

STATUS OF FINANCIAL INCLUSION IN INDIA: A CONCEPTUAL STUDY WITH SPECIAL REFERENCE TO UTTAR PRADESH

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ABSTRACT

Growth story of India of the past few decades does need any introduction. But some serious problems such as low economic growth rate, unemployment, poverty, farmer's distress and suicide in a large state like UP should be a matter of concern for thinkers, academicians, researchers and policymakers. Studies world over have proven that Financial Exclusion can be remedy to these problems. Proposed research work aims at finding out the status of financial inclusion in India and UP. Apart from developing an understanding of the concept of Financial Inclusion/Exclusion it also investigates the agencies responsible for attainment of Financial Inclusion. This study is mainly based on secondary data. Findings of the research unveil that the current situation of Financial Inclusion in UP and India is grim. The study concludes that there is a hitherto untapped business opportunity for formal institutions to expand their business in financially excluded market.

Keywords: Financial Inclusion, Microfinance, Commercial Banks, Penetration Index.

INTRODUCTION:

India is a fast growing country but the benefit of this growth story is not trickling down to the lower stratum of our country, especially to the poor farmers and peasants of remote rural areas. India is an agrarian country where around 50% of its people depend directly or indirectly upon agriculture. As per the estimates released by Central Statistical Organization (CSO) the share of agricultural products/Agriculture and Allied Sectors in Gross Domestic Product (GDP) of the country which was 51.9 % (at constant 2004-05 prices) in 1950-51, has come down to 13.9 % in 2012-13 (at 2004-05 prices) representing a stark situation of income inequality.

Growth rate of agriculture sector in comparison to other sectors of the economy is pathetic which has resulted into constrained supply of agricultural products, a primary cause of rampant inflation in India. Annual Growth rate (YOY) in agriculture and allied sector was 1.49% in 1951-52. Since then it has shown wide fluctuations ranging from an all-time low of -12.7% in 1979-80 to an all-time high to 15.64% in 1988-89. In the past 10 years it could reach to the highest level of 8.6% in 2010-11 and to a low level of 0.09% in 2008-09. In year 2012-13 it recorded a meager rate of 1.42%.

Uttar Pradesh is also badly suffering. Economic performance of Uttar Pradesh has fallen behind the rest of the country. According to Ministry of Statistics and Programme Implementation, in year 2013-14, at constant (2004-05) prices, with GSDP growth rate of 4.95% UP belonged to bottom five among all states of the country. In year 2012-13 GSDP growth rate was 5.78% and in year 2014-15 6.0%. At constant (2011-12) prices the GSDP growth rate in 2012-13 was 3.88%, in 2013-14 4.73% and in 2014-15 6.15%. Uttar Pradesh's Per Capita Income, at constant (2004-05) prices, in 2004-05 stood at Rs.12950 against all India average of Rs.24143. In 2012-13 this was Rs.18835 against all India average of Rs.38856. At constant (2011-12) prices, Per Capita Income of Uttar Pradesh in 2012-13 was Rs.32560 against all India Per-capita of Rs.65664. According to Tendulkar Committee (2009) in 2011-12, 21.92% population of India was poor (i.e. BPL) and that of Uttar Pradesh 29.43% was poor. Rangarajan Committee (2012) revised the estimates and reported that in 2011-12, 29.5% population of India was poor (i.e. BPL) and that of Uttar Pradesh 39.8% population was poor in the same period. These facts also highlight drastic income inequality prevailing in Uttar Pradesh.

Above facts are not only the glimpses of sluggish economic performance of Uttar Pradesh, but are surely indicative of the prevalent Economic Stagnation over the past years if scrutinized in detail. These give us, indeed, an indication of drastic income inequality prevailing in India and especially in Uttar Pradesh.

