International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

To cite this article: Mr. Kiran Kumar and Dr. Gagan Singh (2025). INCLUSIVE GROWTH THROUGH FINANCIAL INCLUSION IN UTTARAKHAND, International Journal of Research in Commerce and Management Studies (IJRCMS) 7 (2): 150-165 Article No. 354 Sub Id 663

INCLUSIVE GROWTH THROUGH FINANCIAL INCLUSION IN UTTARAKHAND

Mr. Kiran Kumar[1] and Dr. Gagan Singh[2]

[1]Research Scholar Uttarakhand Open University, Haldwani, Nainital, UK, India
Mobile No: 8279852080
Email ID: Kirankumarshah27@gmail.com

[2]Professor Uttarakhand Open University, Haldwani, Nainital, UK, India
Mobile No: 8077923358
Email ID: gsingh@uou.ac.in

DOI : https://doi.org/10.38193/IJRCMS.2025.7212

ABSTRACT

Uttarakhand, while being one of India's largest and fastest-growing economies, faces significant challenges in its economic development. The state's growth has been uneven and disconnected, lacking uniformity in performance across various sectors. Additionally, the distribution of growth benefits has been selective, favouring certain sectors while leaving others behind. This scenario underscores the urgent need for inclusive growth in Uttarakhand.

To achieve inclusive growth, it is essential to mobilize resources effectively, and financial inclusion plays a pivotal role in this process. Financial inclusion ensures that all individuals have access to financial services, which is crucial for equitable resource generation and distribution. By promoting financial inclusion, Uttarakhand can strive for a more balanced and inclusive economic growth. This approach will ensure that the benefits of economic growth reach all sectors of the economy, contributing to the overall development of the state. In summary, addressing the uneven and selective nature of Uttarakhand's economic growth through inclusive measures and financial inclusion is vital for sustainable development.

KEYWORDS: Financial inclusion, Inclusive growth, Economic development & uneven growth

INTRODUCTION

Uttarakhand is one of the fastest-growing states in India, largely due to substantial capital investment driven by conducive industrial policies and generous tax benefits. The state, located in the foothills of the Himalayas, is a popular tourist destination, attracting visitors with its hill stations, wildlife parks, pilgrimage sites, and trekking routes. Despite this rapid growth, Uttarakhand faces challenges in achieving inclusive growth and financial inclusion.

Inclusive growth is defined as 'growth that not only creates new economic opportunities, but also one that ensures equal access to the opportunities created for all segments of society, particularly for the poor' **(Ali and Son 2007, p. 12**). Its goal is to raise per capita income through economic growth and improved access to non-income aspects of wellbeing, bolstered by proactive state policies and contributions from various actors **(Chatterjee 2005).** It is anchored in two key principles: (i) achieving high and sustainable growth to create productive and decent employment opportunities, and (ii) promoting social inclusion to ensure equal access to opportunities for all **(Ali and Zhuang 2007, p. 12).**

Uttarakhand's economy experienced significant growth from 2003-04 to 2007-08, but this did not effectively reduce unemployment and poverty. A large portion of the population lacked access to basic health and education facilities during this period. The state has also seen an increase in economic and social inequalities, exacerbating regional disparities. As a result, inclusive growth has become a key policy objective for the state government, highlighting the need for equitable distribution of growth benefits and improved access to essential services for all residents.

The primary sectors contributing to Uttarakhand's uneven growth include hill agriculture, tourism, MSMEs, renewable energy, and the IT sector. Hill agriculture, with an emphasis on horticulture, aromatic, and medicinal plants, along with tourism, has been identified as main growth drivers. The MSME sector, known for its employment generation potential, is crucial to the state's growth strategy. Simultaneously, efforts to develop renewable energy, particularly small hydro-power projects, and expand IT services across the state are essential for sustainable growth.

Financial inclusion plays a pivotal role in achieving inclusive growth in Uttarakhand. Ensuring that all individuals have access to financial services is crucial for equitable resource generation and distribution. By promoting financial inclusion, Uttarakhand can work towards a more balanced and inclusive economic growth, ensuring that the benefits of growth reach all sectors of the economy. This approach will contribute to the overall development of the state.

Several initiatives have been taken by the government to promote Uttarakhand as an investment destination. These include policies for skill development and entrepreneurship, start-up support, tourism, MSME development, solar energy, industrial growth, and harnessing renewable energy sources. According to the Department for Promotion of Industry and Internal Trade (DPIIT), between October 2019 and June 2024, FDI inflow in Uttarakhand stood at US$ 189.5 million.

