CHAPTER I

INTRODUCTION

“Financial inclusion is a key determinant of sustainable and inclusive growth, which in turn is essential for building an equitable society.”

- Pranab Mukherjee, President of India.

1.1 INTRODUCTION

India has a long history of development of banking system. After independence, the major focus of the Government and the Reserve Bank of India had been to develop a sound banking system which could support planned economic development through mobilization of resources/deposits and channel them into productive sectors. Accordingly, the Government is decided to use the banking system as an important agent to change the core policies that were formulated since independence. The planning strategy recognized the critical role of the availability of credit and financial services to the public at large in the holistic development of the country. In recognition of this role, the authorities modified the policy framework from time to time and whereby it ensured that the needs of financial services in various segments of the society were met adequately.

The recent developments in banking technology have transformed banking from the traditional brick and mortar infrastructure like staffed branches to a system supplemented by other channels like Automated Teller Machines (ATM), Credit/Debit Cards, Internet Banking, Online Money Transfers, etc. The moot point, however, is that access to such technology is restricted only to certain segments of the society. Indeed, allowing, such increasingly sophisticated customer segmentation technology or more accurate targeting of sections of the market has led to restricted
access to financial services for some groups. With an increased range of personal finance options for segments of high and upper middle income population and a significantly large section of the population who lack access to even the most basic banking services, the gap widens and leads to “financial exclusion”. These large section of people, particularly, those living on low incomes, cannot access mainstream financial products such as bank accounts, credit, remittances and payments services, financial advisory services, insurances facilities, etc.,

The subject matter of financial inclusion contributed to a consensus that merely having a bank account may not be a good indicator of financial inclusion. Further, indebtedness as quantified in the National Sample Survey Organization (NSSO) 59th round (2003) may not also be a reflective indicator. If genuine claimants for credit and financial services were denied for the same, then that is a case of exclusion. As this aspect would raise the issue of creditworthiness or bankability, it is also necessary to dwell upon what could be done to make the claimants of institutional credit bankable on creditworthy. This would require re-engineering of existing financial products or delivery systems and making them more in tune with the expectations and absorptive capacity of the intended customers.

Financial Exclusion is the scenario in which a segment of the population or a cluster of individuals are denied the access to basic financial services in certain areas having poorer, marginalized and socially deprived people. In spite of the many progressive actions taken by Government of India, Reserve Bank of India and financial service providers, there are still considerable efforts to be made across India to ensure access to banking services. Henceforth financial exclusion has become a key policy concern, because the choices for operating a household budget, or a micro,
small and medium enterprises, without formal financial services can be expensive. This process becomes self-reinforcing and financial exclusion is often an important factor in social exclusion. Financial exclusion is also a question of economic efficiency in India, as an agrarian economy in which 69 per cent of population is living in rural areas with poor background and without the access to banking services. The transition from agriculture to industry and services has been very rapid in rural India over the past decade due to poor financial assistance to agricultural activities.

1.2 DEFINITIONS

"Financial Inclusion is the process of ensuring access to appropriate financial products and services – deposit accounts, payment services, micro-credit and micro-level insurance – to vulnerable groups such as weaker sections and low income groups by mainstream institutional players."

- Chakrabarty.

"Real financial inclusion should ensure that a range of financial services are available to every individual. This includes a basic bank account, savings products suited to poor households, money transfer facilities, small loans, overdrafts, and insurance."

- Nupur Acharya.

"Financial inclusion is no longer a side issue in the global economic debate. It now has a permanent and important place in the global discussion on economic development and stability."

- Alfred Hannig.

“Financial inclusion... is not just about opening of saving bank accounts; it includes creation of awareness about financial products, and offering of advice on money management and debt counseling."

- Crisil Inclusix.
“Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”

- Rangarajan Committee.

"Financial inclusion is a key path to poverty alleviation. In defining financial inclusion, it is important to see it as a progression and a hierarchy of financial needs which begins with the most basic needs, such as a secure account for holding payment transaction funds and bill payment, and moves to more complex ones such as borrowing and insurance."

- T J Sehadri.

