RESEARCH ARTICLE

Financial Inclusion in Rural India: An Assessment Based on Secondary Data

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Abstract: This paper analyses the current state of financial inclusion in rural India using secondary data sources. It analyses all four services included in the Reserve Bank of India's (RBI) definition of financial inclusion, namely bank deposits, bank credit, digital and other payments, and insurance services. In this paper, financial inclusion refers not just to access and use of (formal) finance but also its affordability. The paper argues that while the access to bank deposits has increased significantly in rural India, bringing it closer to universal access, the use of deposits for withdrawals or payments continue to be limited. Credit remains a weak link in rural financial inclusion. Its penetration remains limited among the asset-poor segments of the rural population, and in under-banked geographical regions. During the period of financial inclusion, banks have made a rapid foray into the relatively under-banked regions, including the eastern and central regions, for tapping deposits. However, a similar expansion is not seen with regard to credit provision to these regions. For the asset-poor rural households, not just access but also affordability of credit remains a concern, given their reliance on microfinance institutions and self-help groups for credit. The access to insurance also remains limited among rural households. Insurance penetration, taking premium payments as per cent of income, was only 3.8 per cent in India in 2019; in rural areas, it was even lower, at 1.7 per cent.

Keywords: India, rural, financial inclusion, banking, digital payments, credit, microfinance, insurance.

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Financial inclusion is the new wave in global finance. The World Bank defines it as the access of individuals and businesses to "useful and affordable financial products and services" including "payments, savings, credit and insurance – delivered in a responsible and sustainable way."[1] Financial inclusion has become deeply entrenched as part of the global policy discourse with the adoption of the Sustainable Development Goals; it has been identified as the key enabler for many of these goals given its promise of reducing global poverty and boosting "shared prosperity" (UN 1997, 2016). Notwithstanding its sub-prime origins, the Global Financial Crisis of 2008 accentuated the wave of financial inclusion, while adding the two essential attributes of "financial literacy" and "capability" to it (World Bank 2014, p. 74).

The idea of inclusive finance is not new. Many developed and developing economies have a history of public financial institutions, and directed and subsidised finance, to support socio-economic development.[2] India embarked on a policy of social and development banking when it nationalised a major part of its banking sector in 1969, to expand the geographical and functional reach of banking. What is new, however, is the emphasis on making the process of financial inclusion "sustainable" such that it does not undermine the profitability and stability (efficient management of assets and liabilities) of banks and other financial institutions (CGAP 2010). The commercial orientation of financial inclusion is evident from the following policy recommendations.

First, private incentives and private equity are deemed important for financial inclusion (World Bank 2013, 2014). It is argued that while state-owned banks can play a counter-cyclical role during financial crises, they suffer from poor quality of credit intermediation in normal times (World Bank 2013). Hence, the state's primary responsibility is to supervise financial institutions and to collect and disseminate credit information to address information asymmetries, instead of actual financial intermediation (*ibid.*). The state can also support financial inclusion by routing welfare benefits through the bank accounts of beneficiaries (World Bank 2014). Secondly, the discussion on financial inclusion revolves around *access* to finance, relegating the issue of its *affordability*. While affordability is recognised as a barrier to access, interest rate regulations are not recommended as they may introduce credit market distortions (World Bank 2014). Thirdly, although the definition of financial inclusion includes a host of financial services, there is a distinct emphasis on prioritising universalisation of deposit access. Retail deposits are a relatively cheap and stable source of funding, auguring well for both the profitability and the

[1] See World Bank (2022).

[2] For instance, in the period following the Second World War, Germany, Japan, and South Korea established state-owned development financial institutions for infrastructure and industrial development (Chandrasekhar 2015).

stability of banks. Given its emphasis on profitability, the current wave of financial inclusion reinforces neoliberalism.

The term "financial inclusion" has become a part of policy discussion in India after it was included as an objective of monetary and credit policy in 2005. Since 2010, the Reserve Bank of India (RBI) has implemented three rounds of financial inclusion plans, involving three-yearly bank-level targets. In 2011, the Central Government introduced the *Swabhiman* scheme for financial inclusion, which was redesigned as the Pradhan Mantri Jan-Dhan Yojana (PMJDY) in 2014.

While India's approach to financial inclusion is influenced by global discourse on the subject, it also has uniqueness. This paper analyses the Indian approach and assesses the current state of financial inclusion in rural India by weaving together evidence from relevant secondary data sources. The specific research questions addressed in the paper are:

1. How does India's policy approach towards financial inclusion compare to the approach propagated by global multilateral institutions, prominently the World Bank?
2. What are the key features of access, use, and affordability of (formal) finance in rural India, contextualised by India's policy approach towards financial inclusion?

The paper uses recent rounds of two secondary surveys, namely, the All-India Debt and Investment Survey (AIDIS) and the Consumer Pyramids Household Survey (CPHS).

There have been criticisms in the literature about the sampling methodology of AIDIS and CPHS; we review these criticisms in the paper and uphold the choice of these surveys given the requirements of our research questions. We also use data from the World Bank's Global Financial Inclusion Index (Findex) database to corroborate the trends of AIDIS and CPHS. Our comparison of AIDIS, CPHS, and Findex provides a credible and comprehensive account of the contemporary state of financial inclusion in rural India, which has not been attempted in the literature so far. It also points to gaps in the coverage of AIDIS and CPHS. These gaps, if plugged, can enhance the contribution of these two surveys to the analysis of financial inclusion.

The second section of the paper reviews the Indian approach to financial inclusion as compared to the global approach. The third section discusses the data sources and analytical framework used in the paper. The fourth section brings out the key features of financial inclusion in rural India using AIDIS, CPHS, and Findex. The fifth section provides concluding observations.

In the Indian context, financial inclusion has been defined as

> the process of ensuring access to appropriate *financial products and services* needed by all *sections* of the society in general and vulnerable groups, such as low income groups, in particular, at an *affordable* cost in a fair and transparent manner by *regulated mainstream institutional players*. (Chakrabarty 2011; emphasis added)

In 2005, when India adopted financial inclusion as a policy objective, it was in the process of liberalising its banking system. Financial liberalisation was an integral part of the structural economic reforms that India embarked upon in 1991 following the International Monetary Fund (IMF)–World Bank structural adjustment loan (RBI 2018). Commercial viability and profitability of banks were defined as the overarching objectives of banking policy under financial liberalisation (RBI 1991). The pursuit of financial inclusion has thus been distinctly shaped by the doctrine of financial liberalisation. Banks have been advised not to undermine their "business considerations" in order to ensure the "long-term sustainability of the [financial inclusion] process" (RBI 2008).

