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Odisha's Financial Inclusion: A District-By-District Analysis

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Abstract

The benefits of development are restricted to a tiny segment of the population unless growth is inclusive. If the common Indian wants to benefit from numerous government measures, financial inclusion is crucial. The government's emphasis has switched in recent years from promoting Fantastic India to creating Inclusive India. The study makes an effort to take a comprehensive look at the level of financial inclusion across all of Odisha's districts. In the current study, two variables—the number of branches and the number of bank accounts—are used to analyse the financial inclusion of Odisha at the district level for the years 2010 to 2020. The variables selected capture, at least generally, the distribution of the banking industry and, consequently, the degree of inclusion or absence. While a deposit account demonstrates the use and accessibility of banking, the distribution of branch locations indicates the depth of financial penetration. The Index of Financial Inclusion (IFI), a composite index, is then created by building individual indices for each component. For comparison, this is done for the years 2010 through 2020. The study makes it possible to classify the entire sample area into financial districts of various levels, including advanced, medium, and poor. There is no indication of a tendency for the discrepancy between districts with regard to financial inclusion to be decreasing, according to an econometric analysis of financial inclusion among districts over the research period. There is some hope in the new approach.

Keywords: Financial inclusion, PMJDY, IFI

INTRODUCTION

The success of the Indian economy in terms of economic growth since the adoption of liberalisation is noteworthy. Nonetheless, there is still insufficient cause for satisfaction given that a sizable portion of the population does not profit from the stupendous growth India saw. As a result, the government's emphasis has switched in recent years from promoting Amazing India to creating Inclusive India. To alleviate poverty and other social and economic inequalities and to maintain economic growth, inclusive growth must be realised. In response, the Planning Commission included an explicit goal for inclusive growth in the Eleventh Five Year Plan (2007-2012). The success of the Indian economy in terms of economic growth since the adoption of liberalization is noteworthy. Nonetheless, there is still insufficient cause for satisfaction given that a sizable portion of the population does not profit from the stupendous growth India saw. As a result, the government's emphasis has switched in recent years from promoting Amazing India to creating Inclusive India. To alleviate poverty and other social and economic inequalities and to maintain economic growth, inclusive growth must be realized. In response, the Planning Commission included an explicit goal for inclusive growth in the Eleventh Five Year Plan (2007-2012).

The RBI has led the Indian banking industry's recent efforts to address the problem of financial inclusion. But, it's not entirely a novel exercise. In prior decades, financial inclusion was envisioned and included into Indian credit regulations. By financial inclusion, we generally mean providing banking services to large segments of economically disadvantaged and low-income groups at a reasonable cost. According to the Rangarajan Committee, "financial inclusion is the process of ensuring that vulnerable groups, such as weaker portions and low income groups, have access to financial services and timely, adequate credit when needed at an affordable cost." Financial inclusion, in the opinion of Indian President Pranab Mukherjee, is a crucial factor in determining inclusive and sustainable growth.

The Pradhan Mantri Jan Dhan Yojana (PMJDY), which was introduced on August 28, 2014, and saw the opening of 1.5 crore bank accounts on that day, is the most significant step towards financial inclusion. This demonstrates the government's increased efforts to make financial inclusion a top priority in order to improve lives, lower risks, and involve a larger segment of the people in the process of economic growth. Up to November 5th, 2014, about 7 crore accounts had been opened, or one bank account every 12 seconds. As of December 9, 2015, 166.7 million Rupay debit cards had been issued under PMJDY, and 195.2 million accounts had been established. As of June 27, 2018, the scheme had resulted in the opening of over 318 million bank accounts and the deposit of over 792 billion rupees ($12 billion). A total of 41.75 crore accounts have been opened under PMJDY as of January 27, 2021, of which 35.96 crore accounts are active. The goals of the Financial Inclusion Plan (FIP), which is being led by the RBI and PMJDY, are compatible with one another.

The government of India launched three social security and insurance programmes in May 2015: Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Surakshya Bima Yojana (PMSBY), and Atal Pension Yojana (APY). These programmes aim to further strengthen the country's financial inclusion efforts and increase the penetration of insurance and pension coverage. 92.6 million beneficiaries had signed up for the PMSBY as of December 16, 2015, while 29.2 million had signed up for the PMJJBY. Moreover, 1.3 million account holders have signed up for APY. 5.92 crore people are enrolled in PMJJBY as of March 31, 2019, 15.47 crore people are registered in PMSBY, and 2.2 crore people are enrolled in APY as of March 31, 2020.

