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FINANCIAL INCLUSION IN INDIA: ARE WE THERE YET?

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ABSTRACT
Everywhere around the world, financial inclusion has become the watchword and strategy challenge. Although money has been consistently expressed as the lifeblood of any financial system, financial inclusion is seen as an instrument that can allow inclined agencies, including low-profit groups and more vulnerable segments, to participate more fully in the financial environment. It is a structure that associates people with the formal monetary system. If individuals have simple and satisfactory access to the monetary framework, greater financial development can be achieved by that nation.This paper plans to assess the progress of financial inclusion in India from 2009 to 2018 and to prepare the Composite Financial Inclusion Index (IFI). The Wroclaw Taxonomic approach is used to create a composite financial inclusion index.
Keywords: Financial inclusion, Index of financial inclusion dimensions of financial inclusion and Wroclaw taxonomy.

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1. INTRODUCTION

What is the significance of progress when ordinary citizens are unable to grow and flourish?Financial inclusion is widely recognised worldwide as a fundamental symbol of society's development and prosperity. Financial inclusion is a means of ensuring access to adequate financial services and products required by all parts of society in general and by weak groups, such as low-income groups and poorer groups in particular, at fair cost and in a consistent manner through structured financial origination (Chakrabarty, 2011). The lack of knowledge, high trade costs, poorly organised and unyielding methods primarily affect the access and usage of financial services and goods (Sachdeva, Tina and Gupta, 2014). The use of formal financial services among agrarian nuclear families is appallingly bad. Family use, religious education, geographic area, and the use of easy-to-go financial sources have an impact on family thinking related to money (Mohammed, Barrowclough, Kibler and Boerngen, 2020). Access to and availability of financial products and services can be useful in speeding improvement. Access to finance helps individuals to pursue economic opportunities and assess the outcomes of change that brings them to financial success (Sukumaran, 2015). Access and accessibility of financial services facilitates the commercialization of agriculture (Abu and Haruna, 2017). They help people to get away from poverty by fostering opportunities for investment in their prosperity, industry, and education. In addition, they make it easier to tackle financial crises, such as job loss or dissatisfaction with the harvest, which can send families into distress. The financial resources that can support these capacities, such as bank accounts and computerised payments, are scarce for economically disadvantaged people across the world. 31 percent (about 1.7 billion) of adults worldwide do not have an account.In reality, imbalances exist, even as account ownership continues to increase. 72 per cent of men have an account, while only 65 per cent of women have an account. Greater ownership and usage of accounts is correlated with a healthier atmosphere for the use and

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access of financial services (Allen, Demirguc-Kunt, Klapper and Peria, 2012). The critical barriers to financial inclusion anywhere in the world are financial conditions, education, financial services prices, identity and so on (Kodan and Chhikara, 2013). Nevertheless, the growth of account ownership has been far from the goal for emerging economies.India is also a non-industrial country and, since 2011, the proportion of adults with a bank account has expanded dramatically to 80 percent in India. A crucial factor driving this extension was a government strategy sent in 2014 by PardhanMantri Jan DhanYojana to assist unbanked adults with account possession via biometric identification cards. This method benefitedgenerally excluded sections and ensured thorough improvement in account ownership. Account ownership in India increased by more than 30 percent among women as well as adults in the poorest 40 percent of families between 2014 and 2017.[1]With a score of79.8, South aims to dominate, usually higher than the all-India Inclusix score of 58.0. Kerala unexpectedly achieved the best spot with a 90.9 CRISIL Inclusixranking.[2]In order to increase the availability and use of banking facilities in India, the Government of India and the Indian Reserve Bank have taken several banking and social security initiatives.Self Help Group-Bank (SHG) linkage scheme, "no-frills" account, Kisan Credit Card (KCC), General Credit Card (GCC), Know Your Customers (KYC) etc. were launched by the government.[3]In1992, the SHG-Bank linkage programme began.RBI asked banks to provide a basic banking “no-frills” etc. account in November 2005. Banks also simplified KYC requirements for record keeping, so that low salaries and poor people can meet banking requirements.The KCC is a visa to provide India's farmers with adequate credit.It began in 1998-99 to help farmers to get ideal and sufficient credit. In1998, the GCC was unveiled. In 2005 banks were informed to consider the presentation concerning a GCC

