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# FINANCIAL INCLUSION - OPPORTUNITIES AND CHALLENGES

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## ABSTRACT
*Financial inclusion is an important indicator of how evenly the resources in the economy are allocated and distributed across different sections of the society. The Reserve Bank of India has increased its focus on financial inclusion as policy perspectives over the period so as to bring equitable distribution of wealth and also for bringing inclusive growth. Therefore, over the period banks and financial institutions are expanding its coverage of providing services to the so far unbanked villages and marginalized sections of the society. Even steps are taken up to promote financial inclusion, the progress lags behind its requirements in terms of accessibility, literacy, credit, etc. To say, when we look at the ratio of credit to Gross Domestic Product (GDP), it is around 70 percent of GDP, but in actual scenario there is a wide disparity at regional and district level in terms of access to and use of financial services across the country. It is pertinent to measure the extent of financial inclusion at the ground level and what are the underlying factors that brought a gap and disparity in the access to and use of finance. The present study an attempt to evaluate the progress of financial inclusion plan undertaken as economic policy by the government authorities so as to bring equal financial opportunities to different social group. An analysis of region-wise credit-deposit ratio of the banks is also examined to discover the state of financial inclusion. Wide regional disparities are found in terms of penetration ratio. States and regions with the highest credit-deposit ratio have a penetration ratio of just in par with the state with lowest credit-deposit ratio.*

## KEYWORDS
financial inclusion, credit- deposit ratio, penetration ratio.

## I. INTRODUCTION
The concept of financial inclusion has become one of the most important aspects for inclusive growth and sustainable development. It is recognized as an important instrument for reducing poverty and bringing equitable distribution of nation's wealth. In the recent years, the government and regulatory authorities have expanded the financial inclusion plan as policy perspectives and comprehensive measures were being taken up to improve access to and use of financial services. The banking sector plays a very significant role in promoting financial inclusion. Financial inclusion and the consequent increased penetration of banks to the hitherto unbanked segments, therefore, have strong linkages to economic growth. Financial inclusion, in its formal way starts with having a bank account. But having an account can get its full benefits only when with regular use and access to different forms of services. For example, digitizing payments in the form of payments of wages and government transfers (poverty alleviation programme, youth unemployment schemes, subsidies to farmers, etc.) in monetary form into bank account will increase access to finance among the adults. Moreover, having an account has other benefits like paying utility bills, school fees in an easier way, which is also affordable and more secure.

To put in a nutshell, the concept of financial inclusion refers to the delivery of financial services to all sections including the poor and marginalized group of the society at an affordable price so that easy access and use of finance to all. The Committee on Financial Inclusion headed by **Rangarajan (2008)**, defined financial inclusion as: "The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." In other words, the concept of financial inclusion implies delivery of financial services cost effectively to all sections of society covering all income groups, geographical areas and economic activities.

Financial inclusion not only implies the access to finance, a mere having a bank account does not complete the picture of financial inclusion. But the meaning is to increase use of financial services so as to receive the benefits associated with financial services and to protect them against any economic shocks. Many people, particularly the economically backward and marginalized sections of the society in developing countries are lack in access to formal financial services. Some of the reasons to mention are that these formal financial services charge very high, and hence discourage them in access to such services or there are other limitations like terms and conditions requiring more paperwork, poor legal framework, lack of other infrastructures, geographical factors, market failures, etc. **(Demirguc-Kunt et al., 2015)**. Most of these barriers can be swept over through better governance and regulatory framework to protect the interest of the excluded sections of the society. Policy dictates of financial inclusion is the responsibility of the state whereas to crystallize the plans into reality is the responsibility of the financial institutions or banks. However, it is important to build capacity of the institution to implement such a mass based scheme of financial services delivery.

The present study is an attempt to evaluate the progress of financial inclusion plan undertaken as economic policy by the government authorities over the period. The study is based on performance evaluation of financial inclusion surveys carried out at national and international levels, namely CRISIL survey on financial inclusion at the national level covering districts in each state and the World Bank survey on financial inclusion across the globe. Further the credit-deposit ratio is taken as an important indicator of the distribution of financial resources in the economy. Credit-deposit ratio by region, by population and at state level is analyzed in the current study to find out the extent of financial inclusion. These data are based on the Reserve Bank of India reports and publications for the respective periods.