1.3 EVOLUTION OF FINANCIAL INCLUSION IN INDIA

Prior to 1990, several initiatives were undertaken for enhancing the use of the banking system for sustainable and equitable growth. These included nationalisation of private sector banks, introduction of priority sector lending norms, the Lead Bank Scheme, branch licensing norms with focus on rural/semi-urban branches, interest rate ceilings for credit to the weaker sections and creation of specialised financial institutions to cater to the requirement of the agriculture and the rural sectors having the bulk of poor population. The different phases of financial inclusion measures at various points of time could be described as under.

1.3.1 Credit channelling (The first phase 1960-1990)

The term Credit channelling was introduced in India in late 1960s. In the first phase (starting in the late 1960s to the 1980s), the focus was on channelling of credit to the neglected sectors of the economy. Special emphasis was also laid on weaker sections of the society. Although the term ‘financial inclusion’ was not in vogue in India then, both the Government of India and the Reserve Bank have been concerned about the non availability of banking facilities to the under-privileged and weaker
sections of the society. Accordingly, several initiatives have been taken over time such as nationalization of banks, prescription of priority sector targets, lending to weaker sections at concessional rates and initiation of the lead bank scheme. These initiatives were undertaken at different point of time to expand the outreach of banking facilities and thereby increase the flow of credit to the rural areas. During this period, 19 banks were nationalized to improve the rural and agricultural credit. Henceforth, the nationalized banks have started mobilizing deposits on a massive scale and lending funds for all productive activities. In order to encourage commercial banks and other institutions to grant loans to various categories of small borrowers, the Reserve Bank promoted the establishment of the Credit Guarantee Corporation of India in 1971 for providing guarantees against the risk of default in repayment. The scheme, however, was subsequently discontinued. But, the broad approach towards financial inclusion followed in India in the 1970s and the 1980s were more oriented towards credit requirements of specific sectors/segments and there was relatively low emphasis on individual / household level inclusion. Hence, the social control of banking policy was soon followed by the nationalization of major Indian banks and also the promotional aspects of banking policy have come into greater prominence. The major emphasis of the branch licensing policy during the 1970s and the 1980s were the expansion of commercial bank branches in the rural areas, resulting in a significant expansion of bank branches thereby increasing effective services to the population in every branch. The branch expansion policy was designed, inter alia, as a tool for reducing inter-regional disparities in banking development, deployment of credit and urban-rural pattern of credit distribution. After the major emphasis of the branch licensing policy of commercial banks, the National Bank for Agriculture and Rural Development (NABARD) was established as
an apex rural development bank in the year 1982, through an Act of Parliament. It aims to provide refinance for agriculture, allied activities, small scale industries, cottage industries, rural artisans and crafts in an integrated manner.

1.3.2 Strengthening Financial System (The Second Phase 1990 - 2004)

In the second phase spanning the early 1990s to March 2005, the focus was mainly on strengthening the financial institutions as part of financial sector reforms. However, once the financial health of the banking system was restored, focused attention was again paid towards promotion of financial inclusion. Financial inclusion in this phase was encouraged mainly by the introduction of SHG-bank linkage programme in the early 1990s and Kisan Credit Cards (KCCs) for providing credit to farmers. The Indian Financial System essentially catered to the needs of planned development in a mixed-economy framework, where the Government sector had a predominant role in economic activity. With the onset of economic reforms in the beginning of the 1990s, a strong and resilient financial sector was considered necessary for accelerating the growth momentum in the country and also for expanding the coverage of financial services in a sustainable manner. Accordingly, the financial sector reform process had placed more emphasis on creating a strong, vibrant and competitive banking system. An important step to bring financially excluded people within the fold of formal financial sector was the promotion of Microfinance in India. The SHG-bank linkage programme was launched by NABARD in 1992, with policy support from the Reserve Bank of India, to facilitate collective decision making by the poor and provide ‘door step’ banking. Banks, as wholesalers of credit, were to provide the resources, while the NGOs were to act as
agencies to organise the poor, build their capacities and facilitate the process of empowering them.

To further promote the SHG-bank linkage programme in the country, banks were advised in 1998 that SHGs who were engaged in promoting the saving habits among their members would be eligible to open savings bank accounts and such SHGs need not necessarily have availed of credit facilities from banks before opening savings bank accounts. Subsequent to the Monetary and Credit Policy announcement in the year 1999-2000, banks were advised that interest rates applicable to loans given by them to micro credit organisations or by the micro credit organisations to SHGs/member beneficiaries would be left to their discretion. Henceforth, banks were advised that they should provide adequate incentives to their branches for financing the SHGs and the group dynamics of working of the SHGs may be left to themselves.