Although, in terms of its commercial orientation, the Indian approach is similar to the one propagated globally, it has some unique features too. While the similarities stem from India's commitment to structural economic reforms, the uniqueness arises from India's social banking legacy. The similarities are as follows:

a. *Access to a multitude of basic financial services.* India's definition of financial inclusion relates not just to conventional deposit and credit services, but also to payment and insurance services. Globally too, as noted earlier, the ambit of financial inclusion extends to all these services, and even includes access to provident or pension funds and securities markets (World Bank 2014).
   In 2005, the RBI introduced a small-sized deposit facility in the form of "Basic Savings Bank Deposit Accounts" (BSBDAs), involving zero/low minimum balance and certain common minimum facilities at zero/minimal charge; these were earlier called no-frills accounts. The efforts towards financial inclusion gained momentum when the RBI advised banks in 2010 to adopt financial inclusion plans, and targets for opening BSBDAs were included as a part of these plans. Furthermore, with the introduction of *Swabhiman* in 2011 and PMJDY in 2014, BSBDAs (often called as PMJDY accounts in later years) were opened in a mission mode by banks.
   Under PMJDY, a small-sized payment facility was built upon BSBDAs in the form of (RuPay) debit cards. These cards could be used for cash withdrawals at ATMs and purchases at point of sale (PoS) terminals. Upon satisfactory use of BSBDAs, a small-sized credit facility in the form of an overdraft was also provided to the account holders.[3] Finally, a micro-insurance facility was

[3] The overdraft was increased from Rs 5,000 to Rs 10,000 in 2018. For details, see PMJDY (n.d.).

included under the PMJDY in the form of accidental insurance and life insurance for BSBDA holders.[4] Similar to the overdraft facility, the insurance cover was subject to the use of BSBDAs and debit cards.

A few more services were included as part of the financial inclusion plans, although they were not related to BSBDAs. The Kisan Credit Card (KCC) was a credit-based instrument for farmers, while the General Credit Card (GCC) was provided for non-farm entrepreneurial credit needs.

Although not included under either financial inclusion plans or PMJDY, microfinance provided by banks and microfinance institutions (MFIs) through self-help groups (SHGs) has been a means to financially include women from socio-economically weaker sections. Banks have been the largest source of microfinance in India under the SHG–bank linkage programme.

b. *The commercial viability of financial inclusion.* India's approach to financial inclusion has been, by design, commercially oriented. First, under the financial inclusion plans and PMJDY, there has been a greater thrust on mobilising small-sized retail deposits than on small-sized credit (Chavan 2020). As noted earlier, retail deposits can help banks to lower their cost of funds. By contrast, administering many small-sized loans can increase transaction costs for banks, affecting their profitability. The stress on deposit mobilisation is evident from the fact that in 2020, the overdraft amount under PMJDY was barely 0.3 per cent of deposits mobilised through BSBDAs (RBI 2022).

   Secondly, there has been greater emphasis on non-branch means of banking than on bank branches, again to manage costs. Under financial inclusion plans, banking outlets through business correspondents (BCs) or banking agents significantly outnumbered brick-and-mortar branches (Ramakumar 2018). Thirdly, there has been a conscious effort towards involving private institutions in financial inclusion, including for-profit microfinance institutions (MFIs), small finance banks (focusing on small-sized credit facilities), and payments banks (focusing on small-sized deposit/payment facilities).

c. *Reticence on the issue of affordability.* Although India alludes to affordability in its definition of financial inclusion, there is some reticence in addressing this issue. The emphasis on access to finance outweighs its affordability.[5] There has been a conscious move away from regulated interest rates in both bank credit and deposits under financial liberalisation.[6] Microfinance was the only sector where interest rates were regulated, although in a limited manner and

[4] The accidental insurance was increased from Rs 0.1 million to Rs 0.2 million in 2018, and the life insurance cover was Rs 30,000. Life cover was given to only those who opened BSBDAs before January 26, 2015.

[5] It has been argued that access to finance is more important than the cost of finance for the poorer sections of society (NABARD 1997).

[6] Furthermore, the flexible inflation targeting framework introduced in 2016 is based on the interest rate transmission mechanism; regulated interest rates may arguably hinder a seamless operation of this framework (RBI 2014).

for a limited time, following the crisis in this sector in 2010.[7] Over time these interest rate regulations were relaxed, and they were completely removed in 2022.

At present, the only two sectors where interest rates are regulated in the interest of financial inclusion are (a) "direct" agricultural credit or agricultural credit given directly to farmers, of up to Rs 0.3 million (as part of the interest subvention scheme); (b) bank credit to women's self-help groups (SHGs) of up to Rs 0.3 million.

India's approach to financial inclusion has the following unique features:

a. The Indian approach has been shaped by two key regulatory interventions relating to the distribution of bank branches and credit, which can be considered as legacies of India's social banking policy (directed lending policies are to be discouraged as they introduce distortions in the credit market and are rarely found to be successful, according to the World Bank). These are:

   i. *Branch authorisation policy.* India pursued a branch licensing policy in the period of social banking, which included the norm of opening at least four branches in unbanked rural areas for every branch in metropolitan/port areas (4:1 norm). This policy resulted in a phenomenal expansion of bank branches in rural areas and historically underbanked areas, such as the north-eastern, eastern, and central regions, in the 1970s and 1980s (Chavan 2005). The branch licensing policy was replaced by a branch authorisation policy in the period of financial liberalisation, which gave banks the freedom to open branches. However, since 2011, in line with the objectives of financial inclusion, banks have been advised to open at least 25 per cent of their total branches in a year in unbanked rural centres (1:4 norm). Although this is a dilution of the earlier 4:1 norm, it has resulted in considerable expansion of bank branches in underbanked areas during the last decade (Chavan 2017).
   ii. *Priority sector lending (PSL) policy.* As a part of social banking, banks were advised to allocate a percentage of their total bank credit to certain priority sectors, including agriculture and micro and small enterprises. During the period of financial liberalisation, there have been several changes in the definition of these sectors, aimed at enhancing the profitability of the PSL portfolio of banks (Ramakumar and Chavan 2014). Yet, contrary to

[7] This crisis erupted in the erstwhile State of Andhra Pradesh. It resulted from allegations of usurious interest rates and harassment of borrowers by MFIs, leading to suicides by some women borrowers (Ramakumar 2010). Following this crisis, the RBI capped the interest rate on individual loans and the annual margin of non-banking financial companies functioning as MFIs (NBFC-MFIs). These caps were a part of the conditionalities that the NBFC-MFIs had to follow to be eligible for priority sector credit from banks; see "Non-Banking Financial Company-Microfinance Institutions (Reserve Bank) Directions," 2011. By placing these conditionalities, the RBI aimed at disciplining the lending and recovery practices of these institutions; also see RBI (2011).

demands from the proponents of financial liberalisation, the PSL policy has not been abolished.[8] In fact, in recent years, in line with the objective of financial inclusion, some new sectors have been added under the definition of priority sectors, such as small credits to individual women beneficiaries; newer sub-targets have been introduced, such as that for small and marginal farmers; and existing targets have been increased, such as that of the socio-economically "weaker sections."[9] Moreover, these two regulations are ownership-neutral, i.e. applicable to both public sector and private sector banks.[10]

b. *Inclusion through regulated financial institutions, notably banks.* The agencies involved in the process of financial inclusion in India are fully regulated. These include commercial banks (including small finance banks and payments banks), cooperative banks, regional rural banks (RRBs), and non-banking financial companies (NBFCs) (including NBFC-MFIs).
   Initially, the RBI adopted a self-regulatory approach towards MFIs to encourage their growth (Capoor 2001). However, following the crisis in microfinance in 2010, it created a new category of NBFC-MFIs with greater regulatory oversight, and placed several conditionalities on these institutions for them to be eligible for priority sector credit from banks, as discussed earlier.
c. *Leading role of public sector banks.* Contrary to the global trend of financial inclusion which discourages the involvement of the state, financial inclusion in India has been spearheaded by public sector banks. The leading role of public sector banks is evident from their wider coverage of beneficiaries under PMJDY than private sector banks; their achievement of various priority sector credit targets; their branch presence in rural areas; and their financial support to SHGs.[11]

In sum, India's approach to financial inclusion is uniquely shaped by regulatory interventions and involves state-owned banks in a major way.

