A STUDY ON THE ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO TIRUNELVELI DISTRICT

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DOCTOR OF PHILOSOPHY IN COMMERCE

By

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DECLARATION

I hereby declare that the thesis entitled **"A STUDY ON THE ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO TIRUNELVELI DISTRICT"** submitted by me for the degree of Doctor of Philosophy in Commerce is the result of my original and independent research work carried under the guidance of **Dr. M.JULIAS CEASAR,** Dean of Arts & Assistant Professor of Commerce, St.Xavier's College, (Autonomous) Palayamkottai, Tirunelveli District, Tamilnadu and it has not been submitted for the award of any degree, diploma, associateship, fellowship of any university or institution.

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ABBREVIATIONS

ACPs	-	Annual Credit Plans
AIIDS	-	All India Debt And Investment Survey
ATM	-	Automated Teller Machine
BC	-	Business Correspondent
BF	-	Business Facilitator
BIFSA	-	Building Inclusive financial Sector in Africa
BIFSD	-	Building Inclusive financial Sector for Development
CRA	-	Community Reinvestment Act
CSOs	-	Civil Society Organizations
DLCC	-	District Level Bankers' Committee
DMBs	-	Deposit Money Banks
DRI	-	Darkness Removal Initiatives
ECS	-	Electronic Clearance Service
FE	-	Financial Education
FI	-	Financial Inclusion
FIF	-	Financial Inclusion (promotion and development) Fund
FITF	-	Financial Inclusion Technology Fund
FL	-	Financial Literacy
FLCCC	-	Financial Literacy and Credit Counseling Centers
GCC	-	General Credit Card
GDP	-	Gross Domestic Product
GNI	-	Gross National Income
HDFC	-	Housing Development Finance Corporation limited

ICICI	-	Industrial Credit and Investment Corporation of India
ICT	-	Information and Communication Technology
IDBI	-	Industrial Development bank of India
IOB	-	Indian Overseas Bank
IRDP	-	Integrated Rural Development Programme
KCC	-	Kisan Credit Card
KYC	-	Know your Customer
MFBs	-	Micro Finance Banks
MFIs	-	Micro Finance Institutions
NABARD	-	National Bank for Agricultural and Rural Development
NBFCs	-	Non Banking Finance Companies
NEFT	-	National Electronic Fund Transfer
NGOs	-	Non Government Organizations
NREGA	-	National Rural Employment Guarantee Scheme
NRFIP	-	National Rural Financial Inclusion Plan
NSS	-	National Statistical survey
RBI	-	Reserve Bank of India
RRBs	-	Regional Rural Banks
RSETI	-	Rural Self Employment Training Institute
SCB	-	Smart Card Banking
SHGs	-	Self Help Groups
SLBC	-	State Level Bankers’ Committee
UNCDF	-	United Nations Capital Development fund
UNDP	-	United Nations Development Programme

CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Financial inclusion is the availability of banking services at an affordable cost to the disadvantaged and low income groups. In India, the basic concept of financial inclusion is exhibited in a saving or current account at any bank. In reality, it includes loans, insurance services and much more, for all members of an economy. An inclusive financial system has several merits. It facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day to day management of finances. Thus the financial inclusion is the new mantra of the union government to include the excluded in the financial services for their wellbeing. A vast majority of the population lives in rural areas and they have no access to any facilities that ensures futuristic view not only of their life but also the future generations.

Financial inclusion is the biggest problem in front of the financial system today in rural India and infrastructural bottlenecks are worsening it even further with each passing day. Hence the researcher intents to conduct a study of the extent to which the people having different demographic profile residing in a rural area are conversant with banking habits and the study is titled as "**A STUDY ON THE ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO TIRUNELVELI DISTRICT**".

1.2 STATEMENT OF THE PROBLEM

According to the RBI guidelines, banks in India should implement financial inclusion policy to address the economic problems of vulnerable groups, by providing adequate financial services and mobilizing their small savings. Financial access/inclusion is considered crucial for individuals/households to manage their incomes, to exploit opportunities and thereby, improving their economic positions. Given the fact that most of the banking parameters show dismal condition of Tirunelveli District, it is important to examine the extent and nature of financial inclusion/exclusion in the Tirunelveli district. However, as in the recent times the focus of policy makers is to use the intermediaries for promoting financial inclusion, especially in rural areas, the question whether various new forms of financial service providers or institutions have helped in promoting/enhancing financial inclusion also becomes pertinent. While a few studies on some of the aspects of the financial inclusion have been done recently, no concrete study on the multiple dimensions of financial inclusion/exclusion in the district in general and in the rural areas in particular is available. The proposed study is induced by the necessity to fill-in this gap to some extent. Based on the analysis of rural household survey, in combination with an evaluation of the role of financial institutions, the study examines different forms of financial service providers, both formal and informal.

1.3 OBJECTIVES OF THE STUDY

1. To study the socio, economic and cultural background of members targeted by banks for financial inclusion.
2. To identify the opinion of the members in becoming part of financial inclusion through banks and SHGs.
3. To evaluate the role of public and private sector banks in ensuring financial product among the members.
4. To study the role, responsibility and opinion of bankers in introducing the concept of financial inclusion and its implications.
5. To identify the pitfalls and offer suggestions to various stakeholders in strengthening the implementation of financial inclusion effectively.

1.4 HYPOTHESES

1. There is no significant relationship between the type of banks and the age group of the respondents.
2. There is no significant relationship between the type of banks and the marital status of the respondents.
3. There is no significant relationship between the type of banks and the religion of the respondents.
4. There is no significant relationship between the type of banks and the caste category of the respondents.
5. There is no significant relationship between the type of banks and the area of the respondents
6. There is no significant association between the type of banks and the various types of insurance coverage.

7. There is no significant association between the availability of informal finance and the influence of such finance.
8. There is no significant relationship between the level of awareness and various financial products and services offered by the banks.
9. There is no significant relationship with the type of members and the discouraging factors to associate with the bank.
10. There is no significant relationship between the type of customers and the opinion relating to the difficulties in connection with taking loans and their later experiences.

1.5 SCOPE OF THE STUDY

Financial inclusion has become a concern in India as majority of the population live in rural areas and are dependent on agriculture and other related activities. Due to barriers like low income, being located in remote areas and illiteracy the rural poor do not enjoy the benefit of formal finance. The present study aims at analyzing the role of banks in financial inclusion with special reference to Tirunelveli district. The study analyzes the role of the government machineries and other private institutions in implementing the financial inclusion aspect in rural areas. This study is to provide a better understanding of Financial Inclusion and identify the contribution made by the programme in the overall wellbeing of the beneficiaries.

1.6. RESEARCH METHODOLOGY

The present study is of analytical and exploratory in nature, accordingly the study has been made of primary as well as secondary data. It includes the choice of study area, the sampling technique and tools of analysis.

1.6.1 STUDY AREA

Tirunelveli district is one of the most important cities in Tamilnadu. Tirunelveli district was purposively selected as the study area by the researcher, as the utilization of bank facilities and enormous growth in financial inclusion activities to develop rural poor is in good stud.

1.6.2 PILOT STUDY

To initiate the work pilot study was carried out by the researcher with fifty (50) respondents from Tirunelveli district and 10 bank personnel. The researcher met in person and collected the primary data by using interview schedule. This had helped the researcher to work out strategies to identify the important areas to be covered in the collection of data relating to the study. Based on this the refinement of the pilot study, the interview schedule was made. It strengthened the interview schedule for final administration to the respondents.

