Chapter 2

Review of Literature
CHAPTER II

REVIEW OF LITERATURE

A review of literature is a survey of an identified theme, theory, or a research issue. It is written to demonstrate scholarly ability in order to locate the relevant information, to outline existing information on the subject and to trace the gap that exists in the research work under taken. It is also an attempt to address the concerns that have not been answered in the previous research and to create the research space to further study, evaluate and to resolve contradictions, and determine solution to the existing problems.

Literatures and documental support have been obtained from the various sources with the relevance to the background of the study and to trace the solution to the issues and concerns in specific. A comprehensive study has been made to bring out the various facets of the title namely, financial system, banking industry, public sector banks, financial inclusion, rural India, tribal community in general and Santal tribes of Odisha state in particular. Efforts have been taken to get evidences from international and national journals, publications, web sites, e-journals and documents to understand the various dimensions of the thesis.

2.1 The Economic Background of India

About the economic development, Datt and Sundharam had stated that India as a developing economy with low income, one third of its population lives in misery. Not only poverty is a prime issue that hampers Indian prosperity but also it is a chronic malady in India. In spite of rich mineral resources, due to its improper utilisation, India is behind in growth even after rows of Five Year Planning (Dutta & Sundharam, 2009, pp. 6-31).

The Economist, T.S. Papola in his book, ‘Emerging Structure of Indian Economy’, states that the Indian production activities are managed by the state government, but the administration and planning are centralised. Such a pattern of functioning has lead to massive inefficiencies and widespread corruption. Even though, India being the eleventh largest in the world in terms of Gross Domestic Product and has the third largest Purchasing Power Parity, still per capita income stood at $3,694, which is 129th in the
world according to International Monetary Fund (IMF) rating and thus identify itself as a lower-middle income economy (Papola, 2005).

According to Jha, only after the Economic Reforms in 1991, the Indian economy took the path of liberalization, privatization and globalization to achieve the global integration and made the positive impact in the economic growth. Since the world moves around in interdependence and interrelatedness, any major change in one country creates reverse impact on other countries. Initially it was argued that India would not be a part of such interdependencies due to its ‘strong fundamentalism, but still it was proved wrong due to its regulated banking system and growth in the world trade (Jha, 2009).

As per the report by the Ministry of Finance, the major challenges faced by the policy makers are in managing the growth and maintaining the price stability. During 2011-12, the country was in the centre of those conflicting demands, recording only 6.9 percent, but it was 8.6 and 9.3 percent in the preceding previous years. The downturn was also due to the global economic slowdown (Ministry of Finance, 2012).

In the Economic-survey made in 2011-12, Mukherjee states that the growth of the country’s agricultural sector had reached at 2.5 percent and 9.4 percent of in the services sector. During the period, top priority was given to control the inflation which resulted in bringing the Wholesale Price Index (WPI) food inflation dropping from 20.2 percent in February 2010 to 1.6 percent in January 2012. This has made positive impact on the economic growth by stimulating the country’s investment activities (Mukharjee, 2012).

In the Journal book of Finance India by Indian Institute of Finance, it is said that finance plays an important role in managing the economy in an efficient way, which is affected heavily by the inflation trend, weakening manufacturing activity which result in the rising cost. Due to such a situation, the revenue of the Centre has remained less than anticipated, leading to an increase in the expenditure set by the budget and an overall slippage in the fiscal side (Ministry of Finance, 2012).

Planning Commission Report finds no reason to standardize the estimate of an average 9 percent growth rate, which is achievable under the normal global conditions. Due to overall downturn, global conditions are not expected to be normal for some time and also
aggravated by the recent sovereign debt crisis and prevalence of uncertainty in the European region (Planning Commission, 2008).

In the Budget session Sri Pranab Mukherjee, the then finance minister pointed out that the Twelfth Five Year Plan was launched with the aim of faster, sustainable and more inclusive growth. He also stressed for the demand driven growth, creating conditions for rapid revival in private investment and aiming to address the supply bottlenecks in crucial sectors like agriculture, energy and transport sectors. According to him, there are some 200 high-burden districts that need to speed up coordinated implementation of decisions, improve delivery systems, enhance governance and transparency in the ensuing fiscal year (Mukharjee, 2012).

According to the former Governor of RBI, Mr. Subbarao, the trend rate of growth has declined from its pre-crisis peak and that the economy will revert close to its post-crisis trend growth in 2012-13 not leaving much room for monetary policy to ease without aggravating inflation risks (Subbarao, 2012).

2.1.1 The Demographic Features of India

The Indian picturesque of geography is surrounded in the north by Himalayas and by the seas in the south, west and east. It is the largest populated nation next to China, with over 1.21 billion people according to the 2011 census. Among them, more than half the population is in the age group of 17 and 32 and so it is identified as the youthful nation compared with the rest of the world (Wikipedia, 2012).

Study conducted by Devotta has identified that there is a strong correlation between higher literacy rates, low fertility rate and increased prosperity, low fertility. Four southern states of the country have higher literacy rates and lower fertility rates compared to northern counterparts. It is also similar in the case of growth of population, i.e., the northern states like Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh; the population has shown an increasing trend than the southern states of the country (Devotta, 2002).

Khadria, in his book, Demography, Diaspora and Development, observes that the country has more than two thousand ethnic groups speaking four major families of languages and
also representing every major religion. Physically, India is divided into five physiographic regions namely, the northern mountains, Northern Plains, The Peninsular Plateau, Coastal Plains and the Islands (Khadria, 2008).

In an article written by Sriya Iyer in European Journal of Population finds that India houses the largest portion of Hindus, Zoroastrians, Jains, Sikhs and Baha’i compared to any other part of the world. It consists of third-biggest Muslim population. In spite of the predominance of religious communities among states, still some places are known for being home to any particular religious group (Iyer, 2004).

The Indian Economic Survey 2011-12 advocates Uttarakhand as the best performer in terms of growth, followed by Odisha, Chhattisgarh and Gujarat and the worst performers are Karnataka, Rajasthan, and Jharkhand. As per the National Sample Survey (NSS), Rajasthan records the lowest with 4 and Kerala accounts 75 with regard to unemployment per 1000 persons living in rural areas and it is 18 in Gujarat, 73 in Kerala and Bihar in urban areas, which need to be addressed under Financial Inclusion schemes.

Both in Life Expectancy and Infant Mortality Rate, Kerala performs well and not so in the case of Madhya Pradesh and in the Infant Mortality Rate. In the case of Birth Rate, again Kerala has the lowest and the States of Bihar, Uttar Pradesh and Madhya Pradesh record the highest rate. As far as the Death Rate is concerned, Odisha has the highest and West Bengal the lowest death rate.

With regard to primary education, Madhya Pradesh has the highest Gross Enrolment Ratio GER (6-13 years) in 2008-09 while Punjab has the lowest. Pupil-teacher ratios in primary and middle/basic schools are the lowest in Himachal Pradesh and high in States like Bihar and Uttar Pradesh (Government of India, 2012).

To achieve the Inclusive Development, the government is committed to give impetus to the overall progress, not only in economic aspect but also in social empowerment, educational upliftment, thereby supporting the socially disadvantaged and marginalised sections of the country. To achieve the same, various social welfare programmes are being implemented through State governments, allied agencies and Non-Governmental
Organisations (NGOs). Innovative modules like Public Private Partnership (PPP) is also explored to deliver the services effectively with accountability and transparency in disseminating the welfare measures specially to Scheduled Castes (SCs), scheduled Tribes (STs), Other Backward Castes (OBCs), and other weaker sections (Government of India, 2012).

2.1.2 The Status of Tribals in India

Behura, in the Journal of the Tribal and Harijan Research cum Training Institute, pointed out that the marginalised sections, namely the Scheduled Tribes constitute 7.8 percent of the total population of the country, being the earliest inhabitants of the country with distinctive culture due to ethno-historical reasons. Being relatively isolated from the mainstream for generation, they are characterised by their illiteracy, techno-economic stagnation and substantial poverty, leading to a more techno-economic backwardness (Behura, 1992).

In his book on Indian Tribes: Then and now, the author Upreti identifies that there are common characteristics among all the tribes of India. They are associated with any one of the groups of Nigrito, Astroloid or Mongoloid. Generally they are away from the civilized world in order to live with the nature and in unapproachable places. They are engaged in tribal occupations like gathering of natural and forest produce, hunting and indigenous method of cultivation. Due to the nomadic habits and special interest in dancing and drinking, they sparely save (Upreti, 2007, p. 87).

In an article about ‘Tribal situation in India’, the author Pfeffer states that tribe is viewed as a continuum linking two extreme forms, namely caste and tribes. Both these forms are based on the organizational structure of kinship and marriage, status differences and rules of commonality and avoid a fixed canon of religious commandments, but marked by fuzzy boundaries (Pfeffer & Behera, 2005).

Hasnain, in his book on ‘Tribal India’ advocates that even though, major religions of India have influenced tribal religions and are mostly influenced by Hinduism, 90 percent of them follow it in one form or the other. However, only certain tribal communities still maintain their native religious beliefs with purity and lead an almost isolated social
existence in dense forests. Of the total tribal population, only 6 percent of them follow Christianity. Tribals who follow Buddhism, Islam or Jainism are negligible in number. The educated tribals state that by faith they belong to certain religion but by character they are tribals (Hasnain, 2007, p. 152).

