Quality Dimension Imperative for Innovative Financial Inclusion: A Case Study of Select Banks in J&K

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Financial inclusion means delivering financial services at an affordable cost to the vast sections of the society especially under-privileged groups which is a prerequisite for inclusive growth, poverty reduction and social cohesion. Thus it holds priority while framing development policy in many countries particularly in the developing nations. In India, the apex body RBI takes various inclusive steps for promoting and implementing the Financial Inclusion program across the length and breadth of the country. These steps include directing commercial banks to open No Frill Accounts (NFA), Relaxation of KYC norms, Engaging Business Correspondents (BCs), opening of branches in unbanked rural centers, Financial Literacy Programmes etc. Improving financial inclusion in India and specifically in rural India is pivotal for successful execution of national and rural projects. The complete concept of financial inclusion is multidimensional (mainly three dimensions: Access, Usage and Quality) that provides the underpinning for data collection. This paper discusses the case of 4 banks in J&K to deliberate upon the current quality parameters undertaken by these banks for financial inclusion of rural population thereby finding the gaps that need to be addressed as part of innovative financial inclusion. As highlighted in various national and international deliberations on financial inclusion, using the index of financial inclusion developed by Sarma (2008) which incorporates three dimensions i.e. simple access (penetration), availability and usage, the paper attempts to provide a framework for financial inclusion index with quality dimension in addition to above which would be very useful for exhaustive and accurate analytical purposes. These dimensions of financial inclusion provide broad categories into which various indicators can be grouped, without being restrictive.

Key words: *Financial Inclusion, Quality Dimension, Financial Inclusion Index*

INTRODUCTION

India is one of the world's fastest growing economies, with highest ever growth in GDP of 11.4% in first quarter of 2010 and annual GDP growthrate of 7.4% (approx.) for last 5 years (World Bank 2014). Despite of this growth story, India still remains a country with large economic disparity jeopardizing balanced socio economic growth of India. As such there is a need to translate this growth of the country into shared prosperity and better livelihoods of majority of population which is socially and politically sustainable. In the recent economic awakening, scholars have delibrated upon various possible thrust areas that can help in strengthening the strucural equillibrium of the economic state of affairs and one of such thrust areas which has recently been into limelight is Financial Inclusion. Financial inclusion means delivering financial services at an affordable cost to the vast sections of the society especially under-privileged groups which is a prerequisite for inclusive growth, poverty reduction and social cohesion. Prime Minister, Narendra Modi has been constantly urging Reserve Bank of India to take the lead in encouraging financial institutions to set concrete targets for financial inclusion over the next 20 years so as to help transform the quality of life of the poor as it will create a platform for inculcating the habit to save money, it will provide formal credit avenues and will plug the leaks in public subsidies and welfare programmes, ultimately leading to holistic growth of India. With this vision of having a society with very few unbanked people, the Reserve Bank of India will be able to implement monetary policy decisions with greater effect catering to government's major concern of regulating India's growth.

Various steps have been taken in India to implement Financial Inclusion program including directing commercial banks to open new branches in unbanked rural centers, Opening new ATMs, Engaging Business Correspondents (BCs), covering unbanked villages through ICT, conducting financial Literacy Programmes etc. However, evolving role of financial inclusion goes beyond just providing basic financial infrastructure to a well-functioning financial infrastructure that allows individuals and companies to engage more actively in the usage of financial services, while ensuring the growth of the economy.

Improving financial inclusion in India is crucial for successful execution of national and rural projects.

One of the major problem lies in measuring the actual financial inclusion on basis of which all future planning is done. Government and Banks do meticulous planning and takes various initiatives for more financial inclusion by opening new branches in unbanked areas, opening ATMs etc. and mostly the usage is also increased.