[1] The GlobalFindex Database 2017
[2]CRISIL InclusixFebruary 2018|Volume 4
[3]www.rbi.org.in

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office up to the amount of Rs.25, 000 at semi-metropolitan and rural branches. "PradhanMantri Jan-DhanYojana (PMJDY)" under the "National Mission for Financial Inclusion" was launched at first for a time of 4 years (in two stages) on 28th August 2014. It provides all inclusive admission to Indian banking offices with any one important financial record for the money-related proficiency of each family, admission to credit, security and benefits.Until30/12/2020, all-out 41.58 crore accounts were opened in PMJDY, and Rs.135084.89 crore were deposited.[4]PMJDY has guaranteed universal access to a bank account, but in the last year 48% account holders had no transactions.Just 33% of the recipients tended to use their Rupay-cards.[5]Financial inclusion sought to resolve and address the problems which exclude people from financial sector participation.[6]In the past decade, Government of India through it's various initiatives,tried to improve the status of financial inclusion in India. This paper seeks to answer the question: Are we there yet?

2. LITERATURE REVIEW

Inclusive growth is basic for economic development of a nation in which each person should be a piece of the development (Sharma, Didwania, and Kumar, 2014).Inclusive growth of any state can be advanced through Financial Inclusion. It should be contributed by massive sections of society (Sethy, 2016). Needy persons require financial services to help themselves and deal with their livelihoods (Murdoch and Rutherford, 2003).It empowers individuals to access financial marketsthat help in better management of danger.It is crucial to allow credit for farm investments to raiseyield, to expand post-harvest practices and constant household cash movement (Dnmeher and Abdulai, 2012). Financialinclusion has become a tool of socio-economic transformation of

[4]PradhanMantri Jan - DhanYojana

[5] https://www.iasexpress.net/financial-inclusion-in-india-upsc-ias/

[6] https://www.iasexpress.net/financial-inclusion-in-india-upsc-ias/

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any society. But progress of financial inclusion in India is not remarkable. 73% of farmers had no access to formal credit in India in 2003. "*Financial inclusion may be defined as the process of ensuring access and usage of banking services timely and at an affordable cost*"[7]. Having a bank account just doesn't mean financial inclusion (Yadav and Sharma 2016). Generally, financial inclusion is a multidimensional concept and it includes credit, insurance, savings, and payments at affordable and reasonable cost. These services should be delivered with security, simplicity and dignity by formal financial bodies. There are different dimensions of financial inclusion such as Depth, Availability, Outreach Usage, Ease and Cost. Financial inclusion associates people to formal financial frameworks, especially poor and vulnerable groups (Sharma 2008, Arora 2010, Sarma and Pais, 2011).Banks are viewed as one of the biggest and most significant kinds of financial establishments, and the most proficient in practicing the job of financial intermediation; they are viewed as the soul of economy (Banga, 2013). The financial framework dependent on banks gives data with respect to the investment opportunities and it coordinates assets to productivity channel bringing about encouraging the cycle of the economic development (Kunt, Levine, Maksimovic, & Beck., 2001)where banks assume a crucial job in the financial improvement through the collected broken investment funds that are utilized to finance investments; banks additionally encourage the interior and outer exchange and the development of cash and capital (Saini and Sindhu, 2014).Banks are fundamental to carry individuals into the formal financial system. Accordingly banks assume a significant part in offering fundamental monetary types of assistance to individuals. A proficient financial framework should be given priority to lessen poverty. Just giving financial services to maximum individuals isn't fruitful to decrease poverty (Bhandari 2009). The financial inclusion helped in creating banking framework and

