1.0 Introduction

More than half of the population in the world are of the excluded category either in terms of finance or social ambit. Inequality persists due to various reasons. Much of the population possess worldly knowledge had made them to rise above every one. To unquote, it is being said that ‘why rich people should take care of the poor’? At the same time it is also being felt that, because they are poor and unable to raise themselves, so they are being exploited. Inequality and poverty coexist and to eradicate them various economies make their attempts through offer of welfare schemes. As expressed by Ravallion (2012: p.506) “wealth inequality is arguably more relevant though this has been rarely used due to data limitations.”

1.1 Arguments against Economic Systems

Some economists argue that Capitalism can’t find a road to remove inequality and poverty due to prevailing of large scale unemployment and underemployment in the society. “Many others would not put it that way, but nevertheless consider themselves egalitarians, holding that equality should be valued either for its own sake or as a way of promoting other important goods, such as community, political democracy, and personal liberty and self-respect” For them, poor is considered as a fuel to their growth. Likewise, Socialism lacks in motivating the competition and thereby, it also does not provide growth to the population.

1.2 United Nation (UN) Steps to End Inequality and Poverty

The UN General Assembly adopted the Universal Declaration of Human Rights, which states in Article 25 (1): “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing,
housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.” At the start of new Millennium year, UN proposed to set the Millennium Development Goals to eradicate poverty on the global basis with an agenda of 8 main goals and with a target period of 2000-2015. “The MDGs have been blamed for the relative neglect of how growth can contribute to human development outcomes,” Paul Collier. Post-2015, UN further extend this mission upto 2030 with 17 goals described as Sustainable Development Goals in place of Millennium Development Goals to begin from January 1, 2016 to eradicate poverty and hunger in all forms and to build inclusive societies.

1.3 Global Strategy to Remove Inequality and Poverty

Global discussions had led to one critical strategy for reducing inequalities through a universal access to good quality basic goods and services like food, housing, basic amenities like water and energy, health services, education and social protection. Yet another reason for inequality and poverty is identified as the existing structures of discrimination and exclusion. Likeminded economists are of the opinion that reorientation of monetary and financial policies are needed to encourage greater inclusion of those excluded ones. Similarly, “changes in distribution determine the capacity of growth to reduce poverty,” (Ravallion and Sen 1996). Inclusive growth is perceived in terms of economic growth and social development.

1.4 Initiatives of World Bank

World Bank has taken several steps and measures to end the Inequality and Poverty by 2030. It has set an overarching mission to provide world free of poverty and reduce the inequality and social exclusion. It has aligned its goals and target strategy along with MDGs to bring about social inclusion among the population by
2030. It is the responsibility of the each government to modulate and improve the
distribution strategy to address the inequality and poverty on the long run.

1.5 India’s Efforts in Eradicating Poverty and Inequality

Since Independence, India has been taking various measures to tackle and
remove inequality and poverty to a large scale. India’s economy is both complex and
heterogeneous, both the state and market were of the understanding that problem will
solve on its own. Until 1990s, five year plans were chartered to improve the economy
through industrialization and as well to remove poverty stricken rural economy. From
1990s onwards due to various compulsions, policy makers decided to bring a change
in its pattern of thinking. Introduction of new trade and industrial policy regime in
1991 combined with liberalization and reforms measures noticed to improve the
growth of economy. At the same time the regional disparities were seen growing,
(i.e.,) Southern and Western region were improving much faster than the Northern
and Eastern regions.

1.5.1 India’s Modern Era

Year 1991 marked a policy change, a move towards the integrating the Indian
economy with the rest of the world. There was also a greater freedom offered to
private enterprise through deregulation of product markets. It was only after reforms
began in earnest way in 1991, that India’s growth rate began to make a serious dent
on poverty and on the fortunes of the marginalized groups. Subsequently, India’s
objective shifted from poverty alleviation to ‘growth for its own sake’ with the launch
of the liberalizing reforms in 1991. In 2008 then Prime Minister Manmohan Singh
addressed in the parliament that, ‘India needs to grow at the rate of at least 10 percent
per annum to get rid of chronic poverty.’\textsuperscript{5} A programme such as the \textit{National Rural
Employment Guarantee Scheme}\textsuperscript{6} benefits the poorer states proportionately more. In
various occasions, it is clearly emphasized that growth is necessary for poverty
alleviation in a country that starts with the poor. It is also felt that the growth reduces poverty directly by providing gainful employment to the poor. Therefore, a sustained and accelerated growth can only bring in the impact on inclusiveness.

