CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Financial inclusion is one of the key levers with the greatest potential for economic and social progress. Financial exclusion appears to have become the principal development concern globally. This has been particularly evident during the past decade or so, even as the world has stumbled through a financial meltdown, more serious than any since the Great Depression, that has exposed the frailties and inequities of the global financial system.

“Access to financial markets is important for poor people. Like all economic agents, low income households and microenterprises can benefit from credit, savings, and insurance services. Such services help to manage risk and to smooth consumption . . . and allow people to take advantage of profitable business opportunities and increase their earnings potential. But financial markets, because of their special features, often serve poor people badly . . . Since poor people often have insufficient traditional forms of collateral (such as physical assets) to offer, they are often excluded from traditional financial markets . . . transaction costs are often high relative to the small loans typically demanded by poor people. And in areas where population density is low,
physical access to banking services can be very difficult . . .‖—World Bank, World Development Report 2000–2001

1.2 HISTORICAL PERSPECTIVE

Financial inclusion is meant to include all those sections of the society, which are mainly out of the net of the financial institutions. In India, it can be traced to 1904 when cooperative movement started. A vast network of rural cooperative credit banks was initiated in 1950s, followed by a drive to nationalize commercial banks in 1969. The strategy during the 1970s and 1980s gave the leading role to nationalized banks. These were charged with loosening the grip of traditional moneylenders. The 1990s saw the partial deregulation of interest rates, increased competition and new microfinance approaches.

The persistence of poverty on the scale at which it still exists is not acceptable. A decisive reduction in poverty and an expansion in economic opportunities for all sections of the population should therefore be a crucial element of the vision for the planning. Rapid growth of the economy is an essential requirement to achieve this outcome since it is an instrument for achieving a steady increase in employment and incomes for large numbers of our people.

The vision of inclusiveness must go beyond the traditional objective of poverty alleviation to encompass equality of opportunity, as well as economic and social mobility for all sections of society, with affirmative action for SCs, STs, OBCs, minorities and women. There must be
equality of opportunity to all with freedom and dignity, and without social or political obstacles. This must be accompanied by an improvement in the opportunities for economic and social advancement. In particular, individuals belonging to disadvantaged groups should be provided special opportunities to develop their skills and participate in the growth process.

In 2014, the rebranding of the Microfinance India Summit as “Inclusive Finance India” was a strategic shift, which helped in broadening the sweep of the Summit’s mandate. From a narrower focus on assessing the progress and evolution of two channels viz. SHG Bank Linkage and MFI lending; the Summit looked at all efforts and initiatives in bringing greater access to finance to the hitherto unbanked households in the country and built a campaign for universal financial inclusion 2020. Access to financial services plays a critical part in facilitating economic growth and reducing income inequality. Inclusive financial systems allow poor people to smoothen their consumption and insure themselves against economic vulnerabilities they face - from illness and accidents to theft and unemployment. Financial inclusion enables poor people to save and to borrow - allowing them to build their assets, to invest in education and livelihoods opportunities, and thus to improve their quality of life. Inclusive finance especially benefits disadvantaged groups such as women, youth, and rural communities. For all these reasons financial inclusion has gained prominence in recent years, across the world, in many countries as a policy objective to improve the lives of the poor. Recognizing that 2.5 billion adults worldwide are ‘unbanked’ the World Bank has put forward a vision for achieving universal financial access by 2020. More than 50 countries, including India, have made ambitious commitments to financial inclusion targets.
1.3 RESEARCH PROBLEM UNDER STUDY

It is found that most of the papers highlight small subsidy payments, merger role of RRBs, Post Office Saving Bank (POSB), Bank-SHG, bank-MFI, MFI-NBFC, for financial inclusion. Very few papers have cited the role of cooperative bank for financial inclusion. In this regard this study is an attempt to fill the gap by explaining the role cooperative banks play for financial inclusion.

The Indian economy is the second fastest growing economy in the world. Majority of the population in India resides in rural areas. Thus development of rural India is a key step towards economic development for a country like ours.

Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the well being of the weaker sections of the society. Proper access to finance by the rural people is a key requisite to employment, economic growth and poverty reduction which are primary tools of economic development.