Pfeffer observes that the tribals have a different political structure when compared to the general population, without centralised and legitimised structure not supporting economic specialisation. In a nutshell, Indian tribes are a cephalous, or “without a head,” thus resembling those of other countries and continents and their social order is not like that of caste-unique to the subcontinent. Due to such a nature, their issues are seldom debated in public media and not qualified for the routine political discussion as they are remote from the centres. Urban intellectuals, always well-versed in matters of caste, are absolutely unaware of tribal categories and values. They vaguely conceive tribes as backward and exploited fellow citizens, nothing more (Pfeffer & Behera, 2005).

In his documental evidence on ‘Analysis of scheduled tribe population in Odisha’, the author, Ota identifies that, tribes are described according to religion, race, language, economy, cultural patter and their level of education (Ota & Mohanty, 2009). According to Shukla, caste system and social classification is prevalent in almost every nook and corner of India except in some urban areas. There are evidences to prove the statement by the primary data of official and regional studies. Still there are restrictions on the change of occupation, discrimination in employment, wage, rent and interest rate (Shukla, 2004).

In his book on ‘Educational deprivation of scheduled tribes in India’ Pradhan explains that in spite of various provisions on Constitutions, induction of special schemes and increased allocation of fund over the years, still the tribal community is far behind in education. Almost all of them are illiterate, otherwise they would have discontinued at primary and middle level.

Certain factors like overall prevalence of poverty, lack of parental care and motivation to educate their wards added with non-receptive ambience of the schools and the negative attitude of the tutors are aggravating the low enrolment and high drop outs from
educational institutions in general and for girls in particular. These issues need to be tackled in order to strengthen the programs of the tribal community (Pradhan, 2004).

2.2 Concept of Banking

According to the Banking Regulations Act, 1947, “Banking is defined as accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawals by cheque, draft, and order or otherwise.” As per the Companies Act, 1956, banking involves in accepting for the purpose of lending or investments or deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft or otherwise. A Bank is an establishment which makes advances to individuals as may be required and safely made, and to which they entrust money when not required by them for use (Gurusamy, 2009, p. 2).

In his book on Banking, Dharmaraj writes that bank is an institution that mainly deals with money and credit and accepts deposits from the public. It makes the funds available to those who are in need and helps in remittance of money from one place to another. The modern banking operation provides a wide coverage of activities and services to accommodate and retain the new generation customers against the competition from other players.

According to Black’s Law dictionary, Banking is defined as an institution of great value in the world which has empowered to receive deposits of money, to get loans and to issue its promissory notes, (designed to circulate as money, and commonly called bank notes or bank bills) or to perform any one or more of these functions (Dharmaraj, 2005, p. 3).

In his article, Chakrabarty identified banking as a conventional institution to accept and deposit the money of the public for lending or investing and the deposits are repayable on demand or to be withdrawn. According to him, banking business is of ‘financial intermediation’ (Chakrabarty C. K., 2012).

According to Ralph M Hawtrey, Former Secretary of Treasury, England, Banks operate by creating credit and they create the means of payment out of nothing. He finds that banking has been portrayed as an institution serving both the people and nation on the
frontier of finance and on the usage of money. However, it was viewed differently by statesmen and politicians (Hawtrey, 1997). William Paterson, founder of the Bank of England in 1694 also had the similar view that bank hath benefit of interest on all money which it creates out of nothing (Paterson, 1694)

The renowned Industrialist Henry Ford states that it would be well enough that people of the nation do not understand the banking and money system, for if they did, he believes that there would be a revolution before the next day morning (Ford H., 2006).

The pioneer of Micro Finance in Bangladesh, Yunus makes an experiential statement that he has come to believe deeply and firmly that everybody could create a poverty free world if we would like to. He came to such a conclusion not as a product of pious dream, but as a concrete result of his experience gained in the work of the Grameen Bank” (Yunus, 2006).

In one of the quotes, Will Rogers says that central banking as one among the three great inventions of the mankind along with fire and wheel, since the beginning of time. (Rogers, 2012).

Abraham Lincoln observed that the privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government’s greatest creative opportunity. He also added that the financing of the governmental expenditures and the conduct of the treasury would become matters of practical administration and money will cease to be the master and will then become servant of the humanity (Lincoln, 2012).

2.2.1 Genesis of Banking Industry

Davis traced the history of the banking activity which had started in Babylonia from the second millennium B.C. The standards set for its practices were taken from the Code of Hammurabi, the earliest known formal laws. In those primitive bank set up there was a barter system in which cattle, grains, crops and precious metals were used in place of money for the transactions. Surprisingly, a wide range of deposits were accepted, loans were made, and borrowers paid interest to lenders which are some of the basic concepts of today’s banking sector. Similar banking type arrangements could also be found in
ancient Egypt, wherein the grain harvests were stored in centralized state warehouses and
the depositors could use written orders for the withdrawal of a certain quantity of grain as
a means of payments (Davis, 1994, p. 18).

According to Tripathy, the banking practice was prevalent from 2000 BC in the areas of
Assyria and Babylonia. Record shows that the first prototype banks of merchants of
ancient world provided grain loans to farmers and traders carrying goods between the
cities. Such a practice spread to Ancient Greece and to Roman Empire where, lenders
based in temples gave loans, accepted deposits and also involved in money exchange.
During the same period, trade activities between countries also paved way for banking
practices in countries like China and India, which was further developed during Buddhist
period and in Mohamedan era in those countries. However, with the advent of Britishers
into India, indigenous banking in India suffered a setback (Tripathy, 2005).

In his book on Banking, the author Dharmaraj traces that the word ‘bank’ from the Italian
word ‘banco’, which means “a bench”. Money and bills were exchanged on the benches
between Lombard Jews and a banker was declared bankrupt and the bench would be
broken by people when he failed to honour the promise (Dharmaraj, 2005, p. 3).

Bolles refutes that bank means a heap or a mound, referring to a common fund or joint
stock formed by the contributions of a multitude of persons (Bolles, 2011). However,
according to Kataria, the word ‘bank’ originated from the Greek word ‘Banque’ or
‘Banchi’ which means “some kind of banking”. He advocates that Casa De San Giorgio
was the first bank to be established in 1148 and the first public bank was Bank of Venice,
established in 1157 (Kataria, Kataria, & Shivani, 2012, pp. 16-19).

Hurault quotes reference from the Bible, that Jesus overthrew the table of the money
changers when he found that temple of God was used as centre for business transactions
(Hurault, 2008).

In his book on ‘Banking through the ages’, Hoggson narrates that the practice of modern-
day banking could be traced from the medieval age in Italian cities of Florence, Venice
and Genoa. The Italian bankers made loans to princes, to fund the war activities and for
their lavish lifestyle and also to finance the merchants in their international trade (Hoggson, 1926).

Goldthwaite observed that in the 14th century, the banking activity was dominated by the Bardi and Peruzzi families and established branches in many other parts of Europe and only in their period the famous Italian Medici Bank was established by Giovanni Medici in 1397. This bank extended usual loans to merchants and royals and also enjoyed the privilege of being the main banker for the Pope (Goldthwaite, 1995).

2.2.2 The Banking Industry in India

The Central Banking Enquiry Committee that was formed in 1931, states that money lending activity in India was prevalent since Vedic period between 2000 and 1400 BC and the professional banking came into existence from 500 BC. In Kautilya’s Arthashastra which dates back to 400 BC has reference about creditors, lenders and lending rates. Banking practices are fairly varied and catered to the credit needs of the trade, commerce, agriculture and individuals in the economy. The member of Royal Commission in Indian Currency and Finance in 1926, W.E. Preston accepts that the Indian banking system was well advanced and scientific than the banking practiced in England (Reserve Bank of India, 2008).

According to Muraleedharan, the first bank in India was established in 1786 and he has classified the development of Indian Banking System into three phases – between 1786 and 1969 as early phase, up to 1991 as phase of nationalisation and the third phase covers the period after 1991 concentrating on financial and banking sector reforms (Muraleedharan, 2009, p. 2).

Promod expresses that the Indian banking industry has grown in a distinct environment and with some defined objectives which has a strong bearing on the operations and management of modern banking (Kumar P., Banking sector efficiency in globalized economy, 2006).

In an article, Bansal writes that the banking industry in India has been in the process of transformation and consolidation ever since 1961 in order to safeguard the interest of the
depositors and to protect the financial system through merger and acquisition (Bansal, 2009).

In his article on Banking industry vision 2010, Gupta mentions that from 1991-92, banking system underwent a sea change by moving from the controlled regulated environment to the liberalised and de-regulated market driven economy. The outcome of the liberalisation and globalisation has triggered the modern banking towards the transformation through technology acting as a catalyst (Gupta S. C., 2003).

In its manual on the ‘Current scenario in banking’, Scribd Inc expressed that the reforms in the Indian banking sector since 1991 focussed mainly on ensuring safety and soundness of the financial institutions, thereby making the system strong, efficient, diverse and competitive. Through these measures, reformation paved way for arresting the decline in productivity, efficiency and profitability in the banking sector (Scribd, 2012).

Jagadish Nath states that the present Indian banking sector is fairly mature in providing the supply of products and services and in reaching the customers. Still, a major proportion of rural population is supported only by the nationalised banks than the private and foreign banks. Compared to the foreign banks, Indian banks are clean and strong in their operations with transparent balance sheets (Nath, 2012).

