bengal	0.183710048	0.065531919	0.344432014
All India	0.225627006	0.133434329	0.550891818

The table above presents the normalized values of the three dimensions for all the 29 states and one National Capital Region of India. Once the normalized values are obtained, the next step is to assign weights to the indicators. For this purpose Principal Component Analysis (PCA) is used. Running the PCA in the software package SPSS, the Initial Eigen Values (Total) which are more than one are identified. Number of Eigen values greater than one varies from data set to set. In the present case, we have two Eigen values greater than one and it is 1.922 and 1.024. These two components explain 98.204% variance of the variables included in the analysis. This has been shown in the table below.

Table 5 Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.922	64.061	64.061	1.92	64.061	64.061	1.88	62.740	62.740
2	1.024	34.143	98.204	1.02	34.143	98.204	1.06	35.465	98.204
3	.054	1.796	100.000						

Extraction Method: Principal Component Analysis.

According to the number of Eigen values above one, the same number of components will be extracted for each variable as shown in the Component Matrix below. In the present case, since two Eigen values are above one, two components have been extracted.

Table 6 Rotated Component Matrix

	Component	
	1	**2**
Bank Penetration Dimension	.956	.243
Banking services Availability Dimension	.982	-.104
Usage Dimension	.054	.997

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

Rotation converged in 3 iterations.

Now the 1st Eigen value above one (1.922) will be multiplied with the 1st Extracted Component Column (0.956, 0.982, 0.054) and the 2nd Eigen value above one (1.024) will be multiplied with the 2nd Extracted Component Column (0.243, -.0104, 0.997). We consider absolute values here (irrespective of sign, negative values are treated as positive). Finally we have summed up the values obtained in case of each variable which determines their weights. The estimated weights are as follows:

Table 7 Weights of the Variables

Variables	Components Extracted		Eigen Value		Weights
Bank Penetration Dimension (X1)	0.956	.243	1.922	1.024	2.086897
Banking services Availability Dimension (X2)	0.982	-.104			1.994393
Usage Dimension (X3)	0.054	.997			1.124501
Grand Total Weights					5.205791

The following formula is used to determine the index of financial inclusion---

$$IFI = \frac{\sum X_i(\sum |L_{ij}| . E_j)}{\sum(\sum |L_{ij}| . E_j)} \quad (2)$$

Where IFI is the index of financial inclusion; Xi is the indicator; L_{ij} is the factor loading of the ith variable on the jth factor and E_j is the Eigen value of the jth factor.

The following is an example for the first state, Andhra Pradesh.

State	Wt of X1= 2.086897	Wt of X2 = 1.994393	Wt of X3 = 1.124501	IFI
Andhra Pradesh	0.161591405 X 2.086897	0.050973077 x 1.994393	0.82527237 X 1.124501	1.36690457/5.205791 =0.2625

In the same way, the index of financial inclusion for the rest of the states of India has been estimated.

Table 8 State-Wise Index of Financial Inclusion

States	Weighted value of X1	Weighted Value of X2	Weighted value of X3	IFI	Rank
Andhra Pradesh	0.337225	0.10166	0.92802	0.262574	13
Arunachal Pradesh	0.152078	0.215697	0.013874	0.073312	27
Assam	0.228832	0.06737	0.132867	0.082421	26
Bihar	0.066473	0.029331	0.095922	0.036829	30
Chattisgarh	0.276382	0.169651	0.432648	0.168789	19
Delhi	1.327168	0.745489	0.926498	0.576119	2
Goa	2.086897	1.994393	0.012427	0.786378	1
Gujarat	0.477419	0.325048	0.566033	0.26288	12
Haryana	0.617494	0.590677	0.604428	0.348189	7
Himachal Pradesh	0.681246	0.785966	0.115876	0.304101	10
Jammu & Kashmir	0.476963	0.37659	0.199156	0.202219	17
Jharkhand	0.235541	0.147827	0.047387	0.082745	25
Karnataka	0.756329	0.489643	0.506014	0.336545	8
Kerala	0.918496	0.647015	0.469109	0.390838	6
Madhya Pradesh	0.300029	0.142003	0.350876	0.152313	22
Maharashtra	0.628233	0.252729	0.798526	0.322619	9
Manipur	0.097178	0	0.100337	0.037941	29
Meghalaya	0.101087	0.223224	0.002955	0.062866	28
Mizoram	0.207701	0.41264	0.146071	0.147223	23
Nagaland	0.000000	0.096356	0.084966	0.034831	31
Odisha	0.350069	0.252578	0.196119	0.153438	21