REVIEW OF LITERATURE

1. Dr. Rangarajan Committee on Financial Inclusion(2008) states that , "Financial Inclusion may be defined as the process of ensuring access to financial services timely and adequate credit where needed by vulnerable group such as weaker sections and low income groups at an affordable cost." The full spectrum of savings, loans, insurance, credit, payments, etc. are all included in the financial services.
2. Sharma, Ruchi (2017) analyses The State Punjab's inter-district approach to financial inclusion. The study computes FII using a three-dimensional index that accounts for banking penetration, bank accessibility, and bank usage.
3. Chaudhry, Archna (2017). An inter-district analysis of Haryana's financial inclusion is discussed ,The study considers three variables for the years 2006 and 2016: the number of offices, total savings, and loan amount. The study uses IFI data collected by UNDP to track the expansion of financial services across Odisha's districts.
4. Le, Chuc, et al. (2019) look into how financial inclusion affects financial sustainability and efficiency across 31 Asian nations. The authors find that financial inclusion has a mixed effect on financial sustainability and financial efficiency.

5. Abubakar et al. (2020), one of the variables promoting growth in emerging nations is financial inclusion. They claim that if financial inclusion increased more quickly than population growth, Nigeria's economic growth would be significantly accelerated. Ouechtati (2020) empirically studies the impact of financial inclusion on poverty and income inequality using a sample of 53 developing nations from 2004 to 2017. Through expanding credit availability and access to deposit accounts at commercial banks, the author finds proof that financial inclusion helps to reduce poverty and income disparity. Across 116 developing nations in the continents of Asia, Africa, Latin America, and the Caribbean, Omar and Inaba (2020) discover comparable findings.

OBJECTIVES

The study has three main goals as its objective.

1. To draw attention to Odisha's current financial inclusion situation.
2. To determine the variation in financial inclusion indices across all of Odisha's districts.
3. To comprehend Odisha's financial inclusion's reach and coverage.
4. To research the Financial Inclusion inter-district analysis

INVENTORY AND METHODOLOGY

The information used to analyse the district-level financial inclusion indices in Odisha is secondary in nature. The RBI Bulletin, the Basic Statistical Return of the RBI, and the Census Report served as the foundational data sources for this study. All of the districts in Odisha have had data collected about them. On the webpage at http://www.india.gov.in/sitemap.php#, the state district areas are retrieved. The population statistics come from the 2001 and 2011 censuses. Data on the number of branches and deposit accounts broken down by district are sourced from BSR.

The following method can be used to determine the various financial inclusion indices, including the number of deposit accounts per 1,000 people, branches per 1,000 square km, and branches per lakh people.

$$\text{INDEX} = \frac{Actual\ Value - Minimum\ Value}{Maxmimum\ Value - Minimum\ Value}$$

The Dimension Index is another name for this metric.

The normalised inverse Euclidian distance of the point (D1, D2, D3) from the ideal point (1, 1, 1) is used to calculate the Index of Financial Inclusion. Algebraically,

$$\text{IFI} = 1- \frac{\{\sqrt{(1-D1)^2+(1-D2)^2+(1-D3)^2}\}}{\sqrt{n}}$$

Where,

D1 is the index of deposit accounts per 1,000 people.

D2 is Index of branches per 100,000 people

D3 is an indicator of the number of branches per 1,000 square km.

n = 3*

States and districts are divided into three categories based on the values of IFI, namely:

1. High financial inclusion, IFI score of 0.5
2. IFI at 0.3 and medium financial inclusion at 0.5
3. Low financial inclusion (IFI score of 0.3).

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We calculate the coefficient of variation for each distribution in order to compare the variability of two distributions.

A series with a higher CV is considered to be more heterogeneous or variable than the other, and a distribution with a smaller CV is likely to be more homogenous, uniform, or less variable than the other.

FINANCIAL INCLUSION INDEX

The financial inclusion index gauges how diverse a nation's financial industry is.

Financial inclusion considers how exposed the typical person is to the financial sector of the economy, particularly in comparison to the banking sector. For such inclusion, adequate access to banking services is necessary. As a result, the availability and utilisation of banking services as well as the distribution of banks serve as crucial criteria for inclusiveness.

The current study aims to create a composite index of financial inclusion by considering three indices, including the number of deposit accounts per 1,000 people, branches per 1,000 square km, and branches per one lakh people for all of Odisha's districts from 2010 to 2020.

