CHAPTER-III
REVIEW OF LITERATURE

The previous chapter dealt with the overview of financial inclusion. The present chapter gives the details of literatures reviewed for the study. The literatures reviewed are related to poverty, financial exclusion, financial inclusion, inclusive growth and impact of financial inclusion on the standard of life of the people. The reviewed literatures are given below:

3.1 Literatures Related to Origin and Cases for Financial Inclusion

1. Vilfredo Pareto (1848-1923) an Italian economist and sociologist, who is known for his theory on mass and elite interaction, his contributions to economics are significant and in particular to the study of income distribution and in the analysis of individuals' choices. Pareto during his times conducted an extensive study on the distribution of wealth in Europe. He found that there were few people with a lot of money and many people with little money. This unequal distribution of wealth became an integral part of economic theory. Pareto principle was named after him as 80/20 rule. (i.e.,) 80% of the mass depend on 20% of elite’s wealth. He felt that income is not spread randomly in any society. According to Pareto, Society was not a "social pyramid" with the proportion of rich to poor sloping gently from one class to the next. At the same time, he does not believe in democracy because it does not help the people. This situation persists even in the current century, various economies and other agencies tries to find a solution to end the rising inequalities between the regions.

2. Raghuram Rajan (2015), former RBI Governor in his speech on “Democracy, Inclusion, and Prosperity” said that people exercise their own democratic rights in choosing the government. The speaker had drawn reference from Fukuyama’s three pillars of a liberal democratic state, he said that to foster political and economic
success three pillars, namely, strong government, rule of law and democratic accountability are essential. He referred to fourth pillar as the free market, which is essential to make the liberal democracy to prosper. He also stated that, at times free markets also underpin the prosperity. While concluding his speech, he said that among the three pillars of Fukuyama, though India follows democratic accountability and adheres to the rule of law, but long way to go on the capacity of government and its governance and public services. The speaker informed that, the excess of government are controlled by strong agencies and institutions. He insisted that, measures have to permeate to every Panchayat level of states. He emphasized that with vast administrative capacity, India should ensure ‘checks and balances’ especially, when reforms are set to roll. He also said that, it is the time to nurture the broad equitable distribution of economic capabilities among the people. He insisted upon economic inclusion and through that everyone can receive quality education, nutrition, healthcare, finance and markets. Ultimately it can lead to a sustainable growth and moral imperatives to be followed.

3. Cull et al (2012), in their study “Financial Inclusion and Stability: What does Research show? Have studied about specific age linkage between financial inclusion and stability. They have observed that there has been a limited empirical work exploring the specific link ages between financial inclusion and financial stability. The study has focused largely on the impact of financial development on growth, income inequality and poverty reduction. According to them, when effectively regulated and supervised, financial development spurs economic growth, reduces income inequality and helps lift households out of poverty. The researchers expressed that if financial inclusion leads to healthier household and small business sector, it could contribute to macroeconomic and financial system stability. Finally, they informed that no specific research is available to support these discussions.
4. Sathyanarayana and Shrilekha (2010) in their work, “Financial inclusion and Poverty alleviation” studied the financial inclusion and poverty in India. The researchers have conducted the study in Kanchipuram District, Tamil Nadu. The study reveal about the formal role of agencies like RBI and GOI. It also mentions the perceptions of the respondents in their decision making process. As per the study financial inclusion program are needed for alleviating poverty and to achieve inclusive growth in India. Existence of poverty, unavailability of banking and other financial services, complex procedures and financial illiteracy were identified as the main reasons for financial exclusion. They suggested that, education and counseling provided in local language can be a motivation part. The authors through their study have insisted the authorities to take steps against the unauthorized agents and corrupt practices engaged in public sector banks. The authors considered that financial inclusion a prerequisite for the overall development of a country. The factors identified by the researchers to achieve financial inclusion are, commitment from GOI, RBI and people itself. Since financial inclusion eradicates poverty and contribute towards inclusive growth, the authors insisted that, all the players involved should put their best interest to achieve cent percent financial inclusion.

5. Karmakar and Mahapatra (2009) in their work, “Emerging Issues in Rural Credit” discussed about various committees report to improve knowledge base of the financial products and services among the rural population. Their study reveal about twin approaches of financial inclusion and poverty alleviation. The researchers mentioned that, rural households and disadvantaged groups are being excluded and they expect banking services to be provided at affordable costs. The authors are of the view that to achieve the financial inclusion it is necessary to revamp the commercial banks, regional rural banks and cooperative credit structures of India. Since January 2006 banks utilized the services of NGOs, Self Help Group, and other Civil Society
Organizations as intermediaries in providing financial and banking services. NABARD with its core financing and developmental functions has ensured sustainable development and prosperity. Researchers considers the emerging challenges and obstacle for financial inclusion are (1) the distance travelled for obtaining banking services, (2) cumbersome banking documentation procedure and (3) difficulty for banks to recover loan from its clients due to their geographical spread. The authors suggest for introduction of short term and long term credit schemes by the rural credit cooperatives. The other important issues addressed by them are to provide better rural infrastructure, health, primary education and natural resource management for achieving inclusive growth.

6. An IMF Research paper (2008), on “Regulatory Aspect of Universalizing Financial Services Access” studied the regulatory aspect of universalizing financial services access to support the poor and unbanked people under financial inclusion. The study reveals that, other than Government of India, even highly rated companies also support the under privileged people of the society to promote inclusive growth. It stated that, the banked population in India is in the age group of above 15 years and account holders are merely 20%, whereas, in Germany 98% of the population holds bank account (Visa 2004). Researcher is of the view that, insurance option is considered better than the credit option to meet the expenses alone. In the study there is a mention about the RBI master circular dated: 1/8/2001 of extending the mutual fund investment service to unbanked people through the NBFCs. The researcher has pointed a model of reference, that is, community development financial institutions (CDFI) in USA have made to represent a class of local financial institutions. CDFI, along with banks in partnership develop innovative ways to deliver loans, investments and financial services to distressed communities. CDFI also provide technical education to the institutions to handle such innovative funds to serve the distressed
communities living in districts. Researcher drew a parallel to the above subject from citing a reference from previous RBI Dy Governor Ms. Usha Thorat commenting on the community development program to handle innovative financial products in the good interest to achieve inclusive growth.

7. Y.V Reddy, (2000) former Dy. Governor of RBI, delivered a lecture on “Monetary and Fiscal Policy, and Poverty, and Public Policy: What is New?” Dr. Reddy explained the contribution of monetary policy is to poverty alleviation and to ensure price stability in the growth environment. He said that, in the past as a part of administered interest rate regime, banks and other institutions used to lend selectively to certain categories of borrowers through a cross-subsidization principle. The speaker expressed his opinion that, the resource spend on poverty alleviation should not be seen with disfavor. But, at the same time fund raised out of borrowing for such programme should get adequate return towards cost of borrowing. The poor requires both growth mediated security and support led security. So, as per Dr. Reddy, it is necessary to address absolute poverty and also relative poverty. Further, he expressed that, social tension due to rural-urban divide may cause inequality spread and may undermine the benefits of the reform. The reform process is meant to benefit the poor and hence, it is to eradicate poverty and to provide merit goods. He also stated that the quality of public expenditure especially in regard to health, nutrition, drinking water and primary education has to be recognized. Finally, the speaker mentioned that the objective of public policy should be addressing ‘growth with social justice’.

8. Sen (2000) in his study “Social Exclusion: Concept, Application and Scrutiny” has discussed that poverty is not merely an insufficient income, but rather the absence of wide range of capabilities, including security and ability to participate in economic and political systems. Consequently, the poor and deprived are required to be provided with much needed financial assistance in order to protect them out of
the clutches of poverty. He suggested that appropriate policy support should be there in any developing economy to uplift the economically poor.

3.2 Literatures Related to Exclusion as Obstacle for Growth

While exclusion is being discussed, it is both financial exclusion and social exclusion causes disequilibrium of income and wealth in the society. At times people exclude themselves from the financial inclusion for the reasons best known to them based on certain perceptions.