Farmer's distress and suicide is still an ignominious problem in many parts of India. In 2014, National Crime Records Bureau of India reported 5,650 farmer suicides. The highest number of farmer's suicide was recorded in 2004 when 18,241 farmers committed suicide. The farmer's suicide rate in India has ranged between 1.4 to 1.8 per 100,000 population over a 10-year period through 2005. Overall in India farmer suicides account for 11.2% of all suicides. Farmer's suicide rate in Uttar Pradesh has been lower in comparison to some other states such as Maharashtra and Kerala. In 2012, there were 745 farmer suicides in Uttar Pradesh which was 63 in 2014. Among various reasons given for these, poverty, high debt burden, monsoon failure/drought and personal family problems are noteworthy.

The Norwegian Nobel Committee awarded the Nobel Peace Prize for 2006, divided into two equal parts, to Prof. Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. In press release The Norwegian Nobel Committee said; *"Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights."*

Indian Farmers are downtrodden and underdog only because of lack of financial support from formal sources resulting into income equality, extreme poverty and debt trap, further compounding their woes. Lack of financial services is restricting inclusive growth. Provision of affordable financial services to the poor farmers can accelerate growth, reduce income inequality and poverty. The idea of "banking to all" and "access of institutional finance to the financially excluded people" got fillip when the concept of Financial Inclusion was recognized for the first time in 2005 by the RBI in its annual policy

statement. RBI expressing its concern in regard to the banking practices that used to exclude rather than include vast sections of the population urged the banks to review their existing banking practices to align them with the objective of Financial Inclusion.

Thus Financial Inclusion is a nascent concept de facto which has gained momentum in the recent past and is still evolving. Studies world over have shown that Financial Inclusion can be a remedy to above mentioned problems, by making extremely poor bankable. Financial Inclusion has proved to be a boon in many parts of the world. Studies in more than 24 countries have shown that microfinance has saved borrowers from debacle and improved their household income levels. Researches from CRISIL (2009) also have shown that microfinance institutions too can play a vital role in bringing about Financial Inclusion by providing financial assistance to the needy and downtrodden.

Thus in this perspective inclusion of financially excluded people into the ambit of institutional finance has become a thrust area for policy makers and researchers across the world.

OBJECTIVES OF THE STUDY:

The study intends to fulfill following objectives;

- 1) To perform a conceptual study of Financial Inclusion
- 2) To explore the agencies of Financial Inclusion
- 3) To study the current status of Financial Inclusion in India with special reference of Uttar Pradesh

RESEARCH METHODOLOGY:

Proposed research study is primarily exploratory in nature. It is exploratory because it includes in-depth literature review and secondary data analysis. Secondary data will be collected from various journals, books, magazines and websites. The Study will throw light on the problem of Financial Exclusion plaguing our economy. It will also reveal the conceptual background of Financial Inclusion. The study concludes after studying the status of financial inclusion in India and especially in Uttar Pradesh.

REVIEW OF LITERATURE:

Plethora of literature is available as researchers have done a great job in devoting their valuable time and resources in this area of study. In India and abroad many researchers have come out with their valuable findings which are by and large coherent in their suggestions echoing similar guidelines for policymakers and nations.

Financial development reduces income inequality by boosting the incomes of the poor. Surveys of the literature on financial intermediation and poverty reduction conclude that development of the financial sector contributes to economic growth and thereby to poverty alleviation (Holden and Prokopenko, 2001). Research conducted at the World Bank has substantiated the hypothesis that “countries with better developed financial intermediaries experience faster declines in measures of both poverty and income inequality” (Beck, Demirguc-Kunt, and Levine, 2004). But in Indian context the experience has been a bit unexpected. This has been revealed by many experts and studies. In 2007 in a speech delivered by Mr. P. Chidambaram at Berlin the same concerns were voiced by him. He said that, “It has been widely recognized and accepted that a high growth rate of GDP has not been of much help to the poor and disadvantaged people of India. There must be systemic changes to make growth more inclusive by devising programs and plans which can cater to the needs of the poor people. Since a large segment of the society is still below the poverty line, making growth inclusive is a big challenge (Speech excerpts Mr. P. Chidambaram, Berlin, 2007). Majority of the rural population is still unbanked. Concerted efforts by GOI & RBI since 1950s and more intensely since 2005, in favor of financial inclusion have been initiated but the impact of these did not yield satisfactory results (Charan Singh et. al. 2014). Discussion on close relationship between financial development and economic growth has been widely discussed but well developed financial systems have not succeeded to be all-inclusive resulting into detachment of certain segments of the society from the ambit of formal financial system (Sarma 2008). So there is a need for reversing the approach for attaining the inclusive growth objective.