1.5.2 Reforms and Aftermath

Reforms carried out in two tracks intended to benefit the poor and at the same time to remove the rising inequality. Liberalization program became systematic and systemic from 1991 onwards. When we explore further, we can come to an understanding that most of the recently developed economies like Taiwan, South Korea and China have transformed its unskilled workers from agriculture into a gainful employment for rapid expansion of manufacturing. Even if we stretch further details, industrial economies such as UK, Germany, France and US also exhibited a similar pattern when they transformed themselves into non-agricultural economies. We can consider the counter arguments by Amartya Sen on comparison of India to China on growth and poverty reduction.

1.5.3 Inadequate or Neglect of Sectoral Concentration

India needed to bring in significant improvement over reforms. Most of the sectors are not fully concentrated by the policy makers to create a well-defined growth measures to eradicate poverty and inequality. To name few of neglect of sectoral concentration is labour, land, agriculture, infrastructure, banking, schemes and distribution. These sectoral reforms can also address large scale unemployment and underemployment prevailing among the rural and urban areas. The policy makers do not properly concentrate to create more well-paid jobs in the economy. A proper labour intensive sector will enable to produce more jobs in medium and large scale firms. Hasan, Mitra and Sundaram (2010) say that labour-capital ratios in the vast majority of manufacturing industries in India are lower than in other countries at a similar level of development and with similar factor endowments.
Likewise, the Government offers employment in the public works programmes at a pre-specified wage to fight poverty and as well provide socially desirable goods. But, administratively, transfer of cash into the beneficiary consumption basket is advantageous than the kind transfer. In-kind transfers through free distribution or sales at below-market prices of specific commodities are often seen as the instruments of achieving this objective. Presently, Direct Benefit Transfer is playing an important role in cash transfer and it eliminates the leakages. The present study attempts to analyse the impact of financial inclusion on the socio economic condition of weaker section of the Indian society.

1.6 Statement of Problem

Financially excluded people are comprised of various groups such as marginal farmers, landless labourers, self-employed of unorganised sector enterprises, slum dwellers, migrants, and women. The majority of the group excluded are those people living in rural/urban areas with inaccessible to financial services. The income/financial disparities among the population of rural/urban downtrodden are high. The major reasons for the existence of disparity are low awareness of financial products, illiteracy and exploitation by dominant group of society, lack of opportunity to work in the government and/or private organisations and social exclusion. Another major stumbling block noticed in rural area is distance of the bank & branch timings, cumbersome documentation and language, higher transaction costs, procedural hassles, independent’s documentary proof of their identity and in addition the attitude of the bank staffs. This has led them to approach unauthorized and informal credit availabilities. The reach in eradicating of such problems will envisage an establishment of a strong financial platform to the economy and removal of poverty to a large extent. In this context a research was conducted on awareness and impact of Financial Inclusion among the Migrants of Chennai city and Kanchipuram district.
1.6.1 Need and Importance of the Study

The population is exploding in most of the developing and under developing countries. In the global perspective, the resources are inequitably distributed and cost of acquiring such resources is becoming exorbitant. It is the need of the hour to improve the standard of living of the poor and downtrodden people. India’s financial regulator RBI has been looking at solutions such as no frills account, banking correspondent model, technology, use of intermediaries in NGOs, branchless banking, etc. The RBI views that by doing so the burden can be reduced and growth of the economy be obtained.

A study on financial inclusion helps in various ways. We can know the major causes for inequality. Generally the social exclusion and financial exclusion go hand in hand. A society cannot achieve balanced growth and development without bringing the excluded people into the main stream of the society. So, it is the responsibility of the policy makers to take the financially and socially excluded people along with the privileged people of the society. Otherwise the gap between rich and poor will widen. Financial Inclusion is a proven model in various countries to bridge the gap between the poor and rich. In nutshell it helps the policy makers to bring in more reforms and deregulations in favour of economically and socially backward people to live a modest life. Therefore, a study on financial inclusion will provide more inputs to the bankers, policy makers and regulators to redefine their approach and strategies.

Findings of National Sample Survey Office (NSSO) 59th Round Survey Results reveals that overall, 73% of farmer households have no access to formal sources of credit. 51.4% of farmer households are financially excluded from both formal/informal sources. In India, financial exclusion is more prevalent in Northern and Eastern regions when compared to Western and Southern regions of our country. Financial inclusion facilitates the marginalized people to plan their future,
access to the appropriate financial services, help them to manage money and to meet unforeseen contingencies. Thus financial inclusion makes the people to enjoy improved living condition\textsuperscript{14}. Financial development certainly has an impact on the well-being of the people and reduces the poverty apart from contributing to overall economic development.

