A Study of Financial Inclusion of Renapur Taluka in Latur District.

Minor Research Project

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Declaration

I declare that this project report “A Study of Financial Inclusion of Renapur Taluka in Latur district” is bonafide work done by me under Swami Ramanand Teerth Marathwada University, Nanded Minor Research project. I further declare that this report contains no material which has been accepted for the award of any other degree of any institution and to be best of my knowledge and belief, it contains no material previously published by any other person, except where due references are made in the text of the report.

Renapur **Dr . P.T. Pawar**

/ /2022

ABSTRACT

India is one of the fastest growing economies in the world with a vibrant financial sector however, a vast majority of the people in India has no savings accounts and thereby do not receive credit from a formal financial institutions. Financial inclusion has gained its importance in the past few years. Financial inclusion means everybody having access to an appropriate range of financial products and services, which allows them to effectively manage their money, regardless of their level of income or social status at an affordable cost. The government and the reserve bank of India have been making concerted efforts to promote financial inclusion as one of the important national objectives of the country. Some of the major efforts made in the last couple of years includes buildings up of robust branch network scheduled commercial banks, co-operatives and regional rural banks, introducing of priority sector lending targets, lead bank scheme, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. It is impossible to think about inclusive growth without access to formal finance at an affordable cost.

This research is an attempt to understand the current status of financial inclusion in Renapur Tauka. The study focus on four main domains of financial inclusion i.e. Awareness about financial products, banking habits of people, level of satisfaction of bank customers and awareness of financial inclusion in Renapur Taluka. Purpose is to access the status of of financial inclusion in Renapur Taluka in terms of above domains. The study reveals that there was a bank, branches, ATMs.

There is zero percent urbanization in Renapur taluka. Economy of Renapur Taluka is Agririan Economy. There is only sugar mill, Rena Sahakari Sakhar Karkhana Ltd Niwada, it is functioning and operating in Renapur Taluka. There is no noteworthy industrial base in this taluka. There is no definite irrigation facilities in this area most of land in taluka is dry land. There is no popular tourist place in this taluka. Most of the main workers are engaged in agricultural sector. Few workers are engaged in industry and service sector. Majority of households in this taluka belongs to lower income group and middle income group categories. There is no taluka Industrial estate most of the bank and banking facilities are located at taluka head quarter and few big villages. Majority of population in Renapur taluka is excluded from modern banking and banking facilities and services.

“A study of financial Inclusion of Renapur Taluka in Latur District.”

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CHAPTER 1

OVERVIEW OF FINANCIAL INCLUSION

1.1 INTRODUCTION

Financial access provides an environment where the common people have access to formal financial institutional system and thereby are able to access various financial products such as deposits, credits, Micro insurance, Pension, financial counseling and safe funds transfer at affordable prices and with ease of access. This access could be to all or any of the formal financial institutions, markets and payment systems with all or any financial instruments. Thus, financial inclusion, is the process of facilitating the access of those segments of population which are denied these facilities to become a part of the formal financial system, either as individuals or as groups.

The easiest way to ensure better financial inclusion is to open more branches of banks and financial institutions, thus removing various obstacles in accessing financial services from banks, which very poor people face. Technological advances can only reduce transaction costs, of the clients and of the banks/financial institutions. Thus, financial inclusion should not add to the operational costs of financial institutions, so that can continue to render affordable services to the common customers.

1.2 MEANING AND DEFINITIONS OF FINANCIAL INCLUSION:

According to the United Nations, three billion people around the world do not have access to formal financial services like savings accounts, credit, insurance, and payment services.

Financial inclusion aims to provide the timely delivery of various services at an affordable price to those financially excluded households and micro, small and medium-sized entrepreneurs. Through increased access to savings accounts and other financial services, the poor can build financial security, manage risks against adverse shocks such as illness or natural disaster, and even invest in new business opportunities. More importantly, recent research shows that improving access to finance plays a crucial role in promoting economic growth and reducing poverty[1].

Microfinance was an initial effort to reduce poverty by improving access to finance for the poor. About three decades ago, Muhammad Yunus, the 2006 Nobel Laureate, established the Grameen Bank in Bangladesh. Microfinance institutions ("MFIs") like the Grameen Bank make small loans available to the poor who have no collateral or credit history and cannot borrow from mainstream financial institutions. MFIs' unique group lending schemes incentivize borrowers to repay, and the global average repayment rates have been unexpectedly high. (96 percent). However, microfinance alone cannot expand financial access for the poor. MFIs provide services to only 150 million poor people around the globe, and most financially excluded people still lack access to finance. Building an inclusive financial system is a more comprehensive effort. It emphasizes that formal financial institutions such as banks also have important roles to play in expanding financial access to the poor. It also stresses the importance of the governments' role in creating a proper environment facilitate increased financial access[2].

The Government of India and the Reserve Bank of India have been making concentrated efforts to promote financial inclusion as one of the important national objectives of the country. Financial unfortunately has become synonymous with the opening bank accounts. It needs to be much more than merely opening a bank account. Let us try to understand the broader and specific meaning of financial inclusion.

According to the committee on financial inclusion in India 2008, there are six approaches in the system of financial inclusion; they are as follows

First : Credit of the farmer households is one of the important elements of financial inclusion, among them providing credit to the marginal and sub marginal farmers as well as other small borrowers is crucial.

Second: Rural bank branches must go beyond providing credit and extend a helping hand in terms of advice on a wide range of matters relating to agriculture.

Third: In districts where population per branch is much higher than the national average, commercial banks may be encouraged to open bank branches.

Fourth: There is need for simplification of procedures in relation to granting of loans to small borrowers.

Fifth: Further strengthening of the SHG – Bank linkage Programme (BLP) as it has proved to be an effective way of providing credit to very small borrowers.

Sixth: The business facilitation and correspondent model needs to be effectively implemented.

Financial inclusion thus is the provision of affordable financial services viz. access to payments and remittance facilities, saving loans and insurance services by the formal financial system to those who tend to be exclude. Financial exclusion is an important area of concern due to low levels of financial penetration and deepening in India compared with other countries across the globe India ranks very low as compared with the OECD countries and also with many of its Asian peer group countries, with regard to financial penetration[3].

1.2.1 Definitions of Financial inclusion

Financial Inclusion has been defined in numerous ways by different scholars, institutes as well as committees. Everyone has tried to put forth their own understanding of what exactly it is. Following are some definitions of Financial Inclusion as given by various dignitaries in the field of banking and commerce.

According to RBI "Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups, such as weaker section and low income groups, at an affordable cost in a fair and transparent manner by mainstream Institutional player"[4].

According to The Treasury Committee, House of Commons U.K. (2005), Financial Inclusion means "Ability of individuals to access appropriate financial products and services"[5]

As per The Rangarajan Committee report (2008) Financial Inclusion is defined "as the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as the weaker sections and low income gropes at an affordable cost". Broadly speaking, Financial Inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy[6].

According to The Indian institute of banking and finance "Financial inclusions is delivery of banking services at an affordable cost i.e. 'no frills' accounts, to the vast sections of disadvantaged and low income group. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy."[7]

Dr. K.C. Chakrabarty, Deputy Governor of Reserve Bank of India defined "Financial Inclusion is the process of ensuring access of appropriate financial products and services needed by all sections of the society, in general and vulnerable groups such as weaker sections of the society and low income groups, in particular at an affordable costs in a fair and transparent manner by mainstream institutional players".[8]

From the above definition, we can conclude that "Financial inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups.

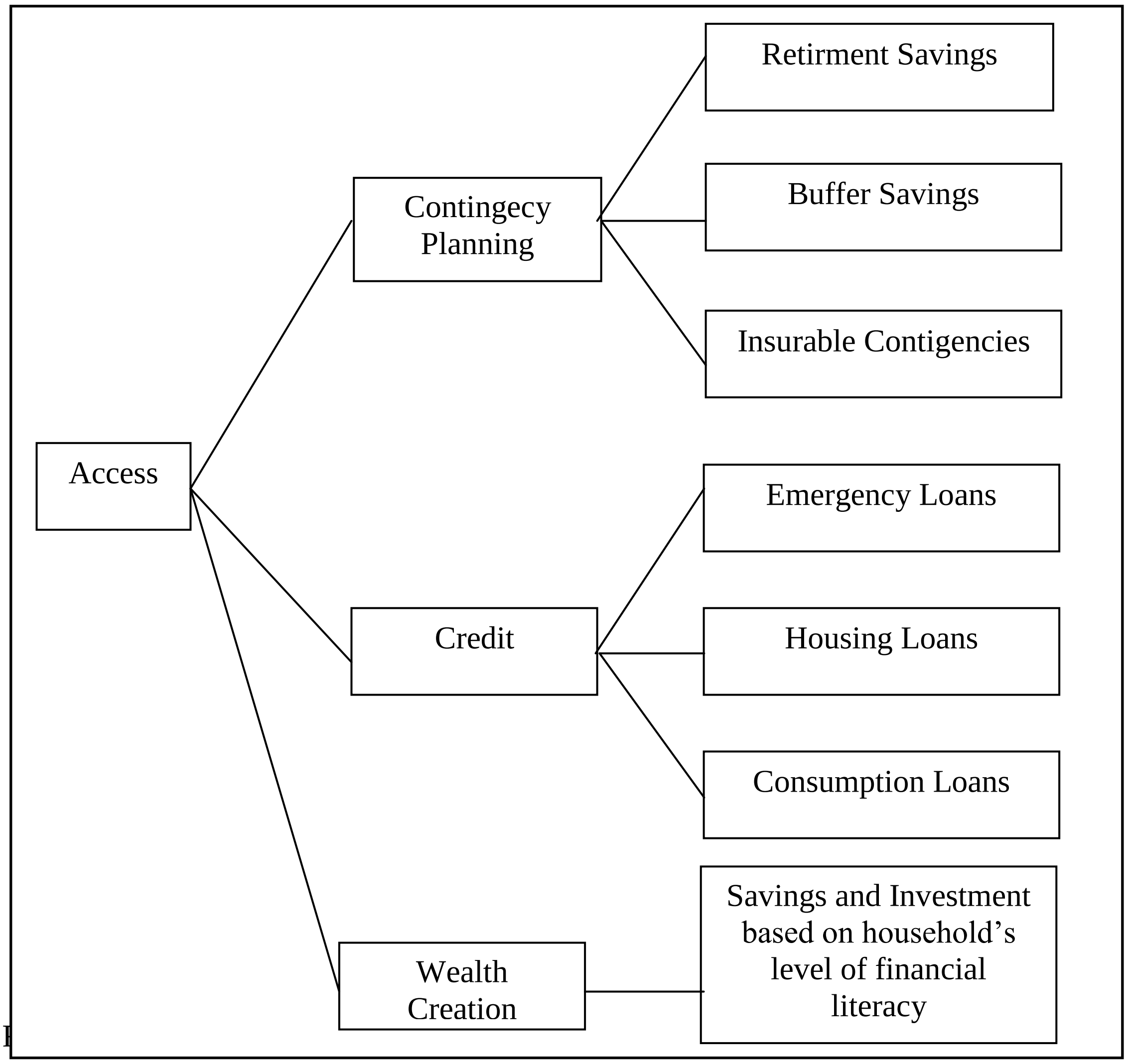
1.3 CONCEPT OF FINANCIAL INCLUSION

Financial inclusion, means providing basic banking facilities to most of the population. People who do not have a bank account or do not have access to credit can be termed as those facing financial exclusion. According to RBI data 59 per cent of adult population in urban area has at least one bank account that means, 41 per cent population in urban area does not have an account, Whereas only 40 per cent people in rural have at least one bank account, that means 60 per cent people in rural do not have even a bank account.[9]

When it comes to loan account that is credit facility availed, only 14 per cent have accessed to credit in urban areas, while 9.5 per cent people in rural areas have accessed credit facility. People who are financially excluded are poor, like landless labour, migrants, Marginal farmers, employees in unorganized sectors, slum dwellers etc. financially excluded because of several reasons, like lack of awareness, socially deprived, illiteracy, reach of banking institutions, stringent formalities etc.

Chart 1.1

House holds Access to Financial Services



Dr. Raghuramrajn

Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and products i.e. depicted in Chart 1.1.[10]

The essence of financial inclusion is to ensure delivery of financial services which include – bank accounts for savings and transactional purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurances facilities i.e. life and non-life etc.

Noble Laureate Dr. Mohammad Yunus, said during his Nobel acceptance speech "We wanted to go to the moon, so we went there there: we achieve what we want to achieve. If we are not achieving something, it is because we have not put our minds to it. We create what we want. If we want financial inclusion, we can achieve it by sheer hard work. It is important that government and regulators should lay out what needs to be done without specifying how" [11]

In case, financial inclusion is made a national priority by 2012, then measurable goals that inspire a nation, should be set. These goals could be as follows:

- Every citizen of India will have a bank account.
- Cash transaction will reduce by 50% and will be replaced by electronic fund transfers.
- Every citizen will have unique national ID number and risk – rating score so that there are no loan defaults and systematic risk minimized.
- Transaction will be highly secure and easy to use by honest people and will be tough to access by criminals and terrorists

  There must be a national will to ensure that by 2014 financial inclusion will be achieved all over the world.[12]

1.4 EVOLUTION OF FINANCIAL INCLUSION

In India, financial services are available to a limited number of people, therefore the Government of India has taken few steps mainly in three phase process, which has tried to cover majority of the population under financial services.

❖ **First Phase (1969-1991)**

In 1969, the banks were nationalized in order to spread the bank's branch network in order to develop a strong banking system which can mobilize resources/deposits and channelize them into the productive/needy sections of society. The government also wanted to use it as an important agent of change. So, the planning strategy recognized the critical role of the availability of credit and financial services to the public, at large in the holistic development of the county with the benefits of economic growth being distributed in a democratic manner. In recognition of this role, the authorities the policy framework from time to time, to ensure that the needs for financial services of various segments of the society were met satisfactorily

Several initiatives were undertaken for enhancing the use of the banking system for sustainable and equitable growth. These included:

I. Nationalization of private sector banks,

II. Introduction of priority sector lending norms,

III. The Lead Bank Scheme,

IV. Branch licensing norms with focus on rural/semi-urban branches,

V. Interest rate ceilings for credit to the weaker sections and

VI. Creation of specialized financial institutions to cater to the requirement of the Agriculture and the Rural sectors having bulk of the poor population.

❖ Second Phase (RBI – 2005, Khan Committee)

With a view to enhance the financial inclusion, as a proactive measure, the RBI in its Annual Policy Statement for the year 2005-06, while recognizing the concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, urged banks to review their existing practices to align them with the objective of attaining financial inclusion.

RBI exhorted the banks, with a view to achieve greater financial inclusion, to make available a basic banking ‘no frills’ account either with nil or very minimum balances, as well as, charges that would make such accounts accessible to vast sections of the population. The nature and number of transaction in such account would be restricted and made known to customers in advance in a transparent manner. All banks are urged to give wide publicity to the facility of such no frills account, so as to ensure greater financial inclusion.

RBI came out with a report in 2005 (Khan Committee) and subsequently RBI issued a circular in 2006 allowing the use of intermediaries for providing banking and financial services. Policies, the RBI has tried to improve Financial Inclusion. Financial Inclusion, offers immense potential not only for banks but for other businesses as well. Through and integrated approach the businesses, the NGOs, the government agencies as well as the banks can be partners in growth. RBI has realized that a push is needed to kick start the financial inclusion process. Some of the steps taken by RBI include the directive to banks to offer No-frills account, easier KYC norms, offering GCC cards to the poor, better customer services, promoting the use of IT and intermediaries [13]

❖ Third Phase-Rangrjan Committee

Keeping in view the enormity of the task involved, the Committee recommended the setting up of a mission mode, National Rural Financial Inclusion Plan (NRFIP), with a target of providing access to comprehensive financial services to at least 50 per cent (55.77million) of the excluded rural households by 2012 and the remaining by 2015. This would require semi-urban and rural branches of commercial banks and RRBs to cover a minimum of 250 new cultivator and non- cultivator households, per branch per annum. The Report of the Committee of Financial Inclusion has also recommended that the Government should constitute a National Mission on Financial Inclusion (NaMFI), comprising representatives of all stakeholders for suggesting the overall policy changes required, and supporting stakeholders in the domain of public, private and NGO sectors in undertaking promotional initiatives.[14]

The major recommendations relating to commercial banks included a target for providing access to easy credit for at least 250 excluded rural households per annum in each rural/semi urban branches; targeted branch expansion in identified districts in the next three years; provision of customized savings, credit and insurance products; incentivizing human resources for providing inclusive financial services and simplification of procedures for agricultural loans. The major recommendations relating to RBIs are extending their services to unbanked areas and increasing their credit-deposit ratios; no further merger of RBIs; widening of network and expanding coverage in time bound manner; separate credit plans for excluded regions to be drawn up by RRBs, and strengthening of their boards.[15]

1.5 SCOPE OF FINANCLAL INCLUSION

The goals of financial inclusion can be met by the initiative of banking sector to cut across various strata of society, regions, gender, income and by encouraging the public to embrace banking habit. Also, The Reserve Bank of India, as the chief regulator has intervened for the success of financial inclusion by various enactments, financial literacy drives, leveraging technology etc.[16]

The RBI has asked banks to make a basic banking 'No – frills' account for low-income individuals, with either zero or low minimum balances and charges. The

RBI has also urged all banks to give extensive publicity to such 'No-frills' accounts to enable financial inclusion. Several banks have since introduced such 'No-frills' account with and without value-added features. The RBI has also eased the 'Know your customer' (KYC) norms to keep the procedural hassles involved in opening a bank account to the minimum. This is to enable those belonging to low-income groups to open bank accounts without documents of identity and proof of residence. To extend hassle-free credit to bank customers in rural areas, the guidelines on general credit card (GCC) schemes are simplified to enable customers' access credit on simplified terms. [17]

In India, the focus of the financial inclusion has the objective of ensuring at least a bare minimum access to a savings bank account without frills, to all the sections of society. However, there exists a wider horizon for financial inclusion. At one of the ends, is the section of the society which is denied and/or ignorant of the most basic banking services of the bank. Whereas, at the other extreme, is segment of population who are active and aware of a wide range of financial services and products at their disposal. In between these two extremes, is the public who utilize the banking services only for basic deposit and withdrawal of their money.

Consequences of financial exclusion will vary depending on the nature and extent of services denied. It may lead to increased travel requirements, higher incidence of crime, general decline in investment, difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates, and increased unemployment, etc. The small business may suffer due to loss of access to middle class and higher-income consumers, higher cash handling costs, delays in remittances of money. According to certain researches, financial exclusion can lead to social exclusion, which has an effect on poverty and output.

1.5.1 Quantum of Financial exclusion through NSSO 59th Round Survey Results, CRISIL Financial Inclusion Index & RBI Working Paper Study

- **NSSO 59th Round Survey Results. As per year 2011**

- 51.4% of farmer households are financially excluded from both formal/ informal sources.
- Of the total farmer households, only 27% access formal sources of credit; one third of this group also borrowed from non-formal sources.
- Overall, 73% of farmer households have no access to formal sources of credit.
- Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. All three regions together accounted for 64% of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance of these three regions accounted for only 19.66%.
- However, over the period of five decades, there has been overall improvement in access to formal sources of credit by the rural households
- As per census 2011, only 58.7% of households avail banking services in the country. However, as compared with previous census 2001, availing of banking services has increased significantly largely on account of increase in banking services in rural areas.

- **CRISIL Financial Inclusion Index (Inclusix)**

- In June 2013, CRISIL for the first time published a comprehensive financial inclusion index (viz., Inclusix). For constructing the index, CRISIL identified three critical parameters of basic banking services namely branch penetration, deposit penetration and credit penetration. The CRISIL Inclusix indicates that there is an overall improvement in the financial inclusion in India.