In other words efforts will have to be done at the grass root level for alleviating poverty and removing income inequality.

Empirical evidence suggests that access to basic financial services such as savings, payments, insurance and credit can make a substantial positive difference in improving poor people's lives (Dupas and Robinson 2009, Caskey et al. 2006). Access to financial services can help promote equity, and can, in this context, be linked to better economic equilibrium and faster economic growth (Stegman, 1999) both in advanced economies and in the developing world as well (de Soto, 2000). Since empirical evidences suggest that access to basic financial services can make a substantial positive difference in improving poor people's lives, financial sector reforms that promote financial inclusion are increasingly at the core of policymaker's agendas (Ardic, Heimann & Mylenko 2011). Park and Mercado Jr. (2015) in their ADB Economics Working Paper "Financial Inclusion, Poverty, and Income Inequality in Developing Asia (summary and policy implications)" have reported that findings clearly show that there exists a robust and significant correlation between higher financial inclusion and lower poverty level and lower income inequality. Moreover their estimates offer evidence of a strong correlation between financial access and poverty rates. They advocated that to reduce poverty impediments to financial inclusion must be removed and promoting inclusive growth complements financial inclusion. In this context they suggested that in improving access to financial services Microfinance can play an important role.

FINANCIAL INCLUSION: DEFINING THE CONCEPT:

Financial Inclusion has been defined by many researchers, agencies and research institutions at different platforms. In 2008 World Bank mentioned in its policy research report "Finance for all? Policies and Pitfalls in Expanding Access" that "Access to financial services is financial inclusion which implies an absence of obstacles to the use of these services, whether the obstacles are price or non-price barriers to finance."

Recently in the "Global Financial Development Report 2014" of World Bank Financial Inclusion has been defined as "the proportion of individuals and firms that use financial services." It is important to note here that this report clearly distinguishes between Financial Inclusion and access to finance. Financial inclusion is defined here as the proportion of individuals and firms that use financial services implying mere access to financial services cannot be termed as Financial Inclusion.

In Asian Development Bank Working Paper "Financial Inclusion in Asia: An Overview" Meghana Ayyagari and Thorsten Beck have reported that "Financial inclusion is defined broadly as access by enterprises and households to reasonably priced and appropriate formal financial services that meet the needs of enterprises and households."

In May 2000, the Asian Development Bank (ADB) approved its microfinance development strategy (MDS) to provide broad guidance to microfinance operations wherein Financial Inclusion was defined "as the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their microenterprises."

Government of India, constituted a Committee on Financial Inclusion under the chairmanship of Dr. C. Rangarajan which is commonly known as Rangarajan Committee (2008). The committee said that financial inclusion means delivery of banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups. The various financial services include savings, loans, insurance, payments, remittance facilities and financial counseling/advisory services by the formal financial system. In its report committee recognized that Financial Inclusion can be defined as:

"Financial inclusion may be defined 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."

Identifying the importance of an inclusive financial system in facilitating financial inclusion Prof. Mandira Sarma (2008) proposed an index to measure financial inclusion (IFI). Citing various definitions of Financial Exclusion by different researchers such as Carbo et al. (2005), Sinclair (2001), Leyshon and Thrift (1995), and Financial Inclusion definition by Rangarajan Committee 2008, Prof. Sarma

defined Financial Inclusion as “a process that ensures the ease of access, availability, and usage of formal financial system for all members of an economy.”