[8] See RBI (1991) for a recommendation about phasing out the PSL policy over time.
[9] The target for "weaker sections" was 10 per cent of the (adjusted net) bank credit; it has been increased to 12 per cent to be achieved from 2023–24 onwards; see RBI, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification," September 4, 2022.
[10] Under the PSL policy, the only exception is foreign banks having less than 20 branches. They are not bound by sub-sectoral targets like other commercial banks; see RBI, "Master Directions – Priority Sector Lending (PSL) – Targets and Classification," September 4, 2022.
[11] The numbers of BSBDAs and (RuPay) debit cards issued by public sector banks have been distinctly higher than that of private sector banks. The former also cater to a larger number of PMJDY beneficiaries, not just in rural areas but also in urban areas, than private sector banks; see <https://pmjdy.gov.in/account>. Credit disbursed and targets achieved under priority sectors have been higher for public sector banks than private sector banks; see *RBI Annual Reports*, various issues. The number of branches, particularly rural branches, has been higher for public sector banks; see RBI, *Report on Trend and Progress of Banking in India*, various issues. Finally, the shares of public sector banks in microfinance portfolio and number of SHGs financed have been distinctly higher than that of private sector banks; see NABARD, *Status of Microfinance in India*, various issues.

Secondary Data

While launching Findex, the World Bank observed that although countries compiled data on bank branches and ATMs, they had little or no information on the extent of access to and use of finance for their population.[12] This gap prompted the World Bank to launch Findex, a periodic sample survey covering 148 countries and 0.15 million adults from each country, giving three to four yearly information on access to finance. Findex is now available for the years 2011, 2014, 2017, and 2021.

Access to finance has been an integral part of secondary data sources in India for long. Among these sources, the AIDIS is the oldest. It has been widely used in the literature for understanding trends in access to finance (Shetty 1978; Bell 1990; RBI 2008).

Other secondary sources that provide data on access to finance include the Rural Labour Enquiry (RLE), Situation Assessment Survey of Agricultural Households (SAS), National Family Health Survey (NFHS), NABARD All-India Rural Financial Inclusion Survey (NAFIS), and CPHS. However, sources other than AIDIS and CPHS suffer from limited coverage or frequency. To illustrate, the SAS and RLE cover only a part of rural households, i.e. agricultural households and rural labour households. The NFHS has been canvassing information on financial access from 2005–06 but its coverage is limited to savings (bank or postal deposits) and (health) insurance facilities. Finally, NAFIS was undertaken only once, in 2016–17.

AIDIS, which broadly follows a decennial frequency, covers all rural and urban households. It provides data on financial access in a fairly comprehensive manner. It provides information on household debt taken from formal sources (such as banks, cooperative societies, NBFCs including MFIs, and SHGs), and financial investments by individuals or households in bank deposits and (life and health) insurance policies. Over time, the survey has widened its ambit to include access to (digital) payment services.

The CPHS provides data at four-monthly intervals on rural and urban households.[13] In fact, given the availability of updated data from the CPHS, we have used it to study financial inclusion during the Covid-19 pandemic (see the fourth section, "Major Features of Financial Access in Rural India," below). However, unlike AIDIS, CPHS provides only binary information on access to finance and has no information on the magnitude of savings or credit.

[12] See World Bank (n.d.).

[13] CPHS data are available from January 2014 onwards for about 0.179 million households (63,430 rural households) from 514 districts across 27 States. The CPHS interviews every household thrice a year through what it calls "waves."

Although they are useful sources for assessing financial inclusion, there have been criticisms about the sampling methodology of both AIDIS and CPHS. With regard to AIDIS, studies have raised doubts about the quality of its estimates, particularly during the 1981–82 round, on account of (a) the reduced sample size of households per village (Narayana 1988); and (b) an increase in the size of State samples as compared to Central or National Statistical Office (NSO) samples.

Following these criticisms, the NSO increased the sample size of households from its 2003 round onwards (Chavan 2012), and the practice of canvassing the State sample was discontinued.[14]

As regards CPHS, studies have shown that there is (a) an over-representation of urban households and under-representation of marginalised households, including women and backward social groups; (b) reliance on on-the-spot sampling by enumerators and not house listing-based sampling, and (c) a uniform sample weight for all households despite differential probability of selection of each household (Pais and Rawal 2021; Somanshi 2021). These studies have brought out the divergence in CPHS data in respect of income, employment, asset ownership, and demographic indicators as compared to other secondary sources.

Notwithstanding these criticisms, in this paper we use the AIDIS and CPHS, given their usefulness in addressing our research questions. These two sources (a) are repetitive in nature, giving an insight into the changing state of financial inclusion, (b) have universal coverage extending to all rural households, and (c) canvass information on all four types of financial services included in the RBI's definition of financial inclusion, namely, bank deposits, bank credit, (digital) payments, and insurance services.

We also used Findex as an alternative source to corroborate the trends of AIDIS and CPHS. Given that the survey periods of these three sources are not identical, the indicators were compared in terms of their *changes* across rounds, and not their *absolute values* during a given round.

Analytical Framework

Studies on financial inclusion have generally relied on a composite index of financial inclusion, given the multi-dimensional nature of inclusion (Sarma 2008; Camara and Tuesta 2017; Goel and Sharma 2017). Recently, the RBI introduced a financial inclusion index at the all-India level using three dimensions of access, use, and quality (including consumer protection, financial literacy, and inequality in

[14] This, however, meant no pooling of the Central and State samples, thereby reducing the overall number of villages used for estimation. However, pooling was discontinued by the NSO from its 1991–92 round itself, and even though the State sample was canvassed during this round, the final estimates were based only on the Central sample.

distribution of financial infrastructure) of finance (Sharma *et al.* 2021). Satyasai and Kumar (2020) constructed a composite financial inclusion index separately for rural India.

An index-based approach can facilitate an inter-country and across-time comparison of financial inclusion. However, given aggregation, an index cannot bring out the extent of financial inclusion under each of the financial services, as we have attempted in this paper. The analytical framework used in this paper is as follows.

Independent assessment of each financial service. We separately analyse each of the financial services as included in RBI's definition of financial inclusion, namely bank deposits, bank credit, (digital) payments, and insurance services. Apart from banks, we also analyse other formal sources of credit – namely, credit cooperatives, NBFCs (including MFIs), and (bank and NBFC-linked) SHGs.

Independent assessment of three dimensions of financial inclusion. We study the two commonly used dimensions of access and use of finance. We also discuss the third dimension of affordability of credit, which has not been discussed in the literature.

Assessment of the users of finance. Existing studies rely primarily on banking parameters, such as number of bank branches or ATMs, as indicators of access, and number of bank accounts as indicators of use of finance.[15] Our indicators of access and use are defined as the percentage of individuals or households with access to and making use of a given financial service. We are thus able to bring out the inter-household disparity in the distribution of access and use of finance.

