ABSTRACT

Financial inclusion has become the top priority of the Union Government’s and Central Banks around the world with an objective to achieve inclusive growth. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Inclusive growth is participatory growth, where, all sections and regions of the economy get the benefit of growth and contribute to growth process through poverty reduction, equality in distribution of resources sustaining the growth momentum. The task of achieving sound inclusive growth can be met by policies that encourage easier and affordable access to formal banking services or financial inclusion. In this direction, in India the banking industry has shown remarkable growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas of financial viability, profitability and competitiveness, banks have not been able the bring vast segment of the underprivileged population into the ambit of basic banking services which is called as financial exclusion has resulted in the biggest hurdle in achieving inclusive growth and seen as a critical mechanism for generation of persistent income inequality and slower growth process. Without inclusive financial systems, poor households and small business category need to rely on their own savings and earnings, which is a meager amount to become entrepreneurs, to invest in their education, or to take advantage of growth opportunities. Financial sector policies which provide the right incentives to individuals, help them to overcome access barriers, are crucial not only to stability but also to growth, poverty reduction and equitable distribution of economic resources and capacities. Therefore, there is a dire
need to study the nature, extent and impact of financial inclusion in order to have an effective programmes and policies to achieve inclusive growth.

Based on the need to study the role of financial inclusion in inclusive growth, an exploration of the economic development agenda of the developing nations gives an account that, poverty alleviation has been the foremost concern of policy makers all over the world. Financial inclusion of the poor and marginalized class is a necessary step in this regard. This helps to equalize opportunities and reduce inequalities. Therefore, financial sector policies which are crucial for equitable growth and broader access to financial services required. To achieve this, empirical evidence that links access to financial services to development outcomes will have to be developed. This has made the area of financial inclusion a challenging one, in view of policy planning for effective financial development. But in ground reality, access to finance by the poor, weaker sections, marginalized, is limited due to several reasons. Data at the macro level of the Indian economy shows that, a large section of the poor and marginalized sections of Indian economy are financially excluded. They don’t have access to the various financial services provided by the institutional set up. This necessitates a good mechanism to operationalize financial inclusion. Literature on financial inclusion shows that, there is a need for the research and data to be conditioned on implementing financial inclusion and determining its effectiveness in India. To tackle this problem effectively, much more research is needed to measure and track the access to financial services, to evaluate its impact on households and to evaluate policy intervention. So this study has focused on the nature and extent of financial inclusion and the impact of availing financial services on the socio-economic status of rural and urban households belonging to the
economically weaker sections. This has been analyzed with the background of theoretical evidence on financial development and economic growth, and by analyzing the primary data collected from the revenue divisions of Karnataka. The study has been organized into the following five chapters.

The introductory chapter will give a bird’s eye view of the study through its subsections on financial inclusion and inclusive growth stating the research problem and research objectives.

In the second chapter of the thesis, literature review of the role of finance in economic development, conceptual framework and research hypothesis are stated.

Chapter three details the research design, applied to study the nature, extent and the impact of availing formal financial services resulting in inclusive growth of the households belonging to the vulnerable sections.

Chapter four analyses the primary and secondary data and chapter five discusses the summary of findings, conclusions and recommendations of the research undertaken.

The study was based on both descriptive and exploratory approach. The study involved the description of characteristics associated with the access to and availing of formal banking network or financial inclusion in order to measure the nature, extent of financial inclusion and impact of availing formal banking network on the socio-economic status of rural and urban households belonging to the vulnerable sections of the society. The study used a combination of inductive and deductive reasoning to arrive at the theoretical conclusion as background for the collection of primary data. The analysis involved both
descriptive and inferential statistics and was able to suggest policy measures to financial 

inclusion.

Findings of the study prove uniform access to financial services and disparity in the 
nature; extent and impact of financial inclusion among the vulnerable sections and it is 
concluded that access to and availing of formal banking services pave the way to positive 
changes in the socio-economic status of households of the vulnerable sections, strengthen 
the economic policy, resulting in inclusive growth.