



# Financial Inclusion And Poverty Alleviation: An Analytical Study With Special Reference To Assam

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## Abstract

Poverty alleviation is a key objective for many countries. At the beginning of the new millennium, 260 million people in the country did not have incomes to access a consumption basket which defines the poverty line. Of these, 75 per cent were in the rural areas. India is home to 22 per cent of the world's poor. 22 % Indian population live below poverty line whereas 32 % population lives below poverty line in Assam (Economic Survey of Assam, 2013-14). Such a high incidence of poverty is a matter of concern in view of the fact that poverty alleviation has been one of the major objectives in the 21st century. Financial inclusion can serve the purpose to a greater extent. Increasing access of financial services to deprived section of society is the main motto of Financial Inclusion in India. A major section of rural population is deprived of financial access in the form of bank accounts, financial advice, financial services etc. According to census 2011, only 58.7 % of households are availing banking services in the country whereas the percentage of household availing in Assam is only 44.1%. The main problem is the provision of financial services to those living in poverty are excluded from the financial system. These people do not have income nor own a property and therefore, are unable to provide Bank guarantees, as a result of which they are generally forgotten by financial Institutions and Banks. The concept of Financial Inclusion has gained a lot of importance and momentum in this regard in the last decade.

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 (Rangarajan 2008). To make growth inclusive for all sections of the society, initiatives have been taken to make banking and other financial services easily accessible. The first such initiative was the Reserve Bank of India (RBI) policy statement of 2005-06 to achieve 100% financial Inclusion. One of the measures that followed the initial guideline directed commercial banks to open "no frills accounts", i. e, accounts requiring no minimum balance, aimed at the poor. Simplification of KYC norms, Introduction of

BC/BF model, Electronic Benefit Transfer (EBT), introduction of KCC/GCCs, Prime Minister Jan Dhan Yojana, Jan Suraksha Bima Yojana are the important initiatives undertaken by the Government of India. Over the years, along with SCBs, RRBs, Co-operative Banks and Societies, Post Offices and Insurance companies have also played an important role in meeting the financial needs of the people.

In this paper an attempt is made to explore the available statistics to investigate the level of financial inclusion or access at the household level in Assam from three different aspects- availability of financial services at village level (physical access), access of households to bank accounts and utilization of financial resources and services by households from formal system.

The study is a desk study based on secondary sources of data. The scope of study is the state of Assam. Available up-to-date data have been used. They include Basic Statistical Returns of SCBs, Various reports of RBI, NSSO, All India Debt and Investment Survey (AIDIS), Economic Survey of Assam etc.

The study found that Assam and especially rural Assam has performed poorly in all three dimensions of financial inclusion- availability, accessibility and usage of financial services. In all the parameters, Assam has been much below the all India average. As far as district-wise banking parameters are concerned, the study indicated a wide variation in all the parameters. No district has performed well in all indicators. The survey data and statistics of banks and other institutions on various dimensions of financial inclusion while expose some significant aspects of the success of financial inclusion drive, when seen individually these fail to give a wholesome picture.

Lack of financial literacy is considered as one of the important hurdles in expanding the coverage of financial services to the marginalized sections of the society. Barriers to access both on demand side and supply side require to be removed to achieve greater financial inclusion. Instead of confining to the schemes recommended by the official committees, banks may adopt some innovative schemes for making financial inclusion more meaningful as well as successful.

Key Words- Poverty Line, poverty alleviation, financial inclusion, no frills accounts, financial literacy, marginalized sections.

## **Introduction**

At the beginning of the new millennium, 260 million people in the country did not have incomes to access a consumption basket which defines the poverty line. Of these, 75 per cent were in the rural areas. India is home to 22 per cent of the world's poor. 22 % Indian population live below poverty line whereas 32 % population lives below poverty line in Assam (Economic Survey of Assam 2013-14). Such a high incidence of poverty is a matter of concern in view of the fact that poverty alleviation has been one of the major objectives in the 21st century.

Financial inclusion is an important programme launched by UNDP for poverty reduction and inclusive development. It refers to the delivery of financial services at affordable cost to sections of disadvantaged and low income segments of society. Rangarajan (2008) defines financial inclusion 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.”

For the attainment of the objective of financial inclusion and inclusive growth, RBI aims at “connecting people” with the banking system through the formulation of KCC Scheme in 2001, introduction of no frills account in November 2005, issues of GCC Scheme in 2005, simplification of KYC norms, use of information technology, 100 percent financial inclusion drive, BC and BF model, Introduction of Jan Dhan Yojana, etc. Banks are performing well in this context but for attaining the objective of 100 percent financial inclusion, banking failed to made a household habit with the bank account in every household. This seems difficult in the light of the fact that even now a large chunk of population barely earns a livelihood.