- CRISIL Inclusix (on a scale of 100) increased from 35.4 in March 2009 to 37.6 in March 2010 and to 40.1 in March 2011.

➢ **RBI Working Paper Study**

- Sadhan Kumar (2011) worked out an Index on financial inclusion (IFI) based on three variables namely penetration (number of adults having bank account), availability of banking services (number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra and Karnataka have achieved high financial inclusion (IFI >0.5), while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion (0.3)

- **According to the RBI report 2013 on Financial Exclusion in India is as follows**

1. **41% of the population in India is unbanked**

➢ 40% is unbanked in urban is areas

➢ 60% is unbanked in rural areas

➢ Higher in North Eastern (63%) and Eastern regions (59%)

2. **Only 14% of adult population have loan accounts**

➢ 9.5% in rural areas

➢ 14% in urban areas

➢ North Eastern (7%) and Eastern regions (8%)

3. **203 million household in India**

➢ 147 million households in rural areas

➢ 89 million are farmer households

➢ 51.4% of farm households have no access to formal or informal sources of credit

- 73% of farm households have no access to formal sources of credit[21]

❖ World Band 'Financial Access Survey' Results

- Form the table 1 given below , it would be observed that in our country, financial exclusion is measured in terms of bank branch density, ATM density, bank credit to GDP and bank deposits to GDP is GDP is quite low as compare with most of developing countries in the world.[22]

Table No 1.1

Indicator of Financial Inclusion in India, 2011

Number of Bank Branches	Per1000 KM	30.43
Number of ATMs		25.43
Number of Bank Branches	Per 0.1 Million	10.64
Number of ATMs		8.9
Bank Deposit	As % to GDP	68.43
Bank Credit		51.75

Source: Financial Access survey, IMF; Figure in respect of UK are as on 2012

1.5.2 Existing situation of Financial Inclusion in India

Increased level of financial inclusion support both economic efficiency and equity, maintaining a growth momentum, especially in developing countries, calls for more equitable distribution of economic growth due to redistribution effects, thus leading to shard prosperity. This also led to financial deepening, especially during the global economic meltdown when the export markets have shrunk and there is a real need to expand the domestic markets for enhanced consumption. [23]

Extending savings facilities to millions of poor householders is a sigh of economic development, despite the small balances available in their savings accounts.

The poor in developing countries have high propensity to save if they have an access to safe, liquid, deposit facilities with provide real rates of interest. For financial deepening, the extension of deposit services in safe institutions like banks and post offices laid the foundation for a cumulative process of financial growth. [24]

Rising levels of affordable credit due to micro-credit initiatives, lead to distributional equity. With more micor-enterprises conducted at households levels, these add to the income levels of very poor people in rural/economic growth. Following are the significances of financial inclusion in Indian ecoomy.

- ❖ India needs to be conscious on poverty alleviation, especially among vulnerable groups,
- ❖ Equitable economic growth through improvements in livelihoods, decent employment opportunities, food security
- ❖ Financial Inclusive mobilizes savings that promote economic growth through productive investment.
- ❖ Financial Inclusion promotes financial literacy of the rural population and hence guides them to avoid the expensive and unreliable financial services.
- ❖ This helps the weaker sections to channelize their incomes into buying productive resources of assets.
- ❖ In the situations of economic crisis, the rural economy can be a support system to stabilize the financial system. Hence, it helps in ensuring a sustainable financial system.

Financial inclusion supports both an economic efficiency in equity and self reliance. Unrestrained access to public good and services is an essential condition of an open and efficient society.[25]

Financial inclusion, where every citizen has an access to savings, credit, investment, pension and insurance, is an elusive dream. This can be done without subsidies and the cost to government would be low. Given the inclusive growth agenda of the government, it would make eminent sense to elevate the national priority of financial inclusion that can be met by 2012.

As regards to achieving impossible goals, when President Kennedy set a goal to put an American man on the moon, no one had all the answers. Money and talent rushed in and the dream became a reality in 1969, though he did not live to see it.

In telecom, the Indian government minted money by auctioning circles and getting a share of revenue and taxes. Private capital funded the massive infrastructure required. If the government had gone down a different route and asked Mahanager Telephone Nigam Ltd (BSNL) to make telecom reach the masses, it would probably have spent billions to serve less than a few million.[26]

1.5.3 Report on RBI progress

The reluctance of bank branches to lend to the poor is hampering effective implementation of the Dr. Manmohan Singh government's financial inclusion scheme, being promoted as an antidote to the rising income inequality. Reserve Bank of India has found that 9% of the county's 92.690 bank branches are the most reluctant in lending. Their credit deposit or CD, ratio is less than 25% Loan disbursals through these offices fell by 1.5.4% year-on-year till December 2011 as against a 4% rise in the corresponding period in 2009-10. These branches control 6.7% of the aggregate deposits and had witnessed a 21% surge in mobilization last year. [27]

People having limited access to institutional credit had borrowed even less last year amidst slowing economy and lesser opportunity to engage in economic activities. Although banks have created the infrastructure to reach out to 74,200-odd village in the last couple of years, these are yet to turn into profit centers, despite opening crores of no-frill deposit accounts. The branches are yet to earn any meaningful revenues in the absence of any big lending activity, since they are not comfortable in engaging correspondents for delivering cash to customers in remote corners. Besides, they also don't offer remittance facilities or sell risk covers, the other avenues of earning revenues.[28]

RBI data showed that 3,350 rural branches, or about one tenth of branches in the hinterland, are hesitant lenders. Rural branches control 5% of banks rural lending and 17% of deposits mobilized from rural areas. RBI classifies banking centre with population less than 10,000 as rural centres.[29]

The disparity in accessing bank credit by the underprivileged is rather wide. The 8,342 branches having reported less than 25% CD ration actually control a mere 1.8% of bank credit while the top 200 centers in terms of gross bank credit accounted for 81.6% of the business. State Bank of India and its associate banks, which have a combined network of 19,200 branches, have reported a 0.6% fall in loan disbursement through "lazy branches." The regional rural banks are the only group which reported a rise in lending through their most reluctant branches. [30]

1.5.4 CRISIL Inclusix Report

CRISIL report offers eight key findings about the existing state of financial inclusion in the India. [31]

1. **The all – India CRISIL Inclusix score of 40.1 (on a scale of 100) is relatively low.** It is a reflection of under-penetration of formal banking facilities in most parts of the country. Just one in two Indians has a saving account, and only one in seven Indians has access to banking credit. In fact, the bottom 50 scoring districts have just 2 per cent of the country's bank branches.
2. **Deposit penetration (DP) is the key driver of financial inclusion in India.** The number of savings bank accounts, at 624 million, is close to the number of loan accounts at 160 million.
3. **Focused efforts to enhance branch presence and availability of credit are extremely critical.** The bottom 50 scoring districts in India have only 4,068 loan accounts per lakh of population, which is nearly one-third of the all India average of 11,680. Similarly, these districts have just 3 branches per lakh of population, as compared to 7.6 branches per lakh of population at an all-India level.
4. **There are clear signs of improvement in the CRISIL inclusix score over the past three years.** The CRISIL inclusix score at all-India level has improved to 40.1 in 2011, from 37.6 in 2010 and 35.4 in 2009. Improvement in deposit penetration score is the key driver of this improvement.
5. **Wide disparities exist across India and within states in terms of access of financial services.** India's six largest cities have 11 per cent of the country's bank branches. At the other end of the scale, there are four districts in the North-Eastern region with only one bank branch each.
6. **The key driver for the continued high performance of the top 50 districts is the significant increase in deposit and branch penetration (BP).** The BP score for these districts increased by a significant 9.3 in 2011, over 2009. Also,

these districts saw an addition of 2,824 branches in this period, nearly one-fourth of the total branches added in the country.

7. **Even in the districts at the bottom, there is an encouraging improvement in branch efficiency.** For the bottom 50 districts, the number of savings deposit accounts per branch has improved by 20 per cent to 6,073 as on March 2011 from 4,914 as on March 2009.

   The branch efficiency of these districts is now only marginally lower thean the all India average of 6,774 as on March 2011. Further, the number of incremental saving deposit accounts added in this period aggregated 2.7 million, representing a growth of 35%.

8. **Improvement in credit penetration (CP) is the key driver that enabled the improvement in score of 50 most-gaining districts.** The increase in number of borrower accounts in these districts account for about 30% of the aggregate incremental borrower accounts, while accounting for just 8% of the population.

The detailed analysis of the data thrown up by CRISIL Inclusix sheds light on some interesting trends explained in following table.

Table No. 1.2

Growth of Financial Inclusion region wise

Region	Inclusix 2011	Inclusix 2010	Inclusix 2009
India	40.1	37.6	35.4
Southern Region	62.2	58.8	54.9
Western Region	38.2	35.8	33.9
Northern Region	37.1	34.8	33.3
Eastren Region	28.6	28.6	24.3
North-eastern Region	28.5	26.5	23.8

Sources CRISIL Report 2013

From the Table No.1.2 it is clear that, The Southern region leads the financial inclusion drive in the country. Six out of the top 10 states with the highest CRISIL Inclusix score are from the Southern region. This region also has better credit penetration – the number of loan accounts per lakh of population at 17,142 in the Southern region is nearly twice of the all-India average. The Western region is at a distant second, followed by Northern, Eastern, and North-Eastern regions respectively. The top five scoring stares are Puducherry, Chandigarh, Kerala, Goa, and Delhi. The bottom five states are Arunachal Pradesh, Chhattisgarh, Bihar, Nagaland, and Manipur. West Bengal and Maharashtra demonstrate the highest disparity among districts.

40 districts that were in bottom 50 in 2009 continue to remain in this category. An analysis of the districts that have gained or lost the most on CRISIL Inclusix score in 2011 vis-à-vis 2009 revealed that the average CRISIL Inclusix score of the 50

most-gaining districts increased by 10.8 points on average, versus a gain of 4.7 points on the national average. The increase in the CRISIL Inclusix score of the top 50 gainers has been supported by strong performance in their CP and DP scores, which have increased by 11.8 points and 14.1 points, respectively. Conversely, the average CRISIL Inclusix score of 50 least-gaining districts has remained practically unchanged in 2011 over 2009. The weak performance of these districts is primarily on account of a decline in their CP scores. [32]

1.6 BANKS AND FINANCLAL INCLUSION

As per the directives of RBI banks in India are contributing towards greater financial inclusion in the country. The outreaches of different initiatives are discussed in the following pages:

1. **Kisan Credit Card:** The KCC Scheme was introduced in 1998-99 to facilitate the access to short term credit to enable farmers to purchase agricultural inputs and cost effective manner and is being implemented across India by all public sector commercial banks, RRBs and co-operative banks. KCC also covers consumption needs of the farmers if need arises. Government of India from time to time formulates new policies so as to provide credit to the agricultural sectors and as a result NABARD broadens the scope of KCC from time to time. In recent times defaulter farmers, oral lessees, tenant farmers and croppers were also included into the fold KCC by banks as advised by NABARD and it also asked the banks to identify new farmers and to provide crop loans only through KCC. The scheme in being further expanded to include borrowers of long-term cooperative credit structure (RBI,2008)
2. **General Credit cards (GCC) :** In order to make the rural folk free from the clutches of exploitative money lenders and to provide them with easy credit with all flexibility suitable to their socio-economic and cultural milieu and to offer other related financial services, RBI asked all scheduled commercial banks, including RRBs, in December 2005 to launch a scheme for issued GCCs to their constituents in both rural and semi-urban areas. GCC are issued on the basis of the assessment of income and cash flow of the are household similar to that existing under a normal credit card (RBI, 2008b) xlii. The

GCCs offered by banks at their rural and semi urban braches are in the nature of revolving credit, entitling the holder to withdraw up to the limit sanctioned (Rs. 25,000). By March 2010, banks had provided credit aggregating Rs. 635 crore in 3.5 million GCC accounts (RBI, 2009 –10b).

3. **No-Frills Accounts:** To achieve the objective of greater financial inclusion and to make banking services accessible to vast sections of society, RBI in the year 2005 advised all banks to make available a basic banking 'no-frills' account either with 'zero' or 'very low' minimum balances as well as charges. However, banks may limit the nature and number of transactions in such accounts and the same has to be disclosed to the customer in advance in a transparent manner. All banks are advised to create awareness regarding the availability of such 'no-frills' account (RBI, 2005). Further, RBI advised in May 2008 to classify overdrafts up to Rs.25000 (pre account) granted against 'No-frills' accounts in rural and semi-urban areas as indirect finance to the agriculture sector. RBI advised the convener banks of the State/Union Territory Level Bankers' Committees (SLBC/UTLBC) on April 28, 2006, to identify at least one appropriate district in each State/Union Territory for attaining 100 percent financial inclusion by providing a "No-frills" account and issue of GCC. Accordingly 340 districts have been identified for 100 percent financial inclusion and the target has reportedly been attained in 153 districts in 19 States and six Union Territories. Remarkably all districts of Haryana, Himachal Pradesh, Karnataka, Kerala, Uttarakhand, Puducherry, Daman & Diu, Dadra & Nagar Haveli, Goa and Lakshadweep have reported accomplishing 100 percent financial inclusion (RBI, 2008b).
4. **Priority Sector Lending:** RBI has emphasized access to banking services for all sections of the society and all regions from time to time, which is reflected in the guidelines are to channel the resources to the areas of national priorities and to enhance financial inclusionxliii. To increase the credit flow and to facilitate credit delivery to the weaker sections of the society the Government of India in the year 2007-08 announced the Agriculture Debt Waiver Scheme, 2008 (farmers whose loans are written off by lending institutions under the scheme, become eligible for fresh finance from the lending institutions). The other major policy initiatives during the year 2007-08 includes removal of the necessity of 'no dues' certificates from small/marginal farmers, sharecroppers

and the like for loans up to Rs.50000; introduction, on a pilot basis, of a cyclical credit product to finance crop production and announcing relief measures for the bird-flu affected poultry industry (RBI, 2008c). The flow of institutional credit to agriculture sector was unharmed even during the global financial crisis. Further, RBI has directed both public and private sector domestic SCBs who failed to achieve the priority sector and/or agriculture lending targets to deposit into the Rural Infrastructure Development Fund (RIDF) such amounts as may be assigned by RBI (RBI, 2008-09b).

5. **Business Correspondents (BCs) and Business facilitators (BFs) Model:** The idea of BCs originated in Brazil where retail vendors, lottery outlets and post offices work as bank branches for customers. An estimated Rs1 billion in transactions were processed through 90,000 agents in 2005 and about 12 million accounts were opened in only three years. Agents process transactions with POS devices such as biometric or smart cards, barcode scanners, mobile phones and personal computers that connect with the bank server using dial-up or other data connection means. The idea has spread to several Latin American and Asian countries (Ghate, 2008) As an endeavor of ensuring greater financial inclusion and increasing the banking outreach, RBI issued guidelines in January 2006 to banks to enable them to utilize the services of civil society organizations, farmers' clubs, non-government organizations (NGOs), post offices etc. as intermediaries in extending financial and banking services through the adoption of Business Facilitator and Correspondent models. Further, in November 2009, RBI issued circularxlvii broadening the category of persons that can act as BCs as recommended by the "Report of the Working Group to Review the Business Correspondent Model" xlviii. Banks are now permitted to appoint some more entities such as individual kirana/medical/fair price shop owners, Public Call Office operators, agents of small savings schemes of GOI/insurance companies, petrol pump owners, retired teachers and authorized functionaries of well run SHGs linked to banks (RBI, 2009-10c). Many banks (both in public and private sector) and MFIs/NGOs/ civil society organizations came forward and started taking part in the financial inclusion movement through these models. The Andhra bank pioneered a pilot project of achieving 100 percent financial inclusion by providing No-frills A/c's in Srikakulam District, Andhra Pradesh. The Axis Bank, within a short

span of 3-4 years, disbursed to the tune of Rs.37.47 crores towards SHG Linkages. They pioneered in participation towards disbursement of wages/ allowances for the people working under Andhra Pradesh Rural Employment Guarantee Scheme and for pensioners under Social Security Scheme along with five other public sector banks by issuing Biometric Smart cardsxlix. Account holders were serviced by Business Correspondents. They served more than 24 villages and approximately they served 8900 beneficiaries under both the schemes in the financial year 2007-2008.

1.7 FINANCIAL LITERACY: THROUGH FINANCIAL INCLUSION

The Indian economy is the second fastest growing economy in the world. Majority of the population in India resides in rural areas. Thus development of rural India is a key step towards economic development for a country like ours.

Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the well being of the weaker sections of the society. Proper access to finance by the rural people is a key requisite to employment, economic growth and poverty reduction which are the primary tools of economic development. [33]

India has a huge network of institutional credit. Institutional credit refers to the credit offered by financial institutions like banks. The Indian financial system is considered to be one of the finest systems in the world. It is only because of the strong grip of the financial system that even the global financial crisis could not affect India severely.

Inspire of having such a strong financial system, it has been evident that financial awareness has not been able to penetrate into the rural sections of the society. Non institutional credit givers in the form of money lenders still continue to grasp the poor in their clutches. This is a matter of concern and proper action needs to be taken for the same.

A well-functioning financial system is a crucial part of development, promoting economic growth and reducing poverty. Financial institutions and markets mobilize savings, provide payment services, allocate resources and transform risk by pooling and repackaging it. When a financial market functions well, funds will likely be allocated to the most productive users, which will contribute to the economic growth and poverty reduction. However, when the market does not function population, the society is likely to lose opportunities to grow.

Improving access to finance for the poor is also emphasized as an effective tool for achieving the Millennium Development Goals (MDGs). [35]

According to the Organization for economic cooperation and development (OECD),

"Financial literacy is that combination of consumers/investors understanding of financial products and concepts and their ability and confidence to appreciate financial risk and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being." Only providing financial products to rural or urban areas is not enough, people need to be educated in terms of basic financial products, knowhow of financial market, benefits of availing financial services. Most of rural population is illiterate, hence they don't know the basics of financial products. Here comes the role of financial literacy programmes. Advantages of financial literacy programme are that people who are especially socially backward could come to know at least about the banking products available and the benefits of banking services provided, thus it will enhance the rate of saving in the country. [36]

In the financial market, two types of investors exist. First, who are purely unaware about the financial market and do not have even a bank account and second, those who belong to consumers who are having access to the financial services, but are unaware about pros and cons of different financial products, risk analysis of financial instruments, wealth maximization etc. For example a consumer who has borrowed from a bank and totally unaware about hidden costs associated with loan will loan will surely have to pay more at several stages of repayment. In this case, if consumer would have been aware, he might have the overall knowledge of product and maybe he would have not gone for borrowing from a particular bank. On the other hand, a poor man who does not have any knowledge of banking has been approached by several micro finance firms for micro credit. In this case, he may take multiple loans as he does not know about the economic burden of multiple loan and in future he will be in the trap of debt he will take a loan to repay another one. Thus, lack of information, lack of awareness can cause so much financial problems. So financial literacy programme can play an important role not only to educate consumers but also to empower them so that they become more rational and knowledgeable.