## II. TWO EXCLUSIVE SURVEYS - FINANCIAL INCLUSION
In this section we discuss the achievements and progress of two exclusive financial inclusion surveys undertaken – Global Findex database conducted at the global level by the World Bank group and the CRISIL Inclusix surveyed at grassroots level of India by CRISIL. The Global Findex database was first launched in the financial year 2011 and is a comprehensive database to measure financial inclusion for adults across the world. The first version of the Global Findex database surveyed financial inclusion in terms of having a bank account which can be utilized for storing money and also to receive payments and government transfers. It provides data and information on how adults across the globe save money, borrow money, making payments and also manage their credit risk for 148 economies which

provided more than 60 indicators. In its second survey to financial inclusion updates all the status of the indicators of 2011 whilst adding more information and data on other informal financial services like mobile money and payments, and the number of indicators has increased to more than 100 covering 143 economies across the globe, carried out for the financial year 2014. All the indicators are framed by way of survey method and interviews through nationally representative authorities where adults with the age group of 15 and above (about 150,000) people are randomly enquired in 143 countries during the financial year 2014. As per the 2014 database, great progress in most of the indicators of financial inclusion database is found, particularly in developing and least developed countries. The number of adults having a formal bank account or in another form of financial institutions or with a mobile money provider has increased from 51 percent in 2011 to 62 percent in 2014. In other words, between 2011 and 2014 additional 700 million adults became account holders, dropping the number adults without an account by 20 percent. Despite the increase in number of accounts, the extent of account ownership varies widely across the globe. For example, in high-income OECD countries, 94 percent of adults have an account in 2014 whereas in developing nations, it is only 54 percent, and among the developing regions. And within the developing regions also there is a wide disparity in account penetration which ranges from an extreme of 14 percent in Middle East to 69 percent in East Asia and Pacific. Another variation of account ownership is gender gap which is not narrowing. In 2011, 47 percent of women have account while men have 54 percent. The percentage of women having an account has improved to 58 percent in 2014 but the proportion of men 65 percent is still higher. The gender gap in account penetration is 7 percentage points at global level and 9 percentage points in developing economies.

The Global Findex database 2014 reports that 56 percent of adults saved money or keep aside money in the past twelve months. In high-income OECD economies and East Asia and the Pacific regions, 71 percent saved money, followed by Sub-Saharan Africa 60 percent and 30 to 40 percent in other regions. The survey also asks three particular reasons for saving – savings for old age, for education expenses and to start or expand a business. At the global level, almost 25 percent of the adults saved in the past twelve months for old age, again 25 percent for education expenditures, and 14 percent for business purposes. Another perspective of the 2014 Global Findex database is information on reasons for borrowing of money which comprises of borrowing for health or medical purposes; for education or school related expenditures; or to begin or expand a business. In developing countries 14 percent have borrowed money for health or medical purposes, where 8 percent borrowed for education expenses and again 8 percent to start a business or expand an existing one. However, in high income OECD countries only 5 percent or fewer adults have borrowed money for all the three purposes.

The Global Findex database also inquires information in the area of financial resilience, which is useful for financial regulation and stability. The survey collects information on how people across the globe can come up during any types of emergency fund requirements or any economic shocks to manage credit risks. It is reported that 76 percent of adults across the globe would be able to come up with the saved amount to manage any types of emergency funds, while 22 percent describes that it would not be possible at all to protect any types of economic shocks or emergency needs. However, in developing countries 28 percent of adults are able to come up in through savings as the main source of funds. The relative low percentage of savings habit to formal financial institutions in developing economies indicates policy initiatives by regulatory authorities for formal saving products in order to protect and safeguard during emergency fund requirements.

Financial inclusion does not imply not only having a formal account in a bank or any financial institutions, but equally important is whether people use it in the form of deposit, withdrawal and transferring of funds. Across the globe, 15 percent of adults (460 million people) with an account do not make deposits or withdrawal in the past 12 months and hence is considered as a dormant account. A dormant account means having no cash deposits or withdrawals or no electronic fund transfers in the form of deposits or purchases/ paying utility bills/paying school fees, etc. in the past 12 months. The data reports that dormancy rate is high in South Asia of 42 percent and the average percentage of dormancy is less than 20 percent in across all other developing regions. As against these, the dormancy rate in high-income OECD countries is only 5 percent. India is having a high dormancy rate of 43 percent, which accounted 195 million adults out of the total 460 million adults with a dormant account across the globe. This high dormancy rates in India reveals that a large number of bank accounts is newly opened while the account remain dysfunction in the form of deposits, withdrawal, transfer of wages/funds, paying bills/fees for the past 12 months. The high dormancy rate of India may be associated with the recently introduced PMJDY scheme where a large number of accounts were being opened to increase the access and use of financial services which covered various socio-economic groups at different geographical areas. This indicates that India has two-thirds of South Asia's unbanked adults and one-fifth at the global scenario. Not only that, the account penetration in India is very low, only 53 percent and of these only about 15 percent of adults use an account to transfer or make payments. The financial inclusion database of India based on the global findex database is reported in Table 1.

