



Current Scenario Of Financial Inclusion In India Vis-À-Vis North Eastern Region

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Abstract:

It is essential to explain the term financial inclusion in correlative dimension. Depending on the status of development, the level of financial inclusion varies from country to country. For e.g., in an advanced country if utility bills are not paid through banks may be regarded in a position of financial exclusion, however, the same case might not be thought as financial exclusion in any underdeveloped country, if financial system yet to be need developed to provide modern financial services. Through this study the researcher has tried to present the current scenario of financial inclusion in India vis-à-vis North Eastern Region for a period of 5 years from 2016 to 2020, derived from the review of secondary sources of data. Interpretation and analysis of data have been done by applying statistical tool, Compound Annual Growth Rate (CAGR). After analysing and interpretation of relevant indicators of financial inclusion it is revealed that there is a considerable growth of supply and demand of financial services over the study period in North Eastern Region (NER) as well as all over India.

Keywords: Financial inclusion, Compound Annual Growth Rate, Schedule commercial bank, Deposits, Credit.

Introduction:

There is no comprehensive accepted definition of the term financial inclusion. The significant definition of financial inclusion varies from country to country depending on various factors such as level of financial, social and financial system, financial literacy and education, and stake holding structure in the financial sector. As defined by (Sarma, 2008), financial inclusion is that system which ensures ease of access, availability and usage of conventional financial services for all the sections of people in the economy. In broad sense, the term financial inclusion can be defined as the conveyance of banking and all other financial services to all sections of people in the society at an inexpensive cost including the vulnerable sections of people like poor people, people live in disadvantageous geographical areas. Financial stability of a nation depends on three major planks. First, financial inclusion which are acts on behalf of supply side by furnishing the financial markets and various financial services according to the demand

of the people. Secondly, financial literacy that restoring the demand side by making people awareness upon which they can demand. Thirdly, consumer protection.

India is the second most populous with 1.2 billion people and 7th largest country by areas in the world which is located in South Asia. In Indian economy, during the last decades the general and financial services have made rapid growth. As per the report of (RBI, List of scheduled commercial banks, 2021) at present India has 12 public sector banks, 22 Private sector banks, 43 Regional rural banks, 2 Foreign banks operating as wholly owned subsidiary in India, 40 Foreign banks with branches in India, 22 Foreign banks with representative offices in India, 12 Small finance banks, 6 Payment banks, 34 State Co-operative banks, and 54 scheduled and unscheduled Urban Co-operative banks. However, a considerable size of population, especially the endangered section of people, such as debilitated and low earning income groups are still continuing to abide excluded to have basic financial services served by the various financial sectors. According to the (Kunt, Klapper, Singer, Ansar, & Hess, 2017) (Global Findex Report), in India 80% of adults of age 15+ have bank account. The report also estimates that in India 77% of the adult women of age 15+ have bank account. The report states that the account ownership of poorest and richest adult is 77% and 82% respectively which shrinkage the account ownership among poorest adults and richest adults by 5%. The Global Findex Report 2017, also states that India's PMJDY scheme able to brought 310 million additional Indian people into the formal banking system but in India 48% of the accounts are inactive which is the highest in the world. As per the same report, in India about 190 million adults people even don't have a basic saving bank account. Which makes India second largest unbanked population in the world after China. As per the report of World bank 2018, the total volume of digital transaction is growing up by Compound Annual Growth Rate of 30%. As per the speech North Eastern Region (NER) of India constitutes 8 states namely Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim, being economically deprived and geographically isolated, is always remained in the vulnerable situation of being financial inclusive. Through this study the researcher has made an attempt to represent the current scenario of financial inclusion in India vis-à-vis North Eastern Region of India.

Objective of the present study:

Through this study the researcher makes an attempt to analyse the current scenario of financial inclusion in India vis-à-vis North Eastern Region.

Research methodology:

This study is based on secondary sources of data which are collected from-

- Financial Access Survey-International Monetary Fund (IMF)
- Handbook of Statistics on Indian Economy-RBI,
- Global Findex Report.

For the purpose of the study data have been obtained for the period of 5 years from 2016 to 2020. The statistical tool Compound Annual Growth Rate (CAGR) is applied for the purpose of analysing and interpreting the result of this study. CAGR is the mean annual growth rate which represents one of the most precise ways to determine and calculate anything that falls or rise in value over a specified period of time.