9. Prabu, Pankaj and Sharma (2014), studied the “Banking the Unbanked- An Indian Perspective”. They expressed that the users of financial services can be distinguished from the non-users. The non-users have access to financial services but they choose not to use them. At the same time, on the other hand, the households intuitively excluded were those who demand for the financial services but do not have access to them. These involuntary exclusions might be due to insufficient income or high lending risks or there might be discrimination against certain part of the population. Study points at informational framework might prevent financial institution to reach out to certain part of the population and finally the price of the financial services may be too high or the product features might not be appropriate for certain population groups. It is understood that financial exclusion is a complex concept and consequently one that can be complicated to measure.

10. Porkodi and Aravashi (2013), in her works “Role of Micro Finance and Self-help Groups in Financial Inclusion” explains financially excluded sections are largely comprises of marginal farmers, landless labourers, self-employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women, etc. The authors have expressed the causes for financial exclusion was terms and conditions, psychological and cultural barriers, and bankers’ attitude. The implication of the financial exclusion is
much greater when the excluded mass is entrapped in the cycles of poverty. It causes further social exclusion which is very much detrimental for the equitable growth of the world community. Financially excluded masses are like to pay higher transaction cost and dwindle themselves for not taking formal credit from the banks. The authors expressed that saving potential remains unexploited and unproductive from social view point and leads to decline in investments and increase in unemployment.

11. Arindam Gupta and Abhijit Sinha (2010), in their study, “A Financial Exclusion in India: A critical Assessment” have discussed about various austerity measures taken by governments in the form of reforms to support the economic system of our country at different occasions. The authors in their works mentioned of the survey conducted by NCAER-MAX New York Life Insurance. The survey states that, urban household’s income is 85% more than the rural households. The researchers have categorized the exclusion as, exclusion from payment system, exclusion from formal credit market and exclusion from insurance and other related financial services. It is observed that, alternatively inclusive financial system can enhances efficiency and welfare of the poor to have safe and secured saving practices.

The authors mentioned that, The Situation Assessment Survey (NSSO, 2003) is an important source to understand the extant of financial inclusion in India. Dr. C. Rangarajan Committee in their reports has mentioned that, “The poorer the group, the greater is the exclusion”. The authors insists that, three areas need to be concentrated to remove the financial exclusion, (i.e.,) spread of micro insurance at affordable pricing, use of technology and usage of UID application to mitigate the problem of financial exclusion among the rural households.

12. Pati (2009), in his works “Enhancing Financial Inclusion: The Catalytic role of Self-help Groups” has defined financial exclusion as a process by which individuals are unable and/or unwilling to access main stream of financial services.
Accordingly, financial excluded section comprises of largely assetless, low income small and marginal farmers, landless labourers, oral lessees, unemployed youth, people engaged in unorganized sector, women, old people, physically challenged and urban slum dwellers. To enhance the financial inclusion, it is said that, the womanhood forms a group to formulate self-help groups for sustenance and improving their standard of living. Women pay more attention towards development of their family and hence they play a catalytic role among the self-help group formations.

13. Asian Development Bank (2007), in their annual report, “Identified the causes of financial exclusion as dimensions to access problems”. ADB expresses that, from the usage of a particular financial services at a given point of time by a household may not reveal whether it is long term process or a short term process, it cannot be determined whether access is diminishing or improving. Financial exclusion is perceived as an ongoing process in terms of vulnerability to exclusion, rather than considering it as an access to financial services. It is also said that, no single factor can determine the cause of financial exclusion, but it may vary depending on the nature and extent of services denied. It is mentioned that financial exclusion can also cause difficulty in day to day cash flow management. Another reason stated is lack of planning and security in the absence of access of bank accounts and other saving opportunities for people in the unorganized sector limits their option to think about their old age.

14. IIMS, (2007), in its works, “Invest India Incomes and Savings Survey” has studied the extent of financial exclusion in India. IIMS has defined that financially excluded sections comprises of marginal farmers, landless labourers, oral lessees, self-employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded groups, senior citizens and women. As per the
study, these financially excluded consumers have certain unique characteristics which decouple them from the formal financial system in its current form like financial illiteracy, low and cyclical income, minimal collateral due to low or no savings on fixed assets, lack of credit history, and absence of formal and verifiable identity, credit primarily for personal consumption.

15. Claessens (2006), in his study on “Access to financial Services: A Review of the Issues and Public Policy Objectives” explains that financial exclusion might be both voluntary and involuntary in nature. Voluntary exclusion arises when the target population chooses voluntarily to stay away from the banks and financial institutions for the reasons such as perception of the charges are high, unsuitability of product design, perception of banks to be non-trustworthy, no collateral to pledge, lack of financial literacy, non-location of a bank branch and under developed physical infrastructure.

16. Kempson (2006), “Policy Level Response to Financial Exclusion in Developed Economies: Lessons for Developing countries” in his works has mentioned that people may not approach bank for many reasons. The developed nations in Europe, North America and Australasia are having mounting concern about access to banking services. Profitability is causing disturbances to the banks and hence universally bank branches are reduced. Author, further states that, it will be an emerging problem when majority of people have a bank account. In such circumstances, bank does not provide a transaction account, and so it becomes costly and reinforces social exclusion. Further, the author mentioned that, although levels of banking exclusion vary across the developed world, it is the same groups of people who are affected, (i.e.) people who either live on low incomes or have a history of bad debt. As per the author, there is no single cause but problem of exclusion appears when banks refuse to open accounts. It is observed that, so many factors act to prevent
some people from opening and using a bank account for their day-to-day money management. The researcher attempts to say that the most common practice can be voluntary charters or codes of practice developed by the banks itself through its trade association. In some places government enact legislation by defining the right to access to basic banking services.

17. United Nations (2006), in its research work titled “Building Inclusive Financial Sectors for Development” has raised a basic question of exclusion of bankable people in their popular book called Blue Book. The book states that inclusive financial sector would provide access to credit to all bankable people and the trade. UN also expressed that inclusive financial sector need to cover insurance to all insurable people and trade. Further, in its blue book has mentioned that savings and payments services for everyone to be provided for economic development. Financial inclusion is a worldwide concern and especially to developing nations in addition to developed nations. The UN finally said that globally building an inclusive financial sector has gained attraction to touch all people’s lives in the society.

18. Sinclair, Stephen P (2001), in their works, “Financial Exclusion: An Introductory Survey”, delivered a general consensus in their works. As per authors, exclusion refers to people who have difficulty in accessing appropriate financial services and products in the mainstream of financial services market. The aspect mainly considered by the researcher is with reference to appropriate products and mainstream of financial services available to needy section of the society. Finally, the authors also expressed that, there is a widespread understanding that financial exclusion forms a part of a wider social exclusion.

19. World Bank (1995), in their works, “Everyone in the society should have access to banking and banking products” have stated that access to banking, and banking services are universal but are needed in the most developed and cashless
society. Further in their work also said that, if lack of use of the financial services happen, then it will lead to damage the social inclusion. Exclusion disturbs the market access and provides unfair treatment to growth and as well it becomes expensive for people who make payments by cash. World Bank highlights another point, that is, lack of access to a deposit account might cause inconveniences in day to day life. Poor gives the reasons for not having account is lack of money to save, absence of savings habit, unwilling to deal with bank, documentation procedures, etc. Further it mentions that, access to credit enables the people to smoothen the consumption and protects them from the income shocks. Another aspect considered by the World Bank is extension of insurance to individual and trade. Investments into Insurance such as, Health insurance, Accident insurance, Life Insurance, Asset insurance have become mandatory to meet untoward happenings. Absence of insurance exposes the poor and low income groups. In addition, they expressed that absence of pension product can also affect the life of the self-employed or informal sector workers. Unfortunately, poor do not have either ability or unwilling to save because they batter for day today life.

