Financial Inclusion in India: A Theoretical Assessment

Shalu Khandelwal & Romita Khurana
Ph.D. Scholars, FMS, Gurukula Kangri University, Haridwar, Uttarakhand, India.

ABSTRACT:
(Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. More than 150 million poor people have access to collateral – free loans. However, there are still large sections of the world population that are excluded from the financial market. In India half of the poor are financially excluded from the country’s main stream of banking sector. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The paper discuss about the current status of Financial Inclusion in India and the World general, highlight the measures taken by the Government of India and RBI for promoting financial Inclusion These steps include Opening of No – Frill Accounts (NFA), Relaxation of KYC norms, Engaging Business Correspondents (BCs), opening of branches in unbanked rural centers, Financial Literacy Programmes etc.)

Key Words: Financial Inclusion, No-Frill Accounts, KYC Norms, Engaging Business Correspondents.

Introduction:
India is one of the largest and fastest growing economies of the world, but what has been the most disturbing fact about its growth is that its growth has not only been uneven but also discrete. It has been uneven in the sense that there has been no uniformity in its growth performance and it has been discrete and disconnected with regard to growth and distribution of growth benefits to certain sectors of economy. The Indian economy, though achieved a high growth momentum during 2003-04 to 2007-08, could not bring down unemployment and poverty to tolerable levels.

Further, a vast majority of the population remained outside the ambit of basic health and education facilities during this high growth phase. In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities. Over 25% of Indians continue to live in abject poverty. As a result, inclusive growth has become a national policy objective of the union government. And thus the need for inclusive growth comes in the picture of Indian economic development. In context of Indian growth planning it is a relatively new terminology which got the attention of policy makers in the Eleventh Five Year Plan.

The two decades of post reform period in India demonstrated the transformation of the economy in to one of the fastest growing economies of the world signaling the emergence of the nation in the new Geo political and economic order and hence eliciting lot of international attention. But this higher economic growth is confined to some affluent sections and failed to translate in to well being of the large number of deprived and marginalised sections due to various structural rigidities. This is amply exhibited in the marginal improvement in the socio economic indicators of the lower rungs of the population. Even though poverty is declining, the rate of decline is much more desired given the narrow way we define poverty in India.

The consensus is that finance promotes economic growth but the magnitude of impact differs financial inclusion is intended to connect people to banks with consequential benefits. Ensuring that the financial system plays its due role in promoting inclusive growth is one of the biggest challenges facing the emerging economies. We therefore advocate that financial development creates enabling conditions for growth when access to safe, easy and affordable credit and other financial services by the poor and vulnerable groups, disadvantaged areas and lagging sectors is recognised as a pre-condition for accelerating growth and reducing income disparities and poverty. Access to a well-
functioning financial system, by creating equal opportunities, enables economically and socially excluded people better in to the economy and actively contributes to development and protects themselves against shocks.

For the financial inclusion, banking industry in India has recognized imperative and undergone certain fundamental changes over the last two decades. Reforms since the early nineties in the banking sector have facilitated increasing competition, the development of new generation private sector banks as well as technological breakthrough in diverse financial products, services and delivery channels. With the recent developments in technology, both delivery channels and access to financial services have transformed banking from the traditional Brick – And – Mortar infrastructure to system supplemented by other channels like Automated Teller System (ATM), Credit / Debit Cards, Internet banking, online money transfer etc. The banking system in India today has perhaps the largest outreach for delivery of financial services. Apart from the old-fashioned financial products viz. deposits, loans and money transfer, bank branches are also serving as an important conduit for delivery of mutual funds, other capital market and insurance products.

Objective of the study:

- To examine the current status of Financial Inclusion in India and the World in general.
- To highlight the measures taken by the Government of India and RBI for promoting Financial Inclusion.

Financial Inclusion: An Overview

There are many definitions on financial inclusion. Financial inclusion can be defined as a “State in which all people of working age have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients” (Accion International 2009).

The Rangarajan Committee defined financial inclusion 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.” (2008). It includes access to banking services, credit, insurance, savings and assets, money advice and financial literacy and capability. The barriers to financial inclusion are access exclusion, condition exclusion, price exclusion, marketing exclusion and self-exclusion.

A World Bank1 report states, “Financial inclusion, or broad access to financial services, is defined as an absence of price or non-price barriers in the use of financial services.” It recognizes the fact that financial inclusion does not imply that all households and firms should be able to borrow unlimited amounts or transmit funds across the world for some fee. It makes the point that creditworthiness of the customer is critical in providing financial services. The report also stresses the distinction between ‘access to’ and ‘use of’ financial services as it has implications for policy makers. ‘Access’ essentially refers to the supply of services, whereas use is determined by demand as well as supply. Among the non-users of formal financial services a clear distinction needs to be made between voluntary and involuntary exclusion. The problem of financial inclusion addresses the ‘involuntarily excluded’ as they are the ones who, despite demanding financial services, do not have access to them.