Formula for calculation of CAGR-

$$\text{CAGR} = [(EV/BV)^{(1/n)} - 1] \times 100$$

Where, EV= End value

BV= Beginning value

n= Numbers

To calculate CAGR-

- 1) Divide EV of the period by BV of that period.
- 2) Raise the result to an exponent of one divided by the number of years.
- 3) Subtract one from the subsequent result.
- 4) Multiply by 100 to convert the answer into a percentage.

Analysis and Discussion:

The followings are the tables showings the grow or fall in financial inclusion-

Table 1: - Total number of commercial banks and branches per 1,00,000 adults in India.

Year	Total number of commercial banks
2016	157
2020	151
CAGR (%)	-0.96

Source: - (Bora, 2020)

Table 1 shows total number of commercial banks in India for 5 years. In this table it is observed that total number of commercial banks has reduced from 157 as on 2016 to 151 as on 2020 with CAGR -0.96%.

Table 2: - Distribution of functioning offices of commercial banks (as at the end-March)

Year	In NER	All India
2016	4,082 (2.89%)	1,41,064 (100%)
2020	4,742 (3.03%)	1,56,482 (100%)

CAGR (%)	3.81	2.62
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Source- (RBI, Basic Stastical Returns of Scheduled Commercial Banks in India, Various Issues, 2021)

Note: Figures in parenthesis shows relative share of distribution of functioning offices of commercial banks of NER to total functioning commercial offices in all India.

Table 2 shows the distribution of functioning offices of commercial banks in North Eastern Region and India for the period from 2016-2020. Through this table it can be determined that number of functioning commercial offices increases both in NER and All India by CAGR 3.81% & 2.62% respectively.

Table 3: - Deposits and Credit by Scheduled Commercial banks (as at the end-March) (Amount in Rs. Crore)

Year	Deposits by Scheduled Commercial banks		Credits by Scheduled Commercial banks	
	In NER	In All India	In NER	In All India
2016	1,66,200 (1.73%)	95,99,500 (100%)	63,800 (0.84%)	75,22,600 (100%)
2020	2,65,655 (1.93%)	1,37,48,655 (100%)	1,12,019 (1.06%)	1,05,18,812 (100%)
CAGR (%)	12.44	9.39	15.11	8.74

Source- (RBI, Basic Stastical Returns of Scheduled Commercial Banks in India, Various Issues, 2021)

Note: Figures in parenthesis shows relative share of deposits and credits by scheduled commercial banks of NER to total deposits and credits by scheduled commercial bank in all India.

Table 3 depicts deposits and credits by scheduled commercial banks in NER and All India. In this table it can be observed that CAGR of credits by commercial banks in NER is more as compared to deposits in NER by 2.67% (15.11%-12.44) but in all India level deposits are more than the credits by commercial banks i.e., by CAGR 0.65%.

Table 4: - Credit to agriculture, industry and personal by scheduled commercial banks (Amount outstanding as at the end- March) (Amount in Rs. Crore)

Year	Credit to agriculture		Personal loans		Credit to industry	
	NER	All India	NER	All India	NER	All India
2016	13,000 (1.36%)	9,51,000 (100%)	25,700 (2.04%)	12,58,000 (100%)	9,100 (0.32%)	27,60,600 (100%)
2020	17,730 (1.29%)	13,67,970 (100%)	53,637 (2.11%)	25,30,090 (100%)	13,030 (0.40%)	32,22,760 (100%)
CAGR (%)	8.06	9.51	20.19	19.08	9.38	3.94

Source- (RBI, Basic Stastical Returns of Scheduled Commercial Banks in India, Various Issues, 2021)

Note: Figures in parenthesis shows relative share of credits to various sectors by scheduled commercial banks of NER to total credits of respective sectors by scheduled commercial banks in all India.

The above table shows amount of credits by scheduled commercial banks to different sectors like agriculture, personal and industry in NER & all India level. From the above periods of data, it can be interpreted that there is growth of credits to all sectors but the growth rate of credit is highest to personal loans both in NER and India by CAGR 20.19% & 19.08% respectively.