3.3 Literatures Related to Financial Inclusion & Inclusive Growth

The following reviews give us insight subject knowledge on Financial Inclusion and Inclusive Growth:

20. S. S. Mundra (2015), the Dy. Governor of RBI has delivered a Key note address on “Financial Education: Basics and Beyond”, to heterogeneous group consists of various stake holders in the field of financial inclusion, literacy and consumer protection. The speaker explained the concept of ‘possible trinity’ as financial inclusion, financial literacy and consumer protection. These three together form a triad and helps to stabilize the financial system. He referred to the International Labor Organization convention, where, it was stated that “Poverty anywhere is a threat to
prosperity everywhere”. He strongly felt that, to bring in inclusive society, financial literacy is needed to fight the poverty. The speaker provided information about spread of five categories of illiteracy among the people. They are namely, Wise Illiterates, Greed-driven Illiterates, Information-deprived Illiterates, Illiterate Illiterates and Kindergarten Illiterates. Among the categories, the speaker addressed about the last three categories which is more relevant to financial inclusion subject. The speaker felt that, the spread of financial literacy is must among these three categories for creating awareness about managing basic finance management, using of appropriate technology and safe provision to handle the finance through knowledge and education process. Towards the end, speaker said India with a diverse population and linguistic barriers should break the obstacles and take financial inclusion to win-win platform with the support of service providers and customers.

21. Eden Dema (2015), in her works, “Managing the Twin Responsibilities of Financial Inclusion and Financial Stability” has stressed upon that financial inclusion and financial stability are essential to protect the poor and vulnerable people. At the same time it is essential to build a stable economy. The researcher pointed out that global financial crisis of 2008 and euro zone crisis of 2010 has proved that even the sound economies of 20th century were unable to manage their financial stability. It is also said that, in the times of financial, economic and social crisis, the policymakers recognize the powerful links between macroeconomic stability, financial stability and financial inclusion for balanced and inclusive economic growth. Further, the study contributes to the fact that economies recover out of global recession, harmonize financial inclusion and financial stability. In the meanwhile, the author expressed that Asia is considered as world’s economic growth engine but such growth highlighted is not an inclusive one. It is being felt; the leaders and policymakers recognize financial inclusion as a driver for accelerating
inclusiveness, sustainability and growth. Finally, the author brings into the light that, (1) subsequent to Maya declaration, Global Partnership for Financial Inclusion (GPFI) has setup international standard bodies to implement financial inclusion at national levels. (2) In another situation, the policy makers along with the Consultative Group to Assist the Poor (CGAP) have developed I-SIP (Inclusion, stability, integrity, protection) methodology to optimize the linkages.

22. Shrabani Mukherjee & Subhadri Sankar Mallik (2015), in their working paper, “Is Financial Inclusion Cause or Outcome? A State-Wise Assessment in India” has tried to construct a comprehensive measure of financial inclusion and evaluate the extent of financial inclusion for 20 major states in India. Authors expressed that Financial Inclusion will actively contribute to economic development and protects the people against economic shocks. The researchers highlighted the results of Census 2011, which states that banks covered 74,351 villages with a population size of 2000 per village. Banking facility was extended to these villagers with the support of Business Correspondents under Swabhimaan Campaign. Across India it’s being said only 10% of accounts are active. The institutional innovation has been a continuous process with changes occurring depending on experience (Rangarajan, 2005). Policy makers have often endorsed marketing to subprime borrowers as a means of financial inclusion (Collard, Kempson, 2005). Indian experience has proved that financial inclusion can only work within the framework of financial stability and within enabled regulatory environment. This working paper is done on comprehensive composite index of financial inclusion on several dimensions of inclusive financial system. Lack of knowledge or low level of awareness caused low level of financial inclusion in some of those states. At the end, the authors are of the opinion that, to have a sustainable inclusive economic structure, installation of proper ICT platform is essential.
23. Raghuram Rajan, (2014), former Governor of RBI in his speech, “Economic & Financial Outlook” has addressed that the universal financial access is top national priority and if every Indian household is connected to the financial system, it would increase financial savings, lead to less leakage and less price distortion under Direct Benefits Transfer and bring in more empowerment. The introduction of RuPay card would result in less cash economy and provide more safety to the ultimate user.

24. Cafral (2014), in the study, “Trends in Financial Services and Financial Inclusion”, have studied the trends of financial services offered by the financial institution on time to time basis. The researcher explains that financial inclusion is the process of provision and ensuring timely access to a range of financial products and services at affordable costs by the prominent institutions in a fair and transparent manner to all sections of the society. It also further defines that these services should also be available to vulnerable groups such as weaker sections and low income groups. The author further express that inclusive financing is dynamic and evolved much significantly from the beginning. Earlier view is to tackle poverty and reduce income inequality but today the concept has been considered as a pre-requisite for financial stability and economic development. The researcher is of the opinion that financial inclusion drives income generation through increasing productive capacity especially among those without assets to start with and facilitates inclusive growth. Finally, the study states that, the essence of financial inclusion is to ensure delivery of financial services such as bank accounts for savings and transactional purposes, low cost credit for productive, personal and for other purposes, financial advisory services, insurance facilities, etc.

25. Tamilarasu (2014), in “Role of Banking Sector on Financial Inclusion Development in India – An Analysis” has analyzed the role of banking sector towards development of Financial Inclusion in India. The researcher has made a study
on commercial banks branches spread in urban and rural India. The study states during 2008 – 2013, commercial banks have increased their branches in all the areas of India. But population per banks has drastically reduced, whereas, credit and deposits have increased. Likewise, the number of ATM installation has drastically increased but some of them are not working for obvious reasons. Researcher is of the view that, scaling up of awareness programme on financial and nonfinancial services between the bank members and customers are required. It’s pathetic to understand that, despite all these facilities, still more people are dependent on the moneylenders. Towards the end, the researcher feel that, if formal financial institutions has to gain confidence and goodwill among the rural people, it has to arrest the leakages in the system.

26. Bhasin and Thenmoshi (2014), in their works on “Urban Financial Inclusion” has projected the success of financial inclusion efforts carried out by banking sector in Dharavi, Mumbai the biggest slum of Asia. The authors have demonstrated that this model aims to include the poorer section of the society in its value chain and had been triggered to regulatory compliance. According to authors, more than 90% of working population living in urban falls outside of the ambit of formal employment sector and struggle to seek the support of banks and other financial institutions. Incidentally, emphasis on regulation on financial inclusion may prove to be viable medium to increase financial inclusiveness of the working population of India.

27. Raihanath and Pavithran (2014), in their works “Role of Commercial Banks In The Financial Inclusion Programme” have begun their study with a quote from Adithya Vikram Birla, “March out boldly, seize the opportunities and meet the challenges on”. As per the researchers, Indian economy in general and banking services in particular have made rapid strides in the recent past. However, the issue of financial exclusion continues. The researcher conveys an information released by PR
Newswire (2000), that emerging economy like China, Indonesia, Philippines, India and Malaysia are expected to grow by double digits annually by the year 2030. The researcher has informed that there are two types of credit counseling are offered, namely, preventive credit counseling and curative credit counseling. Banks were instructed to introduce a general credit card (GCC) scheme for their constituents in rural and semi-urban areas. The lead banks have been advised by RBI to identify unbanked villages of populations above 2000 and provide banking services through a banking outlet. Another area discussed by the researchers is the penetration of mobile phones among low income people. It provides enormous opportunities in extending the banking outreach. The need for savings by these groups requires special attention on meeting their life cycle needs, creating assets, meeting emergencies etc. Finally, the researchers considered the importance of Micro Insurance support to be provided to poor and low income group.

28. Srikanth (2013), on “Financial Inclusion – Role of Indian Banks in reaching out to the unbanked and backward Areas” has studied that in most of the developing countries, low income people have very little access to financial services. So, the low income people are ultimately led to depend on high cost finance from informal sources. The author has suggested that financial inclusion should be given a policy priority in India. The banks have to revitalize their priority in supporting the marginal farmer households with credit mechanism. He also insists for simplified documentation procedures and rural post offices services be used to step up the financial inclusion activities. Further suggestions were made on effective usage of IT solutions and adequate promotion for financial inclusion.