As from the report there is an improvement in number of accounts by adults between 2011 and 2014 in India as account penetration increased in India from 35 percent to 53 percent. To say, 175 million adults in India became account holders accounting for one-quarter the 700 million new account holders globally. This growth in the number of additional accounts of 18 percentage points is distributed among different individual groups and detailed data is reported in the table. The use of accounts as a way of payments is low in India, as only 15 percent of adults use an account to make payments or receive any form of funds.

**TABLE 1: FINANCIAL INCLUSION DATA OF INDIA BASED ON GLOBAL FINDEX DATABASE**

| | 2011 | 2014 |
|---|---|---|
| *(1) Account at a formal financial institution (% age +15)* | | |
| All Adults | 35.2 | 53.1 |
| Male Adults | | |
| Female Adults | 26.5 | 43.1 |
| Young adults (15-24 age) | 27.3 | 43.2 |
| Adults living in rural areas | 33.1 | 50.1 |
| *(2) Access to Financial Institution Account (% age +15)* | | |
| Has debit card | 8.4 | 22.1 |
| ATM is the main mode of withdrawal (% with an account) | 18.4 | 22.1 |
| *(3) Use of Formal Accounts* | | |
| Use of account to receive wages | 8.3 | 4.0 |
| Use of account to receive government transfers | 4.0 | 3.6 |
| Use a financial institution to pay utility bills | - | 3.4 |
| *(4) Savings in the past year (% age +15)* | | |
| Saved at a financial institution | 11.6 | 14.4 |
| Saved using a savings club in the past year | 3.2 | 8.8 |
| *(5) Credit (% age +15)* | | |
| Borrowed from formal financial institution | 7.7 | 6.4 |
| Borrowed from friends and outside the family | 19.7 | 32.3 |
| Borrowed from private informal lender | 6.6 | 12.6 |

Source: Global Findex Database, The World Bank

In the Indian context, an extensive survey on financial inclusion was carried out by CRISIL. It introduces CRISIL Inclusix, which measures the extent of financial inclusive comprehensively in the form of an index scaling from 0 (zero) to 100 (one hundred). The index is evaluated by combining three important determinants of financial inclusion - branch penetration (BP), deposit penetration (DP) and credit penetration (CP) into a single standard measurement. CRISIL Inclusix scores is classified into four different categories – high, above average, below average and low. The survey is conducted at national level, regional level, state level and district level covering 652 districts in 35 states and union territories as against the Global Findex database in which survey data of India does not include the north-eastern states.

Table 2 reports the financial inclusion index measured in terms of three aspects of financial inclusion – branches, deposits and credit penetration across the regions. A comparative data of the inclusix index shows betterment in overall financial inclusion from 2009 index at regional and all India average level. The inclusix score for all India has above the average score of 50.1 in 2013. The southern regions score 76, much higher than the national average. The other regions score lower than the all India average score with the north-eastern region having the least score of 39.7. Looking at the individual states/ union territories, Puducherry (89.4) score the highest inclusix score, followed by Kerala (88.9), Tamil Nadu (79.2), Goa (76.1) and Karnataka (74.4) as per 2013 Inclusix data. From the index it is visible that most of the southern regions fall in the top five scoring index of financial inclusion. Manipur (21.6) stood at the bottom, followed by Nagaland (28.9) and Bihar (30.2) in the other extremes.

