Chapter-2

Review of Literature

The basic idea of providing micro finance under financial inclusion is to provide credit to financially excluded people who otherwise would not have access to credit services. In this context, the Reserve Bank of India mandating the banks to open “no-frills” account by the rural branches is in a right direction. There is no doubt that only when reaching out to the bottom of the pyramid becomes financially attractive, the banks will reach out in a meaningful way to those presently remain outside the purview of their services. Despite reluctance, some banks have carried out their pursuits to rope-in the masses that still remained in this sphere through micro financing programmes. There is no end of literature related to financial inclusion and micro finance. The literature offers a diversity of findings by various researchers related to impact of various programmes. There are various studies which confirm that micro finance programmes has a significant positive impact in increasing employment and reducing poverty. There are studies which show that participant households enjoy higher standard of living as compared to non-participants. However some of findings show that the programme is not reaching the bottom poor people and the group loans are utilized for non-income generating activities. Several studies highlight the positive impact of Self Help Groups on empowerment, credit accessibility and the social change. Thus the literature provides the mixed results. Some important studies relevant to present study are discussed here after.

Benjamin and Piperk (1997) have traced a traditional approach in rural finance. Under this approach the key problem area visualize the rural finance market included a lack of market in rural areas, absence of moderate technology in rural area and prevalence of money lenders. A
considerable body of literature has accumulated and monitoring the development of microfinance sector.

**Kempson and Whyley (2000)**, in their study, established six types of financial exclusion:

- **Physical access exclusion**: This, they stated, is brought about by the closure of local banks or building societies and lack of reliable transport to reach alternatives.

- **Access exclusion**: This type of access is restricted through risk assessment, with people being denied a product or service as they are perceived to be high risks.

- **Condition exclusion**: This is when conditions are attached to products or services thereby making them inaccessible to some.

- **Price exclusion**: This occurs when products are available but at a price that is unaffordable.

- **Marketing exclusion**: where sales and marketing activity is targeted on some groups, or areas, at the expense of others.

- **Self exclusion**: when individuals do not seek financial products and services for reasons including fear of failure, fear of temptation or lack of awareness.

**Sheokand (2000)** discussed the evolution of Indian Banking and its failure to provide credit facilities to poor people. NABARD started SHG-Bank linkage programme in 1992, which was considered as a landmark development in Indian Banking with the poor. It was observed that Regional Rural Banks’ security oriented individual banking system was replaced by delivery of credit to focused groups. According to him government sponsored programmes had occupied much of the economic space but did not achieve the objective of alleviating poverty. SHG – Bank linkage programme had been proved very successful for the socio economic empowerment of hard core poor, providing financial services to them and preparing them to take up economic
activities for poverty alleviation. Although this programme was not a universal remedy for the problems of rural poverty, yet it had potential for becoming a permanent system of rural lending in the country with full participation from the formal banking system and without any interference from the government.

Goodwin et al. (2000) emphasized the role of level of employment of a country as another important factor of financial inclusion. Access to affordable financial services especially credit and insurance - enlarges livelihood opportunities and empowers the poor to take charge of their lives. Such empowerment aids social and political stability. Financial inclusion also imparts formal identity, provides access to the payments system and to savings safety net like deposit insurance. Hence it is considered to be critical for achieving inclusive growth; which itself is required for ensuring overall sustainable overall growth in the country.

Dasgupta (2000) in his paper on informal journey through Self Help Groups observed that micro-financing through informal group approach has affected quite a few benefits viz.: (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) matching the demand and supply of credit structure and opening new market for FI's; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery;(vi) heralding a new realization of subsidy less and corruption less credit, and (vii) remarkable empowerment of poor women. He stressed that SHG's should be considered as one of the best means to counter social and financial citizenship not as an end in itself.

