

## Advertisement Cai th 5 a) एसोसिएशन समयेशी मारत को समर्पत viri सबसे पहले है भारत www.caii.in **Modi Government Speeds Financial Inclusion**

Time Period	Average Rate of Decline in Credit Outreach Gap (%)	Total Decline (% Points)
2001 - 2005	.51	2.24
2005 - 2011	.41	2.24
2011 - 2015	.37	1.34
2015 - 2022	2.06	12.01
Analysis: SKOCH Research		

redit ndia declined by 12.01 percentage points in seven years between 2015 and 2022 as against a mere 6.22 percentage points drop in the previous 14 years between 2001 and 2015, showing impressive outcome of the Financial Inclusion initiatives taken bv Prime Minister Narendra Modi government, according to a report by SKOCH released Financial Inclusion Task Force ahead of the Union Budget 2023-24.

In 2001, credit gaps in India stood at 94.91 per cent. This declined marginally to 92.97 per cent in 2005 and further to 90.03 per cent in 2011 and 88.69 per cent in 2015. Though there was a consistent decline in credit gap between 2001 and 2015 but the progress was marginal

Considerable progress was witnessed between 2015 and 2022. During this 7 year period, the credit gap fell from 88.69 per cent in 2015 to 76.68 per cent in 2022, registering a decline of 12.01 percentage points.

Credit gap refers to the proportion of people having no access to formal credit. **SKOCH Financial Inclusion** Task Force research report on credit gaps uses the same methodology of alculation as used by the

gaps in lack of absorptive capacity and associated costs."

He further added. "The significant findings of the report are a positive relationship between growth in credit and growth Net State in Domestic Product (NSDP) and a relationship between growth in credit and reduction in multidimensional poverty." The research report is based on input and analysis of the Financial Inclusion Task Force formed by SKOCH Group. The members of the task force include: Dr Deepali Pant Joshi. Former Executive Director, Reserve Bank of India; Prof S Mahendra Dev, Chairman, Institute for Development Studies; Dr Siraj Hussain, Former Union Agriculture Secretary; Mr Jiji Mammen, Executive Director & CEO, Sa-Dhan; Reema Nanavaty, Ms Director, SEWA; Dr Alok Misra, CEO & Director -MFIN; Mr S S Mundra, Chairman, BSE Ltd; Mr U K Sinha, Former Chairman, SEBI; Mr C S Ghosh, MD & CEO, Bandhan Bank; Dr Amarjeet Sinha, Former Union Rural Development Secretary; Prof Abhiman Das, RBI Chair Professor in

### **SKOCH Financial Inclusion Task Force Findings**

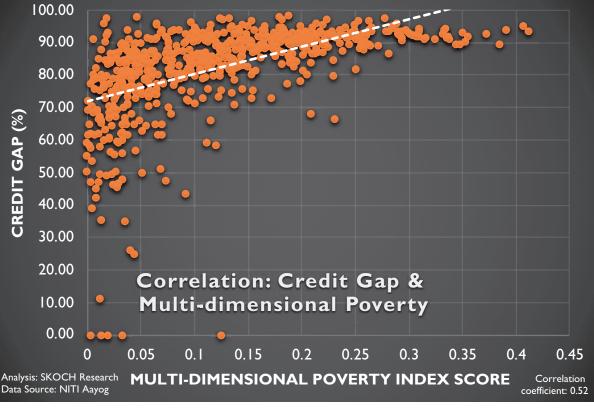
## **CREDIT GAP** %

#### 100.00



#### Analysis: SKOCH Research Data Sources: RBI, Census of India





#### **TERMS OF REFERENCE**

- Articulate credit gaps in both consumption, as well as livelihood linked credit.
- Articulate financial literacy gaps.
- Leveraging the digital infrastructure established since 2014 to fulfil these gaps.
- Identify innovative solutions for making available credit from within and outside the banking system.
- Suggest how digital lending and technology can create universal access to credit.
- Creating newer models of underwriting risk. collateral, credit rating and raising capital.
- Accelerating participation in Markets.
- Introduction of bonds, market instruments and ESG financing for the excluded.
- Other relevant recommendations

#### **FINDINGS THUS FAR**

- After seeing marginal progress till 2015, the country has made considerable progress since, reducing the overall credit gap to 76.68%.
- While numerous States and Union Territories have made commendable progress since 2004, the North Eastern states are still struggling to make progress.
- The correlation to multi-dimensional poverty outlines how increasing access to credit reduces poverty.
- The correlation to NSDP of states shows positive impact of credit.
- Microfinance Institutions haven't been able to reach districts with acute credit gaps. However, with the removal of interest rate ceilings, they are incentivised to reach hard-to-reach districts with acute credit

Committee Rangarajan in its report released in 2008. A Committee on Financial Inclusion headed by former RBI Governor C Rangarajan analysed credit gaps for the year 2005.