India has a huge network of institutional credit. Institutional credit refers to credit offered by financial institutions like banks. The Indian financial system is considered to be one of the finest systems in the world. It is only because of the strong grip of the financial system that even the global financial crisis could not affect India that severely.
In spite of having such a strong financial system it has been evident that financial awareness has not been able to penetrate into the rural sections of the society. Non institutional credit givers in the form of money lenders still continue to grasp the poor in their clutches. This is a matter of concern and proper action needs to be taken for the same.

**Financial Inclusion Status Report for the Year 2013 – 2014**

1. The number of banking outlets has gone up to nearly 3, 84,000. Out of these, 1, 15,350 banking outlets were opened during 2013-14.

2. Nearly 5,300 rural branches were opened during the last one year. Out of these, nearly 4,600 branches were opened in unbanked rural centres (Tier V and Tier VI centres).

3. Nearly 33,500 BC outlets were opened in urban locations during the year taking the total number of BC outlets in urban locations to 60,730 as at the end of March 2014.

4. More than 60 million basic savings bank deposit accounts (BSBDAs) were added during the last year taking the total number of BSBDAs to 243 million.

5. With the addition of 6.2 million small farm sector credits during 2013-14, there are 40 million such accounts as on March 31, 2014.

6. With the addition of 3.8 million small non-farm sector credits during 2013-14, there are 7.4 million such accounts as on March 31, 2014.

7. Nearly 328 million transactions were carried out in BC-ICT accounts during the last year as compared to 250 million transactions during 2012-13.

As per the Global Findex, in India, only 35% of adults have a formal account, and 8% a formal loan. Given the significant proportion of exclusion, the Government of India, in the last one
decade, has taken several policy initiatives. While in 2006, it set up the Rangarajan Committee on Financial Inclusion; subsequently in 2008, Raghuram Rajan Committee on Financial Sector Reforms also emphasized financial inclusion as a third policy objective along with growth and price stability. In 2011, the Government of India launched the Swabhiman campaign under which banks were advised to open branches in all habitations of 5000 or more population in under-banked districts. Banking facilities were provided to more than 74,194 such villages, more than 62,468 Banking Correspondent Agents (BCAs) were appointed and about 3.16 Mn FI accounts opened by end of March 2012. While there is apparent progress, almost half the No Frills Accounts remain dormant, BCs are not viable and banks are skeptical of this drive impacting their bottom line. The Government of India further has also begun passing subsidies and entitlements under the Direct Benefit Transfer programme, leveraging the AADHAR platform. Several efforts outside Swabhiman are also being tried out by private sector players’, bilateral / multilateral agencies, payment gateways, and telecom companies to advance the financial inclusion agenda. More recently, while one MFI was awarded a bank license, the Government of India established the niche Bhartiya Mahila Bank to serve financial needs of women, the Nachiket Mor Committee has recommended for differentiated banking architecture to support financial inclusion. Given the overwhelming challenge of financial inclusion; more holistic, systemic and convergent strategies need to be designed to establish an eco-system that will understand the needs and aspirations of the unbanked, specially the poor, leverage technology, engage with private sector and deliver responsive products and processes to create beneficial outcomes.
1.4 Definitions

The fact that financial inclusion concepts have different meanings in different parlance has often led to difficulty in using a standard yardstick for benchmarking its policy parameters. The associated difficulties are that the targeted variables used for financial inclusion may differ from one country or organisation to another because of different institutional set up. Inherent weaknesses in the linkages between the financial inclusion database and welfare parameters of the society add to the complexity. Moreover, there are no agreed composite measures of financial inclusion which could facilitate comparisons across time and geography. Therefore, in order to ensure consistency and accuracy in measurement of financial inclusion parameters, it is essential that the parameters concerned are objectively defined in the first stage of the measurement process. As a way forward, we need to assess financial behaviour and understand where the challenges and opportunities lie for the future. To do that, we need high-quality, multi-dimensional, comparable financial inclusion data based on internationally standardized terms and concepts. As such, the measurement needs also include analytics for correct interpretation of data and establishment of international benchmarks.

According to the Planning Commission (2009), financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. The household access to financial services includes access to contingency planning, credit and wealth creation. Access to
contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household’s level of financial literacy and risk perception.

