Financial Inclusion in India – Yet another Ritual or An Integrated Tool for Poverty Alleviation?

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Poverty alleviation has perennially been the central theme of governance in India, beginning with First Five Year Plan in 1951. Initially, the growth rates were around 3-4 per cent which gradually touched a peak of over 9 per cent in 2007. Despite economic turbulences, financial scams, population growth, natural calamities, wars, political disturbances, etc., independent India witnessed notable achievements in many areas in the last six decades largely due to planned economic effort. Each Plan had a social context and economic development effort targeting the poor. Specific attention to anti-poverty programmes has been the sheet anchor since the beginning of Sixth Five Year Plan.

The Eleventh Plan (2007-12) document, currently under implementation, was divided into three volumes viz., (i) Inclusive Growth (ii) Social Sector and (iii) Agriculture, Rural Development, Industry, Services and Physical Infrastructure. Its main emphasis is on sustained growth and investments aiming at improvement in the quality of life. The percentage of population below the poverty line (BPL) has come down from 36% in 1993-1994 to 28% in 2004-05 while defining the income level at Rs. 10 per day. 'Poverty is concentrated in rural areas: With an international poverty line of $1.08 per day, 75% of the world's poor live in rural areas whereas only 58% of its population is rural. According to the World Bank, in 2005 some 456million Indians, or 42% of the population lived below poverty line.'(World Development Report 2008 and Economist 13th Dec 2008). Therefore, the fall in poverty in India has been extremely slow.

Eleventh Plan (2007-2012) has, inter alia, the following objectives:-

Income and Poverty:

- Accelerate GDP growth from 8% to 10% and then maintain at 10% in the next Plan in order to double the per capita income by 2016-17
- Increase agricultural GDP growth rate to 4% per year to ensure a broader spread of benefits
- Create 70 million new work opportunities
- Reduce educated unemployment to below 5%
- Raise real wage rate of unskilled workers by 20 per cent
- Reduce the headcount ratio of consumption poverty by 10 percentage points and to bring in improvements in Education, Health, Women and Children, Infrastructure and Environment.

Successive Plans have used Banking instrumentality to reduce poverty: whether it is 'Integrated Rural Development Programme' or 'Food for Work' or 'Employment Guarantee' programmes. Provision of cheap credit has been the sheet anchor of such programmes. That around 87 per cent of marginal farmers / landless labourers do not access credit from the formal system (World-Bank NCAER, 2004) has been the most disappointing revelation. High interest rates ranging from 24 to 60 percent per annum, with some regions at a raging high of even 120 percent as against 15 to 28 percent charged by institutional channels and lack of outreach have been made out as villains of the piece. Notwithstanding this, the non-institutional channels continue to have sway over micro-credit in India. The Report concludes that high economic growth

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and micro-credit have a good future in India. As the institutional sector expands, it reduces the need of the poor to approach the informal sector for credit. Banks could be encouraged to undertake low cost wholesale lending to Micro Finance Institutions (MFIs) and through direct lending to low income clients.

According to a Report of the Working Group on Competitive Micro-Credit Market in India headed by Dr Arvind Virmani of Planning Commission (Jan 2007), both institutional and non-institutional channels exist for supply of credit in rural and urban areas. While banks, MFIs and credit cooperatives comprise the institutional channels, landlords, local shopkeepers, traders/suppliers and money lenders constitute the non-institutional channels. Share of informal loans in rural India went down from 91 per cent in 1951 to 42 per cent in 2003 (Expert Group, 2007). But, most of the benefits of this development have gone to relatively better-off people. Around 66 per cent of large farmers are reported to have a deposit account and 44 per cent have access to credit.