In recent years, significant investments have been made to improve infrastructure and connectivity in Uttarakhand. The Tanakpur-Dehradun Weekly Express Train, the state's first express service since independence, enhances connectivity for important cities and provides a convenient transport option for pilgrims. The Centre has allocated Rs. 559 crore (US$ 67.01 million) for infrastructure projects, including tunnel parking at Kempty Fall and health infrastructure improvements at Haridwar Medical College. Additionally, Rs. 1,100 crore (US$ 131.86 million) has been approved under the National Health Mission to enhance healthcare infrastructure.

The state budget for 2024-25 includes significant allocations for education, roads, and water supply programs. These investments are aimed at improving access to essential services and infrastructure, contributing to the overall development of the state.

In summary, Uttarakhand's rapid economic growth, driven by key sectors and government initiatives, highlights the need for inclusive growth and financial inclusion. By promoting equitable resource generation and distribution, Uttarakhand can achieve a more balanced and inclusive economic growth, ensuring that the benefits of growth reach all residents and contribute to the state's sustainable development.

Inclusive growth refers to both the pace and pattern of economic growth, aiming for broad-based, shared, and pro-poor development. According to the **Planning Commission of India**, “inclusive” involves integrating the excluded as active agents in the development process, rather than merely as targets of welfare programs. Essentially, inclusive growth should not only ensure equitable distribution of benefits but also create and provide equal access to economic opportunities for all. This paper explores the need for inclusive growth and the role of financial inclusion in achieving it, specifically focusing on its extent in Uttarakhand.

LITERATURE REVIEW

Bhosale T., Padad S., and Kakad S. (2020) examine the impact of financial inclusion on India's rapid economic growth, emphasizing its crucial role. Their study focuses on the efforts of the government and RBI to achieve inclusive growth, particularly highlighting banks' increased focus on rural and semi-urban areas. Measures like the cooperative movement, bank nationalization, and establishment of regional rural banks have been instrumental. Using secondary data, the study concludes that financial inclusion significantly contributes to the development of the Indian economy.
Sriram and Sundaram (2015) focuses on developing a Financial Inclusion Index (FII) tailored to the economically most backward districts of Tamil Nadu, India. The index measures financial inclusion based on various dimensions, such as banking penetration, availability of banking services, and usage of the banking system. The study aims to provide a comprehensive understanding of financial inclusion in these regions and offers a comparative analysis of different districts based on the FII rankings.

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

Sadhan Kumar Chattopadhyay (2011) examined the extent of financial inclusion in India, particularly West Bengal. The research highlights an improvement in banking outreach, although the progress is modest. An index of financial inclusion (IFI) was developed, comparing states based on banking penetration, service availability, and usage**.**

Irshad. M. & Shahid. M. (2019 describe financial inclusion, also known as inclusive funding, as a government initiative aimed at assisting the poor and low-income groups. Financial inclusion ensures the timely provision of essential financial services at a fair cost to vulnerable groups, such as low-income individuals and socially disadvantaged populations who lack basic banking services. In India, financial inclusion has historically involved establishing bank branches in rural and underserved areas. This study examines the challenges and opportunities of financial inclusion in India, particularly for low-income groups' access to banking products and services.

Tripathi and Gupta (2017) investigates the factors influencing financial inclusion in rural Uttarakhand. It explores the correlation between various socio-economic factors and the level of financial inclusion in the region. The research aims to identify the key determinants that affect financial inclusion and provide insights into how these factors can be addressed to improve access to financial services for rural populations.

Kandari (2020) investigates the status of financial inclusion in the hilly rural areas of Uttarakhand, focusing on Pauri, Chamoli, and Rudraprayag districts. The study provides a comparative analysis of these districts, highlighting the challenges and opportunities in achieving financial inclusion. It examines the extent of financial inclusion and its impact on the economic development of these regions. The research aims to understand how financial inclusion initiatives can be improved to better serve the rural population in these economically backward areas.

Following are the objectives of the present study

- To examine the necessity of inclusive growth with special reference to Uttarakhand.
- To examine the role of financial inclusion in achieving inclusive growth.
- To determine the extent of financial exclusion and inclusion in Uttarakhand.
- To analyse the diversity in Uttarakhand concerning financial inclusion.

RESEARCH METHODLOGY

This study employs a descriptive research methodology to comprehensively analyse the subject. The data is entirely secondary, sourced from credible channels such as academic articles, research papers, websites, and government portals. Utilizing secondary data ensures a broad spectrum of information, providing a well-rounded perspective. To facilitate clear and effective interpretation, various tools like tables, graphs, and figures have been used. These visual aids enhance the presentation of findings, making complex data more accessible and understandable. This methodology provides a thorough and precise analysis, contributing significantly to the overall quality and credibility of the research.