29. Bhaskar (2013), in his study on “Financial Inclusion in India – An Assessment” indicated that Gini Coefficient was used as a measure of financial inclusion and concluded that in rural areas, the Gini Coefficient raised to 0.28 in
2011-12 from 0.26 in 2004-05 and during the same period to an all-time high of 0.37 from 0.36 in urban areas. He further analyzed the extent of financial exclusion based on NSSO 59th survey results. The researcher analyzed also GOI population census 2011, CRISIL Inclusix and World Bank “Financial Access Survey” results. CRISIL while calculating the Inclusix, identified three critical parameters of basic banking services like, branch penetration, deposit penetration and credit penetration. He stated that further researches would provide valuable leads to regulators and other stakeholders for a meaningful and holistic financial inclusion.

30. Khan, (2012) in his address on, “Financial Inclusion and Financial Stability: Are they two sides of same coin?” has said that financial inclusion can improve the access to finance and quality and cost of service that small businesses receive from banks. He is of the opinion that access to affordable financial services would lead to increasing economic activities and employment opportunities for rural households with a possible multiplier effect on the economy. It would enable a higher disposable income in the hands of rural households leading to greater savings and a wider deposit base for banks and for other financial institutions. He also mentioned that government can also provide social development benefits and subsidies directly to the beneficiary accounts, and can reduce leakages and pilferages in social welfare schemes. He has referred to the estimates by ADB working paper; it has indicated mobile phone payment solution increased financial inclusion in Africa and Kenya. In Brazil, policy makers achieved to reach a figure of 12 million clients in six years through formal financial services. In Mexico, 90 percent of beneficiaries were using banking services.

31. Reserve Bank of India (2011), in its “Vision of Inclusive Growth” has expressed its objectives in providing access to efficient banking services at an affordable cost by the unbanked population of the country. RBI set up Electronic Benefit Transfer (EBT) and its convergence with Financial Inclusion Plan (FIP)
throughout the country and implemented consultative meetings along with stakeholders. As to make EBT success, the Reserve Bank issued “Operational guidelines for implementation of Electronic Benefit Transfer and its convergence with Financial Inclusion Plan”. Reserve Bank of India (2012) in its annual report stated that involvement of state government in appointing a leader bank for its administrative convenience is essential. Further in the annual report it has said that EBT scheme is a part of the overall FIP. EBT account holders will be provided with range of permissible banking services like a saving account with, in-built overdraft facility, remittance and entrepreneurial credit products in the form of GCC/KCC.

32. Vimala (2010), in her works, “Financial Inclusion for Inclusive Growth” has studied that financial inclusion is necessary for establishing financial growth. The study reveals that, to extend the benefits to the weaker section of the society, from class banking operations to mass banking operation has taken place in India. The author states that financial inclusion can empower the weaker and disadvantaged section of the society. The researcher is of the opinion that to understand the ‘financial Inclusion’ one has to understand about ‘financial exclusion’. The study has identified that financial exclusion is a direct correlation to poverty and to eradicate the same financial inclusion can stand as a measure. RBI, since 2005, has put a greater emphasis on the commercial banks to extend their services to poor in line with its FIP. Finally, the author in her study felt that to make FI a success, respective states intervention is needed and also addressed about social inclusion to achieve inclusive growth.

33. Karthikeyan (2010), in his article, “Inclusive growth through Financial Inclusion” has points out that financial inclusion should remove inequality among the rural population and other unbanked society exist in semi urban and urban sector. The study highlighted from the India-urban poverty report 2009, that, urban population in
India is growing at a faster rate than its total population. Dr. C. Rangarajan committee in 2008 suggested forming a National Mission on Financial Inclusion (NMFI) comprising of all stakeholders. The researcher mentioned in his work that major thrust to Financial Inclusion was explicitly given only from 2005 onwards. A Nationwide Electronic Financial Inclusion System (NEFIS) was introduced to make electronic transfer of funds from the accounts. The author pointes out RBI’s relaxation on know your customer (KYC) norms. The study provides information that banks used the services of Business facilitator (BF) and Business correspondent (BC) to transact at the location of non-banking areas. There is a mention in the work that, in 2009, a model scheme on Financial Literacy and Credit Counseling (FLCC) centers was formulated and being communicated to all banks. The author suggests that to focus on inclusive growth and sustainability, financial inclusion can be a step will balance the rural and urban poor living in India.

34. Bharathy (2010), in her works, “Financial Inclusion & Protection Policy of India- Is it at Crossroads towards Inclusive Growth” had studied about the financial inclusion and protection policy of India. The researcher had defined the concept of financial inclusion in the banking scenario as, “the delivery of banking services at an affordable cost to vast sections of disadvantaged and low income groups.” It is observed that due to poor living conditions followed by the migrant population in urban areas do not use the financial services and hence the cost of the services becomes dearer and unaffordable. Another problem expressed by the researcher through their study is access to formal financial services requires documentary proofs like person’s identity, income, etc. The author specified that there is several human development indicators considered to project broad idea about the performance on inclusiveness.
35. Soundarapandiyan (2010), in his study about “Role of Government in Initiating Inclusive Growth” indicates that financial inclusion path was set to roll from 2004 parliamentary election campaign. The initiatives taken by the Indian government were to provide rural education and various schemes to upgrade the lives of the needy people. The researcher stated that, Government is the largest provider of education, offered free education from 6-16 years of age. The study brings in insight understanding about various governments initiatives and steps carried out in facilitating the downtrodden people. As an Independent India viewed education as an effective tool for bringing social change. Sarva Shiksha Abiyan program was mainly concentrated on girls and children with challenged social or financial backgrounds. Likewise, food security to create hunger free India and to ensure public distribution reaches the poor. The Prime Minister Rozgar Yojana scheme was designed to provide employment to educated unemployed youth and 7 lakh micro enterprises were set. With a view to support and encourage women in setting up their own ventures, Trade related entrepreneurship assistance and development (TREAD) scheme was launched during the 11th plan. The author expressed that government has built another social security scheme such as National Rural Livelihood Mission in addition to MGNREGS. The eleventh five year plan (2007-12) of government focused on creation of 70 million new work opportunities. In addition, the GoI announced that at least 33% of the direct and indirect benefits of all the schemes are meant for women and girl child.

36. Sudha Vepa (2010), in her works “Commercial Banks and Corporate Institutions and Inclusive Growth SHG-Bank Linkage Program - Andhra Pradesh’s Experience” has studied SHG-Bank Linkage Program is considered as tool to achieve inclusive growth. Researcher in her studies has identified that in Andhra Pradesh, Self-help groups being extensively used as a primary tool for
poverty alleviation and empowerment. SHG members come together with an intention to find a solution to a common problem such as medical issues, livelihood generation, etc. with a degree of self-sufficiency. The author expressed that, since 1979, Andhra Pradesh government along with NGOs used SHGs to implement poverty alleviation programs through social mobilization and inclusiveness as methods. NABARD introduced a pilot project in 1992 for linking commercial banks with SHGs to encourage thrift and savings amongst the rural poor. The researcher in her study stated that, State Bank of India along with other banks also initiated the program. The repayment periods for the loans were determined by SHG group itself. SHG women have actively participated in fairs and exhibitions organized at various levels and are able to market their products. Leading companies had tie-up with the SHGs to market their products. The poor were able to have access to microfinance institutions. Finally it was expressed in the study that, the impact of social sector interventions has gained empowerment in terms of economic, social and political situations. Thus banks were able to access to untapped savings and credit business.