Puhazhendhi, and Satyasai (2001) in their paper attempted to evaluate the performance of SHG's with special reference to social and economic empowerment. Primary data collected with the help of structured questionnaire from 560 sample households in 223 SHG's functioning in 11 states representing four different regions across the country formed the basis of the study. The
findings of the study revealed that the SHG's as institutional arrangement could positively contribute to the economic and social empowerment of rural poor and the impact on the later was more pronounced than on the former. Though there was no specific pattern in the performance of SHG's among different regions, the southern region could edge out other regions. The SHG's programme has been found more popular in the southern region and its progress in other regions is quite low, thus signifying an uneven achievement among the regions. Older groups had relatively more positive features like better performance than younger groups.

Daniel C. Hardy, Holden Paul and Vassili Prokopenko (2002) expressed their views in IMF working paper series about MFIs and Public policy. Many governments and non-governmental organizations have adopted the policies to promote MFIs. The appropriate level and form of support for MFIs are discussed in their study on the basis of a review of MFI characteristics. The paper also examines the design and effectiveness of public policy tools related to the rapidly developing micro finance institutions. While the purpose of this paper is not to provide a full assessment of the policy issues with regard to MFIs, some important policy lessons related to micro finance are experienced in selected countries.

V.M. Rao (2002) maintain that a review of the genesis and development of SHG's in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHG's could be treated to mutual aid in Indian village community. SHG's encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggests that SHG's are sustainable to have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty.
In his paper entitled “Financial Inclusion: Opportunities” in the compendium of papers published under Bancon 2005, Mr. C.R.Ghosh has stated that deregulation in developed financial sectors improves financial inclusion for some societal groups by making financial products available to a larger customer base, and at the same time exacerbating others by emphasizing greater customer segmentation as well as emphasis on risk-based pricing and value added service. Therefore, in a developing country, access to financial services is typically limited; hence providing wider access to such services can aid financial and economic development.

He has also stated the fact that there are many individuals and households who never use financial products throughout life and who might use such products once in a while or start using at a certain point of time and move in and out of exclusion at any one point of time. Therefore, a large number of people always remain on the margins of using financial services and remain potentially at risk of financial exclusion. The prominent factors underpinning such financial exclusion are the problems of poverty, lack of financial education and socio-economic condition.

Finally, the author pointed out that a strong and effective delivery system is integral to financial inclusion. As the poor people exhibit the preference for reducing transaction cost even at increased interest rates, transactions cost such as transportation, lost wages on going to a bank during working hours and negotiating with a bank manager could be as expensive as the moneylender’s rates. By serving these poor customers in their neighborhood, their workplaces or even at their front doors, these informal services are popular due to low transaction costs.

Chakrabarti, Rajesh (2005) discusses the state of SHG-based microfinance in India. With traditionally loss-making rural banks shifting their portfolio away from the rural poor in the post-reform period, SHG-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring a
fortune in operating and monitoring costs. The government and NABARD have recognized this and have emphasized the SHG approach and working along with NGOs in its initiatives. Over half a million SHGs have been linked to banks over the years but a handful of states, mostly in South India, account for over three-fourth of this figure with Andhra Pradesh being an undisputed leader. In spite of the impressive figures, microfinance in India is still presently too small to create a massive impact in poverty alleviation, but if pursued with skill and opportunity development of the poor, it holds the promise to alter the socioeconomic face of the India’s poor.

Dr. K. Ravichandran, Dr. Khalid Alkhathlan in their study describes the financial inclusion as a path towards India’s future economic growth. Though our country's economy is growing around 9 percent, still the growth is not inclusive with the economic condition of the people in rural areas worsening further. One of the typical reasons for poverty is being financially excluded. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. So an inclusive sector should not only serve the bankable clients, but also integrate the "unbankable" clients by making them "bankable". Many actions taken by the government like Nationalizing of Banks, 40% of credit targets to priority sector, opening of RRBs and LABs, etc for past three decades are one form of financial inclusion, but still around 80 % of rural households do not have access to credit from a formal source. So as a last door step to Financial Inclusion, RBI came up with an initiative of launching National pilot project on Financial Inclusion in Puducherry in 2005. The specialty of this Financial Inclusion project is that accounts are opened by the bank officials at the doorsteps of households without insisting on any minimum balance or deposits. They analyzed in depth that whether bringing people under banking category by this financial inclusion project helps in
achieving the ultimate goal of lifting the standard of living of the Poor and reduce poverty in our country.

