CHAPTER 9
SUMMARY OF FINDINGS, SUGGESTIONS & RECOMMENDATIONS AND
CONCLUSION

9.1 Summary of findings

The supply side scenario of financial inclusion Assam

1. Financial inclusion in NER is mostly reflected by outreach of bank branches. A total of 26 Commercial banks, 2 RRBs & 1 Co-operative (AAB) banks are operating in Assam. The total numbers of bank branches in Assam are 1569, out of which highest number of bank branches i.e. 862 branches are located in rural areas, 397 semi/urban areas and 310 in urban areas. Out of total bank branches in Assam, Commercial banks account for around 70 percent followed by RRBs with 26 percent and Co-operative bank (AAB) with around 4 percent. Among the banks operating in Assam, AGVB has highest number of bank branches followed by SBI, UBI, CBI and UCO bank (data as on March, 2011). Population per bank branch is still considered as higher with 22,000 (as against the national average of 15,000), which reflects less banking penetration. Further, district-wise data in this regard reveals wide-disparity.

2. The credit expansion in the state has not commensurate with deposit growth and it may be one of the reasons for financial exclusion of the masses as the gap in credit extension might compel the poor and disadvantaged to approach the informal sources. Except three banks namely Indusind Bank, IDBI and HDFC Bank, other banks including the banks having highest number of branches in Assam have failed to achieve the national CDR norm of 60 percent.
3. Under the SHG-Bank Linkage programme around 2.4 lakh SHGs were deposit-linked and around 1.9 lakh SHGs were credit linked in Assam as on 31st March 2011 registering enormous amount of growth as the number of credit linked SHGs increased from 0.9 lakh in March 2006 to 1.9 lakh in March 2011. The credit extended increased phenomenally from around Rs. 383.92 crore to Rs. 1068.56 crore during the same period. In Assam, the RRBs account for the highest number and amount of both deposit and credit linkages of SHGs followed by commercial banks and co-operative banks.

4. The percentage of the Priority sector advances to total advances\textsuperscript{lxxxv} in Assam has increased from around 43 percent in March 2006 to over 55 percent in March 2011. The share of Priority sector advances to total advances in case of Commercial Banks\textsuperscript{lxxxvi} is around 50 percent, whereas in case of RRBs is around 80 percent and in case of Co-operative is around 76 percent. Recognizing the need of targeting the small and mid size agriculturist, self employed personnel, entrepreneur; not only as a measure of poverty alleviation but also as a measure of productivity/ efficiency building machinery to support the all round development of the region, on-lending to the "needy" for taking up productive activities was started by NEDFi with an objective of developing & supporting NGOs/ Voluntary Agencies (VA) possessing a good track

\textsuperscript{lxxxv} The target for aggregate advances to the priority sector was 40.0 per cent of the net bank credit for domestic banks and 32.0 per cent of net bank credit for the foreign banks. The targets have been linked to ANBC or credit equivalent of OBE, whichever is higher, with effect from April 30, 2007 (RBI Annual Report 2008-2009, p213).

\textsuperscript{lxxxvi} The domestic SCBs, which fail to achieve the priority sector/agriculture lending targets/sub-targets, are mandated to deposit into the RIDF such Amts as may be assigned by the Reserve Bank. The Fund has so far completed fifteen years of operation. The Union Budget for 2010-11 had announced that RIDF XVI (corpus of `16,000 crore), MSME (Refinance) Fund (corpus of `4,000 crore) and Rural Housing Fund (corpus of `2,000 crore) would be set with NABARD, SIDBI and NHB, respectively, during the year (RBI Annual Report 2009-10, p 90-91)
As revealed by SLBC reports, 100 percent of the lending by NEDFi & RIDF has been taken as Priority Sector Advances since 2007.

