

## An analytical study: “Role of financial inclusion in reference to financing poors as bankable opportunities Micro credit and SHGs” in India

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### Abstract

Financial inclusion as a comparative and real process for developing India the age of inclusive growth and the key for inclusive growth is ensuring to access financial services and timely adequate credit, particularly by insecure groups of such a poor section and low income groups at a low costs, to sections of drawback and low income group of society. There have been many redoubtable challenges in financial inclusion area such as bringing the space between the sections of society that are financially cut out within the ballpark of the formal financial system, providing financial education and arterialize credit delivery mechanisms so as to improvise the financial economic development. A nation can develop socially and economically if its weaker section can turn out to be financial independent. This paper highlights the basic characteristics of financial inclusion, and its need for social and economic growth of the society. The study focuses on the role of financial enlargement; in arterialize the India’s position in relation by providing the financing facilities to poor as Bankable opportunities in the forms of Micro credit and SHGs. The role of vertex bank in India like RBI, NABARD and SIDBI. To develop the rural banking services same the concept of MFIs analyzing. The data has been gathered from the source of secondary like report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors. After interpretation the facts and figures it can be concluded that undoubtedly financial inclusion is playing a sensitizer role for the economic and social development of society but still there is a long road before to accomplish the desired results.

**Keywords:** Financial inclusion and Business correspondents, financial stability, no frill accounts, KCC

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### 1. Introduction

Financial Inclusion is considered to be the main objective of many developing countries since from last decade as many research findings coincide the direct link between the financial exclusion and the poverty dominant in developing nations. According to World Bank report “Financial inclusion, or broad access to financial services, is screen as an absence of price or non price barriers in the use of financial services.” The word financial Inclusion needs to be analyzing in a relative dimension. The development stage is depending on It is been surprising fact that India ranks The development stage is depending on the financial inclusion among differ countries basis It is been surprising reality India is second in the world in terms of financially excluded households after china. For the inclusive development process of economy the central bank has also give the high importance to the financial inclusion. Normally the poor sections of the society are completely discount by the formal financial institutions in the race of making chunks of profits or the adequacy involved in providing finance to the weaker section. Financial inclusion or inclusive financing is the handing over of financial services, at low costs, to sections of drawback and low income groups of society. There have been many redoubtable challenges in financial inclusion area such as bringing the space between the poor

sections of society that are financially excluded within the ballpark of the formal financial system, providing financial education and strengthening credit delivery mechanisms so as to improvised the financial economic development. Unrestrained entrée to public goods and services is the sine qua non of an open and competent society. It is defined service in the nature of public goods; the availability of banking and payment services to the entire population without communization is the prime objective of this public policy. Thus the term Financial Inclusion can be explain as the expedite of ensuring reach to financial services and timely and adequate credit where needed by assailable segment such as poor sections and low income groups at a low cost. And through this bankable service to provide the micro credit facilities to Poor and SHGs, according their short and long run needs of micro, small enterprise funds.

### 3. Literature Review

Creating self-employment opportunities is one way to infraction poverty and solving the problem of unemployment. The scheme of micro credit has been found to be an effective instrument for lifting the weaker above the level of poverty by giving them self-employment chance and making them credit worthy. Micro credit program work through SHGs/NGOs and

the virtue lies weakly monitoring and refund the installment. In India micro credit scheme are run primarily by NABARD in the field of Agriculture and SIDBI in the field of Industry. Micro credit is the thrift credit financed service product for very small amount to the poor in semi urban and rural areas for enabling them to increase their income level and improve their living standards.

**4. Objective of Study**

1. To explore the need and significance of financial inclusion social and economic development of society.
2. To analyze the current status of financial inclusion in Indian economy.

3. To study the entry of rural people to bank branches and the number of ATM opened in those areas.
4. To study make the differentiation in financial services between Indian Banking channels and MFIs.

**5. Research Methodology:** In this research paper the research methodology is used partly exploratory and partly casual and partly descriptive. The data and information has been collected for this study with the help of Books, Magazines, Newspapers, Research Articles, Research Journals, E-Journals, RBI Report, Report of NABARD, SIDBI etc.

