

## A Study of Growth of Financial Inclusion in India

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### Abstract

Inclusive financial systems lead to stronger and sustainable economic growth and development. Therefore achieving financial inclusion has become a priority for many countries across the globe. Financial inclusion can be defined as the availability and equality of opportunities to access financial services. It helps individuals and businesses to access affordable, appropriate and timely financial products and services. Hence the researcher felt the need to analyze the growth of financial inclusion. This study aims to analyze the growth and identify the indicators of financial inclusion in India. Secondary data has been collected from authentic sources such as websites of RBI and journals.

The data has been presented in the form of charts and tables in the paper. From the analysis done it can be observed that the bank branches have increased 21% more if compared with the year 2014 under the PMJDY. In the year 2017 there has been a sizable increase in the number of branches across all regions. In 2018 there has been 39% increase in ATMs as compared to 2014. It is observed that over 35 crore new accounts have been opened and over 96000 crores have been deposited in the newly opened bank accounts. There are 53% women Jan-Dhan account holders and 59% Jan-Dhan accounts are in rural and semi-urban areas. Thus financial inclusion of women is rapid. There is an increase of 438.71% in amount disbursed through KCC and whopping increase of 4885.71% in GCC in 2019 if compared with the year 2010.

**Keywords:** - Financial inclusion, Indicators, BP, DP, CP, KCC, GCC

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### I. Introduction

Inclusive financial systems lead to stronger and sustainable economic growth and development. Therefore achieving financial inclusion has become a priority for many countries across the globe. Financial inclusion can be defined as the availability and equality of opportunities to access financial services. It helps individuals and businesses to access affordable, appropriate and timely financial products and services. Hence the researcher felt the need to analyze the growth of financial inclusion. This study aims to analyze the growth and identify the indicators of financial inclusion in India. Secondary data has been collected from authentic sources such as websites of RBI and journals. The data has been presented in the form of charts and tables in the paper.

The indicators of financial inclusion in India are Banking Penetration (BP), Credit Penetration (CP), Deposit Penetration (DP) and Insurance Penetration (IP). The RBI has made sustained efforts and the Government has announced several policies from the point of view of financial inclusion. The branching of banks into rural areas, ATMs, extending loans for agriculture, the BSBODAs, KCCs, GCCs, PMJDY are some of the initiatives of the government to reduce poverty and financial exclusion.

### II. Research Objectives

The objectives of the present study are:

1. To compute the growth of financial inclusion in India
2. To identify the indicators of financial inclusion in India

### III. Research Methodology

Data has been collected from secondary sources. This study aims at analyzing the growth in financial inclusion in India. The paper also aims to identify the indicators of financial inclusion in India. Data has been collected from authentic websites such as RBI. Sources of data are Report on financial inclusion by RBI and Annual reports of RBI. Data sources have been mentioned wherever necessary.

### IV. Literature Review

Inoue, Takeshi (2019)<sup>1</sup> in their paper 'Financial inclusion and poverty reduction in India' have investigated the impact of financial development on poverty conditions in India. More than private sector banks,

public sector banks have made a greater contribution to reducing poverty in India. Though the non performing assets of public sector banks are increasing, they are contributing to financial inclusion. Sethi S.K. and Goyari P. (2018)<sup>2</sup> have examined the financial inclusion of Indian states by applying the financial inclusion index (FII). The study found that no Indian state belong to high financial inclusion during the period 2006 to 2014. Kerala has ranked at the top of FII followed by Goa, Delhi, Punjab, West Bengal and Tamil Nadu whereas Madhya Pradesh was at the bottom. Out of 22 states, there was no state under high inclusion category. Gupte R., Venkatramani B and Gupta D. (2012)<sup>3</sup> have used different methods to compute Financial Inclusion Index. The researchers have computed the FII for India as a geometric mean of four critical dimensions such as outreach (accessibility and penetration), usage, ease of transactions and cost of transactions. They have adopted the same methodology used by UNDP in computing the HDI in 2010.

Garg S. and Dr. Agarwal P. (2014)<sup>4</sup> have tried to understand the concept and extent of financial exclusion. The reasons for not having bank account are lack of money, a family member already having an account, cost and lack of necessary documents required to open accounts. The efforts taken are not getting the expected results. The concern of banks about profitability also has to be addressed. For achieving targets MSMEs are the best medium as they generate local demand and consumption and thus provide employment. Linking of Aadhar card to bank accounts could also be a good solution. Post offices also have a good reach in rural areas. Thus innovative products, effective regulatory norms and leveraging technology can help to increase financial inclusion.

