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Financial inclusion and policy impact in India: Evidence from the financial inclusion index

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Abstract
Economic growth can be achieved if major focus is given towards inclusive growth, which means not only providing the access of financial inclusion to richer and high earning group of people but also making it available to the weaker section too. Financial inclusion is a process that measures the usage, access and quality of financial services provided to all the sections of people. As measuring financial inclusion is vital, it's also important to understand the different parameters and their significant indicators. Understanding indicators will also help in analysing whether any initiatives done by RBI or GOI are having any positive impact on financial inclusion or not. This paper focuses on financial inclusion index and its major indicators that helps to measure the extent of access and availability of financial services like banking, credit facility, insurance facility, online payment etc. The purpose of this paper is to understand the origin of financial inclusion and status of financial inclusion year wise. The relevant data for this study has been collected from annual reports, research articles and online available sources. Relevant data of inclusion index were collected from RBI and CRISIL Inclusix Index to understand how financial inclusion increased in all these years. It was observed that since 2009 there is a constantly rise in the financial inclusion index which shows positive impact of initiatives taken by RBI and GOI.

Keyword: RBI, CRISIL, financial inclusion, financial access, financial inclusion index, indicators

Introduction

Financial inclusion is the process by which mainstream institutional players guarantee that vulnerable groups, including low-income and weaker segments of society, have fair and transparent access to the appropriate financial products and services they require at an affordable cost (RBI, 2013) [1]. There are 17 Sustainable Development Goals (SDGs), and seven of them can be achieved through financial inclusion. It helps eradicate poverty, encourages economic growth and employment, and supports women's economic empowerment (World Bank Group, 2025) [2]. One strategy for achieving "Inclusive Growth" in the national economy is financial inclusion. Inclusive growth means a system that enables everybody to participate in and profit from economic progress is known as inclusive growth [3]. In reality, financial inclusion in India has a far longer history than the official adoption of the goal. Nationalization of banks, the Lead Bank Scheme, the growth of cooperatives, the addition of RRBs, post offices, the Service Area Approach, and the creation of self-help groups were all attempts to make financial services accessible to the general public [4]. Simple access to financial services can enable people in lower socioeconomic groups save money safely and prevent a small number of people from holding all the economic power, reducing the risks that the poor may suffer from shocks to the economy. Given the wide-ranging economic and social ramifications, authorities are increasingly concerned about ensuring access to financial services [5]. It goes without saying that every sector of the economy must contribute to economic growth if growth is to be expected. This implies that everyone should believe that they are a part in the economy's expansion. In addition, the World Bank Group believes that financial inclusion is a crucial enabler in eradicating extreme poverty and promoting prosperity for all [6]. One of the metrics used to gauge an economy's growth is financial inclusion. There are various indicators that are provided to measure the financial inclusion that the researchers have mentioned in this paper.

Review of Related Literature

According to C. Paramasivan and V. Ganeshkumar (2013) who conducted a study on "Overview of Financial Inclusion in India". The objective of the paper was to study an overview of the scope and challenges of financial inclusion faced by people. The findings indicated that literacy plays a significant role in creating awareness about financial literacy which can help in increasing financial inclusion, but literacy cannot withhold alone with if not supported by proper financial investment opportunities [7].

According to N Chithra & Dr. M Selvam (2013) [8] who conducted a study on "Determinants of Financial Inclusion: An empirical study on the inter-state variations in India". The objective of this study was to find the factors that influence financial inclusion along with to measure the interstate variations in getting access to finance through a composite financial inclusion index that was developed by Sarma (2008). It was observed that the degree of financial inclusion in India was found to vary significantly amongst states which showed that Chandigarh is the most financially included state in India, while Manipur is the least. Socioeconomic parameters like income, literacy and population were found to have a strong association with the level of financial inclusion, according to the empirical study used to identify the drivers of financial inclusion.

According to Ramzi Abdullah and Ahmed Hassan (2023) [9] who conducted a study on "Examining the Financial Inclusion Index to Determine the Financial Inclusion Status in India". The objective of this study was to identify and observe the different types of financial inclusion indicators and to study the impact of initiatives made by Indian banks and government actions on the financial inclusion. The given study concluded that due to growing banking infrastructure has increased the Indias's financial inclusion especially in rural areas where people can have the access of banking financial services. Though alone banking infrastructure or initiatives cannot support financial inclusion if obstacles like gender gap and financial literacy becomes a hurdle in enhancing India's financial inclusion.