In India, lack of literacy persists in terms of financial decisions. Due to lack of financial knowledge, it has been found that people take high interest loans of people save their money at home which gives no interest, whereas in need of money they also borrow from local moneylenders at a higher rate which ruin them financially. Recent subprime crisis which not only affect US economy but the entire world also, because of lack of financial literacy. False and disruptive advertising from financial companies are inability to understand those advertisements has created a subprime crisis in US which has also affected India adversely. Financial literacy increases transparency, accountability from service providers end while customers also get enormous benefits as they start understanding the techniques of investing. Normally people in India used to take the services of public sector banks and post offices. [37]

Population, which is financially excluded and has a low financial literacy belongs to small cities particularly middle class and rural areas. Most consumers know about traditional avenue of saving only. In this regard, financial service providers should focus over increased financial literacy, flexibility products like post office investment scheme, simplicity I a little good but in rural areas, people don't even know the basic offering from a formal organization like bank. It they need a personal loan, they first try to approach friends, relatives and local moneylenders while that loan could easily be availed from investment banks. So there is a need of financial literacy programmes requires which includes basic financial education, wealth maximization programmes etc. [38]

Financial literacy plays a significant role in the efficient allocation of household savings and the ability of individuals to meet their financial goals. It means the ability to seek sound financial advice. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population, which still remain out of the formal financial set-up. For sustaining financial inclusion, the financial literacy becomes a very critical component. There is a need to simultaneously focus on the financial literacy part, besides delivery. [38]

In the short term, we may need to reorient our financial literacy material and contents to focus on explaining the products. Especially simple ones, to the people in manner that they can understand, enabling them to make an informed choice about whether or not to use it. This does not imply that financial literacy isn't important. What small borrowers such as microfinance's clients typically use very simple products; there are other low income groups such as sub prints borrowers, who become the target clientele for complicated loans which may require a much higher level of sophistication. But making people financially literate takes time, and by giving people information in a form that they can use, usage patterns may improve. [38]

1.8 GROWTH AND EXPANSION OF BANKING FACILITLES VIS-À-VIS THE FINANCIAL INCLUSION

India had scored poorly on financial inclusion parameters when compared with the global average, said the Reserve Band o India in its annual report.

The report quoted a World Band study in April 2012, which had shown half of he world's population held accounts with formal financial institutions. The study said, only nine percent of population had taken new loans from a bank, credit union or microfinance institution in the 2012. In India, only 35 percent have formal accounts versus an average 41 percent in developing economies.[39]

India also scored poorly in respect of credit cards, outstanding mortgage, health insurance, abult origination of new loans and mobile banking. ''Financial inclusion remains a substantially unfinished agenda." Said the report.

RBI has admitted that they have faced criticism from extreme votaries of strong interventionist policies to promote financial inclusion and it was argued that such directed lending rates leads to misallocation of resources. However, the central bank said it has striven to ensure a balance between equity and efficiency considerations so that financial inclusion is furthered while not compromising on the financial health and the lending capacities of the banks.[40]

Latest figures by the RBI indicate that there are over 110, 000 business correspondents employed, which is ot a large number in context of the number of banked villages. However, the regulator said, they have taken several initiatives to make financial inclusion high on the agenda of Indian banking in the recent years. It required banks to provide no-frills account tried to improve the outreach of banks through the business facilitators and business correspondents (BC) models and set up goals for banks to provide access to formal banking to all 74, 414 villages with population over 2000.

RBI also adopted the information, communication technology based agent bank model through BCs for door-step delivery of financial products and services since 2006. However, in its annual report RBI said the BC model has not been effective in addressing financial inclusion needs. "The model, by itself, cannot serve the financial inclusion objective. It cannot substitute the services and the customer confidence that the brick and mortar bank branches provide," said RBI in the report.

According to the RBI, that there is a need for mainstreaming financial inclusion. "To improve the access of the poor to banking, banks need to open branches to provide low-cost intermediation with simple structures, minimum infrastructure for operating small customer transactions and supporting up to 8-10 BCs at a reasonable distance of 2-3 km".

Table. 1.3

Statistics on financial inclusion in India 2011-2012

Sr.No.	**Statistics on financial inclusion in India**	**India**	**World**
1.	Population share having account with formal financial entity		
	All adult	35	50
	Poorest income quartile	21	38
	Women	26	47
2	Adult with credit card	2	15
3	Adult with outstanding mortgage	2	7
4	Adult paying personally for health insurance	7	17
5	Adult using mobile money in the past year	4	7

Source Basic Statistical Returns of Commercial Banks in India, RBI, 2013

From Table NO. 1.3, it is clear that the medium-term strategy for bank would need to continue with a multifaceted approach with activities woven around the linking of bank finance with self-help groups through microfinance institutions or otherwise. “It is in the banks’ medium to long-term interest to do so, as financial inclusion may be a short-term pressure on the banks’ profitability, but over the year it could increase the size and scope of banking in India. It will add to the banks’ revenue stream, making it commercially viable.” The regulator added. [41]

1.8.1 Financial Inclusion in Rural Areas

The finance ministry will treat a bank representative offering basic services in villages using a Net-enabled laptop as a branch, widening the reach of the government's financial inclusion plan and doing away with the need to spend on infrastructure.

The ministry directive comes at a time when banks have raised questions about the viability of setting up brick-and-mortar branches in rural areas. At present, only about 50% of India's 6 lakh villages have bank branches. There are 296 under-banked districts in states with below-par banking services. Under the financial inclusion plan, the government aims to provide banking services to 73, 000 villages, each having population of 2, 000 during the next three months i.e. December, 2011.

The representative, or "business correspondent", will work from this "ultra small branch", which will be of the size of a 100-200 sq.ft room. The correspondent, who will be appointed by the bank, will deal with all cash transactions and other routine work in that area. A bank officer will visit this ultra small branch once a week and connect this business correspondent to the bank's core banking solution (CBS) through a secured network enabling data access and transfer between the small branch and the bank.[42]

The finance ministry after discussions with the department of information technology has also issued detailed guidelines on the security of IT infrastructure.

The ministry has also asked banks to revamp their plans for setting up brick-and-mortar branches in rural areas. Banks will now have to come up with a business plan under which the branch would generate profits within a maximum period of two years.

Some bankers feel that if the government is able to integrate the initiative with other financial activities such as micro-insurance, animal insurance, crop insurance and micro pension, this ultra-small-branch concept could definitely work.

1.8.2 Financial Inclusion in Urban Areas

The finance ministry has asked state-run banks to expand their financial inclusion drive to urban India so that migrant laborers too are able to derive its benefit. In a note to bank chiefs, the ministry has urged lenders to open savings bank accounts for migrant laborers, street vendors and hawkers in urban areas. To begin with, banks are directed to open accounts for those laborers located within 500 meters of a bank's branch. [43]

So far the financial inclusion drive to provide formal banking service-was targeted at those residing in rural India. This is the first initiative by the finance ministry to provide inclusive banking in urban India. In a letter to banks, the finance ministry said, "A drive to open their account needs to be initiated," in urban area also "to inculcate savings habit and extend banking facilities to them" "Government desires to begin with accounts of all migrant laborers, street vendors and hawkers, who are working within 500 meters of bank branches… an account for them should be opened," says a note from the ministry to bank chiefs "thereafter, branches should extend this process beyond 500 meters. To achieve this, marketing staff of bank also need to be involved," the note said.

Currently, banks are focusing mainly in rural areas to provide formal banking service. Banking service is made available in 74,000 of the six lakhs Indian villages.

The ministry has asked banks to launch a special campaign to attract migrants to the formal banking services. The ministry has even asked banks to monitor and update them about the progress on the accounts opened. Bankers said the biggest challenge in opening bank accounts of migrant laborers are to get them fulfill the KYC, or know your customer, norms. "While active involvement of the government in the identification process by issuing unique identity number (UID) has helped in rural India, it remains a challenge in urban India as most migrants do not have necessary documents to support their identity." A senior bank official said. "Banks will now have to a draw a strategy with the government to nudge them to open accounts for hawkers, vendors and migrants". [44]

1.8.3 Financial Inclusion: Rural V/S Urban Areas

Table No. 1.4 express that a narrow priority sector push to a more encompassing financial inclusion target, Indian banks have covered miles in increasing their penetration over four decades following independence. While priority sector lending was forced on the banks by the Reserve Bank of India to push farm credit, financial has shown the viability in catering to the rural customer of banks. Financial inclusion has become the buzzword for Indian banks ever since in 2005 RBI urged them to adopt business models and come up with products that would suit poor.

If key data are anything to go by, banks have been successful in increasing their presence Currently, bank credit encompasses 55% of GDP from a mere 5% in 1970s and there are six branches for every one lakh people. Penetration of automated teller machines (ATMs) is also on the rise.

Table No 1.4

Financial Inclusion as per Rural; Semi Urban; Urban and Metropolitan area

Year	Rural	Semi Urban	Urban and Metropolitan	Total	Rural Share (%)
1969	1833	3342	3087	8262	22
1970	3063	3718	3350	10131	30
1975	6807	5598	6325	18730	36
1980	15105	8122	9192	32419	47
1985	30185	9816	11384	51385	59
1990	34791	11324	13637	59752	58
1995	33004	13341	16022	62367	53
2000	32734	14407	18271	65412	50
2005	32082	15403	20870	68355	47
2010	32554	21053	34834	88441	37
2011	33813	23236	36750	93799	36
2012	3563	25542	38698	99884	36

Source: Basic Statistical Returns of Commercial Banks in India, RBI, 2013

It is clear from Table No 1.4, that banks have covered more than 74,000 villages in the last two years and over 36% of total bank branches are in rural areas. Between March 2010 and 2012, over 5 crore basic savings accounts have been opened to enable the poor to save more in banks. In last ten years, RBI has relaxed norms no branch licenses, know-your customer, has told banks to launch simpler products such as no frill accounts and has introduced “branchless” banding through the business correspondent model to aid financial inclusion.

Given the low penetration of bank branches and banks reluctance to open branches citing high costs and low returns, RBI came up with the business correspondent (BC) model in 2006. By employing a BC, the banks are able to reach out to rural customers without actually building up a branch.

This model has been successful and banks have engaged more than 90,000 BCs so far. Initially, only individuals were allowed to word as BCs for banks. Later, RBI relaxed the norm for BC model further.

However, the success of the BC model ultimately depends on the bank branch network as the BC depends on the nearest bank branch for cash management and documentation, thereby making it imperative for banks to open more rural branches

In April 2011, RBI mandated that banks will have to open 25% of new branches proposed to be open in a year in unbanked rural areas. In 2011, the central bank asked banks to develop a roadmap for financial inclusion and get a board approved plan for the same. Banks were given around 73,000 villages to adopt among themselves and give access to banking to these villages through either branchless model or through branches. However, despite the impressive numbers stacked up by banks ever since RBI pushed financial inclusion, the extent of financial exclusion is staggering. [45]

As K.C. Chakrabarty, the deputy governor of RBI and in charge of financial inclusion, noted in a recent speech, “Even where bank accounts are claimed to have been opened, verification has shown these accounts are dormant. Few people conduct any banking transactions and even fewer receive any credit.” Even where bank accounts are claimed to have been opened, verification has shown these accounts are dormant. Few people conduct any banking transactions and even fewer receive any credit.” Even now, not more than 40% of the populations have access to bank accounts. Despite increase in banks presence in rural areas, more than half of the 6,00,000-odd villages across the country do not have access to banking.

The share of rural branches has fallen over the years from a high of 59% in 1985 to 36% now indicating that banks are slow in going rural. Nevertheless, where banks have not been able to reach or are reluctant to do so, other institutions such as micro finance institute hate set shop. While RBI supports a bank led financial inclusion, it has acknowledged the important role micro finance companies play in making credit reach the poor.

However, with MFIs being clamped down by legislation following their controversial recovery mechanism, the onus of financial inclusion has again come on banks. Given the extent of unbanked areas in the country, financial inclusion still remains an incomplete task. It remains to be seen whether the current decade will achieve RBI’s goal of every Indian having a bank account. [46]

1.9 ROLE OF RBI AND FINANCIAL INTERMEDIARIES IN THE PROCESS OF FINANCIAL INCLUSION

The finance ministry had directed all state-run banks to ensure that every household has at least one savings bank account by the end of June, 2012 a move seen as a precursor to direct transfer of benefits under the government’s financial inclusion plan.

“Banks have been asked to launch a campaign to ensure that opening of new accounts and changes required in existing accounts are completed by June,” a finance ministry official said.

The government claims that all habitations with population in excess of 2,000 now have a bank branch, which will help it take its financial inclusion drive to the next level. Financial inclusion refers to providing financial products such as bank accounts, saving products, and remittance and payment services to the disadvantaged.[47]

Every year the government pays out about 3 lakh crore in subsidies and benefits, but some of it fails to reach the targeted beneficiaries due to a leaky delivery system. The government hopes to plug this through electronic transfers and better monitoring. [23]

The finance ministry has already identified 32 schemes in which benefits have to be directly transferred to the accounts to beneficiaries. The government’s flagship rural employment plan, Mahatma Gandhi National Rural Guaranteed Scheme, alone has a budget of 33,000 crore this year. i.e.2012-13

A panel headed by Nandan Nilekani, the chairman of the unique ID Authority of India (UIDAI), had proposed that all cash payments above Ru.1,000 should be transferred electronically into bank accounts linked to the 12-digit ‘Aadhar’ number issued by the UIDAI. [48]

The task force has recommended a transaction fee of 3.14% for each payment to incentivize electronic transfer. The ministry has also asked banks to consolidate multiple accounts into one, if a family wishes, and include the 'Aadhar' number, if available, in the account holder's personal details.

State-run banks have no problem with the plan want to begin transfer of benefits so that the account, a majority of which are dormant and hence unviable." Said a top executive of a public sector bank. [49]

The government has also decided to extend its financial inclusion drive, called 'Swabhimaan campaign', to habitations with population of more than Rs. 1,000 in the north east and hilly states a per the 2011 census.

The ministry maintains this model of financial inclusion is not in conflict with the blue print prepared by the Reserve, Bank of India.

"There are no differences and the RBI's model of "one district-many banks-one lead bank" is being followed," another finance ministry official said.

Table No 1.5

Expanding Bank Reach and Role

Banks on Expansion Drive	Over 74,000 villages with population of over 2, 000 having bank branches.
	Rs. 3.16 crore New accounts opened under the expansion drive
Second Phase from April 2012	New villages growing past 2000 population to be covered in this phase
	In case of NE and hill states, all villages with over 1000 population to have banks

Source: Basic Statistical Returns of Commercial Banks in India, RBI. 2012

1.9.1 Initiative for Financial Inclusion by RBI

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts. They are as follows.[50]

- Advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/credit of money through electronic payment channels, facility of providing ATM card.
- Relaxed and simplified KYC norms to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. One lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address.
- Simplified Branch Authorization Policy, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North- Eastern Sates and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centers, subject to certain conditions.

- Compulsory Requirement of Opening Branches in Un-banked Villages, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked rural centers.
- Opening of intermediate brick and mortar structure, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
- Public and private sector banks had been advised to submit board approved three year Financial Inclusion Plan (FIP) starting from April 2010. These policies aim at keeping self-set targets in respect of rural brick and mortar branches opened, BCs employed, coverage of un-banked villages with population above 2000 and as well as below-2000, BSBD accounts opened, KCCs, GCCs issued and others. RBI has been monitoring these plans on a monthly basis.
- Banks have been advised guidelines on Financial Literacy Centers (FLCs). Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. ‘Financial Literacy’ and easy ‘Financial Access’. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through

awareness camp/choupals, seminars and lectures during April 2012 to March 2013.

- **Recent Measures**

- The present round of licensing new banks is essentially aimed at giving further fillip to financial inclusion efforts in our country. Innovative business models aimed at furthering financial inclusion efforts would be looked into closely in processing applications for banking license. Financial inclusion plan would be and important criterion for procuring new bank licenses.
- The RBI has put out a discussion paper in August 2013 on Banking Structure for public comments. One of the main issues relates to “Differentiated Banking Licenses”. The subject of licensing ‘small banks and financial inclusion’ has discussed therein. A view will be taken by RBI after factoring in the comments/suggestions received from the general public.
- In this context, it needs to be mentioned that Urban Co-operative Banks (UCBs) Regional Rural Banks (RRBs) and Local Area Banks (LABs) numbering 1606,64, and 4 respectively are, in fact, Small Finance Banks operating in this country . These apart, there is a 3 – Tier rural co- operative structure with State Co-operative Central Banks (SCCBs) at the apex, District Central Co-operative Banks (DCCBs) at the intermediary level and Primary Agricultural Credit Societies (PACs) at the grass root level, Which number 31,371 and 92,432 respectively. Furthermore, we have around 12,225 NBFCs as on March 2013, which could be conceptually construed as semi-banks undertaking predominantly credit/investment activities

1.9.2. Pioneering Initiative for Financial Inclusion by other intermediaries

1. Initiative taken by RBI:

Reserve bank of India (RBI) under its Financial Initiative programmes has undertaken a project titled 'project financial literacy' the objective of this project is to provide information about RBI and general banking concept to its target people especially villagers, women, students of schools & colleges, senior citizen, defense people etc. several RBI offices located across the country are actively engaged in financial literacy programme though information display in English, Hindi and regional language, comic books etc. These informative projects disseminate information regarding RBI, basic banking microfinance and benefits of availing services of SHG, risk capacity analysis etc.[51]

2. Initiative taken by SEBI:

Securities exchange board of India (SEBI) which is regulatory body for securities market has been established to protect the interest of investors. SEBI is very active regulatory body in terms of financial literacy. Recently EBI is running a campaign called securities market awareness campaign (SMAC). Motto of campaign is "an educated investor is a protected investor". This campaign was launched in the year 2003 and the objective of this campaign is to disseminate message of "Invest with knowledge". SEBI conducts various work shop across the country, till date it has organized more than 2188 workshop in more than 500 cities. SEBI conducts investor's education &

awareness programs in which experts from financial market provide knowledge for investing wisely to investors.

SEBI has prepared its own standard reading material and presentation material for workshop in English, Hindi and regional language. In part of educating investors SEBI officials also take active participation in programmes aired on all India radio. SEBI also uses television to promote its message for investors. SEBI uses print media to educate investors. It has prepared Do's and don'ts list for investor related to securities market. According to SEBI data, over 700 advertisements related to investors education have been published in more than 48 different news papers, magazines in approximately 111 cities in English, Hindi and regional language. A website dedicated to investors has been prepared by SEBI in which all information has been given.[52].

Apart from this according to notification "securities and exchange board of India (investors protection and education fund) regulation 2009, a fund will be created by contribution made by board, grants by central, state government etc. this fund will be utilized for the purpose of protection of investors and promotion of investor education and awareness. Under this notification fund will be used for seminars, training, research and publication for investor, awareness programmes through media i.e. print and electronic, funding of investor's investing and awareness programmes of investors association approved by SEBI. Besides this, SEBI has also prepared material for school and college students, household especially middle class and retired people etc.

3. Initiatives taken by public sector banks:

Establishment of village knowledge centre (VKCs): it is an initiative by UBI to empower local people in the rural areas. It is a small unit attached to rural branches of union bank. VKCs are equipped with computer with net facilities. This center provides following information i.e. Giving advice for banking products, various schemes of the bank and financial knowledge. These centers not only provide financial information but also information regarding crop patterns, weather conditions prevailing in particular areas and moreover, they also promote the villagers for sending their children in school.3.

Andhra Bank has also taken the initiative in financial literacy programmes. As per the guidance of RBI to set up a financial literacy-cum-credit-counseling centre by lead banks, Andhra bank has taken initiative and established financial literacy-cum-credit-counseling centre in areas where it is lead bank. Besides this, commercial banks, insurance companies, mutual fund companies like state bank of India, bank of Baroda, Punjab national bank, oriental bank of commerce, ICICI bank, life insurance corporation of India, ICICI prudential life insurance etc. have actively been engaged in increasing financial literacy rate in backward rural and semi urban areas.[53].

United nation development programme (UNDP) has also supported in this direction, UNDP project “Financial Inclusion” is basically focused on India. UNDP appointed NABARD as an implementing partner. Though main objective of this project is financial inclusion but it is clear that financial literacy is the prerequisite for financial inclusion so UNDP has also focused to increase the financial literacy. The objective is to identify a responsible partner to strengthen financial literacy among the poor and to sensitize banks, MFIs, NGOs staff on dealing with disadvantages section of society. UNDP's major focus is to implement this programme through banks, NGOs and MFIs as this organization have interaction with local people at regular basis. Banks and NGOs have interpersonal relations with local community that is why banks and NGOs can effectively educate people in their influential areas.