In India, The Report of the financial inclusion in January 2008 by C Rangarajan, Financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services.

Government of India (2008) defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.

Financial inclusion is the delivery of financial services at an affordable cost to vast sections of the disadvantaged and low income groups. The purpose of financial inclusion is to provide equitable opportunities to every individual to avail the facility of formal financial channels for
better life, better living and better income. It is crucial to innovate and provide means to include the financially excluded by way of ensuring access to financial services, and timely and adequate credit.

Financial inclusion is a broad concept. As defined by Sarma (2008), financial inclusion is the process that ensures the ease of access, availability, and usage of formal financial system for all members of an economy. However, it is also important to distinguish between voluntary versus involuntary exclusion. The World Bank (2014) defines voluntary exclusion as a condition where the segment of the population or firms choose not to use financial services either because they have no need for them or due to cultural or religious reasons. In contrast, involuntary exclusion arises from insufficient income and high risk profile or due to discrimination and market failures and imperfections. Policy and research initiatives must then focus on involuntary exclusion as it can be addressed by appropriate economic programs and policies which can be designed to increase income levels and correct market failures and imperfections.

Many studies define the concept in terms of financial exclusion, which relates to the broader context of social inclusion. For example, Leyshon (1995) highlights the exclusion of some groups and individuals from gaining access to formal financial system, while Sinclair (2001) focuses on the inability to access necessary financial services in an appropriate form. In contrast, Amidžić, Massara, and Mialou (2014) and Sarma (2008) directly define financial inclusion. Amidžić, Massara, and Mialou (2014) stated that financial inclusion is an economic state where individuals and firms are not denied access to basic financial services. This paper follows the definition of Sarma (2008) which views financial inclusion as a process that ensures the ease of access, availability, and usage of financial services of all members of society. Unlike the definition of Amidžić, Massara, and Mialou (2014), the advantage of Sarma’s (2008) definition
is that it builds the concept of financial inclusion based on several dimensions, including accessibility, availability, and usage, which can be discussed separately.

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all members of the society in general and vulnerable groups in particular, at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial inclusion is defined as the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost (Kamath, 2007). The overall objective of the Financial Inclusion is to increase access to financial services and empower the users of financial services to make rational decisions in their personal finances so as to contribute to economic growth. The concept of financial inclusion in India can be traced back to the year 1904 when co-operative movement took place in India. It gained momentum in 1969 when 14 major commercial banks of the country were nationalized and lead bank scheme was introduced shortly thereafter. Branches were opened in large numbers across the country and even in the areas which were hitherto being neglected. Even after all these measures a sizable portion of the population of the country could not be covered under formal banking system. In fact, there is a severe gap in financial access which needs special attention. Studies have proved that lack of inclusion or rather exclusion from the banking system results in a loss of considerable proportion of the GDP. Thus, financial inclusion is not just a socio-political imperative but also an economic one. Realizing the gravity of the problem, Reserve Bank in its Mid Term Review of Monetary Policy (2005-06), urged the banks to make financial inclusion as one of their prime objectives.
Financial inclusion enables improved and better sustainable economic and social development of the country. It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. Also the objective of financial inclusion exercise is easy availability of financial services which allows maximum investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms.

**There are two dimensions of financial inclusion:**

**Dimension 1: Financial Literacy**

**Dimension 2: Financial Innovations**

Dimension 1: Financial Literacy: Financial Literacy is essential for improving quality of life. It is specifically expected that someone should know to manage his/her personal finance effectively.

Financial literacy is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. The absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial health of an individual.

Financial literacy is having the knowledge, skills and confidence to make responsible financial decisions.
• Knowledge: refers to an understanding of personal and broader financial matters

• Skills: refer to the ability to apply that financial knowledge in everyday life

• Confidence: means having the self-assurance to make important decisions

• Responsible financial decisions: refers to the ability of individuals to use the knowledge, skills and confidence they have gained to make choices appropriate to their own circumstances.