Major Features of Financial Access in Rural India

Bank Deposits

Access to Bank Deposits

There has been a striking expansion in the access to bank deposits in rural areas in recent years as per AIDIS, CPHS, and Findex (Table 1 and Figure 1). This increase has brought India closer to the line of universal coverage of the rural population (Figure 1). This is on expected lines because the policy of financial inclusion, including the RBI's financial inclusion plans and the Central Government's *Swabhiman* and PMJDY, revolves around the Basic Savings Bank Deposit Account (BSBDA) as the principal instrument for inclusion. This increase also needs to be seen in the context of the increased penetration of bank branches in unbanked rural centres following the change in the branch authorisation policy after 2011.

[15] The exceptions are Camara and Tuesta (2017) and Satyasai and Kumar (2020), who have used individual/household-level data from Findex and NAFIS, respectively.

Table 1 *Percentage of rural adults reporting access to bank deposits, India*

Survey	Percentage of rural adults with bank deposits^	Change from the previous round in percentage points
AIDIS	85	38* (2013—19)
CPHS	87	40 (2014—21)

Notes: 1. ^AIDIS data relate to the (latest) 2019 round, and CPHS data to the September–December 2021 wave.
2. AIDIS defines adults as persons of age 18 years and above. CPHS reports data for all members in the surveyed household.
3. *As AIDIS 2013 furnished information only at the household level, we have derived data at the individual level by applying a reasonable assumption that two members in a household have access to bank deposits. With a one-member assumption, the change worked out to 59 percentage points.
Source: NSO (2016, 2021); CPHS, CMIE.

Bank deposits are, of course, one of the means of savings; the others are deposits with cooperative societies, NBFCs, SHGs, and post offices, and government (small savings) deposits. However, as shown in Table 2, banks have come to account for almost all of the access to deposits in recent years. In other words, deposit access in rural areas has become almost synonymous with access to *bank* deposits.

With the onset of the Covid-19 pandemic, there was an initial setback to the expansion in bank deposit access in rural areas. However, access has been on a mend since December 2020, and, in fact, surpassed its pre-pandemic level by December 2021 as per CPHS (Figure 2). The initial dip was most likely due to data-reporting issues relating to CPHS.[16] Another reason for the dip could have been the closure of fixed

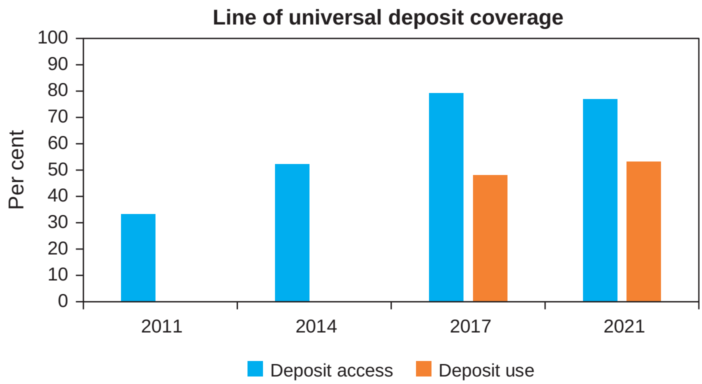

Figure 1: *Percentage of rural adults with access to and making use of bank deposits, India*
Notes: 1. Data on deposit use are not available for 2011 and 2014.
2. Findex defines financial institutions as banks, credit unions, microfinance institutions, and post offices that fall under the prudential regulatory authority of a jurisdiction.
Source: Findex; World Bank.

[16] CPHS data collection was affected by the nation-wide lockdown, leading to a steep drop in responses during the January–April 2020 wave (Vyas 2021). However, the responses recovered in January–April 2021, even though lockdowns and restrictions on movement were re-introduced during this period to address the second wave of the pandemic.

Table 2 *Percentage of rural adults with access to deposits in financial institutions, India*

Variable	2013*	2019
Bank deposits	46.4	84.4
Small savings and post office deposits	9.4	3.4
Deposits with NBFCs/cooperative societies/SHGs	NA	7.6
Deposits with any financial institution	**48.7**	**85.1**

Notes: 1.*As AIDIS 2013 furnished information only at the household level, we derived data at the individual level by applying a reasonable assumption that two members in a household had deposit access. With a one-member assumption, the figures worked out to 25.4 per cent and 4.7 per cent, respectively, for bank deposits and small savings or post office deposits.
2. NA- Not available.
Source: AIDIS unit-level data.

deposits during the lockdown; there was indeed a sudden surge in cash demand immediately following the onset of the pandemic (Hansda *et al.* 2020).

The rise in bank deposit access since December 2020 has been on expected lines, as households have been cutting down on discretionary spending and increasing their precautionary savings during the pandemic period (*ibid.*). Banking data also show that bank deposit growth has been higher in the pandemic period than in the pre-pandemic period (RBI 2022).

Use of Bank Deposits

Even if deposit access has expanded significantly in rural areas in recent years, barring a brief dip following the onset of the pandemic, the use of bank deposits has continued to be restricted. As per Findex, 77 per cent of all rural adults had deposit access in 2021, but only 53 per cent used their accounts for either savings or withdrawals during the

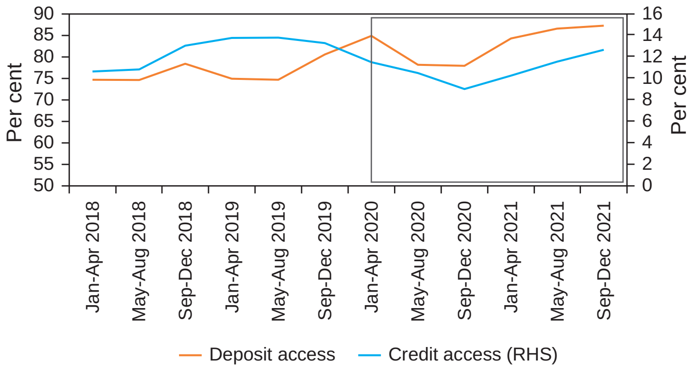

Figure 2: *Percentage of adults/households with access to bank deposits/bank credit during and before the pandemic, rural India*
Notes: 1. The box within the figure indicates the pandemic period.
2. Figures for deposits are at individual level and those for credit are at household level.
Source: CPHS, CMIE.

year preceding the survey. This implies that 47 per cent of all rural adults either had an inactive account or no access to an account in 2021.

Neither AIDIS nor CPHS provides any insight into the use of deposits. This is a data gap, considering that use is an important part of inclusion once access has been ensured.[17]

Regional Distribution of Bank Deposit Access

The expansion in bank deposits in recent years can be seen across the rural areas of almost all States, narrowing the inter-State disparity in deposit access significantly. The expansion has been more striking in the eastern region (in Bihar, Jharkhand, West Bengal, and Odisha), the north-eastern region (in Mizoram, Arunachal Pradesh, Assam, and Manipur), and the northern region (in NCT of Delhi and Rajasthan). The share of rural adults with bank deposits increased by more than 40 percentage points in these regions and States between 2013 and 2019 (Appendix Table 2).

Payment Services

Access to Payment Services

Notwithstanding the growing use of mobile phones and internet connectivity, the penetration of digital means of payments has been limited in rural areas. As per Findex, only 20 per cent of rural adults had access to debit cards in 2021, and access to credit cards was barely three per cent (Figure 3). Clearly, rural India has a long distance to cover to achieve universal debit card coverage.