1.6.3 DATA COLLECTION – the present study has been based on both primary and secondary sources of data. The researcher has collected the secondary data from the Reserve Bank of India (RBI) documents, State Level Bankers' Committee (SLBC) reports, NABARD reports, All India Debt and Investment Survey (AIIDS), the various rounds of NSSO Surveys and also from some of the published sources of Government of India like the Planning Commission, the Ministry of Finance, and various independent studies and reports. The secondary source of data has provided a broader picture of the spatial and temporal variations in the financial inclusion. It also gives some indication on the success and failure of various initiatives undertaken to promote financial inclusion. In short, analysis of these data provided a broad picture of the status and extent of financial inclusion in Tirunelveli district. To capture these dimensions, a field survey and a case study have been conducted to collect primary data with the help of two parameters that covers the interview schedule to collect data from the beneficiaries / members and a questionnaire circulated to the bank officials to extract their opinion on financial inclusion.

1.6.4 SAMPLING METHOD

Stage I there is 186 bank branches in the study area which includes both private and public sector banks. A total of 18 banks branches from public sector and 6 bank branches from the private sector were selected as samples. The selection was based on jproportionate sampling method and 13% of the total 186 banks that comes to 24.

Place	Rural	Sub urban	Urban	Total
Total bank branches	53 branches	82 branches	51 branches	186 branches
Total samples	53 * 13 / 100 = 7	82 * 13 / 100 = 10	51 * 13 / 100 = 7	24 branches
Public sector	6 branches	6 branches	6 branches	18 branches
Private sector	1 branch	4 branches	1 branch	06 branches

Stage II in Tirunelveli there is 23,743 SHGs operating with the help of NGOs and of these 7500 groups have direct contact with Banks that strive towards financial inclusion. Of these 5% of the sample members were selected for the study which comes to 375 members and after data elimination 360 samples were considered for the study. The member respondents were selected based on simple random sampling method.

1.7 TOOLS FOR ANALYSIS:

The collected data were analyzed properly with the help of proper tools for the effectiveness of this study. The tools employed are percentage analysis, ANOVA, Chi-square test, 't' test for independent sample and factor analysis.

1.8 LIMITATIONS OF THE STUDY

1. The study suffers lack of knowledge on the part of beneficiaries about financial inclusion and its implications.
2. The major limitation of the research was the lack of co–operation on the part of the bank personnel. Repeated requests and visits were needed to convince the bank managers on the importance of the study and to collect their feedback.
3. Lack of knowledge and orientation about Financial Inclusion on the part of the bank personnel was another limitation associated with the study.

1.9 OPERATIONAL DEFINITIONS

Bank

An establishment authorized by a government to accept deposits, pay interest, clear cheques, make loans, act as an intermediary in financial transactions and provide other financial services to its customers.

A bank is a financial intermediary that creates credit by lending money to a borrower, thereby creating a corresponding deposit on the bank's balance sheet. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Banking

In simple words, Banking can be defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. However, with the passage of time, the activities covered by banking business have widened and now various other services are also offered by banks. The banking services these days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country / world.

In general terms, the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn profit.

Deposits

1. Funds placed into an account at a depository institution to increase the credit balance of the account.
2. Down payment given in advance to support the intention to complete a commercial transaction.

Accounts

1. Accounting: Chronological record of changes in the value of an entity's assets, liabilities, and the owners' equity; each of which is represented by a separate page in the ledger and also accounting equation, accounts.

2. Banking: Continuing financial relationship between a bank and a customer, in which deposits and debts are held and processed within a framework of established rules and procedures.
3. Commerce: On-going contractual relationship between buyer and seller whereby payment for goods received is made at a later time (usually 30 days).
4. Law: Obligation of each party to a contract or partnership to account to other(s) for amounts received or due.
5. Services: Client of an advertising, brokerage, consulting, marketing, or public relations firm. Financial records of an organization that registers all financial transactions, and must be kept at its principal office or place of business. The purpose of these records is to enable anyone to appraise the organization's current financial position with reasonable accuracy. Firms present their annual accounts in two main parts: the balance sheet, and the income statement (profit and loss account). The annual accounts of a registered or incorporated firm are required by law to disclose a certain amount of information and have to be certified by an external auditor that they present a 'true and fair view' of the firm's financial affairs

No frill accounts

No Frills 'account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low. A service available to such account is limited.

In what can be described as a watershed Annual Policy Statement, the RBI in 2005-06 called upon Indian banks to design a ‘no frills account’ – a no precondition, low ‘minimum balance maintenance’ account with simplified KYC (Know Your Customer) norms. To understand the ramifications and the sheer magnitude of possibilities, think of the image of a daily wage earner owning a deposit account in a bank. The idea is to have a level playing field in its absolute meaning. Low income groups having no access to formal banking systems can well be brought under the umbrella of credit & savings – key factors which form the basis of the idea of financial inclusion. While there is no shortage of credit programs, the equally important savings aspect can rightly be dubbed as the 'forgotten half of microfinance'. 'No frills' savings accounts appear capable, at least on paper, to cater to the small and also irregular income flows of the poor.

The no-frills savings bank account introduced by several commercial banks a few months ago had all the potential to revolutionize India's rural agricultural economy, as well as usher in the banking habit amongst a large number of the less privileged population. However, the product was lost among a myriad of financial offerings and most banks have shown little verve and vitality in marketing it.

A no-frills or no frills service or product is one for which the non-essential features have been removed to keep the price low. The use of the term- "frills" refers to a style of fabric decoration. Something offered to customers for no additional charge may be designated as a "frill" - for example, free drinks on airline journeys, or a radio installed in a rental car. No-frills businesses operate on the principle that by removing luxurious additions, customers may be offered lower prices.

Self help groups

A Self-Help Group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia.

Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

Kisan credit card

A Kisan Credit Card is a credit card to provide affordable credit for farmers in India. It was started by the Government of India, Reserve Bank of India (RBI), and National (NABARD) in 1998-99 to help farmers' access timely and adequate credit.

The Kisan Credit Card allows farmers to have cash credit facilities without going through time-consuming bank credit screening processes repeatedly. Repayment can be rescheduled if there is a bad crop season, and extensions are offered for up to four years. The card is valid for three years and subject to annual renewals. Withdrawals are made using slips, cards, and a passbook.

Financial inclusion

Financial inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups (for example "no frill accounts").

NGOs

A Non-Governmental Organization (NGO) is an organization that is neither a part of a government or a conventional for-profit business.

Micro finance

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

Inclusion

Inclusion at its simplest is ‘the state of being included’ but it is a bit more complicated than that of growth. It is used by disability rights activists to promote the idea that all people should be freely and openly accommodated without restrictions or limitations of any kind.

Exclusion

An exclusion is an instance of leaving something or someone out. Exclusion is closely related to some words that have a positive or negative feel. The word exclusive implies something is high-end, desirable, and not for ordinary people. If someone is excluded, on the other hand, it means that someone has been deliberately and painfully left out. Exclusion is more neutral. The department store that advertises a big sale often states at the bottom of the ad that "some exclusion applies.

Specific condition, circumstance, or situation usually listed in a contract as being not covered. All contracts (including insurance policies and construction contracts) contain exclusions, expressly or by implication.

Business correspondence model

Under the 'Business Correspondent' Model, NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents.

Inclusive growth

Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society.

KYC norms

Know your customer (KYC) is the process of a business verifying the identity of its clients. The term is also used to refer to the bank regulation which governs these activities. Know your customer processes are also employed by companies of all sizes for the purpose of ensuring their proposed agents', consultants' or anti-bribery compliance. Banks, insurers and export credit agencies are increasingly demanding that customers provide detailed anti-corruption due diligence information, to verify their probity and integrity.

Financial literacy

The possession of knowledge and understanding of financial matters. Financial literacy is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning and the mechanics of a credit card, advantageous savings methods, consumer rights and time value of money.

Micro credit

A small financial loan made to poverty-stricken individuals seeking to start their own business. This type of loan typically does not exceed a couple hundred dollars, so an impoverished individual cannot solely depend on this type of loan to fund their business also called micro loan.

Microcredit is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans.