Thus the complete concept of financial inclusion is multidimensional (mainly three dimensions: Access, Usage and Quality). The present index of financial inclusion incorporates mainly two dimensions i.e. accessibility and usage, although all the three dimensions are equally important for an inclusive financial system. Thus this study proposes Quality Index as an important dimension to be included while measuring the financial inclusion index for banks which can further be used to calculate financial inclusion index of the country depicting the true level of financial inclusion for particular time period. Quality Index focusus on measuring the quality of initiatives taken i.e. by setting the benchmark of increased financial service usage for each initiative and then comparing actual increased usage with the benchmark value.

The paper is structured around three main parts. The first part lays the groundwork for the subsequent analyses for considering the quality dimension as an important aspect in measuring the Finanacial Inclusion Index. This paper discusses the case of four banks in J&K (Only Financial Inclusion by banks are considered because it constitutes the major portion in India) to deliberate upon financial inclusion initiatives and the quality parameters of these banks for financial inclusion.

The second part proposes an approach to calculate the Quality Index to bring in the quality dimension for measuring the Overall Financial Inclusion Index (FIIo). This index can serve as a significant tool for benchmarking and will serve true purpose of measuring actual financial inclusion thereby giving the clear picture and encouraging policy makers to embrace the agenda of financial inclusion.

The third part tackles with identifying the gaps that need to be addressed as part of overall innovative financial inclusion with special emphasis on the Select Banks.

LITERATURE REVIEW

Financial inclusion refers to all initiatives that make formal financial services Available, Accessible and Affordable to various segments of the population. Financial inclusion is important because it is considered as an important condition for sustaining growth (Subbarao, 2009). Access to well-functioning financial system by creating equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protects themselves against economic shocks (RBI, 2009). Thus in India, with the provision of insurance and transfer facilities along with the overdraft facilities under PMJDY, there is a clear focus on expanding the portfolio of

financial instruments available to all households in the country (Pradhan Mantri JanDhan Yojana, 2014).

Financial Inclusion can be described as the proportion of individuals and firms that use financial services. It has a multitude of dimensions, reflecting the variety of possible financial services. Financial inclusion is defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008). In India, the focus of the financial inclusion at present is more or less confined to ensuring a bare minimum access to a savings bank account without frills to all. However, having a current account/savings account cannot be regarded as a sole indicator of financial inclusion (Vallabh and Chathrath, 2006). Financial inclusion is characterized primarily as either general access to loans or access to savings accounts (Arunachalam R.S, 2008). Committee on Financial Inclusion defines financial inclusion as delivery of financial services at an affordable cost to vast sections of disadvantaged and low-income groups (GOI,2008). Financial Inclusion is viewed as a process that ensures ease of access, availability and usage of formal financial system for all members of an economy (Sarma, 2008).

Anzoategui, Demirgüç-Kunt, & Pería (2014) in their study examined remittances affect on financial inclusion households' with the usage of savings and credit instruments from formal financial institutions. The results depicted that remittances have a positive impact on financial inclusion by promoting the use of deposit accounts, they do not have a significant and robust effect on the demand for and use of credit from formal institutions. Swamy, (2014) studied the impact of the financial inclusion programs on poor households represented by women relative to that represented by men. It was analyzed that income growth (CAGR) net of inflation effect was 8.40% for women as against 3.97% for men, indicating that the gender of participating poor undoubtedly affects the outcomes of these programs. Prina, (2015) studied the impact of offering a savings account with minimum transaction costs, i.e. zero fees and high proximity to a bank-branch to answer questions like Would poor households open and use such a savings account if given access to one? Would this access help them to save, accumulating small sums into large sums? Randomized field experiment and the combination of pre- and post-survey data with bank administrative data was used to study the effects of access to a savings account with minimum transaction costs, i.e. zero fees and physical proximity to a local bank-branch, on household savings behavior and welfare. Study depicted that there is a high demand for this type of savings accounts and that households regularly deposit small amounts of money.

Despite the high take-up rate and usage rates, access to a savings account generates minor welfare effects

Various definitions of financial inclusion have evolved. With the aim of defining a more complete concept of inclusion, the Financial Inclusion Data Working Group of the Alliance for Financial Inclusion agreed on three main dimensions of financial inclusion that provide the underpinning for data collection: access, usage and quality (AFIFIDWG, 2011).