AIDIS too corroborated the limited access to digital means of payment. In 2019, only about 29 per cent of rural adults had a debit or credit card (Table 3). While debit and credit cards are reported together in AIDIS, the data mainly relate to debit cards. This is because banks are selective in issuing credit cards and insist on a strong credit history of the card-holder. In fact, the total number of credit cards issued in India in 2021 was only seven per cent of the total number of debit cards issued.[18]

In 2019, AIDIS furnished information on e-wallets, given the rising popularity of non-card-based means of digital payments, such as web-based and (smart) phone-based means. The access to e-wallets was even more limited than to debit or credit cards. Only about two per cent of rural adults had this access (Table 3).

Use of Payment Services

As expected, the use of digital means of payment was more restricted than access to these means (Table 3). However, the gap between access and use was much wider

[17] Surprisingly, the information on usage was canvassed during AIDIS 2013, but not during the 2019 round.
[18] See RBI (2021a).

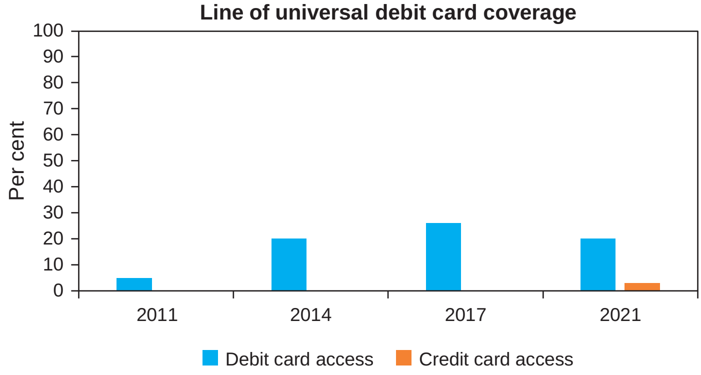

Figure 3: *Percentage of rural adults with debit and credit card access, India*
Note: Data for credit card access in rural areas are not available from 2011 to 2017.
Source: Findex; World Bank.

for debit cards than for e-wallets. This is because the former requires the availability of a public payments infrastructure. By contrast, access to e-wallets is generally smartphone-based, hence more personalised. Those with access to e-wallets were typically also using them.

Credit

Access to Bank Credit

Access to bank credit in rural areas is low; less than 20 per cent of rural households had access to bank credit as per both AIDIS and CPHS (Table 4). Access has, however, shown an increase in recent years. Between AIDIS 2013 and AIDIS 2019, the percentage of rural households reporting an outstanding bank loan increased by about 10 percentage points; the increase between 2014 and 2021 was similar as per CPHS (Table 4).

The increase in bank credit access has been lower than that of bank deposit access (read Table 4 with Table 1). This once again underlines banks' preference for deposits over credit to make financial inclusion commercially viable.

Table 3 *Percentage of rural adults with access to and use of digital means of payments, India, 2019*

Digital means of payment	Access	Use
E-wallets	2.4	2.2
Debit/credit cards	28.9	22.2
Either of these means	28.9	22.3

Source: AIDIS unit-level data.

Table 4 *Percentage of rural households reporting an outstanding bank loan, India*

Survey	Percentage of rural households reporting an outstanding bank loan	Change from the previous round (years of rounds considered) in percentage points
AIDIS	19	10 (2013—19)
CPHS	13	10 (2014—21)

Notes: 1. Data for AIDIS relate to the (latest) 2019 round, and for CPHS to the September–December 2021 wave. 2. CPHS provides data only on outstanding bank loans, while AIDIS provides data on both outstanding (stock) loans and loans taken during the year (flow). In this table, we use the former to make AIDIS comparable with CPHS. However, in the rest of the paper, we use the latter as it indicates fresh flow of credit.
Source: NSO (2016, 2021); CPHS, CMIE.

The increase in branch and non-branch banking outlets in rural areas following the change in the branch authorisation policy has possibly helped to enhance access to bank deposits. However, this increase has not translated into increased credit access for rural households. Even the priority sector lending policy, which has a distinct focus on rural areas through its coverage of agriculture, and small and marginal farmers, has not effectively enhanced overall access to bank credit in rural areas. As discussed later in this section, access to bank credit has been highly differentiated across geographical areas and households. The policy on financial inclusion has improved access to bank credit for some rural households much more than for others.

Access to bank credit in rural areas received a further setback with the onset of the Covid-19 pandemic (see Figure 2). The decline in credit access could have been a reflection of data-reporting issues relating to CPHS, as discussed earlier. The decline could also have been due to restrictions on mobility and risk aversion by banks. In subsequent months, however, credit access recovered, reaching very close to the pre-pandemic level by December 2021.

Banks account for almost all of deposit access in rural areas (see Table 2). However, they are only one of the (formal) sources of credit, albeit the most important one. The other sources are (bank/NBFC-linked) SHGs, NBFCs (including MFIs), and credit cooperatives (cooperative banks and societies). In particular, SHGs have emerged as an important source of formal credit in rural areas in recent years (Table 5). In 2019, 7.5 per cent of rural households reported an SHG loan.

As deposits are a basic tool for savings and payments, the provision of deposit services for the *entire* adult population can be taken as a benchmark of universal financial inclusion. However, it is not possible to design a similar benchmark for credit. This is because credit provision is heavily dependent on the credit history/information and risk assessment of borrowers, and hence, ensuring universal provision of formal credit to *every* adult may be neither feasible nor desirable as a goal under financial inclusion.

Table 5 *Percentage of rural households with at least one formal sector loan during the survey period, India*

Formal credit source	2013	2019
Banks (including RRBs)	6.7	12.2
Bank/NBFC-linked SHGs	5.3	7.5
Credit cooperatives*	8.3	4.7
NBFCs (including MFIs)	NA	2.5
Other formal sources^	1.6	1.5
Any formal source	**20.5**	**25.8**

Notes: 1. NA- Not available.
2. *Credit cooperatives refer to cooperative banks and societies.
3. ^Other formal sources mainly include provident fund and insurance companies.
Source: AIDIS unit level data.

It is, however, possible to assess the broad gap in formal credit by looking at the overall incidence of borrowing (i.e. the percentage of adults reporting a loan from any formal or informal source). In 2021, about 45 per cent of rural adults reported any loan, while only 11 per cent reported a formal sector loan (Figure 4). Formal sources were thus unable to effectively fulfil the rural credit demand. Evidently, demand not fulfilled by formal sources was met by other sources, including moneylenders.