AGENCIES OF FINANCIAL INCLUSION:

As defined above Financial Inclusion is, by and large, the process of bringing financially excluded segments of the society into the ambit of formal financial system. Now an important question can be raised here that which institutions can be service providers of the financial services to the financially excluded masses. In other words what agencies can accomplish the task of Financial Inclusion? To explore this following pertinent studies have been considered.

“Basel Committee on Banking Supervision” (BCBS) a committee of Bank for International Settlements (BIS) came out with a report on “Range of practice in the regulation and supervision of institutions relevant to financial inclusion” in January 2015. This report mentions that there has been a growing recognition in the past decade that financial inclusion raises issues that are relevant not only to the Basel Committee, but to other global Standards Setting Bodies (SSBs). This report analyses The 2013 Range of Practice Survey aiming to capture the current regulatory and supervisory approaches towards financial inclusion and activities that are relevant to financial inclusion, to provide a snapshot of how some banking supervisors are responding to the rapidly evolving financial inclusion landscape. The purpose of this survey was to understand current regulatory and supervisory practices with respect to deposit taking institutions and other financial institutions relevant to financial inclusion. This survey was done in mid-2013 to a broad range of supervisory authorities to elicit the required information. The survey covered a wide range of financial institutions relevant to financial inclusion, including banks and other financial institutions that serve poor and low-income customers and other financially excluded customers, including those that serve as a delivery platform for insurance and payment products offered to these customers. Survey elicited information from six broadly defined categories of financial institutions which are defined as following:

Commercial Bank: A bank that is (a) not subject by law or regulation to (i) a specified maximum size of loan or savings product or (ii) any limitation on type of client that may be served; and (b) not tasked by law or regulation with serving any particular industry

Other Bank: A bank other than a commercial bank. In a given country this term may include rural banks, agricultural banks, postal banks, among other types of non-commercial banks. The category of Other Banks does not include cooperative banks or mutual banks, which are categorized as Financial Cooperatives for the purposes of this Survey.

Financial Cooperative: A member-owned and member-controlled financial institution governed by the “one member one vote” rule. Financial cooperatives often take deposits or similar repayable funds from, and make loans only to, members, although some also serve non-members. The term includes credit unions, building societies, caisses, cajas, cooperative banks, mutual banks, and savings and credit cooperatives.

Other Deposit-taking institution (ODTI): An institution authorized to collect deposits or savings that does not fit the definition of bank or financial cooperative. ODTIs include deposit-taking microfinance institutions, savings and loan associations, among other non-bank deposit-taking institutions.

Microcredit institution (MCI): A financial institution that does not take deposits and provides microcredit targeting low-income and poor customers.

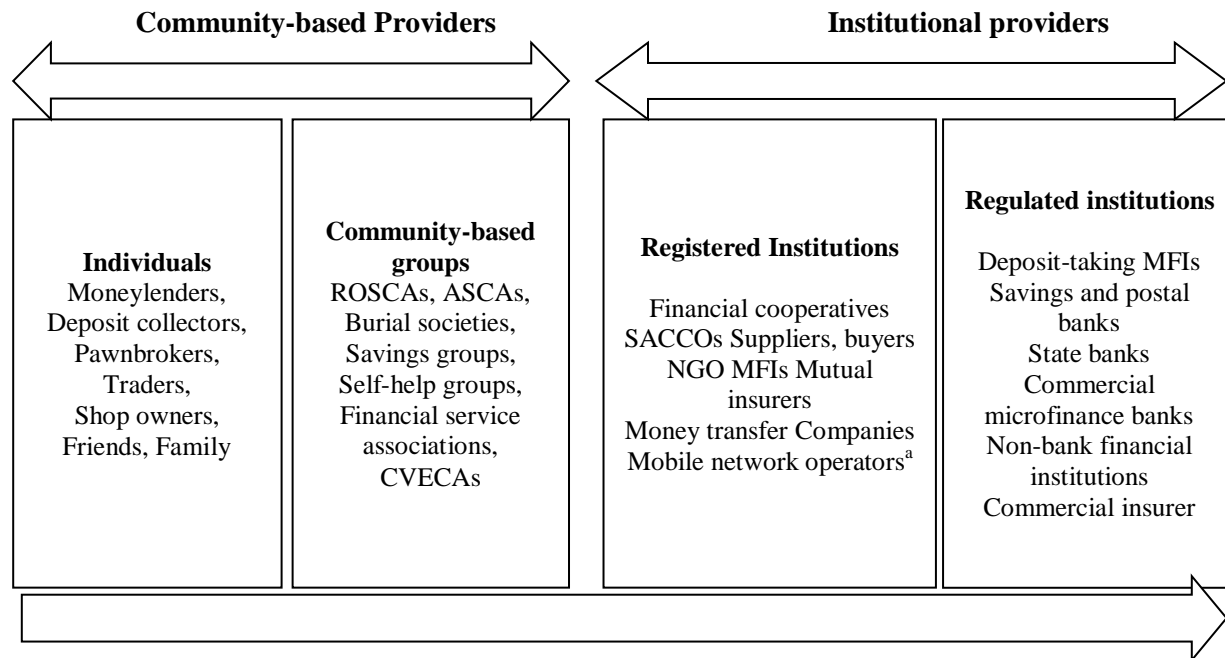
Non-bank e-money issuer or distributor (NEID): An issuer or a distributor of e-money that is not a bank. The relevant questions in the Survey request respondents to indicate whether the non-bank entity is authorized to act as an issuer of e-money, distributor of e-money, or both.