Dr. N.Rajsekharan in his paper ‘Including the Excluded: The Scenario of Financial Inclusion in India’(2018)<sup>5</sup> have mentioned that lack of financial literacy and low and irregular income affects the growth rate of financial inclusion. The barriers to inclusion such as remoteness, lack of proper documents, high cost, and lack of financial literacy lead to financial exclusion. These have to be overcome to increase financial inclusion. Government initiatives such as Aadhar card linking to bank account, no frills account, financial literacy, micro finance institutions, GCC, KCC are useful in overcoming financial exclusion. Ghosh M. & Dixit R.(2013)<sup>6</sup> have compared India with China, Germany and rest of the world with respect to indicators of financial inclusion. The data clearly shows that India needs to adapt to more aggressive policy for financial inclusion so as to attain holistic growth and be comparable with the inclusion standards of developing and developed countries. The paper states that there is no significant association between the rate of financial inclusion and unemployment.

#### **IV. Financial Inclusion**

The key indicators of financial inclusion are financial literacy, banking penetration, credit penetration and deposit penetration availed by the poor and remote areas.

**Banking Penetration:** The Government initiated Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 to provide banking services for every unbanked household.

**Banking Service Points:** The strength of bank branches and ATMs has been augmented over the years.

**Table 1: Number of Bank branches of Scheduled Commercial Banks**

As on	Rural	Semi-urban	Urban	Metropolitan	Total
31.03.2014	41862	32590	20820	22544	117816
31.03.2015	45118	34963	22354	24058	126493
31.03.2016	48244	37647	23944	25610	135445
31.03.2017	49820	39059	24977	26655	140511
31.03.2018	50735	39694	25377	26887	142693

Source: Financial Inclusion Annual Report 2019

The number of bank branches is increasing every year.

**Table 2: Percentage Increase in Bank Branches with 2014 as Base Year**

As on	Rural	Semi-urban	Urban	Metropolitan	Total
31.03.2015	8	7	7	7	7
31.03.2016	15	16	15	14	15
31.03.2017	19	20	20	18	19
31.03.2018	21	22	22	19	21

The table shows that the bank branches have increased 21% more if compared with the year 2014. In the year 2017 there has been a sizable increase in the number of branches across all regions.

Chart 1: Percentage Increase in Bank Branches with 2014 as Base Year

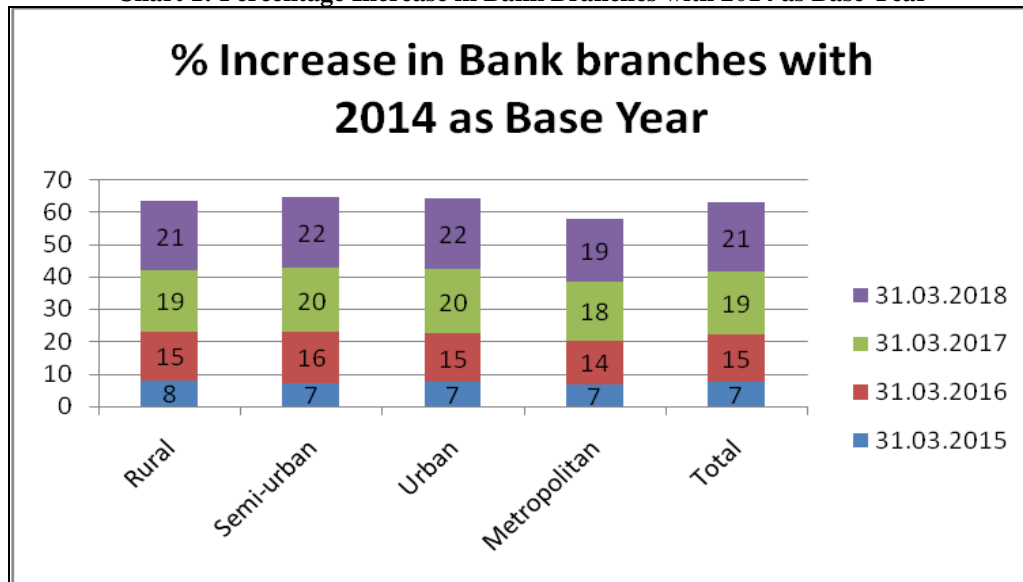
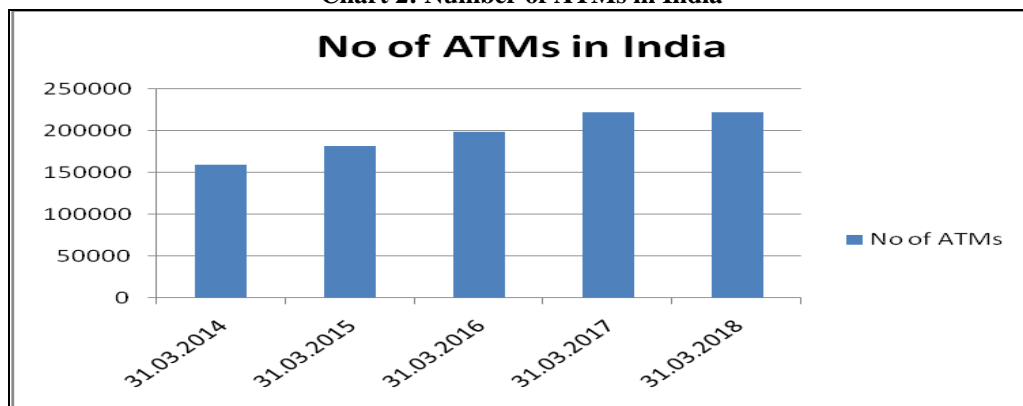