According to Mahesh KM, PS Aithal & Sharma KRS (2023) [10] who conducted a study on "Impact of Digital Financial Inclusion (DFI) Initiatives on the Self-Help Group: For Sustainable Development". The objective of the paper was to study the role of self-help groups and government initiatives in increasing the digital financial inclusion in India and also to study the impact of various government schemes on sustainable development goals. The findings revealed that Self-help groups (SHGs) and Digital Financial Inclusion (DFI) projects have enormous potential to promote sustainable development. These programs have revolutionized the way SHGs operate and are empowered through the integration of digital technologies and financial services, which has subsequently aided in the general socioeconomic development of communities.

According to Dr. Aveek Chakravarty (2023) [11] who conducted a study on "Financial Inclusion through Fintech: How the RBI is shaping its role as regulator", in which the study examines the role of central bank and its performance in promoting financial inclusion in India. In contrast to previous practice, which saw the RBI promoting financial inclusion policies through bank and branch development, the incorporation of technological innovation has allowed customers to access the same financial services at a significantly lower cost. Though it is observed that not much has been done to tighten consumer protection laws or shield consumers from the dangers of fintech intermediation, either in terms of privacy and personal data protection.

According to Ajay Tyagi (2023) [12] who conducted a study on "Initiatives of The Indian Government towards Financial Inclusion" who shed light on the initiatives by RBI and GOI in increasing the financial inclusion of India. It was found that although there has been significant progress and greater recognition for different sectors of the economy, there is always room for improvement and the vast majority of rural residents have not been included in the scope of financial inclusion. Financial institutions, the government and other related organizations must work together to guarantee that those who are economically disadvantaged can access banking services.

Objective of the Study

This research paper has two main objectives:-

- To study the financial inclusion parameters and indicators given by RBI.
- To study the financial inclusion parameters given by Crisil Inclusix Index.

Research Methodology

The present study is based on descriptive in nature. It is based on secondary data collected from various journals, RBI annual reports, CRISIL annuals reports and World Bank Groups reports.

Origin of Financial Inclusion in India

Financial inclusion refers to providing credit and banking services to large segments of low-income and disadvantaged populations that are often left out at a reasonable cost (Dixit, R., *et al*., 2013) [13]. The British language initially coined the term "financial inclusion" in response to the discovery that approximately 7.5 million people lacked a bank account. However, the idea of financial inclusion is not new to the Indian economy. To provide financial accessibility to the unbanked communities, the RBI launched programs such as bank nationalization in 1969, RRB formation, and SHG-bank linkage schemes (Kesavan V., 2015) [14]. The suggestions of the Khan Commission, which was established by the Reserve Bank of India in 2004 to investigate financial inclusion, were incorporated into the policy's mid-term review (2005-06). The RBI urged the banks to provide a basic "no-frills" banking account in the report in order to achieve broader financial inclusion. Financial inclusion made its debut in India in 2005 when Dr. KC Chakraborthy, the chairman of Indian Bank, presented it through a pilot project at UT of Pondicherry. The first village in India to offer banking services to every family was Mangalam Village (Shah P., *et al*., 2015) [15].

Phases of Financial inclusion in India

Table 1: Phases of financial inclusion in India with key features.

Period	Phase	Key features
1960-1980	Phase 1: Social Banking	Nationalization of private commercial banks. Expansion of rural branch network. Subsidized credit extended. Establishment of RRBs and apex institutions like NABARD and SIDBI.
1990	Phase 2: Financial Systems Approach	Emergence of MFIs, primarily of non-profit origin. Focus on peer pressure mechanisms for lending.
2000 onwards	Phase 3: Financial Inclusion	Increased role of SHGs and NGOs; MFIs gaining legitimacy. MFIs becoming strategic partners for low-income segments. Consumer finance emerging as a high-growth area. Increased policy regulations and commercialization.