Commenting on the findings of the report, SKOCH Group Chairman Mr Sameer Kochhar said, "Access to credit is one part of the problem. The Task Force will additionally examine the impact of absorptive capacity of the population. something, that did not receive much attention in the past. It is likely that a large number of people are not able to access credit because of

Thakur, Head, BSE SME; Ms Renana Jhabvala Chairperson, SEWA Grih Rin Ltd; Ms Jayshree Vyas, MD, Mahila Sewa Sahakari Bank; Dr Deepak B Phatak, IIT-B, Mumbai; Dr Ajit Ranade, VC, Gokhale Institute of Politics & Economy; and, Mr Anil

Finance & Economics, IIM-

Ahmedabad: Mr Sameer

SKOCH Group; Mr Ajay

Chairman,

Kochhar,

Bhardwaj,

Inclusion

wide

the credit gaps fell to 51.38 Secretary per cent in 2022 from 91.54 per cent in 2001. General, FISME The SKOCH Financial Tamil Nadu's performance has been consistently Force Task research report reveals impressive since 2001. geographical Credit gap in Tamil Nadu fell from 91.54 per cent in variations in credit gaps. 2001 to 75.58 per cent in States/UTs that have 2011 and further to 62.29 witnessed sharp drop in credit gaps include per cent in 2015. On the Tamil Nadu, Chandigarh, other hand, the major gains in Maharashtra Maharashtra, Puducherry and Kerala. In Tamil Nadu and Chandigarh were

recorded post 2015.

North Eastern states still face acute credit gaps and are struggling to make progress. In Arunachal Pradesh credit gaps stood at 93.17 per cent in 2022 as compared to 96.60 per cent in 2001. The state and union territories where credit gaps are over 90 per cent include Chhattisgarh, Lakshadweep. Meghalava. Nagaland and Daman & Diu.

Bihar and Uttar Pradesh also remain among the major drag. The credit gap in Bihar dropped to 89.83 per cent in 2022 from 94.81 per cent in 2015. In Uttar Pradesh. credit gaps dropped from 94.06 per cent in 2015 to 89.95 per cent in 2022. In these two major states the progress between 2001 and 2015 was pretty slow. The

between credit and socio-economic indicators including multidimensional women's education and

access to clean fuel for research report cooking among others

The

also presents district wise

analysis of credit gaps. As

per the report, 211 districts

still face a credit gap of

report

analyses the correlation

also

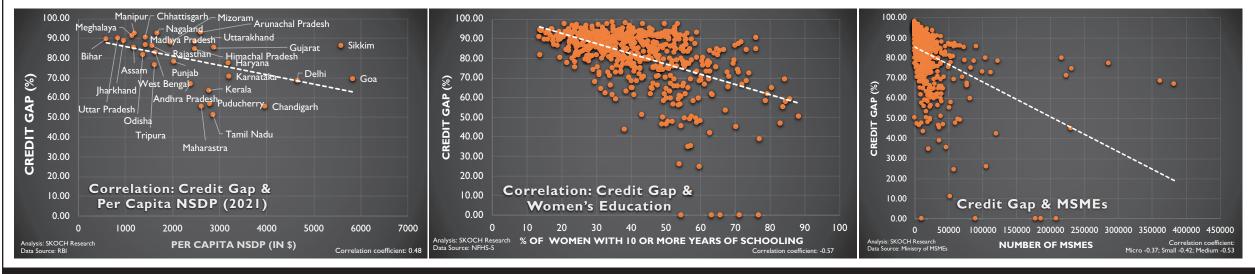
gaps

povertv.

more than 90 per cent.

gaps.

- There is still a lot of progress to be made in making credit more accessible in the country, with 211 districts still facing a credit gap of more than 90%.
- In 2005, the Rangarajan Committee Report had said that 255 districts faced a critical credit outreach gap of 95%. In 2022 that number has gone down to 28 districts.
- While the average outreach gap in 2022 is 76.68%, the average for Aspirational Districts is 88.33%.
- There is a correlation between women's education and access to clean cooking fuel with credit gap.
- Other socio-economic factors were found to be statistically insignificant.



# Are You a FinTech Serious About Business?

KOCH FinTech Forum aims to steer FinTechs away from hype and help them see and address a real market through a fine balancing act between both supply side as well as demand side issues.

We intend to bring technology and service providers, consumers credit. regulators and of

policymakers on the same page to chart out an actionable agenda.

India has huge unmet needs in Financial Products and Services. This gap was unaddressed due to a lack of enabling technology. Now that the technology is available, a better understanding of the credit gaps and literacy issues would be key success factors for FinTechs to

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be able to address the real market.

Most FinTech strategies are based on regulatory arbitrage. technology-based policy influencing and traditional money burn and market capture models. While there seem to be advisors aplenty for these, few address issues or have competence in multi-disciplinary areas like

the cost of money, generating resources from markets and newer underwriting and collateral models.

SKOCH FinTech Forum once again leverages our years of ground research, proven policy interventions and our passion for Financial Inclusion since inception to steer India towards the next step of SKOCH Financial Inclusion Model, i.e., availability of abundant credit and financial literacy to effectively access and deploy it.

Scheduled on 25th March 2023, SKOCH FinTech Forum will see the release of the report of the Financial Inclusion Task Force.

It would be the first such report with wide-ranging ramifications.

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