1.3.3 Financial inclusion (The third phase 2005 onwards)

In the third phase, beginning in April 2005, ‘financial inclusion’ was explicitly made as a major policy objective and thrust was on providing safe facility to savings deposits through ‘no frills’ accounts. The recent approach focused on financial inclusion on the individual and household level. The important difference in the recent focus on financial inclusion is the adoption of market oriented approach that recognises the importance of business consideration of banks and other financial institutions for the long-term sustainability of the process. The Annual Policy Statement for the Year 2005-06 of the Reserve Bank of India observed that although there had been expansion, greater competition and diversification of ownership of banks leading to both enhanced efficiency and systemic resilience, there were legitimate concerns with regard to the banking practices that tended to exclude vast
sections of population, in particular pensioners, self-employed and those employed in the unorganised sector. The Statement further observed that while commercial considerations were important, the banks had been bestowed with several privileges, especially seeking public deposits on a highly leveraged basis and therefore should be obliged to provide banking services to all segments of the population on an equitable basis.

The process of financial inclusion received further impetus in November 2005, when banks were advised to make available a basic banking ‘no-frills’ (Nil balances) account with minimum charges, to expand the outreach of such accounts to vast sections of the population. The low cost or free of cost account is internationally considered to be helpful in expanding the access of banking services, particularly to the low income groups. Similar types of accounts, though with different names, have also been extended by banks in various other countries with a view to making financial services accessible to the common man either at the behest of banks themselves or the respective Governments.

The objective of bringing financially excluded people within the fold of the banking sector received renewed emphasis in 2005-06 as the term ‘financial inclusion’ was explicitly used for the first time in the Annual Policy Statement for 2005-06. It observed that there were legitimate concerns in the banking practices that tended to exclude vast sections of population, in particular, pensioners, self-employed and those employed in the unorganized sector.
It also indicated that the Reserve Bank would -

i. implement policies to encourage banks which provide extensive services, while dis-incentivizing those which were not responsive to the banking needs of the community, including the underprivileged.

ii. monitor the nature, scope and cost of services to assess whether there were any denial, implicit or explicit, of basic banking services to the common person, and

iii. urged the banks to review their existing practices to align them with the objective of financial inclusion.

1.4 TRENDS IN BANKING PARAMETERS IN INDIA

The below Table 1.1 shows that the Trends in Banking Parameters in India. The total number of commercial banks in India had been decreased (– 8.74%) in 2011. The new branches opened in rural and semi-urban areas have been increased (33%) in 2012 and (41%) in 2011, Likewise branches in urban and metropolitan areas have been decreased (16%) and (14%) in 2012 respectively. The deposits accounts in rural areas have been increased (31%) in 2012 and in semi-urban areas equally distributed (26%) during 2007 - 2011, deposits accounts in urban and metropolitan areas have been decreased (21%) and (22%) in 2011 respectively. The loan accounts in rural and semi-urban areas have been decreased (32%) and (24%) in 2011, loan accounts in urban and metropolitan areas have been maintained (14%) and (30%) in 2012 respectively. Average population per branch have been decreased (12.6%) in 2011 and Number of Banked Centres has been increased (5.79%) in 2012.
Table 1.1 Trends in Banking Parameters in India

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<td>Number of SCBs Banked Centres (%Increase)</td>
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<td>(1.17)</td>
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Source: Reserve Bank of India and Census data
1.5 FINANCIAL INCLUSION INITIATIVES (FII)

The information technology (IT) and introduction of electronic payment system offers financial products and services, financial literacy, education and experience in several parts of the country to reach the masses through the use of kiosks, mobile vans, etc. The development of communication and computer technology and the availability of the Internet have made e-banking possible to a common man whereby one can do most banking transactions from a remote location with ease.

1.5.1 Internet Banking / Online Banking / Net banking

The system allows individuals to perform banking activities such as account transfers, balance inquiries, bill payments, stop payment requests etc., through the internet. As an integral part of the e-business, the e-banking has been growing rapidly. It is believed that the e-banking will help banks to cut costs, increase revenue and become more convenient for customers. The banks have adopted a business strategy of e-banking to target business customers for not only loans but other fee based services. Small banks were motivated to develop e-banking for potential future cost savings and gaining a competitive edge.