4. Co-ordinate initiates:

Financial literacy initiatives by government and non-government agencies can play a decisive role to strengthen financial inclusion and consumer empowerment in India. Government of India is taking effective measures to ensure maximum financial literacy as it is clear by steps taken by Reserve bank of India, SEBI etc. since India has huge population and government alone cannot do justice to this task. Though Private sector banks, insurance and mutual fund companies are active to educate to investing groups but these organizations should focus more over financial literacy programmes to achieve the objective of hundred per cent financial literate people. Financial education should be introduced in school level education itself which will eliminate future financial education programmes by financial sector. Government, public and private sector companies, NGOs, MFIs should have a proper coordination so that they can effectively launch any financial literacy campaign and effectively produce positive results.[53]

1.9 SUMMARY

It is becoming increasingly apparent that addressing financial exclusion will require a holistic approach on the part of the banks in creating awareness about financial products, education, and advice on money management, debt counseling, savings and affordable credit. The banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. Banks have to make use of all available resources including technology and expertise available with them as well as the MFIs and NGOs. It may appear in the first instance that taking banking to the sections constituting “the bottom of the pyramid”, may not be profitable but it should always be remembered that even the relatively low margins on high volumes can be a very profitable proposition.

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CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

This Chapter reviews literature related to financial inclusion. A large number of studies have been made so far on financial inclusive growth with fruitful and policy imperatives. Though some of the studies are comprehensive, yet some gaps still persist. Many challenges on the problems of access to finance, credit, resources for unbanked population have not been adequately examined and duly focused. While the findings, analytical framework and policy proposals developed by the scholars are of worthy note, the present study is a diagnostic attempt of finding out the position, pattern, and prospects of financial inclusive growth. Against this background an attempt is made in this chapter to present a brief resume of the literature available at both International and National levels relating to financial inclusion

The literature review provides an overview of the key concepts, theoretical and empirical perspectives that are important to the research work. A review of the available literature is predictable in order to locate the progress made in the concerned area and to identify the gaps to be filled in by the researcher. The objective of this chapter is to review the literature used for the purpose of present research work. The Chapter deals with various books, magazines, newspapers' & journals which are reviewed to gain background knowledge of the research topic.

Further review of literature helps to identify the concepts relating to the research topic & potential relationship between them. It also helps to identify appropriate methodology, Research design & techniques used for analysis of data. In addition to this it helps to identify data sources used for research & to learn how others structured their reports. It also finds out shortcomings in earlier literature & provides new insight for conducting new enquiry.

2.2 EFFORTS FOR FINANCIAL INCLUSION IN INDIA.

Even before the emergence of financial inclusion, the history of regulating rural financial situation in India dates back to colonial period as a part of the Jargon in the finance and banking arena. The Indian polity had shown tremendous foresight in formulating polices for the same, right from the mid 1950s to the mid 1980. The institutionalization of systems for financial inclusion in India started with the establishment of credit cooperatives following the enactment of Cooperative Societies Act in 1940. After independence, these efforts were intensified following the recommendations of All India Rural Credit Survey committee of 1954. The expansion of the traditional commercial banks to rural areas commenced with the nationalization of Imperial Bank of India and its conversion to Stage Bank of India in 1955, the review undertaken by the All India Rural Credit Review Committee found that the cooperatives had not reached up to the expectations in mobilizing deposits and dispensing credit at the national level.

Aditi Bhattacharyya, et al, (2013) in this study they estimate technical efficiency of Indian commercial banks from 1989 to 2009, using a multiple-output generalized stochastic production frontier and analyze the effects of financial reforms on estimated efficiency. The generalized method estimates technical efficiency in the presence of multiple outputs, filling a gap in the existing literature. Our results show that Indian commercial banks were operating with 64% efficiency on average during the sample period. The initial phase of reform had a positive impact on while the later phase adversely affected technical efficiency of banks. Public sector banks show higher efficiency levels compared to private and foreign banks.

Aditi Kapoor, (2013) cited that financial inclusion is an equalizer that enables all citizens to contribute to economic growth and to gain from it. India was ahead of its times when it first ushered in financial inclusion by nationalizing its banks in mid-1969 and then coming up with a slew of policies to operationalize it. The track record is a mix of successes and failures. This paper tries to capture some of these and visualize where India will gain and what it may lose over the next three or four decades. Considering India's growing economic importance and the projections that the Indian economy will be as big as the United States economy around 2050, the paper tries to understand how the economic upswing will mesh with India's socio-political and environmental processes that also influence financial inclusion; and what the different scenarios might be in 2050. This paper discusses what role financial inclusion will play in India's economy in the year 2050. It suggests some possible scenarios and policy measures to move towards a desirable scenario.

Agrawal Amol, (2008), states that Community Banking, Business Correspondent, Customer Education, Credit Counseling, use of IT and service standards of IT enable banking service are important factors in financial inclusion. The committee also argued that "financial inclusion is the delivery of financial services to all the people in a fair, transparent and equitable manner at affordable cost. Financial Inclusion has the potential to improve the standards of life of the poor and the disadvantaged. Financial services permit individuals and households to manage the risk and uncertainties to save risk free, borrow on better terms, to invest in a business venture of property and to cope with unforeseen expenses".

Akshay Sharma, et al (2013) aims to bring attention to the learning and educational needs of the almost one billion illiterate adults in the world who have little or no means for furthering their education in traditional settings. More than two-thirds of illiterate adults in the world are women and their education can have an immense impact on societal development. When we think of learning in its cultural context through social interaction, this population presents a unique vantage point to test and extend our theoretical ideas. Second, the paper presents an exploratory case study that demonstrates how research on learning can guide human empowerment by addressing everyday problems and how addressing these problems, in turn, can contribute to our understanding of how people learn. Specifically, we present a design-based research and implementation case of a financial literacy tool constructed to assist learners in understanding the advantages of long-term investment. Our findings demonstrate the advantages of leveraging the local context to construct teaching aids and supports viewing learning as the creation and enactment of situated practices.

Ashvin Parekh et. al (2011) in his report analysed the global situation and depicts a comparison of the state of financial exclusion among some regions/countries across the world. It considers FI as ownership and ignores the levels of activity in savings accounts.

Biswas, (2010) feel that to boost micro financing initiatives and financial inclusion program banks are deploying Biometric ATM solutions to its rural customers helping illiterate or barely literate folks to become part of the banking user community.

C. Rangarajan, (2008) stated that the process of ensuring access to financial services and timely and adequate credit were needed by vulnerable groups such as weaker sections and low income groups at an affordable cost to achieve financial inclusion.

Chakravarti (2009), explained that e-Financial inclusion, e-infrastructure, low-cost mobile phone base and internet service in the country need to be targeted with innovative business & technology solutions.

Chandrima Chatterjee, et al. (2011) in her study showed that there are multiple socio-economic disadvantages that members of particular groups experience which limits their access to health and healthcare in India. Therefore, the task of identifying the vulnerable groups is not an easy one. In addition there are multiple and complex factors of vulnerability with different layers and more often than once it cannot be analysed in isolation. They found in their research the prominent factors on the basis of which individuals or members of groups are discriminated in India, i.e., structural factors, age, disability, mobility, stigma, and discrimination that act as barriers to health and healthcare. However, the vulnerable groups that face discrimination include Women, Scheduled Castes (SC), Scheduled Tribes (ST), Children, Aged, Disabled, Poor migrants, People living with HIV/AIDS and Sexual minorities. Sometimes each group faces multiple barriers due to their multiple identities. For example, in a patriarchal society, disabled women face double discrimination of being a women and being disabled.

Debesh Roy's (2012) research report emphasized that out of 600,000 habitations in the country; only about 5 percent have a commercial bank branch. Also only about 57 percent of the population across the country has bank account (savings), and this ratio is much lower in the North-Eastern states. Further, 13 percent of the population has debit cards and 2 percent has credit cards. India has a significantly low level of financial penetration compared with OECD countries. However, in India access to finance, access to credit is worse off when compared with China, Malaysia, and

Thailand. However, in terms of financial access through ATMs for rural population, India fares poorly compared to select Asian peer group countries (RBI, 2010).

Ghosh (2007) suggests that the Post Office Saving Bank (POSB) can be used to cater the financial need of rural India where Microfinance Institutions (MFIs) have very little presence in total demand of finance.

Gupta and Gupta, (2008). Stated that increasing proliferation of mobile services and ATMs in rural areas of India has created a new opportunity to attain financial inclusion and thus an effective tool to provide financial services to the un-banked areas with reduced overheads with providing access to banking services in remote rural destinations of India

K. A. Shreenivasan, et. al, (2013) have discussed in their conference paper that depriving access to credit claims is a key barrier that denies the poor, the right to take advantage of investment opportunities. These barriers, which are more binding on the poor, lead to higher inequalities in income with higher credit constraints.

Leeladhar, (2005) observed that despite making significant improvements in all areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. However, in 2003, the RBI policy of financial inclusion to provide access to financial services to the poor can be earmarked as another bold initiative in serving the rural transects targeting inclusive growth. Committee on financial inclusion in 2008 i.e. Rangarajan committee observed that financial inclusion to hitherto excluded segments of the population is critical to sustain and accelerate growth momentum. For achievement of the same, the committee has put forward multi-pronged strategies including establishment of National mission on financial inclusion, revitalizing the RRBs and Cooperatives, introducing MFI model (SHG-bank linkage) and Business facilitator and Business Correspondents Model.

Leeladhar, (2006) stated that financial inclusion is delivery services at an affordable cost to the vast sections of disadvantaged and low income groups. Therefore, unrestrained access to public goods and services is the *sine qua non* of an open and efficient society. Moreover, the banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy.

Mandira Sarma, et al, (2008) suggest that the issue of financial inclusion is a development policy priority in many countries. Using the index of financial inclusion developed in levels of human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Among socio-economic factors, as expected, income is positively associated with the level of financial inclusion. Further physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play positive role in enhancing financial inclusion.

Mandira Sarma, et. al, (2009) report analyzed the history that in India the concept of financial inclusion was started in the years of 1904 as Co – operative movement, and then it gained momentum in 1969 when 14 major commercial banks of the country were nationalized and lead bank scheme was introduced shortly thereafter From the that year the majority of bank branches were opened in large numbers across the country and even in the areas which were hitherto being neglected. However, there is a severe gap in financial access which needs special attention. So many studies have proved that lack of inclusion or rather exclusion from the banking system results in a loss of 1 per cent to the GDP. Thus, the RBI concluded that the financial inclusion is not just a socio-political imperative but also an economic one and realized the gravity of the problem. Finally the Reserve Bank of India made the Mid Term Review of Monetary Policy (2005-06), urged the banks to make financial inclusion as one of their prime objectives.

Mohan (2006) financial exclusion signifies lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers. Financial exclusion is thus a key policy concern, because the options for operating a household budget, or a micro/small enterprise, without mainstream financial services can often be expensive. This process becomes self-reinforcing and can often be an important factor in social exclusion, especially for communities with limited access to financial products, particularly in rural areas.

Pal and Sura (2006) concluded that the overall position of RRBs in India is not quite encouraging. The poorcredit-deposit ratio is still making dent on the desired functioning of RRBs. Since the RRB is supposed to be a bank for poor people, government should spread the branches of RRBs at grass root level to provide such banking service to the really needy rural people and to take corrective measures to raise the credit deposit ratio of the bank that would make RRBs relevant in the rural India.

Rajani Gupte, (2012) *et al.* in his study says financial Inclusion has become the buzzword and has caught the attention of research scholars, policy makers and economists. While finance has always been recognized to be the life blood of any economic unit, financial inclusion, as a ‘quasi-public good’s is seen to be the harbinger that would facilitate fuller participation by vulnerable groups such as weaker sections and low income groups in the financial system. This paper aims to study the determinants that measure the extent of financial inclusion and focuses on the computation of an index that would comprehensively capture the impact of multi-dimensional variables with specific reference to India, using the latest available bata. Past studies have omitted one or the other dimensions impaction financial inclusion, for various reasons. However, since each of the dimensions is critical, incorporating as many dimensions as possible will result in a more holistic approach to financial inclusion. The Reserve Bank of India (RBI) has initiated several measures to enhance the financial inclusion in India. The impetus came from schemes like relaxed KYC norms, rsquo; no-frills' accounts and "General Credit Cards" for small deposits and credit since 2005-06.

Ravichandran, et. al, (2009), very few people have access to banking services. There are number of factors affecting access to financial services by weaker section of society in India. The lack of awareness, low incomes and assets, social exclusion, illiteracy are the barriers from demand side. The distance from bank branch, branch timings, cumbersome banking procedure, over requirement of documents for opening band accounts, unsuitable banking products/schemes, language, high transaction costs and attitudes of bank officials are the barriers from supply side. Bank-SHG, bank-MFI, MFI-NBFC and bank- post office linkage models were discussed and new models like rural students banking model, RBI-Education institute linkage models were proposed.

Reddy (2010) suggested a new approach to banks to reach wider population in rural areas by establishing mobile-banks/representatives/agents who operate on commercial basis rather than just by self-help groups. These agents/representatives work on commission basis and hence self-motivated and cost effective in assisting banks in service provision/deposit mobilization.

Raddy, (2007) the process of financial inclusion consists of seeking each household and offering their inclusion in the banking system.

Reena Agrawal (2011) indicated that Financial exclusion is a serious concern among SC,ST,OBC and women households as well as small businesses, mainly located insemiurban and rural areas. The main Consequences of financial exclusion being financially excluded the absence of access to bank accounts and other saving opportunities result in lack of savings, low investments and lack of financial planning, then it becomes difficult in gaining access to credit getting credit from informal sources at exorbitant rates results in increased unemployment due to lack of self – employment opportunities as well as higher incidence of crime etc. Therefore, small business may suffer due to loss of access to middle class, and higher-income consumers, higher cash handling costs, delays in remittances of money, lots of reliance on private money lenders for small credits. He concluded that financial exclusion not only widens the 'Rich-Poor divide', it also leads to 'Social Exclustion'.

S. M. Ahmed, et. al, This article investigates the relationship between financial sector development and economic growth for three majors South-Asian economies, namely, India, Pakistan, and Sri Lanka. The standard Granger causality tests are employed to determine the pattern of causal linkage between various measures of financial sector development and economic growth. Also, several regression equations are estimated, using the Cobb-Douglas production function framework, in order to analyze the impact of financial sector development on economic growth. Results from causality analysis indicate that financial sector development causes economic growth in the

Granger sense. This seems to validate the supply-leading hypothesis. The regression results, using pooled data based on time-series and cross-sectional observations, reinforce the findings of the causality analysis, suggesting that financial sector development has indeed made a significant contribution to economic growth in these countries.

Saibal Ghosh, (2006) Using a panel dataset of over 1000 listed Indian manufacturing firms for the period 1995-2004, the paper examines whether financial liberalization led to an easing of financial constraints. The results indicate that financial liberalization led to a significant easing of financing constraints. This easing was particularly notable in the case of small firms and in fact, become more pronounced during the latter half of the sample period.

Sarma, et. al, (2008) study indicated how to overcome barriers to financial inclusion in India. So Financial inclusion is the process that will ensures the ease of access to finance, market and resources must keep in availability and usage of the formal financial system for all members of an economy. Financial inclusion has three dimensions: accessibility, availability, and usage. Therefore, the empirical findings strengthen the argument that financial exclusion is important as a policy objective to overcome financial exclusion.

Satya R. Chakravarty. (2013), et al. In his study he develops an axiomatic measure of financial inclusion. This measure is readily implementable and useful to determine policy priorities to promote financial inclusion. Next, he demonstrates that supply side data on banking services can be usefully employed to measure financial inclusion. Third, they examine the effects of major banking policies on financial inclusion across states in India during 1972-2009, using panel data econometrics techniques.

They find that the social-banking policy has played crucial role to foster financial inclusion across states in India during 1977-1990. Thereafter, the move towards pro-market financial sector reform has adversely affected the pace of financial inclusion.

Harun khan, (2012) indicated that the Habitations in the country which have a commercial bank branch is: 30,000(out of 600,000) they provides a set summary statistics relating to the penetration of various categories of financial products. First, the relatively low penetration of bank branches must be highlighted – only 30,000 out of 6, 00, 000 habitations have a banking presence. As is well understood, the goal of have a physical banking facility in every habitation is unrealistic, which is why the inclusion strategy is largely based on the use of Information and communication technology (ICT) to expand banking access virtually through the mechanism of a Business Correspondent (BC), who carries a handheld device networked to the bank's systems. This is an enormous technological discontinuity enabled by the spread and efficiency of the mobile telephone network and, clearly, the inclusion strategy must take full advantage of this resource.

Thorat Usha (2008) ICT solutions are required to ensure reliable and uninterrupted connectivity to remote areas and across multiple channels of delivery, offer multiple financial products through electronic delivery channel while ensuring consumer protection. It can be used to provide customer education and counseling through multi media and multi-language device.

Vighneswara Swamy, (2013) during his study they examine the question: "In the context of gender dimension what is the evidence of the impact of the financial inclusion programs on poor households represented by women relative to that represented by men?" By constructing a good counterfactual and comparison group, we employ the difference-in difference estimator approach with Panel Least Squares and Generalized Methods of Moments using standard errors for a robust analysis. We notice that income growth (CAGR) net of inflation effect was 8.40% for women as against 3.97% for men, indicating that the gender of participating poor undoubtedly affects the outcomes of these programs.

Vivek Moorthy, (2012), Confronted by a slowing economy, the Reserve Bank of India has undertaken steps to revive it. These measures, however, run the risk of worsening current high levels of inflation. This paper examines certain aspects of India's financial system that have contributed to this situation. It argues that unduly low yields on Government bonds have prevented a healthy financial system from developing, with adverse impact upon inflation and other macroeconomic outcomes. It suggests that India should focus far more on domestic, and less on external, financial liberalization. Specifically, yields on non-market borrowing, such as Provident Fund deposits, should be benchmarked to a low frequency measure of consumer price inflation.

2.3 EFFORTS FOR FINANCIAL INCLUSION OTHER INDIA

Bridgeman (1999) positively expand the definition such financial products may include money transmission, home insurance, short and long-term credit and savings. Furthermore, the operational definitions have also evolved from the underlying public policy concerns that many people.

Claessens (2006) said that access to finance can be defined as "availability of a supply of reasonable quality financial services at reasonable costs, where reasonable all pecuniary and non pecuniary costs". It can also be defined as the "absence of price and non-price barriers"

Cole et al. (2009) concluded that financial literacy program has no effect on the likelihood of opening a bank savings account, but do find modest effects for uneducated and financially illiterate households. In contrast, small subsidy payments have a large effect on the likelihood of opening a savings account. These payments are more than two times more cost-effective than the financial literacy training.

Collins (2009) studied more than 250 financial diaries of low income individuals in Bangladesh, India, and South Africa. Their findings show that each household uses at least four types of informal financial instruments in a year, with the average being just under ten. This suggests that low income individuals do need access to financial services, and the existence of barriers that prevent their use of formal sector services. There are many complex factors that prevent rapid progress towards the goal of financial inclusion. In the UK, the Financial Inclusion task force has differentiated between supply and demand side factors of financial exclusion, in its action plan for 2008-2011. The supply side factors include

Demirguc-Kunt (2010) observed that, "Without inclusive financial systems, poor individuals, and small enterprises need to rely on their personal wealth or internal resources to invest in their education, become entrepreneurs, or take advantage of promising growth opportunities"

Diego Anzoategui, et, al (2014) investigates the impact of remittances on financial inclusion. Using household-level survey data for E1 Salvador, we examine whether remittances affect households' use of savings and credit instruments from formal financial institutions. We find that although remittances have a positive impact on financial inclusion by promoting the use of deposit accounts, they do not have a significant and robust effect on the demand for and use of credit from formal institutions. If anything, by relaxing credit constraints, remittances might reduce the need for external financing from financial institutions, while at the same time increasing the demand for savings instruments.