By financial inclusion, we mean the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluded. The various financial services include access to savings, loans, insurance, payments and facilities offered by the formal financial system. Among the key financial services that are of great relevance here are risk management or risk mitigation services vis-à-vis economic shocks. Such shocks may be an income shock due to adverse weather conditions or natural disasters, or an expenditure shock due to health emergencies or accidents, leading to a high level of unexpected expenditure. This
aspect of financial inclusion is of vital importance in providing economic security to individuals and families.

The access to finance could be divided into four segments:
- The proportion of the population that uses a bank or bank like institution.
- Population which uses services from non – bank other formal financial institutions, but does not use bank services.
- The population which only uses services from information financial service providers.
- Percentage of population transacting regularly through formal financial instrument and, the population which uses no financial services.

Importance of Financial inclusion:
One of the important effects of financial inclusion is that the entire national financial system benefits by greater inclusion, especially when promoted in the wider context of economic inclusion. It promotes financial literacy of the rural population and hence guides them to avoid the expensive and unreliable financial services. Financial inclusion has a special significance for a growing economy like India as bringing the large segment of the productive sectors of the economy under formal financial network could unleash their creative capacities besides augmenting domestic demand on a sustainable basis driven by income and consumption growth from such sectors.

Financial Inclusion in India and The World:
A financial inclusion survey was conducted by World Bank team in India between April-June, 2011 which included face to face interviews of 3,518 respondents. The sample excluded the north-eastern states and remote islands representing approximately 10 per cent of the total adult population.

Table: 1

<table>
<thead>
<tr>
<th>Share with an account at a formal financial institution</th>
<th>Adults saving in the past year</th>
<th>Adults originating a new loan in the past year</th>
<th>Adults with a credit card</th>
<th>Adults with outgoing mortgage</th>
<th>Adults paying personally for health insurance</th>
<th>Adults using mobile money in the past year</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Adults</td>
<td>Poorer income quintile</td>
<td>Woman</td>
<td>Using a formal account</td>
<td>Using a Community based method</td>
<td>From a formal financial institution</td>
<td>From family or friends</td>
</tr>
<tr>
<td>India</td>
<td>35</td>
<td>21</td>
<td>26</td>
<td>12</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>World</td>
<td>50</td>
<td>38</td>
<td>47</td>
<td>22</td>
<td>5</td>
<td>9</td>
</tr>
</tbody>
</table>


The results of the survey suggest that India lags behind developing countries in opening bank accounts, but is much closer to the global average when it comes to borrowing from formal institutions. In India, 35 per cent of people had formal accounts versus the global average of 50 per cent and the average of 41 per cent in developing economies (Table 1).

Based on the announcement made in the Budget Speech of the Finance Minister for 2012-13 as well as the Annual Monetary Policy of the Reserve Bank for the year 2012-13, banks have been advised that they may set up intermediate brick and mortar structures (in rural centres) between the present base branch and BC locations, so as to provide support to a cluster of BCs (about 8-10 BCs) units at a reasonable distance of about 3-4 kilometres. Such branches should have minimum infrastructure, such as a Core Banking Solution (CBS) terminal linked to a pass book printer and a safe for cash retention for operating large customer transactions and would have to be managed full time by bank’s own officers/ employees. It is expected that such an arrangement would lead to efficiency in cash management, documentation, redressal of customer grievances and close supervision of BC operations.
Financial Inclusion Plan of Banks:
The Reserve Bank had advised all public and private sector banks to prepare and submit their board approved Financial Inclusion Plans (FIPs) to be rolled out in 3 years from April 2010 to March 2013. These FIPs contained self-set targets in respect of opening of rural brick and mortar branches, deployment of business correspondents (BCs), coverage of unbanked villages through various modes, opening of No-frills accounts, Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) to be issued etc.