**TABLE 2: FINANCIAL INCLUSION SCORES BY THREE DIMENSIONS AT REGIONAL LEVEL**

| | Branch Penetration | | Credit Penetration | | Deposit Penetration | | Inclusix Score | |
|---|---|---|---|---|---|---|---|---|
| Region | **2009** | **2013** | **2009** | **2013** | **2009** | **2013** | **2009** | **2013** |
| Southern Region | 49.6 | 69.7 | 68.8 | 88.7 | 55.1 | 83.1 | 54.9 | 76.0 |
| Western Region | 39.4 | 54.1 | 26.9 | 37.3 | 40.4 | 60.5 | 33.9 | 48.2 |
| Northern Region | 36.9 | 49.0 | 26.2 | 32.8 | 40.7 | 59.1 | 33.3 | 44.0 |
| Eastern Region | 27.4 | 43.1 | 20.1 | 35.1 | 26.5 | 44.8 | 24.3 | 40.2 |
| North-eastern Region | 27.7 | 41.2 | 17.9 | 35.8 | 27.7 | 45.9 | 23.8 | 39.7 |
| India | 37.3 | 52.4 | 33.5 | 45.7 | 39.7 | 60.3 | 35.4 | 50.1 |

Source: CRISIL Inclusix - June 2013 and June 2015

For each of the three parameters, highest concentration of index is found in the southern region. The branch penetration of average all India improved from below average score of 37.3 in 2009 to the above average score of 52.4 in 2013. The southern region has the highest branch penetration score of 69.7 as in 2013, and the least being in north-eastern region of 41.2. One of the major factors that lead to low branch penetration in north-eastern states is that these regions have poor infrastructural facilities and hence limited in expansion new bank branches. The credit penetration score at the all India average 45.7 in 2013. In the similar pattern the southern region has the highest score in terms of credit penetration too and the least in north-eastern regions. From the survey it is observed that credit penetration is highest in the southern region and large cities. One positive changes of north-eastern region is in credit absorption as the credit penetration score is almost double from 17.9 in 2009 to 35.8 in 2013. Regarding the deposit penetration index, the average all India score which was 39.7 in 2009 improved to 60.3 in 2013. The southern region has the highest deposit penetration score of 83.1 in 2013, and the least score of 44.8 in the eastern region.

South continues to lead with considerably higher score than the all India inclusix score. Southern region is ahead in overall index not because of highest score in only one or two index rather it leads in all three dimensions of financial inclusion. There remains a wide gap between the southern region and the other regions in the distribution of financial inclusion. While western region hovers near the all India score. Although the other regions are far behind the southern region in terms of inclusix score, the extent of financial inclusion in the north-eastern regions is critical and least in access to and use of basic financial services.

From both the surveys it is observed that the financial inclusion plan has extended its geographical coverage as well as qualitative information of different socio-economic group of the society over the period. In India, the extent of financial inclusion programme is expanding and awareness of benefits of having a bank account and its use has gradually increased among as revealed by the information supplied by these two extensive surveys. Since financial literacy and financial education programme is a long-term programme, it will require time to realize benefits and advantages associated with the access to use of finance by different sections of society.

## III. FINANCIAL INCLUSION PLAN

Over the period the Reserve Bank of India is taking up various steps to expand the coverage of access to and use of financial services to a large portion of house-holds, particularly in rural areas that remain excluded from the formal banking system. The percentage of rural population that do not have formal bank account and lack of access to financial services is about 40 percent, which increases to more than three-fifths in eastern and north-eastern regions of the country. The RBI has been initiating in its endeavor towards universal financial inclusion over the last few years as the role of financial inclusion is significant for inclusive growth and sustainable development. Reserve Bank of India has over the period taken up several policy initiatives to bring forward the hitherto neglected population from the formal banking system so as to increase access to and use of financial services. Since nationalization of banks, priority sector lending, target of rural branches expansion of 40 percent and within that 18 percent for agriculture, lay down of regional rural banks (RRBs) and its role in the rural sector, lead bank scheme, self-help group and bank linkage programme, role of microfinance, etc. are major initiatives undertaken by the Reserve Bank of India over the period in order to allocate and distribute resources to empower and make financially strong for all weaker sections of society. To sum up, the basic objective of financial inclusion plan is to expand the scope and coverage of services of formal financial system to include all sections of disadvantaged and low income groups particularly in rural areas. It means delivery of basic banking services and availability of credit to weaker sections of the society at an affordable price so as to benefit and protect from any sort of economic shocks or emergency needs of funds. All these financial services are in the form of saving money, access to credit, insurance against the owned assets, government transfers or subsidies in formal account and other form of transactions. There is a strong relationship between the extent of financial inclusion, poverty and income inequality as better financial resources can minimize the extent of poverty and income inequality. The role of policy authorities, regulators is crucial in initiating plans and programmes so that it can expand the coverage of financial services from a formal banking system to the hitherto excluded masses.