Financial inclusion is the key to empowerment of poor, underprivileged and low skilled rural households. Financial inclusion can truly left the financial condition and improve the standards of lives of the poor and disadvantaged. Access to affordable financial services, especially credit, remittances and insurance enlarges livelihood opportunities through adoption of different economic activities. As a result rural households can earn greater return. Providing the poor with access to these crucial financial products, banks can unleash their entrepreneurial energy. With this background, in this paper an attempt has been made to analyze the Status of financial inclusion in Assam.

### **I Objective**

To study the extent of financial inclusion in Assam in terms of the availability, accessibility and usages of financial services.

### **II Methodology**

This paper is only based on secondary data collected from various journals and magazines such as Economic survey, RBI reports, NSSO reports (various rounds), All India Debt and Investment Survey, BSR of Scheduled Commercial Banks, NABARD reports, etc.

### **III Discussion**

#### **1. Financial Inclusion in Assam: Household Level Evidence**

As the focus of the study is to investigate the level of financial inclusion/ exclusion at household level, in this section, an attempt has been made to explore the three different aspects of financial inclusion - availability of financial services at village level (physical access), access of households to bank accounts and the utilization of financial resources and services by households from formal system and draw some conclusion on the status of financial inclusion/exclusion in the state on the basis of available supply side secondary data.

## 2. Availability of Financial Services at Village Level

The NSS 58<sup>th</sup> Round (2002) which included financial services for the first time as a part of village facility provides information on the availability of financial services at village level. Availability of financial services is taken in the survey in terms of (i) the presence of a bank in the vicinity, i.e., within the village, or, 2-5, or 5-10 or > 10 kilometres away from the village and (ii) the presence of co-operatives or SHG in the village. Bhavani and Bhanumurthy (2012) have defined the ease of availing financial services in three broad categories based on the distance of the location of a financial service provider – villages having a bank within or up to five kilometres as having easy access; villages having a bank within 5-10 kilometres as having moderate access and village having a bank branch more than 10 kilometres away as not having access to financial services. Information about physical access to financial services in selected states is presented in Table 1

Table 1 shows that as per the categorization of financial access (in the sense of vicinity), only 34 per cent of the sample villages in rural Assam have easy financial access in the sense of having a bank branch within the village or within five kilometres. Around 27 per cent of villages have moderate access to financial services, as a bank branch is located within 5-10 kilometres of the village. Around two-fifth (39 per cent) of the sample villages do not have financial access as these villages do not have bank branch within a distance of 10 kilometres. Table 1 also indicates that around 38 per cent of the sample villages in Assam have either a co-operative society or a SHG or both. At the all-India level the corresponding figures of sample villages having easy financial access, moderate access and no access are around 52 per cent, 24 per cent and 23 per cent respectively.

About 54 per cent of the sample villages in India have either a cooperative society or a SHG or both. The analysis indicates that the physical access to financial services in Assam is much below the all-India average.

**Table 1: Physical Access to Financial Services of few Selected States in 2002(% villages)**

States	Easy access	Moderate Access	Not Accessible	With Co.soc	With SHGs	Co. Soc and SHG
Andhra Pradesh	38.5	24.5	36.8	42.4	74.0	40.7
Assam	33.8	26.8	39.2	19.7	17.7	8.8
Bihar	50.1	29.8	20.2	12.8	5.4	2.2
Chhattisgarh	34.9	25.0	40.1	39.9	27.6	11.6
Gujarat	29.4	20.6	45.8	48.1	13.4	10.4
Jharkhand	39.3	33.4	27.2	4.6	4.8	1.3
Kerala	92.8	6.0	0.7	85.9	80.0	69.3
Maharashtra	50.3	25.5	24.1	57.3	43.1	35.7
Orissa	30.6	24.2	45.2	7.9	10.6	1.9
Punjab	87.3	12.7	-	50.7	7.8	6.7
Rajasthan	46.9	30.9	22.2	30.1	12.4	7.0
Tamil Nadu	72.1	12.5	15.5	53.8	69.7	45.2
Uttaranchal	35.8	34.0	30.2	13.5	2.5	1.3
West Bengal	64.0	21.6	14.4	38.5	23.2	13.7
All India	51.9	23.6	23.2	30.2	24.0	13.7

Source: NSS 58<sup>th</sup> Round Unit-level data

Note: 1/Notes: 1. Easy access refers to the presence of a bank within the village or within 5 km;

2. Moderate access refers to the presence of a bank within 5—10 km from the village;

3. Not accessible refers to villages not having a bank within 10 km;

4. Co. soc =cooperative society; 5. SHG = self-help group

Table 1 also indicates that states like Kerala, Punjab and Tamil Nadu stand at the top end of the physical access scale, whereas Assam and states like Bihar, Chhattisgarh, Gujarat, Jharkhand, Orissa, Rajasthan and Uttaranchal have limited financial access, as less than 50 per cent of villages in these states do not have bank in the vicinity and a small percentage of villages have a cooperative society or SHG. There is a need for improving the financial access in these states.