**Basu, Priya (2005)** in her study naming “A Financial System for India’s Poor” stated that the strategies that were designed to increase access to finance for the poor have not delivered their intended outcomes. It is not just policies, but institutions and markets that need to be transformed so as to improve the efficiency of the formal rural finance sector.

**Kempson (2006)** gave some explanations to the reasons why people are financially excluded. He said that these reasons could vary from country to country. He stated the importance of bank required identification and documents, the terms and conditions of bank accounts, levels of bank charges, physical access and cultural barriers in financial inclusion.

**Kempson (2006)** explained that Different banks across the world have different terms and conditions to opening accounts with them. Such terms as amount of money to open with, the amount of minimum/maximum balance etc. This goes a long way to having an effect on the extent of financial inclusion. These different types of terms and conditions can deter or prevent people with low incomes to open an account.

**Misra (2006)** in his paper discussed the factors and theoretical position associated with the evolution of micro finance and then assessed the socio economic impact of SHG-Bank linkage programme of micro finance in India. A field research was attempted to study the impact of micro finance programme covering 93 client households from 5 SHGs from 3 different locations of western and central part of India. The group members who were in the programme for at least two years were covered under survey. It was found that all group members were saving regularly at fixed intervals and dependence on money lenders was eliminated for two-third of the clients.
The social development index group members measured on Likert scale showed a definite positive trend after joining SHGs. Loan repayment rate was also very high. But while measuring economic development it was found that just 6 percent of the members had taken up any economic activity in post group formation period. Bank credit and savings were used overwhelming for consumption and emergency needs. While the programme had a definite impact on building social capital, it had marginal impact on income level. Lack of technical skills and invasion of rural markets by big consumer good companies reduced the scope for rural micro enterprises. In the absence of any significant economic development, it was found that high loan repayment rate was made out of reduced consumption, increased working time as farm labour, borrowing from relatives, other group in vicinity or in social cases from money lenders also. So dependence on high loan volumes, outreach and repayment rate as proxy for positive economic development ignored the issue of impact assessment at client level.

Dev, Mahendra S (2006) in “Financial Inclusion: Issues and Challenges” stated that Financial inclusion is important for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups. Financial exclusion, in terms of lack of access to credit from formal institutions, is high for small and marginal farmers and some social groups. Apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, the role of the self-help group movement and microfinance institutions is important to improve financial inclusion. This requires new regulatory procedures and depoliticisation of the financial system.

Basu, Priya (2006) in “Improving Access to Finance for India’s Rural Poor” examines the current level and pattern of access, evaluates various approaches to delivering financial services (including formal, informal, and microfinance), analyzes the present lack of adequate financial
access, and identifies solutions to the problem of financial exclusion. Using the analysis of a large-scale rural household survey in combination with an evaluation of the role of financial markets and institutions, the report makes recommendations for meeting the diverse financial needs (such as savings, credit, and insurance) of India’s rural poor in a commercially sustainable manner.

According to Shri V. Leeladhar (2006), the Ex-Deputy Governor of Reserve Bank of India, in the commemorative lecture at the Fedbank Hormis Memorial Foundation, there could be multiples levels of financial inclusion and exclusion. At one extreme, there are “super-included” customers who are actively and persistently courted by the financial services industry and who have wide range of financial services and products at their disposal. At the other extreme, there are people who are denied access even to the most basic of financial products. Similarly, there are many in between, who are satisfied only with limited banking services such as keeping deposits and withdrawing money from savings account.