Duncan Fuller, (2002), et al. Whilst most analyses have effectively treated credit unions as unsocial, uncontested spaces of purely economic considerations, this paper enters into the interrelation, and social space of the credit union study group. In so doing, it illustrates two interesting paradoxes at the heart of credit union operations. Firstly, it suggests a number of potential exclusionary effects recent deregulatory legislation has on the demarcation of common bond boundaries. Secondly, it illustrates how common bond boundary construction initiates a purification of financial space, but argues that the act of boundary formation itself is ultimately exclusionary in mature.

H. M. Treasury (2004) concluded that particularly those living on low income, cannot access mainstream financial products such as bank accounts and low cost loans, which, in turn, imposes real costs on them – often the most vulnerable people in urban and rural India.

Jake Kendall (2012), in his study investigates the connection between banking sector development, human capital, and economic growth in Indian districts. Disaggregate data helps avoid many of the omitted variable problems that plague similar cross-country studies. The data show districts to be financially constrained by the lock of local banking sector development, and the relationship may be non-linear. For districts in the sample, moving from the 75^{th} percentile of credit/net domestic product to the 25^{th} percentile implies an average loss of 4% in growth over the 1990s decade. The data also shows that human capital deepening can reduce the financial constraint.

In a district at the 25th literacy percentile, the implied growth loss due to a constrained banking sector is twice as large as in a district at the 75th literacy percentile the results are robust to the inclusion of various controls and changes in specification.

Jake Kendall, (2012) Used unique, district-level, economic growth data, to investigate the connection between banking sector development, human capital, and economic growth in Indian districts. Disaggregate data helps avoid many of the omitted variable problems that plague similar cross-country studies. The data show districts to be financially constrained by the lack of local banking sector development, and the relationship may be non-linear. For districts in the sample, moving from the 75th percentile of credit/ net domestic product to the 25th percentile implies an average loss of 4% in growth over the 1990s decade. The data also shows that human capital deepening can reduce the financial constraint. In a district at the 25th literacy percentile, the implied growth loss due to a constrained banking sector is twice as large as in a district at the 75th literacy percentile the results are robust to the inclusion of various controls and changes in specification.

James B. Ang (2010) conduct study to explore the impact of financial sector reforms. Financial deepening, and intellectual property protection on the accumulation of knowledge for one of the world's largest developing countries. The findings indicate that increased intellectual property rights protection is associated with higher knowledge accumulation. While financial deepening facilitates the accumulation of ideas, the implementation of a series of financial liberalization policies is found to have a non-linear effect. The results show that financial liberalization will exert a beneficial impact on technological deepening only if the financial system is sufficiently liberalized.

James B. Ang, (2011) in his study explores the determinants of private consumption growth volatility in India, focusing on the role of financial sector policies. Using data for India over the period 1950-2005, the results show that the implementation of financial repressions policies is strongly associated with lower consumption volatility. The presence of a threshold effect implies that the benefits of financial reforms in reducing consumption volatility can only be reaped when the financial system becomes sufficiently liberalized. The results also indicate that the presence of a more open financial system may serve to dampen fluctuations in private consumption.

Joseph Massey (2010) said that, role of financial institutions in a developing country is vital in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further enhanced by the pro-activeness on the part of capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in fostering financial inclusion. National and international forum have recognized this and efforts are seen on domestic and global levels to encourage the financial institutions to take up larger responsibilities in including the financially excluded lot.

Kirkpatrick, (2000) Emphasized that Finance is an essential part for the human development. Financial development is considered to be an integral factor in the economic growth of a country. So far, many studies have noted that a well-functioning financial system that mobilizes savings, allocates resources, and facilitates risk management contributes to economic growth by supporting capital accumulation, improving investment efficiency, and promoting technological innovation.

Louis de Koker (2009) et al. viewed that globally financial inclusion and anti-money laundering are complementary. Many new users of formal financial services also use informal financial services. In his study transparency can feature in the client trade-off. The alignment can fail where clients are concerned about increased transparency.

Meadows et al., (2004) argued that the focus narrows down mainly to the products and services provided by the mainstream financial service providers. But just providing the services for poor is different and need to design particular products or services at the affordable cost- effective products.

Michael Chibba,(2009) noted that Financial Inclusion is an inclusive development and Poverty Reduction strategy that manifests itself as part of the emerging FI-PR-MDG nexus. However, given the current global crises, the need to scale-up Financial Inclusion is now perhaps more important as a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history.

O. Becerra (2012), although financial development is good for long-term growth, not all countries pursue policies that render full financial development. This paper builds on an extensive political economy literature to construct a theoretical model showing that the intensity of opposition to financial development by incumbents depends on both their degree of credit dependency and the role of governments in credit markets. Empirical evidence for this claim is provided, and the results suggest that lower opposition to financial development leads to an effective increase in credit markets' development only in those countries where credit dependency is high. This paper therefore contributes to this rich literature by providing a unified account of credit market development that includes two of its main determinants, traditionally considered in isolation.

Oya Pinar Ardic et al (2011) explained that using the financial access database by CGAP and the World Bank group, this paper counts the number of unbanked adults around the world, analyses the state of access to deposit and loan services as well as the extent of retail networks, and discusses the state of financial inclusion mandates around the world. The findings indicate that there is yet much to be done in the financial inclusion arena. Fifty-six percent of adults in the world do not have access to formal financial services.

Paul A. Jones (2010) in his study analyses the changing role of co-operative credit unions in tackling poverty and promoting financial inclusion in Britain. It examines the reality of poverty in low income communities and endeavors to critique the actions, methodologies and initiatives currently being adopted by credit unions to achieve financial inclusion. It examines the role of the UK government in its support for credit unions and offers an early analysis of HM Treasury's Financial Inclusion Fund. The paper argues that credit unions are best placed within the financial services industry to make an impact within financially excluded communities

Thorat (2006) Financial inclusion means the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded.

Rangarajan's committee (2008) on financial inclusion defines it as " e-Financial Inclusion is one could extrapolate the above and state as " **innovative applications** of ICT for delivery of financial & payment services and **adequate credit** where needed, at an affordable cost to the vast section of disadvantaged and low-income groups, who currently are unbanked". As per the survey results of **Alliance for Financial Inclusion (2010),** lack of consumer understanding, trust, protection, high costs, poor regulatory, access, lack of formal identification systems, low levels of financial literacy, and the absence of appropriate consumer protection mechanisms are core barriers in e-financial inclusion in south Asia. According to Australian Performance assessment framework (2010-15), Number of new clients, Level of access to financial services, Level of client awareness, financial education.

Asia Multi-Stakeholder Dialogue (2005) agreed that there is a large unmet demand for financial services by the poor and micro- and small entrepreneurs. The most underserved groups (example SC, ST, OBC and women in India) include those living in remote or sparsely population locations, minorities and those lacking legal status, as well as mobile groups. Additionally Besides, economically inactive individuals, or beginners in using financial services have a latent demand for services that is not articulated. Therefore, some workers in certain sectors, have a latent demand for services that is not articulated. Therefore, some workers in certain sectors, such as crop farming, are often not served because the long production cycle of their economic activity does not align with loan repayment schedules required by lenders. Hence, the Emerging entrepreneurs who need larger loans to scale up their microenterprises to small enterprises are usually not served by MFIs and also encounter problems with larger financial institutions because of a lack of collateral.

FATF (2011) report emphasized that disadvantaged and other vulnerable groups such as SC,ST and Women, including low income households, handicapped, individuals in rural communities and undocumented migrants, in both developed and developing jurisdictions, are more likely to be excluded from the formal, regulated financial sector, because of other barriers such as problems in meeting the documentary and other requirements, non-awareness, wrong perceptions, limited knowledge, high cost, etc. Underserved clients represent a very heterogeneous category with very different risk profiles in different jurisdictions. As a consequence, they cannot be classified as low risk clients on the sole basis that they are financially excluded.

RBI (2008) report explained the long history of sound banking system developed by RBI after Independence, which could support planned economic development through mobilization of resources/deposits and channel them into productive sectors. Hence, In order to overcome the exclusion RBI want to expand the credit and financial services to the wider sections of the population and a wide network of financial institutions has been established over the years. The organized financial system comprising commercial banks, regional rural banks (RRBs), urban co-operative banks (UCBs), primary agricultural credit societies (PACS), and post offices caters to the needs of financial service requirements of the poorer segments. Furthermore, development of the institutional framework in recent years has focused on new strategies of expanding financial services involving credit dispensation using multiple channels such as civil society organizations (CSOs), non-government organizations (NGOs), post offices, farmers' clubs, and panchayats as business facilitators/correspondents. Specific financial instruments/products were also developed in order to promote financial inclusion.

RBI Report (2008) indicated several definitions of financial inclusion/exclusion have evolved in the below table. There are main operational definitions of financial exclusion generally focus on ownership or access to particular financial products and services.

The Economist (2012) report indicated that the financial exclusion is a global issue. In that report the World Bank estimates that, in some countries, fewer than 10 per cent of people have access to financial services of any kind. But even in developed countries, the harsh realities of exclusion are just as real. The global emerging challenges in access to finance, access to resources and use of financial services remains a big constraint. Two thirds of the adult population in developing countries or 2.7 billion people lack access to basic formal financial services, such as savings or checking accounts.

United Nations (2006) report emphasized that exclusion may also have resulted from a variety of structural factors such as unavailability of products suiting their requirements, stringent documentation and collateral requirements and increased competition in financial services. There has also been particular emphasis on socio-cultural factors that matter for an individual to access financial services.

United Nations (2006) said that many developing countries need to design appropriate strategies for increasing access to financial services by all segments of the population. Those countries must also turn their strategies into effective policy measures and implementation plans. Therefore, the multiple stakeholders must work together to design these strategies and determine the best ways to organize their implementation. However, an effort entails the co-operation of the range of governments, financial institutions, civil society organizations, development partners, and the private sector. And also it requires all stakeholders to ensure that adequate attention is focused on financial inclusion over the long term.

According to UIDAI A number of initiatives and company partnerships will offer access to financial services to 'unbanked' people in India, alongside India's national ID programme Aadhaar. The unique Identification Authority of India (UIDAI) has issued its two millionth identification number Under the Aadhar program.

United Nations, (2006) in the report defined "financial inclusion as the timely delivery of financial services to disadvantaged sections of society". But this definition encompasses concept's primary dimension. Firstly, financial inclusion refers to a customer have access to a range of formal financial services, from simple credit and savings services to the more complex such as insurance and pensions. Secondly, financial inclusion implies that customers have access to more than one financial services provider, which ensures a variety of competitive options. Flowing from this definition, financial exclusion would mean the inability of the disadvantaged to access financial services. A range of obstacles could lead to financial exclusion; barriers include geography, regulations (lack of formal identification proof or of appropriate products for poor households), psychology (fear of financial institution's staff, structures, complicated financial products, etc.), information (lack of knowledge regarding products and procedures), and low financial acumen (low income and poor financial discipline), among others.

World Bank (2008) Access to finance eases the external financing constraint that prevents firms' expansion. Low access also leads to increased income inequalities, poverty, and low growth rates. Thus access to finance and an inclusive financial system which caters for all groups of people has been advocated as a means to reduce inequalities and poverty in developing countries.

2.5 SUMMARY

Today, there are numerous players in the field of financial inclusion; some weak, some strong and some with strong parentage, some without a backgrounds. However, all them offer different technologies but for the same ultimate objective.

The literature review given clear concepts of innovation economics and economic growth theory and tried as much as possible to structure them accordingly.

Empirical evidence clearly indicated that economic growth follows financial inclusion. Though the procedures and rituals for enabling landless laborers and farmers enter into the realm of inclusion were implemented by the Scheduled Commercial Banks, majority of the people surveyed had not utilized these benefits. Educating the farmers regarding the availability of these vital entry benefits free of cost needs to be undertaken.

Augmented manpower for marketing of loan/saving products, amplified technical assistance such that they are available in the interiors of villages(for example through mobile units) might help to assuage the problem of geographical access. And also with optimization of advanced technology use for cost- effective financial products for social groups So that they can afford to use and people will have safe savings along with access to allied products and services such as insurance cover, entrepreneurial loans, payment and settlement facility, etc

The literature review gave a brief account of empirical studies in different aspects to cover the financial inclusion for the benefits to the new growth path to alleviation of poverty. The review studies explained the concepts of inclusive growth, pillars of inclusive growth stating that the issue of financial exclusion causes of exclusion, types of ex inclusion as a symbol of financial deepening and a sign financial development. The researcher reviewed the very important studies to find the gap in the study.

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CHAPTER 3

RESEARCH METHODOLOGY

3.1 Rationale of the study:

For every research topic there should be some rationale to conduct research or to carryout research activities. The subject of the study has to be dedicated towards the solutions of problems that have been present in that particular field of study. A general statement of the purpose has to be drawn as per the present scenario which would eventually lead to the objectives of the study along with its scope and limitations. A similar attempt has been made by the researcher in this study.

The title of "A study of financial Inclusion of Renapur Taluka in latur District." Provides information about inculcation of financial inclusion in the area of Renapur Taluka.

Various steps have been taken by RBI, as well as central Government and State Governments to promote financial inclusion in India. The present study "A study of financial inclusion of Renapur Taluka in Latur District." Presents the actual picture of financial inclusion in the universe of study.

Financial inclusion mobilizes savings that promote economic growth through productive investment. So it helps to know saving pattern of people. Financial inclusion promotes financial literacy of the population and hence guides them to avoid the expensive and unreliable financial services. It also helps the weaker sections to channelize their incomes into buying productive resources or assets. Financial inclusion supports both economic efficiency in equity and self reliance. Unrestrained access to public goods and services is an essential condition of an open and efficient society.

In India, the focus of the financial inclusion has to objective of ensuring at least a bare minimum access to a saving bank account withhold frills, to all the sections of the society. However, there exists a wider horizon for financial inclusion. At one of the ends, is the section of the society which is denied or ignorant of the most basic banking services of the bank. Whereas at the other extreme is a segment of population who are active and aware of a wide range of financial services and products at their disposal. In between these two extremes is the public who utilize the banking services only for basic deposit and withdraw of their money.

- **Objectives of Study:**

1. To examine the scenario of financial inclusion, Renapur Taluka of Latur district.
2. To study the causes of financial exclusion of people in Renapur Taluka.
3. To identify the size and nature of financial inclusion in Renapur Taluka.
4. To study the impact of various financial programmes in the universe.
5. To examine the socio-economic factor relating to the financial inclusion in the universe of the study.

- **Hypothesis**

1. There is a significant relation between financial inclusion and financial literacy.
2. Lack of proper information is major causes of financial exclusion.

3. The is correlation between the types of occupation of people on financial inclusion.

4. Adverse socio-economic factors are responsible for financial exclusion.

- **Research Methodology of the study:**

The section of the chapter outline the research methodology adopted in present study:

The research methodology consist of ……

1) Scope of the study
2) Source of data collection
3) Sample sizes
4) Statistical tools

1. Scope of study:

The scope of the study is Renapur Taluka in Latur District. This place is selected in order to know the implementation of financial inclusion in that area. The respondents from the Renapur Taluka, area will be covered for the purpose of the study.

2. Source of Data:

In order to collect data from the respondents, the researches personally go to the respondents with structured questionnaire. The instructions are also given in the questionnaire. Respondents will be asked to give the response freely.The questionnaires were taken back for further analytical conclusions. In present study, both primary as well as secondary data has been utilized to arrive at certain conclusions.

A) Primary Data:

It collected through interviewing respondents randomly from Renapur Taluka. These respondents include all those who have accounts in all types of banks. The interviews were taken with the help of a set of structured questionnaire.

*** Sample Size:**

Sampling is defined as the selection of some part out of the total on the basic of which some adjustment or inferences about aggregate or total can be drawn. In sampling, it is necessary to select only a few items from the universe for purpose of study.

A sample consists of number of individuals, objectives, events that represents the total population a sample is a small portion of the population selected for research. By studying a sample, certain inferences about the population can be made. The sample selected for the present study consist of all respondents who stay in Renapur Taluka area. These samples are selected considering following attributes

- Gender
- Occupation
- Age Group
- Qualification
- **<u>Sample Size and Techniques:</u>**

500 samples have been selected randomly to collect primary information's. Inferences about financial inclusion are to be derived though these samples. Statistical

data is to be collected through questionnaire. Final conclusions and findings are to be derived by giving statistical.

Sample Size selected for Study.

Table No 3.1

Sr.No.	Sample Villages	Sample Households	Sample Respondents
1.	Renapur	10	50
2.	Bhokramba	10	50
3.	Davangaon	10	50
4.	Godhala	10	50
5.	Kamkheda	10	50
6.	Khanapur	10	50
7.	Lakhampur	10	50
8.	Motegaon	10	50
9.	Pangaon	10	50
10.	Wanjarwadi	10	50
	Total	**100**	**500**

B] Secondary Data:

Secondary data is collected form the following sources

- Publication of RBI, especially reports, Bulletins occasional publications etc.
- Books, Journals, Magazines, Newspaper, Reports, Articles, etc.
- **Period of the study:**

Period of the study will be 2008-2020 financial year.

- **Tools and Techniques of Analysis:**

  The analysis of the data will be done with the help of different statistical tools such an average, percentage of various numerical according to their relevance correlation etc.

- **Scope and Limitations of the study:**

  The data will be presented in tables and figures for interpretation and analysis of data.

- The geographical area for this study is limited to Renapur Taluka in Latur District.
- The survey is based on random and convenient sampling method.
- Since the study is limited to only Renapur Taluka a of Latur district, the findings and conclusions cannot be universally applicable.

* **Chapter Scheme:**

Chapter 1: Overview of Financial Inclusion

Chapter 2: Review of literature

Chapter 3: Research Methodology

Chapter 4: Analysis and discussion on financial inclusion.

Chapter 5: Summary of findings conclusions and suggestions.

CHAPTER 4

ANALYSIS AND DISCUSSION ON FINANCIAL INCLUSION

Introduction:

Renapur Taluka is one of the ten Taluka s of the Latur District of Maharashtra state in India. As per census of India 2011, the total population of Renapur Taluka is 1, 42, 252. Share of Renapur Taluka in district population is 5.8 % Entire population is rural population i.e. here is 100 % rural population in Renapur Taluka . Geographical area of Renapur Taluka is 580 km^2. i.e. 8.1 % of district geographical area population density in a Renapur Taluka is 245.26 persons per square km. In Renapur Taluka total population of SC and ST community is 19.03% and other community is 80.97 %. Literacy rate in Renapur Taluka is 76%. Total sex ratio in Renapur Taluka is 922 women per thousand men.

State of financial inclusion in Renapur Taluka is explained by emphasing following three crucial elements of financial inclusion….

A) Excess of banking facilities

B) Use of banking services

C) Quality of banking services

This discussion is based on both primary and secondary data primary data is collected through well framed questionnaire observation and personal dialogue with respondents.

Chapter four concerning "Analysis and discussion on financial inclusion is subdivided into ten sub-chapters. Highlighting demographic aspects, educational aspects, occupational structures, of sample villages. As well as educational states, occupational distribution, age and gender wise distribution, income wise distribution of respondents. Aailable bank facilities as well as use and awareness of bank facilities and various schemes by respondents also discussed.

4.1 Demographic Aspects of Sample Villages:

Demographic aspects of sample villages in Renapur Taluka are presented in table no. 4.1, table no. 4.2 and table no. 4.3 It includes gender wise classification or population, sex ratio and distribution of population by social communities, total hoseholds and household size etc.