### 3. Use of Banking Services: Financial Access at the Household Level

Since 2001, the Census of India started collecting information on the households' use of banking services. According to the Census, a household is considered to be availing banking services if the head and/ or any other member in the household are holding any type of account provided by bank or post office. Table 2 indicates the households' access to banking services in 2001 and 2011 in Assam whereas, Table 3 shows Proportion of Household having bank a/c, post office a/c, other a/c and KCC for each state and Table 4 shows the district-wise distribution of households' access to banking services in 2011, separately for the rural and urban areas.

**Table 2: Households Availing Banking Services in India & Assam (in per cent)**

Census 2001			Census 2011	
	India	Assam	India	Assam
Rural	30.1	15.0	54.4	38.3
Urban	49.5	53.3	67.8	75.2
Total	35.5	20.5	58.7	44.1

Source: Census of India, 2001 and 2011, H-Series.

**Table 3: Proportion of House hold having bank a/c, post office a/c, other a/c and KCC for each state (Per cent of households)**

State	Bank A/C		Post Office A/C		Other A/C		KCC	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	75.1	81.8	22.8	13.4	29.7	25.1	0.6	0.3
Assam	58.6	78.9	19.3	18.2	6.7	10.1	2.7	0.5
Bihar	42.1	65.4	7.1	11.6	1.9	2.2	3.9	0.5
Chattisgarh	60.6	63.9	21.1	8.7	1.8	1.8	13.0	2.6
Gujarat	76.5	78.5	11.9	9.3	0.5	.5	5.5	0.9
Jharkhand	49.8	72.8	15.0	12.8	1.8	5.6	7.1	0.4
Kerala	89.8	90.6	28.6	25.9	38.9	28.1	1.0	0.4
Maharastra	76.3	87.7	10.8	9.6	9.7	7.7	3.4	0.4
Orissa	59.5	74.4	11.3	15.7	6.4	16.9	5.2	0.5
Punjab	78.1	78.4	10.1	11.6	2.0	8.6	5.0	0.3
Rajasthan	77.3	73.9	18.5	14.8	12.2	16.6	18.0	2.1
Tamil Nadu	77.1	79.4	15.6	13.9	11.0	12.0	0.3	0.3
Uttaranchal	79.4	83.4	22.1	20.0	0.4	1.1	19.6	0
West Bengal	53.6	73.9	22.7	21.9	18.7	22.8	4.1	0.3
All India	68.8	79.5	14.0	12.4	9.2	10.8	7.1	0.7

Source: NSS KI (70/18.2) Key Indicators of Debt and Investment in India.A-2 (2014)

Table 3 reveals that although Assam has recorded significant improvement in the percentage of households availing banking services during the period, 2001-2011, the improvement is more commendable in rural Assam. The percentage of households availing banking services in Assam in 2011 increases to 44 per cent

from a decade old figure of just over 20 per cent. Similarly, the percentage of rural and urban households availing banking services in 2011 stood at 38.3 per cent and 75.2 per cent respectively, which is significantly higher than the respective 2001 figures of 15.0 per cent and 53.3 per cent. Despite the significant growth, the position of Assam is far from being satisfactory (56 per cent of households did not have bank account in the year 2011), if seen in all-India context, only three states, namely, Manipur, Nagaland and Meghalaya, all from North East, have the lower percentage of households availing banking services in 2011 (Census, 2011). Table 4 reveals that the number of households availing banking services varies widely across the districts. Kamrup Metro, Hailakandi, Bongaigaon, Jorhat and Nalbari top the list with half of their households having a bank account, both in rural and urban areas. Dibrugarh, Dima Hasao, Sivasagar, Golaghat, Tinsukia, Lakhimpur, Kamrup and Morigaon are districts which have a higher percentage of households with a bank account compared with all-Assam average, of which all, but Dima Hasao, also have a higher percentage of rural households having bank account than all-Assam figure. Dhubri, Goalpara, Kokrajhar and Dhemaji are the bottom-five in terms of both total households and rural households availing banking services.