Source: Semantic Scholar

Factors contributing to financial inclusion

- **Access to Financial Services:** The availability of ATMs, bank branches, CDMs, mobile banking or any point of sales terminals that contribute to banking infrastructure along with any digital facilities provided by the banks to encourage online banking transactions plays major role in affecting the financial inclusion of any urban or rural area.
- **Affordability:** Affordable banking services, like microloans, microinsurance, and low-fee accounts, make financial goods more accessible to those with modest incomes.
  Regulation of Interest Rates: Fair interest rates on savings and loans to deter fraud and promote involvement in established financial institutions.
- **Financial Literacy and Education:** Another factor to contribute financial inclusion by imparting knowledge on how to handle money, comprehend credit and make future plans. Initiatives to inform and encourage people to use financial services provided by banks.
- **Innovative Financial Products:** Innovative Financial Products are crucial in increasing the financial inclusion by meeting the requirements of theses service to that marginalised communities who are excluded from getting the banking services. Whether its digital wallets, microfinance loans and insurance products, fintech solutions are making it possible to have accessibility, easy usable and reasonably priced financial products to individuals which encourages them more to participate in financial system.
- **Technology and Digital Platforms**: In bridging the gap between marginalised communities and financial inclusion, technology and digital platforms plays vital role. By providing such digital platforms with the help of technology, people are encouraged to get the access of innovative financial products. With proper guidance of using such fintech, financial inclusion can be increased.
- **Social and Cultural Factors:** Social and cultural factors can either help in promoting financial inclusion or it can become major obstacle in increasing the financial inclusion. Self Help Groups (SHGs) can promote financial inclusion by winning the trust of its targeted community groups on the other hand due the gender biasness women can be restricted from getting the access of e-banking services due to social and cultural factors. So, these factors play vital role in the changes of financial inclusion in India.
- **Economic Stability:** Economic stability plays a component role in encouraging both parties i.e. provider of financial services and availing those financial services. As in a growing economy, individuals get an opportunity to save, invest, take loans, buys insurance and many more, that ultimately helps in promoting financial inclusion and encourage people to avail those services easily with less cost and time. A stable economy fosters inclusion and sustainable development by lowering uncertainty and allowing marginalised communities to interact with formal financial systems.

Parameters of Financial Inclusion

Financial inclusion refers to the availability of feasible and reasonably priced financial products and services that satisfy the needs of individuals and enterprises, including credit, insurance coverage, savings, payments and transactions in an ethical and sustainable manner (World Bank Group, 2023) [16]. In 2021, the Reserve Bank of India (RBI) launched the Financial Inclusion Index (FI-Index) to assess the level of financial inclusion in the nation. The composite index has a range of 0 to 100, with 100 representing full financial inclusion and 0 representing total financial exclusion. Every year, the FI-Index is released, incorporating data from the previous fiscal year (RBI, 2021) [17].

According to RBI there are three parameters on the basis of which financial inclusion in being measured-(i) access to financial services (ii) usage of financial services and (iii) the quality of the products and the service delivery (Global Partnership for Financial Inclusion, 2013). Each parameters have a weightage of access (35%), usage (45%) and quality (20%), (The Hindu, 2024) [18].

- **Access to financial services:** The ability to benefit from the financial services and goods offered by financial institutions is all that defines access, whether it be complete or partial (Serrao MV, *et al*., 2012) [19].
- **Quality of the products and the service delivery:** The quality dimension becomes essential when there is significant variation in the services provided and it is challenging to get accurate consumer feedback. So this parameter checks how well the financial service fits the customer's wants for lifestyle that includes consumer's experience, attitudes and opinions regarding the offered

financial products (Serrao MV, *et al*., 2012) [19].

- **Usage of financial services:** A broad range of financial services or products will be the focus of this section. This refers to the frequency, regularity, and length of use over time, and it also measures the mix of financial items that households utilize (Serrao MV, *et al*., 2012) [19].

Financial Inclusion Indicators

Table 2: Indicators of financial inclusion categorized by usage, access, and quality.