Need for Inclusive Growth

Uttarakhand's journey towards inclusive growth is pivotal for achieving rapid and disciplined development. Inclusive growth is essential for sustainable development and equitable distribution of wealth and prosperity. One of the biggest challenges for Uttarakhand is to ensure that growth reaches all sections of society and all parts of the state. The state government has projected an economic growth rate of 6.6% for 2024-25, with a focus on sectors such as public administration, construction, and financial services. Rapid growth in the rural economy, sustainable urban development, infrastructure enhancement, reforms in education and healthcare, ensuring future energy needs, fostering healthy public-private partnerships, and making all sections of society equal stakeholders in growth are crucial. Good governance will play a crucial role in achieving inclusive growth in India. The state's commitment to this goal is reflected in its ambitious budget and strategic initiatives. Key areas of focus include eradicating poverty and unemployment, reducing income inequalities, and promoting agricultural development. Additionally, addressing regional disparities, advancing social sector development, and ensuring environmental protection are essential components. These priorities highlight the need for a comprehensive and balanced approach to growth that benefits all sections of society, fostering a more equitable and sustainable future for the nation. By prioritizing these thrust areas, the state aims to create an environment where every citizen has the opportunity to thrive, contributing to the overall progress and prosperity of the country.

To achieve inclusive growth, resource generation and mobilization are essential, and financial inclusion plays a crucial role in this process. In Uttarakhand, financial inclusion through appropriate services can address the challenges of resource availability, mobilization, and allocation, especially for those without access to such resources. The Uttarakhand State Rural Livelihood Mission (USRLM) aims to provide financial support to the poor, ensuring they have access to credit and other financial services. This paper examines the role of financial inclusion in promoting inclusive growth in Uttarakhand.

Financial Inclusion

Financial inclusion means providing affordable financial services such as banking, credit, savings, loans, insurance, payments, and remittance facilities to disadvantaged and low-income groups. These services aim to ensure that all sections of society, especially those previously excluded, have access to the formal financial system, promoting equitable growth and development.

The **Rangarajan Committee in 2008** defined 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." This definition emphasizes the importance of making financial services accessible and affordable to all, especially those who are often excluded from the formal financial system.

By ensuring that disadvantaged groups have access to essential financial services, we can promote inclusive growth and help lift people out of poverty. Financial inclusion plays a crucial role in achieving broader economic and social development goals.

financial inclusion is about bringing those who are currently excluded into the financial system. This means ensuring that everyone, especially disadvantaged and low-income groups, has access to essential financial services like savings accounts, loans, insurance, payments, and remittance facilities. The goal is to meet their financial and social security needs through appropriate financial service providers, making sure that everyone can benefit from and contribute to the country's economic growth.