**Table-4 District-wise distribution of households' access to banking services in 2011**

District	Rural		Urban		Total	
	%	Rank	%	Rank	%	Rank
Baksa	33.3	22	58.2	25	33.3	25
Barpeta	33.4	21	70.7	18	36.9	21
Bongaigaon	54.3	3	81.6	3	58.9	3
Cachar	35.0	17	66.9	22	41.0	15
Chirang	34.8	18	62.7	24	36.9	20
Darrang	34.5	19	64.1	23	36.5	22
Dhemaji	32.7	23	69.0	19	35.7	23
Dhubri	19.3	27	56.8	26	23.3	27
Dibrugarh	46.2	8	80.4	5	53.0	6
Dima Hasao	37.2	13	82.5	2	51.3	7
Goalpara	30.0	26	52.7	27	33.3	26
Golaghat	47.2	7	77.6	9	50.2	9
Hailakandi	69.7	1	78.0	8	70.3	2
Jorhat	49.9	5	78.4	6	56.2	4
Kamrup	42.9	10	66.9	21	45.4	12
Kamrup Metro	58.4	2	83.7	1	80.0	1
Karbi Anglong	36.7	14	73.3	16	41.7	14
Karimganj	33.5	20	75.4	14	37.5	18
Kokrajhar	30.4	25	80.9	4	33.7	24
Lakhimpur	43.9	9	76.8	10	47.4	11
Morigaon	42.1	11	76.3	12	45.1	13
Nagaon	32.3	24	70.7	17	37.8	17
Nalbari	53.2	4	76.2	13	55.8	5
Sivasagar	48.0	6	76.4	11	51.0	8
Sonitpur	36.3	15	78.1	7	40.7	16
Tinsukia	41.6	12	75.4	15	49.0	10

Udalguri	35.3	16	68.9	20	37.0	19
All Assam	38.3		75.2		44.1	

Source: Census of India, 2011, HH-Series.

Table 4 also indicates the wide-spread rural-urban disparities in availing banking services, both at the state level and district level. While more than three-fourth urban households have a bank account, less than two-fifth rural households hold a bank account in Assam. Barpeta, Dhemaji, Dhubri, Dima Hasao, Karbi Anglong, Karimganj, Kokrajhar, Nagaon and Sonitpur have significant rural-urban disparities in availing banking services with the percentage of urban households having a bank account being double than that of rural households. Only in the case of Hailakandi, there is less than 10 per cent difference between the rural and urban areas in terms of the percentage of households having a bank account.

#### 4. Usage of the Financial Services

The uses of financial system by households is studied based on the unit-level data of the All India Debt and Investment Survey (AIDIS). The survey, which is conducted on a decadal basis, provides information on the pattern of households' indebtedness (credit side).

#### 5. Incidence of Indebtedness (IOI)

According to NSSO, a household is considered as indebted if the household had any cash loan outstanding as on the reference date irrespective of its amount. Figures of IOI have been taken only for the last four surveys as the survey for urban areas was not conducted during NSSO 26th round (1971). The estimates of IOI obtained from the last four All India Debt and Investment Survey are presented in Table 5 for both rural and urban areas of the major states. The Table 5 shows that the IOI increased marginally during the period from 1981 to 2012 in Assam and the IOI for rural and urban areas of Assam in 2012 stood at 10 per cent and 17 per cent respectively which were far below the all-India figures of 31 per cent and 22 per cent. Bihar, Haryana, Madhya Pradesh and West Bangle have lower IOI than Assam in 2012 in urban areas whereas IOI is lowest in Assam in rural areas.

**Table 5: Incidence of Indebtedness (IOI) of Households across Major States (%)**

State	Rural				Urban			
	1981 (37 <sup>th</sup> )	1991 (48 <sup>th</sup> )	2002 (59 <sup>th</sup> )	2012 (70 <sup>th</sup> )	1981 (37 <sup>th</sup> )	1991 (48 <sup>th</sup> )	2002 (59 <sup>th</sup> )	2012 (70 <sup>th</sup> )
Andhra Pradesh	26	35	42	54	23	31	30	39
Assam	5	6	8	10	4	6	6	17
Bihar	13	16	22	29	9	8	10	13
Delhi	-	-	-	3	13	18	2	6
Gujarat	19	17	28	26	15	22	21	19
Haryana	11	28	27	24	8	10	16	12
Himachal Pradesh	12	22	15	26	7	16	10	22
Jammu&Kashmir	9	14	4	13	7	9	5	21
Karnataka	24	28	31	46	18	20	19	26
Kerala	28	31	39	49	30	32	37	47
Madhya Pradesh	21	21	26	25	15	14	18	15
Maharashtra	22	22	28	31	21	21	16	19
Orissa	20	23	26	26	12	15	19	19
Punjab	20	25	26	33	13	14	13	18

Rajasthan	25	30	34	37	15	14	17	22
Tamil Nadu	29	30	31	40	26	25	26	35
Uttar Pradesh	18	19	23	29	13	14	13	19
West Bengal	18	26	22	24	17	17	17	15
All India	20	23	27	31	17	19	18	22

Source: NSS KI (70/18.2) Key Indicators of Debt and Investment in India.A-2 (2014)

## 6. Institutional Credit in Total Cash Debt

The share of institutional debt contracted by the rural and urban households in major states which is presented in Table-7 indicates that during the period from 1981 to 2002, the states do not reveal any uniform pattern in the share of institutional agencies in total debt. Compared to 1991, the picture had changed in some of the major states. Among all the major states in the rural areas, only Himachal Pradesh and Maharashtra have shown an increase in the share of institutional agencies. On the other hand, 13 major states out of 21 had registered a rise in the share in the urban areas.