More often, it is felt that, financial services are provided to high income people and large enterprises. The people living in below poverty line do not have an access to financial services and are being excluded from the main stream of financial inclusion. General observations stated are, poor don’t adapt to the savings habit because of their little earnings and living conditions\textsuperscript{15}. As expressed by expounded management thinker C.K Prahalad, “The future lies with those companies who see the poor as their customers.”\textsuperscript{16} Further, financial inclusion focus on offer of various financial services which include, credit, savings, insurance and payments and remittance facilities.

\section*{1.6.2 Scope of the Study}

The scope of study offers more establishment of Inclusiveness. The Goal of Financial Inclusion is to remove poverty and it is a route to achieve higher rate of growth. This facilitates the government and other regulators to modify and to bring in new formulation of schemes and initiatives to correct the imbalance prevailing between the regions. The scope further enables to concentrate on reforms and liberalisation of to bring sufficient inclusive growth to the economy. It leads to technology building and to reduce the cost of transaction. It can lead to attainment of growth and achieve in removal of inequality and poverty. To achieve financial inclusion several dimensional approaches are being carried out by Government, RBI, World Bank, Banks and other financial institutions self-help group. In addition technology interventions are considered for bringing excluded people into the financial ambit. The study is being conducted to understand the awareness of the
financial inclusion among the general public on one hand and to understand the impact of financial inclusion among the socio economic condition of the weaker section of the society. The scope of the study is limited to find relationship of the respondents with awareness of financial services, technology and government schemes. Further scope of study can be implored in involving Philanthropists and marketing principles to outreach financial inclusion plan. Compared to the developed world, the coverage of India’s financial services is quite low and the first ever Index of Financial Inclusion findings have expressed that the extent of reach of banking services among 100 countries, India ranked 50. Certainly, financial inclusion can bring down the disparities among the people and states.

1.7 Concept of Financial Inclusion

Growing population, advent of technology, change in financial systems, innovation and globalization has made the world to shrink to a size of a small village. Connections were made between the major economies and with developing economies for deliverables. Financial exclusion is another major factor rising due to economic disparity between regions. Spread of economic disparity, inequality and poverty obstructs the growth in the regions. So, the Financial Inclusion has become essential and vital component to lay a road for development and growth of each economy. In the absence of financial inclusion it becomes a struggle to eradicate poverty and which itself a disease obstructing all economic progress. Financial Exclusion, led the poorer states to remain poor or impoverished. Social Entrepreneur ‘Muhammad Yunus’ the pioneer of the Grameen Bank of Bangladesh, have shown the world that financial exclusion is unacceptable. Once the counterproductive policy frameworks began to dismantle regulations, most of the economies could see their marginalized people to improve their standard of life.
It is the process of bringing the poor section of community into formal financial system. Since, it has become a worldwide concern, various policy initiatives are made by respective authorities to address the hindrance in achieving the financial inclusion. Majority of the population living in the rural area are dependent on agriculture and/or other related activities. The concept of financial inclusion is also a profitable preposition for the financial institutions. Banks can improve their delivery mechanism, implement new techniques and innovate products’ suitable to the poor people and to their requirements. Thereby, banks and financial institutions stand to enjoy financial deepening.

1.8 Objectives of the Study

The important objectives of the study are given below:

i. To study the level of awareness among the general public about the ‘Financial Inclusion’.

ii. To study the impact of ‘Financial Inclusion’ on socio economic conditions of the downtrodden people.

iii. To study the initiatives carried by financial institutions towards up-liftment of Women entrepreneurship with respect to ‘Financial Inclusion’.

iv. To study the relationship with the awareness on ‘Financial Inclusion’ and demographic factors of respondents.

v. To examine the association between the impact of ‘Financial Inclusion’ and the personal factors of the respondents.

1.9 Hypotheses

The following hypotheses were formulated and tested in the study:

i. There is no significant difference between the awareness level of the general public about financial inclusion and financial services of the respondents.
ii. There is no significant relationship between awareness of financial inclusion and the demographic factors of the respondents.

iii. There is no significant difference between the impact level of general public about financial inclusion and banking services and financial incentives and schemes of the respondents.

iv. There is no significant relationship between impact of financial inclusion and the socio economic status of the respondent.

v. There is no significant association between impact of financial inclusion and the personal factors of the respondents.

1.10 Research Methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we highlight various steps that are generally adopted by the researcher in studying his research problem along with logic behind them.

(a) Nature of the study

The present research work attempts to assess the awareness of general public about the financial inclusion. Further, the research analyse the impact of financial inclusion on the socio economic conditions of weaker section of the society. Hence the study is both descriptive and analytical in nature.