Micro finance services

Microfinance services – as opposed to financial services in general – are retail financial services that are relatively small in relation to the income of a typical individual. Specifically, the average outstanding balance of microfinance products is no greater than 250% of the average income per person (GNI per capita).

Financial products

Financial products are the products offered by banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, and some government sponsored enterprises. Generally they involves every type of product where consumer is putting his money and getting some product which involves the complexities of risk, return, volatility etc.

Financial products refer to instruments that help you save, invest, get insurance or get a mortgage. These are issued by various banks, financial institutions, stock brokerages, insurance providers, credit card agencies and government sponsored entities. Financial products are categorized in terms of their type or underlying asset class, volatility, risk and return.

Micro loans

Microloans are small loans, typically $25,000 or less, and can be used for many purposes such as purchasing equipment or inventory, or as start up or working capital. Most microloans are provided via community-based, non profit organizations and are designed to help low to moderate-income people who live in rural or disadvantaged communities. According to a study done by ACCION, one of the largest microfinance institutions in the U.S., there are an estimated 13.1 million micro-entrepreneurs in the U.S., including 2.4 million African-Americans and Hispanics, most of who have never received a business loan and are unable to meet traditional loan qualifications. Terms and interest rates can vary, but in general, microloans have shorter payment terms, competitive interest rates, and are accessible to borrowers who have little to no collateral or poor credit.

Grameen model

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. It essentially adopts the following methodology:

A bank unit is set up with a Field Manager and a number of bank workers, covering an area of about 15 to 22 villages. The manager and workers start by visiting villages to familiarize themselves with the local milieu in which they will be operating and identify prospective clientele, as well as explain the purpose, functions, and mode of operation of the bank to the local population. Groups of five prospective borrowers are formed; in the first stage, only two of them are eligible for, and receive, a loan. The group is observed for a month to see if the members are conforming to rules of the bank. Only if the first two borrowers repay the principal plus interest over a period of fifty weeks do other members of the group become eligible themselves for a loan. Because of these restrictions, there is substantial group pressure to keep individual records clear. In this sense, collective responsibility of the group serves as collateral on the loan.

SHG linkage model

The SHG-Bank Linkage programme launched by NABARD in 1992 is an important strategy in promoting financial inclusion and inclusive growth.

This program, developed and managed by NABARD, allows SHGs to obtain loans from banks – commercial, rural, and cooperative banks. The banks lend to the SHGs and are eligible for NABARD refinance for these loans at a subsidized interest rate.

Lead banks

"Lead bank" can also refer to an investment bank that manages the process of underwriting a security. In this sense, the bank can also be referred to as a lead manager or managing underwriter.

MFIs

A microfinance institution (MFI) is an organization, private, public or both, that supplies financial services to low-income clients, including consumers and self-employed, who traditionally lack access to traditional banking and related services.

MFI refers to a wide range of organizations providing the financial services previously mentioned. The MFI can be any of the following: NGOs, credit unions, cooperatives, private commercial banks, non-bank financial institutions and parts of state-owned banks.

Micro insurance

Insurance products that offer coverage to low-income households. A micro insurance plan provides protection to individuals who have little savings and is tailored specifically for lower valued assets and compensation for illness, injury or death.

Micro insurance is a mechanism to protect low-income households against risks, such as illness, a death in the family, or crop failure. The costs and benefits of this kind of insurance are specifically adopted to suit the needs and incomes of low-income households. Micro insurance is particularly important for those in the informal economy who tend to be underserved by mainstream commercial and social insurance schemes.

Micro insurance provides a critical safety net, preventing households from falling into poverty by avoiding the damaging costs of emergencies. It helps low-income people avoiding difficult, often devastating risk coping measures such as putting children to work, eating less food, or selling productive assets. But micro insurance can deliver many other benefits to low-income households, even in the absence of a shock:

Empowerment

A management practice of sharing information, rewards and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance. Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction.

Financial stability

Financial stability is a state in which the financial system, i.e. the key financial markets and the financial institutional system is resistant to economic shocks and is fit to smoothly fulfill its basic functions: the intermediation of financial funds, management of risks and the arrangement of payments.

Micro enterprises

A micro enterprise is a small, locally owned business with up to 5 employees and approximately $50,000 in capital needs.

Microenterprises serve an important purpose in improving the quality of life for people in both developed and developing countries. Microfinance serves microenterprises by loans of small amounts of capital to these businesses. This allows individuals or families to start their own businesses, earn income and benefit their families and communities.

Micro savings

Microfinance branch of small deposit accounts recommended as an incentive to those with lower incomes for saving money. They are similar to savings accounts, but designed for small deposits. There are either low minimum deposits or no minimum deposits and typically no service charge.

Socially underprivileged

People those who have less money, education and other required aspects of living than the other people in a society. It means people having fewer advantages, privileges, and opportunities than most people they are usually poor or disadvantaged group in the society.

Thrift

An organization formed for the purpose of holding deposits for individuals; examples include savings banks and savings and loans.

Rural credit

Rural credit is a small amount of money which is given to the poor people including small scale farmers and unemployed persons as loan to start their own work by development banks or any other financial institutions.

Savings

The portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage, or indirectly through purchase of securities.

Funds

1. Sum of money set aside and earmarked for a specified purpose.
2. Accounting entity (similar to a bank account) for recording expenditures and revenues associated with a specific activity.
3. To finance or underwrite a business, program, or project.
4. Popular term for mutual fund.

Credit facility

A loan or collection of loans taken on by a corporation. These loans can be many different types, depending upon the needs of the company, and can vary from letters of credit to term loans, and can be committed or uncommitted.

Credit counseling

Credit counseling (known in the United Kingdom as Debt counseling) is commonly a process that is used to help individual debtors with debt settlement through education, budgeting and the use of a variety of tools with the goal to reduce and ultimately eliminate debt. Credit counseling is most often done by Credit counseling agencies that are empowered by contract to act on behalf of the debtor to negotiate with creditors to resolve debt that is beyond a debtor's ability to pay. Some of the agencies are non-profits that charge at no or non-fee rates, while others can be for-profit and include high fees. Regulations on credit counseling and Credit counseling agencies vary by country and sometimes within regions of the countries themselves.

Entrepreneurship

The capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of new businesses.

In economics, entrepreneurship combined with land, labor, natural resources and capital can produce profit. Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global market place.

Financial intermediary

An entity that acts as the middleman between two parties in a financial transaction. While a commercial bank is a typical financial intermediary, this category also includes other financial institutions such as investment banks, insurance companies, broker-dealers, mutual funds and pension funds. Financial intermediaries offer a number of benefits to the average consumer including safety, liquidity and economies of scale.

Social empowerment

Social empowerment is the process of accessing opportunities and resources in order to make personal choices (e.g. choosing what to eat, what to wear, what neighborhood to live in) and have some control over our environment.

Regional rural banks

Regional Rural Banks are local level banking organizations operating in different States of India. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services. However, RRB's may have branches set up for urban operations and their area of operation may include urban areas too.

Commercial banks

A commercial bank is a type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products.

Commercial bank can also refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses, as opposed to individual members of the public (retail banking).

Rural cooperative credit institutions

Rural Cooperative Banking and Credit Institutions play an important role in meeting the growing credit needs of rural India. The volume of credit flowing through these institutions has increased. The performance of these institutions, however (apparent in the share of total institutional credit and the indicators of their financial health), has been less than satisfactory and is deteriorating rapidly. Of late, a number of Committees have gone into the reasons for this situation and suggested remedial measures, but there has been little progress in implementing their recommendations.

Group lending

Grameen America requires prospective borrowers to form or join a group of five members, who meet weekly. These groups are organized into “centers”, with 3 to 6 groups to a center. Centers meet weekly in borrowers’ homes or a local community center. The group and center model encourages a culture of financial responsibility where peer-support leads to 99% rate of repayment. The group also serves as a social network of voluntary mutual support, as members are individually responsible for their own loans, they are expected to voluntarily provide assistance to their peers where needed.