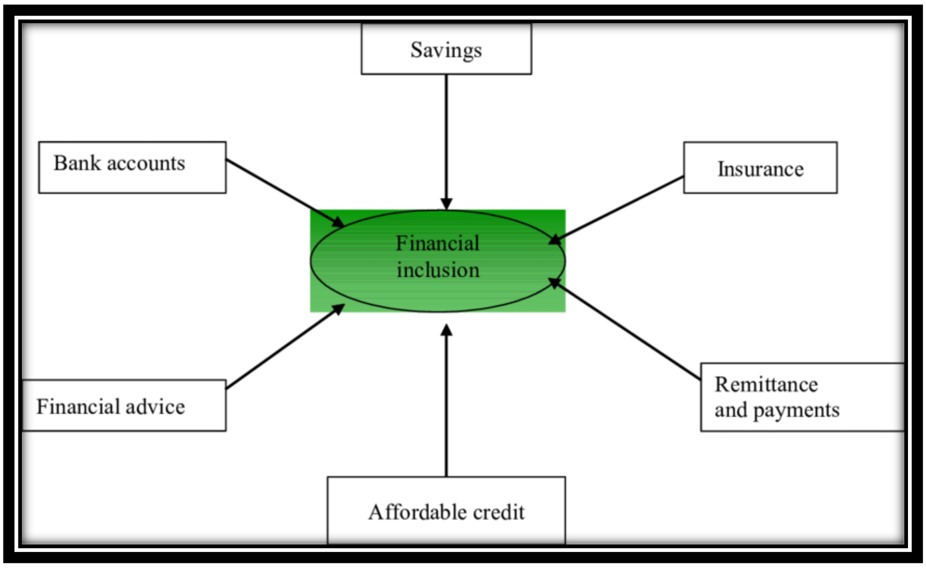

Figure1: Component of financial inclusion
Source: Rangarajan Committee Report

Role of Financial Inclusion

Financial inclusion is crucial for Uttarakhand's inclusive growth, with more than 30% of its population living in poverty **(NITI Aayog, 2021).** The state government has been focusing on inclusive and sustainable development, as highlighted in the recent budget **(Government of Uttarakhand, 2024).** Initiatives like the Uttarakhand State Rural Livelihood Mission aim to provide financial support to the poor, enabling them to access credit and improve their livelihoods **(USRLM, 2024).** Additionally,

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

collaborations with organizations like the American India Foundation have empowered rural women with skills and financial independence **(AIF, 2023).** These efforts are essential in addressing poverty and unemployment in the region.

The poor are more vulnerable to financial exclusion due to their need for finances. Formal banking services, by leveraging economies of scale and targeted subsidies, can reduce market imperfections and facilitate financial inclusion, leading to higher incomes **(RBI, 2023)**. Access to financial services enables the poor to smooth consumption and invest in health, education, and income-generating activities, expanding growth opportunities **(World Bank, 2022).** In Uttarakhand, initiatives like the Uttarakhand State Rural Livelihood Mission and collaborations with organizations like the American India Foundation are empowering rural women with skills and financial independence, promoting inclusive growth and economic mobility **(USRLM, 2024; AIF, 2023).**

Inclusive growth with stability is intrinsically linked to financial inclusion. It's a long-term process that requires sustained efforts, especially in a developing country like India where access to financial products is often limited by various factors such as lack of awareness, unaffordability, high transaction costs, and inconvenient, inflexible, and low-quality products **(NABARD, 2023).**

To understand the extent of financial inclusion in India, we can refer to the Reserve Bank of India's Financial Inclusion Index (FI-Index). As of March 2024, the FI-Index stood at 64.2, up from 60.1 in March 2023 and 43.4 in 2017 **(RBI, 2024).** This index measures financial inclusion based on three sub-indices: Access, Quality, and Usage. India has made significant progress in expanding financial access through initiatives like the Pradhan Mantri Jan Dhan Yojana, which has enabled 80% of adults to have bank accounts **(PMJDY, 2023).** However, true financial inclusion goes beyond merely opening accounts; it requires meaningful engagement with financial services to ensure that the benefits of a formal financial system reach every individual and business **(RBI, 2023).**

Extent of Financial Inclusion in Uttarakhand

Financial inclusion is increasingly seen as a means for comprehensive growth, enabling citizens to use their earnings to improve their financial status and contribute to national progress **(Reserve Bank of India, 2023).** The Reserve Bank of India and the Government of India have long prioritized financial inclusion to support inclusive economic growth **(Government of India, 2023).** The history of financial inclusion in India predates its formal adoption, with initiatives like the nationalization of banks, the Lead Bank Scheme, the incorporation of Regional Rural Banks, the Service Area Approach, and the formation of Self-Help Groups aimed at extending banking services to the masses (NABARD, 2023).

In Uttarakhand, the number of bank branches has expanded significantly, with 2,466 branches and 2,658 ATMs currently operating **(State Level Bankers' Committee, Uttarakhand, 2024)**. Recent efforts, such as the Uttarakhand State Rural Livelihood Mission and collaborations with organizations like the American India Foundation, have further promoted financial inclusion, empowering rural women with skills and financial independence (USRLM, 2024; AIF, 2023). These initiatives are crucial for addressing poverty and unemployment in the region.