Rural Banking / Finance Schemes

Several Expert Committees were asked either by GOI or Reserve Bank of India to study matters pertaining to banking and credit. In 1950, Shri Purushothamdas Thakurdas was the Chairman of Rural Banking Enquiry Committee. In 1954, All India Rural Credit Survey was conducted by Shri A D Gorwala. National Credit Council (NCC) was set up in the year 1967, which appointed Gadgil Study Group and Lead Bank Scheme (LBS) for rural credit came into existence. This scheme was formalized by Nariman Committee in December 1969. Poverty alleviation programs like Drought Prone Area Program, Integrated Rural Development Program, Differential Rate of Interest Scheme, etc., were launched and liberal credit was provided to deserving sections. Later, following the recommendations of Dantwala Committee Regional Rural Banks (RRBs) came into being in 1975. However, with the passage of time and consequent upon Banking sector reforms since 1991-92, there was perceptible decline in the implementation of pro-poor initiatives necessitating setting up of a High-Powered Committee under the Chairmanship of Mrs Usha Thorat, Deputy Governor, RBI to examine the LBS to make it more effective and meaningful for the micro finance clients.

When the cooperative banking system was not delivering the desired results in rural areas, Imperial Bank of India was nationalized in 1955 and called State Bank of India with an agenda of going rural and open 400 branches. Subsequently seven other princely banks in Bikaner, Hyderabad, Indore, Jaipur, Mysore, Patiala, Saurashtra and Travancore, were added to the State Bank Group. The group introduced many innovative methods to reach remote areas by opening rural, village and satellite branches during the early seventies. They also opened over 1,000 specialized Agricultural Development Branches and branches with Agricultural Banking Divisions with special manpower qualified as Agricultural and Veterinary Graduates. All these branches adopted villages, slums and even schools to spearhead banking habits. They engaged the services of Janata Deposit Collectors for daily collection of small deposits. To make the rural lending easier, the group introduced a concept called Group Guarantee Scheme to sanction collateral free loans and cultivate good repayment culture through peer-pressure. Many of the systems and procedures are being continued even today furthering with technological support offering Kiosks and ATMs which are biometric, located in interior areas, hill tops and floating in inland waters (Kerala). Many of these models were replicated later by the Public Sector Banks.

Ever since Bank Nationalization in 1969 several developmental finance institutions were set up – NABARD, SIDBI etc., - and several new products targeting the poor were introduced: Kisan Credit Cards, Micro credit General Credit Card, etc. Customer-centric Ombudsman, Know-Your-Customer, and the setting up of Banking Codes and Standards Board of India (BCSBI), etc., are all the Millennium introductions.

Technology, Research and Transfer of Knowledge through training received no less attention with the establishment of institutions like CAB, NIBM, BIRD, BTC, SBIRD, IGIDR, IRDBT, ICRIER, FICCI, IRMA, IFMR, etc. Over 76,000 branches and 34,000 ATMs provide banking services to more than a billion people. Banking system in India, in particular the Public Sector Banks have been complying with all demands and pressures to extend developmental services at the cost of viability. This is evidenced by aggregate deposits increasing from Rs. 1,92,541 crore in 1990-1991 to Rs. 31,96,939 crore in 2007-2008. Similarly, Bank credit increased from Rs. 1,16,301 crore to Rs. 23,61,914 crore.

Financial Sector Reforms

In early 1990s, Government of India embarked on financial sector reforms due to socio economic developments during the eighties leading to balance of payment crisis. Several measures were taken to implement Liberalisation, Privatisation and Globalisation. Some of these were applicable to banking sector too to bring in remarkable shift in their working. Ultimate purpose of these reforms was to achieve the goals like emancipation of poverty, generation of employment and income, improving of productivity and production, increase in exports and mobilizing investment and foreign exchange reserves.

Annual growth rates of deposits and advances of banks in India have been in the range of 20 to 25 per cent in the past five years. There was a severe criticism on the working of the public sector banks prior to reforms. Several structural, legal, technological and accounting changes were effected to revamp their working and bring them to global benchmarks for complying with Basel I and II standards. Today, there is a highly competitive level playing field for all banks in India, in terms of products and services offered, interest rates charged/ offered on loans and deposits, service conditions of staff, etc. Risk Management systems were introduced to ensure that the banks are prepared to attain high standards and withstand competition. Many weaker and small private banks were merged with their stronger counter-parts (eg., Bank of Madura with ICICI Bank, etc) while considerable number of foreign banks closed their operations.