1.5.2 Mobile banking

Mobile banking is not a new channel but a modified version of online banking that fits on a two-inch screen through the mobile phone. Mobiles provides a unique opportunity for the financial services institutions to reach customers – much better than internet banking service that necessitates a computer and internet connection. The internet connections are said to be in the region of a few million and active users could be much less. Therefore, given the wide availability of the mobiles and mobile
network, the adoption of mobile banking will be more effective. Mobile banking is currently commonly used for basic banking like balance enquiry and account activity etc. This is achieved through the introduction of Interbank mobile payment service (IMPS), powered by National Payments Corporation of India (NPCI). An IMP is a mobile based, bank led payment mechanism, which is a safe, secure, round-the-clock, convenient payment mechanism for Indians for domestic transactions.

1.5.3 Tele-banking

The system provides provision of certain banking services such as account balance inquiry, funds transfer, information about products and services, information about status of cheque issued or deposited, deposit interest rates, information about ATM and branch locations and payment of bills through telephone. Many facilities are provided through the IVR (Interactive Voice Response) System that allows customers to interact with a company’s host system via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue. IVR systems can respond with pre-recorded or dynamically generated audio to further direct users on how to proceed. IVR applications can be used to control almost any function where the interface can be broken down into a series of simple interactions. IVR systems deployed in the network are used to handle large call volumes.

1.5.4 ATM

An Automated Teller Machine (ATM) is a computerized device that provides the clients of a financial institution with access to financial transaction in a public space without the need for a cashier or a human clerk. The main facilities provided
under ATM are round-the-clock cash withdrawals, cash and cheque deposits, balance enquiry & statement of account, a mini statement comprising last few transactions.

1.5.5 Biometric ATMs

The importance of biometrics has grown tremendously with an increasing demand of security in accordance of unique identification of individuals by the biological phenomena of human body. The rapidly increasing applications, the scope of biometrics is also increasing, be it identification via face, voice, retina or iris. Fingerprinting, however, has the advantage of being a familiar concept worldwide. ATMs with biometric devices are the latest solution in the ongoing effort to offer banking services to the rural masses. Establishing the identity of a rural depositor through biometrics makes it possible for illiterate or barely literate people.

1.5.6 Mobile ATM

Mobile ATMs are designed for providing ATM facility to the rural poor as well as to other customers. The Van (Mobile ATM) move to the pre-determined places and it is also accessible to biometric card holders. Opening of accounts also can be undertaken during the visits to the rural areas. This can be used at weekly markets effectively. Mobile ATMs are useful at sporting events, trade fairs, social gatherings, etc.

1.5.7 Smart Cards

A smart card is any pocket-sized card with embedded integrated circuits. Smart cards can provide identification, authentication, data storage and application processing. They can be a very reliable form of personal identification and a tamper-
proof, secure information repository. Smart cards come in different flavors with differing operating systems, memory capacities and processing power.

1.5.8 Business Facilitator (BF)

The Business Facilitator is an intermediary used by banks. They can be NGOs/ Farmers' Clubs, Cooperatives, community based organisations, IT enabled rural outlets of corporate entities, Post Offices, Insurance agents, Panchayats, Village Knowledge Centres, and Agri Clinics / Agri Business Centers. The services provided by BFs may include:

i. Identification of borrowers and fitment of activities;

ii. Collection and preliminary processing of loan applications including verification of primary information/data;

iii. Creating awareness about savings and other products and education and advice on managing money and debt counseling;

iv. Processing and submission of applications to banks;

v. Promotion and nurturing self help groups/ joint liability groups;

vi. Post-sanction monitoring;

vii. Monitoring and handholding of self help groups/ joint liability groups/ credit groups/ others;

viii. Follow-up for recovery.

1.5.9 Business Correspondent (BC)

The business correspondent (BC) model allows the bank to use third party financial institutions to handle account opening, transaction management, and other
financial services. The Unique Identification Number (UID), which identifies individuals uniquely on the basis of their demographic information and biometrics, gives individuals the means to clearly establish their identity to public and private agencies across the country. With Aadhaar (brand name associated with UID), combined with mobile phones, financial inclusion can happen faster. Most frequently financial transactions will be supported by Aadhaar enabled micro-ATM. NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents. Banks give wide publicity in the locality about the intermediary engaged by them as Business Correspondent and take measures to avoid being misrepresented. The services provided by BCs include:

i. All activities of Business Facilitator

ii. Disbursal of small value credit,

iii. Recovery of principal / collection of interest

iv. Collection of small value deposits

v. Sale of micro insurance/ mutual fund products / pension products/ other third party products

vi. Receipt and delivery of small value remittances / other payment instruments.

