Chapter 2

Objectives, Scope and Limitations
2. Objectives, Scope and Limitations

2.1. Objectives

The objectives of the study are-

i) To study the status of Financial Inclusion in Assam with specific reference to urban areas.

ii) To identify demand and supply side factors limiting Financial Inclusion.

iii) To study the usage of non-banking financial services by unbanked.

2.2. Scope

The study covers the State of Assam and the urban banking centres of the State viz. Dibrugarh, Guwahati, Nagaon, Silchar and Tinsukia (refer §2.5.4). For comparison purpose, all India scenarios have also been analysed. Some basic facts about the State are mentioned in the Table 2.1 below.

Table 2.1: Basic facts about Assam*

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Assam</th>
<th>Urban Assam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>31,205,576</td>
<td>4,398,542</td>
</tr>
<tr>
<td></td>
<td>(1,210,569,573)</td>
<td>(377,106,125)</td>
</tr>
<tr>
<td>Sex Ratio (Female per 1000 males)</td>
<td>958 (943)</td>
<td>946 (929)</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>73.18 (74.04)</td>
<td>88.88 (84.98)</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>Rs. 21,500/-</td>
<td></td>
</tr>
<tr>
<td>At Constant (2004-05) Prices</td>
<td>(Rs.35,993/-)</td>
<td></td>
</tr>
</tbody>
</table>


*Figure in bracket shows corresponding value for India

As on March 31, 2011, there are 1546 number of reporting offices of banks in the State. The total deposit at the Scheduled Commercial Banks operating in Assam constitutes 1.1% of the total deposit in the country and the outstanding credit constitutes 0.5% of outstanding credit in the country.
Figure 2.1. Location Map of Assam in India

Source: http://online.assam.gov.in/assammaps

Figure 2.2. Locational map of Assam showing study area
2.3. LIMITATIONS

The study suffers from the following limitations -

2.3.1. As banks are the gateway to the most basic form of financial services, banking inclusion/exclusion are most often used as analogous to financial inclusion/exclusion.9 The study primarily takes into consideration banking inclusion as financial inclusion.

2.3.2. The study covers individuals only and does not cover households and firms.

2.3.3. The study covers secondary data pertaining to the Scheduled Commercial Banks.

2.3.4. The branch manager or the head of a bank branch has been considered as representative of the branch.

2.3.5. The study suffers from dearth of published information on urban Financial Inclusion.

2.3.6. The study is subject to common limitations of sample survey.

2.4. PERIODICITY

Periodicity of the secondary data for trend analysis is 21 years during the period 1990-2011. The primary data was collected during the financial year 2010-11. Financial year in India starts from April 1 and ends on March 31 of the subsequent year.

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2.5. Definition and Understanding of Major Terms

In this section, definitions of various major terms used in the study are placed. It may be noted that there are many different definitions of these terms in the existing literature. However, the following definitions have been used in the context of the study.

2.5.1. Financial Inclusion

The study adopts the definition of Financial Inclusion by Leeladhar as delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups.10 As banks are the gateway to the most basic forms of financial services, banking inclusion/exclusion has been used as analogous to financial inclusion/exclusion. A detailed discussion on various definitions of Financial Inclusion has been done in § 4.1.1.

2.5.2. Financial Exclusion

The Study adopts the definition by European Commission 2008.11 It defines Financial Exclusion as the process whereby people encounter difficulties in accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.

2.5.3. Social Exclusion

The definition by United Nations has been adopted in the study.12 It defines Social Exclusion as an involuntary exclusion of individuals and groups from society’s political, economic and social processes which prevents their full participation in the society in which they live.

10 Leeladhar, V. “Taking banking services to the common man – financial inclusion” describes that banking services are in the nature of public good.


2.5.4. Urban Centres

The census population groups in India are 'rural' and 'urban', whereas the population groups used in banking statistics are 'rural', 'semi-urban', 'urban' and 'metropolitan'. There is no unique relationship between the two. For comparison purpose and simplicity, 'Rural' and 'Semi Urban' has been taken as 'rural', and 'urban' and 'metropolitan' has been combined as 'urban' as used by Mohan.¹³

As per RBI, Urban centres are with population of one tenth of a million and above but below 1 million and Metropolitan Centres are with population of 1 million and above as per 2001 census. The study considers the following centres of the State as Urban centres as per RBI statistics¹⁴. Figures in brackets indicate population as per 2001 census.

i) Guwahati (881,809)

ii) Nagaon (123,265)

iii) Silchar (184,805)

iv) Dibrugarh (137,661)

v) Tinsukia (108,123)

2.5.5. Underbanked

A location, either a district or a State, is considered Underbanked where average population per branch office is more than the national average.


¹⁴ http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/18T_QUA210910.pdf
2.5.6. Unbanked

A person is referred as unbanked if he/she belongs to any of the following group

- is not having any bank account at present

- is having a bank account but not operated for at least last two years

2.5.7. Know Your Customer (KYC)

KYC norms are guidelines that banks and Financial Institutions (FI) follow in identifying the customers, accepting them, monitoring their transactions and managing risk involved in the whole process. The objective of KYC guidelines is to prevent banks and FIs from being used, intentionally or unintentionally, for money laundering activities. In the process, banks and FIs collect some documentary evidences from customers which are popularly known as ‘KYC Documents’. These are mostly identification, signature and address verification documents.

2.5.8. Banking Facilitators and Banking Correspondents

Banking Facilitators (BF) and Banking Correspondents (BC) are individuals or entities engaged by banks to undertake some activities of banks at places other than the bank premises with an objective of increasing the banking outreach without establishing a banking unit. Detailed discussion is placed in Chapter 4.

2.5.9. Demand Side

Demand side signifies the unbanked population.

2.5.10. Supply Side

Supply side signifies the supplier of banking services i.e., the banks.