**Table 1:** Survey Reports On Financial Inclusion

(percent)

Share with an account at a formal financial institution			Adults saving in the past year		Adults originating a new loan in the past year	Adults with a credit card	Adults with an outstanding mortgage	Adults paying personally for health insurance	Adults using mobile money in the past year		
	All Adults	Poorest income quintile	Women	Using a formal account	Using a Community based Method	From a formal financial institution	From family or friends				
1	2	3	4	5	6	7	8	9	10	11	12
India	35	21	26	12	3	8	20	2	2	7	4
World	50	38	47	22	5	9	23	15	7	17	7

Source: Asli Demiurgic - Kunt and Klapper, L. (2012): Measuring Financial Inclusion”, Policy Research

**Table 2:** Progress of SCBs in Financial Inclusion Plan (excluding RRBs)

Particulars	March 2010	March 2011	March 2012	Variation March 2012 over March 2010
1	2	3	4	5
No. of BCs/BC Agents Deployed	33,042	57,329	95,767	62,725
Number of banking outlets in villages with population	27,353	54,246	82,300	54,947

above 2,000				
Number of banking outlets in villages with population less than 2,000	26,905	45,937	65,234	38,329
Total number of banking outlets in villages Of which	54,258	1,00,183	1,47,534	93,276
a) Through branches	21,475	22,662	24,701	3,226
b) Through BCs	32,684	77,138	1,20,355	87,671
c) Through Other Modes	99	383	2,478	2,379
Urban Locations covered through BCs	433	3,757	5,875	5,442
No-Frill accounts				
Number (millions)	50.3	75.4	105.5	55.2
Amount ( billion)	42.6	57.0	93.3	50.7
Overdraft availed in No -Frill Accounts				
Number (millions)	0.1	0.5	1.5	1.4
Amount ( billion)	0.1	0.2	0.6	0.5
KisanCreditCard KCC				
Number of Accounts ( millions)	15.9	18.2	20.3	4.4
Outstanding amount ( billion)	940.1	1237.4	1651.5	711.4
General Purpose Credit Card (GCC)				
Number of Accounts (millions)	0.9	1.0	1.3	0.4
Outstanding amount ( billion)	25.8	21.9	27.3	1.6
ICT Based Accounts through BCs				
Number of Accounts ( millions)	12.6	29.6	52.1	39.5
Number of transactions during the year (millions)	18.7	64.6	119.3	183.9

**Source:** Asli Demirguc - Kunt and Klapper, L. (2012): “Measuring Financial Inclusion” Policy Research. Working Paper, 6025, World Bank, April.

## 6. Suggestion & Finding

Some interesting finding point out by a paper micro finance in India. A state sector report 2007, access development service of SHG’s Bank Linkage Program (SBPL) it cover a future 9.6million person in 2006-07 over the 90 percent of them women and about half of the poor. Total number of SHG received credit through scheme 41million people. About half of SBPL members and only 30 percent of MFI’s members estimated to be below poverty line. Thus about 22 percent of all poor household about 75million are presently receiving micro finance service or at least micro credit. These sector continuous to make sound progress toward the goal of drawn-out financial inclusion to the approximately fourth –fifths of the population who do not receive credit from the bank. Under the financial inclusion banking system adopting technology in their operation in form of ATM and computerized information system that can axis over large number of transaction and branch accounts. MIS system are what it has called the ‘missing market ‘of complementary framework including shared information system.

## 7. Conclusion

For standing out on a global stage India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth. There is a long way to go for the financial inclusion to access to the core poor according to K.C. Chakrabarty RBI Deputy Governor “Even today the fact appear that nearly half of the Indian population doesn’t have access to officially financial services and are largely dependent on money lenders”. Mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial cooperative and venture. Financial Inclusion has not prefabricated the desired results and there is long road ahead but no doubt it is playing a fundamental role and is working on the positive side.

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