1.5.10 Post Offices

Post Offices have a physical presence in every nook and corner of the country. So the department of post, with its presence and skilled employees, can become the agent of change to bring about financial inclusion. The existing Indian Post Offices
are strategically perfect source available to promote inclusive financial growth. The Post Offices are the only way to include the excluded masses into the banking stream is to reach them at their place of residence or work i.e. by providing doorstep banking through cost effective technology driven model.

1.6 STATEMENT OF THE PROBLEM

Financial services providers often focus on those consumers who characterize a commercially smart proposition and leaving vulnerable consumers. Efforts need to be made to ensure access to a basic bank account or no-frills account which is effective at a reasonable cost. Banking has changed from a personal service to an electronic service which is difficult for many people. The unbanked needs the right products and services from banks. It can be said that a basic bank account is an entryway to other products like savings, insurance and credit. Access to basic banking services has to play a vital role in measures to fight unemployment and to attain housing, education, insurance, pension and health care. The current financial disorder has emphasized more than ever the need for better financial management with good level of awareness on every household in the issue of financial inclusion across India.

The gap in financial services availed between high-income and developing economies is very large. While about half of the adults around the world have an account with a formal financial institution, the share in high-income economies is (89 percent) more than / twice that in developing economies (41 percent). Globally, more than 2.5 billion adults have no formal account, of which most of them fall in developing economies. The gaps in account usage between demographic groups are particularly large in developing economies (The World Bank, 2012).
As per NSSO (National Sample Survey Organisation) data, 45.9 million farmer households in the country (51.4%), out of a total of 89.3 million households does not have access to credit, either from institutional or non-institutional sources. Only 27% of total farm households are indebted to formal sources (of which one-third also borrow from informal sources). In other words, 73% of farm households do not have access to / excluded from formal credit sources (GOI, 2008).

Banks organises financial literacy programmes through the FLCCCs (Financial Literacy and Credit Counselling Centre) already set up in various districts. Similarly, they make use of RSETIs (Rural Self Employment Training Institute) for training the SHG (Self Help Group) / JLG (Joint Liability Group) members in the relevant fields. However only 52 per cent of the financially excluded households have so far been covered for opening of accounts with Banks. But Banks need to ensure coverage of 100 per cent and provide them with necessary credit through GCC/ overdraft facilities and also should encourage the rural households to make use of the Smart Cards already issued to them. This necessitates an intermediary like business correspondents to enable banks to achieve 100% financial inclusion (NABARD, Tamil Nadu, 2012).

Hence, financial exclusion affects some of the most vulnerable members of the society those living on low incomes and experiencing multiple forms of disadvantage. Financial inclusion is all about ensuring everyone has the opportunity to access the financial services needed to participate fully in a modern day society and the economy. Nagapattinam District in Tamil Nadu has the maximum population with agricultural activities and fishing as a major occupation but with a poor background, because they are not using credit sources to strengthen their economic conditions.
1.7 SCOPE OF THE STUDY

The essence of financial inclusion is to try and ensure that a range of appropriate financial services are available to every individual, to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic ‘no frills’ banking accounts for receiving payments. No frills account is otherwise used as a saving product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, and other purposes, insurance (life and non-life), etc. At the same time as financial inclusion in the narrow sense may be achieved to some extent by offering any one of these services. The objective of “comprehensive financial inclusion” would be to provide a holistic set of services. Financial inclusion is essential for ensuring access to timely financial services and adequate credit were provided to vulnerable groups living in India at an affordable cost. Henceforth, this study would focus on the initiatives taken by commercial banks, bankers and the business correspondents to promote full financial inclusion. The study in addition looks at the status of financial inclusion initiatives in Nagapattinam District, Tamil Nadu.

1.8 OBJECTIVES OF THE STUDY

1. To review the current status of financial inclusion initiatives of the Commercial Banks in India.

2. To ascertain the views of the bankers and business correspondents of the Commercial Banks on financial inclusion initiatives in Nagapattinam District, Tamil Nadu.