Category	Indicator	Dimension	Aspect
1. Formally banked adults	% of adults with an account at a formal financial institution	Usage	Individuals
	Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults		
2. Adults with credit at regulated institutions	% of adults with at least one loan outstanding from a regulated financial institution	Usage	Individuals
	Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults		
3. Adults with insurance	Number of insurance policy holders per 1000 adults. Segregated by life and non-life insurance	Usage	Individuals
4.Cashless transactions	Number of retail cashless transactions per capita	Usage	Individuals
5. Mobile transactional use	% of adults that use their mobile device to make a payment	Usage	Individuals
6. High frequency of account use	% of adults with high frequency use of formal account.	Usage	Individuals
7. Saving propensity	Saved at a financial institution in the past year.	Usage	Individuals
8. Remittances	% of adults receiving domestic and international remittances	Usage	Individuals
9. Formally banked enterprises	% of SMEs with an account at a formal financial institution	Usage	Enterprises
	Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors		
10. Enterprises with outstanding loan or line of credit at regulated institutions	% of SMEs with outstanding loan or line of credit.	Usage	Enterprises
	Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans		
11. Points of Service	Number of branches per 100,000 adults	Access	Physical points of service
	Number of ATMs per 100,000 adults OR number of ATMs per 1000 sq. km.		
	Number of POS terminals per 100,000 inhabitants.		
12. E-money accounts	Number of e-money accounts for mobile payments	Access	Mobile points of service
13. Interoperability of Points of Service	Combined index of: Interoperability of ATMs and	Access	Interoperability of points of services
	Interoperability of POS terminals		
14. Financial Knowledge	Financial knowledge score.	Quality	Financial Literacy & Capability
15. Financial Behaviour	Source of emergency funding	Quality	Financial Literacy & Capability
16. Disclosure Requirements	Disclosure index combining existence of a variety of disclosure requirements	Quality	Market Conduct & Consumer Protection
17. Dispute Resolution	Index reflecting the existence of formal internal and external dispute resolution mechanisms	Quality	Market Conduct & Consumer Protection
18. Cost of Usage	Average cost of opening a basic current account	Quality	Barriers to use
	Average cost of maintaining a basic bank current account (annual fees).		
	Average cost of credit transfers.		
19. Credit Barriers	% of SMEs required to provide collateral on their last bank loan (reflects the tightness of credit conditions)	Quality	Barriers to use
	Getting credit: Distance to frontier		

Source: Global Partnership for Financial Inclusion (GPFI) 2012

The above given table shows the different indicators that comes under the given three parameters i.e. usage, access and quality. As mentioned above in the table, there are total fourteen indicators coming under the ten categories of usage parameter, six indicators coming under the three categories of access parameters and nine indicators coming under the six categories of quality parameter. Usage parameter shows ten categories for different indicators which mainly focuses on how individuals and enterprises are using financial services.

- **Usage parameter:** The first category, Formally banked individuals, examined the proportion of adults with accounts at formal financial institutions, such as banks, credit unions, cooperatives, or microfinance organizations. This was demonstrated using two metrics: 1.the number of depositors per 1,000 adults the number of people per 1,000 adults who have at least one bank account at a recognized financial institution and 2. The number of deposit accounts per 1,000 persons: how many deposit accounts there are overall per 1,000 adults, including several accounts per person. The second category, Adults with credit at regulated institutions focused on the proportion of adults with at least one outstanding loan from a bank, credit union, or similar regulated financial institution. It includes two indicators namely:-1. Number of borrowers per 1,000 adults which indicates the proportion of people with at least one loan from a regulated financial institution per 1,000 adults and 2. Number of outstanding loans per 1,000 adults that shows the total number of outstanding loans (including multiple loans per person) per 1,000 adults. The third category is Adults with insurance with emphasis on the proportion of adults having at least one insurance policy per 1,000. This is divided into two financial protections in the event of death, retirement or survival rewards is covered by life insurance policies and non-Life Insurance the plans that cover risks related to health, property, transportation and other areas. The fourth category is Cashless Transaction that put emphasis on those financial transaction that are carried out without physical cash. The metric to measure this category is 1. Number of retail transactions per capita. Fifth category is about Mobile transaction use that indicates percentage of individual who make payments using mobile devices. The use of mobile-based financial services, such as UPI-based transactions, digital wallets and mobile banking, is reflected in this. High frequency, the sixth category, indicates the proportion of adults who regularly conduct transactions using their official financial accounts (bank accounts, mobile wallets, or online banking platforms). When people utilize their financial accounts frequently, it means they are actively using them for daily tasks. Seventh category is saving propensity which measures the percentage of adults who have made a deposit or saved money in a formal financial institution (such a bank, credit union or microfinance institution). This measure shows people's capacity and desire to save, as well as their availability of official savings options. Eight category is Remittances, indicating the proportion of adults who receive money transfers from both domestic and international sources. It illustrates how remittances contribute to household income and financial inclusion. Ninth category is formally banked enterprises that refers to the metric that calculates the proportion of small and medium-sized businesses (SMEs) who have an account with a traditional financial institution, like a bank, credit union or microlending organization. It illustrates how enterprises are financially included and have access to official banking services. It includes two indicators 1. Percentage of SMEs with an account at a formal financial institution and 2. Number of SMEs with deposit accounts/number of deposit accounts or number of SME depositors/number of depositors, this ratio shows how many SME account holders there are in the financial system compared to all depositors. Tenth category is Enterprises with outstanding loan or line of credit at regulated institutions which calculates the proportion of small and medium-sized businesses (SMEs) that have an active line of credit or an ongoing loan from a financial institution. This includes two indicators 1. Percentage of SMEs with outstanding loan or line of credit and 2. Number of SMEs with outstanding loans/number of outstanding loans, strong credit access for enterprises is indicated by a greater proportion, whereas financial exclusion, risk-averse lending practices or a lack of formal credit options may be indicated by a lower percentage.