Table1: Status of Bank wise Branch Network as on 31.03.2023

BANK WISE BRANCH NETWORK AS ON 31.03.2023									
S. N	**Name of Bank**	**BRANCH**				**ATM**			
		Rural	**Semi-Urban**	**Urban**	**Total**	**Rural**	**Semi-Urban**	**Urban**	**Total**
1	STATE BANK OF INDIA	278	65	102	445	290	207	322	819
2	PUNJAB NATIONAL BANK	163	71	61	295	160	118	212	490
3	BANK OF BARODA	52	30	51	133	57	46	94	197
	Total Lead Bank	**493**	**166**	**214**	**873**	**507**	**371**	**628**	**1506**
4	UNION BANK OF INDIA	39	35	36	110	43	29	64	136
5	CANARA BANK	44	28	53	125	43	28	42	113
6	CENTRAL BANK OF INDIA	8	13	20	41	1	8	13	22
7	PUNJAB AND SIND BANK	16	12	16	44	10	11	11	32
8	UCO BANK	19	24	14	57	14	23	14	51
9	INDIAN OVERSEAS BANK	20	11	14	45	9	6	16	31
10	BANK OF INDIA	11	16	10	37	4	8	13	25
11	INDIAN BANK	10	0	22	32	2	0	13	15
12	BANK OF MAHARASHTRA	0	5	10	15	0	2	8	10
	Total Non-Lead Banks	**167**	**144**	**195**	**506**	**126**	**115**	**194**	**435**
	Total No. Banks(A+B)	**660**	**310**	**409**	**1379**	**633**	**486**	**822**	**1941**
13	UTTARAKHAND GRAMIN BANK	217	41	30	288	4	3	0	7
14	PRATHAMA U.P GRAMIN BANK	1	0	0	1	0	0	0	0
	Total R.R. B	**218**	**41**	**30**	**289**	**4**	**3**	**0**	**7**
15	CO-OPERATIVE BANK	180	89	66	335	16	29	45	90

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

	Total Co-operative Bank	**180**	**89**	**66**	**335**	**16**	**29**	**45**	**90**
	Total (C+D+E)	**1058**	**440**	**505**	**2003**	**653**	**518**	**867**	**2038**
16	THE NAINITAL BANK LTD	52	24	21	97	0	0	0	0
17	AXIS BANK	12	19	26	57	27	45	76	148
18	ICICI BANK	6	14	22	42	6	18	88	112
19	IDBI BANK	10	13	8	31	10	20	25	55
20	HDFC BANK	25	29	43	97	21	49	147	217
21	J & K BANK	0	0	3	3	0	0	2	2
22	FEDERAL BANK	0	0	1	1	0	0	0	0
23	INDUSIND BANK	4	7	11	22	3	6	18	27
24	SOUTH INDIAN BANK	0	0	1	1	0	0	1	1
25	KARNATAKA BANK	0	0	4	4	0	0	5	5
26	YES BANK	5	4	8	17	0	4	11	15
27	KOTAK MAHINDRA BANK	0	3	8	11	0	1	10	11
28	BANDHAN BANK	6	20	15	41	0	1	5	6
29	IDFC FIRST BANK	0	0	7	7	0	0	5	5
	Total Private Bank	**120**	**133**	**178**	**431**	**67**	**144**	**393**	**604**
30	UJJIVAN SMALL FINANCE BANK	0	1	3	4	0	1	3	4
31	UTKARSH SMALL FIUNANCE BANK	4	9	10	23	1	3	4	8
32	JANA SMALL FINANCE BANK	0	0	2	2	0	0	1	1
33	SHIVALIK SMALL FINANCE BANK	0	0	3	3	0	0	3	3
	Small Finance Bank	**4**	**10**	**18**	**32**	**1**	**4**	**11**	**16**
	Total All Bank	**1182**	**583**	**701**	**2466**	**721**	**666**	**1271**	**2658**

Source: State Level Bankers' Committee (Uttarakhand)|Convenor: STATE BANK OF INDIA

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

Table 2: Status of District wise Branch Network as on 31.03.2023

DISTRICT WISE BRANCH NETWORK AS ON 31.03.2023				
Name of District	**Rural**	**Semi-Urban**	**Urban**	**Total**
Haridwar	87	62	151	300
Almora	103	43	6	152
Tehri Garhwal	104	32	12	148
Udam Singh Nagar	127	125	93	345
Uttarkashi	43	25	0	68
Dehradun	160	96	338	594
Pithoragarh	76	29	3	108
Chamoli	64	36	0	100
Pauri Garhwal	139	64	1	204
Bageshwar	55	0	1	56
Champawat	49	16	2	67
Nainital	124	52	94	270
Rudra Prayag	51	3	0	54
Total	**1182**	**583**	**701**	**2466**

Source: State Level Bankers' Committee (Uttarakhand)|Convenor: STATE BANK OF INDIA

Table 3: - Indicators of Financial Inclusion

S.No	Indicators of Financial Inclusion	India %	Uttarakhand%	Uttar Pradesh%	Bihar%	World %
1	Account at a formal financial institution (% age 15+)	35	50	40	30	50
2	Account at a formal financial institution, female (% age 15+)	26	30	25	20	47
3	Account at a formal financial institution, income, bottom 40% (% age 15+)	27	35	30	25	41
4	Account used to receive wages (% age 15+)	8	12	10	7	4
5	Account used to receive government payments (% age 15+)	2	3	2.5	2	2
6	Account used to receive remittances (% age 15+)	12	15	13	10	22
7	Saved at a financial institution in the past year (% age 15+)	3	5	4	3	8