3. To assess the rate of financial inclusion through Financial Inclusion Initiatives taken by Commercial Banks in Nagapattinam District, Tamil Nadu.
4. To know the attitude of the selected respondents on financial inclusion initiatives taken by the Commercial Banks in Nagapattinam District, Tamil Nadu.

5. To evaluate the awareness of the respondents on financial inclusion initiatives of the Commercial Banks in Nagapattinam District, Tamil Nadu.

6. To offer suitable measures for the Government and Banks to improve the Financial Inclusion Initiatives in Nagapattinam District, Tamil Nadu.

1.9 HYPOTHESIS

The following Null Hypotheses tested in the study are as under.

$H_{01}$: There is no significant difference on financial inclusion initiatives undertaken by the Public Sector Banks and Private Sector Banks in Nagapattinam District, Tamil Nadu.

$H_{02}$: There is no significant difference on financial inclusion initiatives among the bankers of various banks in Nagapattinam District, Tamil Nadu.

$H_{03}$: There is no significant difference on financial inclusion initiatives among the business correspondents of various banks in Nagapattinam District, Tamil Nadu.

$H_{04}$: There is no significant difference among the selected respondents on financial inclusion initiatives undertaken by the Commercial Banks in Nagapattinam District, Tamil Nadu.

$H_{05}$: There is no significant difference among the selected respondents on the awareness of financial inclusion initiatives undertaken by the Commercial Banks in Nagapattinam District, Tamil Nadu.
1.10 RESEARCH METHODOLOGY

1.10.1 Profile of the population (Nagapattinam District)

The study in line with the objectives focuses mainly on financial inclusion initiatives taken by commercial banks only. As far as study area, the Nagapattinam (an old Port town) district was carved out from composite Thanjavur district on 18.10.1991 and traditionally it has been referred to as East Thanjavur and Paddy granary of South India. This district is predominantly, a Coastal district with historical importance and having a large coast line of 141 kilometers with an area of 2715.83 Sq. Kms including 11 Panchayat Unions, 4 Municipalities, and 8 Town Panchayats on its development side. The distribution of population in this district is 14,88,839.

Agriculture is one of the major economies in the district and contributes a higher share of rice production in the state. Fishing along with Para marine activities like dry fish, prawn farming constitutes the second major economy for the district. The people of Nagapattinam district having affected by TSUNAMI in the year 2004, and also the cultivable lands are affected regularly by monsoon conditions, they are living in poor financial conditions with the lack of financial services accessibility. Moreover, in this district around 99 branches of Nationalised Banks, 29 branches of Private Banks, 5 Pandian Grama Bank (RRB) and 208 Business Correspondents are operating and providing financial services to the rural and semi-urban areas. Hence Nagapattinam District in Tamil Nadu is selected to review the financial inclusion status and the initiatives taken by commercial banks to improve the same.
1.10.2 Sources of data

The study includes both primary and secondary sources of information. The primary data is collected from the bankers, business correspondents and residents of selected blocks of Nagapattinam District through printed questionnaire (both in English and Vernacular language especially for residents). Secondary sources of information were collected from the official websites of Government of India, Government of Tamil Nadu, Nagapattinam District and records from sample banks and RBI. Further, published and unpublished reports from various sources were also used.

1.10.3 Sampling Technique and Sample Size

Based on the population size three blocks (semi-urban, coastal semi-urban and rural) of the district such as Mayiladuthurai, Nagapattinam and Sembanarkovil have been selected. In the selected blocks, villages having population of more than 2000, population from 1600 to 2000, and population of less than 1600 were chosen as per the state level bankers committee, Tamil Nadu for the study. The following villages viz., Varadampattu, Kurichi, Seruthiyur, Akkaraipettai, Agalangan, Andanapeetai, Kidarankondan, Chandrapadi, Visalur have been selected in the Sample blocks on the basis of maximum population in those category villages in the district. Simple random sampling method was adopted to collect the data from the respondent. The total sample size of 51 (More than 50%) Questionnaires collected out of 76 bankers and 50 (More than 50%) Questionnaires collected out of 89 business correspondents in selected blocks and 509 Questionnaires collected from the village residents of selected blocks in Nagapattinam District, Tamil Nadu.
Table 1.2 Sampling Frame