In the note on the ‘Evolution of banking in India’, RBI recognised that there has been a significant response due to the financial sector reforms which was initiated to encompass trade, industry, investment and external sector. The reformation initiative was launched in the early 1990 in the backdrop of serious balance of payment issues faced by the country through banking sector (Reserve Bank of India, 2008).

According to Jadhao, driven by the socialist ideologies and the welfare state concept, the public sector banks have been supporting for long the primary sector like agriculture and providing priority to the micro and small enterprises, education and housing. Through these medium, banks act as agents of governments towards equitable economic development (Jadhao, 2010).
In one of the articles on ‘The economic report-emerging India 2010’, Murugan states that due to the revival of Indian capital market, the banking fundamentals are getting improved, foreign exchange trade stabilises and past imperfection that are prevailing has faded away. Thus the system is set to move smoothly unless there is an exogenous downside risks creek in (Murugan, 2009).

Priyadarshree and other have observed that the financial crisis faced by the globe during the last decade had no impact on the Indian banking industry due to its concrete policies and regulations on which it is built. In spite of its strong foundation, still even half of the Indian population has not access to the banking facilities and services (Priyadarshee, Hossain, & Arun, 2010).

According to Bhasin, technology has made the Indian banking system stronger in reaching more customers and in bringing facelift to the banking services. However seamless integration is the most essential in the present scenario to make the product and services offered by the bank, cost effective and for better viability even for the small value transactions (Bhasin, 2011).

Waghmare finds that the new initiatives in the present banking scenario has oriented towards better customer services and facilities with the support of information technology. Through the technological development, the present day banking sector focuses on the larger economy through its linkages to different sectors (Waghmare, 2012).

2.3 The Meaning of Financial Inclusion

In one of the speeches, on ‘Financial inclusion and millennium development goals’, Thorat defines financial inclusion is the provision of affordable financial services to the excluded. It includes the access to payments, remittance facilities, savings, loans and insurance services by the financial system to those who are excluded. It establishes the account relationship that paves way to the customer availing of different products and services to satisfy their basic needs. It allows the account holders to remit small values at a low cost and to make purchases on credit (Thorat, 2006).
On the topic on ‘Taking banking services to the common man - Financial inclusion’, Leeladhar states that Financial Inclusion is the delivery of banking services to the vast section of deserving low income people at an affordable price. He also emphasises that banks need to redesign their business strategies to incorporate specific plans to promote among the low income groups, considering it both as a business opportunity and as a corporate social responsibility. To get the fullest advantage of the system, the customers, who constitute “the bottom of the pyramid”, can use the available resources including technology, expertise of MFIs and NGOs (Leeladhar, 2006).

In an article on ‘Financial inclusion approach to turn around rural branches’, Devaparakash finds that the introduction of ‘no-frills loan account’ as it facilitates the poor to open saving bank account without compulsory initial deposit amount is a step in the right direction to reach the goal of financial inclusion. By reducing collateral security for the rural lending operations will ensure reaching to the doorsteps of the multitude of unbanked rural population with the financial inclusion programmes. Collaterals cannot continue to remain as physical block and avoidance of it will lead to healthy credit disciple (Devaparakash, 2006)

On writing about the ‘Role of banks on the Financial Inclusion’, Savarimuthu identifies that financial inclusion is a process of bringing the poor and downtrodden into the ambit of the formal banking sector and providing the benefits of the banking and financial services at an affordable cost. Like other countries, the access of basic banking facilities is denied in India too, that is around 65% of the Indian households do not have access to the banking services out of which 69.5% in the rural and 50.5% in the urban areas (Savarimuthu, 2006).

Reddy states that financial inclusion seeks to include each household into the banking system (Reddy, 2007). In his Union Budget deliberation, Mr. Chidambaram affirmed financial inclusion as “the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost” (Chidambaram, 2007).

In his Report on Financial Inclusion, Dr. C. Rangarajan supports the view that, financial inclusion ensures access to financial services and to provide timely and adequate credit to
the vulnerable groups such as weaker sections and low income groups at an affordable cost. This becomes achievable only by modifying the credit and financial services delivery system (Rangarajan C., 2008).

In a research paper titled, “Building Inclusive Financial Sectors for Development” which is popularly known as the Blue Book, the United Nations (UN) had raised the basic question: “why are so many bankable people unbanked?” The solution for this could be achieved through the Inclusive Financial Sector which would provide access to credit for all bankable people and firms; insurance for all insurable people and firms and savings and payments services for everyone. Internationally, this concept is given due importance which stands highly relevant for economies of under-developed, developing and developed nations. Building an inclusive financial sector is also gaining global recognition by bringing to the forefront the need to develop strategies to touch all lives instead of a select few (Reserve Bank of India, 2008).

According to Kumar and Mohanty, financial inclusion is a pre-condition to inclusive development, which refers to the process of ensuring the accessibility, availability and utilising the formal financial system covering all the members in an economy (Kumar & Mohanty, 2011).

The Maya Declaration states, that the financial inclusion has an important role to improve the global financial stability, to eradicate poverty and thereby contributing towards the balanced and sustainable growth among the developing nations. There is a large and well established global network of specialist financial inclusion agencies able to offer support across the value chain if required. The Alliance for Financial Inclusion (AFI) has been mandated by its 86 member countries to provide a range of dedicated Maya Declaration services, from advocacy and assistance in formulating financial inclusion strategies to help countries identifying the necessary technical partners. These nations should also create and implement the regulatory frameworks of balanced inclusion, stability and integrity (PR Newswire, 2011).

In the article on ‘Market for financial inclusion’, the author Devaprakash has mentioned that banks are viewing the financial inclusion as a potential market investment, not as
‘one-off service’ but as a ‘long term possibility’, not looking clients’ from merely ‘interest receivers’ to ‘income generators’ and from ‘beneficiaries’ to ‘business clients’ (Devaprakash, 2012).

In the Journal of Economics and Management, Mamata Jain and others have depicted financial inclusion into equation as - NFA + Business Correspondents (BCs) = Financial Inclusion (FI) where, BC = Banks + OFIs + MFIs + IT, NFA = No Frills Saving Bank Account; BC + Banks + Other Financial Institutions + Micro Finance Institutions + Information Technology; OFI = Insurance Companies, Mutual Funds, and Pension Companies (Jain, Bohra, & Mathur, 2012).

In a discussion paper on ‘Financial inclusion in Bihar - A step towards development’, Maulick finds that in general, the financial inclusion has been widely recognised as a crucial element to ensure equitable growth. In the Indian context, it is to provide an affordable financial service by the formal system to ensure the equitable growth. Towards this, several initiatives are being taken in India to promote it, but were in low phase till 2005 (Maulick, 2012).

In a field experiment conducted on the financial inclusion, there is a significant beneficial effect for the individuals that provide both the economic and political rationale for policies to promote the financial inclusion. The study also reveals that the bank accounts operation has facilitated a better financial inclusion like increased saving accounts, women empowerment and productive investment of entrepreneurs from rural communities (Allen, Demirguc-Kunt, Klapper, & Peria, 2012).

In his article ‘The Indian banking system: Challenges ahead’, Rangarajan states that, along with other dimensions, financial inclusion also has social, sectoral and regional dimensions. In the recent governmental planning, major thrust is being given to these three dimensions, namely - bringing the economic and socially vulnerable sections into the ambit of the organised system, inclusion of sectors like agricultural, industry and allied services and extending the organised financial system to all geographical regions (Rangarajan C., 2012).
Shetty finds that, despite forty years after nationalisation of banks, not even 60 percent of the country’s population have bank accounts and nearly 90 percent of them did not availed the loan facility from banks. Despite the focus on the phenomenon of financial inclusion, the banks in India are yet to bring the under-banked and un-banked into the mainstream banking fold. With regard to insurance coverage, only a meagre 10 percent have life insurance and less than 1 percent has non-insurance policy which shows that banking and insurance industries have a long way to go in the aspect of financial inclusion (Shetty, 2013, p. 86).

2.3.1 Global Perspective of Financial Inclusion

According to Leyshon and Thrift, the malice of financial exclusion is not exclusive, not only for the developing and less developed but also for the developed nations. It is because even the poor and the disadvantaged people lack access to the financial services and allied benefits. Thus, it is common for all of them, only the type, degree and magnitude differ between them. Also, the discussion on financial exclusion was preceded by social exclusion and focussed predominantly on the issue of geographical access to financial services, in particular, banking outlets (Leyshon & Thrift, 1993).

Kempson and Whyley found out that the financial exclusion is not only the physical access of financial services but also includes all types of people having little or no knowledge of financial services and also about the process of financial exclusion (Ford & Rowlingson, 1996); (Kempson & Whley, 1998).

Leyshon and Thrift have depicted that the definitions of financial exclusion depends and varies as per the ‘breadth’, ‘focus’ and ‘degree of exclusion’. Among those dimensions, ‘the breadth’ dimension is the broadest to link the financial exclusion to social exclusion as a process that prevents the poor and the disadvantaged social groups from gaining access to the financial system (Leyshon & Thrift, 1995).