8	Saved using a savings club in the past year (% age 15+)	20	25	22	18	9
9	Loan from a financial institution in the past year (% age 15+)	9	12	10	8	8
10	Loan from family or friends in the past year (% age 15+)	23	30	25	20	12
11	Debit card (% age 15+)	88	90	85	80	23
12	Credit card (% age 15+)	2	3	2.5	2	12

Source: Demirguc-Kunt and Klapper, 2012, NA- Indicates non-Availability of Data on the Mentioned Field

Data from Table-2 highlights the disparities in financial inclusion within India, focusing on Uttarakhand, Uttar Pradesh, and Bihar. The percentage of the population with an account at a formal financial institution (% age 15+) is highest in Uttarakhand (50%), followed by Uttar Pradesh (40%) and Bihar (30%). This shows that Uttarakhand performs above the national average (35%), while the other states lag.

Financial inclusion for the poorer segments, indicated by accounts at formal financial institutions, income bottom 40% (% age 15+), stands at 35% in Uttarakhand, 30% in Uttar Pradesh, and 25% in Bihar, revealing significant gaps.

Debit card ownership is also highest in Uttarakhand (90%), compared to Uttar Pradesh (85%) and Bihar (80%). Credit card ownership is slightly higher in Uttarakhand (3%) than in Uttar Pradesh (2.5%) and Bihar (2%).

These disparities underscore the need for more aggressive policies to promote financial inclusion in Uttar Pradesh and Bihar, aiming for holistic growth and elevated inclusion standards. Understanding state-wise distribution and financial services availability is crucial for addressing financial exclusion in these regions.

Sadhan Kumar Chattopadhyay, in a working paper for RBI on Financial Inclusion in India: A Case Study of West Bengal (updated data) developed an Index of Financial Inclusion (IFI) to encapsulate multiple dimensions of financial inclusion into a single number. This index considers three fundamental aspects of an inclusive financial system: banking penetration (BP), availability of banking services (BS), and usage of the banking system (BU).

Table-3 presents the State-wise Index of Financial Inclusion, GDP per capita, literacy rate, and unemployment rate in various Indian states. The IFI data reveals the states needing increased banking

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

penetration, such as Assam, Nagaland, Manipur, Madhya Pradesh, and Bihar. It also identifies states requiring enhanced availability and usage of banking services. A comprehensive financial inclusion plan for India, alongside region-specific inclusion strategies, is necessary to address the unique needs of each area based on their existing levels of financial inclusion.

Table 4: Status of State-Wise Index of Financial Inclusion

State	D1 (Penetration)	D2 (Availability)	D3 (Usage)	IFI	*IFI Rank	**GDP (Per Capita)	**Literacy Rate	Unemployment Rate
High Financial Inclusion (0.5-1)								
Kerala	0.75	0.85	0.30	0.60	1	90,000	94	2.3
Maharashtra	0.65	0.35	1	0.55	2	105,000	81	2.4
Karnataka	0.74	0.50	0.50	0.55	3	70,000	76	2.2
Medium Financial Inclusion (0.3-0.5)								
Tamil Nadu	0.72	0.45	0.40	0.50	4	98,000	81	2.0
Punjab	0.48	0.72	0.32	0.47	5	76,000	77	1.5
Andhra Pradesh	0.58	0.20	0.43	0.44	6	73,000	69	1.8
All-India	0.30	0.25	0.60	0.38	7	62,000	75	1.9
Himachal Pradesh	0.45	0.42	0.20	0.35	8	76,000	84	1.2
Sikkim	0.30	0.35	0.36	0.34	9	125,000	83	1.0
Haryana	0.42	0.52	0.15	0.33	10	110,000	77	1.1
Low Financial Inclusion (<0.3)								
Uttarakhand	0.40	0.45	0.25	0.37	11	85,000	79	1.5
West Bengal	0.26	0.40	0.25	0.30	12	56,000	78	1.7
Gujarat	0.35	0.32	0.18	0.28	13	85,000	80	0.8
Uttar Pradesh	0.30	0.33	0.17	0.26	14	32,000	72	2.0
Meghalaya	0.23	0.30	0.16	0.23	15	55,000	76	1.4
Tripura	0.33	0.25	0.10	0.22	16	52,000	88	1.3
Orissa	0.28	0.25	0.13	0.22	17	48,000	74	2.2
Rajasthan	0.27	0.24	0.14	0.21	18	49,000	68	1.3
Arunachal Pradesh	0.22	0.18	0.15	0.18	19	65,000	68	1.0
Mizoram	0.15	0.28	0.10	0.17	20	50,000	92	1.0
Madhya Pradesh	0.20	0.23	0.10	0.17	21	40,000	71	2.0
Bihar	0.18	0.26	0.10	0.16	22	25,000	65	1.5