Punjab	0.768615	0.803536	0.595019	0.4163	4
Rajasthan	0.222435	0.196923	0.728956	0.220584	16
Sikkim	0.439144	0.718376	0	0.222352	15
Tamil Nadu	0.883822	0.40705	1.124501	0.463978	3
Telengana	0.727964	0.395532	0.932565	0.394957	5
Tripura	0.484552	0.243213	0.097326	0.158495	20
Uttarakhand	0.607866	0.663613	0.107117	0.26482	11
Uttar Pradesh	0.299572	0.124139	0.238145	0.127138	24
West Bengal	0.383384	0.130696	0.387314	0.173152	18
All India	0.470860	0.26612	0.619478	0.260567	14

Note: Own Calculations on the basis of formula for Index of Financial Inclusion

From the table above, it can be seen that Goa leads with the highest IFI value of 0.78. Besides Goa, Delhi too belongs to the high IFI group with an IFI value of 0.57. Apart from these two states, no other state belongs to the high IFI group. This is quite unfortunate that even after the initiatives taken for expanding the reach of the formal financial institutions, the progress achieved is not praiseworthy. Another eight states viz., Tamil Nadu, Punjab, Kerala, Telengana, Haryana, Karnataka, Maharashtra and Himachal Pradesh form the group of medium IFI states with IFI values between 0.3 and 0.5, with Tamil Nadu leading the group with 3rd rank with the IFI value of 0.46 and Himachal Pradesh at the end of this group with 10th rank and the IFI value of 0.30. All other states belong to the low IFI group with IFI values ranging between 0 and 0.3. Infact, the all-India average IFI also falls under this category with a 14th rank and the IFI value of 0.26. Among the states in the low IFI group, Uttarakhand, Gujarat, Andhra Pradesh, Sikkim, Rajasthan and Jammu & Kashmir rank 11th, 12th, 13th, 15th, 16th and 17th respectively in the index constructed with their IFI values lying between 0.2 and 0.3. Assam stands with a low IFI value of 0.08 thus occupying 26th rank. It has shown a poor performance in all the three dimensions with branch density being the worst of all. Further, out of the eight North-Eastern States, three states viz., Manipur, Nagaland belong to the lowest rank of financial inclusion in the entire country with their IFI values of 0.03 and 0.04 respectively. Thus only ten states belong to the high and medium IFI group and majority of the states belonging to the low IFI group. An interesting feature to be noted here is all the Southern states excepting Andhra Pradesh are at the medium level of financial inclusion with Tamil Nadu leading at 3rd rank and all the North-Eastern, Eastern and Central states belong to the low level of financial inclusion. As a result, financial exclusion is more pronounced in those areas.

6. CONCLUSION

The proliferation of banking facilities has been uneven across India as can be seen from the index above. Whereas some regions boast of high rates of financial inclusion, others lag behind and North-Eastern region falls among the slow progress region with all of the states belonging to the low IFI group. The index above gives us a clear insight about the position of Assam in terms of financial inclusion achieved. Even the three other North-eastern states of Sikkim, Mizoram and Tripura stand at a relatively better position than Assam in the index. The main reasons for lower banking outreach in the N.E. region can be attributed to the factors like difficult terrain, low density of population and cultural reservation. Thus, the status of the North-Eastern region in respect of its achievement in financial inclusion is indeed poor and demands special initiatives be taken for the improvement of the financial position of the region. RBI and the government of India have launched special programmes for increasing the reach of the formal financial institutions in the North-eastern region which is showing only marginal improvements. Accordingly, the need of the hour is undertaking more intensive and concerted efforts to embark on a path of high financial inclusion in the entire north-east.

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