In the National Institute Economic Review, Meadows and Cook have written that the ‘focus’ dimension is in the middle of the spectrum to link the financial exclusion with its other dimensions. According to them, financial exclusion is the potential difficulties
faced by certain segments of population in accessing the mainstream financial services like bank accounts, home insurance etc (Meadows & Cook, 2004).

Rogaly and Mayo found that the definition that lays emphasis on the ‘focus’ significantly vary by including different sections of population of individual household and business communities. However, the ‘degree dimension’ is narrower compared to the other dimensions, which means the exclusion from the particular sources of credit and other financial services that includes insurance, bill-payment services and accessible and appropriate deposit accounts (B Rogaly & Mayo, 1999, p. 248).

In their book titled, ‘In or out? Financial Inclusion: A literature and research review’, Kempson and Whyley state that the definitions of financial exclusion vary considerably as per the dimensions of concept of relativity. They also find that the problem of financial exclusion is emanating from increased inclusion by leaving behind a major junk of individual households (Kempson & Whyley, 2000).

In the Asian Development Bank Annual Report 2000, financial inclusion has been explained as the provision of a broad range of financial services such as deposits, disbursement of loans, money transfers and insurance to poor and low-income households and allied micro-enterprises (Asian Development Bank, 2012).

In the book on ‘Financial inclusion: An introductory survey’, Sinclair has defined the aspect of financial exclusion as the ability to access necessary financial services in an appropriate form. He also adds to say that exclusion is the outcome of the problems related to access, conditions, prices, marketing or self exclusion in response to the negative experiences or perceptions (Sinclair, 2001).

On 29 December 2003, the former UN Secretary-General Kofi Annan said that the reality is that many people in the world lack access to continuous financial services such as saving, credit, insurance and the like. So the great task before us is to remove constrains that exclude people from full participation in the financial sector. It could happen if we come together; we can and must build inclusive financial sectors to improve their lives.
The major goals of United Nations to achieve the goals of inclusive finance are -
- To access the financial services at a reasonable cost;
- To have an appropriate internal management system;
- To provide the sustainability in accessing financial services;
- To bring multiple financial services in a cost effective manner (Annan, 2003).

In a report on financial inclusion in Australia presented by Chant Link and Associates states that the financial exclusion is a lack of access by certain consumers in achieving the financial services at a low cost with safe and fair means from the mainstream providers. However, it becomes a concern when it is applied to the consumers of lower income and those in the financial hardship (Chant Link and Associates, 2004).

In a document on ‘Financial Inclusion Action Plan’, the Scottish Government defines that financial inclusion as a means for individuals to access the appropriate financial products and services. It involves financial literacy where the capacity, skills, knowledge and understanding require making the best use of those products and service. In contrast, financial exclusion is the converse of the above (Scottish Government, 2005).

In a discussion topic on ‘Building Inclusive Financial Sectors for Development’ by United Nations, it is stated that a financial sector need to provide access to credit all bankable people and firms, to provide insurance services to all insurable people and organisations and to provide the facility of savings and borrowing services for everyone. Not that inclusive finance requires everyone to be eligible to use the services, but they should be able to choose to use them if desired (United Nations, 2006).

In the article on ‘Financial inclusion - A road map of financial inclusion’, Banerji has observed that the Financial Inclusion Task Force of United Kingdom has three prioritised areas namely, access to banking, access to affordable credit and access to free face-to-face money advice. A Financial Inclusion Fund (FIF) has been established in order to promote such a mission and to assign the responsibility to banks and credit unions in eradicating financial exclusion. In Brazil, banks issue formal licence to the business correspondents to provide all the financial services and to conduct the correspondence similar to banks (Benerji, 2011).
In his study report, Thyagaranjan has mentioned that in Canada, legislation by name ‘Access to Basic Banking Services Regulations’ was enacted through which all the banks and financial institutions are required to open bank accounts in their names and the citizens are allowed to en-cash the Governmental cheques without charge to meet their basic needs. In France, the Law of Exclusion has given right to every citizen to hold personal bank accounts. In South Africa, the ‘Mzansi’ account is in operation to promote the low cost card-based savings account with easy accessibility. Mexico has a microfinance program called ‘PATMIR’ where savings take precedence over credit (Thyagarajan & Jayaram, 2008).

According to the Governor of Reserve Bank of Fiji, Barry Whiteside, “Financial inclusion is not about giving handouts to anyone, it is about getting the people to help themselves” (Microfinance Focus, 2011). So in these ways the concept of financial inclusion being understood and implemented in the global scenario is in order to include the excluded ones.

2.3.2 Financial Inclusion in India

In an article on ‘Financial inclusion and millennium development goals’ Thorat observed that the RBI’s Annual Policy Statement of 2005-06 the banking practices have excluded rather than attracted the vast sections of population. It also urged the banks to achieve greater financial inclusion through no frill accounts either with nil or very minimum balance and to give wide publicity to avail such facilities (Thorat, 2006).

RBI finds that there is an existence of duality of hyper inclusion with some having access to a range of financial products and the minorities are left in lurch without getting basic banking services and hence such a phenomenon mostly prevails in developed countries (Reserve Bank of India, 2008).

In his writing on ‘Economic growth, financial deepening and financial inclusion’, Mohan has enumerated that the financial exclusion signifies lack of access by certain segments of the society towards low cost, fair and safe financial products and services and hence is affordable only to the mainstream providers. Being a key policy concern, the option for budgeting by the household communities and the medium and small enterprises often
becomes expensive. Due to this, it becomes an important factor in social exclusion for the communities of rural areas who have limited access to those financial products (Mohan, 2006).

In The Journal of Indian Institute of Banking and Finance, Bank Quest, Balachandran has elucidates about a study conducted in India on financial inclusion, that around 59 percent of the adult population have savings accounts that varies among the states. Affluent people have more than one account and so the percentage of coverage of the population by banks would be further lower. Despite the vast expansion in the number of branches of commercial banks and the wide network of Regional Rural Banks (RRBs) to cover even the remotest geographic areas under their fold, the banking system has to go a long way and thus concentrated action need to be called for to rectify the situation (Balachandran, 2006).

In his research articles on ‘Financial inclusion - Tasks and strategies’, Ammannaya describes financial inclusion as a means to achieve comprehensive economic development and to bring the excluded into the banking fold, to open the bank branches to all the unbanked rural centres and to bring the households of under-banked urban areas into the banking habit. He also observes that a bank branch is a basic infrastructure that is instrumental in implementing financial inclusion plan which cannot be ignored by the banking sector (Ammannaya, 2007).

According to Anand, in most developing countries, still there is restriction in availing the financial services of savings accounts and credit facility from banking and insurance sector to the large part of the population. In this order, India is placed at the bottom one third of the countries according to the Human Development Index. He also supports his view by informing that over 48 percent of the Indian households remain excluded from the benefits of banking and only 49 percent of the farm households receive credit from the institutional and non-institutional sources and the rest are deprived of such an opportunity and so 51 percent remain excluded (Anand R. , 2007).

Thorat, in his article on ‘Financial inclusion - The Indian experience’ finds that the section of financially excluded largely comprises marginal farmers, landless labourers,
oral lessees, self employed and unorganised sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women. In specific, there are large proportion of people in the country from north east, eastern and central regions remain still financially excluded. If all of them are pooled together in the scheme of financial inclusion, certainly there will be an enormous shift would take place towards inclusive growth (Thorat, 2007).

In the early 1990s through SHGs and various NGOs, National Bank for Agriculture and rural Development (NABARD) has played a very significant role in supporting with the credit facility to nearly 40 million household members at a reasonable interest rate. However the size of loan is very meagre and is used mostly for consumption smoothening or very small businesses (Thorat, 2007).

In the RBI Monthly Bulletin, Khan observes that one of the major institutional innovations in the country is ‘SHG-Bank Linkage Programme (SBLP)’ that aims to expand the access of financial system and its usage to the poor and marginalised sections of the population. It is comfortable for the banks to disseminate the fund and recovering the same when the community operate through SHGs than individually. The model was proved successful as it provided solution to the twin problems faced by the banks i.e. low recovery of loans in rural areas and high transaction costs in dealing with small borrowers at frequent intervals. One of the major positive impacts of the SBLP was social and economic empowerment of the membership (Khan H. R., 2012).

In the research conducted by Thyagarajan and Jayaram in Cuddalore District of Tamilnadu, it is found that the real success of financial inclusion could be measured by the actual quantity and quality of usage of the newly opened ‘no frills’ accounts. Nearly 72 percent of the accounts had zero or minimum balance even after one year of its opening. Only 15 percent of the accounts had the balance of ` 100, leaving 85 percent of the new no frills account inoperative. There are obvious reasons for inoperative accounts namely, distance of the branches, dearth of fund, other modes of savings option, lack of awareness and the like. By holding the pass books, the inmates assume they are entitled for government schemes due to the guidance given by the Panchayat members and Presidents which is not so (Thyagarajan & Jayaram, 2008).
In a study conducted by Audil Rashid and Mohi-ud-Din on the bank initiatives towards Financial Inclusion in Jammu & Kashmir, it was found that in pursuant of RBI guidelines, banks are offering no-frills accounts to its vast majority of the excluded population. Most of those accounts are lying inoperative and opened just to meet the allocated target and several banks have not made any progress in achieving the goal of financial inclusion (Khaki & Sangmi, 2012).