Table 3: No of ATMs in India

As on	No of ATMs	% Increase with Base Year 2014
31.03.2014	160055	
31.03.2015	181398	13
31.03.2016	199099	24
31.03.2017	222475	39
31.03.2018	222247	39

Source: Financial Inclusion Annual Report 2019

Chart 2: Number of ATMs in India



From Table 3 and Chart 2 it can be seen that every year the number of ATMs in India are increasing. In 2018 there has been 39% increase in ATMs as compared to 2014.

The number of digital transactions were 3120 crores and number of card acceptances of Point of Sale (POS) was 37.22 lakhs in 2018-2019.

**Performance of Pradhan Mantri Jan Dhan Yojana (PMJDY):**

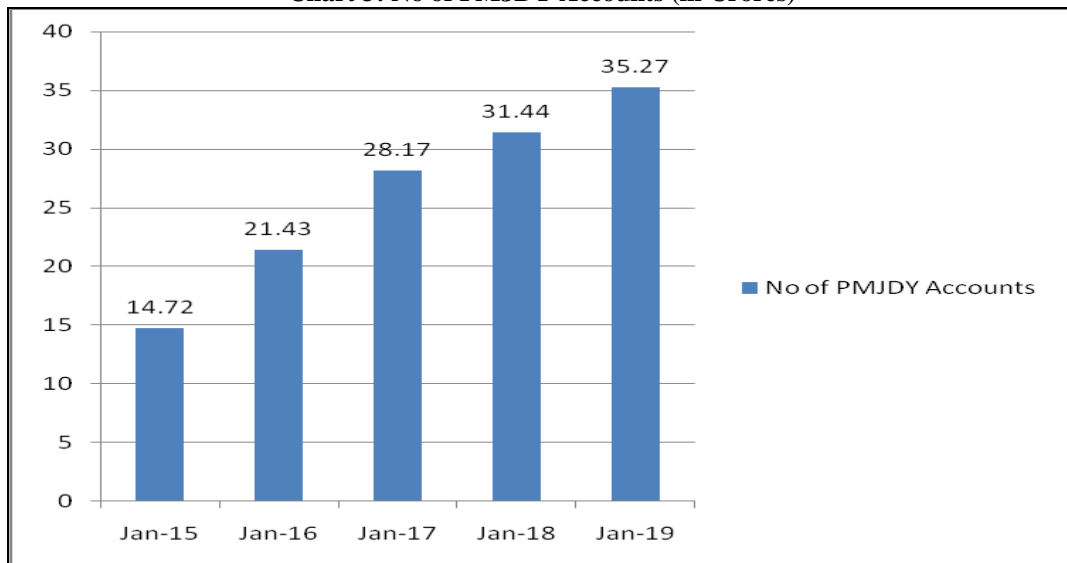
PMJDY was launched on 28<sup>th</sup> August 2014. It envisages universal access to banking facilities with at least one basic banking account for every household.