5. No-frills accounts, now known as ‘Basic Savings Bank Deposit Account’ (RBI, 2012) which is considered to be the first and foremost criteria for financial inclusion has shown remarkable progress recording a figure of over 54 lakhs no-frills accounts in Assam till March 2012. The financial year 2012 witnessed tremendous growth by around 84 percent over the previous year. This growth is a result of increased number of BCs/ BF in the year 2011 & 2012 across various districts of Assam. The bank – wise status reveals that out of total number of no – frills accounts as on March 2012, highest number of no – frills accounts in Assam are opened by AGVB (around 44 percent) followed by SBI (around 41 percent) and UBI (around 4 percent) and the total share of rest of the banks operating in Assam is merely around 11 percent. Thus, the performance of all other banks was comparatively marginal in this regard.

6. Whopping progress has been observed in the issue of number of GCCs over a period of seven years from March 2006 to March 2012 and more than one lakh GCCs were issued in Assam as on March 31st 2012. RRBs issued highest number of GCCs compared to commercial banks during the period. The share of commercial banks in the issue of GCCs declined from over 30 percent during the period 2008 – 2011 to only 11 percent in 2012 recording a decline of around 50 percent over the previous year.

7. The number of KCCs issued also revealed an increasing trend in Assam recording a growth by around 3 times over a period of seven years from around 3.3 lakh KCCs in
2006 to above 9.6 lakh KCCs as at end March 2012. Commercial banks issued highest numbers of cards followed by RRBs and co-operatives.

8. Under the financial inclusion initiative, a few districts were identified as per RBI directives of April 2006, for achieving 100 percent financial inclusion in Assam. Sonitpur was the first district to be identified and to declare achievement of 100 percent financial inclusion. Subsequently, 11 more districts were identified for achieving 100 percent financial inclusion namely Bongaigaon, KarbiAnglong, N C Hills, Chirang, Baksa, Udalguri, Barpeta, Goalpara, Lakhimpur, Golaghat and Nagaon. The financial inclusion in Assam has progressed in uneven manner. The district wise distribution of number of BC/ BF appointed as on March 2012 revealed that highest number of BC/ BF were appointed in Nagaon followed by Jorhat, Sonitpur and Golaghat whereas it was marginal in certain districts namely Hailakandi, Morigaon, Kamrup metro and Dhubri. Again, no BC/ BF were appointed in some other districts namely Chirang, Dhemaji, Dima Hasao, Udalguri, and Baksa till March 2012. Again, district wise progress of covering unbanked villages (having population of over 2000) under FIP up to March 2011 revealed that the highest number of unbanked villages were covered in Dhubri, Sibsagar, Nagaon and Cachar whereas the situation was particularly grim in certain districts (with marginal or no coverage) namely Dima Hasao, Udalguri, KarbiAnglong and Dhemaji. Thus, if the progress of districts in terms of appointments of BC/ BF and coverage of unbanked villages under FIP is considered, than Nagaon is having better position compared to all other districts whereas some districts namely
Dhemaji, Dima Hasao and Udalguri have negligible progress\(^{xxxvii}\) despite the fact that both Nagaon and Udalguri are identified districts.

9. AGVB and SBI took lead in covering unbanked villages in Assam under FIP. Although, a total of 842 unbanked villages (having population over 2000) were allotted to various banks to be covered under FIP in 2010 – 2011 of which only around 66 percent of villages i.e. 559 villages are covered and all of these villages are covered by SBI and AGVB upto March 2011. Thus, as revealed by supply side data the level of financial inclusion was not very satisfactory in Assam. The field data also revealed that major bank providing access to financially included households in the areas surveyed of Sonitpur was AGVB (around 44 percent) and SBI in Kamrup (around 42 percent).

10. The alliances of banks with BCs and Technology vendors have also been initiated in Assam. However, it has shown marginal progress. The reason being technological and expertise gap. Different banks namely SBI, UCO, UBI, CBI, ALB & AGVB collaborated with various agencies. However, except the alliances of SBI with Drishtee Foundation and Zero Mass Foundation; and AGVB collaboration with Asomi other alliances were not operational or had very marginal outreach till September 2011.