37. Anand and Vasudevan (2010), in their research works, “Financial Inclusion” have defined financial inclusion as the delivery of banking services at affordable costs to vast sections of disadvantaged and low income groups. As per authors the term financial inclusion has gained importance since 2000. The findings about financial exclusion have direct correlation to poverty. During December 2003, Former UN Secretary – General Kofi Annan said, the most poor people in the world still lack access to sustainable financial services. As per the authors, the Inclusive finance is bankable, which not only include savings but also access to other financial services. The RBI in 2004 incorporated the Khan’s Commission report on financial inclusion in the mid-term review of the policy (2005-06). The researcher brought to the notice that, Financial Inclusion first featured in 2005, after a pilot project in Union Territory
of Pondicherry. Indian Bank stood as a trendsetter to financial inclusion plan by carrying out both the above activities. Further it is stated in the study that, since January, 2006, RBI permitted commercial banks to make use of other organizations support as intermediaries for providing financial and banking services to the needy people. RBI in its “vision for 2020” has said that to open new accounts, IT and other channels can be used. In addition to micro credits, researchers have suggested to include micro insurances to the needy people. Two threats discussed by the researchers arising out of financial exclusion are losing opportunities to grow and country’s growth is retarded.

38. Nachiket Madhav Vechalekar and Ashok Joshi (2010), in their study, “Financial Inclusion: Issues and challenges” had carried out a study about the financial inclusion which faces the issues and challenges in “implementing”. The Authors’ objective in this study is to highlight the transformation occurred in banking industry towards financial inclusion. The study also states that the coverage of banking services in India is very low. When comes to direct investment in equities, 15 million people only are holding demat account to invest into stock market. Researchers mentions that almost 80% of the Indian population is without life insurance, health and non-life insurance coverage. Per capita spent on life and nonlife insurance are too low in comparison with a global average. Researchers have hailed Rangarajan committees contribution towards financial inclusion works. The statistics of financial exclusion in India is disheartening. Another fact brought out by the authors is most of the bank account opened have become dormant at a later date. Important measures taken are simplified KYC norms, improved banking penetration in North Eastern Regions under financial inclusion plan. Government announcement to issue Unique Identity number to all citizens of the country will boost up the financial inclusion plan for the growth and progress of economy.
39. Joan Kingsly, Srinivasan and Jenifer Grace Cinola (2010), in their works, “Financial Inclusion - Issues and Challenges in Indian Banking Sector: with reference to Indian Bank” have studied the initiatives taken by Indian bank in implementing financial inclusion in rural as well as in urban areas. The researchers have considered a case study of Indian Bank and its achievement of financial inclusion. Indian Bank adopted two strategic models to address financial inclusion. One model is to address rural population and other model to address urban population. The rural model was tried at Mangalam, a village near Puducherry and the urban model was tried at Dharavi, Mumbai. Attempts were carried out on simplified KYC norms to open savings banks account in the rural area. RBI highlighted the experiences of Indian bank in its Annual Policy Statement for the year 2006-07. Indian Bank volunteered and implemented 100% financial inclusion branches within the state and in other states. The first commercial bank branch was opened with Core Banking Solution and ATM facility in the heart of Dharavi. The bank also established an exclusive microfinance branch called Microstat branch at Chennai to facilitate the SHG groups. Financial inclusion is no longer a social responsibility it is a business proposition for the banks.

40. Amudhanandhini (2010), in her study, “Promoting Financial Inclusion through Innovative Policies” has studied the importance of promoting financial inclusion through innovative policies. The researcher has explained that banking services are in the nature of public good and it is essential to provide its services without discrimination. Among the financial inclusion policies, the author’s view is that non-bank agents’ involvement can increase more distribution outlets for financial services and thereby lower the transaction costs. Another factor being strongly discussed is usage of mobile technologies and services to remit cash deposits and withdrawals. Author cautions about engaging in e-banking and e-money transactions
because it requires appropriate regulation to avoid stifling innovation. The National Payments Corporation of India, a PPP initiative, established in 2008 created a robust retail payment infrastructure. The government initiative to issue unified identification cards to all resident Indians to link all transaction to bank account. The researcher insists on introduction of Biometric ATM with voice guidance to reduce literacy requirements to a considerable extent. IBM has been developing Microfinance Processing Hubs to meet the IT needs of MFIs. Finally author said that, organisations which intend to support financial inclusion has to work closely.

41. Saravanan (2010), in “The performance perspective of Financial Inclusion by Financial Infrastructural Institutions” has discussed about the performances of financial inclusion by financial infrastructural institutions. The researcher brings about the initiatives of the cooperative banks in supporting the middle and low income sections. The study highlights the birth of ‘financial inclusion’ and institutionalization in the Indian rural credit system. Certain important measures like simplified KYC norms and accounting procedures for opening of accounts were introduced are also being highlighted in the study. Further it has mentioned that use of information technology towards easier operations was given importance. The research brings in information about Government of India entrusting NABARD to manage two funds, namely, Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF). It also stated that, the self-help groups took lot of initiative in alleviating poverty and in women empowerment. The author suggests that, Indian infrastructure needs to focus on renovation of Indian villages like how China did in its village improvement programmes. The author is of the opinion that, apart from banks, insurance companies should come forward to tap the huge untapped resource. Likewise, Private Equity and Venture Capitalist can identify and exploit the untapped growth of entrepreneurship lying with small and medium enterprise.
42. Sudha (2010), in her works, “Role of Banks in Financial Inclusion through Microcredit” has studied the role of banks in financial inclusion through offer of micro credit schemes. The study reveals that India’s strong economic growth in the past one decade has led to structural reforms in bringing down the poverty. Reforms made the improvement in human development towards the literacy, health and nutrition. In 2006, Financial Inclusion committee was appointed to estimate and to alleviate the poverty. The researcher mentioned about the introduction of microfinance to facilitate small scale businesses. The study points out that banking presence in rural and semi urban areas are not adequate. The researcher has used the development indicator published by World Bank (2006 &2008) for the purpose of financial inclusion study. From the study it is surprisingly to note that private banks have shown their support to MFI’s. In India, certain states have significantly recorded an increase in promotion of SHGs bank linkage program. NABARD, through their Bank linkage program have reached to 1.4 Crores households. Author through her study has insisted to permit micro finance institutions to provide diversified financial services products such as Internet banking, ATMs, and Debit cards.

43. Sekar (2010), in his works, “Financial Inclusion: Have We Really Succeeded?” has studied the importance of banking services to low income groups. The author brings about the necessity of banking services to cover financial inclusion through savings and current account. In the study its being mentioned that India ranked 50 among the 100 countries. In the census survey of 2001 it is mentioned that only 59% of individuals have access to banking services. Further study states that the Government of India along with Reserve bank of India had taken steps by increasing branches of Regional Rural banks to service the poor to avail loan facility. Another reason cited by the excluded customers is that they are not aware of the financial products and its benefits. The author mentioned about multipurpose credit card and
artisan credit cards are issued to avail collateral free small loan from RRB’s. Among them, self-help groups play a dominant role in linking members with banks. In recent times, Indian Telecom and other telephone providers facilitate mobile connectivity to reach the low income customers. Author suggests for ATMs with vernacular commands and simple usage facilities would greatly facilitate people at rural areas. It is suggested that Indian financial system needs to change its process to help low income segment. Banks needed to redesign their strategies and products for the low income group so as to influence the untapped demand. Finally, the author mentions that banks are liable to extend corporate social responsibility.

44. Raju (2010), in his study, “Marketing reforms strategy is the key to Financial and Social Inclusion of Marginalized section” started with a quote from Christopher M. Knight, “You must have mind share before you can have market share.” It’s being said in the study that, Indian government’s policies, programs and various strategies have changed the life of marginalized people. Life styles of this segment are in dire poverty, child labor, school dropouts, desperate existence and riff-raff family situation. The researcher has examined the application of marketing reform strategy and its benefits. It is felt by the researcher that, focus on open market reforms can bring sustenance to marginalized section. From the works of author it is understood that Dakshina Kannada district is the only district having highest literates in Karnataka state. Despite higher literacy levels in comparison to other districts, their earnings are very low. The living status of the members belonging to the joint family system are to some extent withstand the financial and social risks. It is observed from the study that majority of the population is working in the unorganized sectors. The researcher suggests that marketing measures are apt for next generation of marginalized section to lead a qualitative and sustainable life. Author is of the opinion that by bringing proper market reforms along with flexible marketing policies and
strengthening the legal framework can lead to high rate of economic development, peace, prosperity and improved quality of work life of the marginalized section.