Table No. 1 Percentage of People Below Poverty Line, 1951-52 to 1999-2000

Year	Rural	Urban	All India
1951-52	47.4	35.5	45.3
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1993-94	37.3	32.4	36.0
1999-2000	26.8	24.1	26.1

Source: Planning Commission, Government of India

Dr Shankar Acharya of ICRIER in his paper "India's Growth : Past Performance and Future Prospects" presented at Tokyo Club Macro Economy Conference in 2006, observed that growth accelerated significantly in the 1980s to 5.6 per cent, due to a number of factors. These conscious efforts of GOI yielded noteworthy results in improving the income levels as given in the Table no. 1 .

Table No. 1a Demographic Transformation of India

Population (in million)

Annual Household Income in USD	2001-02	2005-08	2009-10 (Estimated)
Rich (above 115,000)	2	9	20
High Income (57,000 to 115,000)	9	17	33
Consuming Class (23,000 to 57,000)	48	74	120
Working Class (10,200 to 23,000)	221	285	404
Needy (below 10,200)	726	710	613

Source: Evalueserve

From the above Table no. 1a, it can be seen that about 70% of India's population are still at the level of 'needy' with an annual house hold income of below USD 10,200. By the year 2005-08, there is a marginal improvement with a shift from needy to 'working class'. And, by the year 2009-10, it is estimated that there would be substantial improvement in the demographics with less than sixty per cent of the population moving to last strata of needy people with less than USD 10,200 as annual house-hold income.

M/s McKinsey Global Institute's Survey in 2006 on "Average Household Disposable Income For a Forty Years Period between 1985 and 2025 (projected)" reveals that household income growth will accelerate all over India. It was observed that for the first half of twenty years of 1985-2005, the Rural, Urban and All-India Compounded Annual Growth Rates were at 2.8, 4.6 and 3.6 per cent respectively. These rates are estimated to be at 3.6, 5.8 and 5.3 per cent by the year 2025 respectively. The middle class currently numbers some 50 million people, but by 2025 will have expanded dramatically to 583 million people – some 41 percent of the population. These households will see their incomes balloon to 51.5 trillion rupees (1.1 billion USD) by 2025 which would be 11 times the level of today and 58 per cent of total Indian income. This provides opportunities and challenges to cope with by the ever-changing commercial banks.

Commercial Banks and Branch Expansion in India:

Branch licensing policy adopted by RBI underwent twists and turns during the seventies and eighties. This witnessed a different turn after India embarked on banking sector reforms.

Financial Sector Reforms introduced in 1991-92 and second generation reforms for banking sector in 1997-98 brought in significant changes in the working of financial intermediaries in India. By turn of century, their balance sheets have become more transparent than before, the banks turned to earning profits, and their branches have been transformed into highly competitive outfits to face challenges from private and foreign counterparts. Table No. 2 above provides data on number of branches across different types of banks and the increases during the period 2002-2006.

Table No. 2. Offices of Commercial Banks in India – 2002 to 2006

Bank Group/ Year	March 2002	March 2003	March 2004	March 2005	March 2006
1. State Bank	13,722	13,751	13,799	13,921	14,039
2. PSBs	33,832	34,182	34,465	34,988	35,356
3. Foreign	252	212	224	245	261
4. RRBs	14,689	14,717	14,716	14,746	14,747
5. OSCBs	5,600	5,592	5,949	6,448	6,746
6. NSCBs	20	24	27	25	28
TOTAL	**68,115**	**68,478**	**69,180**	**70,373**	**71,177**