As a part of financial inclusion plan, recently the Government of India launched Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 28, 2014, for expanding formal financial services to the hitherto excluded population. The major features of the scheme include the following: (i) the facility to open a basic saving bank deposit (BSBD) account in any bank branch or BC outlet; (ii) accidental insurance cover (Rs. 0.1 million) and life insurance cover (Rs. 30,000); and (iii) an overdraft (OD) facility after satisfactory operation of the account for six months. With the addition of 4 million small farm sector credits (kisan credit cards-KCCs) and 2 million small non-farms sector credits (general credit cards-GCCs), the total number of such accounts increased to nearly 47 million and 11 million respectively.

Table 3 gives a picture of the financial inclusion plan adopted by the Commercial Banks in India with a view to increase the use and accessibility to finance for the unbanked and poor people that remained excluded from the formal financial system. The coverage of banking outlets in villages has multiplied by more than eight times in 2015 March as against 67694 in 2010. Rural bank branches opened to the extent of 2259 during 2015-16. Moreover, the issue of kisan credit cards from 24 million in 2010 to 47 million in 2016 and from 1 million for general credit cards in 2010 to 11 million in 2016.

TABLE 3: PROGRESS OF FINANCIAL INCLUSION PLANS, FOR ALL SCHEDULED COMMERCIAL BANKS INCLUDING REGIONAL RURAL BANKS

| Variables | Mar-10 | Mar-15 | Mar-16 | Progress April 2015-Mar 2016 |
|---|---|---|---|---|
| Banking Outlets in Villages – Branches | 33,378 | 49,571 | 51,830 | 2259 |
| Banking Outlets in Villages – Branchless mode | 34,316 | 504,142 | 534,447 | 30305 |
| Banking Outlets in Villages – Total | 67,694 | 553,713 | 586,307 | 32594 |
| Urban Locations covered through BCs | 447 | 96,847 | 102,552 | 5705 |
| Basic Savings Bank Deposit Account (BSBDA) through branches (No. in millions) | 60.2 | 210 | 238 | 28 |
| Basic Savings Bank Deposit Account (BSBDA) through branches (Amount in Rs. billion) | 44.3 | 365 | 474 | 109 |
| Basic Savings Bank Deposit Account (BSBDA) through BCs (No. in millions) | 13.3 | 188 | 231 | 43 |
| Basic Savings Bank Deposit Account (BSBDA) through BCs (Amount in Rs. billion) | 10.7 | 75 | 164 | 89 |
| BSBDA Total (in millions) | 73.5 | 398 | 469 | 71 |
| BSBDA Total (Amount in Rs. billion) | 55 | 440 | 638 | 198 |
| OD facility availed in Basic Savings Bank Deposit Account (No. in millions) | 0.2 | 8 | 9 | 1 |
| OD facility availed in Basic Savings Bank Deposit Account (Amount in Rs. billion) | 0.1 | 20 | 29 | 9 |
| KCCs Total (No. in millions) | 24.3 | 43 | 47 | 4 |
| KCCs Total (Amount in Rs. billion) | 1,240.1 | 4,382 | 5,131 | 749 |
| GCC Total (No. in millions) | 1.4 | 9 | 11 | 2 |
| GCC Total (Amount in Rs. billion) | 35.1 | 1,302 | 1,493 | 191 |
| ICT A/Cs-BC Total Transactions (No. in millions) | 26.5 | 477.0 | 826.8 | 349.8 |
| ICT A/Cs-BC Total Transactions (Amount in Rs. billion) | 6.9 | 859.8 | 1,686.9 | 827.1 |