(b) Sources of Data

The researcher has used both primary and secondary sources to undertake this study. The primary data were collected from the respondents selected for the study. Secondary sources include journals, magazines, books, RBI reports on financial inclusion etc.
(c) Sampling Design

The study covers Chennai and Kanchipuram District, Tamilnadu. Hence the people belonging to the weaker section are the respondent for the study. As the list of respondents is not available, the researcher adopted the purposive sampling technique for selecting the respondents. Out of which, 254 respondents responded for awareness about financial inclusion and 251 respondents responded for impact on financial inclusion. Hence, sample size taken for the study is 505 numbers.

(d) Tools for Collection of Data

The researcher adopted personal interview schedule method to collect the required data from the respondents. The study covers two aspects. One is on the awareness of general public about the financial inclusion. The second one is on the impact of financial inclusion on socio economic weaker sections of the society. Therefore, two separate sets of questionnaires were administrated for collecting the data from the respondents.

(e) Tools for Analysis of Data

The following are the statistical tools used for analysis of data:

- Percentage analysis
- One sample t-test
- One way ANOVA
- Chi-square test
- Exploratory Factor Analysis
- Discriminant Analysis
1.11. Period of the Study

The researcher has initiated the research work in August 2010 and likely to conclude all the research works and submit the thesis by August 2017.

1.12 Pilot Study

A pilot study was conducted by circulating questionnaires to 50 respondents. It was modified on the basis of responses of the respondents. In addition, questionnaire on vernacular language also prepared while conducting the impact study on financial inclusion. Chronbach’s alpha of 0.818 showed that 81.8% of reliability for pilot study. None of the variables behaved drastically in the pilot study.

1.13 Reliability of the Study

Reliability was estimated through internal consistency method which is applied to measure the consistency among the variables in a summated scale. In the present study, the Chronbach’s Alpha co-efficient of reliability was found based on primary data of the present study and the overall reliability of the study stands good at 0.832 (83.2%).

1.14 Validity

Both Face and Content validities were established in the study. The face validity was done by the investigator and the content validity was established by the experts in the field of investigation. Face validity, it appears to measure whatever the author had in mind, namely, what he thought he was measuring. The rationale behind content validity is that to examine the extent to which a measuring instrument provides adequate coverage of the topic under study.

1.15 Limitation of the Study

Due to time constraints the area of the study is restricted to Chennai and Kanchipuram. This may limit the generalization of the findings of the study. This
study being a social survey nature, respondents’ involvement and attitude were constraints in seeking information on time.

1.16 Chapter Plan

Chapter- I provides introduction, statement of the problem, importance and methodology of the study.

Chapter- II details the overview of the Financial Inclusion which includes the roles of Government, RBI, and other main participants.

The literatures reviewed for the study are given in the Chapter- III.

Chapter – IV deals with the profile of Chennai and Kanchipuram districts of Tamilnadu where the research was carried out.

The awareness among the general public about the Financial Inclusion, i.e., Awareness of Technology, Financial Services and Schemes offered by banks and Government, is given in the Chapter – V.

Chapter – VI analyse the “Impact of Financial Inclusion on the socio economic conditions of weaker section of the society.”

Chapter -VII presents the findings, conclusion and suggestion of the study.


References


6. NREGA Act of 2005 has recently been renamed as the Mahatma Gandhi National Rural Employment Guarantee Act scheme, but it is referred to it by its original acronym.

7. Bruce Scott (1997:159) made investigation on the historical experience, Korea eliminated the worker’s ability to bargain collectively and ensured that companies have the lion’s share of income with which to promote growth. Taiwan used purchasing policies of state-owned enterprises for similar purposes. Later government relaxed their grip.

8. Byres and Nolan (1976: 86) China’s progress appears through great emphasis given to ‘key’ industries for future development and freed from foreign exchange constraint over the rate of investment and growth.

9. Scott (1997:159) contribution to the debate on ‘economic freedom’, argues that Great Britain during 18th century developed the largest domestic market in
Europe even though its population was less than half of France’s and encouraged for economic innovation and resourcefulness. Likewise, US had protectionist policy during 19th century has enabled them to become a leading industrial powers.


11. For example, the Food Security Bill that is currently under consideration purposes to encourage increased consumption of rice and wheat by offering these grains at highly subsidized prices through the public distribution system.


18. Commemorative Lecture by Shri V Leeladhar, Deputy Governor, RBI at the Fedbank Hormis Memorial Foundation (Dec 2, 2005) at Ernakulam