Distribution of Bank Credit

Regional distribution

At the regional level, there was wide variation in the access to bank credit in India. In 2019, access was lowest in the eastern region and highest in the southern region (Appendix Table 3). Within the eastern region, access percentage was the lowest for Bihar, with only about two per cent of rural households in that State reporting a

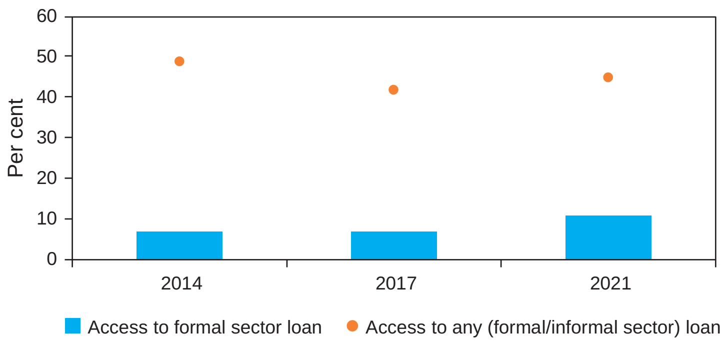

Figure 4: *Percentage of rural adults with access to a formal sector loan and any (formal or informal sector) loan, India*
Notes: 1. Data for 2011 are not available.
2. Formal sources refer to "financial institutions" as defined in Findex. They include banks, credit unions (credit cooperatives in the Indian context), MFIs, and post offices that fall under the prudential regulatory authority of a jurisdiction.
Source: Findex; World Bank.

bank loan in 2019. In the southern region, it was the highest, at about 30 per cent, for Andhra Pradesh.

Between 2013 and 2019, access to bank credit improved in almost all the States. Interestingly, the largest increase was seen in the southern region, but also in the north-eastern region – which is known to be relatively underbanked. The increase in the north-east was driven by Assam and Tripura, while all the other States in the region continued to report little or no change in access.

In the eastern and central regions, there was an expansion in the access to bank deposits during the period of financial inclusion (see Appendix Table 2), but a similar expansion could not be seen with regard to bank credit access (Appendix Table 3).

Other than banks, the other major sources of formal credit in rural areas are banks-or NBFC-backed SHGs and NBFCs (including MFIs). After accounting for these sources along with banks, access to formal credit increased across all regions (Appendix Table 3). The increase was most striking for the relatively well-banked southern region, where SHGs and NBFCs seemed most active. The increase in formal credit access was also noteworthy for the eastern and north-eastern regions, where microfinance has expanded significantly in recent years.

Distribution by asset-holding

Access to credit is intrinsically associated with asset-holding, as it determines the creditworthiness and repayment capacity of borrowers (Swamy 1980). Consequently, only about three per cent of rural households belonging to the first asset decile reported a bank loan in 2019, as against 31 per cent for the highest decile (Table 6). Even though banks are expected to reach out to the excluded sections, this remained limited only to deposits (Table 6).

SHGs and NBFCs (including MFIs) were helpful in bridging this divide in (formal) credit access, to an extent. Access to formal credit was much higher for asset-poor households when we accounted for SHG and NBFC loans in 2019 (Table 6).

Affordability of Formal Credit

As noted in the second section, there is little or no discussion on the issue of affordability. The affordability of credit can be ascertained using the basic indicator of interest rate, although interest captures only the direct cost on credit. There are indirect (transaction) costs incurred by borrowers, such as the opportunity costs of income foregone and administrative costs for securing loans, which are not generally captured by secondary data sources.

Taking interest as the indicator of cost, we do not see any major change in the affordability of formal credit in rural areas in recent years (Table 7). There was, in

Table 6 *Percentage of rural adults with bank deposit access and percentage of rural households reporting a bank loan during the survey period, by asset deciles, India, 2019*

Asset decile	Percentage of rural adults with bank deposit access		Percentage of rural households reporting a bank loan during the survey period		Percentage of rural households reporting a bank/SHG/NBFC (including MFI) loan during the survey period	
	2019	Change (2013—19) in percentage points	2019	Change (2013—19) in percentage points	2019	Change (2013—19) in percentage points
1	77.3	39.4	3.2	1.5	10.7	4.7
2	81	42.3	4.6	3.2	15	8.1
3	83.4	40.1	6.6	3.5	17.9	9.4
4	83.5	37.9	8.6	4	18.8	8.5
5	84.4	35.4	10.9	4.3	21	8.5
6	85.1	35.2	14.4	6.9	23.5	10.7
7	87.1	36.5	15.4	5.8	23.3	8.4
8	86.1	35.8	20.8	8.4	27.7	11.2
9	86.7	36.6	23.7	7.6	27.8	9
10	87.7	40.6	31.3	12	33.6	13.1

Note: As AIDIS 2013 furnished information only at the household level, the individual-level data are derived by applying a reasonable assumption that two members in a household had access to bank deposits.
Source: AIDIS unit-level data.

fact, a small increase in the average interest rate in rural India from 11 per cent to 11.3 per cent between 2013 and 2019. Interestingly, this period was marked by a distinct easing of interest rates.[19]

There were differences also in the rates charged by various formal lenders. The rates were lowest for cooperative credit. About 17 per cent of the loans from credit

Table 7 *Distribution of formal sector loans during the survey year by interest rate class for rural households, 2013 and 2019*, in per cent

Interest rate class (% per annum)	2013	2019
Interest-free	2.7	4.2
0 to 10	46.2	43.4
10 to 20	40.5	40.9
20 to 30	9	10.5
30 and above	1.5	1
All loans	100	100
Average rate of interest	**11**	**11.3**

Source: AIDIS unit-level data.

[19] Banks' lending rates and weighted average rates (on both outstanding and fresh rupee loans) in 2019 were distinctly lower than in 2013; see RBI (2021b).

Table 8 *Distribution of loans during the survey year by interest rate class and source, 2019*, in per cent

Interest rate class	Loans from formal sources					Loans from moneylenders
	All formal sources	*Banks*	*Credit cooperatives*	*NBFCs (including MFIs)*	*(Bank/ NBFC-linked) SHGs*	
Interest-free	3.9	1.1	17	2.2	1.4	0
0 to 10	40.9	60.1	47.7	12.7	21.8	3.2
10 to 20	43.6	36.3	33.4	45.6	59.7	10.2
20 to 30	10.6	2.3	1.7	37.2	15.5	48.7
30 and above	1	0.2	0.3	2.2	1.5	37.8
All loans	**100**	**100**	**100**	**100**	**100**	**100**

Source: AIDIS unit-level data.

cooperatives during the survey year were reported as interest-free (Table 8). Following the scheme of interest subvention for agricultural credit provided by the Central Government, several State Governments announced zero interest agricultural loans.[20] Since cooperatives fall under the purview of State Governments, loans from these institutions were possibly reported as interest-free.

By contrast, loans from (bank/NBFC-linked) SHGs and NBFCs (including MFIs) carried distinctly higher rates (Table 8). About 37 per cent of NBFC loans and 16 per cent of SHG loans carried rates ranging between 20 and 30 per cent.

The interest rates charged by NBFCs and SHGs were lower than that charged by moneylenders. What is important, however, is that SHGs were the most important source of formal credit for asset-poor households (Table 9). It was the largest source of formal credit for the first three asset deciles; other asset deciles relied primarily on banks. This meant that formal credit was less affordable for asset-poor households by virtue of their reliance on SHGs.

Insurance Services

Insurance covers life insurance and general (including health) insurance.[21] As insurance provides socio-economic security against financial losses arising from a risky event, access to it is an important part of financial inclusion. The role of insurance in financial inclusion is also explained by the fact that life insurance

[20] See details of this scheme at RBI (2022b) for commercial banks, and NABARD (2022) for cooperative banks and RRBs. Schemes of zero interest on agricultural loans were introduced by various State Governments, including Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka, and Assam.

[21] Other than health, general insurance includes fire, marine, motor, agricultural insurance, etc. (IRDAI 2021).