45. Amol Agarwal (2008), in his works, “The need for financial inclusion with an Indian perspective” has begun his study with the background that earlier economists have ignored the importance of finance to economic growth. The theories like Modigliani Miller theorem and Efficient Market Hypothesis developed by Eugene Fama and Kenneth French were based on the assumption that markets are perfect and there are no frictions. But at later date the developments showed that financial market is imperfect. The study pointed to various financial entities led to reduction of these imperfections. World Bank had organized a conference in March 2007, released a report titled “Finance for ALL”. In developing countries access to finance is considered as a public good. RBI undertook a project titled “Project Financial literacy”, basically to disseminate information regarding the central bank and general banking concepts to various targeted groups. The researcher in his work highlighted information that government in the budget 2007-08 established two funds, namely, Financial Inclusion Fund and Financial Inclusion Technology Fund. The researcher examined the market economies to offer a comment that development of sub-prime market was originated to provide finance to people with weak credit histories enabling them to buy homes. In the end, author suggested the financial markets to act responsibly and ensure that the spirit of financial inclusion is not breached in the future.

46. Thakkar (2006), in his works focuses, “On Intra Household Tensions” and the study points to intra household tension arise basically when women start encroaching men’s economic spaces or challenging the patriarchal norms. The researcher is of the view that financial inclusion has to be spread throughout. Likewise, P. Natarajan (2009) in his research study has insisted that financial inclusion should go hand in
hand for all around. Another study of the researcher states that micro credit schemes were started with the objective to promote women entrepreneurship. The researcher if of the view that eradication of poverty can be achieved only through sustainable self-employment ventures. Author suggests that BC model can be made successful if combination of products are offered and as well with an increased remuneration.

47. Mohan, (2006) in their works on “Economic Growth, Financial Deepening and Financial Inclusion” have discussed about the disparities in the use of financial services by individuals in developed and developing economies. The researchers stated that, the share of adults with a bank account in developed economies is more than twice the corresponding share of developing economies. Further mentioned about the disparities are seen even larger in the actual use of bank accounts. The study mentioned that worldwide, 44 percent adults regularly use a bank account but only 23 percent regularly use bank account in developing countries among the 40 percent of the bottom of the pyramid. The authors identified that usage rates of the bank account in developed countries are in the ratio of 81% to 88%. The concern expressed by the researchers is on shared prosperity, the disparities of financial inclusion are large in terms of population segments within the developing countries. Segment of people like poor, young, unemployed, out of the workforce, less well educated or people live in rural areas are mostly under excluded category.

3.4 Financial Inclusion and Microfinance

This part of the literature reviews are related to spread of Microfinance in establishing financial inclusion through bringing the low income households and poor into the financial system. Microfinance initiative is also to support Self-Help Groups to undertake entrepreneurial activity and as well to improve the living standard.

48. Sameer Kochhar (2013), in the address on, “Whither Financial inclusion”, in the state of the sector report observed an alarming declining growth rate of the SHGs
linkages between 2009 and 2012. The number of bank branches went up by 46.35% from 2004-12 while the growth in rural branches was only 12.15 percent which was far less than the growth in semi-urban, urban and metro branches and the average population served per bank branch fell from 16000 in 2014 and 13000 in 2012. With regard to financial inclusion aspect, 10.64 branches and 8.9 ATMs per 1 lakh adults while the figures were 46.15 and ATMS per 1, 00,000 population respectively in Brazil. Customer service points which were an innovation during 2005 went up to more than 1 lakh during 2012. 72,000 were added under financial inclusion plan of ministry of finance. Finally, it was said that the financial inclusion should be reoriented towards adequate and timely credit supply, support to livelihood, promote entrepreneurship, create a sense of empowerment and enable poverty alleviation and access to financial services.

49. M.V. Nair committee (2012), appointed by RBI to “Relook at the Priority Sector Lending” has recommended in their report to give an additional thrust for individual women. They said that housing loans to be provided to economically weaker sections and to lower income group segment in addition to the existing category of beneficiaries. The recommendation of the committee was also to discontinue the differential rate of interest (DRI) schemes because government sponsored schemes target the similar beneficiaries and are more attractive. It also recommended for the agriculture Credit Risk Guarantee Fund for small and marginal farmers. It was similar to Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). This guarantee fund was to consider the risk in lending to agriculture sector. However to facilitate the poor and to outreach, RBI revised the priority sector lending as per the committee’s recommendations.
50. Subbalakshmi (2010), in her works, “Financial Inclusion and Microfinance: Growth and Challenges on Rural Sector” has studied about the growth and emerging challenges in rural sector in implementing financial inclusion and microfinance. The researcher if of the view that, financial inclusion can be expanded in two ways, either through state-driven statutory enactments or through voluntary effort by the banking community by adapting to various strategies. The study points out the efforts and measures made by RBI in increasing banking penetration in the country through various initiatives after nationalization of commercial banks in 1969 and 1980. The author has mentioned about the role of NABARD in extending refinancing support to banks as a measure to provide loans to SHG’s. Through the study, the researcher indicates that, in India very few MFIs offer a composite set of services to their customers. It is brought to the notice that private banks involve in supporting the microfinance sector. Another study expresses that MFIs suffer due to lack of managerial and technical skills. Finally, the author is of the opinion that one has to allow market to set its own interest rates. Intervention from the government and regulators should be minimal and allow the MFIs to mobilize savings for lending to the poor.

51. Raghu Ramkrishnan & Prabhu (2010), in the works, “A Strategy for building an Ecosystem for Microfinance: The role of Knowledge Management” have studied a strategy for building an ecosystem for microfinance. It is critical for Microfinance institutions to expand their outreach without a tendency to drift from the social mission. The authors pointed out that, microfinance sector in India are unevenly distributed within the regions. Consultative group to assist the poor (CGAP) a world bank funded organization are to improve the awareness of social audits and social performance assessments of microfinance institutions. Authors said that, there was an attempt to standardize the performance on both social and overall economic metrics of
MFIs by RBI. NABARD in its committee’s report on financial inclusion highlights the importance of greater legitimacy, accountability and transparency among MFIs for sourcing of funds. Joanna Ledgerwood has described, “Microfinance as an economic development tool intended to benefit low-income people”. The researchers have mentioned about developing a conceptual design of the ecosystem, an inclusive model that can attain social performance and financial sustainability for microfinance organizations.

52. Divya Lakshmi (2010), in “Motivational Factors of SHGS to Empower Women” has discussed that motivation is the act of stimulating someone or oneself to get designed to push the right button. The concept of motivation is of psychological and relates to the forces operating within the individual impel to act or not to act in certain ways. As per Abraham Maslow (1943) some people like to take the growth path and some others would like to adapt to safety path. However, motivation helps to express one’s own desire to grow or safeguard oneself. The author in her study considered various levels of motivation to understand the Self-help Groups requirements in their personal lives and at the same time look to get empowered.

53. Radhika (2010), in her studies “Self Help Groups & Women Empowerment” has expressed that, poverty and unemployment are the major problems for any under developed countries and India is no exception to it. SHGs as a tool considered to remove poverty and improve the rural development (Sabyasachi das, 2003). The origin of SHGs was the brainchild of Grameen Bank, Bangladesh founded by Mohammed Yunus. In India, NABARD took its first initiative in 1986-87 but the efforts were ‘on’ from 1990-91 through linkage of SHGS with banks. V. M. Rao, (2002) consider it as an alternative mechanism to meet the urgent credit needs of poor through thrift. SHGs enhance the equality of status of woman participants, decision makers and beneficiaries in the democratic, economic social and cultural spheres of
life (Ritu Jain, 2003). Dharmapuri was the first place in Tamil Nadu to start the SHGs formation in 1989. RBI had advised the banks to support SHGs through bank linkage programme. It is noticed that the participation of private organisations like HLL, Philips, etc., have shown larger interest in shaping the SHGs in terms of finance and operational management. In Andhra, SHGs were encouraged to use IT and mobile phones for improving their standard of living. Towards the end the researchers suggested that to make them sustainable, it is necessary that government and various other NGOs come forward to bear the cost of intervention.