Being financially literate can help individuals to:

• decide how they will spend their money and meet their financial obligations

• make sense of the financial marketplace and buy the products and services best suited to their needs

• manage their personal finances and plan ahead for life events, such as home ownership or retirement

• ask and understand how they can benefit from local, provincial and national government programs and systems

• assess the financial information and advice they receive from relatives and friends, professionals or the media, and

• maximize the use of the resources they have access to, including workplace benefits, private and public pensions, tax credits, public benefits, investments, home equity, and access to credit

Financial literacy is about understanding money and finances and being able to confidently apply that knowledge to make effective financial decisions. Financial literacy is mainly used in connection with personal finance matters. It is all about possession of knowledge and
understanding of financial matters. From simple task like a household budget or balancing a cheque book, evaluating life insurance and selecting an investment vehicle etc., people have to learn about personal Finance in order to be successful of their income and assets. Management of own fund and utilization of the surplus Funds earned by an individual through formal financial system is the basic need for the sustainable development of the economy, for which financial literacy is vital.

Financial literacy often entail the knowledge of properly making decision pertaining to certain personal finance like banking, insurance, investing saving and retirement. It also involves intimate knowledge of financial concepts relating to day to day life of an individual.

Currently, there is no standard system to provide financial literacy to the population in general. Surprisingly, most of the graduate people in Assam are still not aware of the basic financial services and products. This may be the major reason in developing country like India, huge number of Ponzi schemes and malpractices in financial services matters are in higher side. Improving financial literacy can have significant benefits for everyone, no matter what their age or income. By developing confidence, knowledge and skills to manage financial products and services, individuals will be better able to overcome or avoid financial exclusion. Such exclusion impacts on the opportunities individuals can pursue their sense of security and their overall emotional and physical wellbeing. Improved financial literacy can increase economic participation and social inclusion, drive competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

Dimension 2: Financial Innovations: It is essential to protect the safety and stability of financial sector. The objective is to implement new technologies to increase the access to financial
services as well as to secure the consumers financial safety. Financial products and services provided to the people through financial inclusion are:

1. Service facility
2. Overdraft facility
3. Payment and remittance services
4. Low cost financial services
5. Cheque facility
6. All kinds of commercial loan
7. Electronic fund transfer
8. Credit and Debit Cards access
9. Access to financial markets
10. Financial advice
11. Insurance (Medical insurance)
12. Micro credit during emergency
13. Entrepreneurial credit

The financial inclusion emphasizes on conversion of unbanked area into banked one. Having a bank account does not mean financial inclusion. Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all section of society in general and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost and in a faire and transparent manner by regulated mainstream institutional players. Financial inclusion is a critical for achieving inclusive growth in the country. It can help in reducing the growth of informal sources of credit (such as money lenders), which are often
found to be exploitative. Thus, an all inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services.

Financial exclusion is broadly defined as the lack of access by certain segments of the society to suitable, low-cost, fair and safe financial products and services from mainstream providers. (Chattopadhyay, RBI 2011) Thus the essence of financial inclusion is to ensure that a range of appropriate financial services is available to every individual and enable them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, insurance (life and non-life), etc. The financially excluded sections generally are - Marginal farmers, Landless labourers, Urban slum dwellers, Migrants, Self-employed and unorganized sector enterprises, Ethnic minorities and socially excluded groups.

Financial exclusion refers to the lack of access to financial services. It limits opportunities for employment and enterprise development and imposes a premium on the cost of basic services. Financial exclusion thus makes it difficult to reduce inequalities and alleviate poverty. Beck et. al (2008) finds that financial exclusion is a barrier to economic development. Financially excluded populations include marginal farmers, landless labors, unorganized enterprises, urban slum dwellers, migrants, senior citizens and women. Financial inclusion is thus a high priority policy
goal for developing and developed countries in order to ensure stable and equitable economic growth.

K. C. Chakrabarty, Deputy Governor of RBI in this speech clarifies the meaning of inclusive growth. Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. The literature on the subject draws fine distinction between direct income redistribution or shared growth and inclusive growth. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups. Inclusive growth is, therefore, supposed to be inherently sustainable as distinct from income distribution schemes which can in the short run reduce the disparities, between the poorest and the rest, which may have arisen on account of policies intended to jumpstart growth. While income distribution schemes can allow people, to benefit from economic growth in the short run, inclusive growth allows people to “contribute to and benefit from economic growth”.