Above description highlights financial institutions that are relevant to Financial Inclusion.

Under the aegis of World Bank a book titled “The New Microfinance Handbook: A Financial Market System Perspective” has recently been published. In this book Ms. Candace Nelson, mentions that informal providers of financial services may be individuals or community based groups whereas Ms. Joanna Ledgerwood describes that formal providers of financial services may be Institutional Providers such as registered institutions and regulated institutions. Institutional providers include member-owned

financial cooperatives and NGOs, which are normally registered and possibly supervised, as well as banks (private and public), deposit-taking MFIs, and non-bank financial institutions (NBFIs) such as insurance companies and leasing companies, which are normally regulated in some fashion. Thus they have given a wide range of financial providers (Fig. 1) who can be an actor in Financial Inclusion.

Figure 1: The Range of Financial Service Providers



Note: ROSCAs = rotating savings and credit associations; ASCAs = accumulating savings and credit associations; CVECAs = *caisses*

villageoises d'épargne et de crédit autogérées; SACCOs = savings and credit cooperatives. NGO = nongovernmental organization;

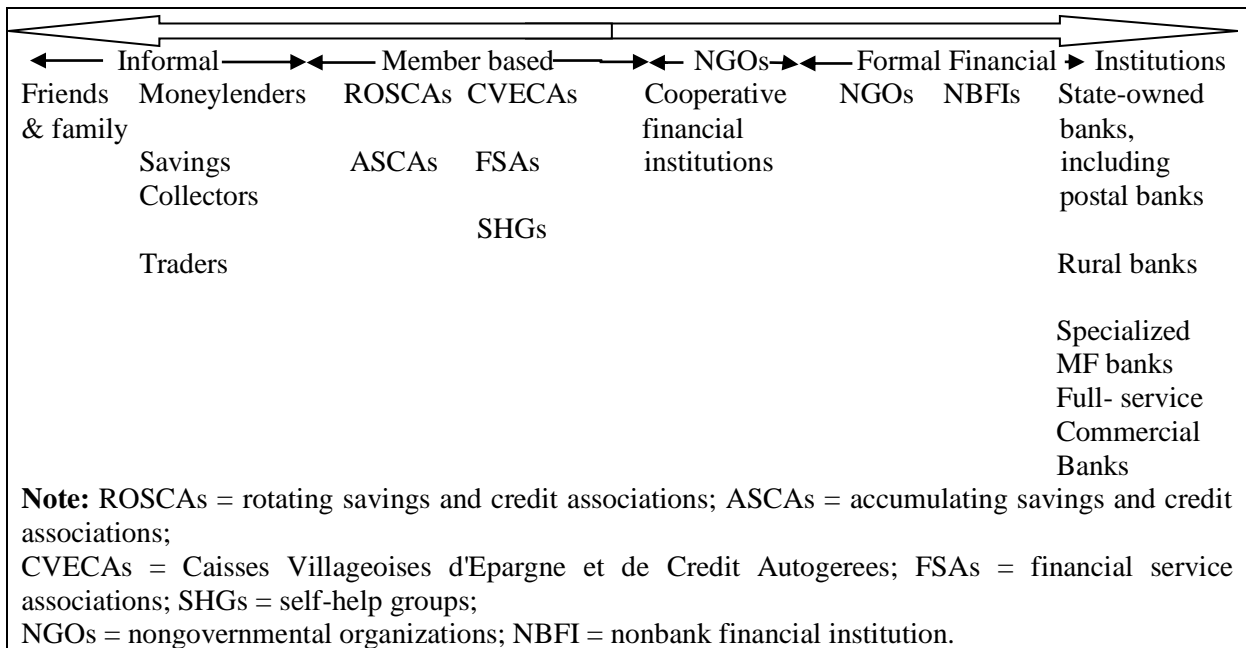
MFIs = Microfinance Institutions.

