Chapter 7
Summary, Conclusion, Suggestions and Limitations

7.1 Summary
The present study advances the literature relevant to financial inclusion and micro finance, role of financial institutions and their progress under micro finance. The present conditions prevailing in the banking system is conducive to high-income base urban and metro habitants who hold multiple accounts and swell the number of account holders. It is important to embrace the financial excluded households, who require banking services more urgently and presently remaining outside the scope of the banking system. There are certain parts of the country, where the average population per branch office continues to be quite high compared to the national average. With over 2 billion financially excluded people globally, addressing the complex and deep-seated challenge of financial exclusion does not lend itself to simple solutions. Achieving sustainable financial inclusion will require a systemic effort which leverages technology, regulatory framework and appropriate business strategies cohesively. It is not a preserve or responsibility of one sector and will instead require game-changing innovations which more often than not occur at the intersection of different sectors e.g. banking and telecom. The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Pursuit of financial inclusion by adoption of innovative products and processes does, however, pose challenge for managing trade-offs between the objective of financial inclusion and financial stability. In the Indian context, Reserve Bank has always sought to balance the risk of partnerships and product innovations with the ability to achieve greater penetration in a safe, secured, and prudentially sound manner. The underlying belief is that only sound and strong institutions can promote financial inclusion in a sustainable manner and,
towards this end, prudent regulations have to be in place to achieve inclusion while protecting financial stability and consumer interest. The government’s initiatives to streamline credit operations and delivery system through micro-finance movement and strengthening and expansion of credit institutions (SHG’s) can definitely help in the revival of rural economy and empowerment of the rural poor. Micro-credit intervention programme has been well-recognized world over as an effective tool for poverty alleviation, improving socio-economic conditions of rural poor and their sustainable development. The role of microfinance in upgrading the lives of rural and deprived masses in a sustainable way is appreciating. SHG movement has the potential to satisfy the financial service needs of India’s unbanked people in scalable and sustainable manner which in turn leads to social and economic prosperity of deprived sections. The progress of both the models discussed in study indicates the role of micro finance sector in financial inclusion process of country. To fulfill the objectives related to study and to assess the role of financial institutions in financial inclusion with special reference to micro financing both the models prevalent in India i.e. SHG- Bank Linkage Model and MFI-Bank Linkage model has been analyzed. The growth of both the models and their performance from the last eight years is depicted in the chapter through various tools and techniques. Role of financial Institutions comprising Commercial Banks, Regional Rural Banks, Cooperative Banks and SIDBI has been figured out. The analysis clearly shows that commercial banks are really doing well in this sector as compared to others. It has also been observed that major portion of lending to MFIs is comprised of lending by commercial banks. Total numbers of the bank offices have been increased in almost all the areas (urban, semi-urban, suburban, rural and metropolitan) the increasing trend also shows the high rate of increasing during the study period. In India, there is a need for coordinated action amongst the banks, the government and related agencies to
facilitate access to bank accounts to the financially excluded. In view of the need for further financial deepening in the country in order to boost economic development, there is a dire need for expanding financial inclusion. By expanding financial inclusion, inclusive growth can be attained by achieving equity.

7.2 Suggestions

Based on the findings of the study followings suggestions and recommendations have been suggested for the further improvements of the financial inclusion services of the banking sectors in India:

- Number of commercial bank may be increased in India, though maximum population in India are using the banking services, if the banking sectors opened banks in the remote and rural areas all the people can utilize the services of the banking sectors at the level best for the improvement of the life standard of the themselves.

- The banking sectors have to liberalized the security level of the borrower to borrow money from the bank in an easiest way, they banking sectors have to announce the new schemes offered by them to all the citizen of India for the proper utilization of the fund.

- Though many of the banks are providing the technical services to the customers, most of the customers are not aware of the services provided by them, hence the banking sectors have to create the awareness to the members and the customers about the services provided by them, hence the banking populations can use all the financial and non-financial services of the all the banks in India.

- All the banks are installing the ATMs in all the places, but some time the RBI is changing the policies and instructions for the using of the ATMs, many of the ATMs are not in good conditions for immediate use, some time it says that, sorry the operations are failed, many
ATMs some time it is giving the receipts rather money, there may be a high technical implementations for the smooth use of the ATMs and proper training to the guardian of the ATMs center and to give the practical knowledge to the rural and remote customers regarding the usages and the services available in the banking sectors.

Some other recommendations are:

- **Financial Inclusion as a Policy Priority**
  
  Financial inclusion is an increasing priority for developing countries. Accordingly, financial inclusion must be continued as a policy priority for India in order to bring in the vast unbanked rural people into the process of speedier economic development.

- **Strategize the Provision of Bank Credit**
  
  Need is felt to strategize the provision of bank credit to the rural farmer households. Majority of the marginal farmer households are not at all covered by formal finance. As such, public sector banks and the cooperative banks in the rural areas have to be sensitized about the need for provision of timely and cheaper credit to these segments. RBI in consultation with NABARD should come out with a comprehensive strategy for revitalizing the quiescent rural credit mechanism.

- **Cover the Poor**
  
  It is imminent to encompass the tenant farmers, oral lessees, and share croppers, marginal farmers with small uneconomical land holdings, agricultural laborers, rural artisans and people involved in making handicrafts, and also majority of weavers in the handloom sector.