Source: Reserve Bank of India – T & P, 2007

On one side, the banking system was moving towards consolidation while on the other side, it was also gearing up to meet the global standards including complying with the Basel II norms. Besides, RBI announced the new policy of inviting more Foreign Banks to open more branches per year from 2009. The present global economic turmoil arising from the sub-prime mortgages in US may not see the opening up of the sector as envisaged. While the above table indicates that all banks, and in particular, the PSBs (including SBI), private, foreign, regional rural, other scheduled commercial and non-scheduled commercial banks have been adding branches in different parts of the country, the share of rural branches has been on the decline on grounds of profitability. There is a marginal improvement during the last two years in this position as could be noticed from the Table number 3 below.

Table No. 3. Commercial Banking at a Glance

Banks/Branches	June 2007	Sept 2007	Dec 2007	March 2008	June 2008
Commercial Banks	**181**	**179**	**176**	**173**	**171**
Scheduled Banks	177	175	172	169	166
Of which RRBs	*96*	*95*	*92*	*90*	*88*
Rural Branches	30,409	30,438	30,546	30,732	30,955
Semi Urban	16,332	16,481	16,743	17,212	17,771
Urban	12,967	13,209	13,510	13,944	14,412
Metro	11,789	11,989	12,214	12,438	12,865
Total	**71,497**	**72,117**	**73,013**	**74,326**	**76,003**

Source : Reserve Bank of India : Trend and Progress of Banking in India, 2007 and 2009

Priority Sector Lending and Poverty Alleviation Programs

NCC in July 1968 emphasised that Commercial Banks should involve themselves to increase the Priority Sector advances. Ever since the target for lending to priority sector was revised to 40% (1985) from the earlier 33-1/3% (1979), and the related sub-targets for agriculture, weaker sections and minority communities, etc., periodical reviews by the Regulator and NABARD led to a critical examination by a Working Group headed by Shri C S Murthy, RBI and revision of guidelines on April 30, 2007. Main principle of the revision has been to ensure adequate flow of bank credit to those sectors of society / economy that impact large sections of the population, weaker sections and the sectors with scope for large employment-orientation. The new definition of small and micro enterprises was included in the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

Table No. 4. Outstanding Bank Credit to Priority Sectors

(Rs in Crore)

Category	2004	2005	2006	2007	2008
Priority Sector (a + b + c)	**2,63,834** (24.7)	**3,74,953** (42.1)	**5,10,975** (36.1)	**6,32,647** (24.0)	**7,72,186 (22.0) (Provisional)**
a. Agriculture	**90,541** (23.2)	**1,24,269** (37.3)	**1,73,875** (39.9)	**2,30,180** (32.4)	**3,06,387 (33.1)**
b. Small Scale Industries	**65,855** (9.0)	**74,189** (12.7)	**91,020** (22.7)	**1,16,908** (28.4)	**1,94,720 (66.6)**
c. Other Priority Sectors	**1,07,438** (38.3)	**1,76,495** (64.3)	**2,45,280** (39.0)	**2,85,559** (16.4)	**2,71,079 (-5.07)**

Notes: Figures in Parenthesis are annual growth rates in per cent
Source: Reserve Bank of India Trend and Progress of Banking in India – 2007 and 2008

Table No. 4 above shows the progress in financing of Agriculture, Small Scale Industries and other Priority Sector areas by all Banks in India. The stipulated target of 40% (32% in respect of Foreign Banks) of Net Bank Credit to be lent by the banks to Priority Sector has been met by almost all types of banks in the last three decades. Data for the four years between 2004 and 2008 also indicates that the banking system has been complying with the targets meticulously even when the other types of lending is increasing substantially. The year-wise data shows that the outstanding total priority sector lending has increased from Rs. 2,63,834 crores in 2004 to Rs. 7,72,186 crores in 2008 (provisional) complying with the revised definitions / guidelines.