Table 4: PMJDY Accounts

Year	No of PMJDY Accounts (in Crores)	% Increase in no of PMJDY Accounts (Base Year 2015)	Deposits in PMJDY Accounts (Rs in Crores)	% Increase in Deposits in PMJDY Accounts (Base Year 2015)
Mar-15	14.72		15670	
Mar-16	21.43	45.58	35672	127.65

Mar-17	28.17	91.37	62972	301.86
Mar-18	31.44	113.59	78494	400.92
Mar-19	35.27	139.61	96107	513.32

**Chart 3: No of PMJDY Accounts (in Crores)**

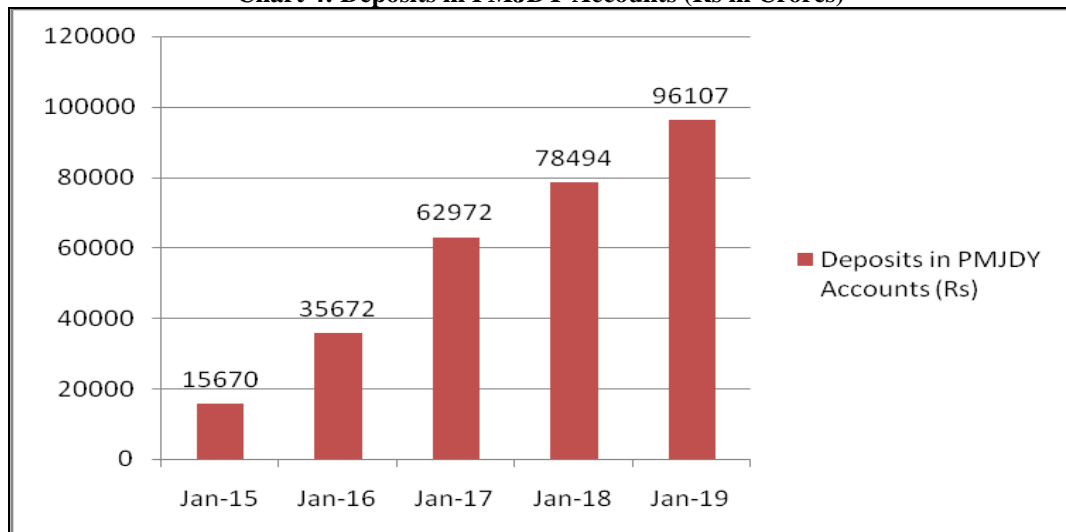


Source: Financial Inclusion Annual Report 2019

Since the launch the number of PMJDY accounts have increased more than two fold, from 14.72 crore accounts to 35.27 crore accounts.

**Deposit Penetration:**

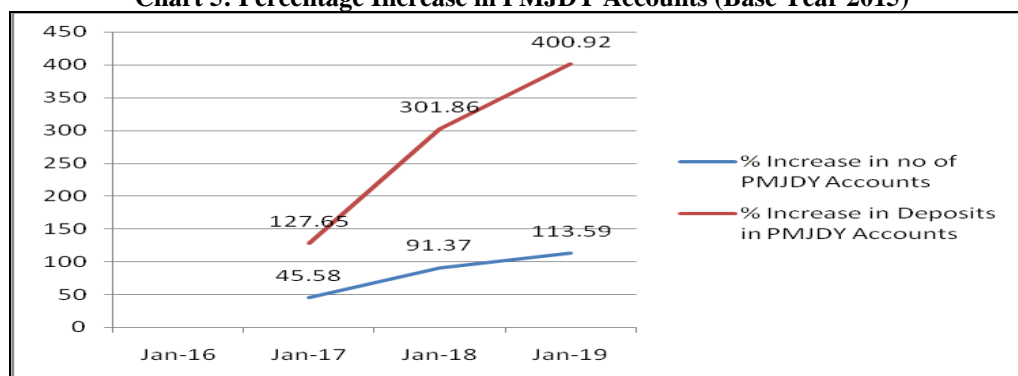
**Chart 4: Deposits in PMJDY Accounts (Rs in Crores)**



Source: Financial Inclusion Annual Report 2019

Financial inclusion can be assessed by the deposits in the PMJDY accounts. The deposits in these accounts have increased more than six times since Jan 2015, in a span of 4 years till Jan 2019.

**Chart 5: Percentage Increase in PMJDY Accounts (Base Year 2015)**



It may be observed that over 35 crore new accounts have been opened and over 96000 crores have been deposited in the newly opened bank accounts. There are 53% women Jan-Dhan account holders and 59% Jan-Dhan accounts are in rural and semi-urban areas. Thus financial inclusion of women is rapid.