^a. Mobile network operators are regulated as communication companies; most are not licensed to provide financial services.

Source: "The New Microfinance Handbook: A Financial Market System Perspective", World Bank Publication, Chapter 1, 6 & 7

In another study similar results were produced. Potential service providers, ranging from informal to formal, were placed on a continuum to depict their range. This can be shown through "The Spectrum of Financial Service Providers" depicted below (Fig. 2). Their level of formality depends on many aspects viz. governance, organization structure etc. Informal service providers include moneylenders, community savings clubs, deposit collectors and traders. At the formal end of spectrum private and public sector banks are the most formal service providers. In between these two extremes lie member owned institutions, NGOs and non-bank financial institutions. As per the World Bank report on Financial Inclusion it is very important for all formal institutions to make serving the poor as their main agenda then only there is a greater chance of enhancing the inclusiveness of financial system. In the below given spectrum all service providers at the formal end of the spectrum such as Cooperative Financial Institutions, NGOs, NBFIs, state owned banks including rural banks and postal banks can be regarded as potential agencies responsible for accomplishing Financial Inclusion.

Figure 2: The Spectrum of Financial Service Providers



Source: The Management Accountant, May 2014, Vol 49 No. 5, pp. 59-60, Damodaran and Sagar

In its report Rangarajan Committee has highlighted the role of Commercial Banks, RRBs, NABARD, Co-operative Societies and specially MFIs. Report says that Micro Finance Institutions (MFIs) could play a significant role in facilitating Financial Inclusion, as they are uniquely positioned in reaching out to the rural poor and are, therefore the best suited vehicles to widen and deepen the process of financial inclusion.

STATUS OF FINANCIAL INCLUSION IN INDIA AND UTTAR PRADESH:

Problems of poverty, income inequality, debt trap and farmer's distress can be tackled by resorting to mission of inclusive growth. To actualize this, the concept of Financial Inclusion is being promoted by the researchers and policy makers. As already defined Financial Inclusion refers to providing access of institutional finance to the financially excluded people. World over and in India researchers and policymakers are making sincere efforts to remove Financial Exclusion and bring about complete Financial Inclusion. To evaluate the efforts done in this direction and provide feedback to the concerned people measurement of current state of Financial Inclusion in any economy is also very important. For this sake various exploratory studies and surveys have been done. Some researchers have come out with their indices also to measure the extent of Financial Inclusion.