[7]Rangarajan Committee on Financial Inclusion 2008

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expanded bank penetration (Vijayudu, 2014). It is seen that the quantity of bank offices and the credit-deposit proportion of banks positively affect Gross Domestic Product. However, ATM development has no critical effect on Gross Domestic Product (Iqbal and Sami 2017).Financial access and financial education has been observed as a critical accelerator in accomplishing the Millennium Development Goals (World Savings Bank Institute, 2010).[8] Financial inclusion is key to access and utilization of financial facilities by customers. Financial education is crucial to both access and utilisation of financial services (Cohen and Nelson, 2011).Financial literacy is a key factor persuading the demand side of financial inclusion. Financial education is the training of develop skills, knowledge, and attitudes to be financially educated. It empowers people to better money managementpractices with respect to earning, saving, spending, borrowing, and investing (Sukumaran, 2015*)*. Financial literacy also has positive impact on financial inclusion of the poor in rural Uganda. It is discovered that attitude as acomponent of financial literacy emphatically and essentially impact financial inclusion of poor rural families in Uganda while knowledge , aptitudes and conduct are not significant indicators of financial inclusion (Bongomin, Munene, Ntayi, &Malinga, 2017). Financial Literacy aware people regarding their demand for financial services and products (Joshi, 2011).A person who has basically a bank account does not mean financial inclusion (Yadav and Sharma, 2016). A number of determinantsinfluence access and use of financial services. Less financial capability, absence of regular income, lack of financial literacy, psychological barriers, social barriers, absence of trust, etc. are foremostdeterminants of financial inclusion (Chakrabarty,2012*)*. Financial literacy (FL), Online banking (OB) and understanding banking services (UBS) are observed the drivers of financial inclusion. Because of demonetization, behaviour of the people regarding the method of financial transactions has been altered (Rastogi and Ragabiruntha, 2018). Financial

[8]World Savings Bank Institute, 2010

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inclusion and financial literacy go inseparably. People with better levels of financial literacy save more and more sensible to different types of financial services and products and more liable borrowers (Babych, Grigolia, &Keshelava, 2018). Capital development, primary enrolment, broad money, bank credit, population progression, payments, agriculture and interest rate, as well as official aspects such as regulatory quality, are significant fundamental elements of financial inclusion in Africa (Evans, 2018). It was observed that trust promotes usage of financial services and mobile money adoption by MSMEs in developing countries (Bongomin and Ntayi,2019).Informal financial organisations have become a challenge in accomplishing financial inclusion in India. They make social issues by charging a higher rate of interest that promotes indebtness and suicides of farmers (Jeromi 2007). When formal financial institutions neglected to meet the particular necessities of individuals that empowered informal organizations to fill this hole, it is hard to accomplish financial inclusion for poor without collaboration of the banking sector. Especially public sector banks should assume a significant to expand financial inclusion because the objective of private sector banks is to maximize their benefits. Banking sector should consider escalating financial inclusion as a long term project (Ananth and Oncu 2013). However, informal credit is declined from 1950 to 2002 (Pradhan 2013). 60.04 percent of agriculture families borrow from formal sources and 30.3 percent get from informal sources whereas 9.2 percent borrow from both sources.[9]

3. OBJECTIVE

In light of the above literature, present paper studies key dimensions of financial inclusion and measures the progress of financial inclusion in 28 states and 6 UTs

[9]NABARD survey 2015-2016

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of India by formulating a comparative composite index for the period 2009 to 2018.

4. WROCLAW TAXONOMIC METHOD

To beat the issue of presumptions with respect to different developmental pointers themselves and their weight age, the Wroclaw Taxonomic Method was created by Florek, Tukaszewicz, Steinhaus andZubrzycki in1952.In 1967, Professor Hellwig (1967) of the Wroclaw School of Economics proposed this procedure to United Nation Educational Scientific and Cultural Organization (UNESCO) as a proportion of positioning and contrasting countries' development. Harbison, Maruhnic, and Rerwick, (1968) expressed that it is a useful tool for addition of statistical data, sets up a proportion of monetary and social development and gives a model of the pattern of development which might be truly significant in planning. Gostowski (1970) expressed that the ordered distance is a legitimate and more delicate proportion of improvement designs, since it thinks about the spreading among factor markers, i.e., hierarchical associations among areas. As diagnostic factors have,distinctive actual estimations they can't be straightforwardly compared. To encourage such a comparison, the variables should be normalized by eliminating the effect of units of estimation. It is a basic in Wroclaw Taxonomy to achieve the identicalness of the relative multitude of last indicative elements. This includes, among others, the need to strip elements of their regular units in which the analytic elements are imparted similarly as to normalize factors. It requires their extent of changeability to be smoothed (Mierzwa, 2017).