He also highlighted the consequences of financial exclusion, which vary depending on the nature and extent of services denied. It may lead to increased travel requirement, higher incidence of crime, general decline in investment, difficulties in gaining access to credit from informal sources at exorbitant rates, increased unemployment, etc. The small business also suffer due to loss of access to middle class and higher income consumers, higher cash handling costs, delay in remittances of money. In turn, financial exclusion leads finally to social exclusion.

According to Dr. K.C. Chakrabarty (2006), presently the Deputy Governor of the Reserve Bank of India, in his paper “Indian Bank: A Case Study on Financial Inclusion”, the problem of financial exclusion is a matter of global concern. The current challenge is to provide financial inclusion package to those financially excluded who outnumber the financially included. This
needs to be done in quickest possible time with maximum outreach in a cost effective manner through appropriate technological and business delivery interventions as well as by providing adequate linkages and infrastructure with effective participation by all the stakeholders. This alone will increase income, build financial assets and empower and enrich the lives of millions of households currently excluded from economic opportunity.

**Dr. Y.S.P. Thorat (2006),** former Chairman of NABARD, in his paper “Financial Inclusion” echoed the sentiment of the Prime Minister and stated that the growth of economy to be real, the growth should be for all and should not bypass those sections of society which are disadvantaged and vulnerable. He also stated that if long-term sustainability of economic prosperity and social development to be achieved, bringing in the benefits of economic growth to rural India is critical. It is only by delivering financial services to people in rural areas that they can be brought within the ambit of mainstream economic activity and the full potential of the country’s physical and human resources can be realized. That is why issues relating to financial inclusion, particularly in the rural sector, have become a key concern and devising strategies for inclusive growth has become the guiding principles of public policy.

**Dr. N.K. Thingalaya (2006),** former CMD of Syndicate Bank, in his paper “Regional Rural Banks and Financial Inclusion”, felt that merely increasing the number of savings bank accounts should not be the objective of financial inclusion. There are instances of accounts becoming dormant after the initial enthusiasm of banks embarking upon account canvassing drives, especially during the opening of new branches. In their assumed enthusiasm to offer no frills accounts immediately after the official announcement of the focus on financial inclusion, banks have brought down the minimum amount for opening an account.
These developments appear to be cosmetic changes than having a fundamental change in their operational dynamics. The primary objective of the no-frills savings bank accounts should be to inculcate banking habits among those, who cannot come to banks because of their low-income levels. Indeed, most of them need credit of small doses and still many would require the appropriate facility to save their meager savings.

Ms. Usha Thorat (2006), Deputy Governor of Reserve Bank of India, in her speech during a joint programme on “Financial Inclusion and Millennium Development Goals” highlighted that the formal financial system has to recognize the huge business potential coming from the unmet demand for financial service as from those who normally tend to be excluded. The focus on financial inclusion comes from the recognition that financial inclusion comes from the recognition that financial inclusion has several externalities which can be exploited to the mutual advantage of those excluded, the banking system and society at large. Banks need to understand the market and develop products suited to the clientele. They need to develop data sets to evolve risk assessment models for proper rating and pricing. Financial inclusion has to be viewed as a business strategy for growth and banks need to position themselves accordingly. Further improvements in rural connectivity through roads, power and telecom can ensure greater penetration by the financial system into remote areas and provide safe and efficient financial services to large segments of the financially excluded.

Pal and Sura (2006) concluded that the overall position of RRBs in India is not quite encouraging. The poor credit-deposit ratio is still making dent on the desired functioning of RRBs. Since the RRB is supposed to be a bank for poor people, government should spread the branches of RRBs at grass root level to provide such banking service to the really needy rural
people and to take corrective measures to raise the credit deposit ratio of the bank that would make RRBs relevant in the rural India.