Emergency loans

An emergency loan, also known as a semester loan, is a short-term funding option to assist with educational expenses.

Life insurance

Life insurance (or commonly final expense insurance or life assurance, especially in the Commonwealth) is a contract between an insured (insurance policy holder) and an insurer or assurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") in exchange for a premium, upon the death of the insured person. Depending on the contract, other events such as terminal illness or critical illness can also trigger payment. The policy holder typically pays a premium, either regularly or as one lump sum.

Health insurance

Health insurance is a type of insurance coverage that covers the cost of an insured individual's medical and surgical expenses. Depending on the type of health insurance coverage, either the insured pays costs out-of-pocket and is then reimbursed, or the insurer makes payments directly to the provider.

In health insurance terminology, the "provider" is a clinic, hospital, doctor, laboratory, health care practitioner, or pharmacy. The "insured" is the owner of the health insurance policy; the person with the health insurance coverage.

General insurance

General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance is typically defined as any insurance that is not determined to be life insurance.

Remittances

A remittance is a transfer of money by a foreign worker to an individual in his or her home country. Money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries. Workers' remittances are a significant part of international capital flows, especially with regard to labour-exporting countries.

Vulnerability

Degree to which people, property, resources, systems, and cultural, economic, environmental, and social activity is susceptible to harm, degradation, or destruction on being exposed to a hostile agent or factor.

Social capital

Social capital is defined by the OECD as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. In this definition, we can think of networks as real-world links between groups or individuals. Think of networks of friends, family networks, networks of former colleagues, and so on. Our shared norms, values and understandings are less concrete than our social networks. Sociologists sometimes speak of norms as society’s unspoken and largely unquestioned rules. Norms and understandings may not become apparent until they’re broken. If adults attack a child, for example, they breach the norms that protect children from harm. Values may be more open to question; indeed societies often debate whether their values are changing. And yet values – such as respect for people’s safety and security – are an essential linchpin in every social group. Put together, these networks and understandings engender trust and so enable people to work together.

Service area approach

Service Area Approach is a modification of the Lead Bank Scheme and is mainly effective insofar as it relate to formulation of credit plans, and the review systems, as recommended by the working group to review the working of the Lead Bank Scheme. Under this approach, Annual Credit Plans (ACPs) are prepared at the grass root level, i.e., at the level of Service Area Branch of Commercial Banks and Regional Rural Banks (RRBs).

Low cost financial services

Company that can provide goods or services at a low cost. In general, low-cost producers utilize economies of scale in order to execute their strategy of low prices. Consumers that are sensitive to price changes will more likely shop at the stores that offer the lowest prices, if the good or service is relatively homogeneous. Alternatively, low-cost producers could even price the goods or services at the same level as their competitors and maintain a wider margin complicated procedures.

1.10 CHAPTER SCHEME

The thesis is presented in six chapters.

First chapter deals with Introduction and Design of the study. It covers the concept of financial inclusion, statement of the problem, scope of the study, significance of the study, methodology, limitations of the study and chapter scheme.

Second chapter deals with review of literature.

Third chapter deals with Profile of the study.

Fourth chapter deals with an overview of Financial Inclusion. It covers financial inclusion of banks in Tirunelveli district.

Fifth chapter deals with analysis and interpretation of data.

Final chapter deals with summary of findings, suggestions and conclusion.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

A Review of literature places a research study in its proper perspective. Effective research must be based upon past knowledge that helps to eliminate the duplication of what has already been done and provide useful and important information for research. A brief view of some selected studies with their scope and their objectives may be useful for understanding the role of banks in financial inclusion. The previous studies made in the area of research are limited in number and they are not directly related to the study.

2.2 Review of Literature

2.2.1 Indian review

Usha Thorat[1] (2006) views that establishment of an account relationship can pave the way to the customer availing of a variety of savings products, loan products for consumption livelihood and housing. The account can be used for making small value remittances at low cost and making purchases on credit. The same bank account can also be used by the State Governments to provide social security services like health insurance and calamity insurance under various schemes for the disadvantaged. Thus the single gateway of banking account can be used for several purposes.

Subba Rao, K.C.K [2] (2007) in the study on "Financial Inclusion: An Introspection", explains about the impact of the credit policies and financial

[1] Thorat, U. (2006). *Reading on Financial Inclusion*, Indian Institute of banking and finance, New Delhi, Taxman Publications Pvt: Ltd.Pp. 261-270

[2] Subba Rao K.C.K, "Financial inclusion: An Introspection", Economic Political Weekly, February 3, 2007, Pp.355-360.

innovations implemented from time to time with reference to priority sectors is reflected in the decennial household surveys on debt and investment conducted by the National Sample Survey Organisation and also the periodical surveys on small borrowal accounts conducted by the RBI. This article highlights the salient features of these surveys which, inter alia, throw light on the reliance of these groups on institutional and non-institutional sources of finance.

Ammannaya, K.K[3] (2007) in the study on "Financial Inclusion – Tasks and strategies", explains about both from the perspective of macro-economic management and the banking industry's desire for a business model of sustained growth a policy of involving a wider section of population in deposit mobilization and credit intermediation makes eminent sense. It is for banks themselves to see inclusive banking as an oPportunity rather than as an irk-some dimension of regulatory compliance.

Alpana Vats [4] (2007) in the study on "Promoting Financial Inclusion: An analysis of the role of banks", the term financial inclusion is in vogue in financial circle world over. India in spite of being one of the fastest growing economies of the world lags behind in human development index, economic and social equity. People at the bottom of the pyramid are still left behind in the race of development and continue to financially, physically, ecologically, socially and politically excluded. This paper focuses on financial dimension of the inclusion and lays out the role of banks in achieving the goal of financial inclusion and provides some food for thought to meet the challenge of financial inclusion.

[3] Ammannaya K.K, "Financial Inclusion-Tasks and Strategies", Southern Economist, 2007, Vol.No.45, No.18, Pp.19-21.
[4] Alpana Vats, "Promoting Financial Inclusion: An Analysis of the Role of Banks", Indian Journal of Social development, Vol.7, No.1, June 2007, Pp.107-126.

Chandrasekhar[5] (2007) looks into the multiple levels of Financial Inclusion and Exclusion. At one extreme, there are customers who have wide range of financial products and services at their disposal, who are served well by the financial service providers. At the other extreme, there are people who are financially excluded, having no access to even the basic banking services. Another segment of population in between the two extremes exists having limited access to financial services.

Devendraprasad Pandey[6] (2007) finds that the subject of FI has come to the surface essentially as a consequence of the financial sector reform process of the 1990s, which neglected the rural credit structure and thus excluded the vast majority of rural artisans, farm community and micro enterprises from credit**.**

Vijay Kelkar[7] (2008) asserts that FI has to be viewed as a business strategy for growth. FI will result in reduced farmers' indebtedness and better risk management for the farmers. By providing greater access to educational loans to all sections of society, improved FI will mean India becoming more equal opportunity nation, a pre condition for promoting inclusive growth; and enhanced FI will promote grass root innovations and entrepreneurship.

Sarma and Pais[8] (2008) analyzed the Indian history with the concept of financial inclusion started in the year of 1904 as cooperative movement, and then it gained momentum in 1969, when 14 major commercial banks of the countries were nationalized and lead bank scheme was introduced shortly thereafter from that year the

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[5] Chandrasekhar (2007). Financial Inclusion: Banking for All, *MBA review*, ICFAI university press, July.Pp.15-20.

[6] Pandey, D.P. (2007). *Financial Inclusion: Role of Micro Finance Institutions,* Rajiv Gandhi Institute of Professional Management, Allahabad.Pp.45-52.