Table 7 shows that in the rural areas, the share of institutional credit agencies in the outstanding cash dues of the rural households in Assam increased sharply from 31 per cent in 1981 to 66 per cent in 1991. During the following decade, the share declined by about 8 percentage points and reached at 58 per cent in 2002. At all-India level, the share percentage increased from 29 per cent in 1971 to 64 per cent in 1991 before coming down to 57 per cent in 2002. On the other hand, ever since 1981, the institutional agencies made a steady inroad in the debt amount of urban households at all-India level whereas the same was not consistent in Assam. The institutional share in the urban household debt in Assam, which was 77 per cent in 1981, rose to 97 per cent in 1991 and, then came down to 83 per cent in 2002. Except 1981, that too only for rural households, the share of institutional agencies in outstanding cash debt in Assam has been consistently higher than all-India share.

**Table 6: Share of Institutional Agencies in Outstanding Cash Debt of Major States in Rural and Urban Areas (%)**

State	Rural			Urban		
	1981 (37 <sup>th</sup> )	1991 (48 <sup>th</sup> )	2002 (59 <sup>th</sup> )	1981 (37 <sup>th</sup> )	1991 (48 <sup>th</sup> )	2002 (59 <sup>th</sup> )
Andhra Pradesh	41	34	27	26	53	60
Assam	31	66	58	77	97	83
Bihar	47	73	37	61	67	65
Delhi	-	-	-	64	89	74
Gujarat	70	75	67	86	59	74
Haryana	76	73	50	66	81	56
Himachal Pradesh	75	62	74	62	85	97
Jammu&Kashmir	44	76	73	75	62	97
Karnataka	78	78	67	54	85	83
Kerala	79	92	81	77	75	83
Madhya Pradesh	66	73	59	72	70	84
Maharashtra	86	82	85	65	78	91
Orissa	81	80	74	83	83	93
Punjab	74	79	56	61	59	76
Rajasthan	41	40	34	47	78	52
Tamil Nadu	44	58	47	56	71	59



Uttar Pradesh	55	69	56	59	65	58
West Bengal	66	82	68	55	74	75
All India	61	64	57	60	72	75

Source: NSS 59<sup>th</sup> Round, Report No.501, p.A-146, A-189. NSS KI (70/18.2) Key Indicators of Debt and Investment in India.A-2 (2014)

The analysis of Table-6 and Table-7 indicate that although Assam has recorded considerably low IOI, it has done reasonably well in terms of the share of institutional agencies in outstanding cash debt in rural and urban areas.

### 7. State-wise Incidence of Indebtedness (IOI) and Average Amount of Debt per Household (AOD) in 2012

Table 7 reveals that among the states in rural India, in 2012, the highest IOI was noticed in Andhra Pradesh (54%), followed by Kerala (49%), Karnataka (46), Tamil Nadu(40%) and Rajasthan (37%) whereas states like Jammu & Kashmir (13%), Assam (10%) and Delhi (3%) were found to report very low IOI. Similarly, in the urban sector, the extent of indebtedness was found to be the highest in Kerala (47%) followed by Andhra Pradesh (39%), Tamil Nadu (35%) and Karnataka (26%). Delhi (6%) along with Bihar (13%), Madhya Pradesh (15%), West Bengal (15%) and Assam (17%) were found to have very low IOI. It has seen that Assam was among the bottom three states with very low IOI in both, rural and urban sector.

**Table-7: State-wise and region-wise Incidence of Indebtedness (IOI) and Average amount of Debt per Households (AOD) as on 30.06.2013**

State	Rural		Urban	
	%	AOD(Rs.)	%	AOD(Rs)
Andhra Pradesh	54	58263	39	106289
Assam	10	5256	17	36777
Bihar	29	16405	13	21916
Delhi	3	4633	6	33130
Gujarat	26	25536	19	71618
Haryana	24	46013	12	116478
Himachal Pradesh	26	46818	22	112598
Jammu&Kashmir	13	12741	21	87089
Karnataka	46	51375	26	88822
Kerala	49	147402	47	174320
Madhya Pradesh	25	21294	15	56894
Maharashtra	31	33893	19	99428
Orissa	26	13643	19	115598
Punjab	33	64548	18	48818
Rajasthan	37	47397	22	54107
Tamil Nadu	40	45803	35	116404
Uttar Pradesh	29	22199	19	87038
West Bengal	24	11253	15	34279
All India	31	32522	22	84625