11. Comparatively more numbers of BCs as well as CSPs were appointed by SBI in the unidentified Kamrup district (2 BCs and 18 CSPs) than the identified Sonitpur (1 BC and 8 CSPs) district upto June 2011. However, the functioning and outreach of SBI-CSPs operating in the study areas were not found to be satisfactory. In Kamrup (Rural), only the ‘SBI-Drishtee-CSPs’ were found operating, whereas none of the appointed ‘SBI-ZMF-CSPs’ could start their operation till September 2011. Further, in Sonitpur

\(^{xxxvii}\) For details refer to Chapter-4
only ‘SBI-Drishtee-CSPs’ were appointed\textsuperscript{\textit{lxxxviii}} but none of them could start their operation till September 2011. Majority of the CSPs surveyed revealed negligence and lack of enthusiasm on the part of bank officials in promoting the no-frills accounts, time lag and lengthy procedure for opening the no-frills accounts as the major hindrances in the success of the financial inclusion drive. Further, the CSPs were not satisfied with the remuneration and in their opinion opening of no-frills account were not financially viable for them. The percentage of commission they had to share with BC was high in their opinion and the remuneration came via BC (i.e. Drishtee), that too not regularly. Improper technology and weak internet connectivity hampered the smooth functioning of CSPs. Again, no promotional support was augmented by the BCs for popularizing the services of CSP. The other issues with BC model in Assam included non-availability of variety of products to be offered by CSPs, insufficient number of CSPs and difficulty in monitoring the functions of CSPs etc.

\textbf{The extent of financial inclusion in identified districts}

12. The claim of lead bank to achieve 100 percent financial inclusion in the identified district was not supported by field evidences. Rather more households in the unidentified Kamrup district i.e. 43 percent had access to bank account compared to identified Sonitpur district where only 27.5 percent of the poor households had access to bank account and majority were excluded in both the districts.

13. In terms of general savings habits of the poor households, around 40 percent of the households in Sonitpur and 44 percent of the households in Kamrup (Rural) reported\textsuperscript{\textit{lxxxviii}} ‘SBI-ZMF-CSPs’ were not appointed in Sonitpur District
that they were left with surplus income after meeting their expenditure and used to save. Out of the households having cash surplus, only around 18 percent of them in Sonitpur and around 15 percent in Kamrup (Rural) saved with Banks.

14. By further analysis it was found that BPL households had relatively poor access to bank accounts compared to non-BPL households in both the districts. However, the scenario was different in both the districts and comparatively more non-BPL households were financially included in Kamrup (82 percent) compared to Sonitpur district (49 percent).

15. Better access to bank accounts was observed among the farmers as compared to the respondents engaged in other occupations such as Agricultural workers, engaged in Allied Agricultural activities and Non-agricultural activities. This might be because they used to open the accounts for securing loans such as agricultural loan under priority sector, KCC and GCC.

16. Working age group of 30 years – to – 50 years, had relatively less access to bank account compared to the respondents in the age group of above 50 years.

17. Households headed by individuals with no educational qualification had lowest access to Bank account. Access to Bank account revealed relationship with educational qualification of respondents in both the districts.

18. With increase in the average monthly household income and expenditure level, the percentage of households having access to Bank account also increased in both the districts (except for households having average monthly income in the range of Rs.
1501- Rs. 3000 in Kamrup). The access to Bank account had relationship with economic status of households in both the districts.

19. The outreach of other financial services such as credit facility from bank including GCC and KCC, usage of bank account for remittance and outreach of BCs/BFs was also significantly low in both identified and unidentified district.

20. It is worth noting that MNREGA could have been an effective tool for increasing the banking outreach by routing the payment of wages through Bank. But, the occupational profile of respondents showed very low outreach of the MNREGA programme in the study areas during the period of survey.