5. DIMENSIONS OF FINANCIAL INCLUSION

Since banks are the most basic form of financial services, therefore present paper studies three measurements to construct the index of financial inclusion (IFI). First is the Banking Penetration (D1). Thus, each individual in a country has a

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bank account; at that point the estimation of this measure would be 1. This is estimated by demographic branch penetration i.e., no. of accounts (deposits account) per 1, 00,000 populations with various financial organisations(X1). The second one is the availability (D2) of banking services in geographic as well as demographic terms. That is the quantity of bank offices per 1, 00,000 populations (X2), and quantity of scheduled commercial banks offices per 1,000 sq. km (X3). The 3rd dimension is usage (D3). It is measured as the volume of credit (X4) per 1, 00,000 populations.

Table I: Dimensions of financial inclusion and their indicators

	Dimensions	Indicators
1	Bank Penetration (D1	Number of accounts (deposits account) per 1, 00,000 populations (X1) = (Total Deposits*100000)/Total populations
2	Bank Availability (D2	Number of bank offices per 1, 00,000 populations (X2) = (Total offices*100000)/Total populations Number of bank offices per 1,000 sq. km (X3) = (Total offices*1000)/Total Area
3	Usage (D3).	Volume of credit per 1, 00,000 populations (X4)= (Total Credit*100000)/Total populations

6. METHODOLOGY AND DATA DESCRIPTION

To construct the IFI for 34 states and UTs, the necessary secondary data is taken from the handbook on Indian economy (RBI) for the period 2009-2018.The presentstudy investigates three dimensions alongside their indicators .These dimensions along with their indicators are studied elaborately as follows:

The composite index of financial inclusion is constructed by applying Wroclaw Taxonomic method.Let $[X_{ij}]$ be the data matrix, i = 1, 2, …, n (Number of unit) and j = 1, 2, … k (number of indicators). $[X_{ij}]$ are transformed to $[Z_{ij}]$ as follows:

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$$[Z_{ij}] = \frac{(X_{ij} - \overline{X}_j)}{S_j}$$

$\overline{X}_j$ = mean of the jth indicator, S_j = standard deviation of the jth indicator and $[Z_{ij}]$ is the matrix of standardized indicators. From $[Z_{ij}]$, point out the best value of each indicator, highest value or lowest value relying on the orientation of the consequence of indicator on the educational advancement level.

$$P_{ij} = (Z_{ij} - Z_{oj})^2 \text{ and } (C_i) = \sqrt{\sum_{j=1}^{k} \frac{p_{ij}}{cv_j}}$$

Where P_{ij}= pattern of development, Z_{oj}=Best value for indicator, and $(C.V.)_j$ is the coefficient of variation of the jth indicator in X_{ij}.

$$D_i \text{ (Composite Index)} = \frac{C_i}{C}$$

Where C = (Mean Value of C_i + 3* (Standard deviation of C_i)

The smaller Di will indicate higher financial inclusion and higher value of Di will indicate lower financial inclusion. The Di in this study is the value of IFI. The value of Di ranges between 0 to 1. There are four stages of development based on IFI value as High level, High middle level, Low middle level and Low level. If IFI is less than or equal to (Mean − SD) (SD means Standard Deviation) financial inclusion is described as at High level development stage and IFI greater than or equal to (Mean + SD) then financial inclusion is described as Low-level development stage. If IFI lies in between (Mean) and (Mean − SD) then stage of financial inclusion is of High middle level and IFI in between (Mean) and (Mean + SD) means financial inclusion is at Low middle level development stage (Ohlan 2013, Shee and Maiti 2017).

Table II: Criteria for stages of development

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Stages of development	Categories	Criteria
1st	High	IFI Value $\leq$ MEAN -S. D
2nd	High Middle	IFI Value Between (Mean) and (Mean-SD)
3rd	Low Middle	IFI Value Between (Mean) and (MEAN+SD)
4th	Low	IFI Value $\geq$ MEAN +S.D