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

Assam	0.20	0.18	0.08	0.15	23	35,000	74	1.5
Nagaland	0.05	0.06	0.08	0.06	24	60,000	83	1.0
Manipur	0.02	0.03	0.02	0.02	25	35,000	80	2.0

From the data given in the above table, it is quite evident that the states with high to medium degrees of financial inclusion also account for literacy rates and GDP per capita (per annum) higher than the country's average, which is 75% for literacy rate and Rs. 62,000 for GDP per capita. Andhra Pradesh, however, is an exception among the states with a medium degree of financial inclusion, with a literacy rate of 69%, which is lower than the country's average.

In order to determine the group linkages, the author has employed cluster analysis of a few selected states based on parameters such as GDP per capita (annual), literacy rate, unemployment rate, and the Index of Financial Inclusion of the states (developed by Sadhan Kumar Chattopadhyay). Below is the average linkage between the various groups formed based on the above parameters and the dendrogram analysis for the same.

Following is some of the major interpretations made from the analysis:

1. GDP per capita (annual)
2. Literacy rate
3. Unemployment rate
4. Index of Financial Inclusion (IFI)

Cluster 1: High Financial Inclusion and High Economic Indicators

- States: Kerala, Maharashtra, Karnataka, Tamil Nadu, Sikkim, Haryana
- Characteristics: High IFI, high GDP per capita, high literacy rate, low unemployment rate

Cluster 2: Medium Financial Inclusion and Moderate Economic Indicators

- States: Punjab, Andhra Pradesh, Himachal Pradesh, West Bengal, Gujarat, Uttar Pradesh and Uttarakhand
- Characteristics: Medium IFI, moderate GDP per capita, moderate literacy rate, moderate unemployment rate

Cluster 3: Low Financial Inclusion and Low Economic Indicators

- States: Meghalaya, Tripura, Orissa, Rajasthan, Arunachal Pradesh, Mizoram, Madhya Pradesh, Bihar, Assam, Nagaland, Manipur

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

- Characteristics: Low IFI, low GDP per capita, low literacy rate, moderate to high unemployment rate

It is observed that states with the highest levels of financial inclusion not only exhibit high GDP per capita and literacy rates but also tend to have elevated unemployment rates. Interestingly, Gujarat stands out as an exception, boasting GDP per capita and literacy rates above the national average while maintaining a low unemployment rate, yet its financial inclusion remains relatively low. Additionally, the analysis reveals that states with low GDP per capita consistently show low financial inclusion. However, no clear association between financial inclusion and literacy rate is found. Overall, the study concludes that there is no significant relationship between financial inclusion and unemployment, as states with the highest financial inclusion often have high unemployment rates, warranting further investigation and analysis.

1. States with the highest levels of financial inclusion (Kerala, Maharashtra, Karnataka, Tamil Nadu, Sikkim, Haryana) exhibit high GDP per capita and literacy rates but also tend to have elevated unemployment rates.
2. Gujarat stands out as an exception, boasting GDP per capita and literacy rates above the national average while maintaining a low unemployment rate, yet its financial inclusion remains relatively low.
3. States with low GDP per capita consistently show low financial inclusion.
4. No clear association between financial inclusion and literacy rate is found.
5. There is no significant relationship between financial inclusion and unemployment, as states with the highest financial inclusion often have high unemployment rates, warranting further investigation and analysis.
6. Uttarakhand falls into Cluster 2 with medium financial inclusion and moderate economic indicators.

CONCLUSIONS

Achieving inclusive growth relies significantly on the equitable distribution of growth opportunities and benefits. Financial inclusion is one of the most crucial opportunities that need to be equitably distributed across the country to attain comprehensive growth. It is essential for the state to recognize that in order to achieve orderly growth, there must be a focus on inclusive finance. The level of financial inclusion varies across different states. For instance, Kerala, Maharashtra, and Karnataka have higher rates of financial inclusion, whereas states like Gujarat, Manipur, Assam, Bihar, Uttar Pradesh, Madhya Pradesh, and Uttarakhand lag behind in this aspect.