1. ACCESS	Availability of formal , regulated financial services :physical proximity and affordability
2. USAGE	Actual Usage of financial services and products : regularity , frequency and duration of time used
3. QUALITY	Products are well tailored to client needs : appropriate segmentation to develop products for all income levels

Source: Adopted from Alliance for financial inclusion data working group(2011).

The above definitions emphasize several dimensions of financial inclusion, viz., accessibility, suitability, availability, usage, quality of the financial system. These dimensions together build an inclusive financial system. For the purpose of this paper, we define financial inclusion as a process that ensures the accessibility, usage and quality of the formal financial system and their initiatives for all members of an economy.

METHODOLOGY

Four banks in J&K were approached i.e. State Bank of India, Jammu & Kashmir Bank, Punjab National Bank and Jammu Kashmir Grameen Bank and its employees were interviewed regarding various initiatives taken by their banks for financial inclusion. They were asked regarding any steps that they take for measuring the quality of the initiatives. Data from RBI's annual publication "Basic Statistical return For Scheduled commercial banks" was also used which included the data of new ATMs opened and Transactions done at national level, also data with respect to coverage of villages and household through ICT was analysed at the regional level. The case of each bank depicting initiatives for financial inclusion was studied and the Quality Index was proposed to measure an important dimension of quality.

Case of J&K BANK

The Jammu and Kashmir Bank Ltd .was selected for being a private sector bank with biggest network of 580 branches (Jun-13) and highest number of ATMs in state alone than any other commercial bank in state, 750 branches and 726 ATM's (Sep-13)nationwide. Other reasons for considering JK Bank were that it is a Lead bank of state in 12 districts and SLBC conveyor. Amongst various initiatives that bank is taking for financial inclusion are highlighted as under

1) Organized Special camps under Pradhan Mantri Jan Dhan Yojana scheme for opening Bank accounts of unbanked people with minimum deposits and providing accidental insurance.
2) Branch: The bank is making special efforts in opening up new branches both in unbanked areas as well as in banked areas for increased penetration for covering more and more households.
3) ATM: Being the lead bank, it has highest no. of ATMs in the state to provide access of the financial services to people.
4) Business Correspondents: The bank has highest no. of business correspondents (663) in the state to provide access to large unbanked population of state. Under this bank has reached out to 1928 villages out of its 2353 village's target of March 2013.
5) Khidmat Centers: Opened common service centers (CSC) known as Khidmat Centers in the state with focus on rural areas. Under CSC bank identified village level entrepreneurs (VLE), financed them under CSC product and got special permissions for them to act as business correspondents who are linked to 351 base branches and extend financial services through smart cards.
6) Point of Transaction (PoT): Electronic devices at business correspondent and branches have been provided to facilitate smart card transaction. A smart card can have upto 25 accounts linked with it.
7) 15-Model Villages adopted by RBI in J&K for 100% financial inclusion: All the 15 identified model villages have been allocated to J&K bank and all are operational and transacting through smart cards.
8) Financial Literacy Centers: As per RBI directive, bank has setup 12 financial literacy centers with facilitators in all of its lead bank districts all of which are operational and 371 outdoor camps has been conducted which were attended by 41779 people.
9) Kissan credit cards (KCC): For providing easy production finance to farming community J&K bank has disbursed 1049 Cr. through more than 4.50 lakh KCC.
10) Sponsoring RRB: For better penetration to rural places J&K bank has sponsored JK Grameen bank.

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11) ICT: Covering of villages with population over 2000 for providing banking services under financial inclusion through various Information and Communication Technology based banking outlets.