Table 5: - CD Ratio of scheduled commercial banks according to place of utilisation and place of sanction (as at the end- March) (In Percent)

Year	CD Ratio according to place of utilisation		CD Ratio according to place of sanction	
	NER	All India	NER	All India
2016	39.3	78.4	38.4	78.4
2020	42.2	76.5	41.1	76.5
CAGR (%)	1.79	-0.61	1.71	-0.61

Source- (RBI, Basic Stastical Returns of Scheduled Commercial Banks in India, Various Issues, 2021)

Table 5 shows CD ratio of scheduled commercial banks over the study period and according to the place of utilisation and sanction in NER and in India. From the table it can be analysed that CD ratio has increased in only NER, as per the place of utilisation as well as place of sanction but CAGR remain constant during this period in all India level both as per utilisation & sanction i.e., -0.61%.

Table 6: - Status of Geographical outreach of ATMs in India.

Year	Total number of ATMs	Number of ATMs per 1,00,000 Adults-	Number of ATMS per 1000 sq. km
2016	2,02,060	21.17	67.96
2020	2,19,047	21.5	73.67
CAGR (%)	2.03	0.38	2.03

Source- (Bora, 2020)

The above table shows the status of Geographical outreach in respect of ATMs in India and over the above study period it can be interpreted that total number of ATMs has increased from 2,02,060 to 2,19,047 with CAGR 2.03%. CAGR of number of ATMs per 1,00,000 adults found 0.38% & CAGR of number of ATMs per 1000 sq. km is 2.03%.

Table 7: - Status of using debit cards and credit cards in India.

Year	Debit cards		Credit cards	
	Total number of debit cards	Number of debit cards per 1000 adults	Total number of credit cards	Number of credit cards per 1000 adults
2016	66,15,36,018	693.04	2,45,05,219	25.67
2020	82,85,61,639	813.12	5,77,45,105	56.67
CAGR (%)	5.78	4.07	23.89	21.89

Source- (Bora, 2020)

The above table represents the status of using debit cards and credit cards in India for the study period 2016 to 2020. From this table it can be analysed that use of debit cards as well as credit cards has grown but the CAGR of credit cards found more as compared to debit cards. The CAGR of number of debit cards and credit cards is 5.78% & 23.89% respectively. The CAGR of number of debit cards per 1000 adults is 4.07% whereas, CAGR of number of credit cards per 1000 adults is 21.89%.

Table 8: - Number of deposit accounts and loan accounts with commercial banks per 1,000 adults in India.

Year	Number of deposit accounts per 1,000 adults	Number of loan accounts per 1,000 adults
2016	1724.50	170.11
2020	2030.71	267.44
CAGR (%)	4.17	11.97

Source: - (Bora, 2020)

Table 8 shows number of deposits accounts and loan accounts with commercial banks per 1000 adults in India for the study period from 2016 to 2020. By studying the above table, it can be interpreted that there is a growth of both number of deposits accounts and loan accounts per 1000 adults but the CAGR of number of loan account per 1000 adults is more i.e.; 11.97% whereas, CAGR of number per 1000 adults is 4.17%.

Conclusion:

To be concluded, after analysing of selected parameters of financial inclusion over the period of study is satisfactory. But CAGR in respect of total number of banks and CD ratio in India found negative which shows a dissension intimation of financial inclusion. Number of functioning commercial offices increases both in NER and All India by CAGR 3.81% & 2.62% respectively. Both the deposits and credits by commercial banks has grown up in the study areas. Highest boosting of credit found to personal loans as compared to other two sectors in this study such as agriculture & industry. It is also found that the geographical outreach of ATMs has increased over the study period. It can be analysed that use of debit cards as well as credit cards has grown up but the CAGR of credit cards found more as compared to debit cards. At last, it can be concluded that there

is a growth of both number of deposits accounts and loan accounts per 1000 adults but the CAGR of number of loan account per 1000 adults is more i.e.; 11.97% whereas, CAGR of number per 1000 adults is 4.17%. At the end, it can be concluded that after analysing and interpretation of selected relevant indicators of financial inclusion there is a considerable growth of both supply and demand of financial services over the study period in NER as well as all over in India.

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