21. As an alternative to bank, another type of informal financial intermediary, known as Sonchoy Sammitee (private societies) were operating in the areas surveyed. These societies were engaged mostly in taking deposits, dispensation of credit to the members. There were instances, where villagers referred to these Private societies as bank account, when asked about access to Bank account and few others were under the impression that they were depositing money in Insurance companies.

**The extent of usage of the Bank account**

22. Majority of the included households in both the districts had one account per household (i.e. around 98 percent in Sonitpur and 94 percent in Kamrup). The number of bank accounts per household did not show much variation in both the districts.

23. Out of the total poor households having access to Bank account, majority in both the districts had bank accounts for more than two years and most of these bank accounts
i.e. around 90 percent in Sonitpur and around 96 percent in Kamrup were Savings Bank accounts.

24. Visit to bank branches by the poor people in the surveyed areas were found to be very less, as around 18 percent in Sonitpur district and 34 percent of bank account holders in Kamrup (Rural) district visited bank branch only once in a year. Again, around 23 percent in Sonitpur and around 26 percent in Kamrup (Rural) used to visit the branches half yearly. It was observed that these categories mainly include those respondents who opened bank accounts to get their old age pension, widow pension etc. They used to visit the branch only after receiving intimation from the Panchayat office about credit of their pension to their account. Further, around 12 percent of the respondents in Sonitpur district and around 13 percent of the respondents in Kamrup district reported that they never visited the Bank branches after opening the account. These mainly include those households who opened the accounts to avail benefit of schemes like pension schemes, IAY or to secure loan from bank (including KCC & GCC) etc., but could not get the same. Hence, they never visited the bank branch subsequently on rejection of their application as they didn’t had transaction motive while opening the bank accounts.

25. On the basis of usage of the bank account, the users were categorized as active, passive and none – users. It was found that most of the respondents having bank account in both identified and unidentified district were passive users. However, the percentage of passive users was higher in Kamrup (Rural) (around 71 percent) compared to Sonitpur (58 percent). Only 16 percent of the respondents in the areas surveyed of Kamrup
(Rural) and 28 percent in Sonitpur were active users. The percentage of None-users was almost same in both the districts with 13.2 percent in Kamrup (Rural) and 12.8 percent in the areas surveyed of Sonitpur district.

26. The outreach of no-frills accounts was significantly low in the areas surveyed of both identified and unidentified district as only around 10 percent of the households in Sonitpur and around 4 percent in Kamrup (Rural) were no-frills account holders.

27. Gram Panchayat members facilitated opening of no-frills accounts in most of the cases. Role of Bank employees in facilitating the opening of no-frills account was found negligible.

28. The involvement of individual informal middlemen in facilitating the rural masses to avail the government benefits through banks and the other banking services was also observed in the areas surveyed.

29. No-frills accounts were opened and used primarily for the purpose of availing benefits of Government Scheme and the balance in most of the no-frills accounts was nil in both the districts. Thus, it can be inferred that these accounts were not opened with transaction motive.

30. None of the respondents in both the districts were aware about the facilities available in no-frills account.

31. None of the respondents were aware about the mobile banking facility in the areas surveyed.

32. The outreach and the extent of usage of bank accounts for savings revealed that even though around 40 percent of the households in Sonitpur and 44 percent in Kamrup
(Rural) reported that they were left with surplus of income over expenditure, only around 7 percent of them in both the districts parked their cash surpluses with Banks which is considerably low compared to their savings with SHGs or similar groups. Again, it was observed that most of the bank account holders were passive users as they opened the bank accounts as beneficiaries of various schemes such as old age pension, widow pension, IAY, MNREGA etc. Apart from withdrawing the payments no deposit transaction was observed in these accounts in most of the cases. Thus, this arrangement of routing the government benefits through bank accounts failed to cultivate the savings habit among the poor households.

33. The access to formal credit from Bank is very negligible. It is interesting to know that despite indebtedness of around 29 percent households in Sonitpur and 26 percent in Kamrup (Rural), only around 3 percent in both the districts accessed credit from banks. The main source of credit in both the districts was MFI. However, it is disheartening to note that despite a number of financial inclusion initiatives, moneylenders ranked second in Sonitpur and third in surveyed areas of Kamrup.