[7] Kelkar, V. (2008). Financial Inclusion for Inclusive Growth, N P Sen Memorial Lecture at Administrative Staff College of India-Hyderabad, January 13.Pp.36-42.

[8] Sarma Mandira & Jesim Pais (2008) "Financial Inclusion and Development: A Cross Country Analysis" Published by *Indian Council for Research* on International Economic Relations (http://www.icrier.org/pdf/Mandira%20Sarma-Paper.pdf)Pp.10-20.

majority of bank branches were opened in large number across the country and even in the areas which were hitherto being neglected. However, there was severe gap in financial assessment which needed special attention. Many studies have proved that lack of inclusion was rather exclusion from the banking system which resulted in a loss of 1 percent to the GDP. Thus, the Reserve Bank of India concluded that the financial inclusion was 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.

Suryanarayan[9] (2008) proposed to define inclusion/exclusion with reference to an outcome scenario for broad-based growth as reflected in estimates of production, income, and consumption distribution. This should facilitate a sketch of occupational, social, regional profiles of the excluded in the mainstream growth process. This study, therefore, made an attempt to provide a perspective, a measure of inclusion, and finally an evaluation based on the available estimates of consumption distribution for the year 2004- 05 for India.

Dheenadhayalan, V[10] (2008) in the study on, "Financial inclusion in India" explains about the degree of financial services by number of deposit accounts (current and savings) held as a ratio to adult population, regional spread of banking and distribution of commercial bank branches that will provide where the banking services are more skewed and assess average population serviced by a single bank branch in various regions.

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[9] Suryanarayana M. H. (2008), "Inclusive Growth: A Sustainable Perspective", *Indira Gandhi Institute of Development Research*, Mumbai.Pp.25-35.
[10] Dheenadhayalan.V, "Financial Inclusion in India", Indian Economic Panorama, Vol.18, No.4A, December 2008, Pp.18-21.

Rama Devi, V[11] (2008) in the study on, “Financial inclusion for inclusive growth and sustainable development” explained about India is the second fastest big emerging economy, after china, in the world. While sustaining high growth is one kind of challenge, the more difficult challenge is spreading the benefits of growth and making it more inclusive. Despite a marked reduction in poverty, provided that the growth is broad based and inclusion and this are where financial inclusion is vital. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income group.

Gandham, Sri Rama Krishna, Prasad, N.G.S[12] (2008) in the study on, “Government Policy for Promoting Financial Inclusion in Banking Services”, explains that financial inclusion is a key part of the government, social inclusion policy and it has applied pressure on its departments to review reform and regulate when and where necessary. Financial inclusion on private sector involvement and solution for extending reach to poor yields better and sustainable results. In India private sector with supportive government environment played an instrumental role in promoting financial inclusion.

Ravindran, A.M[13] (2008) made a study titled, “Financial Inclusion: Initiatives and Challenges in India”, reports that access to affordable financial services especially credit and insurance enlarges livelihood opportunities and empowers the poor to take charge of their lives. Such empowerment aids social and political stability. Apart from these benefits, financial inclusion imparts formal identity, provides access to the

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[11] Rama Devi.V “Financial Inclusion for Inclusive Growth and Sustainable Development”, Indian Economic Panorama, Vol.18, No.4A, December 2008, Pp.13-17.
[12] Gandham, Sri Rama Krishna, Prasad N.G.S, “Government Policy for Promoting Financial Inclusion in Banking Services”, Indian Economic Panorama, Vol.18, No.4A, December 2008, Pp.29-31.
[13] Ravindran .A.M, “Financial Inclusion: Initiatives and Challenges in India”, Indian Economic Panorama, Vol.18, No.4A, December 2008, Pp.29-31.

payments system and to savings safety net like deposit insurance. Hence, financial inclusion is considered to be critical for achieving inclusive growth, which itself is required for ensuring overall sustainable growth in the country.

Satheeshkumar, L and Selvaraj, V[14] (2008) in their study titled, "Customer Service and Financial Inclusion", evaluates the financial inclusion is about ensuring that everyone has access to appropriate financial services, enabling them to manage their money on a day to-day basis, effectively, securely and confidently, deal effectively with financial distress should unexpected events lead to serious financial difficulty. People who achieve these goals will enjoy significantly improved life outcomes.

Selvaraju, R. and Vasanthi, G[15] (2008) in the study on, "Rural Financial Inclusion", Recognizing the need for providing social security the suggestive model for rural financial inclusion include, no frills account, continuance of priority sector lending, micro finance, micro finance products.

Ramkumar, V[16] (2008) in the study on, "Financial inclusion: The way forward", Today, there are numerous players in the field of financial inclusion. Through 100 per cent financial inclusion project, products like savings, credit, remittance, insurance, and benefits under NREGA, SSP, are being taken to the last mile. These different sets of institutions have to collaborate to deliver to and reach the large number of masses by providing comprehensive financial services and financial advice.

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[14] Satheeshkumar.L and Selvaraj.V, " Customer Service and Financial Inclusion", Indian Economic Panorama, Vol.18, No.4A, December 2008, Pp.32-34.
[15] Selvaraju.R. and Vasanthi.G. "Rural Financial Inclusion", Indian Economic Panorama, Vol.32, No.4, October-December, 2008, Pp.52.
[16] Ramkumar.V, "Financial Inclusion: The way forward", Cab calling, Vol.32, No.4, October-December, 2008, Pp.16-20.

Devaki Muthukrishnan[17], (2008) in the study on "Financial Inclusion", It is an engine of social change. Financial inclusion is considered to be critical for achieving inclusive growth, which itself is required for ensuring overall sustainable growth in the country.

Raman, G.P[18]**.,** (2008) in the study on "Progress of Financial Inclusion in India", Savings, remittances, insurance and loans are said to be its four pillars. Financial inclusion will play a major role in driving away poverty from the country. In India, a day will come when all the Indians will have own bank account and everybody will take part in financial inclusion.

Sadakkadulla, J[19]**,** (2009) in the study on "Financial Inclusion: The road ahead", explains that inclusive growth is the talk of the day and financial inclusion is the road to achieve inclusive growth. Credit inclusion is the next logical step but should not stop with and further gets extended to micro-insurance and such other total financial solution of the common man.

Ghorude, K.N[20]**,** (2009) in the study on, "Micro finance for financial inclusion and sustainable rural development", explains that India's problems are diverse, pervasive and multidimensional, further micro finance bristles with problems, difficulties and constraints. Being single instruments, it may not be able to solve the problem of object poverty merely by distributing loans to a certain section of the population. Next level of economic development requires our growth model to bring in

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[17] Devaki Muthukrishnan, "Financial Inclusion", The Journal of Indian Institute of Banking and Finance, April-June 2008, Pp.30-34.

[18] Raman G.P., "Progress of Financial Inclusion in India", Indian Economic Panorama, Vol.32, No.4, October- December, 2008, Pp.59-60.

[19] Sadakkadulla .J, "Financial Inclusion: The road ahead", The Journal of Indian Institute of Banking & Finance, Vol.80, No.1, January-March 2009, Pp.70-72.

[20] Ghorude.K.N, "Micro Finance for Financial Inclusion and Sustainable Rural Development", Southern Economist, Vol.48, No.1, May 1, 2009, Pp.47-50.

inclusive growth, so that the world becomes a better place to live in. Attaining the objectives of inclusive growth has to necessarily encompass the social, economic and political inclusion. Developing micro entrepreneurship with organizational and community based support is one way of strengthening inclusive growth.

According to **K.C. Chakrabarty**[21] (2009), Deputy Governor, Reserve Bank of India, financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

Minakshi Ramji[22] (2009) identifies that the pressure on banks to serve low income customers is growing in developing countries. More than 1 in 10 countries already require financial institutions to offer basic bank accounts. Banks typically view these accounts as unprofitable and they have had mixed results so far as a tool of FI. Since the RBI introduced its policy to encourage 'no - frills' accounts in 2005, Indian public and private banks have opened 15.8million accounts.