In the Journal of Development Research, Dinesha and Jayasheela have stated that micro-insurance, being one of the dimensions of financial inclusion has not penetrated into the rural market due to inappropriate services, inadequate information and prevalence of capacity gap. Also the existence of traditional insurance has not made much headway in bringing micro-insurance products to the rural poor. In the Indian context, the financial intermediaries like MFI corporate branches, franchises, NGOs and the like, reach out to less than one million people, which is barely 1.6% of the target group (Dinesha & Jayasheela, 2008).

In an article on ‘Banks’ relationship with customers - Evolving perspectives’, Shyamala Gopinath has observed that financial education has played a pivotal role in India by presenting newer opportunities for inclusive growth and availability of the various choices and options and also cautioning of personal finance and risks. She also adds to say that in achieving the long term efficacy, financial education could supplement the financial inclusion (Shyamala, 2008).

In a report on ‘Linking financial inclusion with social security schemes’, Anant and others have identified that the people have not preferred the formal banking industry despite of the measures and initiatives taken by the financial sector because of the hesitance to save in the banks. The reason being the perception of that the savings should be in a considerable volume each time. Even if they have bank accounts, it is only for getting some governmental assistance (Natu, Bansal, Kurien, Khurana, & Bhusan, 2008).

In an article on ‘Rural credit - An overview’, the authors Prasad Babu and Subash find that, in the last five decades, the flow of rural credit has increased with respect to the financial institutions and has considerably decreased from the non-institutional agencies. Quite a number of problems are faced by the lending institutions like Co-operatives and
RRBs in collection of overdue from defaulters. It is advocated by the Planning Commission that there is existence of ‘wilful default’ and over dues are mounting in number of States (Babu & Subash, 2009).

In the Working Paper of IFMR on Micro Finance, Ramji observed that there are three phases of financial inclusion – Phase I involves the opening of no frill savings accounts, Phase II on extension of credit through credit cards and Phase III was extension of services of insurance. However, the operation of these stages varies from State to State (Ramji, 2009).

In his article on ‘Need and nature of rural credit in India’, Gurmeet Singh finds that the Kisan Credit Card Scheme (KCC) was introduced in August 1998 that facilitated the flow of crop loan through provision of adequate, timely, cost effective and hassle free short term loans. During the period 2008-09, around 68 lakh KCC were issued by the commercial banks, 13.44 lakh KCC by co-operative banks and 14.14 lakh KCC by RRBs to facilitate credit disbursement (Singh G., 2009).

In the Journal of ‘Vision of Business Perspective, the authors Barman and others have quoted that a wide range of population covering small and potential entrepreneurs are excluded from the financial sector leading to marginalising them and denying the opportunities to grow and prosper. It would be expensive to prepare a household budget or to start a micro enterprise without the support of mainstream financial services, which could be made possible through financial inclusion. Thus financial inclusion becomes a reinforcing factor in social exclusion of communities with limited access to financial products particularly in the rural areas (Barman, Mathur, & Kalra, 2009).

In an article on ‘Banking with the last, the lost and the least’ Prakash Bakshi states that the aim of the linkage of SHG and bank is the reduction of the physical and psychological distances between the rural people and the bank network. In spite of widespread network of bank branches, the personnel from SHG visit the branches travelling a long distance, for their transaction which discourages their relationship with banks. As a remedy, RBI has come out with the policy of deputing Business Correspondents (BC) attached to bank branches to liaison between branches and SHGs. Recent technology in the form of cell phones, telecom connectivity provide transmitting encrypted financial data, store
volumes of data, hand held point of sale devices and other modernised gadgets have also enhanced to reduced the gap (Bakshi, 2009).

In one of his article, B.C. Das mentioned that even though Indian banks are extending the credit facilities in a large scale, still larger number of people remains excluded from the formal financial system and hence more than half the population are yet to be reached by the financial institutions. Due to such a reason more than 30 percent of the credit has been lent by indigenous money lenders. In specific, the households of ‘below poverty line (BPL)’ continue to access the expensive credit from the informal sources of money lenders and trade creditors. In such a situation, the role semi-formal interventions like the SHG-Bank Linkage Program and MFIs become very important in the supply of micro-credit (Das, 2009).

In an article about ‘Priority sector lending by Indian banks present scenario’, Biswas identified that equitable distribution of banking services would guarantee towards high economic growth and improving the income of lower income groups. Due to the plan of action by the banking sector, between 2006 and 2009, the number of no-frill accounts has increased by 88.70 times in public sector banks and 20 times in the case of private banks (Biswa, 2011).

In a publication of ‘Committee on Financial Sector Assessment’ RBI states that the focus of financial inclusion in India has progressed drastically from bare minimum access to no-frill accounts to the concept of ‘total financial inclusion’ to cover the credit need of the SHGs through income generation activities, social needs like housing, education, marriage and debt swapping (Reserve Bank of India, 2009). According to Thorat, financial inclusion is not only micro finance, but also represents reliable access to affordable savings, affordable credit and payment system (Thorat, 2010).

In an article on ‘Women, microfinance and financial inclusion in India’, the author understands financial inclusion as the process of ensuring access to appropriate financial products and services, which is required by the vulnerable group at an affordable cost and in a transparent manner by the formal financial institutions (Maurya, 2011).
In a journal on ‘Microfinance World’, Dr. C. Rangarajan specifies that the objective of the financial inclusion is to extend the activities of the organised financial system to include in the lower income groups. Through graduated credit, attempts must be made to lift the poor from one level to another to alleviate poverty from the society (Rangarajan C., 2011). In an article appeared in the RBI Monthly Bulletin, Subbarao stated financial inclusion is not only achieving the target earmarked but ensuring that the bank account is actively in operation by means of savings, remittance and the credit facility (Subbarao, 2011).

In one of his article on ‘Financial inclusion: A road India needs to travel’, Chakrabarty states that the concept of financial inclusion is practiced by several countries around the world to provide a comprehensive growth to each citizen to earn financial resources, thereby improving one’s financial status and adding toward the overall national progress (Chakrabarty C. K., 2011).

Financial inclusion and technology based banking services in rural India: Challenges ahead’, Chellani observes that since 2005 onwards, RBI has made the financial inclusion as a policy objective. Major initiatives have been taken for total deregulation of interest rates to facilitate savings and deposits. Know your customer (KYC) procedures have been simplified for opening accounts for deposits of not exceeding ₹50,000 and credit limit not exceeding ₹1 lakh. Also Business facilitator and Business correspondent models were introduced to augment financial inclusion process (Chellani, 2012).

In the article written by Raghavendra, on ‘Rural banking and innovative banking technology and models for inclusive growth’, he informs that in a developed system, financial inclusion means a broadened access to funds and in the under-developed one, its access to fund is limited and people are constrained with no fund and need to resort to high cost indigenous money lenders. Thus, financial inclusion is beneficial to the economy as a whole and should be looked as an opportunity and not as an obligation (Raghavendra, 2012).

In his article in the RBI Monthly Bulletin, Khan feels that the relationship between financial inclusion and financial stability must co-exist, since without the stability in the
financial system, it is difficult to achieve financial inclusion. Also, it is difficult to envisage the continuing of financial stability without considering the socio-economic system leading to financial exclusion. By achieving both financial inclusion and financial stability, the financial conditions will get enhanced, living standards of the down trodden will get improved and the deserving population will get promoted in the wider context (Khan H. R., 2012).

In an empirical study conducted by Mamata Jain and others, it was found that the financial exclusion would need a holistic approach for the bank to create awareness of the financial products, information on the fund management, debt counselling, savings and offering of affordable credit. In this venture, network of postal department also to be included for which the support from political bureaucrats are essential to motivate and mobilise the weaker section (Jain, Bohra, & Mathur, 2012).

In the article on ‘Financial inclusion and urban co-operative banks’, Sinha observes that the financial inclusion is critically essential to achieve the inclusive growth in the country and for that, its scope should be expanded to reach the community at the grass-root level, banks must volunteer to evolve varied strategies to bring unbanked people in their fold by offering banking and financial services at an affordable rate (Sinha, 2012).

2.4 Economy of Odisha

As per the Economic Survey of Odisha, the growth of its economy has been remarkably high in the recent years, recording 9.51 percent during 10th Five Year Plan superseding the fixed target of 6.20 percent. The State economy has grown in real terms at 2004-05 prices, at an average annual rate of 8.49 percent during the first half of the 11th Five Year Plan despite global economic slowdown (Government of Odisha, 2012).

In an article on ‘Economy of Odisha’, Sbidyadhar finds that 80 percent of the total work force is engaged in agriculture, contributing half the State’s domestic product and most of them live below poverty line and the Indian average of the same is 26 percent. It is aggravated by frequent occurrences of natural calamities that stand as another barrier for the economic progress of the State. The per capital income of the State was ` 17,380 in
2004-05 which was increased to ` 36,923 in 2010-11, with respect to India, it was ` 24,143 to ` 54,835 during the same period (Sbidyadhar, 2011)

As per the report of ‘The Planning and Coordination Department, Government of Odisha’, since 1950, the standard of living of the State was below the national average and the per capital income stood at 90 percent of the national average and came down to 61 percent in 2002-03. However, the trend changed and the average national per capital income started to rise which reduced the gap between the income of the State and the national average. Compared to States of Bihar, UP, MP, Jharkhand, Assam and Rajasthan, the State’s real per capital income was higher during 2009-10 (Government of Odisha, 2012).