Source: NSS KI (70/18.2) Key Indicators of Debt and Investment in India.A-2 (2014)

## 8. Incidence of Indebtedness: Institutional and Non-Institutional Credit in 2012

Table 8 shows that the IOI among rural households of Assam in 2002 stood at 7.5 per cent which was far below the all-India figures of 26.5 per cent. In 2012 it has increased to 10.1 percent in Assam as against 30 percent in all India level. In Assam, only 1.6 per cent rural households were found to be indebted to institutional agencies as against the all-India figure of 13.4 per cent. However, the share of institutional agencies in terms of percentage of amount of cash loans outstanding in rural areas (rural credit) in Assam and India were 57.9 per cent and 84.6 per cent respectively.

**Table-8: Credit-Agency wise IOI and Distribution of Amount of Cash Loans Outstanding (2002)**

Agency	Assam		All-India	
	IOI	% of cash loan	IOI	% of cash loan
Institutional Agencies	1.6	57.9	13.4	84.6
Government	0.3	15.4	0.8	1.8
Co-operative Society/bank	0.2	5.2	6.9	18.0
Commercial Bank including RRBs	0.6	23.1	5.7	57.1
Insurance	0.0	0.1	0.1	1.6
Provident Fund	0.4	7.3	0.1	0.3
Other institutional agencies*	0.1	6.9	0.5	5.8
Non institutional agencies	5.9	42.1	15.5	15.4
Landlord	0.0	0.2	0.4	0.1
Money lenders	2.0	26.2	10.2	0.0
Agricultural money lenders	0.3	2.4	3.3	0.1
Professional Money lenders	1.7	23.8	6.9	10.5
Traders and Commission Agents	0.4	1.4	0.9	0.0
Relatives and Friends	3.3	12.4	3.7	4.2
Others	0.3	1.9	1.0	0.5
Total	7.5	100	26.5	100

Source: NSS KI (70/18.2) Key Indicators of Debt and Investment in India.A-2 (2014), NSS 59<sup>th</sup> Round, Report No.501, p.A-146, A-189.

Note- \*: includes financial corporation/institution, financial company and other institutional agencies.

Similarly, the indebtedness to non-institutional agencies in rural Assam in 2002 was 5.9 per cent whereas the same figure at all-India level was 15.5 per cent. In rural Assam, among all credit agencies, the IOI was the highest through relatives and friends followed by moneylenders (2%), commercial banks including RRBs (0.6%). At all- India level, the incidence of indebtedness was highest from moneylenders (10.2%) followed by co-operative society/bank (6.9%) and commercial bank including RRBs (5.7%). Table-8 indicates that still moneylenders are the most important agencies for rural credit in terms of percentage of households in both Assam and India.

It has seen from the above analysis that Assam has performed poorly in all three dimensions of financial inclusion – availability, accessibility and usage. In all the parameters, Assam has been much below the all-India average. Household level evidences clearly indicate that the level of financial inclusion in Assam particularly in rural areas has been traditionally low and the situation has not improved even now.

#### IV. Availability of Banking System in Assam

The banking system is a significant component of financial system and most of the definitions describe financial inclusion in terms of banking services. Therefore, in this section an attempt is made to study the availability of the banking services in Assam to its users.

Before 1949 there were only ten commercial bank branches in the entire North East - eight of them were in Assam and two in present day Meghalaya. The oldest were the State Bank of India branches in Dibrugarh and Shillong, established in 1922 and 1923 respectively. SBI's third branch was set up after independence at Tezpur in 1953 (RBI 2013).

During the period 1949-69, the commercial bank branches in the North East increased from 10 to 94 i.e. an annual average growth rate of 4.2%. On the other hand, during the period 1952-69, the commercial bank branches in India increased from 2689 to 8187, the annual average growth rate being 12.03%. At the time of bank nationalization in 1969, the commercial banks served comparatively smaller populations per branch in developed States like Gujarat (31000), Maharashtra (41,000), and Punjab (35,000) as compared to N.E. States like Assam (1,98,000), Manipur (4,97,000) and Tripura (2,76,000).

After the nationalization of banks, there was a rapid increase of banking network in the North Eastern Region. From only 94 branches in 1969, the figure rose to 1867 in 1991 - an impressive average annual growth of 85.74%. Within North East, the concentration of growth was in Assam, 65.24% of all branches in the region being in the State. In recent years, the offices of RBI, NABARD, IDBI and SIDBI have also been established in Assam and this has speeded up the operation of banks in the State. Since 1969 the total number of bank branches in Assam has increased to 2053 in March 2014 in a phased manner. Commercial banks are the sole contributor in the increase. However, the number of bank branches in Assam at end March 2014 is just 1.61 percent of total bank branches (120965) in India.