- **Access Parameter:** The first category is Points of Service which is related to the physical availability of financial services. This indicator helps in determining how simple it is for people to obtain banking and financial services in a certain location. This includes three indicators namely-1. Number of Branches per 100,000 Adults. Better financial accessibility is indicated by a higher number, whereas restricted access to banking services is suggested by a lower number. 2. Number of ATMs per 100,000 Adults OR Number of ATMs per 1,000 sq. km. This demonstrates the convenience of cash withdrawals by ATM services by number of ATMs per 1,00,000 adults and also for specific geographical area highlighting availability in urban and rural areas. 3. Number of POS (Point of Sale) Terminals per 100,000 Inhabitants which indicates number of point of sales devices used for electronic payment for per one million people. Second category is E-money accounts under which instead of using physical banking infrastructure, this indicator monitors financial access leveraging mobile-based services. As part of financial inclusion, it keeps track of how many e-money accounts are utilized for mobile payments, which are categorized under mobile points of service. This includes 1. Number of e-money accounts for mobile payments which shows the number of persons who have registered and are actively using mobile-based financial services is shown by this indicator. Third Category is Interoperability of Points of Service, this metric assesses the degree to which various financial service providers (such banks and payment networks) permit their clients to utilize their offerings on a variety of platforms. It includes the following indicators 1. Interoperability of ATMs, this implies that clients can make deposits, check their balances, and withdraw cash using ATMs operated by several banks. 2. Interoperability of POS Terminals that refers to customers who have a debit or credit card from one bank can use POS terminals from another bank or financial service provider to make payments.
- **Quality Parameter:** The first category is Financial Knowledge which includes the indicator 1. Financial Knowledge Score that determines an individual's level of understanding of financial concepts such as inflation, interest rates, risk diversification and budgeting. It is assessed via tests and surveys that evaluate the ability of an individual to respond to fundamental financial inquiries. Second category is Financial Behaviour under which the indicator is 1. Source of emergency funding, this metric assesses how people handle their personal money, especially how ready they are for unforeseen expenses. It focuses on the calibre of financial decision-making and is under the Financial Literacy & Capability category. Third category is Disclosure Requirements, the transparency and clarity of financial products and services provided by banks, financial institutions and service providers are assessed by this metric. A Disclosure Index is used to measure it,

evaluating the presence of different disclosure standards. It includes one indicator that is Disclosure index combining existence of a variety of disclosure requirements. There are various types of disclosure requirements like interest rates and fees, terms and conditions, risk and benefits and consumer rights and complaints mechanisms, the higher disclosure index, higher the transparency with the customers. Fourth category is Dispute Resolution under which it includes one indicator i.e. Index reflecting the existence of formal internal and external dispute resolution mechanisms which assesses the existence of formal procedures for settling financial disputes between customers and financial service providers, such as banks, insurers, fintech firms, etc. Fifth category is Cost of Usage that refers to the metric that evaluates how much it costs for customers to use basic banking services. It is determined by examining the typical cost of banking transactions and is classified as a barrier to use, which means that outrageous costs may keep people from utilizing or gaining access to financial services. It includes three indicators that are:-1. Average cost of opening a basic current account 2. Average cost of maintaining a basic bank current account (annual fees). 3. Average cost of credit transfers. Lastly, sixth category is Credit Barriers, This metric quantifies the challenges that companies, particularly small and medium-sized enterprises, encounter while trying to obtain bank and financial institution loans. It aids in determining whether financial obstacles keep enterprises from receiving loans and how strict lending requirements are. It includes two indicators that are 1. Percentage of SMEs Required to Provide Collateral on their Last Bank Loan in which higher percentages signify more rigorous credit requirements, which means banks require greater security before making loans. 2. Getting credit: Distance to frontier that refers to a component of the World Bank's "Ease of Doing Business" index, which assesses a nation's credit-accessibility.