K. Sameer[23], (2009) focused on scaling-up access to finance for India's rural poor who has presented a formidable developmental challenge in a country as vast and varied as India. The author has penned his views in the context of the Skoch Development Foundation's first-ever nationwide multi-stakeholder study entitled "National Study on Speeding Financial Inclusion" which sought to collate primary research based on our proletariat experiences from several project sites and views from

[21] Chakrabarthy K.C (2009), "Financial Inclusion, RBI Initiatives" at National seminar on launching a National initiative for financial inclusion, DFS GoI.
[22] Ramji, M. (2009). *Financial Inclusion in Gulbarga: Finding Usage in Access*. Working Paper Series No.26. IFMR Centre for Microfinance, Chennai.Pp.15-26.
[23] K. Sameer, R Chandrashekhar, K C Chakrabarty, Deepak B Phatak, (2009), Financial Inclusion, Academic Foundation, New Delhi, 2009.

all stakeholders so as to arrive at key interventions and intermediations to speed up the process of financial inclusion, and thereby poverty mitigation. Separately from providing key recommendations in the form of a roadmap to speed up the process of financial inclusion, the study also required to determine the viability and cost-effectiveness of the Business Correspondent (BC) model and has identified several options to make the model viable.

Mehrotra et al.[24] **(2009)** find that Prolonged and persistent deprivation of banking services to a large segment of the population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion.

Chakraborthy, K.C.[25] **(2009)** comments that Inclusive Growth cannot come without FI and enabling people to get credit from small money lenders and the like is not FI but the access has to be through mainstream institutional players and only then such access will be fair, transparent and cost effective.

Rangarajan, C.[26] **(2009)** remarks that economic growth and social development are the two legs on which a nation must walk and FI is no longer an option but a compulsion. He asserts that one aspect of Inclusive Growth is FI. The process of FI is an attempt to bring within the ambit of the organised financial system, the weaker and vulnerable sections of society and Inclusive Growth cannot come without FI.

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[24] Mehrotra, N., Puhazhendi, V., Nair, G., & Sahoo, B.B. (2009). *Financial Inclusion-An Overview,* Department of Economic Analysis and Research, NABARD, Occasional Paper No. 48, Mumbai.
[25] Chakraborthy, K.C. (2009) Introductory Notes. In Sameer Kochaar (Ed.) *Speeding Financial Inclusion*, Pp 19-23, New Delhi, Academic foundation.
[26] Rangarajan, C. (2009). Preface, In Sameer Kochaar (Ed.), *Speeding Financial Inclusion*, New Delhi, Academic foundation, Pp.19-23.

Navin Bhatia and Arnav Chatterjee[27] **(2010)** "Financial Inclusion in the Slums of Mumbai", although financial inclusion – the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups – has become the buzzword in financial circles, it has still a long way to go. The results of a study conducted in selected slums of Mumbai to gauge the nature of financial inclusion bust certain myths about banking practices among urban slum-dwellers.

Olga Morawczynski, David Hutchful, Nimmy Rangaswamy and Edward Cutrell[28]**,** (2010) made a study entitled, "The Bank Account is not enough: examining strategies for financial inclusion in India", The Indian government has undertaken an ambitious strategy for financial inclusion (FI) as part of its development agenda. With the aid of technology-enabled branchless banking initiatives, this drive has been successful in regards to extending access—nearly 60% of the Indian population is banked. However, empirical evidence suggests that the majority of bank accounts are not being utilized, especially not by the poor who are the target of FI. This paper examines the reasons for such underutilization and also recommends ways to improve the FI drive. The paper contributes to the strand of ICTD literature that focuses on FI in two ways. First, it makes clear that the measures of FI success should not be focused on access alone. The real impact comes from aPpropriate usage of these accounts. Second, it argues that financial education (FE) should be integrated into the FI drive. This would help the poor to more effectively exploit their links to formal financial services and decrease their reliance on costly informal alternatives.

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[27] Navin Bhatia, Arnav Chatterjee "Financial Inclusion in the Slums of Mumbai", Economic & Political Weekly, Vol.XIV, No.42, 2010, Pp.23-26.

[28] Olga Morawczynski, David Hutchful, Nimmy Rangaswamy, and Edward Cutrell, "The Bank Account is not enough: examining strategies for financial inclusion in India", in Proc. of the 4th IEEE/ACM Conference on Information and Communication Technologies and International Development (ICTD) 2010, London, UK.

Arun, T.J and Ashok, J[29] (2010) in the study on, "Financial Inclusion-Indian Experience", explains that banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as corporate social responsibility.

Hanning and Jansen (2010) found that reliable and comprehensive data capturing various dimensions of financial inclusion was a critical condition for evidence-based Policymaking. This presented several challenges ranging from the basics of what financial inclusion was and what it entailed especially because it was a concept that varied with level of countries 'economic development and geographical reasons. The definition of financial inclusion and its components was important for setting a clear direction for policymaking by translating the concept of financial inclusion into operational terms but also allowing tracking progress and measuring outcomes of policy reforms. This study attempted to articulate the definition of financial inclusion and its components in the context of Kenya.

Sarma and Pais[30] **(2010)** reported that literacy was positively and significantly associated with financial inclusion. Several empirical studies conducted in West Bengal have shown that SHGs created a smooth path of financial inclusion for the rural poor. The number of total deposit accounts had increased to 734.8 million and credit account to 118.6 million in 2010 for all banks and the number of no frill accounts in all public and private banks had increased to 33 million in 2009 from seven million in 2006 (RBI, 2010). Besides, KCC scheme had brought 95 million farmers under the purview of the banking system in 2010 as against 84.6 million farmers in 2009 and the SHG bank

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[29] Arun.T.J and Ashok.J, "Financial Inclusion-Indian Experience", Indian Economic Panorama, 2010, Pp.46-49.

[30] Sarma, M. and Pais, J. (2010). Financial inclusion and development. Journal of International Development, n/a. doi: 10.1002/jid.1698.

linkage programme had helped seven million rural people to have access to formal savings and formal credit (Government of India, 2011).

Chandan Kumar and Srijith Misra[31] **(2010)** attempted to fill the above gap by analysing both supply and demand side information and providing a comprehensive picture of FI in India. They tried to measure and understand FI by looking at supply of (banking outreach indicators such as number of deposit and credit accounts, number of bank branches, average deposit and credit amount per account and credit utilized) and demand for (indicators of household level access such as the proportion of households having saving, credit and insurance facilities) financial services. Using the household level Data, it also analyses the role of informal sector vis-à-vis formal sector, particularly, with regard to credit. Separate composite FI Indices (FIIs) using both the data sets are calculated for the year 2002 - 03 (as the most recent household level data available is for 2002 - 03) for all the States/Union Territories of India and used as complementary to each other to get a comprehensive picture. While comparing the economic development of the state (in terms of per capita income) vis-à-vis the outreach of the banking services, it is observed that states like Goa, Delhi, Chandigarh, Pondicherry, Maharashtra, Kerala and Karnataka have performed better in both the parameters. This reflects a larger spread of services among people in the states which are better developed.

Thingalya N.K., M.S. Moodithaya & N S Shetty[32] (2010) explained the conceptual framework of Financial Inclusion as well as assessed the financial exclusion

[31] Kumar, C. & Mishra, S. (2010). *Banking Outreach and Household level Access: Analyzing Financial Inclusion in India,* Unpublished M.Phil. Thesis, Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

[32] Thingalya N.K., M.S. Moodithaya & N S Shetty (2010), "Finacuial Inclusion and Beyond – Issues and challenges", Academic foundation, New Delhi, 2010.

measures on which it could be evaluated. These measures include bank system outreach, access to financial services, and financial exclusion on the basis of economic, social and people's regional conditions.

