

Financial Inclusion Index

What is the Financial Inclusion Index?

The Financial Inclusion Index is a comprehensive index that will incorporate the details of banking, insurance, investments, pension and postal sectors.

- The index will be calculated in consultation with the government and respective sectoral regulators.
- It will be released in July annually.
- The FI-Index captures various aspects of financial inclusion in India to assess the extent of the country's financial inclusion.
- It is a single value that ranges between 0 and 100. While '0' represents complete financial exclusion, '100' represents complete financial inclusion.
- There is no base year taken to calculate the FII and the value will represent the actual cumulative result of efforts taken over the years.
- There are three broad parameters for calculating the FI-Index. They are:
 - Access to financial services
 - Usage of financial services
 - Quality of products and service delivery
- The weighage of the parameters are:
 - Access – 35%
 - Usage – 45%
 - Quality – 20%
- There are varied dimensions for each of the above parameters which are calculated based on 97 indicators.
- The index is responsive to ease of access, availability and usage of services, and quality of services for all 97 indicators.
- The 'quality' parameter is unique in that it captures the consumer protection, financial literacy, deficiencies and inequalities in service.

Benefits of FII

1. Gives information on the level of financial inclusion in the country.
2. Helps in policymaking.
3. Can be used as a composite measure in development indicators.
4. Aids in the fulfilment of [G20](#) Financial Inclusion Indicators requirements.
5. Helps in research regarding financial inclusion and other macroeconomic variables.

Financial Inclusion Index 2021

The FII for the period ended March 2021 stood at **53.9** compared with 43.4 for the period ended March 2017.

- There has been extensive improvement in services going beyond just bank accounts to credit, payments, micro insurance and gradually mutual funds.
- The next aim is more financial literacy to be able to operate banking and related transactions on electronic platforms and also to protect against cyber frauds.
- Improving financial inclusion has been possible because of digital ID (Aadhaar), the rapid increase in the use of mobile phones and exceptional payment systems, as per the RBI.
 - These two factors helped address the parameters of access and usage greatly.
- According to the RBI, the third parameter of quality requires both demand and supply-side interventions. This has been addressed to an extent by the [Pradhan Mantri Jan Dhan Yojana](#) under which bank accounts are opened for unbanked households.

Financial Inclusion

Financial inclusion promotes inclusive growth by making services, including credit and safety nets, available to the bottom of the pyramid. Read more on [financial inclusion](#) in the link.