#### V. Comparison of Banking Statistics in Assam and India

With the reference year of 2011 and 2014, an attempt has been made to find out the extent of financial inclusion in the context of banking services by analysis of three dimensions- availability, accessibility and usages of banking services. Table-9 presents the comparison of banking statistics of Assam and India both in the year of 2011 and 2014.

Table 9 indicates that in 2011 Assam has 1.69 percent of the total bank branches of India which reduces to 1.61 per cent in 2014, although total number of bank branches has increased from 1504 in 2011 to 2076 in 2014. The share in total deposits and credit has also reduced to 1.06 per cent and 0.50 percent from 1.09 per cent and 0.52 per cent in 2011. This shows that performance of banking is not better in Assam. The Average population per bank office (APPBO) of Assam is also higher than the all India figure indicating that a bank branch in Assam serve more population than in India. Again average area per bank office(AAPBO) in Assam is

also significantly higher than all India average. The poor performance in both these parameters indicate that the availability of banking services is low in Assam in comparison to India.

**Table-9: Comparison of Banking Statistics in Assam and India (2011&2014)**

Dimension	Particulars	Assam		India		Assam as % of India	
		2011	2014	2011	2014	2011	2014
	Population (in lakh)	312	312	12102	12102	2.58	2.58
	Area (Sq.Kms)	-	78438	-	3287240	-	2.39
Availability	SCBs (No)	1504	2076	89110	120965	1.69	1.61
	APPBO (No)	20724	15014	13581	10800	152.6	140.3
	BB per 100000 population	4.8	6.23	7.4	10	65.53	62.3
	AAPBO (Sq.Kms)	52.2	40.33	36.9	21.17	141.4	190.5
Accessibility	Number of Deposit A/c s (No. '000)	14729	21657	810129	1226710	1.82	1.77
	No. of Credit A/cs (No '000)	1653	2135	120724	138751	1.36	1.54
	Deposit A/cs per 100 popn	47.3	69.5	66.9	101.4	70.59	68.54
	Credit A/cs per 100 popn	5.3	6.8	10	11.5	52.86	59.13
Usages	Deposits (Rs. in Million)	591010	838396	54265100	79557212	1.09	1.06
	Credits (Rs. in Million)	210530	316303	40768680	62820824	0.52	0.50
	PCD (In Rs.)	18961	31242	44840	62252	42.29	50.17
	DPO(Rs. in Million)	393	431	609	675	64.53	63.85
	PCC (In Rs.)	6754	11521	33688	48294	20.05	23.86
	CPO (Rs. in Million)	140	163	458	524	30.60	31.11
	CDR	35.6	37.7	75.1	79	47.41	47.72

Source-BSR of SCBs in India, RBI, 2015; Quarterly Statistics of Deposit and Credit of SCBs, March 2015.

Note : Per capita figures are author's own calculation

The accessibility of banking services in Assam is also very poor. Deposit accounts and credit accounts per 100 population is much lower with only 70 per cent and 6.8 per cent in 2014 which is only 68 percent and 59 per cent of all India figures respectively. Table-9 also indicates that there is an increase in the share of credit accounts to 1.54 per cent in 2014 from 1.36 in 2011. At the same time there is an improvement in the share of credit accounts per 100 populations from 52.86 per cent to 59.13 per cent. On the other hand the share of

deposit accounts as well as deposit accounts per 100 population has decreased during the reference period. The figures thus indicate that though the accessibility of banking services in Assam is very poor in comparison to all India level, yet there is an improvement in the accessibility of banking services from the point of credit accounts in Assam.

In terms of uses of banking services, again Assam is much lower with only 1.06 percent and 0.50 per cent of deposits and credit of all India figures respectively. Per capita deposits and credit are also much lower than all India figures. Similarly, credit deposit ratio is very low and it stands only 37.7 per cent against 79 percent of all India figures in 2014, which indicate that the usages of banking services is much less in Assam. In terms of volume of deposits and credit per bank branch, though the performance of Assam is not up to the national level, it is comparatively better than the per capita deposits and credit.

The analysis of the three dimensions of financial inclusion – availability, accessibility and usages of banking services for the reference year 2011 and 2014 indicates that although Assam has performed poorly in all three dimensions as a whole, its performance in terms of certain parameters is slightly better. It can be concluded from the study that the various initiatives taken by the Government of India and Reserve Bank of India have played important role in financial inclusion of Assam.

## VI. District-wise Banking Statistics in Assam

As financial inclusion has been contextualized in terms of banking inclusion, it is necessary to analyze the district-wise banking parameters to have fair indication about the financial inclusion across the districts. Table-10 and Table-11 present the district wise banking statistics of Assam. Tables-11 indicates wide variation in all the banking parameters. No district has performed well in all indicators.