Usha Thorat[33] **(2010**) endorses the above view and observes that people in India believe that FI primarily implies access to a bank account backed by deposit insurance, access to affordable credit and the payment system.

Subha Rao[34] **(2010**) notes that an open and efficient society is always characterised by the unrestrained access to public goods and services. As banking services are in the nature of public goods, FI should be viewed as availability of banking and payment services to the entire population without discrimination of any type.

Suniti Nagpurkar[35] **(2010)** conducted an empirical study in the city of Mumbai, among the urban poor, both migrants and non-migrants, to understand the banking exposure and banking outcomes among these sections of population. The study reports the difficulty in dealing with the bank staff and acknowledges that the banks on their part do not seem to be making an all out efforts to reach out to the urban poor**.**

Massey[36], (2010) made a study titled, "Role of Financial institution in Financial Inclusion", said that, role of financial institutions in a developing country is crucial in promoting financial inclusion. The efforts of the government to promote financial inclusion and deepening can be further improved by the pro-activeness on the part of

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[33] Thorat, U. (2010). Financial Regulation and Financial Inclusion- Working Together or At Cross-Purposes, *RBI bulletin*, July.
[34] Rao, N. (2010). Financial Inclusion-Banker's Perspective, *the Journal of Indian Institute of Banking & Finance (Bank Quest)*,Vol. 81, No. 4, October-December, Pp.20-26.
[35] Nagpurkar, S. (2010). Financial Inclusion in the City of Mumbai – A Study of Urban Poor: Migrants and Non-Migrants, *Indian Journal of Social Development*, vol.10, no.2, December, Pp 663-674.
[36] Massey, J. (2010). Role of Financial institution in Financial Inclusion. FICCT's Banking & Finance Journal

capital market players including financial institutions. Financial institutions have a very crucial and a wider role to play in development of financial inclusion.

Karmakar K.G, G. D. Banerjee, N. P. Mohapatra[37] (2011) makes out a strong case for seeing financial inclusion from a much broader perspective and argue that the objective should include meeting not just micro-credit needs but also micro-insurance to cover emergencies, besides given that regular pension by way of old age safety. This demand side analysis is accessible in general terms as well as with particular reference to farmers and ancestral people. In the supply side, they look at dissimilar models of providing financial services such as Business Correspondents and Facilitators; the Regional Rural Banks; and the Post Offices.

Joshi D.P[38] (2011) viewed how financial inclusion has acquired policy precedence in even in developed countries with examples of the "The Financial Inclusion Task Force" of the UK and the "Community Investment Act" of the USA.

Chattopadhay[39] **(2011)** has developed the financial inclusion index for the major states in India and for all the districts in West Bengal.

Kaul, R.C.[40] **(2011)** points out that the growth trend of Indian economy over the past few years has been quite good from all standards and indicates the beginning of a new phase of higher growth. The said progress does not seem to have resulted in commensurate growth in manufacturing employment leading to doubts about the inclusive nature of this growth.

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[37] Karmakar K.G, G. D. Banerjee, N. P. Mohapatra (2011), Towards Financial Inclusion in India, Sage Publications, New Delhi, 2011.

[38] Joshi D.P (2011), "The Financial Inclusion Imperative and Sustainable APproaches", Cambridge University Press, New Delhi, 2011.

[39] Chattopadhay, S. K. 2011),'Financial Inclusion in India: A Case-study of West Bengal, RBI Working Paper Series (DEPR): 8/2011, Available at: http://www.rbidocs.rbi.org.in

[40] Kaul, R. C. (2011). Financial Inclusion-A business OPportunity for Banks, *Indian Economic Panorama*, vol.21, No.1, April.

Gopalan, V[41]. (2011) made a study on, "Financial Inclusion: Current Status in India", 'Financial inclusion' is aimed at delivery of banking and financial services at affordable costs to the un-banked sections of disadvantaged and low income segments of society so as to unlock their savings and investment potential. The reasons for 'financial exclusion' may vary from country to country though it is not disputed by any that 'financial inclusion' is the only solution for lifting the financial conditions and standards of the poor and downtrodden.

Gayathri Band; Kanchan Naidu; Tina Mehadia[42] (2012) "Opportunities & Obstacles to Financial Inclusion", Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. This has become an integral part of our efforts to promote inclusive growth. In fact, providing access to finance is a form of empowerment of the vulnerable groups. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups.

Devendra Prasad Pandey and Amit Kumar Katiyar[43] (2012) in their study titled, "Financial Inclusion in Indian Scenario", in India out of 19.9 crore households, only 6.82 crore households, have access to banking services. As far as rural areas are concerned, out of 13.8 crore households in India, only 4.86 crore households have access to banking services. In urban areas only 49.52% of households have access to banking services. Over 41% of adult people in India do not have bank account. There are so many factors that are affecting access to financial services by weaker sections of

[41] Gopalan, V., "Financial Inclusion: Current Status in India", The Management Accountant, February 2011, Pp.138-139.

[42] Gayathri Band; Kanchan Naidu; Tina Mehadia "OPportunities & Obstacles to Financial Inclusion", Arth Prabhand: A Journal of Economics and Management Vol.1 Issue 1, April 2012, Pp.60-73.

[43] Devendra Prasad Pandey and Amit Kumar Katiyar, "Financial Inclusion in Indian Scenario", International Journal of Management Research and Development.

the society in India. Several steps have been taken by RBI and GOI to provide basic banking services to the financially excluded people. Keeping in view the National Rural Financial Inclusion Plan (NRFIP) has set a target of providing access to comprehensive financial services to at least 50% of the excluded rural households by the end of 2012 and remaining by 2015.

Manas Chakrabarti[44] (2012) made a study titled**,** "The Role of Regional Rural Banks (RRBs) in Financial Inclusion: An Empirical Study on West Bengal State in India", Financial inclusion has become one of the most critical aspects in the context of inclusive growth and sustainable development in the developing countries like India. Financial inclusion is a process of ensuring access to suitable financial products and services needed by susceptible groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream financial institutional players. In our country, Reserve Bank of India (RBI) has formulated the policy of financial inclusion with a view to provide banking services at an affordable cost to the disadvantaged and low-income groups. Since 1975 Regional Rural banks (RRBs) are being regarded as a significant Rural Financial institution for promoting sustainable economic growth. This research topic is a study on the role of RRBs in West Bengal State of India in financial inclusion. An effort has been made in the instant project to study and find out whether RRBs in this region has made any progress towards ensuring broader banking services for the rural poor people in strengthening the India's position in relation to financial inclusion.

[44] Manas Chakrabarti, "The Role of Regional Rural Banks (RRBs) in Financial Inclusion: An Empirical Study on West Bengal State in India", Abhinav National Monthly Refereed Journal of Research in Commerce & Management, Volume No.2, Issue No.8, 2012, Pp.51-62.

Christabell. P. J. and Vimal Raj. A[45]**,** (2012) in the study titled, "Financial Inclusion in Rural India: The role of Microfinance as a Tool", Microfinance Institutions (MFIs) play a significant role in facilitating inclusion, as they are uniquely positioned in reaching out to the rural poor. Many of them operate in a limited geographical area, have a greater understanding of the issues specific to the rural poor, enjoy greater acceptability amongst the rural poor and have flexibility in operations providing a level of comfort to their clients. The present paper deals with how the mechanism of microfinance can enable the financial inclusion of hitherto excluded population, especially the women, into the formal financial sector.