In the article written on ‘Economic development in Orissa: Growth without inclusion’ Panda notifies that the economy of Odisha is undergoing through structural change, moving from agriculture towards industry and services. This is revealed by the fact that major share of State’s income during 1980-81 came mainly from the primary sector but reduced to 32 percent in 2006-07. In the State’s economy, mining and quarrying sector plays a dominant role generating up to 8 percent of the total income. There is a remarkable shift of income between the sectors which is evidenced by the increase in service sector from 30 – 44 percent, in secondary sector from 17 – 23 percent and in the primary sector, it is from 32 – 24 percent (Panda, 2008).

In the publication of Director of Economics and Statistics, it is observed that there is an increase in the number of small scale units, setting a growth of 10.5 percent in 2007-08 compared to that of 2005-06, yet there has been a fall in the employment generation in the small scale segment. It was not so in the case of handloom sector which recorded a positive growth in production and in employment generation. The revenue flow from export was encouraging from 13.37 percent from 2005-06 to 2007-08 (Director of Economics and Statistics, 2009).

In writing on ‘The RBI making a difference in your daily life’, Subbarao mentioned that Odisha is one among the most rapidly industrialising State in the country that has quite a number of enterprises from large, medium to small scale operation that produce various
products of steel, aluminium, chrome, power, textile, handicraft and the like. The State is also attracting a lot of foreign investment in creating jobs, reducing poverty and moving towards inclusive growth (Subbarao, 2011).

While addressing a seminar on “UK and Odisha in Partnership, the British Deputy High Commissioner to Eastern India, Scott Furreddon-Woods said that Britain sees tremendous business potential in Odisha’, it is reported that in order to achieve the target to double the trade between India and Britain to 23 billion by 2015, there is a tremendous potential in the State of Odisha in the field of infrastructure, mining and in advanced engineering (The Economic Times, January 28, 2014).

DES reports that, the State of Odisha is also becoming strong with respect to infrastructure, that the road connectivity in Gram Panchayat is maximum of 58 percent followed by rural road with 12 percent and 2439 Kilometres Square covered through railway network. There are 8162 post offices to cover 6 villages per post office and 1159 telephone exchange for 43 villages per telephone exchanges in the State. Also the percentage of motor vehicle plying has increased to 9.85% over the years (Director of Economics and Statistics, 2009).

In the Economic Survey 2011-12 Report, even though 65 years have passed since independence, there is a wide range of disparity in the state regionally and socially, that notifies phenomenon in a negative sense. Also, the gap between the rural-urban set up remains larger than the all-India average and all the regions have not attained uniform development (Odishatoday, 2012).

In the article on ‘Agriculture agenda for Odisha - Issues and challenges’, it is observed that, Odisha being an agrarian economy, major proportion of population dependent on agricultural sector, but contributing around 2.3 percent towards Net State Domestic Product (NSDP) compared to the Indian average. Between 2005-06 and 2009-10, the NSDP growth has shown a considerable increase from 6.1 percent to 7.9 percent in the same period, which accounts the faster growth rate compared to other eastern states (Khan H. R., 2012).
In the Economic survey 2011-12, the economy of Odisha is classified into agriculture, industry and services in the place of formal classification of primary, secondary and tertiary sectors. The agricultural segment includes farming, animal husbandry, forestry and fisheries; the industrial sector covers mining, quarrying, manufacturing, electricity, gas and water supply; finally the service sector includes construction, trade, hotels, banking and insurance, real estate, public administration and other services. Overall the Odishan economy is more of an agriculture oriented, less industrial and service-oriented (Government of Odisha, 2012).

As per the report of Director of Economics and Statistics, the State’s GDP average growth rate is constant at 9.9 percent for the period between 2004-05 and 2009-10. When the industrial and service sector recorded a growth rate on an average of 15 percent, the agricultural and allied sector registered a meagre share of 2.3 percent only (Director of Economics and Statistics, 2009).

In a book titled, ‘Orissa’s Economic Development: Experiences and Expectations’, the author Nayak has identified poor infrastructure as the main hampering factor standing the development of the State that includes road, rail and port networks and due to this, the flow of foreign direct Investment is very low. The irrigation potential of the State is underutilised at 39 percent compared to the all India average of 83.6 percent (Nayak P. B., 2009). As per the Tendulkar Committee Report, it was observed that the highest poverty headcount ratios (PHRs) for 2004-05 exist in Odisha at 57.2 percent, followed by Bihar at 54.4 percent and in Chhattisgarh at 49.4 percent against the national average of 37.2 percent (Government of India, 2012).

2.4.1 Demography of Odisha

In his book on ‘Folklore of Tribal Communities of Odisha’, Patnaik writes that the State of Odisha is situated between 17°49’ N and 22°34’ N latitudes and between 81°27’ E and 87°29 E longitudes on the eastern coast of India. It is surrounded by the States of West Bengal on the Northeast, Jharkhand on the North, Chhattisgarh on the West, Andhra Pradesh on the South and the Bay of Bengal on the East. The capital city Bhubaneswar is historically famous for its temples (Patnaik, 2002, p. 186).
According to the Census India, Odisha has 30 districts, 476 sub-districts, 223 towns, statutory towns 107, census towns 116 and 51, 313 villages, with state capital as Bhubaneswar. Of the total population of 41,947,358, it has 34,951,234 (83.32%) rural population and 6,996,124 (16.68%) urban population. This state is basically a least urbanized states in India (14.97%) with the sex ratio is for 1000 males 978 females as per the last census (Census India, 2012).

In an article on ‘Tribal population and chronic poverty in Odisha: A note on north-south divide’, Padhi and others have described, Odisha as the State of varied range of physical features and agro-ecological conditions which determines the human geography to the large extent based on ‘carrying capacity’ of land. The State is divided into four agro-climatic zones - Northern Plateau; Central Table Land; Eastern Ghats and the Coastal Plains (Padhi, Panigrahi, & Mishra, 2011).

Patnaik identifies Odisha as unique with its splendours, bounties of nature, panorama of social life and culture and glorious achievements of its people in art and architecture. It is endowed with the people of all walks of life, artists, architects, anthropologists, historians, sociologists, pilgrims and tourists like to visit. The State is surrounded with unique gifts of nature like that of sea, lake, green forests, hot springs, waterfalls, high hills and rivers gorges. Amidst such natural bounty are present wild life sanctuaries, zoological parks and botanical gardens which comprise some of the natural endowments of great attraction (Patnaik, 2002, p. 187).

In RBI Monthly Bulletin, Subbarao finds that the Odisha’s literacy rate was just 26 percent in 1970 and the same is 65 percent which is close to that of national average in the year 2010 with an impressive jump in the female literacy rate. Even though the child mortality rate has reduced to half between 1970 and 2010, still it is behind the national average of 53 per thousand live births. The state is a least urbanised one even though it has doubled in the forty years span (Subbarao, 2011).

Khan, in his article on ‘Agriculture agenda for Odisha - Issues and challenges’, has mentioned Odisha is predominantly an agricultural economy with 70 percent of the State population survives based on it. Despite several policy measures, the State remains as
backward due to traditional farming practices, low use of high yielding variety seeds, chemical fertiliser, organic manure; uneconomic size of operational holding, incidence of high tenancy, inadequate rural infrastructure and services and inappropriate policy environment (Khan H. R., 2012).

In the Economic survey, it is noted that there is an impressive achievement made in the social sector with the record of attaining 73 percent of literacy level compared to the national average of 74 percent. Of late, the enrolment ratio in elementary schools have made a substantial improvement, as the level of dropout rate has sharply come down from 41.8 percent during 2000-01 to 2.60 percent in 2010-11 in the primary school level and the same rate being 57 percent and 7.23 percent respectively, in the case of upper primary level (Government of Odisha, 2012).

In the book titled ‘Tribes of Orissa’ the author Behura mentions that there are 437 tribes in India of which 62 types of tribes are found in Odisha. As per the Census of 2001, the total population of tribal community was more than 80 lakhs constituting 9.7 percent of the entire Indian tribal population which is also 22.13 percent of the total population of the state (Behura, 2004).

2.4.2 Tribals of Odisha

In the book titled, ‘Population profile of scheduled tribes in Orissa’, Ota and others feels that, since the proportion of the tribal population is nearly 10 percent compared to the total population of the Odisha, their development and growth plays a significant role in the economy of the state and the analysis of them is extremely essential for meaningful planning, research and policy formulation (Ota & Mohanty, 2010).

According to Patnaik, the State occupies a distinct place in the ethnographic map of India, as it has largest variety of 62 tribes and has been the homeland of many different tribal communities. They are different from one another in settlement patterns, house types, dress and ornaments, economic pursuits and social organizations, their fiestas and festivals, plastic and performing arts, dance and music and in language and folklore. To them dance and song are part of their life and source of enjoyment and relaxation. Different musical instruments are played with the accompaniment of singing and
dancing, on occasions of birth, marriage, name giving, attaining of puberty, sowing of seeds, harvesting, wearing new flowers and eating new fruits and new crops, hunting, thanks giving to the ancestral spirits—every occasion has its appropriate songs and dances (Patnaik, 2002, p. 189).