**Table-10: District Wise Banking Statistics in Assam (2015) (Amt. In Rs. Millions)**

	District	No of reporting offices of SCBs	APPB O	AAPB O (sq.km)	Deposit Amount	Credit Amount	CDR	PCD (In Rs.)	PCC (In Rs.)
1	Baksa	32	29850	76.78	6307	2577	40.85	6613	2702
2	Barpeta	77	21989	29.63	22550	9990	44.30	13318	5900
3	Bongaigaon	44	16651	24.84	15682	5810	37.05	21405	7930
4	Cachar	116	14968	32.64	54305	16766	30.87	31276	9656
5	Chirang	19	25359	101.21	9400	2640	28.08	19509	5479
6	Darrang	46	19741	34.46	11437	5538	48.42	12595	6099
7	Dhemaji	26	26465	124.5	6612	3847	58.18	9609	5591
8	Dhubri	61	31945	35.67	16933	5908	34.89	8690	3032
9	Dibrugarh	140	9484	24.15	77906	22499	28.87	58675	16945
10	Goalpara	45	22421	40.53	11797	4319	36.61	11692	4281
11	Golaghat	75	14116	46.69	25251	8816	34.91	23852	8327
12	Hailakandi	32	20602	41.47	9830	3120	31.73	14911	4733
13	Jorhat	97	11250	29.39	47126	17571	37.28	43184	16101
14	Kamrup	113	13427	27.48	29291	13810	47.14	19306	9102
15	Kamrup M	316	3989	3.02	348217	125991	36.18	276270	99960

16	KarbiAnglon g	51	14625	204.59	15099	5114	33.87	15642	5298
17	Karimganj	56	21732	32.30	22753	5702	25.06	18696	4685
18	Kokrajhar	35	25343	94.17	14649	3998	27.29	16515	4507
19	Lakhimpur	62	16785	36.73	13843	8529	61.61	13302	8196
20	Morigaon	125	21770	12.40	9226	5393	58.45	9632	5630
21	Nagaon	134	21089	29.65	48317	17829	36.90	17097	6309
22	Nalbari	57	13507	18.46	14098	6394	45.35	18311	8305
23	Dima Hasao	20	10676	244.4	5256	1146	21.80	24615	5367
24	Sibsagar	89	12933	29.98	31061	12825	41.29	26985	11142
25	Sonitpur	125	15408	41.66	37021	16644	44.96	19222	8642
26	Tinsukia	115	11452	32.96	43325	15279	35.27	32898	11602
27	Udalguri	26	26024	77.38	6709	4463	66.52	8056	5359
All Assam		2076	15014	37.78	954001	352521	36.95	30607	11310

Source- RBI, Quarterly Statistics on Deposits and Credit of Schedule Commercial Banks, June 2015

Note: PCD- Per Capita Deposit, PCC- Per Capita Credit, CDR- Credit Deposit Ratio.

AAPBO and Per capita figures are author's own calculation based on Census 2011 figure.

Table -11 shows the descriptive statistics of banking indicators mentioned in the Table 10. It has seen that there have wide variations in all the indicators. Total number of bank branches among the districts varies between 19 (Chirang) to 316 (Kamrup Metro) whereas the mean value is 77. AAPBO also varies from 3.02 (Kamrup Metro) to 244 for Dima Hasao. Per Capita Deposit is lowest in Baksa District with a Rs. 6613 whereas it is highest in Kamrup Metro with Rs 276270. Similarly, per capita credit is also highest in Kamrup Metro (Rs. 99960) but lowest in Baksa District (Rs. 2702). CD Ratio also varies from 21.80 percent in Dima Hasao to 67 per cent in Udalguri District. Thus, it can be seen from the tables that no district has performed well in all indicators .

**Table 11: Descriptive Statistics of Banking Indicators**

Indicator	Total	Mean	Min	Max
SCBs	2076	77	19 (Chirang)	316 (Kamrup Metro )
APPBO	15014	18282	3989 (Kamrup Metro)	31945 (Dhubri)
AAPBO	38	56.6	3.02 (Kamrup Metro)	244 (Dima Hasao)
PCD(Rs)	30607	29329	6613 (Baksa )	276270 (Kamrup Metro)
PCC(Rs)	11310	10773	2702 (Baksa)	99960 (Kamrup Metro)
CDR(%)	36.95	39.77	21.80 (Dima Hasao)	67 (Udalguri)

Source: Table-10

## VII. Summing Up

From the above analysis it has found that Assam has performed poorly in comparison to India in almost all the parameters used to analyze the extent of financial inclusion. The survey data and statistics of banks/other institutions on various dimensions of financial inclusion while expose some significant aspects of the success/failure of financial inclusion drive, when seen individually these fail to give a wholesome picture. Overall, empirical evidence indicates not only limited financial access but also unequal access across households (Thingalaya et al, 2010).

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