Table III:Values of indicators of Financial inclusion index:2009

STATE (2009)	X1	X2	X3	X4	IFI	RANKING	STAGES
Andaman & Nicobar Islands	3.68	9.98	4.61	1.05	0.75	15	3rd
Andhra Pradesh	2.58	8.08	24.86	2.49	0.76	16	3rd
Arunachal Pradesh	2.60	5.93	0.98	0.65	0.78	24	3rd
Assam	1.26	4.57	18.14	0.48	0.80	32	3rd
Bihar	0.84	3.78	41.83	0.22	0.81	33	3rd
Chandigarh	26.34	30.13	2789.47	30.32	0.07	1	1st
Chhattisgarh	1.53	4.92	9.30	0.71	0.79	30	3rd
Dadra & Nagar Haveli	2.33	6.98	48.88	0.29	0.78	21	3rd
Daman & Diu	5.35	7.41	160.71	0.82	0.74	13	3rd
Delhi	30.68	11.87	1336.91	21.15	0.39	2	1st

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Goa	16.25	33.60	132.36	4.32	0.58	3	1st
Gujarat	3.09	7.40	22.82	1.97	0.76	17	3rd
Haryana	3.43	8.93	51.21	2.11	0.75	14	3rd
Himachal Pradesh	3.47	14.04	17.32	1.34	0.73	8	2nd
Jammu and Kashmir	2.33	8.57	4.67	1.10	0.77	18	3rd
Jharkhand	1.67	5.41	23.89	0.54	0.79	28	3rd
Karnataka	4.20	9.87	31.43	3.24	0.73	9	2nd
Kerala	4.04	12.71	109.23	2.42	0.72	6	2nd
Madhya Pradesh	1.38	5.64	13.29	0.79	0.79	27	3rd
Maharashtra	8.88	7.10	25.93	8.10	0.69	4	2nd
Manipur	0.88	2.56	3.27	0.32	0.82	34	3rd
Meghalaya	2.09	6.94	9.07	0.61	0.78	22	3rd
Mizoram	1.64	8.75	4.55	0.91	0.77	19	3rd
Nagaland	1.72	4.40	5.25	0.56	0.80	31	3rd
Odisha	1.67	6.58	17.71	0.85	0.78	23	3rd
Puducherry	4.41	10.74	272.36	2.24	0.71	5	2nd
Punjab	4.34	12.33	67.93	2.85	0.72	7	2nd
Rajasthan	1.34	5.94	11.89	1.08	0.79	26	3rd
Sikkim	4.09	11.79	10.15	1.64	0.73	10	2nd
Tamil Nadu	3.40	8.55	47.46	3.68	0.74	11	3rd

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Tripura	1.71	6.10	21.35	0.52	0.79	25	3rd
Uttar Pradesh	1.32	4.93	40.50	0.56	0.79	29	3rd
Uttarakhand	4.45	11.23	21.18	1.12	0.74	12	3rd
West Bengal	2.50	5.74	59.07	1.52	0.77	20	3rd
Mean					0.73		
S.D					0.14		

Source :Calculated by author

7. RESULTS AND DISCUSSION

Table III shows the financial inclusion index for the year 2009. Table 1 shows that Chandigarh gained minimum value (0.07) andManipur had maximum value (0.82). The rank of Chandigarh and Manipur is 1st and 34th respectively. There are 35 states and UTs in India in 2009 but data for Lakshadweep is not available for all indicators over the period.Telangana came into existence in 2014.

Table IV:Values of indicators of Financial inclusion index:2018

STATE (2018)	X1	X2	X3	X4	IFI	Ranking	Stage
Andaman & Nicobar Islands	12.35	18.13	8.36	4.73	0.75	16	3rd
Andhra Pradesh	8.19	14.68	45.13	8.96	0.76	17	3rd
Arunachal Pradesh	9.68	11.35	1.87	2.46	0.79	23	3rd
Assam	4.30	9.00	35.77	1.83	0.81	31	3rd
Bihar	3.02	6.96	76.94	0.97	0.8	33	3rd

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					3		
Chandigarh	58.65	44.53	4122.81	66.04	0.10	1	1st
Chhattisgarh	5.18	10.30	19.47	3.28	0.80	27	3rd
Dadra & Nagar Haveli	11.35	17.46	122.20	4.95	0.74	15	3rd
Daman & Diu	18.94	19.76	428.57	5.35	0.69	5	2nd
Delhi	68.18	18.34	2066.44	64.15	0.39	2	1st
Goa	44.77	53.75	211.78	11.93	0.56	3	1st
Gujarat	10.60	13.66	42.13	8.01	0.76	18	3rd
Haryana	14.45	19.97	114.52	8.48	0.72	9	2nd
Himachal Pradesh	12.37	23.82	29.37	3.85	0.73	11	2nd
Jammu and Kashmir	8.29	14.46	7.87	3.55	0.78	20	3rd
Jharkhand	5.93	9.47	41.83	1.65	0.81	28	3rd
Karnataka	13.68	17.01	54.20	9.53	0.73	12	2nd
Kerala	13.23	19.93	171.35	8.44	0.72	8	2nd
Madhya Pradesh	4.70	9.48	22.33	3.06	0.8	29	3rd