According to Dr. B.K. Swain (2007), Professor and Head in the Centre for Rural Credit and development banking at NIRD, in his paper “Financial Inclusion through Microfinance”, it is necessary to focus on extending financial services both in urban and rural areas for ensuring financial inclusion for all segments of population. At the same time, the temptation of creating one set of banking and financial institutions to cater to the poor and the unorganized and another for the rest should be avoided. The medium to long-term objective should be to ensure inclusion of all segments in the mainstream institutions while taking advantage of the flexibility of multiplicity of models of delivering a wide range of financial services. In this perspective, a comprehensive framework on reviving the cooperative credit system, revitalizing the Regional Rural Banks and reorienting the commercial banking system needs to get high priority while simultaneously encouraging and enabling the growth of microfinance movement, which has been very successful. It is required to expand on strengths and extend it to vast areas, which are inadequately covered by both banking and micro credit entities.

Tagoe et al., (2006) gave several success factors as essential for a good and well conclusive inclusion of individuals in the utilization of financial facilities and services. Having access to financial services requires one to be well knowledgeable about the services at stake. There is a high requirement for the availability of basic banking services.

Shri T.V.Balakrishnan (2007), in his paper entitled “Financial Inclusion: The Practical Aspects” opined that the present growth of banking delivery, banking products, brand positioning in a competitive market, customer centric approaches, optimizing fund handling system, etc.
have all given maturity to the banking industry in devising road maps for effective financial inclusion.

Therefore, banking should not be viewed as a new field now in the under banked areas and the banking industry should devise area-specific products and services to win the trust of uncovered people. The initial stages may be difficult as mutual understanding between the banks and the customers grows over a time, but various approaches should be promoted to encourage banking habits among the financial excluded people.

Ms. Rajalaxmi Kamath (2007) in her article “Financial inclusion vis-à-vis Social Banking” stressed upon the fact that a successful strategy for financial inclusion has to incorporate the lessons learnt from the past policies pursued under social banking. Under social banking, credit to the vulnerable sections was used as a tool for poverty alleviation in the rural areas. Since access to cheap credit was seen as the major problem, the emphasis was on directed lending and setting up of state sponsored institutions to provide cheap credit.

However, the viability of a loan depends not only on credit but also on complimentary activities like financial counseling, insurance, savings and other extension activities provided to the borrower. Financial inclusion, therefore, has to go beyond the provision of credit to the poor. Delivery of credit and related services to the vulnerable sections should be at viable rates of interest, bundled with insurance and saving in a convenient and user-friendly way. The biggest lesson from the pitfalls of the social banking policies of the past is that there is a need for change in the mindset among the formal sector agencies lending to the poor. They have to learn to look at the poor and vulnerable as creditworthy.

Shabana, Kaur and Maheshwari (2007) found in their study micro finance has proved to be successful in empowerment of women reducing dependency on money lenders, easy access to
credit to their members and savings with moderate economic benefits. There has been tremendous growth in the progress of SHG-Bank-linkage. NABARD’s SHG-Bank linkage programme has been a major effort to connect thousands of SHG’s across the country with formal banking system. Till the recent past, microfinance programmes have confined themselves to distribution of loan to women but receipt of loan and utilization of loan is guarantee of improving economic status of women.

**Sangwan (2008)** empirically ascertained the determinants of financial inclusion and studied the relevance of Self Help Groups (SHGs) in achieving financial inclusion. For the purpose of the study, the cross section data of 42 regions from different states and UT’s of India was used. The coverage under financial inclusion was assessed in terms of percentage of adults having credit and saving bank accounts. In order to find out the determinants of financial inclusion a multiple regression technique was applied. The empirical evidence of impact of bank branch density, level of income, literacy and SHG membership on financial inclusion was estimated with this technique. It was found that as on March 2006, the financial inclusion of adults above 19 years of age was 63 percent in terms of saving accounts and 16 percent in terms of credit accounts and around 37 percent of adults in India did not use financial services. The regression equations estimated with cross section data of states revealed that the branch density had positive and significant coefficient with the percentage of adults having saving as well as credit accounts. The coefficient of per capita income was also positive and significant. Literacy percentage has surprisingly negative relationship with both percentage as well as credit accounts of adults. It may be partly because of lack of financial education among the educated ones. The results claimed that the persons having low income and less geographical access to bank were excluded from financial services under financial inclusion.
Nicolas Krauss and Ingo Walter (2008) in their study address a related issue – whether microfinance shows low correlation with international and domestic market performance measures. If so, it could form the empirical basis for MFI access to capital markets and performance-driven investors in their search for efficient portfolios. Microfinance is arguably one of the most effective techniques for poverty alleviation in developing countries. Although traditionally supported by non-governmental organizations and socially-oriented investors, microfinance institutions (MFIs) have increasingly demonstrated their value on a stand-alone basis, typically exhibiting low default rates combined with attractive returns and growth, encouraging greater commercial involvement. Empirical tests do not show any exposure of microfinance institutions to global capital markets, but significant exposure regarding domestic GDP, suggesting that microfinance investments may have useful portfolio diversification value for international investors, not for domestic investors lacking significant country risk diversification options.