Source: Annual Report 2015-16, Reserve Bank of India

## IV. CREDIT ALLOCATION AND DISTRIBUTION

The credit-deposit ratio of commercial banks is a significant indicator of the functioning of its services. It is a measure of utilization of resources by the banking system. A rise in the credit-deposit ratio reflects the higher utilization of the resources of banks. In other words, higher credit-deposit ratio also indicates that the rise in credit was sharper than the deposit expansion. Credit-deposit ratio is a significant indicator of how the funds are efficiently allocated and distributed by banks across different sections of the society. Table 4 depicts a clear picture of credit-deposit ratio of scheduled commercial banks for the period after financial sector reforms, 1994-95, 2000-01, 2005-06, 2010-11 and for the latest data available of 2014-15. During the period 1994-95, the mean credit-deposit ratio at the all India level is 55.6 percent. Looking at the regional levels, it is only the western region and southern region that have a credit-deposit ratio above the national average ratio of 63.2 percent and 69.4 percent respectively. For the other regions, the credit-deposit ratios were below the national average, with the north-eastern region being the least. At the individual state level, six out of the thirty-two states and union territories scored above the national average. This shows under-utilization of banking resources or lack of lending activities in majority of the states in India during 1994-95. The credit-deposit ratio remains more or less same in 2000-01 with a per cent of 56.7. Consequently, during the period 2005-06, the credit-deposit ratio increased to 72.4 cent at the national average. Not so much changes are visible in the distribution of the ratio at state and regional levels. For the period 2010-11 and 2014-15, there is an upward trend in the ratio 75.6 per cent in 2010-11 and 77.1 per cent in 2014-15. At the individual state level, there are significant improvement in the credit-deposit ratio during these periods except for north-eastern regions and some states in eastern region.

**TABLE 4: REGION/STATE-WISE CREDIT-DEPOSIT RATIO (SANCTIONED) OF SCHEDULED COMMERCIAL BANKS**

| Region/State-wise | 1994-95 | 2000-01 | 2005-06 | 2010-11 | 2014-15 |
|---|---|---|---|---|---|
| **Northern Region** | **48.6** | **54.7** | **64.6** | **82.5** | **88.5** |
| Haryana | 45.5 | 41.0 | 57.4 | 71.7 | 75.8 |
| Himachal Pradesh | 26.0 | 21.3 | 41.0 | 41.6 | 35.3 |
| Jammu & Kashmir | 28.6 | 34.5 | 47.2 | 38.1 | 42.2 |
| Punjab | 41.4 | 41.1 | 56.8 | 77.8 | 75.1 |
| Rajasthan | 47.7 | 46.6 | 77.3 | 90.4 | 86.2 |
| Chandigarh | 89.9 | 99.4 | 76.8 | 121.6 | 105.9 |
| Delhi | 52.8 | 66.1 | 67.4 | 86.8 | 102.6 |
| **North-Eastern Region** | **35.6** | **27.6** | **40.7** | **33.8** | **34.5** |
| Arunachal Pradesh | 12.4 | 14.5 | 26.5 | 23.7 | 26.8 |
| Assam | 38.7 | 32.1 | 42.6 | 36.5 | 36.7 |
| Manipur | 58.2 | 40.1 | 50.1 | 34.8 | 34.0 |
| Meghalaya | 17.0 | 17.1 | 48.1 | 24.4 | 25.9 |
| Mizoram | 16.5 | 24.1 | 51.2 | 46.0 | 37.8 |
| Nagaland | 37.8 | 12.4 | 22.3 | 26.1 | 32.8 |
| Tripura | 47.5 | 21.7 | 32.8 | 32.2 | 33.7 |
| **Eastern Region** | **47.1** | **36.7** | **49.2** | **51.4** | **45.6** |
| Bihar | 32.5 | 20.7 | 30.3 | 29.5 | 33.6 |
| Jharkhand | -- | 28.0 | 31.2 | 34.4 | 29.6 |
| Odisha | 54.5 | 40.2 | 66.0 | 52.5 | 41.9 |
| Sikkim | 24.0 | 14.4 | 45.3 | 37.9 | 25.6 |
| West Bengal | 53.9 | 44.5 | 56.3 | 63.7 | 57.8 |
| Andaman & Nicobar Islands | 17.0 | 16.3 | 29.0 | 38.1 | 40.1 |
| **Central Region** | **39.0** | **32.7** | **44.2** | **46.7** | **48.3** |
| Chhattisgarh | -- | 38.5 | 45.5 | 52.3 | 61.6 |
| Madhya Pradesh | 49.6 | 47.6 | 60.5 | 55.6 | 54.8 |
| Uttar Pradesh | 35.1 | 28.3 | 41.0 | 44.0 | 45.4 |
| Uttarakhand | -- | 21.7 | 25.8 | 35.4 | 34.5 |
| **Western Region** | **63.2** | **75.5** | **920** | **79.5** | **87.1** |
| Goa | 24.7 | 26.1 | 23.2 | 29.1 | 26.7 |
| Gujarat | 46.6 | 48.5 | 55.6 | 66.2 | 72.7 |
| Maharashtra | 69.5 | 86.4 | 102.2 | 83.0 | 92.0 |
| Dadra & Nagar Haveli | 16.3 | 14.3 | 49.3 | 34.8 | 35.3 |
| Daman & Diu | 16.7 | 13.3 | 11.4 | 21.3 | 24.3 |
| **Southern Region** | **69.4** | **66.6** | **84.4** | **94.5** | **89.9** |
| Andhra Pradesh | 73.0 | 64.5 | 81.3 | 109.7 | 105.3 |
| Karnataka | 65.8 | 61.0 | 75.9 | 72.7 | 67.7 |
| Kerala | 44.8 | 43.3 | 61.4 | 73.1 | 64.6 |
| Tamil Nadu | 86.6 | 90.6 | 110.5 | 115.1 | 119.0 |
| Lakshadweep | 7.7 | 10.4 | 11.5 | 8.7 | 9.1 |
| Puducherry | 43.3 | 33.5 | 45.0 | 62.7 | 71.5 |
| Telangana | - | - | - | - | 101.6 |
| **All India** | **55.6** | **56.7** | **72.4** | **75.6** | **77.1** |