Case of SBI

The State Bank of India was considered for being the leading public sector bank in the nation with highest no. of branches (14816) (66%rural, semi urban), March 2013 & ATM's (36740), Dec 2013. In the state SBI is leading Public Sector bank and also lead bank in 10 districts of the state. SBI has over 167 branches which is the 2nd largest no. of branches in the state. Some initiatives by bank for financial inclusion in Jammu and Kashmir include

1) Organized Special camps under Pradhan Mantri Jan Dhan Yojana scheme for opening Bank accounts of unbanked people with minimum deposits and providing accidental insurance.
2) Branches: The bank has a thrust on opening of branches in rural areas (66% at national), the bank has 113 branches in rural /semi urban location (67.66) out of 167 branches in the state.
3) ATM's: The bank has largest network of ATMs in the country. Bank also has good network of ATM's in the state of J&K to provide additional access channel to accounts.
4) Business Correspondents: For easy access to financial services in unbanked areas particularly the bank has engaged 84 Business Correspondents in the state.
5) Zero Balance Accounts: To make access to financial services at affordable price, the bank has started the zero balance saving accounts for reaching out to more and more households both at urban and rural areas.
6) Financial Literacy Centers: Bank has set up financial literacy centers in all the 10 districts for which it's a lead bank.
7) KCC: Easy access to loan facility at low interests to farming community has been made possible by distributing KCC
8) Sponsoring: For better access to rural markets SBI has sponsored Ellaquai Dehati Bank in the state
9) ICT: Covering of villages with population over 2000 for providing banking services under financial inclusion through various Information and Communication Technology based banking outlets.

Case of PNB

The Punjab National Bank was considered for being the 2nd largest public sector bank in India as well as in the state with a network of 93 branches in state and a good network of ATMs. Some initiatives by bank towards financial inclusion in Jammu and Kashmir are as under

1) Opening New Branches with emphasis on opening branches in rural places as out of 93 branches in state 58 branches are rural /semi urban areas.
2) Organized Special camps under Pradhan Mantri Jan Dhan Yojana scheme for opening Bank accounts of unbanked people with minimum deposits and providing accidental insurance.
3) Opening new ATMs for access to financial services,
4) Engaging more Business Correspondents(BC), currently bank is having 34 BC in state,
5) Distributing KCC cards for cheap finance, covering of unbanked villages with population of above 2000 by leveraging Information Communication Technology.
6) Implementation of various government schemes from time to time like Jammu and Kashmir Self Employment Scheme (JKSES) & Prime Ministers' Employment Generation Programme (PMEGP) etc

Case of JK Grameen Bank

The Jammu Kashmir Grameen bank was considered because it is the largest Regional Rural Bank in the state with network of more than 203 branches and 93 Business Correspondents to provide access to financial services at affordable price with convenience. Some initiatives by bank for promoting financial inclusion are as under

1) Opening new branches mostly in rural places.
2) Organized Special camps under Pradhan Mantri Jan Dhan Yojana scheme for opening Bank accounts of unbanked people with minimum deposits and providing accidental insurance.
3) Being a RRB it engages more business correspondents in unbanked areas.
4) Hold Financial Literacy Camps for awareness of financial services.
5) Distribute KCC to provide cheap finance to farming community so as to improve their living and covering unbanked villages with population of over 2000 through ICT.
6) Micro Finance facility for empowerment of socially underprivlidged groups.
7) Self Help Group for delivering credit at minimal transactional cost & defaults.
8) No frills account, An account with 'zero' or minimum balance.

Quality Dimension: Proposed Calculations for Measuring Quality Index

In order to show how quality dimension can be added in calculation of financial inclusion index, few common and most important initiatives i.e. Opening new ATMs and covering villages through Information and Communication Technology for financial inclusion has been taken.

Initiative 1: Opening of new ATMs for financial inclusion

For measuring the quality dimension of this initiative, data regarding numbers of ATMs opened and their corresponding increased usage (by measuring the strikes) is used. This increased usage is inclusive of both the existing ATMs as well as the newly opened ATMs.

To understand this further, cases of two banks are discussed below for above initiative.

SBI

For SBI, the month wise statistics regarding number of ATMs and transactions was collected for 8 months i.e. May 2013 to December 2013 (RBI,2014). Linear Regression was applied to this data to obtain regression equation in order to forecast or to set benchmark regarding the required increased transactions or strikes for any increased number of ATMs.

