

**KERLA STATE TOPS IN INDEX OF FINANCIAL
INCLUSION IN INDIA
(IFI .54 Rank 1st)**

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Abstract :

Kerala has the highest Human Development Index in India, higher than that of most developed countries. The state has the highest literacy rate in India with 93.91 percent. It hopes to be the first e-literate state in India through the state run Akshaya project. The state recently became and is currently the only one to have banking facilities in every village A survey conducted in 2005 by Transparency International ranked Kerala as the least corrupt state in the country. Kerala is also ranked as India's cleanest state. Kerala has witnessed significant migration of its people, especially to the Persian Gulf countries during the Kerala Gulf boom and is heavily dependent on remittances from its large Malayali expatriate community.

Key Words : expatriate community

Etymology :

Kerala is pronounced Kēraḷam by the native Malayalees. Scholars agree that Kerala transliterates Classical Tamil Cheralam ("Land of the Cheras") or cheralam, ("declivity of a hill or a mountain slope/range"). The state was anciently called Cheralam and Cherala Nadu. A 3rd-century BCE rock inscription by Emperor Asoka the Great references Kerala as Keralaputra. The Graeco-Roman trade map Periplus Mari Erythraei references Kerala's Chera territory as Cerobothra. Another popular view is that 'Keralam' is derived from the Sanskrit word 'Kera' which means coconut and the Dravidian word 'Alam' which means place or land, as Kerala is and has been famous for the coconut trees it grows.

Introduction :

India-Kerla State :

Kerala is an Indian state located on the Malabar coast of south-west India. It was formed on 1 November 1956 by the States Reorganization Act by combining various Malayalam speaking regions.

The state has an area of 15,005 sq miles and is bordered by Karnataka to the north and northeast, Tamil Nadu to the east and south, and the Arabian Sea on the west. Thiruvananthapuram is the state capital. Kochi and Kozhikode are other major cities. According to a survey by The Economic Times, five out of ten best cities to live in India are located in Kerala. Kerala is a popular destination for its backwaters, beaches, Ayurvedic tourism and tropical greenery.

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Theoretical Background :

Economy of Kerla :

Since independence, Kerala was managed as a democratic socialist welfare economy. Since the 1990s, liberalization of the mixed economy allowed onerous Licence Raj restrictions against capitalism and foreign direct investment to be lightened, leading to economic expansion and job creation. In fiscal year 2007–2008, nominal gross state domestic product (GSDP) was ₹162,414.79 crore (US\$32.4 billion). Recent GSDP growth (9.2% in 2004–2005 and 7.4% in 2003–

2004) has been robust compared to historical averages (2.3% annually in the 1980s and between 5.1% and 5.99% in the 1990s). The state clocked 8.93% growth in enterprises from 1998 to 2005 compared with 4.80% nationally. Relatively few such enterprises are major corporations or manufacturers. Kerala's Human Development Index rating is the highest in India. Its apparently paradoxical "Kerala phenomenon" or "Kerala model of development" of very high human development and not much high economic development results from the strong service sector.

Kerala's economy depends on emigrants working in foreign countries (mainly in the Persian Gulf countries such as United Arab Emirates or Saudi Arabia) and remittances annually contribute more than a fifth of GSDP. As of 2008, the Gulf countries altogether have a Keralite population of more than 2.5 million, who send home annually a sum of USD 6.81 billion, which is more than 15.13% of Remittance to India in 2008, the highest among Indian States.

The service sector (including tourism, public administration, banking and finance, transportation, and communications—63.8% of GSDP in 2002–2003) and the agricultural and fishing industries (together 17.2% of GSDP) dominate the economy. Nearly half of Kerala's people are dependent on agriculture alone for income. Some 600 varieties of rice (Kerala's most important staple food and cereal crop) are harvested from 3105.21 km² (a decline from 5883.4 km² in 1990)

As on March 2002, Kerala's banking sector comprised 3341 local branches; each branch served 10,000 persons, lower than the national average of 16,000; the state has the third-highest bank penetration among Indian states. On 1 October 2011, Kerala became the first state in the country to have banking facility in every village. Unemployment in 2007 was estimated at 9.4%; underemployment, low employability of youths, and a 13.5% female participation rate are chronic issues, as is the practice of *Nokku kooli*, 'wages for looking on'. By 1999–2000, the rural and urban poverty rates dropped to 10.0% and 9.6% respectively. The state treasury has suffered loss of thousands of millions of rupees thanks to the state staging over 100 hartals annually in recent times. A record total of 223 hartals were observed in 2006, resulting in a revenue loss of over ₹2000 crore.

Research :

Financial Inclusion index [{IFI 0.54; IFI Rank 1ST. {2009}}]

According to a working paper from the Reserve Bank of India, in the group of 23 states for which a 3-dimensional Index of Financial Inclusion (IFI) has been

estimated by using data on 3 dimensions of financial inclusion, Kerala leads with the highest value of IFI followed by Maharashtra and Karnataka.

Three dimensions of the IFI are banking penetration, availability of banking services and usage.

Only three states, viz., Kerala, Maharashtra and Karnataka belong to the high IFI group with IFI values of 0.5 or more. Another six states, viz., Tamil Nadu, Punjab, Andhra Pradesh, Himachal Pradesh, Sikkim and Haryana form the group of medium IFI states with IFI values between 0.3 and 0.5. In fact, all-India average IFI also falls under this category. All other states have a low IFI values, ranging between 0.0 and 0.3. It is interesting to note that all the southern states are at the high or medium level of financial inclusion and except Sikkim all the eastern, north-eastern and central states are in the low level of financial inclusion.

On the other hand, West Bengal and Gujarat rank 11th and 12th, respectively in financial inclusion. Further, out of 7 North-Eastern States, three states belong to the lowest rank of financial inclusion.

Conclusion

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