Further, data given in the following table shows the population group-wise outstanding credit of Commercial Banks in India, as a percentage to total for the years between 2001 and 2007. Even though the absolute data is encouraging that there has been substantial growth in bank lending to priority sector, the proportionate share among the various population groups shows the decline in lending to rural clientele during the same period.

Table No. 5.
Population Group-wise Outstanding Credit of Commercial Banks in India (Percentage to Total)

Population Group	March 2001	March 2005	March 2006	March 2007
Rural	10.1	9.2	8.4	7.9
Semi Urban	11.5	11.3	10.0	9.7
Urban	16.8	16.4	16.4	16.2
Metro	61.6	63.1	65.2	66.0
TOTAL	**100**	**100**	**100**	**100**
All India (Rupees in crore)	**5,56,400**	**11,57,800**	**15,17,500**	**19,14,600**

Source: Reserve Bank of India - Various Reports

The increasing share of lending to metropolitan population group of customers is on account of financing of industries, trade and commerce and retail lending like educational loans, housing loans, credit cards and personal loans. The notable point of observation is that the outstanding amount has gone up from Rs. 5,56,400 crores in 2001 to Rs. 19,14,600 crores in 2007. As on November 21, 2008, the aggregate deposits of all banks in India stood at Rs. 35,16,977 crores and bank credit at Rs. 26,34,893 crores. The credit deposit ratio has also gone up to 74.92 per cent as on the same date. The hollowness of these figures has been brought out by the Expert Group on Agricultural Indebtedness (2007) and this has been complemented by the Report on Financial Inclusion (Chairman: C. Rangarajan) holding the key for the future initiatives in the area for Micro Finance, Micro Credit and Micro Insurance.

Financial Inclusion and Micro Finance

Micro Credit was being extended world over from the seventies in a sporadic manner and gained importance in eighties and nineties of last century. Earliest effort in Micro Finance was taken by Self Employed Women's Association (SEWA) in 1975. During twenty first century, it took a more serious turn with millennium development goals attaining prominence. UN Secretary General Kofi Annan expressed on 29th December 2003 that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. He set in motion the concept of Financial Inclusion by urging all concerned to take up this challenge to address the same on top priority. The UN declared to celebrate 2005 as the International Year of Micro Credit. A Blue Book on Micro Finance called "Building Inclusive Financial Sectors for Development was released on 17th July 2006. United Nations Development Program (UNDP) and World Savings Bank Institute (WSBI) conducted research regarding Access to Finance in the African Region surveys and released a report titled "The International Funding of Micro Finance Institutions : An Overview" on 23rd November, 2007. The Financial Access Initiative led to preparation of Framing Note No. 3 titled "Psychology and Economics: What it means for Micro Finance?" in April 2008. In the process, the concepts of Financial Exclusion and Financial Inclusions across all countries have got defined and status was ascertained by respective governments and central banks.

As per RBI, Financial Inclusion refers to delivering of banking services at an affordable cost to the vast sections of disadvantaged and low income groups who tend to be excluded from the formal banking channels. Despite widespread expansion of banking services during the last three decades, a substantial portion of the households, especially in rural areas, is at present outside the formal banking system. RBI spelt out its broad approach to Financial Inclusion as 'connecting people' with the banking system and not just the delivery of credit. Accordingly, RBI is making efforts to sensitise the banks in India to the banking and financial needs of the common person and ensuring access to basic banking facilities.

The starting point of such 'Financial Inclusion' was to ask the banks to open 'zero balance' or 'no frills' savings accounts for common man. This might look simple, but is found to be very challenging because the banking or financial services are to be taken to remote areas against several constraints like lack of infrastructure and technology and also at high operational costs. Banks are being persuaded not only to extend these services, but also to ensure high security and operability to follow the widely accepted open standards. Banks have initiated pilot projects utilizing smart cards / mobile technology to increase their outreach. SLBCs of all the States are asked to closely monitor the progress of implementation of Financial Inclusion by banks.