Jayasheela, Dinesha P.T and V. Basil Hans (2008) conducted a study to examine the role of microfinance in the empowerment of people and the realization of financial inclusion in India. While there are reservations about the efficacy of MFIs in handling public money, their growth and achievements demand attention and appreciation. Today the MFIs want the government to empower them for mobilizing savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. However, in the light of recent experiences, and the need for qualitative growth, they suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibility. This is of utmost importance in order to upgrade MFIs from thrift and credit institutions to capacity-building and livelihood-sustaining
associations of people. NGOs have played a commendable role in promoting Self Help Groups linking them with banks. There is, therefore, a need to evolve an incentive package which should motivate these NGOs to diversify into other backward areas.

**Shri Jagan Mohan (2008),** in his article “A Stock-taking on Financial Inclusion” highlighted that a majority of the population in all segment areas is still underserved by the banking industry. There are uneven levels of banking penetration within each population segment, more so in the rural areas.

In such a scenario, the financial system is under tremendous transformation. Regional Rural Banks are being amalgamated with consequent organizational, technological and managerial challenges. The State Cooperative banks are being restructured and the Urban Cooperative banks in hinterland are on a weak wicket following the level playing regulatory norms. The commercial banks are finding it difficult to fill the vacant positions at rural branches with staff that need to have local and rural sensitiveness. Now, the architecture of the financial system in the country is not structurally enabled to contribute to the micro-objectives of financial inclusion and credit penetration and the situation calls for some bold out-of-the-box initiatives to overcome the stalemates.

**Sahoo et.al (2008),** had attempted to develop index of financial inclusion to examine the progress of financial inclusion and various determinants of financial inclusion using secondary data from various sources. In their study, they observed a positive impact of infrastructure development, education; self help group formation on financial inclusion both from financial widening and deepening perspectives.

**Roberto Moro Visconti (2009) examined that the global recession which started in 2008 after the subprime crisis and the unprecedented default or rescue of many financial institutions has**
strongly affected the credibility of the international banking system, damaging also the real economy. Due to this joint crisis, the credit crunch is severely affecting the economy in Western globalized countries. Developing countries, not fully integrated with international markets, seem less affected and local microfinance institutions might also allow for a further shelter against recession, even if foreign support to donor driven NGOs or not fully independent microfinance banks is slowing down and collection of international capital is harder and more expensive. Intrinsic characteristics of microfinance, such as closeness to the borrowers, limited risk and exposure and little if any correlation with international markets have an anti-cyclical effect. In hard and confused times, it pays to be little, flexible and simple.