Dr. K. C. Chakrabarty, Deputy Governor RBI has reported that in India almost half country is unbanked and 14 cr 50 lac households are Financially Excluded. (Only 55% of population has deposit accounts and 9% have current accounts). CRISIL (2009), a renowned credit rating agency, in its report (India top 50 Micro Finance Institutions: A Financial Awareness Initiative of CRISIL) has given the number of households facing Financial Exclusion in India around 12 cr (120 million). Reporting the extent of Financial Exclusion Rangarajan Committee (2009) referred to NSSO data that reveals that 45.9 million farmer households in the country (51.4%), out of a total of 89.3 million households do not access credit, either from institutional or non-institutional sources. It also pointed out further that despite the vast network of bank branches, only 27% of total farm households are indebted to formal sources (of which one-third also borrow from informal sources). Farm households' not accessing credit from formal sources as a proportion to total farm households is especially high at 95.91%, 81.26% and 77.59% in the North Eastern, Eastern and Central Regions respectively. Thus, apart from the fact that exclusion in

general is large, it also varies widely across regions, social groups and asset holdings. It clearly shows that poorer the group, the greater is the exclusion. Mr. H. R. Khan Deputy Governor RBI reported that in India UP has very low Financial Inclusion along with other states. He proposed three dimensions to measures Financial Inclusion viz. Banking Penetration, Availability of Banking Services and Usage of Banking services. Prof. Mandira Sarma in her working paper "Index of Financial Inclusion" (2008) developed a multidimensional index (Index of Financial Inclusion, IFI) that captures information on various dimensions of financial inclusion in one single digit lying between 0 and 1, where 0 denotes complete financial exclusion and 1 complete financial inclusion in the economy. Using three dimensions (viz. banking penetration, availability of banking services and usage of banking services) she calculated IFI for 100 countries for the year 2004 wherein India ranked 29th. Using the same methodology Dr. G. S. Kainth (2011) in his study "Developing an Index of Financial Inclusion" done for the districts of Punjab reported a low level of Financial Inclusion in Punjab with a meager average 3d-IFI value at 0.354. He also reported a high level of Financial Inclusion in only six districts viz. Jalandhar, SAS Nagar and Kapurthala, (belonging to VHFI group) and Ludhiana, Patiala and SBS Nagar (belonging to HFI group) whereas out of 20 districts 11 were financially excluded having low level of Financial Inclusion (LFI).

S. R. Chakravarty and Rupayan Pal in their working paper "Measuring Financial Inclusion: An Axiomatic Approach" referred Financial Inclusion to be similar to Banking Inclusion. In this research paper they developed an index using axiomatic measurement approach deployed in the construction of human development index. In this approach the suggested index of financial inclusion allows calculation of percentage contributions of individual dimensions in the overall achievement of financial inclusion to enable identification of those dimensions of financial inclusion that are more or less responsible for overall inclusion and hence the dimensions that deserve attention of policy makers can be addressed to. The paper illustrates financial inclusion index Ir using cross-country data and state level data.

To evaluate the extent of Financial Inclusion in India CRISIL came out recently with a composite index viz. CRISIL Inclusix. This index is a comprehensive measure to gauge the extent of financial inclusion at national, regional, state and district level and is based on three key dimensions/drivers of financial inclusion viz. branch penetration, credit penetration and deposit penetration by banks. In this index four categories hierarchized to indicate different levels of financial inclusion are as following;

Four categories for CRISIL Inclusix	
CRISIL Inclusix Score	Level of Financial Inclusion
> 55	HIGH
Between 40.1 and 55	ABOVE AVERAGE
Between 25 and 40	BELOW AVERAGE
< 25	LOW

Source: CRISIL

CRISIL released first volume of the report in June 2013 to give measurement of financial inclusion in 632 districts of the country over a three-year time period ranging from 2009 to 2011.