Table 9 *Distribution of formal sector loans during the survey year for select interest rate classes by asset decile, 2019,* in per cent

Asset decile	Share of formal sector loans at rates lower than 10 per cent	Share of formal sector loans at rates between 10 and 20 per cent	Share of formal sector loans at rates higher than 20 per cent	Largest source of formal credit
1	2.8	6.2	11.6	SHGs
2	5.5	9.9	16.3	SHGs
3	5.8	12.3	18.8	SHGs
4	8.1	11.9	13.8	Banks
5	10.1	12.3	11.3	Banks
6	12	12.1	10.1	Banks
7	12.6	11.7	7.6	Banks
8	13.6	10	5.4	Banks
9	13.8	7.5	2.8	Banks
10	15.7	6.2	2.4	Banks
All rural households	**100**	**100**	**100**	**Banks**

Source: AIDIS unit-level data.

policies are used by policy-holders not only for protection, but also for savings.[22] Furthermore, during times of distress, these policies are surrendered to mobilise funds.

Both AIDIS and CPHS provide information on insurance, but not Findex. The data-heads of AIDIS and CPHS, however, are not comparable. CPHS provides data on whether a member from the surveyed household is covered under life/health insurance or, alternatively, owns a life/health insurance policy. AIDIS captures the amount of premium paid by the household towards life/health insurance during the survey year. The ownership of a policy does not necessarily translate into protection cover. For the cover to be active, the policy needs to be serviced regularly. Hence, it can be argued that the CPHS data relate to access to insurance policies, while the AIDIS data indicate whether the policy is active or not.

CPHS indicates that rural households take greater recourse to health insurance than life insurance (Table 10). As per the CPHS data for September–December 2021, about 37 per cent of rural households had members holding health insurance policies as compared to about 29 per cent holding life insurance policies. However, this is a more recent development following the pandemic. Prior to the pandemic, access to life insurance policies was significantly higher than to health insurance policies (Figure 5).

With the onset of the pandemic, the percentage of households with life insurance dipped sharply. In part, this dip could have been due to the surrender of policies

[22] See Deb *et al.* (2021) who bring out the role of life insurance policies as savings instruments.

Table 10 *Percentage of rural households having access to insurance policy and an active insurance cover, India*

Access to insurance policy (CPHS)		Access to an active insurance cover (AIDIS)	
Life	Health	Life	Health
28.9	37.4	13.9	1.3

Notes: 1. While the AIDIS data are from the (latest) 2019 round, the CPHS data are from the September–December 2021 wave.
2. Under AIDIS, life insurance includes Unit-Linked Insurance Plan (ULIP), endowment and term life insurance.
Source: AIDIS unit-level data; CPHS, CMIE.

ahead of maturity by policy-holders in order to mobilise funds during the pandemic.[23] The high mortality, particularly during the second wave, could also partly explain this dip. Although there has been a moderate recovery in this percentage in more recent months, it has continued to remain much lower than its pre-pandemic level.

As compared to life insurance, there has been a quick rebound in the percentage of households having health insurance policies (Figure 5). Increased medical expenses during the pandemic possibly prompted more households to opt for health insurance.

Since premium is the key to keep a policy active, the effective coverage of insurance is calculated by taking premium as a percentage of income (IRDAI 2021). In 2019, India had a premium to GDP ratio of 3.8 per cent, which was significantly lower than the average of nine per cent for advanced (Organization for Economic Cooperation and Development (OECD) countries) (Table 11). The penetration was even lower for rural India, at 1.7 per cent, taking monthly premium payment as a percentage of monthly household expenditure from AIDIS.

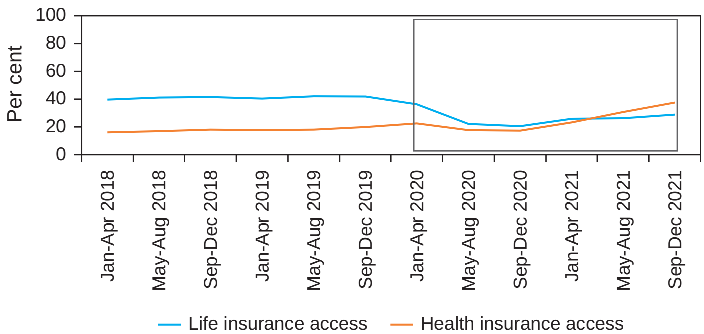

Figure 5: *Percentage of households with access to life insurance and health insurance during and before the pandemic, rural India*
Note: The box within the figure indicates the pandemic period.
Source: CPHS, CMIE.

[23] See Yadav (2022) for newspaper report on large-scale surrender of policies during the pandemic.

Table 11 *Insurance penetration in India, in comparison with advanced economy (OECD) average, 2019*, in per cent

Economy/Economy group	Insurance premium as percentage of GDP/expenditure
India	3.8
Rural India	1.7
OECD average	9

Note: The figure for rural India is defined as household-level insurance spending as percentage of household expenditure.
Source: OECD Insurance Statistics; IRDAI (2021); and AIDIS unit-level data.

Concluding Observations

India adopted "financial inclusion" as a policy objective in 2005, and from 2010 onwards, it introduced financial inclusion plans to give a definite direction and momentum to the pursuit of this objective. India's approach to financial inclusion has been shaped by global thinking on this subject, as well as its own history of social banking and inclusive finance. Following the global discourse, which has been prominently influenced by the World Bank, India included a multitude of basic financial services as part of its financial inclusion policy. Bank deposits have been the building block of the policy, and other services, such as payment, small-sized credit (overdraft), and health insurance, have been intrinsically linked to this.

The primary focus on bank deposit access has implied that inclusion is more about "access" to finance than ensuring its "use" or "affordability." The issue of affordability of finance has been particularly relegated to making financial inclusion commercially more profitable for banks and other financial institutions; this also reflects the global thinking on financial inclusion in an era of financial liberalisation. For instance, after the crisis in the microfinance sector in 2010, interest rate ceilings were made applicable to Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) to ensure affordable pricing of microfinance. However, these ceilings have been withdrawn over time, paving the way for market-based pricing of microfinance.

The uniqueness of India's approach to financial inclusion relates to its use of two regulatory policies: namely, the branch authorisation policy and the priority sector lending policy for redistributing bank branches and bank credit in favour of underserved regions/segments. The use of these regulations for redistribution is a legacy of India's social banking policy.

India has a unique set of secondary data sources on access to finance. These data can be used to assess the efficacy of India's experiment with financial inclusion, as has been attempted in this paper using the All-India Debt and Investment Survey (AIDIS) and Consumer Pyramids Household Survey (CPHS) data sources. By comparing their trends with those from Findex – the global database on access to finance of the World Bank – an effort has been made to provide a credible and comprehensive account of financial inclusion in rural India.

All three sources show an impressive expansion in bank deposits in rural areas, in the recent years. This expansion has brought India closer to the benchmark of universal (100 per cent) deposit access for its rural population. This expansion was seen across all States, particularly in the historically underbanked eastern, central, and north-eastern regions. It was also seen across all asset deciles of rural households, particularly the asset-poor segments. We have used asset-holding to classify households in this paper, as it is a reliable indicator of the socio-economic standing of a household. However, even as access to deposits has grown, the use of deposits for withdrawals or payments has been limited in rural areas.