34. Usage of bank account for cash transfer was also very low as very few households i.e. only around 4.5 percent in Sonitpur and 0.3 percent in Kamrup (Rural) had migrant family members who used to send money to their families and most of them used to come personally to give money to their families.

35. The SHG-Bank linkage can prove to be an effective tool for financial inclusion in the rural areas as in Sonitpur around 50 percent of the poor households associated with
SHGs had access to Bank account and in Kamrup (Rural) around 49 percent of the households associated with SHGs had access to Bank account

**Reasons for Financial Exclusion & Alternative Practices**

36. The first two common reasons for not having access to bank accounts in both the districts were related to the poor economic status of the households (low savings and low income) and the third major factor pertained to lack of knowledge of banking.

37. Lack of awareness among majority of the households about the availability of no-frills account was the prime reason for low access to no-frills account. Even those having no-frills account were not aware that it’s a special category of bank account meant for the poor.

38. The most popular alternative modes of savings other than bank accounts for storing the surpluses by the poor households in both the districts were deposit with SHGs and Post office savings followed by Private societies. SHGs emerged as the most popular modes of storing cash surpluses by the poor households in both the districts. Out of the total poor households having cash surplus of income over expenditure, around 65 percent of them in Kamrup (Rural) and 56 percent in Sonitpur parked their surpluses with SHGs or similar groups. The second most preferred mode of savings was Post office in both the districts. Post office savings were reported by around 16 percent of the poor households in Kamrup (Rural) and 25 percent in Sonitpur. Further, around 8 percent of the poor households in Sonitpur and 11 percent in Kamrup rural reported savings with Private Societies. They saved primarily on monthly basis, however, weekly basis of savings were more popular in Kamrup (Rural) compared to Sonitpur district. Proximity
to Post offices was more in the villages surveyed compared to Banks and MFIs. Different Private Societies not registered were found operating in the rural areas surveyed of both Sonitpur and Kamrup district.

39. The three most important sources of credit in both the districts included MFIs, SHGs and Moneylenders.

40. The households indebted to MFIs cited the reasons like - MFIs were easily accessible and taking loan from MFIs involved comparatively very less paper work. Further, the loans were repayable in weekly installments, making it convenient for the poor households to repay in small installments. Moreover, they found MFI officials more cooperative compared to bank officials. Bandhan is the most popular MFI having wider outreach in most of the villages surveyed.

41. Banks were not able to meet the credit needs of the rural masses. It was observed that majority of the households were unaware of the KCC and GCC schemes and none of the respondents was aware about the overdraft facility available in no-frills accounts. Further, few households reported that they were unable to access loan because of the bribes demanded by middlemen and bank officials in sanctioning bank loan including credit under the KCC and GCC schemes.

42. The practice of multiple borrowing was also prevalent in both the districts as out of the total indebted households around 10 percent in Sonitpur and 7 percent in Kamrup (Rural) borrowed from more than one source.
43. The insurance coverage was also low in both the identified and unidentified district. The most common indigenous practice to manage risks in the surveyed areas was to sell livestock to meet various forms of uncertainties.

44. Out of the households having some kind of formal insurance coverage, majority in both the districts were covered by Insurance Companies followed by credit linked Micro insurance facility provided by the MFIs.

45. As was evident from the survey, SHGs have become one of the most popular means of savings and credit. Majority of the household respondents associated with SHG in Sonitpur reported that the purpose of their association was to access credit (around 44 percent), while majority in Kamrup (Rural) were associated with SHG for availing both savings and credit services (around 47 percent).

46. The members who borrowed from SHGs, most of them reported regular repayments. Thus, it was evident that the rural masses were to a large extent bankable.

47. Except a few households in the village Kulhati (Majorsupa) in Kamrup (Rural) district, none of the respondents were either aware or associated with the BC/BF in the areas surveyed.