Suganya (2009), in “Women empowerment through Self Help Group” has conducted an empirical study at Gatkeser, Ranga Reddy District, Andhra Pradesh on women empowerment through self-help group and the impact of the group in improving their lifestyles and contribution towards gender development. The study initiated the importance of saving practice in collective form. This led to establishment of microfinance and acquirement of benefits with respect to social and financial stand point. The researcher has taken a cue from the system pioneered by Prof. Yunus (Bangladesh) in 1976, where microfinance was originated and female empowerment was spurred. The study states that, microfinance is a movement that envisions the world and in which as many poor and near poor households had permanent access to an appropriate range of high quality financial services. The author further stated that, SHGs enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The study discussed the cohesiveness of the group reflecting on independence and diversity, capacity building and empowerment. The study comprised of BPL and others women members. The study has exhibited that the SHGs in India were initiated by NGOs and is used for financial intermediation by commercial banks and by Microfinance institutions.
55. Stuti Tripathi and Minakshi Ramji (2008), in “Micro-Housing Loans for Micro-Entrepreneurs” has investigated the micro housing loan for micro entrepreneurs through conduct of a sample study on Need Assessment in Salem District, Tamil Nadu. The study reveals that Microfinance institutions design and provide housing microfinance products to low income communities of Salem district. The researchers mentioned about the credit evaluations system and procedures followed by Microfinance institutions while issuing HMF loans. Researcher has made an extensive survey to prove HMF has direct impact on the socio-economic status of every economy. The demand for ‘Repair and Renovation’ products is much higher than the ‘New Construction’ products’. The authors of the view that, since it is a productive asset and micro entrepreneurs operate home based business, the suggestion to initiate HMF is valid. From the study, it is understood that the clients who have cleared two cycles of repayments are eligible for big ticket of borrowing. Important point to note from the study is, although majority of the clients were belonging either to Most Backward Caste or Backward caste, they were not having a BPL card or Antodaya Anna Yojana card. The study concludes that HMF is an emerging area in the Indian microfinance sector.

56. Indian Franchisee Association (2009) in its study, “To Establish Franchising A Format Model A Road to Success for the Entrepreneurs” has mentioned that India is at nascent stage of development. It also provides further information of comparison like India’s Franchisee operation has grown to a size of 10% when compared with USA is of 70%. From their report one can understand that they have also conducted a depth interview on the major sector of contribution to the above growth size. Out of which, education plays a major share of 38% and other sectors of concentration are foods and professional services follows a significant path of growth. The study further reveals that all these sectors’ wholesome concentration is to the tune
of 89%. IFA also have examined further categorization in the nature like Loyals, Switchers and Leavers through a structured process. IFA is non-governmental organisation and a non-profit organisation has conducted this study after its round table meeting.

57. An IFMR research paper (2007), “Linkage between Microfinance & Effective Education with a focus on Parental Involvement” conducted a survey study in a village situated in Andhra Pradesh to explore the possibilities of Microfinance agents to convince their clients to provide basic education to their children. The researchers have conducted an exploratory case study approach to assess the spread of educational level among the Microfinance clients’ children. The study brings in the barrier for education is income, child labour, risk management, gender and parental education. Background of the study is in the premise of ‘education for all’ in India upto the age of 14 and reference to the constitution. The researchers mention about the discussions they carried with the children, schools, teachers, parents and with microfinance institutions to act as a linkage. The researchers felt that Microfinance institutions can become an important channel for spread of grass root education. Their initiatives can reduce poverty and build empowerment and provide choices and opportunities. Further, the study highlights the attitude of the teachers and low level of motivation, supported by PROBE report (Public report on basic education in India) of 1999.

3.5 Financial Inclusion and Global Understanding

The following literature reviews are related to global scenario on financial inclusion. An attempt was made to bring in selective literature information to access the need for financial inclusion at the global level.

58. Adrian Alter and Boriana Yontcheva (2015), in their works, “Financial Inclusion and Development in the CEMAC” have discussed about financial development in Sub Saharan Africa. The study states that despite the progress and
reforms are set in, the financial development is uneven and less average improvement is seen than in other low income regions. Especially, the Central African Economic and Monetary Community (CEMAC) region lags further. The researchers also expressed that, financial development impacts economic growth and at the same time it can play a critical role in reducing poverty and inequality. This working paper is done on two folds (i.e.) to analyze the level of financial development in CEMAC in comparison to their peers of SSA and construct a financial development gap. Among the CEMAC, good policy, better credit information and improved governance has contributed to promote financial sector development. CEMAC countries have to increase the steps of financial inclusion and needs to follow the policy adopted by their peers whose progress was rapid. These progresses widened their access to financial services. The researchers also recommended for a proper regulation on innovative banking or microfinance.

59. Klaus Prochaska (2014), in “Financial Inclusion Strategies: Global Trends and Lessons Learnt from the AFI Network” had mentioned about the progress of financial inclusion took place between 2008 and 2013. The researcher has mentioned that 85% of the world population is unbanked. The year 2013 became the policy driving network. AFI (Alliance for Financial Inclusion) was to promote platform for members and develop Financial Inclusion Strategies Peers Learning Group (FISPLG). AFI was to support the countries that have given commitment in Maya Declaration towards development of financial inclusion.

60. Peter Dittus & Michael Klein (2011), in their works, “On Harnessing the potential of Financial Inclusion” studied on harnessing the potential of Financial Inclusion with a case reference to M-PESA. The study focuses on mobile payment where technology is dominant. Banks without branches are able to extend services throughout the world. As per the researchers, to analyze the potential of financial
inclusion experimentation of different business models are needed. Extending banking services beyond urban areas are costly. Rapid development of IT provides new cost effective business models. M-PESA in Kenya was launched in 2007 appears to have added impetus, and mobile money ventures operating globally. The study reveals that idea of Vodafone in 2004, later converted as a joint venture between the department and its subsidiary in 2006 to use mobile for supporting microfinance. The success of M-PESA had become a key driver to uplift the people out of poverty. The researchers inform that, G-20 nations have launched the Global Partnership for Financial Inclusion. This working paper analyse the key building blocks like safety on transfer, storage, exchange and investment of money. The study reveals that Japan is using a latest technology like Near Field Communication (NFC) in phones. The authors discussed about the requirement of regulatory framework to extend financial services to poor.

61. Jonathan Bays, et.al (2008), in their works “Promoting Financial Inclusion – Lessons from around the world” have identified that, India has witnessed a historic progress and growth in the past decade but at the same time the study brings out the fact that large segments of society remains financially excluded. Low-income Indian households in the informal or subsistence economy often have to borrow from known circles or from usurious money lenders. Their savings are largely in the form of cash or in other forms which produces little return. Researchers mentioned that, low income households neither have awareness nor have access to insurance products to protect themselves from the unexpected shocks. Further they made a remark that Self Help Group and traditional Microfinance institutions have significantly contributed towards financial inclusion. Authors have also suggested that Indian players in the microfinance sector can gain insights from the global best practices to develop innovative products. Examples considered in the study part are like, M-Pesa project of
Kenya, Drought insurance project of Malawi and Correspondent banking model of Brazil. Among all the approaches, Correspondent and mobile banking is the most promising innovations in the distribution of financial services in the low income market. Another study has revealed that penetration rates of financial inclusion were four to five times higher in the countries without caps. Towards the end it is stated that even in the most prominent financial inclusion markets, reach is not more than 30% of the addressable population.

Leyshon, Signoretta and French (2006), in “The Changing Geography of British Bank and Building Society Branch Networks”, explains financial exclusion encompasses several dimensions that describe the barriers that prevent some people from using financial services. The barriers such as; (1) physical exclusion caused by the problems of travelling to receive services, (2) access exclusion caused by processes of risk assessment, (3) condition exclusion is caused due to the condition attached to the product or services unsuitable to the customers, (4) price exclusion is caused due to price of the products are unaffordable, (5) marketing exclusion are consumers unaware of products due to marketing strategies, (6) self-exclusion is caused by the people exclude themselves voluntarily on the perception of past rejections or fear that they would be rejected. Among the exclusions mentioned above, the study mentions of the most relevant exclusions to be addressed are physical exclusion, access exclusion, price exclusion and apart from these, system exclusion is causing a main barrier in including these excluded people into financial inclusion framework.