As per total population Renapur is largest and Khanapur is smallest village. Godhala sample village is having highest sex ratio i.e. 960 and Dawangaon is having lowest sex ratio i.e. 850 females per thousand and male (see table 4.1)

Table No. 4.1

Total population by Sex and Sex Ratio in Sample Villages in Renapur Taluka of Latur District:2011

Sr No.	Village Name	Total	Male	Female	Sex Ratio(Females Per 1000 Male)
1	Renapur	14953	7777	7176	923
2	Bhokramba	2289	1179	1110	942
3	Davangaon	1541	833	708	850
4	Godhala	2052	1047	1005	960
5	Kamkheda	3133	1620	1513	934
6	Khanapur	586	322	264	820
7	Lakhamapur	1158	604	554	917
8	Motegaon	2459	1285	1174	914
9	Pangaon	11661	6028	5633	935
10	Wanjarvadi	1273	674	599	889

Source: DCHB, Census of India 2011

Khanapur sample village is having SC, ST population i.e. 28. 6 % where as Wanjarvadi sample village has lowest SC + ST population i.e. 4.3% (see table no. 4.2)

Table No. 4.2

Classification of Total population by Major Social Classes in Sample Villages in Renapur Taluka of Latur District:2011

Sr No.	**% of Population**				
	Village Name	**SC**	**ST**	**SC+ST**	**Others**
1	Renapur	13.1	0.6	13.7	86.3
2	Bhokramba	12.1	0.6	12.7	87.3
3	Davangaon	6.8	0	6.8	93.2
4	Godhala	27.6	0.3	27.9	72.1
5	Kamkheda	17.5	0.2	17.7	82.3
6	Khanapur	4.2	24.6	28.6	71.4
7	Lakhamapur	14.2	0	14.2	85.8
8	Motegaon	20.3	2.9	23.2	76.8
9	Pangaon	24.5	0.9	25.4	74.6
10	Wanjarvadi	4.3	0	4.3	95.7

Source: DCHB, Census of India 2011

Highest number of households with 4.8 household size are in Renapur sample village where as Khanaur sample village is with lowest number of households with 4.2 household size (see table no. 4.3)

Table No. 4.3
Total Households and Household Size in Sample Villages in Renapur Taluka of Latur District:2011

Sr No.	Village Name	Total Households	Household Size
1	Renapur	3088	4.8
2	Bhokramba	503	4.6
3	Davangaon	335	4.6
4	Godhala	394	5.2
5	Kamkheda	651	4.8
6	Khanapur	139	4.2
7	Lakhamapur	253	4.6
8	Motegaon	511	4.8
9	Pangaon	2294	5.1
10	Wanjarvadi	239	5.3

Source: DCHB, Census of India 2011

4.2 Literacy Rates by sex in sample villages:

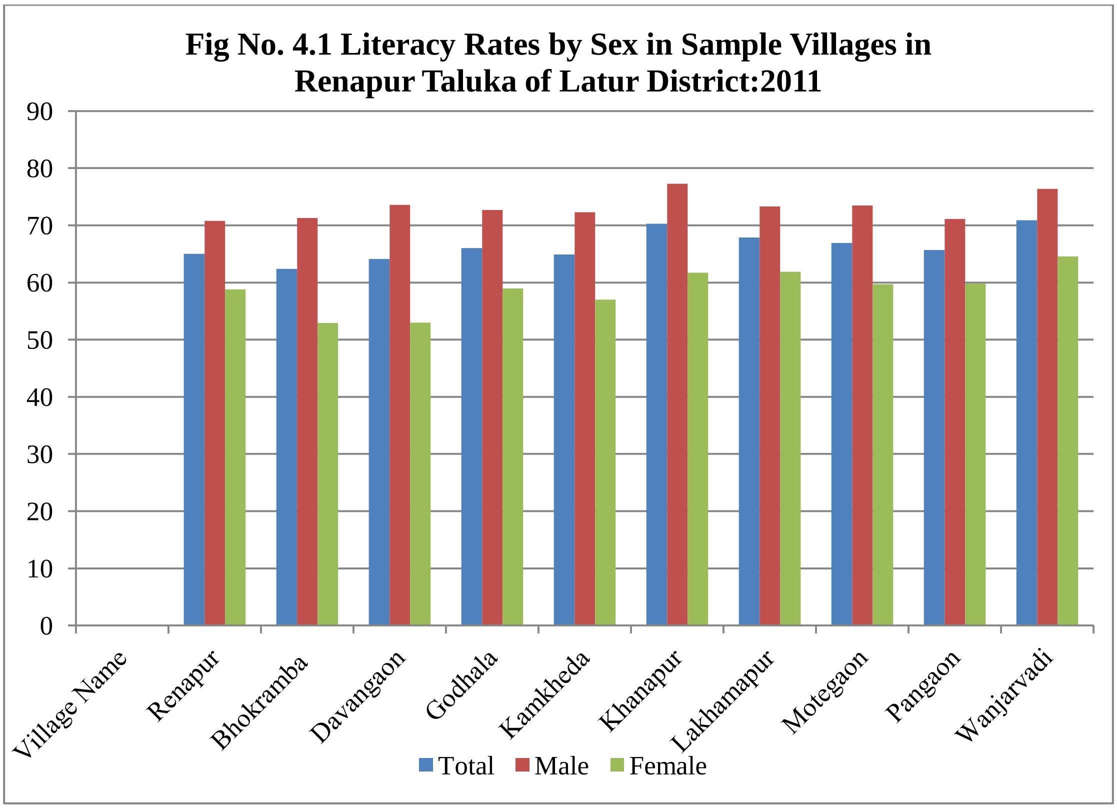
State of literacy is one of the important determinants for using various banking facilities and services among the people. Wanjarvadi sample village has highest literacy rate i.e. 70.9 % and Bhokrambha sample village has lowest literacy rate with 62.4 %. Wanjarvadi sample village presented highested female literacy of 64.6 % and Bhokrambha sample village reported lowest female literacy of 52.9 %

Table No. 4.4
Literacy Rate by Sex in Sample Villages in Renapur Taluka of Latur District:2011

Sr No.	Literacy Rate 2011			
	Village Name	**Total**	**Male**	**Female**
1	Renapur	65	70.8	58.8
2	Bhokramba	62.4	71.3	52.9
3	Davangaon	64.1	73.6	53
4	Godhala	66	72.7	59
5	Kamkheda	64.9	72.3	57
6	Khanapur	70.3	77.3	61.7
7	Lakhamapur	67.9	73.3	61.9
8	Motegaon	66.9	73.5	59.7
9	Pangaon	65.7	71.1	59.8
10	Wanjarvadi	70.9	76.4	64.6

Source: DCHB, Census of India 2011

(see table no. 4.4 and figure no. 4.1).



Lower financial inclusion in sample villages is due to lower literacy rates.

4.3 Occupational Structure in sample villages.

Occupational structure i.e. distribution of main working population among different sectors of the economy, is crucile determinant of standard of living, level of income as well as intensity of financial inclusion in particular area.

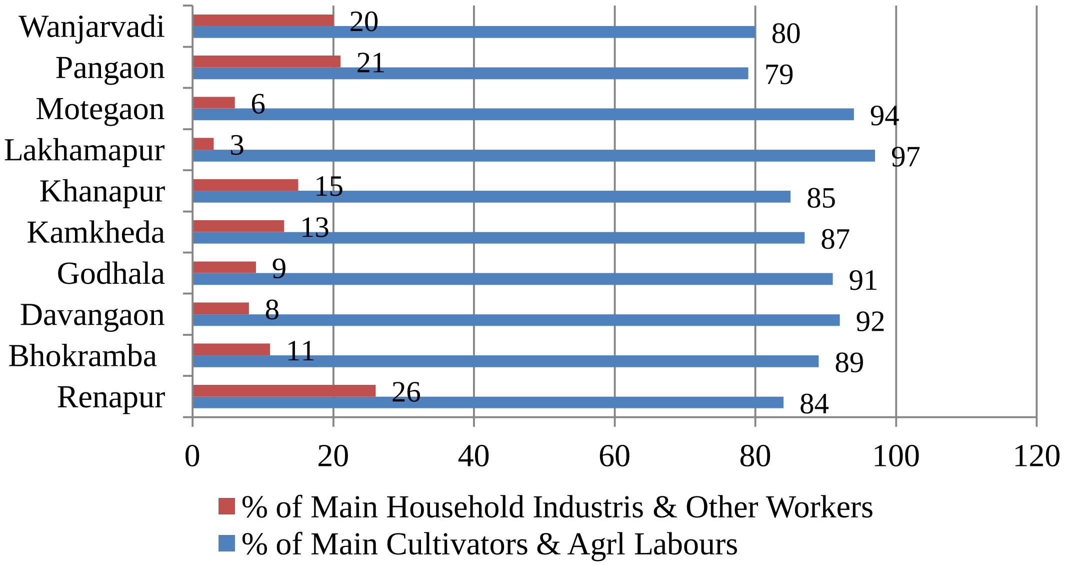
In Renapur Taluka , including all sample villages, about 80 to 85 % main workers are cultivators and agriculture labours and merely about 15 to 20 % main workers are engaged in household industries and other occupations. It indicates lower level or income and standard level of income which is an important of obstacle to achieve large scale financial inclusion in Renapur Taluka (see table no. 4.5 and figure no. 4.2).

Table No. 4.5
Occupational Structure in Sample Villages in Renapur Taluka in Latue District: 2011

Sr No.	**Distribution of Main Workers**		
	Village Name	**% of Main Cultivators & Agriculture Labours**	**% of Main Household Industries & Other Workers**
1	Renapur	84	26
2	Bhokramba	89	11
3	Davangaon	92	8
4	Godhala	91	9
5	Kamkheda	87	13
6	Khanapur	85	15
7	Lakhamapur	97	3
8	Motegaon	94	6
9	Pangaon	79	21
10	Wanjarvadi	80	20

Source: DCHB, Census of India 2011

Fig. No.4.2 Occupational Structure in Sample Villages in Renapur Taluka:2011



4.4 Gender wise Distribution of respondents.

Out of total 500 respondents in all sample villages 53 % respondents are male respondents and 47% respondents are female respondents. State of financial inclusion is derived by studying all these respondents (seet table 4.6)

Table No. 4.6

Classification of Respondents by Gender in Sample Villages in Renapur Taluka in Latue District

Sr No.	Village Name	Respondents			% of Respondents	
		Total	Male	Female	Male	Female
1	Renapur	50	27	23	54%	46%
2	Bhokramba	50	26	24	52%	48%
3	Davangaon	50	27	23	54%	46%
4	Godhala	50	26	24	52%	48%
5	Kamkheda	50	26	24	52%	48%
6	Khanapur	50	28	22	56%	44%
7	Lakhamapur	50	26	24	52%	48%
8	Motegaon	50	26	24	52%	48%
9	Pangaon	50	26	24	52%	48%
10	Wanjarvadi	50	27	23	54%	46%
	Total	**500**	**265**	**235**	**53%**	**47%**

Source: Sample Survey data

4.5 Educational Status of respondents:

Level of education is an important determinant of financial inclusion. Higher the level of education, high is the level of financial inclusion. In Renapur Taluka 218 respondents are having primary education. It means 44% respondents have primary education and very lower i.e. only 3 % respondents have under graduate and post graduate education 67% respondents are litrate and 33 % respondents are illiterate.

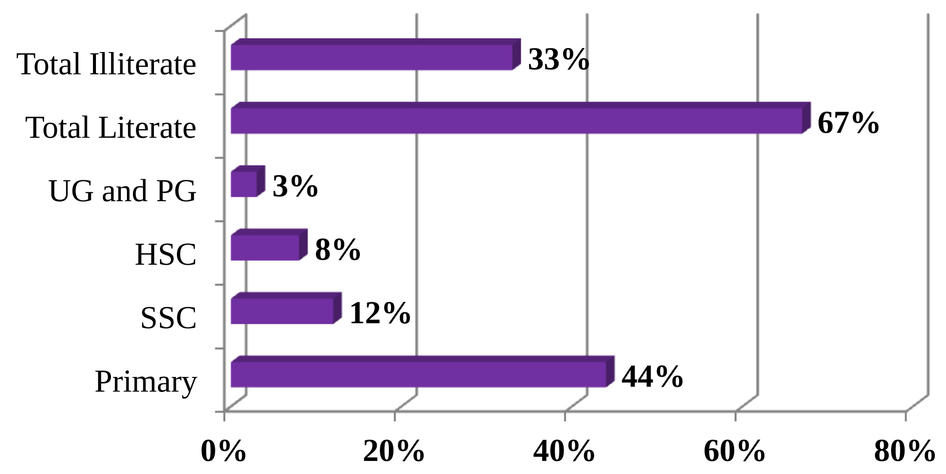
This adverse situation of educational states underlines the lower financial inclusion in Renapur Taluka . Lower level of higher education also indicates lower level of tendancy towards banking services, banking products and financial service among respondents in Renapur Taluka (see table no. 4.7 and figure no. 4.3).

Table No. 4.7
Classification of Respondents by Educational Status in Sample Villages in Renapur Taluka of Latue District

Sr No.	Village Name	Total Respondent	Educational Status				Literate	Illiterate	% of Literate	% of Illiterate
			Primary	SSC	HSC	UG & PG				
1	Renapur	50	22	6	4	1	33	17	66%	34%
2	Bhokramba	50	20	6	4	1	31	19	62%	38%
3	Davangaon	50	20	6	4	1	31	19	62%	38%
4	Godhala	50	22	6	4	1	33	17	66%	34%
5	Kamkheda	50	22	6	4	1	33	17	66%	34%
6	Khanapur	50	23	6	4	2	35	15	70%	30%
7	Lakhamapur	50	22	6	4	2	34	16	68%	32%
8	Motegaon	50	22	6	4	2	34	16	68%	32%
9	Pangaon	50	22	6	4	1	33	17	66%	34%
10	Wanjarvadi	50	23	7	4	2	36	14	72%	28%
	Total	**500**	**218**	**61**	**40**	**14**	**333**	**167**	**67%**	**33%**

Source: Sample Survey data

Fig. No. 4.3 % Distribution of Respondents by Educational Status



4.6 Distribution of Respondents by age group

All the respondents are classified their age group among . 6 to 20 years, 20 to 40 years, 40 to 60 years and 60 and 60+ age group.

Most of the respondent are included in i.e. 47% respondents, in 20 to 40 age group while 22% respondents are below the age of 20 years and 12 % respondents are senior citizens. Income earning capacity is crucially determined by age group of respondents but it is not true always. Income earning capacity of a person depends upon the occupation in which the person is engaged. As explained previously major portion of working population is engaged as cultivators and agriculture labour. It indicates lower level of income among respondents. It is also an important reason behind financial exclusion in Renapur Taluka (See table no. 4.8 fig. no .4.4)

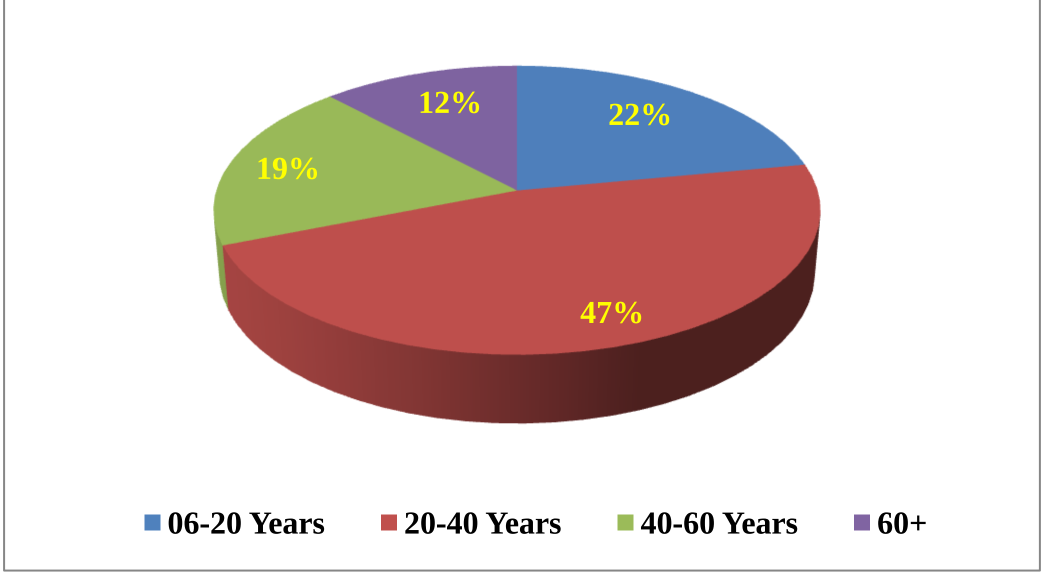
Table No. 4.8

Classification of Respondents by Age Group in Sample Villages in Renapur Taluka of Latur District

Sr No.	**Village Name**	**Total Respondents**	**Major Age Group Years**			
			06-20	**20-40**	**40-60**	**60+**
1	Renapur	50	14	20	11	5
2	Bhokramba	50	10	24	10	6
3	Davangaon	50	12	22	11	5
4	Godhala	50	9	25	8	8
5	Kamkheda	50	11	23	9	7
6	Khanapur	50	12	23	10	5
7	Lakhamapur	50	13	23	8	6
8	Motegaon	50	12	24	9	5
9	Pangaon	50	10	25	8	7
10	Wanjarvadi	50	8	26	11	5
Total		**500**	**111(22%)**	**235(47%)**	**95(19%)**	**59(12%)**

Source: Sample Survey data

Fig. No.4.4 Distribution of Respondents by Major Age Group in Sample Villages of Renapur Taluka



4.7 Distribution of Respondents by social classes

All the respondents are classified as per their social class. 88 respondents belong to SC and ST community and 412 respondents belongs to other social classes.