9.2 Suggestions and Recommendations:

1. Auditing the outreach

To ensure the proper implementation of the financial inclusion initiatives, RBI should engage external agencies to conduct studies on financial inclusion status on a regular basis.
2. Restructuring the BC Model

The model should be restructured allowing more flexibility and considering financial sustainability to CSPs. Bank should maintain the time schedule for delivery and actions in the process of operation of CSPs in association with BCs. BCs should be involved in creating awareness about financial products and services among the rural poor.

3. Greater involvement of Banks

Bank staff may be given extra incentives for carrying out financial inclusion work more efficiently as few of the CSPs surveyed reported that some branch managers did not promote no-frills account. A separate desk should be created in link/base branch to help the CSPs to avoid loss of work on the day of the branch visit. Due to non-availability of ICT-network in furflung areas many CSPs were unable to discharge their duties. Internet connectivity needs to be improved. Proper co-ordination between the three parties i.e. Technology Service Provider, the BCs and CSPs is required for the greater success of the financial inclusion drive. The agreements between banks and technology vendor should be at regional/state level and not at corporate office level. Further, appointment of local NGOs and MFIs as BC might be more desirable as they have better understanding of the needs of the common people and suitable financial products and services may be developed to serve the poor. Further, it will enable the bank to have better monitoring and will bring efficiency and speed in the financial inclusion drive. Again, to reduce the time lag in printing and delivery of Tiny cards, local agencies should be involved. Even for providing technological support and reduce the expertise gap, local agencies might be enrolled. This might facilitate better screening and monitoring of BCs and Technology
vendors by banks and bring efficiency and effectiveness in the functioning of CSPs for greater financial inclusion. In addition, there is a need to increase number of CSPs for greater outreach of the financial services in remote locations.

4. Relook at FIP

More interior villages in the far-flung areas should be identified under the FIP to bring effective financial inclusion. The FIP focus is on the villages with households of more than 1000 or 2000; however, many villages in NER including Assam are of small size with even of 50 – 100 households. So, instead of village size, RBI should take cluster of village approach. Hence, one relook at the FIP approach is recommended to attach due importance to villages of small sizes.

5. Formalizing Private Societies

Private societies can be formalized by giving the status of BCs/ CSPs as they are providing access to around 10 percent of the total households in the rural areas surveyed.

6. Banking on Mobile

Mobile banking solutions may be explored in association with Technological experts. In Assam, several Telecom operators have started offering 2G and 3G mobile services which includes BSNL, Vodafone, Aircel, Airtel and Reliance. Further, the operators in line with ‘airtel money Super Account powered by Axis Bank’

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On May 16th 2012 Bharti Airtel and Axis Bank announce strategic alliance for financial inclusion with an aim to combine strengths of banking and telecom sectors to deliver banking services through the ubiquitous mobile platform and launched ‘airtel money Super Account powered by Axis Bank’, a no-frills savings bank account of Axis Bank on Airtel’s mobile platform, in partnership with Infosys. However, this account was for money transfer with cash-out now available across leading remittance corridors whereby customers can save money and earn interest too. The other two vital financial inclusion services i.e. small loans and micro-insurance products were to be provided later. Initially, savings and remittance solutions was to be provided in the top four remittance corridors involving Delhi and Mumbai on the sending side and Bihar and East UP on the receiving side (http://www.airtel.com).
(http://www.airtel.com) can also launch IT enabled mobile banking services in Assam for tapping the vast rural untapped market by making available mobile banking facility. It will reduce their cost and enhance their outreach and may prove to be an effective tool for greater financial inclusion in the rural areas as it has happened in other countries like Kenya.