Table II: Progress of SCBs in Financial Inclusion Plan (excluding RRBs)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mar-10</th>
<th>Mar-11</th>
<th>Mar-12</th>
<th>Variation March 2012 over March 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of BCs/BC Agents deployed</td>
<td>33,042</td>
<td>57,329</td>
<td>95,767</td>
<td>62,725</td>
</tr>
<tr>
<td>Number of banking outlets in villages with population above 2,000</td>
<td>27,353</td>
<td>54,246</td>
<td>82,300</td>
<td>54,957</td>
</tr>
<tr>
<td>Number of banking outlets in villages with population less than 2,000</td>
<td>26,905</td>
<td>45,937</td>
<td>65,234</td>
<td>38,329</td>
</tr>
<tr>
<td>Total number of banking outlets in villages</td>
<td>54,258</td>
<td>1,00,183</td>
<td>1,47,534</td>
<td>93,276</td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Through branches</td>
<td>21,475</td>
<td>22,662</td>
<td>24,701</td>
<td>3,226</td>
</tr>
<tr>
<td>b) Through BCs</td>
<td>32,684</td>
<td>77,138</td>
<td>1,20,355</td>
<td>87,671</td>
</tr>
<tr>
<td>c) Through other Modes</td>
<td>99</td>
<td>383</td>
<td>2,478</td>
<td>2,379</td>
</tr>
<tr>
<td>Urban Locations covered through BCs</td>
<td>433</td>
<td>3,757</td>
<td>5,875</td>
<td>5,442</td>
</tr>
<tr>
<td>No-Frill accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number (millions)</td>
<td>50.3</td>
<td>75.4</td>
<td>105.5</td>
<td>55.2</td>
</tr>
<tr>
<td>Amount (billions)</td>
<td>42.6</td>
<td>57</td>
<td>93.3</td>
<td>50.7</td>
</tr>
<tr>
<td>Overdraft availed in No - Frill Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number (millions)</td>
<td>0.1</td>
<td>0.5</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Amount (billions)</td>
<td>0.1</td>
<td>0.2</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Kisan Credit Card (KCC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Accounts (millions)</td>
<td>15.9</td>
<td>18.2</td>
<td>20.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Outstanding amount (billions)</td>
<td>940.1</td>
<td>1237.4</td>
<td>1651.5</td>
<td>711.4</td>
</tr>
<tr>
<td>General Purpose Credit Card (GCC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Accounts (millions)</td>
<td>0.9</td>
<td>1</td>
<td>1.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Outstanding amount (billions)</td>
<td>25.8</td>
<td>21.9</td>
<td>27.3</td>
<td>1.6</td>
</tr>
<tr>
<td>ICT Based Accounts through BCs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Accounts (millions)</td>
<td>12.6</td>
<td>29.6</td>
<td>52.1</td>
<td>39.5</td>
</tr>
<tr>
<td>Number of transactions during the year (millions)</td>
<td>18.7</td>
<td>64.6</td>
<td>119.3</td>
<td>183.9</td>
</tr>
</tbody>
</table>

The progress by commercial banks (excluding RRBs) since the launch of FIPs clearly indicate that banks are progressing in areas like deploying BCs, opening of banking outlets, opening of no-frills accounts, grant of credit through KCCs and GCCs (Table II). The penetration of banks in rural areas has increased sharply in two years of the FIP implementation. With a view to encouraging transactions in no-frill accounts, banks were advised to provide small overdrafts (ODs) in such accounts, which helped in a strong growth of such accounts. The impact of Information and Communication Technology (ICT) based BC model in facilitating door step delivery of services can be seen from the ascending trends of transactions.
The International Journal's
Research Journal of Commerce & Behavioural Science