Major portion of respondents not able to take the advantage of various Government Schemes and Social security schemes meant for SC and St community. The fundamental reason behind exclusion of these minorities from such schemes and banking facilities is their mass illiteracy, lack or higher education and their disappointments. (see table no. 4.9 and fig. 4.5)

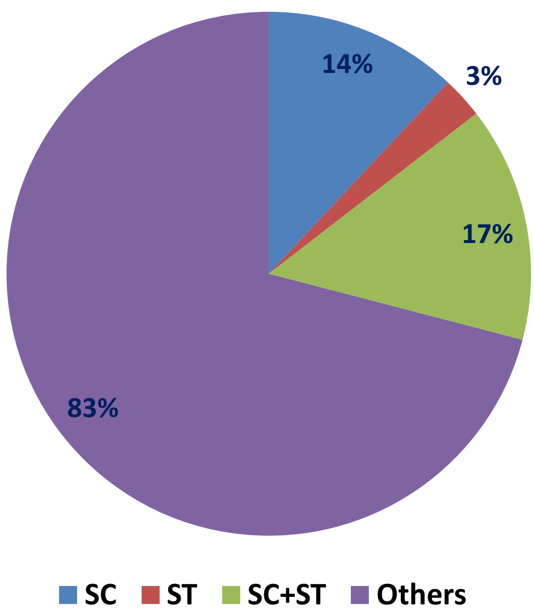
Table No. 4.9

Classification of Respondents Social Classes in Sample Villages in Renapur Taluka of Latur District

Sr No.	Village Name	Total Respondents	Major Social Classes			
			SC	ST	SC+ST	Others
1	Renapur	50	7	1	8	42
2	Bhokramba	50	6	1	7	43
3	Davangaon	50	3	0	3	47
4	Godhala	50	14	0	14	36
5	Kamkheda	50	9	0	9	41
6	Khanapur	50	2	12	14	36
7	Lakhamapur	50	7	0	7	43
8	Motegaon	50	10	1	11	39
9	Pangaon	50	12	1	13	37
10	Wanjarvadi	50	2	0	2	48
Total		**500**	**72**	**16**	**88**	**412**

Source: Sample Survey data

Fig No.4.5 Distribution of Respondents by Social Classes in Renapur Taluka



4.8 Occupational structure of Respondents

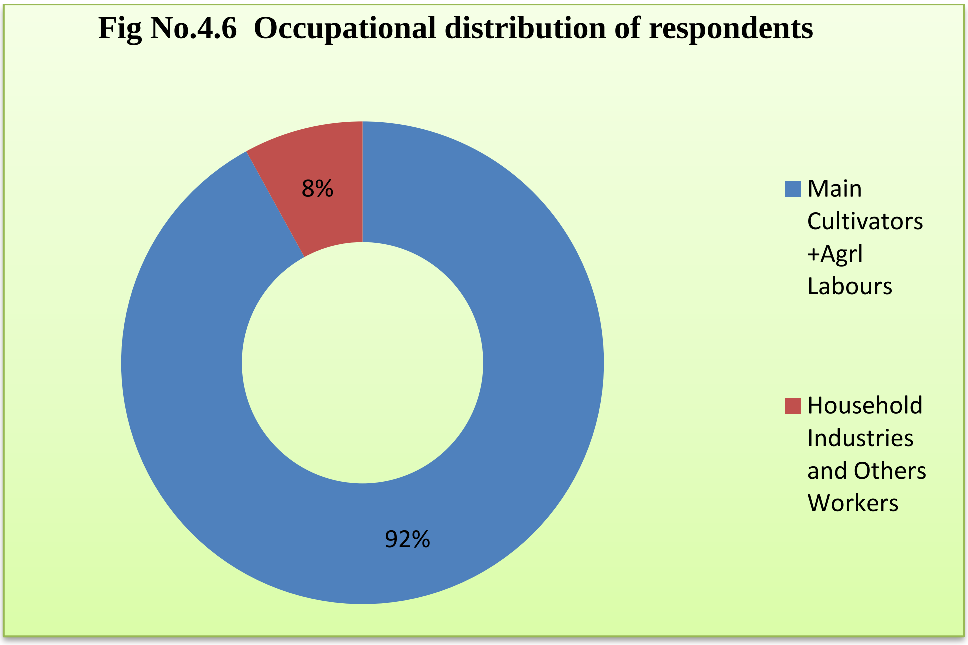
Occupational status of respondents indicates their income status, professional status as well as social status. Most of the respondents in sample villages are engaged in primary sector of the economy. It means 92 % respondents are working as main cultivators and main agriculture labours. Income generation of capacity of cultivators and agriculture labours is relatively lower than main workers engaged in house hold industries and other professions. As per census of India 2011 documents cultivators and agricultural labour belong to unorganized sectors of the economy. Whereas main household industry workers and other main workers belongs to organized sector of the economy.

In Renapur Taluka only 8 % respondents are engaged as main workers in organized sector. It is very clear from this, that exists lower level financial inclusion in Renapur Taluka (see table no. 4. 10 and fig. no. 4.6)

Table No. 4.10
Classification of Respondents by Occupation in Sample Villages in Renapur Taluka of Latur District

Sr No.	Village Name	Total Respondents	Total Main Workers	Occupational Structure	
				Main Cultivators & Agriculture Labour	**Household Industries & Others**
1	Renapur	50	20	19	1
2	Bhokramba	50	26	25	1
3	Davangaon	50	28	27	1
4	Godhala	50	22	20	2
5	Kamkheda	50	24	23	1
6	Khanapur	50	26	25	1
7	Lakhamapur	50	28	27	1
8	Motegaon	50	23	21	2
9	Pangaon	50	22	21	1
10	Wanjarvadi	50	22	14	8
	Total	**500**	**241(48%)**	**222 (92%)**	**19 (08%)**

Source: Sample Survey data



4.9 Gross per capita Income of respondents

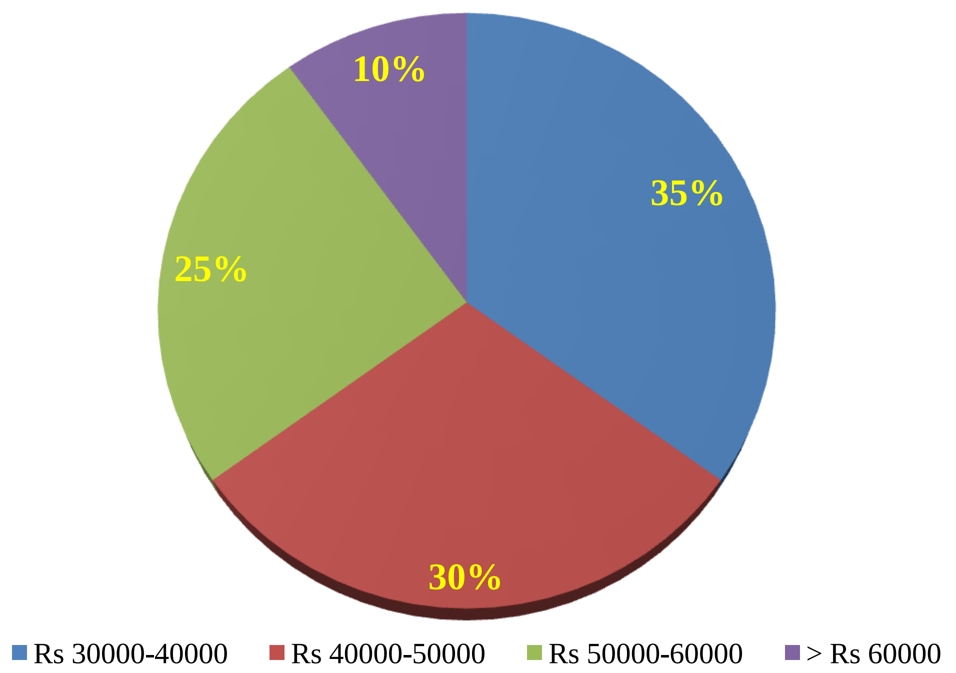
All the respondents in Renapur Taluka are classified according to their annual gross per capita income 90 % respondents have annual gross per capita income. Less than 60, 000 rupees and only 10 % respondents have annual gross per capita income higher than 60, 000 rupees. It clearly indicates lower level of income among the respondents. It is one of the major reasons behind lower level of financial inclusion in Renapur Taluka (see table no. 4.11 & fig. no. 4.7).

Table No. 4.11

Classification of Respondents by Income in Sample Villages in Renapur Taluka of Latur District

GPCI (Rs) Groups	Total Respondents	% of Respondents
Rs 30000-40000	175	35%
Rs 40000-50000	150	30%
Rs 50000-60000	125	25%
> Rs 60000	50	10%
	500	100%

Fig. No.4.7 Distribution of Respondents by their annual GPCI (Rs)



4.10 State of financial inclusion in Renapur Taluka .

State of financial inclusion highlights the following major issues..

A] Spread of financial services industry in particular area.

B] Avability of banking facilities.

C] Spread and use of modern banking services.

D] Avability of attractive banking and financial products.

E] Quality of customer relation management.

F] Awarness and attitude towards innovative and new investments opportunities provided by banking and other financial institutions in particular area.

G] Deliberate efforts made by banking personnel to promote, to popularize banking habits in particular area.

H] Use of ability to use modern techniques of banking by people.

4.10.1 Respondents with Bank Account

In Renapur Taluka out of total respondents, 78 % respondents have either types of bank account. 22 % respondents have no bank account 83 % of respondents are having saving Bank account, 7 % respondent have current Bank account and 10 % respondents have fixed Deposit Bank account (see table no. 4.12 & fig no. 4.8).

Table No. 4.12

Classification of Respondents by Bank A/c in Sample Villages in Renapur Taluka of Latur District

Sr No.	Village Name	Total Respondents	Not Having Bank A/c	Having Bank A/c			Total Respondents having Bank A/c
				Saving Bank A/c	Current A/c	Fixed Deposit A/c	
1	Renapur	50	15	25	7	3	35
2	Bhokramba	50	18	22	6	4	32
3	Davangaon	50	5	36	1	8	45
4	Godhala	50	20	26	0	4	30
5	Kamkheda	50	6	32	2	10	44
6	Khanapur	50	3	45	1	1	47
7	Lakhamapur	50	10	36	1	3	40
8	Motegaon	50	17	30	1	2	33
9	Pangaon	50	16	27	5	2	34
10	Wanjarvadi	50	2	45	2	1	48
	Total	**500**	**112 (22%)**	**324(83%)**	**26 (7%)**	**38 (10%)**	**388 (78%)**

Source: Sample Survey data

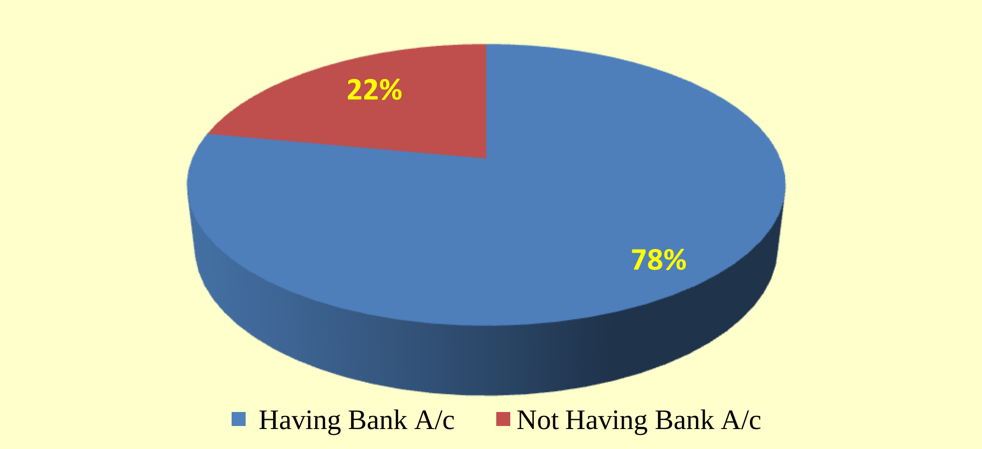


Fig No.4.8 Distribution of Respondents by Bank A/c

4.10.2 Banking Awareness among Respondents:

Awareness among respondents about usefulness of bank, banking services, banking products financial products and various investment opportunities is prime factor for financial inclusion.

62% respondents are aware about the PMJDY, 28% respondents are aware about APY, only 6% respondents are aware about stand up India, 21 % respondents are aware about PMMY, 68% respondents are aware about PMSBY and 42% respondents are aware about SSY. (see table no. 4.13 & fig. no. 4.9)

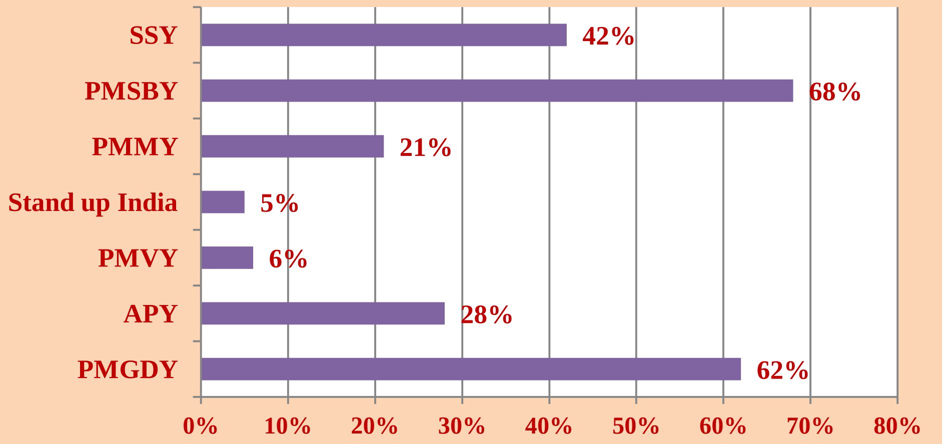
Table No. 4.13

Classification of Respondents by Awareness about various schemes in Sample Villages in Renapur Taluka of Latur District

Awareness	**PMGDY**	**APY**	**PMVY**	**Stand up India**	**PMMY**	**PMSBY**	**SSY**
Yes	312	140	28	24	107	340	210
No	188	360	472	476	393	160	290
Total	**500**	**500**	**500**	**500**	**500**	**500**	**500**

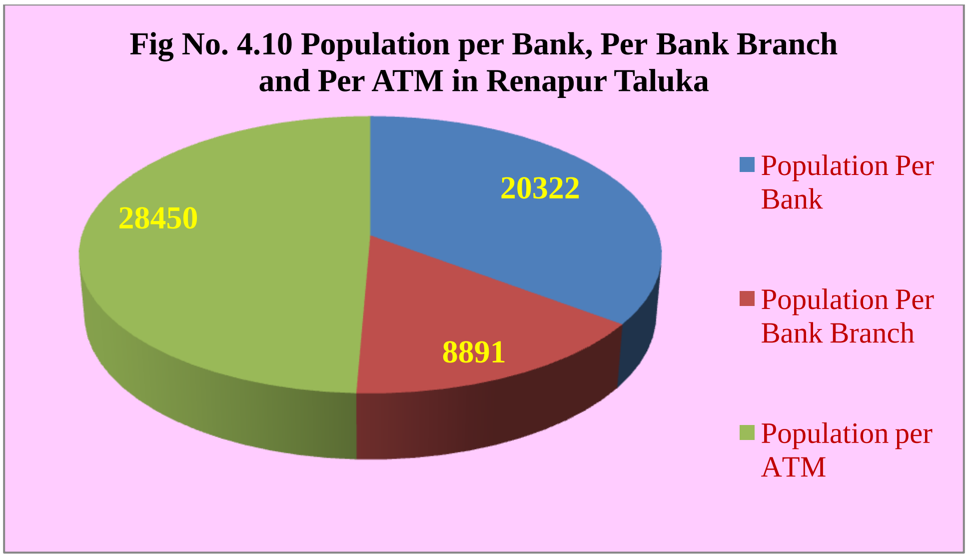
Source: Sample Survey data

Fig. No. 4.9 % of Respondents aware about various Schemes in Renapur Taluka



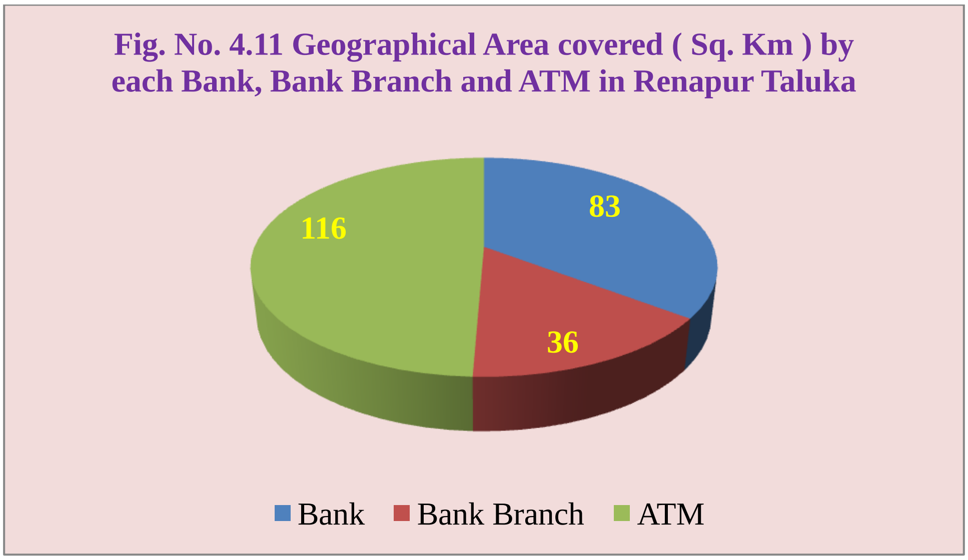
4.10.3 Density of Bank Facilities in Renapur Taluka

Density of banks, bank branches, ATM's and other, bank facilities indicate, spread and availability of banking facilities in that area. It also emphasis the scope to expand banking facilities in that area. In a Renapur Taluka there are 20322 persons per bank, 8891 persons per bank branch and 28450 persons per ATM. Whatever the facilities available in Renapur Taluka , they are concentrated in big villages Renapur, Pangaon, Kharola, Bhokrambha and Poharegaon. The banking facilities are not available in remaining villages. It clearly indicates exclusion of large number of villages form modern banking services. (See figure 4.10).



4.10.4 Geographical Area covered by Bank facilities

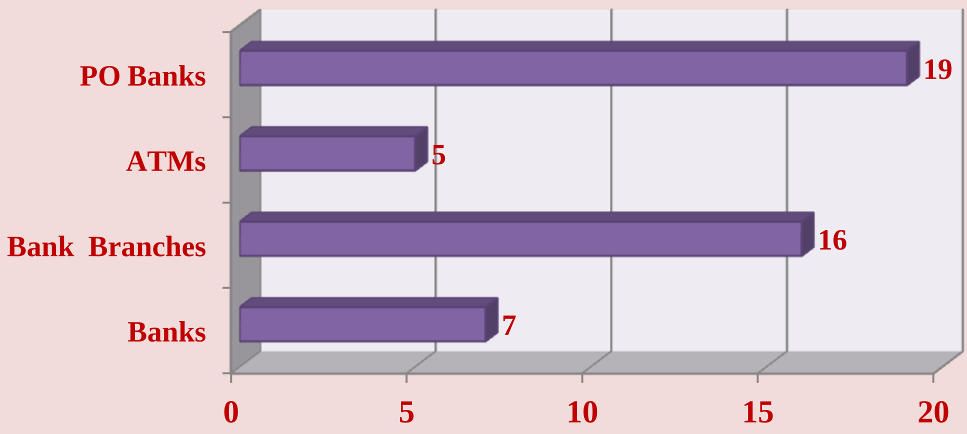
In Renapur Taluka geographical area covered by one bank 83 km^2, geographical area covered by each bank branch is 36 km^2 and geographical are covered by each ATM is 116 km^2. Banks bank branches as well as ATM's facilities are also concentrated at Taluka place and big villages like Poharegaon, Pangaon, Kharola, Renapur. There is no balanced spread of banking facilities in Renapur Taluka it is very important limitation for achaving financial inclusion in Renapur Taluka (see fig. no. 4.11).



4.10.5 Number of Banks ATM's And P.O. Banks

There are 79 villages in Renapur Taluka but there are only 7 banks and 16 branches are operating in Renapur Taluka . There are only 5 ATM's functioning in Renapur Taluka and 19 post office Banks functioning in Renapur Taluka . It indicates huge deficit of banking facilities in Renapur Taluka . It also an important behind financial exclusion in Renapur Taluka (see fig. no. 4.12)

Fig. No. 4.12 Number of Banks, Bank Branches, ATMs and PO Banks in Renapur Taluka



4.10.6 Purpose Behind Bank Account

78 % respondents have bank account. Type of bank account hold by respondents indicates attitude of that respondents cards banking facilities. It also indicates banking tendencies among the respondents 42% respondents have bank accounts to take the advantage of crop loan 13 % respondents have bank account to take the benefits of government schemes 10 % respondents have bank accounts for housing loan purpose 9 % respondents opened bank accounts to take personal loan 5 % respondents opened bank account to take the benefits of educational scholarship

4% respondents opened their accounts for educational loan purpose and to deposits their funds.