Table 1

Month	No of ATMS	Strikes/Transactions
Apr-13	28274	193074560
May-13	29096	193314674
Jun-13	29902	183684114
Jul-13	30523	194046931
Aug-13	31749	194481043
Sep-13	32777	193398000
Oct-13	33818	213262017
Nov-13	35162	203377082
Dec-13	36740	216326103

Since the above monthly data is cumulative in nature, so we will calculate the actual data by subtracting each value from the value of proceeding month as shown in Table 2. Also since in calculating the quality dimension of financial inclusion for ATM initiative, only the increased transactions are of relevance. However the above data in Table 1 shows that despite of opening new ATMs the transaction

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for few months June, September and November has shown decline than the previous months thereby giving negative values. But negative here means no increase usage so for simplification we have used 0 instead of negative values as shown below in Table 2:

Table 2

Month	Increased ATMs (X)	Increased Transaction(Y)
May-13	822	240114
Jun-13	806	0
Jul-13	621	10362817
Aug-13	1226	434112
Sep-13	1028	0
Oct-13	1041	19864017
Nov-13	1344	0
Dec-13	1578	12949021

Let us assume that increased transaction represented by 'Y' is the dependent variable and increased number of ATMs represented by 'X' is the independent variable. So regression equation obtained for the above data is

Equation 1: $$Y = 2616713.062 + 2706.872\ X$$

This equation becomes the standard (basis of previous data) to measure the quality of initiative for the next month by forecasting the increased transactions which becomes the standard for given number of newly opened ATMs. The equation shows that every month for the existing ATMs the transactions are increasing by number 2616713. However each newly opened ATM has increased transactions by 2706.

As per the statistics for the month January, 2014 regarding number of ATMs and their transactions of SBI as provided by RBI were

Table 3

Month	No. of ATMS	Strikes / Transactions
Dec-13	36740	216326103
January-14	38393	224059924

Table 3 clearly shows that in the month of January 2014 SBI opened 1653 new ATMs which is also the value of variable X. So putting the value of X in Equation 1, we get the value for variable Y

$$Y = 2616713.062 + 2706.872 * 1653 = 7091172$$

Here Y gives us the standard number of Transaction Increase expected for the month of January 2014 with introduction of 1653 new ATMs and it becomes the standard for measuring the quality of the initiative.

However if we refer to table 3, the actual increased transaction for January 2014 is 7733821.

So for measuring the quality dimension we propose quality index using formula 1:

Formula 1: $$Qi = O/E$$

where Qi is the quality index for i initiative

O is the Observed Value of dependent variable i.e. increased usage for the month or year whose financial inclusion index is being calculated and

E is the expected value of dependent variable for the month or year whose financial inclusion index is being calculated at which the quality parameter would be maximum.

The proposed Quality Index takes values between 0 and 1 as shown in figure 1

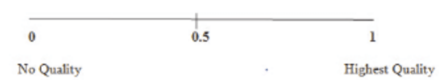


Figure 1

By putting the values we get

$$Q1 = 7733821 / 7091172 = 1.090$$

Since the upper limit of index is 1 so any value above 1 will be given highest quality index i.e. 1. Which means for the month of January 2014 the quality index calculated for SBI for Initiative 1 that is opening of new ATMs is 1 i.e. they have not only provided accessibility and has increased the usage, but the usage has increased to targeted amount. So they have been successful in achieving the quality financial inclusion for the month January 2014.

Here it should be noted that statistics has been taken for months, however if we take the statistics for past years and obtain the regression equation, it will help us in giving the correct measure of financial inclusion by adding quality dimension in calculation of financial inclusion index for the year in question.

J&K Bank

For J&K Bank, again the month wise statistics regarding number of ATMs and increased transactions has been analyzed for 8 months i.e. May 2013 to December 2013.

Table 4

Month	Increased ATMs (X)	Increased Transaction(Y)
May-13	9	109173
Jun-13	12	0
Jul-13	19	686059
Aug-13	14	10717
Sep-13	31	0
Oct-13	9	309925
Nov-13	17	0
Dec-13	10	2369

So regression equation obtained for the above data is

Equation 2: $$Y = 137121.550 + 175.790X$$

The equation shows that every month for the existing ATMs the transactions are increasing by number 137121. However each newly opened ATM has increased the transactions by 175.