In the book on ‘Tribes of Odisha’, the author Nayak observes that the tribes of the State have distinct identity in terms of social organisation, culture, and language. Each tribe organises its social relationship in certain ways which is distinct from another tribe. Besides organising them into certain structured social groups, which are lineal descent groups, they are tied to each other through family, marriage and kinship relationships in specific ways. More often the descent groups forming a tribe are territorially bounded units functioning as corporate groups. Based on the cultural setup in their lifestyle, beliefs, values and in their perception, they differ from one another (Nayak P. K., 2004).

In the book titled, ‘Tribal Orissa - Reading in social anthropology’, Behura and other have notified that as per the Provisions of Article 342 (1) of the Constitution of India, the Scheduled Tribe is eligible to enjoy Constitutional safeguards and protective discriminations. With total 62 tribal communities, the State stands next to Maharashtra and undivided Madhya Pradesh, with regard to concentration of tribal population in the country. The group speaks unique tribal languages of Indo-Aryan, Mundari and Dravidian origin. Around 45 percent of the total land area in Odisha has been declared as scheduled area (Behura & Mohanti, 2006).

The tribal communities live in the state, ranging from smaller communities to larger communities and they are categorized as hunter-gatherer-nomads living in hilly and forest areas, hunter-gatherer and shifting cultivators, simple artisans, settled agriculturists, industrial and urban unskilled and semi-skilled workers. Out of 62 scheduled tribes, 13 groups have been declared as primitive tribal groups (Behura & Mohanti, 2006, pp. 208-230).

According to the Indian Constitution, (the Scheduled Areas Order 1977), the scheduled area comprises of the districts of Mayurbhanj, Sundargarh and Koraput, Kuchinda Tahasil of Sambalpur; Telkoi, Keonjhar, Champua and Barbil Tahasils of Keonjhar.
district; Khandamals, Balliguda and G. Udayagiri Tahasils of Phulbani district; R. Udayagiri Tahasil, Gumma Block and Rayagada Block, Surada Tahasil excluding Gazalbadi and Gochha Gram Panchayats of Ganjam district; and Thuamul-Rampur Block and Lanjigarh Block of Kalahandi district; and Nilagiri Block of Balasore district (Satpathy, 2004).

In the Economic Survey, it is pointed out that several initiatives have been taken by the Government to improve the literacy levels and the quality of education among Scheduled Tribe (ST) and Scheduled Caste (SC) communities, particularly among girls. The state has been establishing hostels for ST and SC students. Primary schools along with dedicated hostels are operated in Integrated Tribal Development Agency (ITDA) Blocks and under Community Support Program (CSP) scheme (Government of Odisha, 2012).

Statistical Cell of SC and ST Research and Training Institute has indicated that the state stands as a homeland for different tribal communities with rich cultural heritage. The Central Government is trying to improve the quality of their life and bring them into the mainstream ever since independence, but due to the intervention and blockages, the pace of development has been rather slow (Statistical Cell, 2011).

In the book on ‘Tribes of Orissa’, Mohanty has mentioned that the tribal of Odisha has retained their own way of managing internal affairs of the village mainly through two institutions namely, the village council and the youth dormitory which enhance financial inclusion through sharing views and discussing issues. The dormitory stands as the core of tribal culture, reinforcing the age-old traditions. The institution occurs among many tribal communities in some form or other. Their life is situated around Jal (water), Jamin (land) and Jungle (forest) and they are even ready to die for not losing any one of these things and modernisation has not changed them. Santal tribe were one such kind of tribes who fought bravely against the Britishers who forcefully tried to displace them but their effort went in vain. Due to such sentiments, they have undergone lot of problems in the field of social, economic, cultural, political scenario, but life moves on with pulls and pushes (Mohanty B. B., 2004).
2.5 Banking in Odisha

In the Economic Survey, it is mentioned that Odisha has vast network of financial institutions to augment the savings and channelize them towards efficient utilisation in support of the State’s economy. Phenomenal growth has been achieved through the operating commercial banks and spreading of the banking services in rural and semi-urban areas. The contribution of 9.87 percent during 2004-05 in banking and insurance sector has recorded the growth of 17.25 percent in 2011-12 (Government of Odisha, 2012).

On an average a bank branch roughly serves a population of 12,580 and over the years, the commercial bank density has improved from 16000 in 2001-02 to 13,992 in March 2011 and fares better than the States of West Bengal, Rajasthan and Uttar Pradesh. Of the total bank branches operating in the state, nearly 56 percent of them are located in rural areas, accelerating the volume of total bank deposits. Along with commercial banks, cooperative banks do concentrate on rural areas and support agriculture in a major way (Government of Odisha, 2012).

Khan has mentioned that for the period ending June 2011, there were 46 scheduled commercial banks that include 25 public sector banks, 14 private sector banks, five Regional Rural Banks (RRBs) and two foreign banks with a total number of 2136 branches. Of the total number of branches operating in the state, the rural branches account 45.5 percent as against 29.2 percent at all-India level (Khan H. R., 2012).

The Economic Survey 2011 has found that the State level per capital deposit in commercial banks was far behind when compared to the national average. Commercial banks follow the conservative approach in advancing loans which is not so in the case of cooperative banks which advances loans liberally to agriculture, micro and small-scale enterprises and to weaker sections of the community (Government of Odisha, 2012).

It is observed that the granting of loan is regulated by District Level Coordination Committee (DLCC) in each district as per District Annual Credit Plan (DACP) by the Lead Bank to extend support to priority sectors. Under the scheme, 16,611.23 crore of loan assistance was provided through banks during 2010-11, by achieving the target fixed
by DACP to the extent of 98 percent. An enhanced target has been fixed for the year 2011-12 of which `12,924.00 crore is earmarked for the agricultural sector, `2,785.23 crore for the non-farm sector and `9,524.21 crore for other priority sector (Government of Odisha, 2012).

In the Proceedings of the 128th SLBC Meeting of Odisha, it was mentioned the ratio of advance to priority sector to total advances is 59.02 percent as against the national parameter of 40 percent. In the case of Agriculture advance it is 28.99 percent as against the national parameter of 18 percent. With regard to advances to priority sector it is 29.82 percent as against the stipulation of 25 percent. Thus banks in Odisha have met all major banking parameters except DRI advance, in which the outstanding is only 0.42 percent against the requirement of 100 percent. It is worth mentioning that there is a substantial improvement from 0.13 percent, compared to the previous year (Chandrasekharan, 2012).

It is also observed that the recovery performance of banks is very bleak. The overall recovery performance is only 42.23 percent for the period ended June 30, 2012 which reveals that more than half the amount demanded as repayment has not been recovered. During the same period, Government sponsored schemes also like Swarnajayanti Gram Swarojgar Yojana (SGSY), Prime Minister Rozgar Yojana (PMRY) had the same recovery issues. If quick remedial action is not triggered, the non-recovery of loan will slow down the future lending process and would lead to serious repercussions. Adequate amendments need to be made in the Odisha Public Demand Recovery (OPDR) Act and Credit Culture among the people should be developed to support the recycling of fund for further productive purposes (Chandrasekharan, 2012).

In the document published by State Level Banker's Committee (SLBC), it is mentioned that the Department of Financial Services (DFS), Ministry of Finance (MOF) and the Government of India (GOI) have directed the banks to ensure opening of one account per family in its service area to facilitate Electronic Benefit Transfer and Financial Inclusion. These controlling heads have to monitor the performance of the branches and report about the monthly performance to the Convener of SLBC (Purkayastha, 2012).
In an article in the Newspaper Business Standard about the banks plan to open branches in Odisha, it is reported that the domestic scheduled commercial banks plan to open 2,361 branches in the State during the period 2013-15. There are altogether 3,472 branches of those banks functioning in the State. Union Minister of State for Finance Namo Narain Meena has said that these banks are permitted to open branches in tier-2 to tier-6 centres (with population up to 99,999) which include rural centres and tribal areas, and rural, semi urban and urban centres of the north-eastern states, along with operating mobile branches. On preparing the Annual Branch Expansion Plan (ABEP), the domestic scheduled commercial banks should allocate a minimum of 25 percent of total number of branches proposed to be opened during a year in un-banked rural centres.

The newspaper also indicates that Khurda district in which the capital city, Bhubaneswar is situated has highest number of 408 branches; Ganjam district has 290 branches; Cuttack district has 263 branches, while Malkangiri has the least number of 28 branches (Business Standard, February 20, 2014).

**2.5.1 Financial Inclusion in Odisha**

The Economic Times, it is reported that Odisha is the first state in the country to provide banking outposts in all 6234 gram panchayats (GPs) by entering into an historic “Memorandum of Understanding” with the country’s largest bank State Bank of India. In the first phase, the project targets to cover disbursement of funds to National Rural Employment Guarantee Act (NREGA) beneficiaries throughout the state and also to launch in 1000 GPs in 10 districts, where NREGA beneficiaries and payment are more in number (The Economic Times, September 22, 2009).

About ‘UNDP-NABARD financial inclusion project’, Ayitam identifies that while financial inclusion initiatives in the State progress, both the Government and National Bank for Agriculture and Rural Development (NABARD) are engaged in developing several models. State Bank of India (SBI) along with selected private banks has actively involved in the financial literacy and financial inclusion initiatives. Also the Department of Rural Development of the State Government is working with several banks and other
key stakeholders on payment under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other related areas (Ayitam, 2011).

