

Recent RBI Developments - July 2024

- 1. Financial Inclusion Index for March 2024*
- 2. Measuring Productivity at the Industry Level-The India KLEMS Database*

1. Financial Inclusion Index for March 2024

In consultation with the concerned stakeholders including the Government, the Reserve Bank of India had constructed a composite Financial Inclusion Index (FIIndex) to capture the extent of financial inclusion across the country.

The value of the Index for March 2024 stands at 64.2 vis-à-vis 60.1 in March 2023, with growth witnessed across all sub-indices. Improvement in FI-Index is mainly contributed by Usage dimension, reflecting deepening of financial inclusion.

The FI-Index has been conceptualized as a comprehensive index incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with Government and respective sectoral regulators. The index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 indicates full financial inclusion. The FI-Index comprises three broad parameters (weights indicated in brackets) viz., Access (35%), Usage (45%), and Quality (20%) with each of these consisting of various dimensions, which are computed based on a number of indicators.

The Index is responsive to ease of access, availability and usage of services, and quality of services, comprising all 97 indicators. A unique feature of the Index is the Quality parameter which captures the quality aspect of financial inclusion as reflected by financial literacy, consumer protection, and inequalities and deficiencies in services. The FI-Index has been constructed without any 'base year' and as such it reflects cumulative efforts of all stakeholders over the years towards financial inclusion.

2. Measuring Productivity at the Industry Level-The India KLEMS Database

The Reserve Bank of India placed on its website an update on "Measuring Productivity at the Industry Level-The India KLEMS [Capital (K), Labour (L), Energy (E), Material (M) and Services (S)] Database" comprising the Data Manual 2024 and time-series data on productivity for 27 industries covering the period 1980-81 to 2022-23. The database, which has KLEMS data for an additional year, i.e., 2022-23, is expected to aid the analysis of productivity trends in India at disaggregated industry levels.

The dataset includes measures of Gross Value Added (GVA), Gross Value of Output (GVO), Labour Employment (L), Labour Quality (LQ), Capital Stock (K), Capital Composition (KQ), the

consumptions of Energy (E), Material (M) and Services (S) inputs, Labour Productivity (LP) and Total Factor Productivity (TFP). The database covers 27 industries comprising the entire Indian economy. The database also provides these estimates at the broad sectoral levels (agriculture, manufacturing and services) and at the all-India levels.

The current version of the database covers the period from 1980-81 to 2022-23. The series has been constructed on the basis of data compiled from NSO, NSSO, ASI, Input-Output tables (I-O tables) and processed according to appropriate procedures. These procedures were developed to ensure harmonization of the basic data, and to generate growth accounts in a consistent and uniform way. Harmonization of the basic data has focused on several areas such as industrial classification, and aggregation levels. The India KLEMS database, in this regard, provides a comprehensive measurement tool to monitor and evaluate productivity growth in the Indian economy.

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Warm Regards,

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