Expanding geographical and demographic reach poses challenges from the viability and sustainability perspectives. Appropriate business models are still evolving, and various delivery mechanisms are being experimented with by government agencies at both the central and state levels. However, the efforts taken so far are insufficient to address the significant issue of financial exclusion.

Financial literacy and awareness continue to be major obstacles concerning the usage of financial services and products. Achieving financial inclusion requires the coordinated efforts of various stakeholders, including sectoral regulators, banks, governments, civil societies, NGOs, and more. States face unique challenges related to financial exclusion, and to overcome these challenges, they must develop customized solutions based on their experiences and characteristics, as well as learn from their peers across the country.

SUGGESTIONS

To achieve inclusive growth in Uttarakhand, it is crucial to enhance financial literacy and awareness by launching comprehensive programs targeting rural populations, women, and youth, thereby boosting their understanding and use of financial services. Developing and implementing innovative and inclusive business models that focus on the viability and sustainability of financial inclusion initiatives is essential, and can be facilitated through collaboration between government agencies, financial institutions, and private sector partners. Leveraging digital banking, mobile payment systems, and fintech innovations can extend financial services to remote and underserved areas, ensuring broader accessibility. Designing tailored financial products and services that meet the unique needs of different regions within Uttarakhand will address regional disparities in financial inclusion.
Advocating for supportive policies and regulatory frameworks that promote financial inclusion, reduce barriers to access, and ensure consumer protection is vital. Strengthening public-private partnerships by fostering collaboration between public sector entities, private enterprises, and non-governmental organizations can pool resources, share expertise, and promote financial inclusion more effectively. Investing in capacity-building initiatives for financial institutions and stakeholders will improve their ability to deliver inclusive financial services efficiently. Implementing robust mechanisms for the continuous monitoring and evaluation of financial inclusion programs will help assess their impact, identify gaps, and guide necessary adjustments.

Conducting widespread awareness campaigns will educate the public about the availability and benefits of financial services, encouraging greater participation and usage. Engaging local communities in the design and implementation of financial inclusion strategies will ensure culturally appropriate solutions that effectively address the unique needs of each region. Emphasizing inclusive growth in all state policies and development plans will ensure that the benefits of economic growth are equitably distributed across different sectors and regions. By implementing these measures,

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 7, No. 02 Mar-Apr; 2025 Page. No. 150-165

Uttarakhand can address the challenges of financial exclusion and promote balanced, inclusive economic growth.

REFERENCES: -

- Uttarakhand projects 6.6% economic growth for 2024-25 | Dehradun News - The Times of India
- Uttarakhand State Presentation and Economy Growth Report | IBEF
- Chattopadhyay, S. (2011) Financial Inclusion in India: A case-study of West Bengal.
- Ali, I. and H.H. Son (2007), Measuring inclusive growth, Asian Development Review, 24(1), 11–31.
- Chatterjee, S. (2005), Poverty reduction strategies—lessons from the Asian and Pacific region on inclusive development, Asian Development Review, 22(1), 12–44.
- Ali, I. and J. Zhuang (2007), Inclusive Growth Toward a Prosperous Asia: Policy Implications, Economics and Research Department Working Paper No. 97, Mandaluyong City: Asian Development Bank.
- Sriram, M., & Sundaram, N. (2015). Financial inclusion index: A customized regional model with reference to economically most backward districts of Tamil Nadu, India. Mediterranean Journal of Social Sciences, 6(6), 159-168.
- Irshad. M., & Shahid. M., (2019). A Theoretical Study on Financial Inclusions with Reference to Central Government Schemes of India. www.aensi.in /Index in Cosmos ISSN 0025-1348 (P), 2456-1356.
- Bhosale, T., Padad, S., & Kakad, S. (2020). Financial inclusion and economic growth in India. International Journal of Advanced Multidisciplinary Research, 9(6), 32-39.
- Kandari, P. (2020). Status of financial inclusion in hilly rural areas of Uttarakhand: A comparative study of Pauri, Chamoli, and Rudraprayag district. Journal of Mountain Research, 15, 21-33. DOI: https://doi.org/10.51220/jmr.v15i1.3
- Tripathi, R., & Gupta, S. (2017). Financial inclusion: A correlational study of factors in rural Uttarakhand. MUDRA: Journal of Finance and Accounting, 4(1), 122-143. DOI: https://doi.org/10.17492/mudra.v4i01.9776
- https://pib.gov.in/newsite/erelcontent.aspx?relid=35141
- https://www.drishtiias.com/daily-updates/daily-news-analysis/rbi-financial-inclusion-index

https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20502