A Government of India's 'Committee on Financial Inclusion in India' (Jan 2008), headed by Dr C Rangarajan, begins its report by defining financial inclusion "as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost". NSSO data reveals that 45.9 million farmer households in India (51.4%) out of a total 89.3 million households do not access credit, either from institutional or non-institutional sources. Further, despite the vast network of bank branches, only 27% of total farm households are indebted to formal sources (of which, one-third also borrow from informal sources) reinforcing once again the concerns expressed by the World Bank in its Report (WDR 2008, page 46). The problem is much more grave in the North-Eastern, Eastern and Central regions. The Committee opines that the poorer the group, the greater is the exclusion.

A National Rural Financial Inclusion Plan (NRFIP) is suggested to be launched with a clear target to provide access to comprehensive financial services, including credit, to atleast 50% of financially excluded households, say 55.77 million by 2012 through rural / semi-urban branches of Commercial and Regional Rural Banks. The remaining house-holds have to be covered by 2015. Each branch is asked to cover at least 250 new accounts every year. The SHG-Bank Linkage Programme has been successfully growing and the number of SHGs financed increased to 29.25 lakhs on 31st March, 2007. Several Voluntary Organisations and NGOs have also been associating in the exercise throughout the country.

Business Facilitators and Business Consultants

Microfinance Institutions are actively operating in as many as 19 countries including India in different continents. These are 1. Bangladesh, 2. India, 3. Brazil, 4. Colombo, 5. Morocco, 6. Ethiopia, 7. Mexico, 8. Russia, 9. Bosnia, 10. Peru, 11. Serbia, 12. Mongolia, 13. Armenia, 14. Egypt, 15. Equador, 16. Nicaragua, 17. Tunisia, 18. Pakistan and 19. Kazhakstan.

RBI has also been encouraging 'outsourcing' for Financial Inclusion. Banks have been permitted to use the services of NGOs, SHGs, MFIs and other Civil Society Organisations as intermediaries in providing financial and banking services through the use of Business Facilitator (BF) and Business Correspondent (BC)models.

A pilot SHG-Post Office linkage programme was launched by NABARD and the Indian Posts, Government of India in December 2003. This program envisaged credit linking 200 SHGs in select 5 districts , viz., Sivaganga, Pudukottai, Tiruvannamalai, Tanjavur and Tiruvarur districts of Tamil Nadu. The objectives of the pilot program were to (i) examine the feasibility of utilising the vast network of post offices in rural areas for disbursement of credit to rural poor on agency basis, and (ii) to test the efficacy of Department of Posts in providing micro finance services to rural clientele. At the end of March 2008, an aggregate of 1,963 branch post offices / sub post offices in the identified districts are implementing the project. A total of Rs. 100 lakhs has been sanctioned as RFA to the post offices by NABARD. So far 1,142 postal staff have been given training and Rs. 49 lakhs has been released as loans to SHGs. Extension of this Scheme to Meghalaya, Maharashtra and Madhya Pradesh is under active consideration.

A recent survey carried out and published in the Forbes website about Indian Microfinance Institutions (MFIs) and their position in the ranking in the world for the year 2007. As many as 7 leading MFIs have appeared in the list, the highest being Bandhan, ranked at number 2. The others and their rankings are given in the table given hereunder:-

Table No. 6
Indian MFIs in the Top 50 List in the World – 2007

S No	Rank	Name of the Micro Finance Institution
1	2	Bandhan (Society and NBFC)
2	13	Microcredit Foundation of India
3	15	Saadhana Microfin Society
4	19	Grameen Koota
5	23	Sharada's Women Association
6	29	Asmitha Microfin Limited
7	44	SKS Microfinance Private Ltd.

Source: www.forbes.com

Micro Credit Rating International Limited (M-CRIL) was formed in 1998 to carry out the rating of MFIs in Southern and South East Asia which has been ensuring quality lending and on-lending.