**Malhotra Nirupama, Puhazhendhi (2009)** highlighted that despite the laudable achievements in the field of rural banking, issues such as slow progress in increasing the share of institutional credit, high dependence of small and marginal farmers on non-institutional sources, skewed nature of access to credit between developed regions and less developed regions loom larger than ever before. Therefore, the key issue now is to ensure that rural credit from institutional sources achieves wider coverage and expands financial inclusion. For achieving the current policy stance of “inclusive growth” the focus on financial inclusion is not only essential but a pre-requisite. And for achieving comprehensive financial inclusion, the first step is to achieve credit inclusion for the disadvantaged and vulnerable sections of our society. The state has to play an important role in financial markets. The role itself is necessitated due to pervasive market failures which in the current globalised scenario are not a rare occurrence. In both market and government as institutions have their limitations, but it is necessary to design government policies that are attentive to those limitations. Financial Inclusion is one such intervention that seeks to overcome
the frictions that hinder the functioning of the market mechanism to operate in favour of the poor and underprivileged.

According to **Ravichandran and Alkhathlan (2009)**, very few people have access to banking services. There are number of factors affecting access to financial services by weaker section of society in India. The lack of awareness, low incomes and assets, social exclusion, illiteracy are the barriers from demand side. The distance from bank branch, branch timings, cumbersome banking procedure, over requirement of documents for opening bank accounts, unsuitable banking products/schemes, language, high transaction costs and attitudes of bank officials are the barriers from supply side. Bank-SHG, bank-MFI, MFI-NBFC and bank- post office linkage models were discussed and new models like rural students banking model,RBI-Education institute linkage models were proposed.

**Shri M.Balachandran**, former CMD of Bank of India, in his article “Financial Inclusion: Is there a Case for Mergers & Acquisitions”, has made a case for successfully attaining financial inclusion through mergers and acquisitions of banks. He advocated that with banks pursuing focused business plans on retail, SME, agriculture, infrastructure, etc, the need for specialized branches is being recognized. Therefore, mergers & acquisitions may not lead to reduction in branches; rather a wholesome business expansion plan would encourage coverage of more areas through branches and other delivery units. Indeed, a large bank would turn out to be a conducive vehicle for expanding the reach of banking and if supplemented with a strong technology base, it would be able to expand the reach better than its competitors.

Further, those employees who would be rendered surplus from routine jobs may be utilized for marketing and doorstep banking services. The bank staff coming out of their protected branch
environments and approaching people for banking services would be more customers friendly as they would able to explain the products & services in detail. Therefore, the large number of work force released from banks would be able to take financial inclusion to the masses.

**Shri C.J.Punnathara** in his article “No-frills bank accounts: Financial Inclusion is good economics” in Business Line, stated that though no-frills savings bank account has all the potential to revolutionize rural agricultural economy and usher the banking habit amongst a large number of the less privileged population, the product has been lost among a myriad of financial offerings and most banks are showing less interest in marketing it.

Though the Reserve Bank of India promoted the no-frills savings bank account with the express intention to bring greater financial inclusion among the people, banking continues to remain an elitist to middle-class pursuit, restricted mainly to urban India. There seems to be neither an inherent demand among the socially and economically deprived classes, nor a profit-driving urge amongst banks to market the new product.

It appears that financial inclusion will continue to remain an enigma to the rural and under-privileged people in India. Even without strict RBI guidelines and vigilant enforcement, rural banking would have remained a mere tokenism. As financial inclusion is an essential pre-condition to build uniform economic development, both spatially and temporally and ushering in greater economic and social equity, enforcement of guidelines is the order of the day to bring social equity faster.

One would think that large-scale interventions would result in widespread coverage of banking services. However, 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.

**Sapovadia V.K.** in his article focused on the pillars of micro finance. The need, means, objective, instruments & parties in micro finance are specific & different, and hence it becomes imperative to design pillars of micro finance that it can fulfill the aspirations of those who are involved and more specifically of the micro enterprises. The paper has explored ideas whether Financing & Non-financing services required by micro enterprise in formal & informal organization should be uniform or it should be area/region specific, product specific or time specific or a community specific.