The ‘inclusive growth’ as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of the society. The inclusive growth by encompassing the hitherto excluded population can bring in several other benefits as well to the economy. The concept “Inclusion” should be seen as a process of including the excluded as agents whose participation
is essential in the very design of the development process, and not simply as welfare targets of development programmes (Planning Commission, 2007).

1.5 Significance of the study:

India is on urge of Financial Inclusion and the reason to study it is as follows;

1. Improvement in the financial health and the competitive capabilities by means of prescription of prudential norms, adequate specialisation and capitalisation of the banks, restructuring of weaker banks and generally improving the incentive system;

2. To build a financial infrastructure relating to supervision, audit, technology and legal framework.

3. Increasing access to financial services is very essential because a person is poor as her endowments of capital, land, labour and skills are scanty, and also because her access to public goods and services and natural resources is limited. Access to basic facilities such as health, education, clean drinking water, etc. impacts directly on welfare, in the longer run, it determines economic opportunities for the future. Without access to these services one cannot be considered to have equality of opportunity. Financial access helps an economy to have a regular and sustained growth. It helps to produce more, and distribute it fairly.

4. Improving the effectiveness of directed credit programmes to the poorer; so that growth should be better balanced by rapidly creating jobs in the industrial and services sectors. This is necessary if a significant portion of the labour force is to shift out of agriculture, where it is currently engaged in low productivity employment, into a non-agricultural activity that can provide higher real incomes per head. This must be accompanied by efforts to improve the income-earning opportunities of those who remain in agriculture by raising land productivity.
This process would also lead to higher farm incomes and a rise in real wages of agricultural labour whose bargaining power will improve as surplus labour is shifted out of this sector.

5. Upgradation of the level of the managerial resources and the quality of the human resource within banks.

It can be argued that there is an element of cyclicality in the high growth observed in the past four years since these were also years of a global upswing. However, India’s growth performance goes beyond mere cyclicality. It is underpinned by a number of factors which are real sources of strength and will serve us well in the years ahead. Savings and investment rates have increased significantly. The industrial sector has responded well to economic reforms and has shown that it is capable of competing in the global economy. Perceptions about India among global investors are very favourable. These developments suggest that the economy is now at a point when it can achieve sustained economic expansion that has the potential to bring significant improvement in the lives of our people. If this momentum can be accelerated in the years ahead, it will put India on the path to becoming one of the key players in the world economy over the next two decades.

The 2015 report has been commissioned to Professor M.S. Sriram who is a member of the Expert Advisory Group of Small Finance Banks and faculty at the Centre for Public Policy, IIM Bangalore. The Inclusive Finance India Report, 2015 will cover the following topics:

- Financial Inclusion Movement: Perspectives from the Government and the RBI
- Roll out of New Banks
- Broad changes in the RRBs, an overview of the efforts and its effects, the proposed RRB amendment Bill and what it means to the capital and governance structure
Discussion on the Priority Sector Lending Report of the RBI's internal working group

JDY, its performance, its expansion into insurance and the implications

Review of the role and performance of commercial banks

Review of the MFIs and SHGs and Rural Co-operative structure

Outreach models, Technology and its implication

Analysis of the policy direction

The research will useful to the society on the following ways:

1. To know the impact of financial inclusion in Khed.

2. It will help to analyze the pattern of financial inclusion in Grameen, Co-operatives and Public Sector Banks.

3. It will also help us to know how far is the concept of financial inclusion applied by the Banks of the Khed area.

4. Banks will take necessary initiatives with regards to acquiring growth with equity.

5. The importance of banking will spread to the people of Khed area and it will protect them from clutches of unorganized banking agents like moneylenders.

6. Reserve Bank of India and Government will take some initiatives in this regards.

1.6 Research Objectives

1. To study the linkages between Financial Inclusion and inclusive growth.

2. To study the impact of Financial Inclusion in Khed.

3. To find out the backlog in Financial Inclusion in areas like Rajrunagar, Takalkarwadi and Chakan.
4. To access the problems of banks while creating financial network through delivering financial services in Khed.