7. Leveraging Post office network

The existing Postal network\textsuperscript{xc} is huge compared to traditional financial institutions and the existing network of Post offices can be used without much additional cost in setting up the basic infrastructure in remote places. Department of Post has taken the initiative of creation of ‘Post Bank of India’ for promoting financial inclusion. The goal of India Post is to increase financial inclusion of the unbanked population by at least 10 percent by the year 2013-14 (http://www.indiapost.gov.in). Post offices are already offering deposits, remittance and insurance facilities. Only the credit facility needs to be brought under its ambit which can be provided under the Hybrid Model. Under this model, Post offices can make alliances with Banks and make use of their expertise in meeting the unmet financial needs of the poor in rural areas in a cost effective manner. This will help the Post offices to become overcome the danger of becoming extinct due to reduced demand of Postal services and development of cheaper and faster mode of

\textsuperscript{xc} India has the largest Postal Network in the world with over 1, 55,015 Post offices (as on 31.03.2009) of which around 90 percent (1, 39,144) are in the rural areas. At the time of independence, there were 23,344 Post offices, which were primarily in urban areas. Thus, the network has registered a seven-fold growth since Independence, with the focus of this expansion primarily in rural areas. On an average, a Post office serves an area of 21.21 Sq. Km and a population of 7175 people (http://www.indiapost.gov.in) whereas the national average of population per bank branch is 15,000 and in Assam is 22,000. In the Budget for the year 2013-14, the Finance Minister of India proposed that post offices would become part of the core banking solution and would offer real time banking services (http://articles.economictimes.).
communications. If the Hybrid Model is adopted than banking industry may tap the untapped market without opening new branches and deploying additional staff and resources. However, the issue pertains to Technology Partners as the main bottleneck for delay in operation of the BC alliances of the banks surveyed pertained to Technological and expertise gap. If the gap in Technology can be plugged than ‘Postal Bank’ can prove to be a better option than ‘M-Paisa’ as Post offices have earned the trust of rural poor for generations and the concept of mobile banking being new, may pose a challenge for the ‘M- Paisa’ providers. The online money transfer should be made more popular. Post office money transfer should be more user friendly, poor friendly and cost effective.

8. **Livelihood promotion along with logistics support**

   For livelihood promotion, government should provide for the basic amenities of life such as housing, electricity, sanitation, water etc. so that the cost of expenditure incurred by poor households to satiate their basic needs comes down. The financial needs are secondary to the basic amenities of life. To enhance the livelihood of the rural households, weaving can be boosted as it was observed that most of the household weaved cloths for self use which can be commercialized by providing necessary funding support for buying modern weaving equipments (long term – credit) and some financial assistance for buying raw material (short term – credit) can also be extended. Again, many households were engaged in vegetable producing which they used to sell to the middlemen in local ‘hats’ (markets). The necessary logistic support can be provided in association with NGOs or MFIs to enable them to reach the markets where they can fetch reasonable prices for their products. The villagers can also be trained and given the necessary assistance for
producing ‘vegetable pickles’. Further, to plug the gaps and stop leakages, the money should be transferred to the beneficiaries only through bank accounts.

9. Financial Literacy

In addition to its continued focus on enhancing the literacy level of the masses, Government should take steps for increasing the ‘financial literacy and financial education’. It should be introduced as a part of course curricula at High School level particularly in rural areas, so that at least the next generation of farmers and others can come out of the clutches of exploitative money lenders. Again, there is every possibility that they can educate their parents also in this regard. Panchayat offices should be involved in enhancing financial literacy. Even, Asha workers can also prove to be an effective channel for increasing financial literacy.

10. Scaling up the SHG Bank Linkage Programme

SHG Bank linkage has been started but it needs to be scaled up. It is recommended that it should be ensured that the credit extended to SHG members are used for livelihood promoting activities and the SHGs members should be encouraged to harness on the traditional skills like weaving, making wooden or bamboo handicraft products, manufacturing of brass materials, pickles, vegetable producing, milk vending or other allied agricultural activities like piggery, fishery, etc. They might also be extended credit for viable innovative ideas. The credit extension to SHGs should be linked with ‘Buy-Back’ agreements i.e. providing a market to sell the products and enable the SHGs to fetch good prices for their produces. In this regard, banks can organise some events like ‘Melas’ and ‘Exhibitions’ in association with NGOs or MFIs. Banks can also take help of these
agencies to serve as a bridge and provide a good market for the products produced by SHGs. Creation of ‘SHG-Federations’ is suggested for better marketing of products. The effort should be made to create application and services that serve the financial needs and facilitate the transactions through Bank accounts. Again, steps needs to be taken that the SHG bank account should become individual bank accounts on satisfactory performance of the group members over a period of time.