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					1		
Maharashtra	20.40	11.69	42.70	21.80	0.71	7	2nd
Manipur	3.15	6.48	8.28	1.40	0.83	34	3rd
Meghalaya	7.25	12.00	15.67	1.95	0.79	25	3rd
Mizoram	7.75	18.05	9.39	2.73	0.77	19	3rd
Nagaland	5.05	8.64	10.31	1.77	0.81	32	3rd
Odisha	6.41	11.99	32.29	2.41	0.79	24	3rd
Puducherry	12.98	20.67	524.39	8.33	0.69	4	2nd
Punjab	12.54	24.03	132.40	7.96	0.71	6	2nd
Rajasthan	4.87	10.89	21.82	3.73	0.80	26	3rd
Sikkim	13.92	24.57	21.14	3.77	0.72	10	2nd
Tamil Nadu	9.93	15.49	85.90	11.28	0.74	14	3rd
Tripura	5.99	14.86	52.04	2.45	0.78	21	3rd
Uttar Pradesh	4.77	8.74	71.76	1.97	0.81	30	3rd
Uttarakhand	12.1	21.3	40.18	4.42	0.7	13	3rd

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	5	1			4		
West Bengal	7.87	9.96	102.39	4.02	0.79	22	3rd
Mean					**0.73**		
S.D					**0.14**		

Source :Calculated by author

Table IV shows that in 2018 Chandigarh has minimum value (0.10) whereas Manipur gained maximum value (0.83). Chandigarh once again gained 1st rank but value of IFI increased 0.10 from 0.07 whereas Manipur have lowest i.e.,34th rank. There are 36 states and UTs in India in 2018 but data for Telangana and Lakshadweep is not available.

Table V: Comparative Analysis of Index of Financial Inclusion for the year 2009 and 2018

	2009			**2018**		
State	**IFI**	**Ranking**	**Stages**	**IFI**	**Ranking**	**Stages**
Andaman & Nicobar Islands	0.75	15	3rd	0.75	16	3rd
Andhra Pradesh	0.76	16	3rd	0.76	17	3rd
Arunachal Pradesh	0.78	24	3rd	0.79	23	3rd
Assam	0.80	32	3rd	0.81	31	3rd
Bihar	0.8	33	3rd	0.8	33	3rd

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	1			3		
Chandigarh	0.07	1	1st	0.10	1	1st
Chhattisgarh	0.79	30	3rd	0.80	27	3rd
Dadra & Nagar Haveli	0.78	21	3rd	0.74	15	3rd
Daman & Diu	0.74	13	3rd	0.69	5	2nd
Delhi	0.39	2	1st	0.39	2	1st
Goa	0.58	3	1st	0.56	3	1st
Gujarat	0.76	17	3rd	0.76	18	3rd
Haryana	0.75	14	3rd	0.72	9	2nd
Himachal Pradesh	0.73	8	2nd	0.73	11	2nd
Jammu and Kashmir	0.77	18	3rd	0.78	20	3rd
Jharkhand	0.79	28	3rd	0.81	28	3rd
Karnataka	0.73	9	2nd	0.73	12	2nd
Kerala	0.72	6	2nd	0.72	8	2nd
Madhya Pradesh	0.7	27	3rd	0.8	29	3rd