3.6 Financial Inclusion and Technology supports

The literatures related to technological influence and supports to financial inclusion are presented below. It is clearly understood that use of technology is becoming pertinent to reach people in rural areas and simultaneously bring down the
cost of service operations. RBI is in support for the change and has instructed the banks to revamp their working style from traditional way.

63. Gandhi, Dy. Governor, RBI (2017), delivered an inaugural address on “FinTechs and Virtual Currency” expressed his pleasure for constructing a Platform for Innovation and Collaboration with Upcoming and Promising (PICUP) Fintech. He said that technology and banking have an association and it benefits each other. The speaker mentioned that, plethora of technological products and services have contributed for emergence of FinTech companies. In his speech explained that, Chunking of banking is the norms and for carrying out each chunks, specialists’ entities perform those chunks. Some of the performances undertaken by them are as payment service providers, SME financing, invoice financing, crowd funding, etc. These specialized entities make innovative use of ICT as their business model. Fintechs’ belong to the segment of the technology startups and that disrupt sectors such as mobile payments, money transfers, loans, etc. Further, the speaker said crowd funding and its speed may disturb traditional banks and financial institutions. Market place financing, a disruptive innovation have attracted many analysts, opinion makers and influential thinkers. Blockchains technology is another exciting disruptive technology leading to incorruptible digital ledger maintenance of economic transactions but also programmed to record financial transactions and virtually value everything. Further, the speaker said by 2020 most people will fully adapt to the use of smart-device and may eliminate the need for cash or credit cards. However, disruptive innovations of the FinTech cannot eliminate the traditional banking.

64. Gandhi, Dy. Governor of RBI (2015), on Inclusive Growth with Disruptive innovations has offered a valedictory speech on “Disruptive Innovation and Inclusive Growth – Some Random Thoughts”. The speaker in his address established the natural coherence and congruence exist between disruptive innovation
and inclusive growth. Further he impressed that disruptive innovation impact the people at the bottom of the pyramid. This can be achieved partly by harnessing ICT, and more specifically the mobile technology. For financial inclusion, the differentiated banks like Payment Banks and the Small Finance Banks were granted licenses in 2014. Payment system brought in revolution in products and services such as the Real Time Gross Settlement System (RTGS), the National Electronic Funds Transfer (NEFT) system, e-wallets, mobile banking products, etc. The small banks were issued license in 2014 to cater to the unserved and underserved sections of the population. With the prior approval from RBI, Small Banks were allowed to undertake activities such as non-risk sharing simple financial services. Another disruptive innovation was on cryptocurrency and crowd funding aspects. It is an alternative finance which edges the traditional financial system. It is being said both can lead to a financial inclusion but one has to be cautious about the riskiness and destabilizing activities.

65. In Indian Bank’s Association (2012) ‘Approach paper on IT-enabled Financial Inclusion’ suggested the need for a cost effective IT enabled model to serve the under privileged and advised to overcome the challenges that arise out of technology intervention model of financial inclusion. The challenges mentioned and envisaged are, distance and reach, environmental factors, use of alternate models like BCs/BFs, communication last mile, simplifying of KYC norms and master data maintenance, contingencies for link failure, servicing of equipment, branch network, linkage with NGS’s, Government agencies and extension agencies, development of customer friendly new products and services, density of population and awareness about banking and technology use for daily operations. The approach paper also gave some 23 suggestions for implanting technology for financial inclusion.
66. Annual report of RBI (2012), states about the appointment of a working group under the Chairmanship of Shri G. Srinivasan for studying the ‘technology upgradation at RRBs’. The working committee recommended for initiating the core banking system at RRBs. Further it was stated in the annual report that, working group to initiate Core Banking Solution in RRBs to improve customer services. Based on the recommendations of the working group RRBS migrated into CBS platform. As on March 31, 2012, CBS has been implemented in 80 RRBs covering 16,741 branches. RBI based on the recommendations could enable the RRBs to adapt to a new technology driven solution to provide better services to the rural customers.

67. Annual report of RBI (2012), states about the appointment of constituted working group under the Chairmanship of Shri T. M. Bhasin, CMD, Indian Bank to ‘look at redesigning of KCC scheme’. Working group recommended about introducing standardized KCC biometric smart card compatible for use in ATMs and in hand held swipe machines. This initiative of RBI was based on the Union budget of 2011-12 announcing the extension of credit disbursement to the agriculture sector through Kisan Credit Card scheme. Banks were advised to lend to small and marginal farmers through KCC scheme. Based on the initiative of the government RBI advised the group to modify and align the KCC to an electronic format to suit the current requirements. The recommendations of the working group were accepted by the government and later it was revised by the Reserve Bank of India.

68. Jasojit Debnath and Reshma Kumari Tiwari (2010), in their works, “Financial Inclusion: Role of Information Technology” studied the importance of Information Technology in promoting financial inclusion. The researchers in their study try to emphasis that introduction of IT in the value chain of financial products would reduce cost. Das and Tiwari (2010) informed that, outreach of financial services in India is quite low. As per Express Computer (2008) banks are taking initiatives to provide the
services but due to usage of improper technology they are unable to deliver. The researchers have expressed that RBI supported the rural area with bio-metric ATMs and cash dispensing and other services which were accepted by the rural populace (Rangarajan, 2008). The researchers have mentioned about the International Information Technology Initiatives carried in Philippines and Korea to enable financial inclusion in a larger aspect. Likewise in India, Reliance Infocomm has extended Mobile banking services to ICICI and HDFC through their R-world environment (Sudhakara, 2010). RBI made possibility to customers by linking nationwide networking of ATMs in the country at no cost (Thorat, 2008). RBI issued guidelines for using the mobile phones as a medium for increasing banking outreach. Researchers felt, the financial literacy can remove the complexity of usage of IT services.

3.7 Financial Inclusion and Financial Literacy

The literature reviews related to financial literacy is presented below. It is evident that financial inclusion is not merely to facilitate with savings account, credit and loan but good financial system is to provide financial literacy in terms of investments. So spread of financial literacy among the population is must. Financial ignorance spoils the inclusive growth.

69. RBI (2011) appointed a technical group on “Financial Inclusion and Financial Literacy” under the aegis of financial stability and development council having representations from the Reserve Bank, SEBI, PFRDA, IRDA, Government of India, State Governments and Central Education Board etc. RBI in its annual report (2012) has mentioned that every quarterly period this group meets to ascertain the outreach. The technical group was constituted basically to ensure effective coordination is made by all the financial regulators and other stakeholders. As mentioned in its report, the group had tied up with NCERT, CBSE and state education boards to promote
inclusion of financial literacy in school curriculum. RBI’s initiative is to link financially excluded people into formal financial system. Focus of the RBI is to create awareness about basic financial products. At the same time, financial literacy for the financially included people is to enhance their knowledge about the market and various new products.

70. Thiravia Mary Gloria and Santhi (2010), in “Financial literacy as a tool for financial inclusion” have studied financial literacy as a tool for financial inclusion. The study mentions that financial literacy is relevant for poor people whose resources dwindle downward under financial pressures. The author meant that without banking relationship, the unbanked poor are pushed towards expensive alternatives. The researchers have narrated financial literacy primarily relates to personal finance, and it helps to come out of the distress situation. The author identified that in India most studies have gone into rural poverty but not attracted on the urban poverty. The objective was to analyze the socio economic status of the urban slum inhabitants and their level of awareness in investment medium. It’s said that, most of the slum dwellers were borrowing from the money lenders and equal proportion of people borrow through SHG. Their saving and investment pattern (meager amount) is on daily, half yearly or annual basis mainly to facilitate child education, marriage and for future needs. Study ascertains a situation where no positive correlation between saving, expenses and investment pattern among these groups of people exist.
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