**Financial Inclusion Initiatives in different countries:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Legislation instrument / Policy Scheme</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>Social Exclusion Unit (SEU), 1997</td>
<td>To reduce social exclusion of which financial inclusion is an integral part</td>
</tr>
<tr>
<td></td>
<td>Policy Action Teams (PAIs)</td>
<td>To look in an integrated way at the problems of poor neighbourhoods</td>
</tr>
</tbody>
</table>
|                  | Financial Inclusion Task Force         | 1. Access to banking, access to affordable credit.  
|                  |                                        | 2. Access to face-to-face money advice |
|                  | Financial Inclusion Fund               | 1. Access to banking services  
|                  |                                        | 2. Access to affordable credit  
|                  |                                        | 3. Access to money advice |
| United States of America | The Community Reinvestment Act, 1977 | 1. Prohibits discrimination by banks against low and moderate income neighborhoods  
|                  |                                        | 2. To make mortgage loans to lower-income households  
|                  |                                        | 3. Banks are rated every three years on their efforts in meeting community credit needs |
|                  | Matched Savings Scheme (MSS), 1997     | 1. Prohibits discrimination by banks against low and moderate income neighborhoods  
|                  |                                        | 2. Matching money has to be spent on one of a range of prescribed uses such as education, business or home purchase |
| France           | Banking Act, 1984                      | 1. Any person with French nationality has the right to open an account with any bank  
|                  |                                        | 2. If refused the aggrieved person can apply to the Banque de France to designate a bank that should open an account |
|                  | French Banker’s Association            | Committed to providing:  
|                  | (Basic Banking Service Charter of 1992)| Account, Cash Card, Free access to a cash machine, Distance payment facilities, Bank Statement and Negotiable number of cheques. |
| Australia        | Australian Bankers Association (ABA) Code of Practice, 1995 | 1. Generic Account was introduced in 2002  
|                  |                                        | 2. Staff to give information about suitable accounts to low income customers  
|                  |                                        | 3. Face-to-face banking services even after branch closure through alternative means such as franchising  
|                  |                                        | 4. Three months written notice to customers before closing any Branch |
|                  | Rural Transformation Centre Programme (RTCP) | 1. To provide banking and other transaction services to communities without banking facilities  
|                  |                                        | 2. Using existing stores and post offices or stand-alone centres.  
|                  |                                        | 3. Install Electric Point of Sale (EPOS) equipment in post offices |
| Belgium          | Charter of Basic Banking Services, 1996 | 1. Provide a basic bank account with no minimum balance and without overdraft facilities  
|                  |                                        | 2. Credit transfers, direct debits, and deposit and withdrawal facilities.  
|                  |                                        | 3. If refused, customer must be informed the reasons, i.e., laundering, bad credit history, etc. |
|                  | Basic Banking Act, 2003                | Sanctions if principles of Charter on Basic Banking Services, 1996 are not applied |
| Canada           | Access to Basic Banking Services Regulations, 2003 | 1. Personal bank accounts to all Canadians regardless of employment or credit history and with minimum identification requirements.  
|                  |                                        | 2. Banks/FIs to encash government cheques at no charge |

Source: Dr. Vighneswara Swamy and Dr. Vijayalakshmi, “Role of Financial Inclusion for Inclusive Growth in India - Issues & Challenges”
Financial Inclusion in India – RBI Measures:

“Financial inclusion has been a challenge to the rural development initiatives undertaken by the government of India. It is sad to know that since ages, albeit the central bank has taken several measures on this front, the situation continues to be gloomy. Let us understand the loop holes in these initiatives that act as impediments to the development of the India’s rural sector and also to the development of Indian economy. Before we proceed further, let us understand the connotation of this term.”

The Reserve Bank of India (RBI), which became an official member institution of the alliance for financial inclusion in 2012, set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005–06). In the report RBI exhorted the banks with a view of achieving greater financial inclusion to make available a basic “No-frills” banking account.

In India, financial inclusion first featured in 2005, when it was introduced by K. C Chakraborthy, the Chairman of Indian bank. Mangalam village became the first village in India where all households provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks.

The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Pondicherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India’s vision for 2020 is to open nearly 600 million new customers’ accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

Financial Literacy Initiatives – RBI:

Financial Literacy is considered an important adjunct for promoting financial inclusion, consumer protection and ultimately financial stability. Financial inclusion and financial literacy need to go hand in hand to enable the common man to understand the need and benefits of the products and services offered by formal financial institutions. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population that are still out of the formal financial set-up. Financial literacy has assumed greater importance in recent years as financial markets have become increasingly complex and the common man finds it very difficult to make informed decisions.

Further, in view of higher percentage of household savings in our country, financial literacy can play a significant role in the efficient allocation of household savings and the ability of individuals to meet their financial goals. The outreach programmes by the Reserve Bank has helped in spreading awareness and improving financial literacy in recent years

Outreach Programme of the Reserve Bank:

The outreach programme of the Reserve Bank involves top management - Governor, Deputy Governors and Executive Directors who visit villages across the country. They encourage banks, financial institutions and local government to boost economic activities by involving rural masses in particular. They interact with the villagers to understand their problems and expectations, at the same time they also tell them about Reserve Bank’s policy initiatives and what they can expect of the Reserve Bank. During the outreach visits, messages on advantages of being linked to formal banking sector and functions and working of Reserve Bank are disseminated through lectures, skits, posters, short films, pamphlets, distribution of comic books on financial literacy (Raju and the Money Tree, Money Kumar etc.), quiz competitions and essay competitions for school children, kiosk at the venue
where besides providing information, notes and coins are exchanged. The target groups included students, Self-Help Group (SHG) members, villagers, farmers, NGOs, bankers, government employees, senior citizens, housewives, panchayat members, daily wage earners and defence personnel.