As per the statistics for the month January, 2014 regarding number of ATMs and their transactions of J&K Bank as provided by RBI were

Table 5

Month	No. of ATMS	Strikes / Transactions
Dec-13	762	2874595
January-14	771	2876349

Table 5 clearly shows that in the month of January 2014 J&K Bank opened 9 new ATMs which is also the value of variable X. So putting the value of X in Equation 2, we get the value for variable Y

$$Y = 137121.550 + 175.790 * 9 = 138703$$

Here Y gives us the standard number of Transaction Increase expected for the month of January 2014 with introduction of 9 new ATMs and it becomes the standard for measuring the quality of the initiative.

However if we refer to table 5, the actual increased transaction for January 2014 is 1754.

By putting the values in formula 1, we get

$$QI = 1754 / 138703 = 0.0126$$

Which means for the month of January 2014 the quality index calculated for J&K Bank for Initiative 1 that is opening of new ATMs is 0.0126 i.e. although they have provided accessibility of ATMs and usage has also increased, but the usage increase is far below the targeted amount.

Now in order to have an exhaustive quality index other initiatives should also be considered. As previously mentioned for the study only few common and most important initiatives i.e. Opening of new branches and opening new ATMs for financial inclusion index has been taken.

Initiative 2: Coverage of Villages for financial inclusion through ICT

In order to calculate the quality index for this initiative by various banks again the observed actual value is compared against the targeted or expected

value. The statistics for the same for the FY 13-14 for four select banks was taken from the (JKSLBC, 2013).

Again by using the formula 1 we can calculate the Quality Index as shown in table 6.

Table 6

BANK	NO of villages allocated (FY13-14)	Target A/C	Progress in villages covered-Dec 13	A/C Opened	Qi
JKB	536	347237	536	277831	0.800119227
SBI	95	42750	95	36788	0.860538012
PNB	34	22436	34	11499	0.512524514
JK Grameen	95	34288	95	56089	1.635820112

Calculating financial inclusion of any area not taking quality dimension into consideration may give inadequate results. Table 6 gives us Quality index for various banks on Initiative 2 i.e. coverage of villages though ICT for FY13-14. As shown in Table 6 statistics for PNB reveals a target of covering 34 villages & 22436 households for FY13-14 and it covered all 34 villages but only 11499 households. The existing financial inclusion index based mainly on access and usage would reflect a high financial inclusion for these villages although 10937 households are yet to be covered as per the target. Its only when we take quality dimension into consideration a true picture of financial inclusion will arrive which will predict only 52% of the area is financially included and 48 % of the area is financially excluded.

Thus for calculating the overall Quality index of financial inclusion (inclusive of all initiatives) for each bank for particular time period in question we use the formula 2 as shown below

Formula 2: $$QI = Qi/N$$

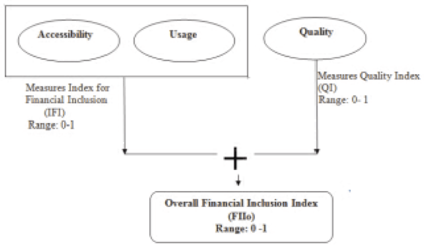
where QI is the overall Quality Index (inclusive of all initiatives) for any bank for particular time period,

Qi is the quality index for i initiative of any bank and

N is the total number of initiatives taken by the bank for financial inclusion

Thus the paper proposes Quality as an important dimension in calculation of Overall Financial Inclusion Index by giving a framework as shown in figure 2:

Figure 2



In the framework shown, quality has been proposed as an important dimension to be included while measuring the financial inclusion index for banks which can further be used to calculate financial inclusion index of the country depicting the true level of financial inclusion for particular time period. As shown in the framework, present Financial Indices covers mainly two dimensions accessibility and Usage. Index for Financial Inclusion (IFI) developed by Sarma (2008) which incorporates three dimensions i.e. simple access (penetration), availability and usage provides index in the range of 0 to 1. Here as per framework penetration and availability can be clubbed under dimension Accessibility and therefore Quality dimension incorporated to it can be useful for exhaustive and accurate analytical purposes. Weights have to be assigned to each dimension depending on their relative importance in measuring the overall Financial Inclusion Index. Although all the three dimensions considered here are equally important for an inclusive financial system, since adequate data on accessibility is present so we give it more weight as compared to other two dimensions in the present index.