Index of Financial Inclusion (IFI)

Mandira Sarma of ICRIER, New Delhi in the Working Paper No. 215 (June 2008) prepared and proposed the first ever Index of Financial Inclusion (IFI) to find out the reach of banking services in 100 countries of the world. While recognizing the importance of financial inclusion, it was observed that there is no comprehensive measure to use as a measure for the extent of financial inclusion across economies. IFI, as a multi-dimensional index, captures information on various dimensions of financial inclusion in one single digit lying between 0 and 1. The proposed index is said to be easy to compute and is comparable across countries. In the index of financial inclusion presented, three basic dimensions of an inclusive system were considered : banking penetration (BP), availability of the banking services (BS) and usage of the banking system (BU).

India has been ranked poorly, even below African countries such as Kenya and Morocco. India has been placed at the 50^{th} place, much above Russia but below China, in the index. The index, which gives the extent of availability and usage of banking services in the countries, is based on indicators like number of bank accounts per thousand adults, number of ATMs and bank branches per million people and amount of bank credit and deposit.

Recommendations:

Benefits of all the strenuous efforts are not percolating despite overall economic development and prosperity recorded in recent years. Government and regulatory authorities should concentrate in tier II and III towns on areas such as (i) infrastructural development like roads, telecommunication, power, (2) amenities like sanitation, health, education, etc., (3) integration of water resources for irrigation (4) setting up of Special Economic Zones (5) opening of e-choupals (6) strengthening of post office services (7) enlisting of Farmers Clubs, SHGs, NGOs and Voluntary Organisations, (8) setting up of Agricultural Research Stations (9) opening of Vocational Training Centres and ITIs to train rural youth, etc. While there were efforts to regulate the MFIs through Micro Finance Institutions Bill 2007 it has many deleterious provisions that needed revision. The Joint Parliamentary Committee to which the Bill was referred considered the views of experts as a result of which it is held in abeyance. The Regulatory role of NABARD is faulted in the Bill as its promotional and participatory role in SHG-Bank linkage programme will directly come into conflict and its bias to MFIs in the Draft Bill also needed correction. (Yerram Raju 2007)

Technology has to be taken closer to the rural house holds by providing a different genre of Kisan Credit Cards, General Credit Cards, Kiosks to disseminate knowledge on agriculture, health, education, employment, etc., as also affording Bio-metric ATMs for banking services. RBI has initiated Financial Education through its website on money matters in 13 languages. Similar efforts have to be taken up by Governmental agencies and District Authorities, Small Savings Organisations, Banks and Cooperative Institutions down to the level of Gram panchayats. All these measures would facilitate the common man to take advantage of the modern facilities and avail of financial services in a beneficial manner. Financial Inclusion should not be viewed as some target-oriented effort, like hundred percent coverage in villages but ingrained in the process-culture of the functioning of bank branches, particularly in rural and semi-urban areas.

Conclusions:

After six decades of independence and planning, cent per cent electrification and literacy could not be achieved in India despite best of efforts. The aim now is to extend financial inclusion to all parts of the country in next five years. Financial Inclusion is not an old wine in new bottle, either in India or elsewhere. It has been found to be wanting across the globe as a conscious policy to reach the unbanked areas and sections of the society. Financial Exclusion was traced even in advanced western countries like UK and USA, in recent years. In India conscious and strenuous efforts are being made through planning for development. Financial Intermediaries have been asked to extend their reach and offer services and products to the poorer and needy sections of the Society. A variety of data furnished above speak for themselves the on-going efforts by the banking system as also the policy-makers' determination to tackle the issue.

10.2 Government and NGOs too are all deeply involved in their endeavour to make all types of financial services – deposit accounts, loans and advances, remittances, insurance products, financial education / counseling, etc available to all classes of people. Hence, Financial Inclusion is not merely opening of 'no frills' accounts by all the bank branches as per targets on a ritualistic basis. Eventually, all the agencies involved should collaborate to work for development in order to achieve in eradication of poverty. Financial Inclusion would result in reduction if not removal of poverty in a planned manner.

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