In this report financial inclusion score named as CRISIL Inclusix score for the whole country were 40.1 (on a scale of 100) which indicated relatively low level of financial inclusion. It is sheer indication of under-penetration of formal banking facilities in most parts of the country. The southern region scored high and led the financial inclusion drive in the country with highest score of 62.2, 58.8 and 54.9 in all the three years 2011, 2010 and 2009 respectively. The top five scoring states were Puducherry, Chandigarh, Kerala, Goa, and Delhi. The bottom five states were Arunachal Pradesh, Chhattisgarh, Bihar, Nagaland, and Manipur. UP state had a CRISIL Inclusix score of 33.5, 31.5 and 29.6 securing a stagnant CRISIL Inclusix rank of 24 in year 2011, 2010 and 2009. It is important to note here that most of the districts of UP fell in below average category of level of financial inclusion (i.e. had a CRISIL Inclusix score of between 25 and 40). The most important finding of the report was that the level of financial inclusion had consistently been on the rise since 2009. The CRISIL Inclusix score for the

whole country improved to 40.1 in 2011, from 37.6 in 2010 and 35.4 in 2009. The driving reason for this growth was primarily an improvement in deposit penetration. The authorities were suggested in the report to focus on the other two parameters (branch and credit penetration) to ensure a balanced and all-round improvement in CRISIL Inclusix score.

The second volume of the report was released by CRISIL for fiscal 2012 in June 2014 for 638 districts of India. It revealed that all-India CRISIL Inclusix score was 42.8 on a scale of 100, again an indication of poor penetration of formal banking in the country. South region again scored highest 66.1 among all the regions based on its continual leadership in all the three dimensions of financial inclusion. Report also revealed that most of the states and districts progressed giving clear indication of increase in the extent of financial inclusion across the country notwithstanding most of them performed below par scoring less than 40.1. The CRISIL Inclusix score of UP increased a bit to 35.2 but the CRISIL Inclusix rank of 24 did not improve over the past years. Moreover not a single district of UP could find place in the top 50 scoring districts of UP showing abysmal performance of the state at district level.

In June 2015 CRISIL released third volume of the report containing CRISIL Inclusix score for the fiscal 2013 for 652 districts of India. In this report the contribution of microfinance institutions (MFIs) was also included for the first time in the measurement of CRISIL Inclusix scores. According to this report CRISIL Inclusix score for the country at the end of March 2013 was 50.1 (attributed mainly to high deposit and branch penetration) indicating increased level of financial inclusion. In spite of the better performance of the eastern, northern and north-eastern region southern region continued to retain its throughout leadership with an overall score of 76 and DP, BP and CP score of 83.1, 69.7 and 88.7 respectively. At the state level also south maintained its leadership as six out of top 10 states were from south. Though some states such as Jammu & Kashmir, West Bengal, Madhya Pradesh and Mizoram could rise to above-average level from below-average level of financial inclusion, UP again disappointed with a CRISIL Inclusix below-average level score of 40.1. In the list of state wise CRISIL Inclusix score for 35 states of India, Uttar Pradesh was ranked 26th, 10th from bottom. At district level also southern cities outperformed others by securing 45 slots among top 50 districts. Ironically in the list of top 50 districts in terms of CRISIL Inclusix score in 2013 also, not a single district of Uttar Pradesh could secure place.

CRISIL reports, thus, highlighted the extent of Financial Exclusion prevailing in India and Uttar Pradesh with the only exception of southern parts of the country.

CONCLUSION:

This study reveals that economic performance of Uttar Pradesh has been sluggish in comparison to many states of India. Financial Exclusion, inter alia, can be held accountable a root cause of this problem. The study done so far intended to develop an understanding of the concept of Financial Inclusion. It also revealed that various formal and informal sources such as SHGs, NGOs, NBFCs, and various Banks are the potential agencies responsible for attainment of Financial Inclusion. Studies world over reveal that Financial Inclusion is a remedy for poverty alleviation and it lowers income inequality as well. Same is true for India also. Various researches have unleashed the status of Financial Inclusion in India and UP particularly. Most of them disclose that India ranks low among various countries of the world as far as Financial Inclusion is concerned. Within India, UP is also lagging behind most of the states. Studies confirm that in Uttar Pradesh extent of Financial Exclusion is high and Uttar Pradesh ranks low in the Financial Inclusion Index. This adversity can be turned into an opportunity by various micro finance service providers by foraying into an underserved market. Further empirical researches should be done by the researchers to identify the causes of low level of Financial Inclusion and policies to counter Financial Exclusion can be proposed accordingly.

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