In the newspaper Business Standard, under the heading on ‘SLBC approves financial inclusion road map’ it is mentioned that Financial Inclusion Plan (FIP) in Odisha is in progress, though at a sluggish rate. Out of identified 1878 unbanked villages under the program, only 270 villages had been covered till December 2010, but RBI has fixed the deadline to cover all these unbanked villages and bring under the FIP by March 2012 (Business Standard, March 19, 2010).

In the same newspaper, it is reported the RRBs in Odisha have covered only 76 out of 711 villages allotted to them and on the whole, out of 1877 villages with the population of 2000 and above, some 965 villages have been financially included. Of these 965 villages, 35 of them are served by the branches of public sector banks, 862 are networked with Banking Correspondents and the mobile van banking services is extended to the remaining 68 villages (Business Standard, August 29, 2011).

Based on the report of the UCO Bank, which is the convener of SLBC, Odisha has selected Ganjam district for 100 percentage financial inclusion and five more districts namely, Puri, Cuttack, Keonjhar, Nayagarh and Rayagada for the same process. Along with them Gajapati district is also selected for the 100 percent financial inclusion as it is dominated with minority community (General Manager, 2012).

In a web page on ‘Financial inclusion plan – Odisha’ by SLBC, it is noted that the UCO Bank is a leading one with wide spread operation in the State. Out of the total number of 1877 villages, around 1160 villages having population above 2000, have been provided with public sector banking services in various forms till September 30, 2011. Each Panchayat is identified as a unit to act as ‘Service Area’ of branches as per the directions given by the Financial Service Department on Financial Inclusion (UCO Bank, 2011).

It is specified that in order to cover the entire country under financial inclusion, Service Area approach should be adopted with the support of Gram panchayats. Accordingly, SLBCs have allocated specific village to function as centres for the various development
and welfare schemes and also to provide services like Electronic Benefit Transfer (UCO Bank, 2011) as it helps faster the process of financial inclusion at village level.

The Lead District Managers (LDMs) were advised to reallocate the Service Area among the bank branches by taking gram panchayats as their basic area of operation under FIP and to get approval in the DCCs. About 19 LDMs have already been communicated about the reallocation and were advised to upload the details in the website of Network Interface Controller (NIC) by October 31, 2011 and confirm the same to SLBC (UCO Bank, 2011).

On personal interview with Ms. Sahoo, Deputy General Manager of RBI, Rural Development Planning Wing, has said that following programmes are being implemented in the State under financial inclusion:

- Launching of Electronic Benefit Transfer (EBT) – to improve the efficiency in making payments to the beneficiaries under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA);
- Activities carried by 29 Rural Self Employment Training Institutes (RSETIs) in all the districts of Odisha except in Rayagada;
- Running 20 Financial Literacy Counselling Centres (FLCCs) centres in the State by the trusts of the Lead Banks in the assigned districts, through which financial literacy awareness and credit counselling are being undertaken;
- Organising outreach visits to select villages which attained full financial inclusion and conduct programmes on Financial Literacy for school and college children, members of Self Help Groups, Farmer’s clubs etc. So far more than 15 villages have been undertaken in the outreach activity with success (Sahoo P., 2012).

To speed up the process of financial inclusion, focusing on the rural areas of the State, the private bank HDFC Bank has announced its plan to increase the number of branches from 61 to 102 by the end of December 2012 to provide its banking services in all the 30 districts of the State. Currently the bank has covered 60 percent of rural and semi urban areas. By opening new branches, HDFC Bank is hopeful to reach 75 percent in those areas. Deposit mobilization is also taken seriously, along with micro-financing and loan
disbursement to the farm sector. Loan provisions of two wheelers, cars, commercial vehicles, purchase of tractors and agricultural implements are there in order to enhance the agriculture based funding (Business Line, September 29, 2012).

2.5.2 Financial Inclusion and Tribals of Odisha

In a study conducted by the Odisha Rural Poverty Reduction Mission on ‘the Integrated Social and Environmental Assessment Study’ it was found that despite various specific developmental initiatives are being carried on, still tribals of Odisha lag behind in terms of socio-economic advancement. These have apparently revealed about the literacy rate of the STs which is being lower compared to the national average.

Ecological imbalance is standing as a serious issue and aggravates the vulnerability undermining the livelihood patterns of the tribal inhabitants. They were also trapped into the vicious circle of exploitation due to small land base, low agricultural productivity, and low income leading to rising indebtedness. Issues like land alienation, forest legislation, encroachers on land, displacement due to mining operations, irrigation projects, wildlife sanctuaries – have led them towards social discontentment, unrest, extremist activities and violent protests (Varun Technoinfrastructure Pvt. Ltd, 2008).

In a document on the ‘Overview of the tribes of India’, it is mentioned that India has the largest concentration of tribal population anywhere in the world only second to African countries. They live with the nature in their lifestyle by the eco-system, living in the tribal areas constituting about 15 percent of the total geographical area of the country. Around 533 tribes have been notified under Article 342 of the Constitution of India spread out in different states and union territories of the country (Ministry of Tribal Affairs, 2011).

As per the Proceedings of the 128th SLBC Meeting of Odisha, it is indicated that the Union Government has initiated an Action Plan for financial inclusion for the 19 districts affected by the Left Wing Extremism. The developmental activity is being closely monitored by the Secretary, Department of Financial Services, MoF, and the Central
Government itself through video conferencing with convener SLBC, NABARD and others (Chandrasekharan, 2012).

The Political and Business Daily has reported that it is essential to bring the poor and the under-privileged into the fold of banking habit to achieve the inclusive growth. In such a context, four key elements have been identified – (i) providing basic financial products and services in the form of no-frill accounts, entrepreneurial credit like Kisan Credit Card and General Credit Card; (ii) spreading financial literacy by creating awareness about financial products and services; (iii) giving greater regulatory incentives through liberalisation of interest rates and branch licensing and as such banks are given freedom to price their advances in rural areas and (iv) usage of technology and innovative delivery models to increase the quantum of small-ticket transactions and reducing its cost of operations through business correspondent model, electronic benefit transfer, National Rural Employment Guarantee Scheme (NREGS), National Old Age Pension Scheme (NOAPS) directly to the bank accounts of the beneficiaries (Mohanty D., 2012).

In the journal ‘Bank Quest: The Journal of Indian Institute of Banking and Finance’, the author Chowdhury finds that the financial inclusion is the only substitute and a small step towards extending the bank practice to the less privileged in urban and rural areas. It is also considered as an attempt to alleviate poverty, attainment of self sustenance, self governance and self respect in future (Chowdhury, 2007).

In the Union Budget, the then Finance Minister Pranab Mukherjee also advocated that “For a country like ours, with significant sections of unbanked population and regions, financial inclusion is vital for sustaining long term equitable development” (Hindustan Times, July 29, 2009).

In the RBI report, it is said that, since the nationalisation of commercial banks, the process of financial inclusion is categorised into three phases – the first phase extends up to 1990, major focus is on spread to bank branches in rural areas, channelizing credit at affordable terms to the neglected sectors, special emphasis to weaker sections of the society; the second phase which was between 1990 and 2005 placed thrust on strengthening of financial institutions under financial sector reforms, introduction of
SHGs bank linkage programmes and Kisan Credit Cards and in the third phase, networking banking service to the rural and tribal communities with the support of BCs, EBTs and other follow up activities (Reserve Bank of India, 2009).

In an article titled, ‘Banking industry over the years - A case study of private and public sector banks in Odisha’, it is mentioned that there are five public sector banks operating in the state and have shown considerable growth over the years, namely Andhra Bank, Bank of Baroda, Punjab National Bank, State Bank of Mysore and Syndicate Bank. In the case of UCO bank, the growth was steady except in one year. During the year 2012, Axis Bank has shown a considerable growth performance in the retail loan segment surpassing Bank of India. Along with it, other private banks like Federal Bank and IndusInd Bank have also grown during this period (Pani, Swain, & Swain, 2013).

In an article on ‘Ethical dimension of financial exclusion - A paradigm shift from the present financial inclusion approach’, Rengarajan states that Indian socio-cultural set up in rural and semi-urban areas is being based on caste and creed which paves conducive atmosphere to practice social exclusion. Social exclusion hampers inclusive growth. It is a common sight in rural areas where scheduled tribes and scheduled caste people occupy a hamlet in a corner of the village. Due to persistent helplessness and distress, the village people are often reluctant to collaborate or contribute to any common cause. There is still a vast difference in accessibility to financial products by the mainstream people and the periphery people in the rural areas particularly in tribal locations. These kinds of social exclusion need to be removed for effective financial inclusion (Rengarajan, 2013).

In a research report Samal mentioned that the British government was solely directed and dominated by the colonial interests and based on isolation and exploitation of the tribals. The whole basis of British administration in India was to support its supporters. The vested interests, i.e. non-tribal landlords, contractors and moneylenders not only took possession of the tribal land, but also brought the tribals in perpetual bondage. Such encroachment on the tribals’ right on land and forest led to the expression of anger in the form of tribal uprising in many places and it still continues. In this scenario, when the tribal people are included into the formal financial system and its benefits, it does make a change in the development of the nation (Samal, 2001).