Scores of FI-Index

Table 3: RBI's Financial Inclusion Index (FI-Index) scores from 2021-2024.

Year	FI-Index
2021	53.9
2022	56.4
2023	60.1
2024	64.2

Source: RBI Annual Reports

The above given table shows financial inclusion index for 2021-2024. This index was measured using the three parameters given by RBI that is access, usage and quality in the given weightage that is 35%, 45% and 20% respectively. It is observed that there is consistently rise in the financial inclusion index due various initiatives taken by government of India and RBI.

State-wise Financial inclusion Index and its ranking

Table 4: State-wise financial inclusion index and rankings in India.

Name of States	Financial Inclusion Index
Chandigarh	0.947
Goa	0.88
Delhi	0.846
Maharashtra	0.796
Punjab	0.784
Kerala	0.768
Karnataka	0.754
Himachal Pradesh	0.754
Puducherry	0.752
Haryana	0.751
Tamil Nadu	0.746
Jammu & Kashmir	0.746
Uttarakhand	0.744
Andaman & Nicobar	0.737
West Bengal	0.733
Sikkim	0.732
Arunachal Pradesh	0.721
Andhra Pradesh	0.72
Uttar Pradesh	0.719
Gujarat	0.716
Odisha	0.716
Tripura	0.715
Mizoram	0.714
Jharkhand	0.714
Rajasthan	0.71
Madhya Pradesh	0.709
Meghalaya	0.708
Bihar	0.705
Chhattisgarh	0.704
Assam	0.694
Manipur	0.665
Nagaland	0.569

Source: Sudipto Mondal (2019)

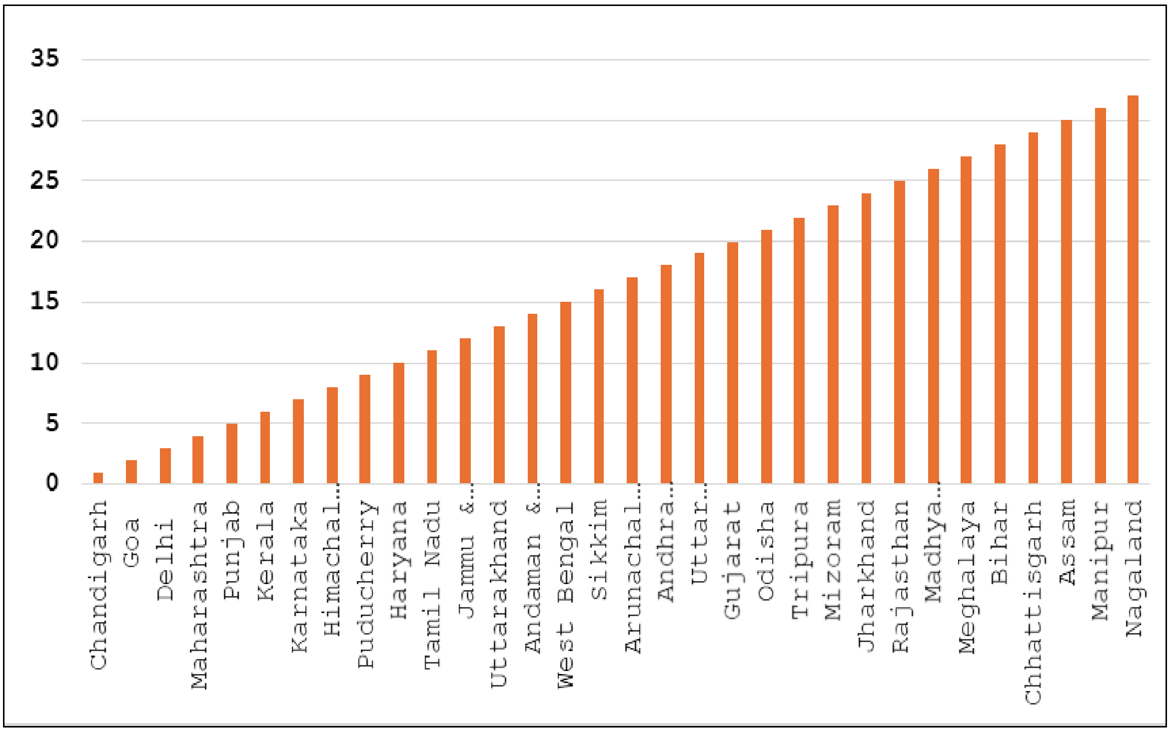


Fig 1: State-wise financial inclusion index values and rankings (2019 data).