Formula 3: $FIIo = 0.7\ IFI + 0.3\ QI$

where FIIo is the Overall financial Inclusion Index

0.7 is the total weight given to two dimensions i.e. Accessibility (0.4) and Usage (0.3)

0.3 is the weight assigned to Quality Dimension

IFI is the Index for Financial Inclusion

QI is the Quality Index

As the data analyzed is bank specific so the above Overall Financial Inclusion Index and Standard Quality Index is also bank specific. However the same approach if followed on the data for all commercial banks together can reflect the Standard Quality Index for all banks which can be used for calculation of Overall Financial Inclusion Index for the Country.

V. Lessons from the Cases: Gaps Identified

1. Although for inclusive growth through financial inclusion accessibility is pivotal but not adequate alone. As is evident from data analyzed that where there is increase in No. of ATMs on Month on Month basis, there have been instances of decrease in usage. One of the probable reasons for this may be that banks are opening too many new ATMs in areas where ATMs are already in place and opening few ATMs in places where there are no ATMs can be fruitful for finanacial inclsuion. Thus it emphasizes need for introducing quality dimension in addition to accessibility and usage while measuring financial inclusion.

2. Regional Rural banks like JK Grameen Bank is not operating through ATM's which is an important access channel in today's era. Although having RRB's in place has helped in accessing/penetrating in rural areas but the usage of financial services has not picked up very well, for which one of the probable reason can be no ATM's opened by RRB's.

3. While accessibility is prerequisite for financial inclusion, however calculating financial inclusion of any area not taking quality dimension into consideration may give inadequate results. As is highlighted by 91st JKSLBC's data were PNB with a target of covering 34 villages & 22436 households covered all 34 villages but only 11499 households were covered. It is noted that existing financial inclusion index based mainly on access and usage would reflect a high financial inclusion for these villages although 10937 households are yet to be covered as per the target. Its only when we take quality dimension into consideration a true picture of financial inclusion will arrive which will predict only 52% of the area is financially included and 48 % of the area is financially excluded.

4. While engaging Business Correspondents (BC) has been realized of vital importance in penetrating the unbanked areas, many banks like PNB have not yet engaged BC.

5. Banks can accelerate their efforts to meet the SLBC targets particularly with regard to opening of new branches. As in case of J&K Bank target was 134 branches (FY 13-14) however only 68 branches were opened by December 2013 and in case of SBI with target of 21 branches (FY 13-14), no branches were opened by December 2013.

CONCLUSION

Based on the study conducted the paper reveals that although providing access to financial services which may be through opening of new branches, new ATM's, covering unbanked villages (population) etc. is perquisite for financial inclusion, but index for financial inclusion which is calculated without taking quality dimension into consideration may give inadequate results. So to ensure that financial inclusion index gives the true picture of level of finacial inclusion, the proposed approach of adding quality dimension to existing index can be of immense use and very useful for exhaustive and accurate analytical purposes. The study of select banks in J&K reveals that the concept of financial inclusion is incomplete without incorporating Quality Dimension. Further there is scope of future study where the same approach of finding quality index can be applied for calculation of Overall Financial Inclusion Index for the Country (considering all initiatives) rather than being bank specific. It is pertinent to mention here that the usage of quality dimension not only lean down the process of calculating Overall Financial Inclusion Index but will also make the future planning process of financial Inclusion more effective. Thus the framework proposed in the study highlight three main dimensions i.e. accessibility, usage and quality as imperative for exhaustive financial inclusion measurement.

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