**Purti Sharma** suggests in her study that some initiatives should eventually lead us towards financial inclusion if collaborative actions are taken together. Lack of channelizing existing recourses, catastrophic policy implementation and lower technological penetration and adoption are the main causes of financial exclusion. She recommended that the facility of opening current account should be introduced in post offices so that day to day transactions can be done. Secondly, all the post offices should be computerized, connected with internet and should have PCO booths. Thirdly, the telephonic transfer of payments should be encouraged by developing a technology wherein receipts of transfers of payments can be obtained. It would be significant achievement because most of the rural population working in un-organized sectors are illiterate but can understand number system based technology. Fourthly, for opening new accounts ‘Know your customer’ norms should be routed through post offices. Fifth, the monetary benefits for the poor under various government schemes should be routed through post office accounts. Finally,
the wage payments in the un-organized sector should also be routed through formal banking system for encouraging faster financial inclusion.

**On 21 February 2010,** the UN Department of Economic and Social Affairs released its 5 yearly World Survey on the Role of Women in Development, the theme being “women’s control over economic resources and access to financial resources, including Microfinance.”

All around this planet, the United Nations Development Program (UNDP) seeks to promote various approaches to reduce human poverty by emphasizing the importance of social inclusion and equity, human rights and women’s empowerment. The report on 21 Feb 2010 emphasize, that increasing women’s access to resources exerts strong multiplier effects on a range of development goals, including poverty reduction, child welfare and economic growth. One of the potent approaches to women empowerment and rural entrepreneurship is the formation of Self Help Groups (SHGs) especially among women. Women being central to the entire development process and at the precursor of social transformation can be demonstrated with many examples that could include Grameen Bank’s success, SHGs of ICICI Bank, Shakthi Ammas at HLL, Cemex, Amul, the success of Avon, Mary Kay, and Tupperware in US and other parts of the world. There is a delicate need among the poor for credit, both for consumption and production, which often forms the declining line between survival and succumbing to poverty. The success of SHGs as a development tool depends on the availability of Micro finance. **Kashyap A.K.(2010)** in his study attempts to link all the pertinent points discussed above namely Micro finance, SHGs, Women Empowerment and Women Entrepreneurship which ultimately constitute major & significant part of Human Development Through his study the researcher highlights the significance of Micro financing as a an extensive strategy and authoritative tool for poverty reduction and for women’s economic empowerment.
Reddy (2010) suggested a new approach to banks to reach wider population in rural areas by establishing mobile-banks/representatives/agents who operate on commercial basis rather than just by self-help groups. These agents/representatives work on commission basis and hence self-motivated and cost effective in assisting banks in service provision/deposit mobilization.

Rachana, Tejani (2011) in her study stated that in an Index of Financial Inclusion, India has been ranked 50 out of 100 countries. Only 34% of the India’s population has access to basic banking services. The study attempted to know financial inclusion in rural areas, reasons for low inclusion, satisfaction level of the rural people toward banking services and to assess the performance of the banks which are working in the rural areas which mainly include the cooperative banks and regional rural banks. Structured questionnaire designed on the basis of literature review was used to collect data from 200 people residing in Ambasan, Jotana and Khadalpur villages of Gujarat. From findings finally the author concluded that there is lot of opportunity for the commercial banks to explore the rural unbanked areas. Though RRBs and PACS have good coverage but most of them are running into losses. Again, the number of kisan credit cards issued and the amount of credit granted under it is also showing a declining trend. Commercial banks should seize this opportunity rather than looking at it as a social obligation.

It appears that financial inclusion will continue to remain a puzzle to the rural and underprivileged people in India. Even without strict RBI guidelines and vigilant enforcement, rural banking would have remained mere a granting of minimum concessions. As financial inclusion is an essential pre-condition to build uniform economic development, both spatially and temporally and ushering in greater economic and social equity, enforcement of guidelines is the order of the day to bring social equity faster.
One would think that large-scale interventions would result in widespread coverage of banking services. However, 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.

From the review it can be seen that most of the studies are either too aggregative or wherever disaggregation has been done, it has been with reference to one aspect. Most of the studies have been done covering the institutional level micro financing so there is enough scope of research in this area.