5. To study the efforts of the banks to expedite the Innovative banking methods adopted for Financial Inclusion.

6. To explore the potential demand and future prospects of financial services in Khed.

7. To suggest policy formulation and measures to build strong financial inclusive bridge for the villagers of Khed.

1.7 Hypothesis

1. There is direct correlation between poverty and financial inclusion.

2. It is presumed that Financial Inclusion is adopted in Maharashtra.

2. Financial inclusion through banks can be a feasible option for inclusive growth.

3. Financial inclusion is sufficient to create a conducive environment for financial growth in Khed.

1.8 Research Methodology

The study aims to understand status of demand and supply side of financial inclusion. Financial inclusion in Khed can be measured along three dimensions: “access”, “usage” and “quality” i.e.

1. access to financial services,

2. usage of financial services and

3. depth of outreach of financial services, at both national and regional level.

Available data collected from financial institutions via regular reporting provide extensive information on the access to financial services, such as the availability of services points and the geographical penetration of financial infrastructure. Nonetheless, data on the usage and quality of
these services is still limited. the supply-side data includes the number and location of branches, ATMs and banking agents, the number of borrowers and the number of depositors.

**Collection of data through various methods**

1. Primary Data: It is collected from 09 banks of the Chakan area which comprise of Grameen, Co-operatives and Public sector Banks. Qualitative as well as quantitative data was collected.

**Sample & Universe**

The research comprises primary survey of 09 banks to understand their financial inclusion policies and practice. The banks surveyed were -

1. Rajgurunagar Sahakary Bank Ltd
2. State Bank of India
3. Oriental Bank of Commerce
4. HDFC Bank Ltd
5. YES Bank Ltd
6. Bank of Maharashtra
7. The Saaraswat Cooperative Bank
8. Canara Bank
9. Bank of Baroda

These banks covered 70–80% of the operations in Khed and are more than a representative sample for understanding the economics of the financial inclusion in Khed.

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<th>Population</th>
<th>Sample Units</th>
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Customers/ Villagers  |  500  
---|---
Top Management Bankers  |  20  
Banks  |  09  

2. Secondary Data: The present study is descriptive in nature. The secondary data used for the study has been collected from RBI bulletin, annual reports of RBI and Ministry of Finance, GOI, Report on trend and progress of banking in India, various reputed journals, newspapers, websites of RBI, NABARD (National Bank for Agricultural and Rural Development), Ministry of Finance, Government of India (GOI), IBA publication, magazines, books and Internet.

3. Period of study: 10 years data will be collected from 2004-14.

4. Appropriate statistical tools were used to analyse the data and its implications on the social and economic/public policy in India. Statistical techniques such as Percentage, Correlation, Regression averages, ratio analysis, level of significance etc. shall be used.

6. The research concentrates on three broad areas:
I. Process of Financial Inclusion: Financial inclusion, here, refers to the total number of households having access to at least one bank account since the goal of the drive is to ensure that every household in a region has access to at least one bank account. This study documents the process by which households acquire savings accounts. This includes the means by which banks identify ‘un-banked’ households, the manner in which accounts are opened, and the marketing and dissemination strategies utilized by banks to spread awareness about the drive. For those who continue to remain ‘unbanked’, this study seeks to understand the reasons behind this exclusion from banking services. Is this exclusion self-induced, that is, because households do not feel the need for a bank account, or has it taken place due to other reasons such as institutional negligence or ignorance of the drive on the part of the household.

II. How do Households Experience Financial Inclusion? This section of the study looks at how households and banks influence the process of becoming ‘banked.’ In other words, we look at the ways in which the drive for financial inclusion shapes the financial lives of households in a district, if at all. The aim of the study reports on household perceptions of banks and bank officials as well as the convenience, comfort and compatibility of formal finance in comparison to informal and semi-formal vehicles of finance such as moneylenders, pawnbrokers, microfinance institutions, SHGs, etc.

III. Role of Financial Inclusion in Financial Behaviour: Finally, the study also examines whether access to a savings account leads to usage of that account and of other formal financial services. Particularly, the study will focus on knowing whether the drive is relevant to the lives of the households it seeks to serve in Khed area.