![Chart 1: No – Frill Accounts](image)

During last 3 years, outreach visits have been undertaken by Reserve Bank’s top executives in 115 villages spread throughout the country. An analysis of the progress of financial inclusion in these villages indicates 73 per cent of the villages are getting banking services through ICT based BC model whereas remaining villages are covered through brick and mortar branches. The number of accounts, especially no-frill accounts has increased multifold (Chart 1). The transactions are being done through business correspondent in user friendly way by using smart cards on hand held devices. The social benefits are getting credited directly to their bank accounts. The outreach programmes of the Reserve Bank have thus helped in improving the overall welfare in many small villages. Despite the efforts, the truth is that the performance was miniscule to what was expected. There are some predominant factors which affect the financial inclusion.

1) No-Frill Accounts (NFA)

The major challenge for the banks was that the villagers could not provide the minimum cash balance which was otherwise required to open a bank account. To address this bottleneck, the NFA were provided which had a minimum balance requirement of Rs. 67 and also had a provision for overdraft.
The NFAs hurt the bottom-line of the banks because the profits they could earn by lending the deposits in the NFAs suffered due to
1) Miniscule minimum balance requirement which was far below the viable limit of Rs.2000-3000.
2) The ‘overdraft provision’. It was estimated that the banks lost amount to the tune of Rs.13.4 for every transaction, Rs. 50.45 for opening the account. Thus, the services provided by the banks were unsatisfactory.

In 2011-12, the number of NFA accounts counted 50.6 million amounting Rs. 53,860 million. But only 20% of these accounts were actually in use while majority of them were inactive.

2) Electronic Benefit Transfer (EBT)

This was under the state Government’s mandate as a part of the NREGA and Pension Scheme programme. This was also a measure to check the pilferage of the money. Under this, the EBT accounts were provided that were used by State Government to directly transfer the amount into the beneficiaries’ account. The EBT, unlike NFA had just the function of cash withdrawal available for the account holders.

The issue here was that of “flat fee”. The banks were not paid enough by the state government (only 2% of the amount transferred) and the effect was further cascaded with banks paying lesser to the BCs (generally 1.75%). So the margins left with the banks were very small.

3) The Business Correspondent (BC) Model

This model suffered from many loopholes which affected the overall economics of this sector.

The flat fee (or the revenue) for this segment was limited to 1.75% and also had no reasoning for the figure set forth. The low earnings showed upon the services delivered by them.

To keep their margins, the BC companies reduced the employee force which led to infrequent services as the beneficiaries per BC increased. Due to delayed showing up of the BCs, the villagers refrained to keep money with them as it became an unreliable source to park money.

The Attrition rate of BCs is around 70-80%. This simply means that till a new agent is not appointed, the village loses the access to the financial services.

This also had an adverse effect on the associated Government welfare programmes. For example: The payments under NREGA were supposed to reach the beneficiary within the stipulated period of 15 days but these were intentionally delayed by the BCs to earn interest on the payments.

To check these malpractices, the government ordered the payments of pensions within first 4 days of the month. That meant huge employee requirements in the beginning of the month. So many of the BCs started to outsource these activities to meet the workload, which in turn meant further cost elevation.

4) Non BC Model: Mobile Payments forums of India (MPFI)

The RBI has appointed the ‘Working Group on Mobile Banking’ to study the feasibility of Mobile banking in India focusing on parameters like technology, regulation, supervision, security etc. This model simply removes the BC from the system and the role is implemented by the customer himself with the aid of the mobile phone. In January 2011 the number of mobile phone users in India was nearly 771.18 million. Also, nearly 9 million mobile users are added annually. Source: Telecom Regulatory Authority of India (TRAI). Leveraging this data, the Near Field Communication (NFC) technology enabled mobile phones can enable its users to carry out banking transactions. These include:
1. Transferring of the funds
2. Money transfer
3. Ticketing (IRCTC, bus, taxi, air etc)
4. Payments like insurance premiums, credit cards or utility bills
5. Other transactions like mobile top ups, merchant payments, DTC recharge etc.
Conclusion

Access to financial services such as savings, insurance and remittances are extremely important for poverty alleviation and development. In order to achieve the goal of total financial inclusion, policy makers, MFIs, NGOs and regulators have to work together. The issue of financial inclusion has received large importance in India during the recent years. India had invested considerable amount of resources in expanding its banking network with the objective of reaching to the people. During the last 40 years huge infrastructure has been created in the banking sector. However, this large infrastructure that has penetrated even remote rural areas has been able to serve only a small part of the potential customers. While India is on a very high growth path, almost at the two-digit level, majority of the people are out of the growth process. This is neither desirable nor sustainable for the nation. We also know that one of most important driving forces of growth is institutional finance.

References