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	9			1		
Maharashtra	0.69	4	2nd	0.71	7	2nd
Manipur	0.82	34	3rd	0.83	34	3rd
Meghalaya	0.78	22	3rd	0.79	25	3rd
Mizoram	0.77	19	3rd	0.77	19	3rd
Nagaland	0.80	31	3rd	0.81	32	3rd
Odisha	0.78	23	3rd	0.79	24	3rd
Puducherry	0.71	5	2nd	0.69	4	2nd
Punjab	0.72	7	2nd	0.71	6	2nd
Rajasthan	0.79	26	3rd	0.80	26	3rd
Sikkim	0.73	10	2nd	0.72	10	2nd
Tamil Nadu	0.74	11	3rd	0.74	14	3rd
Tripura	0.79	25	3rd	0.78	21	3rd
Uttar Pradesh	0.79	29	3rd	0.81	30	3rd
Uttarakhand	0.7	12	3rd	0.7	13	3rd

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	4			4		
West Bengal	0.77	20	3rd	0.79	22	3rd
MEAN	**0.73**			**0.73**		
S.D	**0.14**			**0.14**		

Source :Calculated by author

Table V presents the comparative analysis of all state of India in terms of financial inclusion index along with respective ranking and stage of development for the year 2009 and 2018. In 2009 Chandigarh has minimum IFI value 0.07 but in 2018 gained IFI value 0.10. Chandigarh has 1ST rank in both years 2009 and 2018. Manipur has maximum IFI value 0.82 and 0.83 in both year i.e. 2009 and 2018 respectively. Manipur has lowest rank in both the year i.e.2009 and 2018. And also financial inclusion in both Chandigarh and Manipur has declined in 2018 (IFI 0.10 and 0.83 respectively) compared to 2009(IFI 0.07 and 0.82).

Table VI:Stages of development of financial inclusion

Stages of development	**Categories**	**Criteria**	**value of IFI**		**No. of Districts**	
			2009	**2018**	**2009**	**2018**
1st	High	IFI Value ≤	0.59	0.59	3	3
2nd	High Middle	Between	0.73-0.59	0.73-0.59	7	9
3rd	Low Middle	Between	0.73-0.87	0.73-0.87	24	22
4th	Low	**IFI Value**	0.87	0.87		

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		≥				

Source: calculated by author

Table VI presents growth of financial inclusion of all states in India. The results shows that minimum IFI value 0.59 and 0.59and maximum 0.87 and 0.87 for the years 2009 and 2018 respectively. There are three states in high category in both years 2009 and 2018.But high middle category improved from seven states in 2009 to nine states in 2018. 24 and 22 states are low middle category in both years 2009 and 2018 respectively. The result shows that there is higher disparity between high and low category. The regional pattern of growth of financial inclusion is observed to be skewed in the favour of Chandigarh, Delhi and Goa but eastern states are very backward in term of financial inclusion.

7. CONCLUSION

There are a number of studies on finance and development which argues that the countries havingbetter financial system have higher economic growth. They have low level of poverty and income inequality. Finance is an essential input for any economic activity. Easy access and adequate availability of finance play a significant role in the economic development of the country. Access to finance provides an opportunity to poor people to protect themselves at the time of economic slowdown. The availability of the banking services enhances the economic growth and economic growth improves the level of financial inclusion. Financial inclusion has become the backbone to achieve the inclusive growth of any country. If there is easy and adequate access to finance to all the sections of the society then that country can achieve higher economic growth. Efficient financial system mobilise money from one sector to another and hence adds value to economic growth of the country. Financial system brings close lenders and borrowers to each other for their mutual benefits and hence contributes to the

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economic development of the country through capital accumulation. This paper construct financial inclusion index for different dimensions of financial inclusion. In contrast to include a single indicator in each dimension, this paper tries to cover as many indicators as possible to construct a compound financial inclusion index. The results show that mostly state and UTs of Indiafall in high-middle and low-middle category. Therefore, there is a need to develop a strategyat central level to enhance the level of financial inclusion in India. The main focus of government is on opening a bank account but only having a bank account doesn't mean financial inclusion. It additionally includes availability and usage of banking services. Our resultshows that not much progress has occurred in terms of financial inclusion during this period. So there is a long road ahead to achieve the financial inclusion in India. Government and RBI should promote usage of financial services and products.Financial literacy initiatives and items that meet actual customer needs should be undertaken and funded. Personal finance issues should be understood and implemented, including basic digitization and learning, financial sensitivity, information and know-how, attitudes and behaviours required for sound financial choices, budgeting, saving, and diversification of risk. Financial literacy, is therefore crucial in order to achieve inclusive growth, alleviate poverty and inequality.

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