**Credit Penetration:**

In rural areas with limited Point-of-Sale(POS) and limited ATM facilities General credit Card (GCC) and Kisan Credit Card (KCC) are issued. These are issued on the basis of assessment of income and cash flows of the households. Women are given preferential treatment under the GCC scheme. Local post offices, primary health centres, local government functionaries, farmers’ association can be utilized by banks.

**Table 5: Credit Penetration: KCC & GCC**

As On	KCC (Amt in Rs billion)	KCC -% Increase with Base Year 2010	GCC (Amt in Rs billion)	GCC -% Increase with Base Year 2010
Mar-10	1240		35	
Mar-11	1237	-0.24	21.9	-37.43
Mar-12	1652	33.23	27.3	-22.00
Mar-13	2623	111.53	76.3	118.00
Mar-14	3685	197.18	1097	3034.29
Mar-15	4382	253.39	1302	3620.00
Mar-16	5131	313.79	1493	4165.71
Mar-17	5805	368.15	2117	5948.57
Mar-18	6096	391.61	1498	4180.00
Mar-19	6680	438.71	1745	4885.71

Source: Compiled from Financial Inclusion Report 2019

There is an increase of 438.71% in amount disbursed through KCC and whopping increase of 4885.71% in GCC in 2019 if compared with the year 2010. The credit disbursement under the GCC scheme is much more than KCC scheme.

**Indicators of Financial Inclusion:**

1	Banking Penetration
1.1	Access to Banking services
1.2	Banking Service Points
1.3	Usage of Banking System
2	Deposit Penetration
2.1	Pradhan Mantri Jan Dhan Yojana (PMJDY)
2.2	Basic Saving Bank Deposit Account (BSBDA) (No Frill Account)
3	Credit Penetration
3.1	Kisan Credit Card (KCC)
3.2	General Credit Card (GCC)
3.3	Pradhan Mantri Mudra Yojana(PMMY)
3.4	Micro Finance
3.5	Self Help Groups (SHG)
4	Insurance Penetration
4.1	Pradhan Mantri Suraksha Bima Yojana (PMSBY)
4.2	Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
4.3	Atal Pension Yojana
5	Financial Literacy

### **Government Initiatives:**

Some initiatives by the government of India to boost financial inclusion are as follows:

- BSBDA – This is a basic bank account where zero bank balance can be kept. This was issued by RBI in 2012.
- PMMY – Under the scheme banks lend fixed amount in priority sector at affordable rate of interest.
- PMJJY – It is a life insurance scheme from age 18-50 years at a low premium. It gives coverage upto 2 lacs and is under LIC of India on behalf of the government.
- Atal Pension Yojana – It is a guaranteed pension scheme and is administered by Pension Fund Regulatory and Development Authority (PFRDA).

### **V. Findings**

The growth in financial inclusion in India can be analyzed by calculating the growth in banking penetration, credit penetration and deposit penetration. From the analysis done by the researcher, it can be observed that the bank branches have increased 21% more if compared with the year 2014 under the PMJDY. In the year 2017 there has been a sizable increase in the number of branches across all regions. In 2018 there has been 39% increase in ATMs as compared to 2014. The number of digital transactions were 3120 crores and number of card acceptances of Point of Sale (POS) was 37.22 lakhs in 2018-2019. Since the launch the number of PMJDY accounts have increased more than two fold, from 14.72 crore accounts to 35.27 crore accounts.

Deposit Penetration - Financial inclusion can be assessed by the deposits in the PMJDY accounts. The deposits in these accounts have increased more than six times since Jan 2015, in a span of 4 years till Jan 2019. It may be observed that over 35 crore new accounts have been opened and over 96000 crores have been deposited in the newly opened bank accounts. There are 53% women Jan-Dhan account holders and 59% Jan-Dhan accounts are in rural and semi-urban areas. Thus financial inclusion of women is rapid.

Credit penetration - There is an increase of 438.71% in amount disbursed through KCC and whopping increase of 4885.71% in GCC in 2019 if compared with the year 2010.

A list of indicators is given to assess the financial inclusion in India.

### **VI. Limitations**

To assess the financial inclusion there are many parameters. The study could not cover all the parameters such as financial literacy. Hence some parameters such as banking facilities, credit facilities and deposits are only considered.

### **VII. Conclusion**

The researcher has analyzed parameters such as banking and credit facilities and deposits made in schemes of the government for the poor. India has made significant progress in financial inclusion. But due to lack of financial awareness of the people, government is not able to provide all services to the remote areas. Thus financial literacy has to be improved. Financial literacy will enhance finance inclusion.

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