The above given table shows the financial inclusion for different states in India according to 2019 data and its ranking in all over India. The table shows that Chandigarh has the highest FI-Index that is 0.947 and Nagaland being the lowest rank with 0.569 FI-Index.

CRISIL financial Inclusion Index (Inclusix)

CRISIL (Credit Rating Information Services of India Limited) is the first comprehensive measure of financial inclusion which was introduced on 25th June 2013. It integrates the three essential parameters of basic banking services that are:-BP (Branch Penetration), CP (Credit Penetration) and DP (Deposit Penetration) into a single score (Crisil Inclusix, 2013) [20]. In 2018 CRISIL Inclusix for the first time introduced one more parameter along with the above mentioned parameters that is IP (Investment Parameter), (Crisil Inclusix, 2018) [21].

Table 5: CRISIL Inclusix score interpretation for financial inclusion levels.

Crisil inclusix score	Level of financial inclusion
> 65.0	High
Between 50.1-65.0	Above Average
Between 35.0-50.0	Below Average
< 35.0	LOW

Source: Crisil Inclusix, 2018 [21]

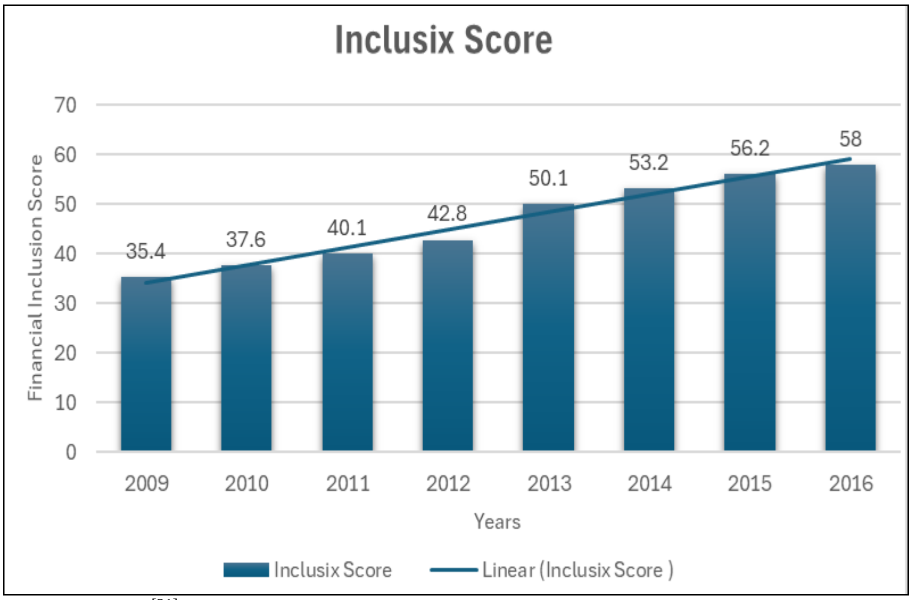
Dimensions and parameters used to measure financial inclusion in CRISIL Inclusix

Table 6: Dimensions and parameters used to measure financial inclusion in CRISIL Inclusix.

Dimensions	Parameters	Significance	Interpretation
Branch Penetration (BP)	No. of branches per lakh of population in a district	Measures the ease with which people in a particular territory can access financial services	The higher the better
Credit Penetration (CP)	No. of loan accounts per lakh of population in a district	Measures the extent of access to loan products offered in a particular territory	The higher the better
	No. of loan accounts classified in "personal loans" occupation group as per the RBI's definition or number of microfinance loans per lakh of population in a district	Measures access to credit for retail borrowers, who typically face financial non-inclusion	The higher the better
	No. of agricultural advances per lakh of population in a district	Measures farmers' access to credit	The higher the better
Deposit Penetratio (DP)	No. of deposit accounts per lakh of population in a district	Measures the extent of access to deposit products offered by banks in a particular territory	The higher the better
Insurance Penetration (IP)	No. of life insurance policies per lakh of population in a district	Measures the extent of access to insurance services offered by insurance companies in a particular territory	The higher the better

Source: Crisil Inclusix, 2018 [21]

Index Values and Trends in India



Source: Crisil, 2018 [21]

Fig 2: CRISIL Inclusix trends in India from 2009-2016.