Source: Report on Trend and Progress of Banking in India, RBI, various issues

**TABLE 5: POPULATION GROUP-WISE CREDIT-DEPOSIT RATIO OF SCHEDULED COMMERCIAL BANKS ACCORDING TO PLACE OF SANCTION**

| Population Group | 1996-97 | 2000-01 | 2005-06 | 2010-11 | 2014-15* |
|---|---|---|---|---|---|
| Rural | 44.1 | 39.0 | 55.8 | 60.0 | 60.0 |
| Semi-urban | 38.1 | 33.2 | 50.1 | 53.2 | 57.2 |
| Urban | 44.4 | 43.0 | 57.0 | 61.6 | 56.1 |
| Metropolitan | 76.1 | 80.9 | 87.5 | 88.4 | 92.6 |
| All India | 56.8 | 56.7 | 72.4 | 75.6 | 76.0 |

Source: Report on Trend and Progress of Banking in India, RBI, various issues

Note: *Credit data for 2014-15 is based on excluding credit extended for Food procurement

Another perspective of measuring distribution of banking services is population group-wise distribution of credit-deposit ratio. In table 5 the credit-deposit ratio by different population group is given. The distribution of credit across different group of population dictates the credit absorption and capacity utilization of banking resources in different groups of population. The credit-deposit ratio is the highest in metropolitan areas for each of the sample years taken. There is an upward movement of the credit deposit ratio over the period in each population group. The credit-deposit ratio in rural areas has improved at a faster rate from 44 percent in 1996-97 to 60 percent (higher than urban and semi-urban percentages) in 2014-15. The concentration of credit is in the metropolitan areas. The credit-deposit ratio in metropolitan areas is 93 percent in 2014-15, as against the 76 percent of average all India.

## V. CONCLUSION AND RECOMMENDATIONS

Financial inclusion is one of the important requisites for growth inclusion. Apart from the other distribution policies, financial inclusion plan provides a roadmap for optimal development of financial sector and is an effective strategy to cover the gaps in delivery of financial services. In India there have been a couple of surveys identifying the scope of financial inclusion and constraints underlying this strategy. This paper is based on the credit-deposit ratio by states and population groups in order to find out the attainment in financial inclusion in the latest year. Credit-deposit ratio indicates the utilization of financial resources and also capacity absorption potential in a region. The industrially advanced states in western and southern regions indicate the high credit-deposit ratio as against the national average. The states with low per capita state domestic product reported very low credit-deposit ratio, suggesting the constraints in credit absorption in the area. By population group, the credit-deposit ratio is the highest in metropolitan followed by urban areas that is consistent with the established theory of economic development. That is, the high concentration of commercial and industrial activities in metropolitan and urban areas explained this trend of credit-deposit ratio. Semi-urban and rural areas showed the low credit-deposit ratios because of poor infrastructure. However, these areas indicate an improvement in credit-deposit ratio in recent years that is a good sign for financial inclusion plan. But there are challenges in execution of this financial inclusion plan because of the several constraints such as lack of financial infrastructure, inaccessible geographical areas, poor availability of bankable economic activities, financial illiteracy, technology gap between urban and rural and shortage of skills. In order to crystallize the financial inclusion, plan these constraints has to be minimized if not possible to eliminate entirely. The task is difficult but not impossible. The scope of financial inclusion plan is bright but challenges are too many to deal with.

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