A Study of Role of Financial Institutions in Financial Inclusion with special reference to Micro financing in North India

An Abstract submitted in partial fulfillment of requirements for the award of Degree of Doctor of Philosophy (Ph.D) In Management

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March, 2014
ABSTRACT

Financial Inclusion means provision of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups. These include access to savings, credit, insurance, payments and remittance facilities by the formal financial system to those who tend to be excluded. Importance of financial inclusion arises from the problem of financial exclusion of nearly 3 billion people from the formal financial services across the world. The concept of financial inclusion has gained importance when it has been observed that financial exclusion has direct relation with poverty. India’s economic growth has failed to make a significant improvement in its poverty figures Government of India with its concern started various poverty alleviation programs but they have failed to deliver the objectives to the level which is desired. The reasons may be many such as failure to reach the target group, loopholes in the system, developing a robust mechanism to name a few. Many countries including India experimented with subsidized credit which only led to increase in the NPAs. The micro-finance has come forward to fill up the gap. But the outreach is too small as compared to the requirement and potential. However there is some progress in this regard after active role played by NABARD and formation of SHGs groups. A number of NGOs and MFIs have also probed into the business. This study is an attempt to assess the role of financial institutions in financial inclusion with special reference to micro financing. The study presents the conceptual framework of financial inclusion and micro finance. It tries to determine the extent of financial inclusion through SHG- Bank Linkage and MFI-Bank Linkage models of micro finance in India. The scope of the study is limited to northern states however some of the facts and figures depicts the global scenario.