Crisil Inclusix which gave its first report in 2013 included the financial inclusion of the years 2009, 2010 and 2011 which showed consistently rise in its inclusix score. In its 2013 report, it observed that the driving reason in its consistently rise in inclusix score is due to deposit penetration. Though the inclusix score shows low level of financial inclusion according to given metric (Crisil Inclusix, 2013) [20]. Crisil inlcusix gave its second report in the year 2014 for the year 2012 showing 42.8 inclusix score which is 2.7 more than 2011. This rise was due to increase in deposit penetration in north, east and south region, increase in credit penetration in north region and increase in branch penetration in south region (Crisil Inclusix, 2014) [22]. Next report of Crisil was in the year 2015 again showed increase in financial inclusion with an inclusix score of 50.1 for the year 2013. Along with AP, BP and CP, it was also contributed by MFIs (Microfinance Institutions). MFIs play a vital role in increasing financial inclusion by providing financial services like saving accounts and loans to low income people, mostly known as microcredit institutions (Crisil Inclusix, 2015) [23]. Crisil Inclusix Report 2018 showed the financial inclusion of three years that is 2014, 2015 and 2016. Under which it introduced one more parameter that is insurance penetration along with the other existing parameters that are branch penetration, credit penetration and deposit penetration. Due to which the financial inclusion from 2014-2016 increased on excluding effect of rebasing and addition of insurance penetration, which means in the year 2014 inclusix score increased from 53.2 to 54.8, in 2015 from 56.2 to 57.4 and in 2016 from 58 to 62.2(Crisil, 2018).

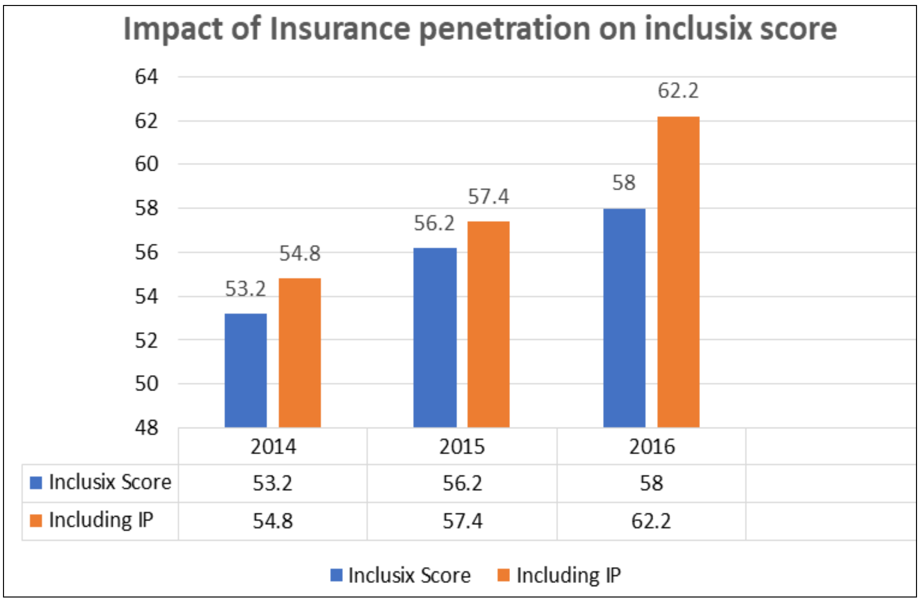


Fig 3: Impact of insurance penetration on CRISIL Inclusix scores (2014-2016).

4. Conclusion

Financial inclusion is considered as a major force for inclusive growth as it helps in promoting economic growth by circulating financial literacy and access to financial services to everyone specially to marginalised population. There are parameters that are available to measure the financial inclusion in a country. Each parameter consisting some indicators with weightage. CRISIL is one of those financial inclusion index that was introduced in 2013 to gave its first report, which showed the inclusix index from the year 2009. It was observed that there was consistently rise in the financial inclusion since 2009. In 2018 Crisil report it was observed that due PMJDY contribution, there was high rise in deposit penetration which increased the overall Inclusix score of the country also region wise. This study also observed different indicators under three parameters of financial inclusion that are access, quality and usage. Schemes and initiatives taken by RBI and GOI are also contributing in the increasing financial inclusion of India.

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