



Financial Inclusion Index

Why in News

Recently, the [Reserve Bank of India \(RBI\)](#) has unveiled the **first composite** [Financial Inclusion Index \(FI-Index\)](#).

- The **annual FI-Index** for the **financial year ended March 2021** crossed the halfway mark to 53.9, as compared to 43.4 for the year ended March 2017.

Key Points

▪ About:

- The index has been **conceptualised as a comprehensive index** incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with the government and respective sectoral regulators.
 - It will be **published annually in July every year.**
- It **has been constructed without any 'base year'** and as such it **reflects cumulative efforts** of all stakeholders over the years towards financial inclusion.

▪ Aim:

- To capture the **extent of financial inclusion** across the country.

▪ Parameters:

- It **captures information on various aspects of financial inclusion** in a **single value ranging between 0 and 100**, where 0 represents complete financial exclusion and 100 indicates full financial inclusion.
- It comprises three **broad parameters (weights indicated in brackets)** viz., **Access (35%), Usage (45%), and Quality (20%)** with each of these consisting of various dimensions, which are computed based on a number of indicators.
 - The index is **responsive to ease of access, availability and usage of services, and quality of services** for all 97 indicators.

▪ Importance of FI Index:

- **Measures Level of Inclusion:** It provides information on the **level of financial inclusion** and **measures financial services** for use in internal policy making.
- **Development Indicators:** It can be used **directly as a composite measure** in development indicators.
- **Fulfill the G20 Indicators:** It enables fulfilment of [G20 Financial Inclusion Indicators](#) requirements.
 - The G20 indicators **assess the state of financial inclusion and digital financial services**, nationally and globally.
- **Facilitate Researchers:** It also **facilitates researchers to study the impact of financial inclusion** and other macroeconomic variables.

▪ Related Initiatives:

◦ [Pradhan Mantri Jan Dhan Yojana:](#)

- It was announced in **August 2014**, which proved to be a steady vehicle for financial inclusion.
- Till now nearly **43 crore poor beneficiaries in the country** now have a basic bank account under the yojana.

◦ [Digital Identity \(Aadhaar\):](#)

- It has **catalyzed inclusion and innovation** in the delivery of **financial services**.

◦ [National Centre for Financial Education \(NCFE\):](#)

- The RBI has released the **(NCFE): 2020-2025 document** for creating a financially aware and empowered India.

◦ **Centre for Financial Literacy (CFL) Project:**

- The CFL project has been **conceptualised by the RBI in 2017** as an **innovative and participatory approach** to financial literacy at the Block level involving select banks and **non-governmental organisations (NGOs)**.
- Initially set up in **100 blocks on a pilot basis**, the project is now being scaled up across the country to every block in a phased manner by March 2024.

[Source: IE](#)

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