9.3 Scope for further Research

The findings of the present study are based on the survey of rural households living below the poverty lines. The findings cannot be generalized for the non-poor excluded households in the rural areas. Further, the excluded households (both poor and non-poor) residing in urban areas was outside the purview of the present study. Hence, studies can be carried out to examine the level of financial inclusion in urban areas.

Further, access to bank account by individuals has been considered as the primary indicator for financial inclusion in the present study. It was found that many Private societies were operating in the areas surveyed serving the financial needs of the rural masses. An examination can be carried out regarding the operation and outreach of similar organisations to suggest ways to bring their functioning under the RBI regulations to eradicate the chances of duping. Again, an examination of status of financial inclusion in recently covered villages under the NRFIP is suggested. As the period of study is 2009-11, the poverty lines of 2004-05 have been used for identifying the rural poor (Planning
Commission, 2009\textsuperscript{xci} instead of poverty estimates of 2009-10 which were released on March 2012. A study can be carried out taking the new poverty estimates of 2009-10. A study can be conducted in Assam to see the prospects of IT enabled mobile banking in Assam. More research is advocated to better understand under which circumstances and under which business models ‘Post office banking solutions’ can enhance financial inclusion outreach in best possible way. Further, a comparative study can be undertaken regarding the effectiveness and outreach of no-frills account and post office savings account.

9.4 Conclusion

Financial inclusion agenda is progressing but not at the expected pace in Assam. The population per bank branch in Assam is still higher compared to the national average. Further, district wise disparity has been observed in terms of – Bank branches, appointment of BCs/ BFIs, appointment of CSPs, CD ratio, and coverage of unbanked villages under FIP etc. AGVB and SBI are the major banks which covered unbanked villages under FIP in Assam. The alliances of banks with BCs and Technology vendors have shown marginal progress in Assam, the reason being technological and expertise gap. Survey revealed that except alliance of SBI with Drishtee Foundation and Zero Mass Foundation, and AGVB collaboration with Asomi; alliances of other banks were not operational or had very marginal outreach till September 2011. There is a need to restructure the existing ‘Bank – BC – CSP’ model for smooth functioning of CSPs. Timely

delivery of improved devices and enhancement in the per day cash limit of CSPs is required.

Difference has been observed in data pertaining to the outreach of financial inclusion initiatives as per supply side information (available from secondary sources) and field evidences. The claim of lead bank to achieve 100 percent financial inclusion in the identified district Sonitpur was not supported by field evidences and comparatively more households in the unidentified Kamrup district had access to bank account. The outreach of no-frills accounts was negligible in the areas surveyed. The major reasons for financial exclusion of the rural poor are ‘low savings’, ‘low income’ and ‘no knowledge of banking’. Very low level of usage of the bank account was observed by the financially included poor. The most popular alternative modes of savings were deposit with SHGs and the most prevalent sources of credit were MFIs.

To have a greater financial inclusion, it is important to have demand for the services. For creation of demand financial literacy is important as people are not aware of advantages of financial inclusion. Thus, the demand side factors are also responsible for lukewarm progress of financial inclusion. Poor are unaware of the benefits of financial inclusion and also their socio-economic conditions are not commensurate to fit in the formal financial system. Thus, uplifting their socio-economic conditions and creating financial awareness are two important dimensions to be emphasized for greater and faster financial inclusion. Government should take initiatives for livelihood promotion and enhancing the financial literacy in the rural areas for effective financial inclusion.
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