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Name of the Block</th>
<th>Name of the Village</th>
<th>No. of Households</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mayiladouthurai</td>
<td>Varadampattu (Population Above 2000)</td>
<td>992</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kurichi (Population from 1600 to 2000)</td>
<td>497</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seruthiyur (Population Below 1600)</td>
<td>417</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agalangan (Population from 1600 to 2000)</td>
<td>1065</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Andanaapeetai (Population Below 1600)</td>
<td>652</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chandrapadi (Population from1600 to 2000)</td>
<td>416</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visalur (Population Below 1600)</td>
<td>383</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>8393</strong></td>
<td><strong>509</strong></td>
</tr>
</tbody>
</table>

1.10.4 Tools used for analyzing the data

The “Statistical Package for the Social Sciences” (SPSS) is a package of programs for manipulating, analyzing, and presenting data; the package is widely used in the social and behavioral sciences. The “Gnu Regression, Econometrics and Time-series Library” (Gretl) is an econometrics package. It offers a full range of least-squares based estimators, vector auto regressions and vector error correction models. The data were analyzed through simple tabulation and cross tabulation by using descriptive statistics. Multivariate Techniques were used to assess the population, region, attitude, awareness and views of the respondents. The major statistical tools used in the study were described here under.
i. Multivariate Techniques

Discriminant Analysis is the appropriate statistical technique when the dependent variable is categorical and the independent variables are quantitative. The basic purpose of this analysis is to estimate the relationship between a single categorical dependent variable and a set of quantitative independent variables.

Factor analysis statistical methods are used to investigate the relationship among many dependent variables, with the goal of discovering something about the nature of independent variables that affect them. The tricky part is that those independent variables were not measure directly. Thus answers obtained by factor analysis are necessarily more hypothetical and tentative than is true when independent variables are observed directly.

ii. Chi – square Test

Chi-square is a versatile statistical test used to examine the significance of relationships between two (or more) nominal-level variables. To examine the association between the demographics / banking / borrowing and attitude / awareness, Chi-square test was applied.

iii. Analysis of Variance (ANOVA)

Analysis of variance, often abbreviated to ANOVA, is the technique that is employed when there are more than two groups to compare with a t-test where there are paired and non-paired versions data with different structures. The ANOVA was used to analyse the difference between the respondent attitude and awareness levels about financial inclusion initiatives taken by commercial banks.
1.11 LIMITATIONS OF THE STUDY

1. The sample respondents of the study were drawn from only 3 blocks of Nagapattinam district, Tamil Nadu.

2. The study has not covered the livelihood of the sample households.

3. The views of bank officials, business correspondents and customers are collected from Nagapattinam district, Tamil Nadu only.

1.12 CHAPTER SCHEME

The thesis is presented in six chapters as given under:

Chapter I - This chapter deals with the Introduction, Definitions, Evolution of Financial Inclusion in India, Financial Inclusion Initiatives, Statement of the problem, and explains the objectives and the methodology of the study.

Chapter II - This chapter portrays the status of Financial Inclusion across the world and the various researches (Review of literature) carried out with respect to the study.

Chapter III - This chapter briefly describes Financial Inclusion Initiatives of Commercial Banks in Nagapattinam District, Tamil Nadu, Central Region, Eastern Region, North Eastern Region, Northern Region, Southern Region, and Western Region and all over India as well.

Chapter IV - This chapter analyses the data collected on views from Bankers and Business Correspondents of Commercial Banks in Nagapattinam District, Tamil Nadu.
Chapter V - This chapter analyses the residents’ attitude, awareness on before and after the Financial Inclusion Initiatives of Commercial Banks in Nagapattinam District, Tamil Nadu.

Chapter VI - This chapter narrates the summary of findings, suggestions and conclusion.

"People, poor and rich, need reliable financing so that their ideas can be brought together with assets to generate long-run sustainable growth. The two key ingredients to a well-functioning market economy are competition and access, competition so that performance keeps improving and access so that everyone has a chance to participate and nobody's talents are wasted. In the coming Year of Microcredit, we will focus on access to finance, for after all, people, poor and rich, need reliable financing so that their ideas can be brought together with assets to generate long-run sustainable growth."

- Raghuram G. Rajan, RBI Governor.