Access to and use of (digital) payments, which are generally enabled through deposits, has also remained low in rural areas. Despite the oft-cited increase in internet access and mobile phones, only about 22 per cent of rural adults used credit/debit cards for payments in 2019, and only two per cent used e-wallets.

Credit was a weak link among the financial services that formed a part of financial inclusion, notwithstanding India's reliance on the priority sector lending policy. Only 11 per cent of rural adults reported access to formal credit in 2021, while about 45 per cent reported credit from any (formal or informal) source in that year, clearly indicating the limited role played by formal sources in meeting the overall demand for credit in rural areas.

There was a moderate rise in access to bank credit in recent years, as borne out by all data sources, but the increase was highly differentiated across geographical regions/States. The increase was most noteworthy in the southern region. Clearly, banks made forays into relatively underbanked regions for tapping deposits as part of financial inclusion. However, they did not make similar strides in these regions for providing credit. The increase in access to bank credit was also differentiated across asset categories of rural households; it was significantly higher for asset-rich segments as compared to asset-poor segments.

In addition to access, the affordability of formal credit remained a concern for households in asset-poor segments. These segments largely relied on self-help groups (SHGs) for credit. They also relied on NBFCs (including MFIs) for credit. While the interest rates of SHGs and NBFCs were generally lower than that of moneylenders, they were much higher than the bank rates.

Access to insurance, an important contractual saving facility, was weak in rural areas. Insurance penetration, taking premium payments as a percentage of income/

expenditure, was only 3.8 per cent in India in 2019; in rural areas it was even lower, at 1.7 per cent.

The effect of the pandemic on the access to finance for rural households was mixed, and varied across financial services. While the recovery in access to deposits to pre-pandemic levels was almost immediate, the recovery in access to credit took longer. The access to life insurance, which was the weakest link in financial inclusion, has remained subdued and has not yet reached its pre-pandemic level.

For meaningful implementation, India's approach to financial inclusion needs to move forward from access to deposits, to access to and use of all financial services. More focus is needed on increasing access to bank credit and (life) insurance in rural areas, which received a setback following the onset of the pandemic. The question of affordability of formal credit also needs to be addressed in a decisive manner, as interest costs in formal credit are higher for asset-poor segments.

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Appendix

Appendix Table 1 *Coverage of financial services under AIDIS and CPHS and gaps therein*

Financial service	Unit of enumeration	AIDIS	CPHS
Access to bank deposits	Adults in AIDIS/individuals in CPHS	Yes	Yes
Use of bank deposits during the survey period/year	–	No	No
Access to bank credit during the survey period/year	Household	Yes (both outstanding as on the date of the survey and fresh loans during the survey year)	Yes (outstanding)
Access to digital means of payments	Adults in AIDIS/individuals in CPHS	Yes	Partial (only credit card and KCC)
Access to life insurance	Households in AIDIS/individuals in CPHS	Partial (only the premium paid for life insurance policies during the survey period)	Partial (only whether household member holds a life insurance policy or not)
Access to health insurance	Households in AIDIS/individuals in CPHS	Partial (only the premium paid for health insurance policies during the survey period)	Partial (only whether household member holds a health insurance policy or not)

Appendix Table 2 *Percentage of rural adults reporting access to bank deposits, 2019*, by region/State

Region/State	2019	Change (2013–19) in percentage points
Northern region	**88.8**	**38.4**
Haryana	84.6	35.5
Himachal Pradesh	94.4	32.3
Jammu & Kashmir	90.5	37.9
NCT of Delhi	93.6	48.7
Punjab	84.3	37.6
Rajasthan	90.8	40.9
North-eastern region	**77.4**	**37.2**
Arunachal Pradesh	75.6	40.7
Assam	78.9	41.2
Manipur	66.4	40.7
Meghalaya	73.6	29.8
Mizoram	73.2	47.2
Nagaland	43.9	-2.7
Tripura	86.7	22.2
Eastern region	**81.5**	**46**
Bihar	77.7	48.7
Jharkhand	83.2	48.2
Odisha	84	41.9
West Bengal	83.9	45.2
Central region	**84.1**	**37**
Chhattisgarh	90.2	49.3
Madhya Pradesh	83.6	42.4
Uttar Pradesh	83	33.4
Uttarakhand	91.4	37
Western region	**79.7**	**30.7**
Goa	87.6	26.9
Gujarat	73.8	25.8
Maharashtra	82.8	33.4
Southern region	**90.4**	**35.2**
Andhra Pradesh	91.2	32.5
Karnataka	89.7	42.7
Kerala	90.6	30.7
Tamil Nadu	90.5	32.9
Telangana	90	35
India	**84.4**	**38.2**

Source: AIDIS unit-level data.

Appendix Table 3 *Percentage of rural households reporting a bank/SHG/NBFC loan during the survey year, 2019*, by region/State

Region/State	Bank loan		Bank/SHG/NBFC (including MFI) loan	
	Percentage of rural households reporting a bank loan	Change (2013—19) in percentage points	Percentage of rural households reporting a bank/SHG/NBFC loan	Change (2013—19) in percentage points
Northern region	**14.7**	**6.7**	**17.9**	**9.5**
Haryana	14.5	9.2	17	11.2
Himachal Pradesh	13.5	7.6	13.8	7.5
Jammu & Kashmir	7.9	3.3	8.3	3.7
NCT of Delhi	1.5	0.8	1.6	0.9
Punjab	13.6	6.8	18.3	11.5
Rajasthan	16.6	6.5	20.6	9.8
North-eastern region	**11.3**	**9.8**	**18**	**15**
Arunachal Pradesh	3	1.6	3.4	-0.1
Assam	13.2	11.8	20.1	16.7
Manipur	0.9	0.6	2.6	1
Meghalaya	4.9	3.7	4.9	3.1
Mizoram	2.9	2.3	4.4	3.8
Nagaland	0.9	0.5	1.3	0.5
Tripura	13	9.7	30.8	27.4
Eastern region	**5.4**	**2.9**	**19.1**	**12.1**
Bihar	2.1	0.2	13.6	10.1
Jharkhand	3.2	-1.3	9.9	1.1
Odisha	4.5	1.9	22	15.1
West Bengal	10	7.5	26.2	16.1
Central region	**10.4**	**3.8**	**13.6**	**6.2**
Chhattisgarh	5.1	3	9	5.8
Madhya Pradesh	11.7	4.6	17.4	9.4
Uttar Pradesh	10.6	3.6	12.8	4.9
Uttarakhand	13.9	6.9	14.9	7.5
Western region	**9.4**	**4.4**	**12.7**	**6.6**
Goa	8.5	3.9	9.5	4.9
Gujarat	12.7	6.5	13.8	7.1
Maharashtra	7.8	3.4	12.2	6.4
Southern region	**22.8**	**9.8**	**38.6**	**11.3**
Andhra Pradesh	30.2	16.4	53.9	20.9
Karnataka	12.9	7.6	22.5	1.8
Kerala	24.8	6.4	36.4	8.6
Tamil Nadu	21.5	5.9	33.9	10.2
Telangana	25.2	11.9	45.5	12.3
India	**12.2**	**5.4**	**20.9**	**9.2**

Source: AIDIS unit-level data.

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