Only 1% respondents opened bank account for trading in securities. It clearly indicates that majority of respondents opened bank accounts for traditional purpose and very negligible percentage of respondents opened their bank accounts to take advantage of modern investment opportunities (see table 4.14 & fig. no 4.13 & fig. 4.14)

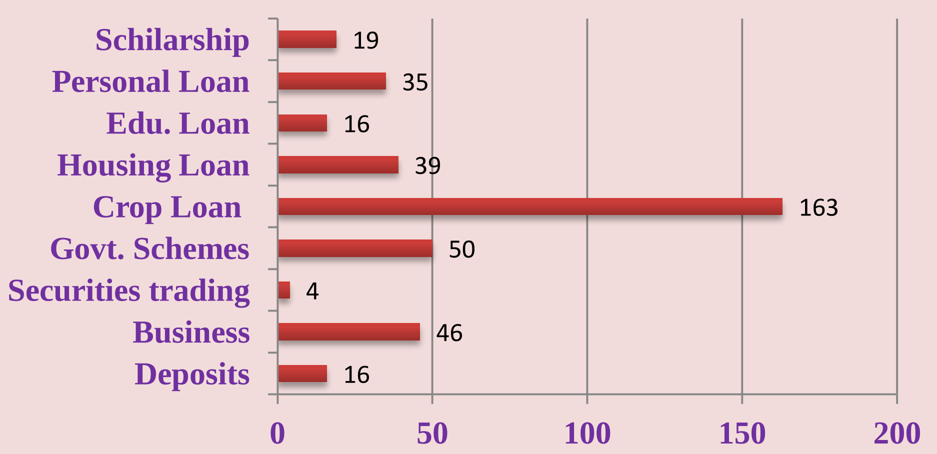
Table No. 4.14

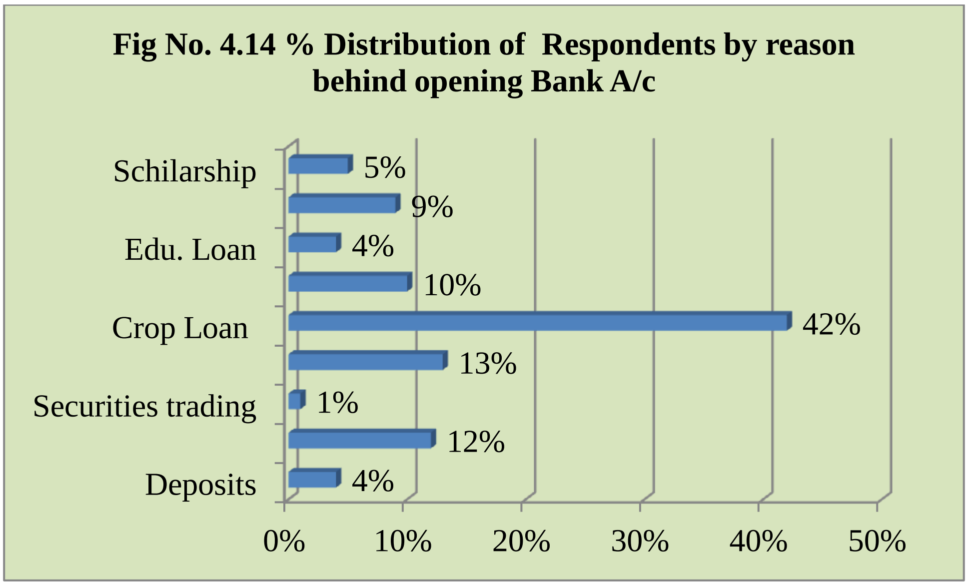
Classification of Respondents by Purpose behind opening Bank A/c in Sample Villages in Renapur Taluka of Latur District

Sr. No.	Reason/ Purpose	Number of Respondents	% of Respondents
1	Deposits	16	4%
2	Business	46	12%
3	Securities trading	4	1%
4	Govt. Schemes	50	13%
5	Crop Loan	163	42%
6	Housing Loan	39	10%
7	Edu. Loan	16	4%
8	Personal Loan	35	9%
9	Schilarship	19	5%
Total		**388 (78%)**	**100%**

Source: Sample Survey data

Fig. No. 4.13 Distribution Respondents by Reason behind opening Bank A/c





4.10.7 Awareness about Bank facilities in Renapur Taluka

Degree of banking awareness among respondents under lines approach of respondents towards banking facilities and services. Almost all respondents aware about bank pass book 50% respondents are aware about bank deposit facility of banks. 47 % respondents know bank cheque book 45% respondents aware about ATM's . 35 % respondents aware about bank loan 27% respondents are aware about kisan credit card. 15 % respondents know mobile banking and 12 % respondents are aware about debit card and credit card 14 % respondents are aware about overdraft facility provided by the bank. 8 % respondents are aware about RTGs and 7% respondents. Know locker facility 6 % respondents aware about NEFT and 4% respondents know Internet Banking only 1% respondents are NEC services.

Awareness about and use of banking services and facilities indicate nature of financial inclusion in Renapur Taluka . There is huge scope for financial inclusion by encouraging and promoting banking tendencies in Renapur Taluka . (See table no. 4.15 & fig. no. 4.15 , 4.16)

Table No. 4.15

Distribution of Respondents by awareness of Bank Facilities in Sample Villages in Renapur Taluka of Latur District

S. No.	Bank Facilities	Number of Respondents			% of Respondents		
		Aware	Used	Not Aware	Aware	Used	Not Aware
1	Depositing	217	195	171	56%	50%	44%
2	Pass Book	388	388	0	100%	100%	0%
3	Cheque Book	202	182	186	52%	47%	48%
4	Loans	151	136	237	39%	35%	61%
5	DD	120	102	268	31%	26%	69%
6	Overdraft	101	55	287	26%	14%	74%
7	KCC	233	105	155	60%	27%	40%
8	ATM	225	175	163	66%	45%	34%
9	Lockers	70	28	318	18%	7%	82%
10	Mobile Banking	85	60	303	22%	15%	78%
11	Debit/Credit Card	66	45	322	17%	12%	83%
12	D mat a/c	8	4	380	2%	1%	98%
13	RTGS	58	32	330	15%	8%	85%
14	NEFT	50	22	338	13%	6%	87%
15	Internet Banking	35	15	353	9%	4%	91%
16	NECs	8	2	380	2%	1%	98%

Source: Sample Survey data

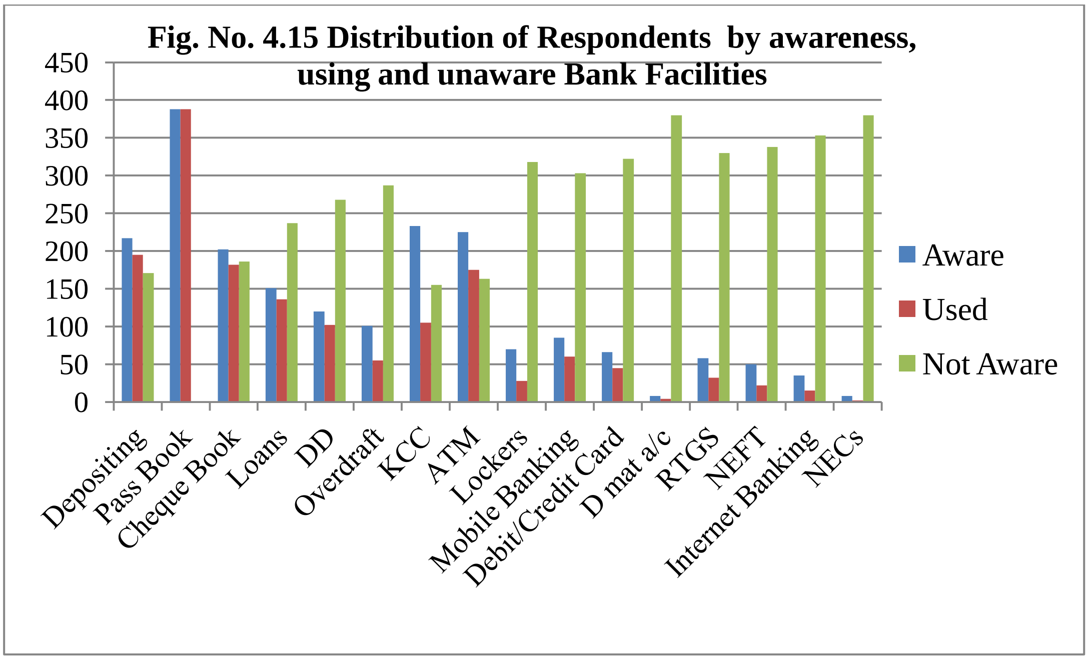
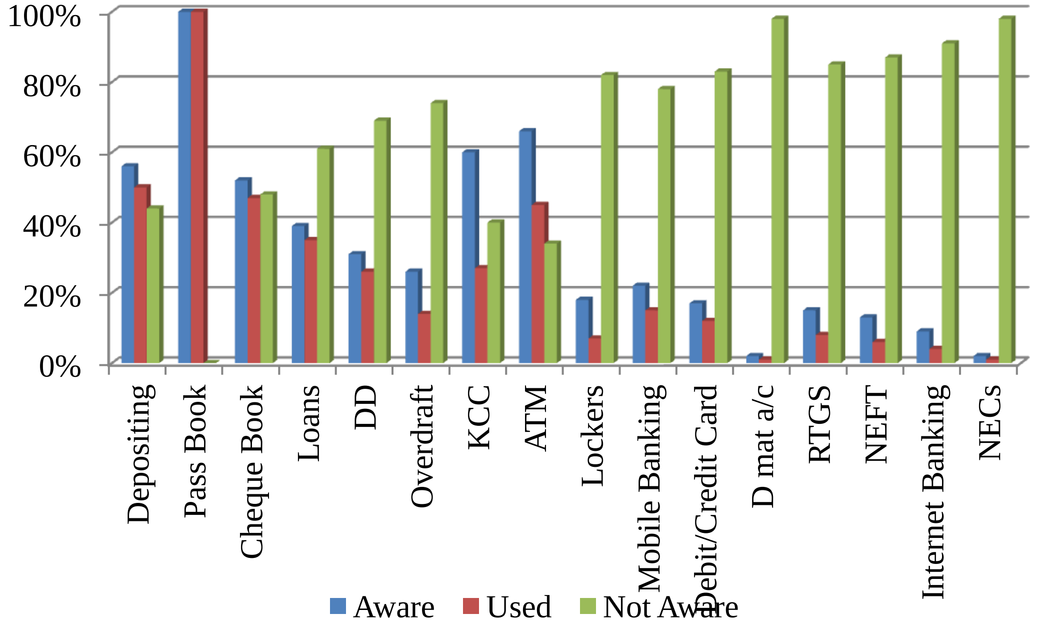


Fig. No. 4.16 % Distribution of Respondents by awareness, using and unaware Bank Facilities



CHAPTER 5

SUMMARY OF FINDINGS, CONCLUSION & SUGGESTIONS

There is zero percent urbanization in Renapur taluka. Economy of Renapur Taluka is Agririan Economy. There is only sugar mill, Rena Sahakari Sakhar Karkhana Ltd. Niwada, it is functioning and operating in Renapur Taluka. There is no noteworthy industrial base in this taluka. There is no definite irrigation facility in this area most of land in taluka is dry land. There is no popular tourist place in this taluka. Most of the main workers are engaged in agricultural sector. Few workers are engaged in industry and service sector. Majority of households in this taluka belongs to lower income group and middle income group categories. There is no taluka Industrial estate most of the bank and banking facilities are located at taluka head quarter and few big villages. Majority of population in Renapur taluka is excluded from modern banking and banking facilities and services.

This reach study arises with following major findings about financial inclusion and exclusion in Renapur taluka.

1. Gender of the respondents was also one of the important variables which are considered in the study 265 males and female sample is 235.
2. Classification of major social classes i.e. in Godhala village SC percentage of respondents is higher than other villages. Bhokrambha percentage of population is higher in others category.

3. Literacy is one of the important determinants for using various banking facilities and services among the people. Wanjarvadi sample village has highest literacy rate (70.9%) and Bhokrambha sample village has lowest literacy rate.
4. Occupational structure is the important Distribution of main working population among different sector of the economy is crucial determinant of standard of living, level of income as well as intensity of financial inclusion in particular area. In Renapur taluka including all sample villages about 80 to 85% main workers are cultivators and agriculture labour and 15 to 20 % main workers are engaged in house hold industries and other occupations.
5. 500 respondents in all sample villages 53% respondents are male and 47% respondents are female state of financial inclusion is derived by studding all these respondents.
6. Level of education is an important determinant of financial inclusion. Higher level or education high is the level of financial inclusion. In Renapur taluka 44% respondents are having primary education and very lower i.e. 3 % respondents have undergraduate and post graduate.

   The adverse situation of educational states underlines the lower financial inclusion in Renapur taluka. Lower level of higher education also indicates lower level of tendency towards banking services, banking products and financial services among respondents in Renapur taluka.

7. Most of the respondents are included in (47%) respondents in 20 to 40 age group. While 22% respondents are below the age of 20 years 19 % respondents are in the age group of 40 to 60.

Income earning capacity is crucially determined by age group of respondents but it is not always true. Earning capacity of a person depends upon the occupation, in which the person engaged in Renapur talukas major population is engaged as cultivators and agri-labours. It indicates lower level of income among respondents. It is also an important reason behind financial exclusion.

10. 88 respondents belongs to SC and ST community and 412 respondents belong to SC and ST community and 412 respondents belongs other social classes.

    Major portion of respondents not able to take the advantages of various government schemes and social security schemes meant for SC and ST community. The fundamental reason behind exclusion of these minorities from such schemes.

11. In Renapur taluka only 8% respondents are engaged as main workers in organized sector. It is very clear from this that exists lower level financial inclusion in Renapur taluka.

12. All the respondents in Renapur taluka are classified according to their annual gross per capita income less than 60, 000 rupees and only 10% respondents have annual gross per capita income higher than 60,000 rupees. It is clearly indicate lower level income, among the respondents. It is one of the major reason behind lower level of financial inclusion in Renapur taluka.

13. Out of total respondents 78% respondents have either type of account or 22% respondent have no bank account. That means 22% respondents made their transactions from private money lenders or other agencies. The 22%

respondents are not aware about banking facilities and schemes. Therefore Renapur taluka financial literacy is lower.

14. Out of 500 respondents 62% respondents are aware about PMJDY, 26 % respondent are aware about Atal Pension Yojana 68% respondents are aware about PMSBY. That means the near about 30 to 36% respondents are not aware about government schemes. Awareness among respondents about usefulness of bank, banking services banking products, financial products and various investment opportunities is prime factor for financial inclusion.

15. In Renapur taluka there are 2032 persons per banks, 8891 person per bank branch and 28450 persons per ATM's. Banking facilities are concentrated in big villages. In Renapur taluka have 7 banks and its branches have 16. That means remaining villages are not have availability of bank. It clearly indicate exclusion of large number of villages from modern banking services.

16. In Renapur taluka geographical area covered by one Bank is 83 km^2, each bank branch is 36 km^2 and each ATM is 116 km^2 that means there is no balanced spread of banking facilities in Renapur taluka. It is very important limitation for achieving financial inclusion in Renapur taluka.

17. There are 79 villages in Renapur taluka but there are only 7 banks, 16 bank branches and 5 ATMs. It indicates huge deficit of banking facilities in Renapur taluka. It also on important behind financial exclusion.

18. Banking facilities in Renapur taluka out of respondents 50% of the respondents are aware about bank deposit facilities. 47% respondents knows bank cheque books, 45% respondents aware about ATMs, 35% respondents

aware about bank loan and 27% respondents are aware about Kisan Credit card.

Awareness about and use of banking services and facilities indicate nature of financial inclusion in Renapur taluka. There is huge scope for financial inclusion by encouraging and promoting banking tendencies in Renapur Taluka.

* **Reason behind financial exclusion:**

1. Problem in handling modern techniques in banking.
2. Lack of Interest in banking services.
3. Lack of awareness about usefulness of banking services.
4. Low level incomes.
5. Lack of banking habits.
6. Poor-reach of banking facilities.
7. Illiteracy in peoples.
8. Dominions of agricultural sector.
9. Lack of communication.

* **RECOMMENDATIONS OF STUDY:**

Based on the experience gained out of research and result of analysis, the following suggestions are made.

1. Even if we are claimed 100% financial inclusion, a small percentage of the population still unbanked. Therefore a constant effort is needed by

government and bank to include this unbanked population under banking circle.

2. Banks should take appropriate measures to increase the awareness level about various bank schemes or no trills account among rural population.
3. Government should take initiative to open new public sector and private or co-operative bank branches in unbanked rural areas.
4. Bank should take appropriate measure to handle customer grievances and complaints in an effective manner.
5. Bank should appoint more Business correspondents (BCs) or Business facilitators (BFs) in unbanked rural areas.
6. Bank should provide basic banking services at affordable costs.
7. Bank should undertake training and motivational campaign among its staff for bringing positive attitude towards financial inclusion.
8. Bank should initiate special promotion campaign in unbanked rural areas to enhance financial literacy and awareness among rural population.
9. Bank should open small extension counters which providing public utility services in rural areas.
10. Financial inclusion should be included in the course curriculum of higher secondary level.
11. Bank should bring new technology innovations and delivery models to speed up financial inclusion in rural and remote areas.

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Annexure-I

"A Study of Financial Inclusion of Renapur Taluka in Latur District"

Questionnaire

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1. Name of the Respondent :____

Gender

Male Female

2. Age

6 -20 20 – 40 40 – 60 60 – 60+

6 – 20 yrs 20 - 40 yrs 40 – 60 yrs 60 – 60 yrs

3. **From which class you are**

SC ST OBC General

4. Education

Illiterate Primary S.S.C. H.S.C. Graduate & Post Graduate

5. Occupation

Agri Business Govt. Service Private Service Land Labour

6. **How many family members do you have?**

2. 3-4 5-6 7-8 8>

8. No. of family members having bank account?

2 3-4 5-6 None

9. Annual income

<25000 25000-50000 >50000

10. Is there any bank in your village?

Yes No Which types Co. Op. Bank Private Bank Nationalize Bank

11. Do you have any bank account?

Yes No

12. Which type of bank account do you have?

FD Account Current Account Saving Account

13. You opened your account with how much initial deposit?

No frill <50 50-100 >500

14. Whether your bankprovide you instruction regarding loan schemes and other details in Marathi languages?

Yes No

15. Reason for choosing this bank (marks the reason in order of preference)

Proximity Quality of service Attraction of deposit Minimization of procedure delay

Computerization of the bank staff Low cost of services Influences of agent/staff Others

16. How is the frequency of your banking transactions during recent

Increased Decreased Steady

17. For what reasons do you visit the bank?

Deposit money Withdrawal money Obtaining loan Others (specify)

18. Have you availed any loan

Yes No

Yes from whom?

Bank Money Lender

19. **Who you initially did not poses a bank account?**

Reason	**Disagree**	**Indifferent**	**Agree**
Low income and assets			
Illiteracy /Language			
Branch Timings			
Bank procedure are cumbersome			
Documents required for opening			
Unsuitable banking procedure/scheme			
Transition Costs			
Attitude of bank officials			

20. **Are you aware and have you availed any of these services?**

Services	**Aware**	**Availed**	**Unknown**
Depositing / withdrawing cash			
Passbook			
Cheque book			
Overdraft			
General credit card / Kisan CC			

21. **Why you preferred money lender other than bank?**

Lengthy Legal Procedure   Language   Delayed credit

22. **Purpose of taking a loan?**

Agriculture   Animal husbandry   Start own business   Marriage

Health

23. Do you use ATM / debit card facility?

If No reason High charges Fear of Technology Other reason – specify

24. Do you use electronic remittance and payment facility offered by he bank?

Yes No

If 'No', why?

Not Aware Aware but fear technology

25. Are you using internet banking facility?

Yes No

26. Are you aware of such electronic mode like- NEFT, RTGS, NECs

Yes No

27. Are you aware about the policy of financial inclusion issued by central government

Full Aware Partially Aware Not Aware No Idea

28. Please kindly rate the below expectation in scale of 1-4

Expectations	**Rating 1-4**
Are you satisfied with the service provide by bank	
Is the SHG/NGO doing a good word for financial education of the villages?	
Is government doing satisfactory work for financial inclusion	
Are you satisfied with the products which are offered by bank	