- **Extensive Use of Cooperatives**
  
  A large number of Primary Agricultural Cooperative Societies (PACS) and primary cooperatives located in rural areas are not functioning effectively. Many of such organizations are in such
districts where the DCCBs are defunct or moribund. Such PACS could provide valuable services to their members if they get access to a commercial bank. In view of these, there is a need to revitalize these cooperatives as per the Vaidyanathan Committee recommendations and use them extensively for financial inclusion in the rural areas.

- **Procedural/Documentation Changes**

  It is inevitable on the part of the regulators to find out an easy way of procuring the documents for opening of bank accounts and availing loans. The present guidelines are more tedious and result in huge costs for the poor in accessing the banks for any kind of services.

- **Proactive Role of Government**

  State governments should be asked by the center to play a proactive role in facilitating financial inclusion. Issuance of official identity documents for opening bank accounts, creating awareness, involving district and block level functionaries in the entire process, meeting cost of cards and other devices for pilot studies/projects, and undertaking financial literacy drives are some of the steps that have been taken up by the state and district administration. The government should include financial literacy in the curriculum of schools and colleges. The government should also raise the Financial Inclusion Fund and a Financial Inclusion Technology Fund to reach banking services to the unbanked areas. The government should pay all the social security payments through the bank account of the beneficiary.

- **A Role for Rural Post Offices**

  Post offices in rural areas can be asked to provide their services in accelerating the financial inclusion activity. The Indian postman’s intimate knowledge of the local population and the enormous trust that he commands can be of good use in the process of financial inclusion.
• Effective Use of IT Solutions

The use of Information Technology (IT) enables banks to handle the enormously increasing volumes of transactions involving application processing, credit scoring, credit record and follow up. Further, the use of IT solutions for providing banking facilities at the doorstep holds the potential for achieving scalability of the financial inclusion initiatives.

• Adequate Publicity for the Project of Financial Inclusion

In a huge country like India, there needs to be widespread publicity for popularizing the concept and its benefits to the common man. In this direction, a comprehensive approach has to be developed involving all the concerned at all levels to impress upon the need for financial inclusion for accelerating the economic growth in the country.

7.3 Limitations of the study

Every aspect of financial inclusion has not been observed in the study. Moreover the study is confined to northern states of India only so it may be possible that findings may vary if other regions have also been covered. Also the sample which has been taken may not be true representative of the whole universe because it was very difficult to convince the rural people to fill the correct responses in the questionnaire. Due to conservative nature, it may be possible some respondents may not have given their responses in the questionnaire in fully true manner. Since the respondents may be busy with their hectic schedule, so many people may be reluctant to answer. The study is limited to only specific rural areas and therefore, several other potential samples outside these areas have been neglected.

7.4 Future Scope of Research

The present study has highlighted the role of financial institutions in financial inclusion with special reference to micro financing in north India. In depth study of working of SHG-Bank
linkage model and MFI-Bank linkage model in other states of India along with successful schemes implemented to achieve the objective of financial inclusion can be taken for further analysis. In depth study of other parameters of financial inclusion other than microfinance in different states can also be taken for further research. With reference to microfinance I have covered two models of delivery of microfinance in India i.e. SHG- Bank Linkage Model and MFI- Bank linkage model. The comparative analysis of both the models can be taken for further research. Also the study of microfinance models is confined to northern states only, in depth study of both the models and their performance along with their growth in other states can also be taken for further research. Comparative analysis of different states or regions of India with reference to microfinance and financial inclusion can also be considered for further research. Effectiveness of various programmes implemented by banks, RBI, NABARD etc can also be studied.

7.5 Conclusion

Strong and strenuous financial institutions are the pillars of economic growth, progress and success of modern economies. Lack of accessible, affordable and appropriate financial services has always been a global. According to the global financial development report only half the adults of world population has access to formal financial sector which means still fifty percent of total world population is financially excluded from the purview of formal financial system. In case of India also which is said to live in villages, it is estimated that significant proportion of more than 6 lakh villages do not have even a single bank branch which strongly implies that financial inclusion is a big necessity not only for India but is required at global basis. The present study has concluded that distribution pattern of savings and borrowings among adults of different developing nations including India is similar however level of income, age, gender profile, level
of education and locality plays an important role in accessing the formal financial sector to fulfill their financial needs. Also the study reveals that even if people are aware about various financial services still they are not using those services. This issue needs to be addressed. RBI vision for 2020 is to open nearly 600 million new customers’ accounts and service them through a variety of channels by leveraging an information technology. However as concluded by the study the improper repayment, need for additional workforce, time consumption, high cost and illiteracy are continuing to be a road block to financial inclusion in many areas. Consequently many financial institutions are not adopting fully fledged financial inclusion plan. In developing countries both market and government as institutions have their limitations but it is necessary to design government policies that are attentive to those limitations. For achieving complete financial inclusion and inclusive growth the RBI, NABARD, Government and the implementing agencies will have to work together so that financial inclusion can be taken forward. There should be proper financial inclusion regulations in our country and access to financial services should be made through SHGs and MFIs. Thus financial inclusion is a big road which India needs to travel to make it completely successful in order to achieve inclusive growth in coming years. Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side.