TABLE: (FINANCIAL INCLUSION INDEX FOR ALL DISTRICTS OF ODISHA FOR THE PERIOD 2010 TO 2020)

DISTRICTS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ANUGUL	0.28	0.27	0.28	0.29	0.32	0.31	0.29	0.29	0.29	0.30	0.28
BOUDH	0.07	0.08	0.08	0.09	0.09	0.08	0.09	0.08	0.09	0.09	0.09
BOLANGIR	0.16	0.16	0.16	0.16	0.15	0.17	0.17	0.17	0.16	0.15	0.15
BARGARH	0.18	0.18	0.17	0.19	0.20	0.19	0.20	0.20	0.19	0.19	0.20
BALESWAR	0.18	0.18	0.18	0.18	0.18	0.18	0.17	0.19	0.19	0.18	0.19
BHADRAK	0.30	0.28	0.29	0.29	0.30	0.31	0.30	0.29	0.30	0.31	0.31
CUTTACK	0.51	0.50	0.51	0.44	0.46	0.46	0.47	0.52	0.52	0.51	0.50
DEOGARH	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.21	0.22	0.21
DHENKANAL	0.17	0.17	0.18	0.19	0.18	0.17	0.18	0.17	0.17	0.18	0.19
GANJAM	0.36	0.35	0.35	0.35	0.35	0.35	0.35	0.34	0.34	0.35	0.34
GAJAPATI	0.17	0.17	0.18	0.18	0.18	0.18	0.18	0.19	0.19	0.19	0.19
JHARSUGUDA	0.37	0.36	0.36	0.37	0.37	0.37	0.39	0.38	0.38	0.39	0.37
JAJPUR	0.31	0.30	0.30	0.30	0.31	0.31	0.32	0.32	0.30	0.31	0.31
JAGATSINGHPUR	0.43	0.44	0.44	0.44	0.45	0.45	0.47	0.46	0.45	0.46	0.45
KHURDA	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	1	1	1
KEONJHAR	0.28	0.28	0.29	0.29	0.30	0.28	0.28	0.29	0.28	0.28	0.29
KALAHANDI	0.14	0.13	0.14	0.15	0.14	0.14	0.14	0.14	0.13	0.13	0.12
KANDHAMAL	0.16	0.16	0.16	0.16	0.16	0.15	0.15	0.15	0.15	0.14	0.15
KORAPUT	0.23	0.22	0.22	0.23	0.23	0.22	0.22	0.21	0.21	0.23	0.23
KENDRAPARA	0.25	0.25	0.24	0.27	0.28	0.26	0.28	0.26	0.26	0.25	0.25
MALKANGIRI	0.03	0.03	0.03	0.02	0.04	0.04	0.05	0.05	0.06	0.05	0.06
MAYURBHANJ	0.24	0.25	0.25	0.25	0.26	0.26	0.24	0.24	0.24	0.25	0.25
NABARANGAPUR	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.01	0.01
NUAPADA	0.13	0.12	0.13	0.13	0.12	0.13	0.12	0.13	0.12	0.12	0.13
NAYAGARH	0.20	0.20	0.20	0.21	0.21	0.23	0.23	0.22	0.23	0.22	0.23
PURI	0.35	0.35	0.36	0.36	0.36	0.36	0.37	0.37	0.38	0.39	0.40
RAYAGADA	0.23	0.22	0.22	0.21	0.21	0.20	0.23	0.23	0.22	0.21	0.21
SAMBALPUR	0.36	0.35	0.38	0.37	0.38	0.39	0.36	0.37	0.38	0.39	0.37
SUBARNAPUR	0.16	0.16	0.18	0.19	0.20	0.18	0.18	0.17	0.19	0.17	0.17

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SUNDERGARH	0.29	0.29	0.30	0.30	0.31	0.31	0.32	0.30	0.30	0.30	0.29
AVERAGE	0.257333	0.254333	0.258667	0.259667	0.264	0.262333	0.264667	0.264	0.265	0.265	0.264667
CV	64.12	61.32	61.58	64.23	64.25	68.23	6825	70.56	68.79	70.60	71.25

Index derived from Districts of Odisha data, Reserve bank of India, Basic Statistical Return (for various years).

The composite indicator of financial inclusion for all of Odisha's districts from 2010 to 2020 is shown in the above table. From the table, it can be seen that some Districts fall into the category of High level financial inclusion, while some are in the category of Medium level financial inclusion, and the other Districts fall into the category of Low level financial inclusion. Khurda has consistently been classified as having a high level of financial inclusion during the time period under investigation.

CONCLUSION

According to the findings of the current article, there has been no appreciable change in the performance of districts in relation to the metrics examined. No discernible difference in the performance of districts is seen across nearly all metrics. The analysis also reveals that the performance of the districts in relation to the IFI has not significantly changed over the study period. Districts have demonstrated stability in their position, i.e., High Level Financial Inclusion Districts stay at the High Level, Medium Level Financial Inclusion Districts stay at the Medium Level, and Low Level Financial Inclusion Districts stay at the Low Level.

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