Arup Mukherjee and Sabyasachi Chakraborty[46] (2012) in their study titled, "Financial Inclusion of the Poor and Marginalised in Jharkhand: Analysis of the Existing Model", explains that promotion of financial inclusion has been an important social and financial need across countries. In India, the primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of the central bank (RBI). However, due to the huge size and diversity of population the commercial banks have been taking the assistance of various social and financial entities like co-operative banks, Regional Rural Banks (RRBs), Self-Help Groups (SHGs), joint liability groups, and other Non-Banking Finance Companies (NBFCs). The objective of the article is to critically examine and highlight the role and efficacy of the commercial banks doing business in the state of Jharkhand in connection with their responsibility towards promoting financial inclusion. The article also aims at

[45] Christabell. P. J. and Vimal Raj. A, "Financial Inclusion in Rural India: The role of Microfinance as a Tool", IOSR Journal of Humanities and Social Science (JHSS), Vol.2, Issue.5, 2012, Pp.21-25.

[46] Arup Mukherjee and Sabyasachi Chakraborty, "Financial Inclusion of the Poor and Marginalised in Jharkhand: Analysis of the Existing Model", International Journal of Research and Development - A Management Review (IJRDMR), Vol.1, Issue.1, 2012, Pp.1-8.

examining the capacity and role of other institutions mentioned above for the purpose of promoting financial inclusion in the state.

Bimal Anjum and Rajeshtiwari[47] (2012) in their study titled, "Role of Private Sector Banks for Financial Inclusion", the study explores the geographical distribution of private sector banks in India and its impact on financial inclusion. The article evaluates the correlation of number of private bank branches with economic freedom and ratio of development expenditure of states to gross state domestic product. At the end of March 2010, 50.6 million no frills account were opened by the banking system. The banks have a challenge to keep these accounts operational. Banks were advised to provide small overdraft in these accounts, and up to March 2010 banks provided overdraft of Rs.27.54 crore. No frills account provides the opportunity for a common man to open bank account. These accounts have no pre condition and low minimum balance maintenance. RBI initiated scheme of no frills account in 2005 to improve financial inclusion.

Avnesh Kumar Gupta[48] (2012) made a study titled, "Microfinance and Strategy of Financial Inclusion in India", the main aim of this paper is to evaluate the role of microfinance for empowering the people and realization of government's policy of financial inclusion in India. However, there are certain concerns about the efficiency of Microfinance Institutions in handling public money, their targeted growth, achievement of policy goals and demand and supply management of funds. Today, the Microfinance Institutions demand the government to empower them for mobilizing public savings. With increasing demand for rural finance, and the inadequacies of

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[47] Bimal Anjum and Rajeshtiwari, "Role of Private Sector Banks for Financial Inclusion", International Journal of Multidisciplinary Research, Vol.2, Issue 1, January 2012, Pp.270-280.
[48] Avnesh Kumar Gupta, "Microfinance and Strategy of Financial Inclusion in India", Journal of Economics and Sustainable Development, Vol.3, Issue.10, 2012.

formal sources of finance, the Microfinance Institutions have immense opportunities in the new incarnation of micro credit in India. However, in the light of recent experiences, and the need for qualitative economic growth, it is suggested that Microfinance Institutions should be managed with better scrutiny in terms of finance and technology as well as social responsibility. This is to be of utmost importance in order to upgrade Microfinance Institutions from thrift and credit institutions to capacity-generating and livelihood- managing groups of people. Non Governmental Organizations have played a commendable role in promoting Self Help Groups by linking them with banks. There is, therefore, a need to evolve an incentive based package which should motivate these NGOs to diversify themselves into other backward areas.

Rao, N.S and Harshita Bhatnagar[49] (2012) made a study on, "Financial Inclusion: Issues and Prospects", Strong and robust financial institutions are the pillars of economic growth, development and prosperity of modern economies. Financial Inclusion is emerging as a global hot topic. The importance of an inclusive financial system is widely recognized not only in India, but has become a policy priority in many countries. Financial access can truly lift the financial condition and standards of life of the poor and the disadvantaged. Only 55 per cent of the population have deposit account and 9 per cent have credit accounts with banks. Only 18 per cent had debit cards and less than 2 per cent had credit cards. So, RBI has been continuously encouraging the banking sector to expand the banking network both through setting up of new branches and also through BC model by leveraging upon the information and communication technology (ICT). This article investigates the importance as well as current scenario of the financial inclusion on the basis of facts and data provided by

[49] Rao, N.S and Harshita Bhatnagar, "Financial Inclusion: Issues and Prospects", Pacific Business Review International, Vol.5, Issue.3, 2012, Pp.84-96.

various secondary sources. It is concluded that financial inclusion shows positive and beneficial changes because of intensity change and technology changes. Therefore, sufficient provisions should be in-built in the business model to ensure that the poor are not driven away from banking because the technology interface is unfriendly and also upon customer grievances along with appropriate and effective technology, thus, holds the key for financial inclusion to take place on an accelerated scale. This requires training the banks frontline staff and managers as well as business correspondents on the human side of banking.

Ranjan Kumar Nayak[50] (2012) made a study titled, "Financial Inclusion through Cooperative Banks: A Feasible Option for Inclusive Growth", the objective of the paper is to understand how financial inclusion through cooperative banks can be a viable option for inclusive growth in India. The present study is based on secondary data. The report of trend and progress of banking in India by RBI, annual report of NABARD (National Bank for Agriculture and Rural Development), Report of the Task Force to Study the Cooperative Credit System and Suggest Measures for its strengthening by RBI have been used as the data base. Compound growth rate, percentage change with graphical and tabular representation have been used for the analysis. The study covers the period from 1981- 2011. It is clear that Indian growth is not inclusive because it is seen that the real GDP percent change per annum and the growth of real GDP per head per annum follow an increasing trend whereas consumption inequality in India is increasing rapidly after 2004-05. Also, though poverty or the number of poor is decreasing over the years, the trend is not substantial. By being local in nature and intricately interwoven with the local community, cooperative banks have a clear advantage over commercial banks for financial

[50] Ranjan Kumar Nayak, "Financial Inclusion through Cooperative Banks: A Feasible Option for Inclusive Growth", IMJ, Volume.4, Issue.3, October-December 2012, Pp.9-17

inclusion. Labor costs of cooperative banks are considerably less than that of commercial banks and generally operating costs are also minimal. It is evident that cooperative banks have feasible options for inclusive growth through rural development, creating opportunities for employment and income generation.

V.S. Srinivasan[51] (2012) made a study titled, "FI-The Challenges Ahead", Financial inclusion can transform the excluded people into productive and self-sustainable projects. No-frills account when promoted extensively encourages the savings habit and ensuring that banks act as a repository of savings and sources of credit. This will make banking enter into the daily routine of a common man. Besides nurturing the habit of saving among the masses, it will remove the aPprehensions and fear from their mind towards the financial products and services. This will encourage un/under-banked consumers to enter into or make better use of the financial mainstream. It will also persuade people to take credit for setting up new ventures. In a way provision of easy credit will encourage the first generation entrepreneurs to initiate new venture; aggravate the capital formation in the society; create new employment oPportunities and thus will help in escalating the economic development of the country. This also will automatically lower the increasing crime rates in the society.

M. Julias Ceasar[52] (2012) made a study titled, "FI – Nature, Dimensions and Practices in India" Financial inclusion can help towards the achievement of the Government's objective to increase the rates of asset-ownership amongst lower-income

[51] V.S. Srinivasan (2012) "FI-The Challenges Ahead", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India Pp.1-9

[52] M. Julias Ceasar (2012) "FI – Nature, Dimensions and Practices in India", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India Pp.10-16

households. Promoting financial inclusion can also help in the regeneration of local areas in money saved by increased access to financial services access to financial services can be re-invested in the community for its welfare and development. Poor people end up paying proportionally more for their money borrowed from outside sources than the rich ones. Promoting financial inclusion is crucial to fight against poverty that prevails in the society traditionally. An effective Government strategy to combat financial exclusion has a crucial role to play in enabling those low incomes and others who are financially excluded to take their own steps away from Poverty. The financial services include the entire gamut of savings, loans, insurance, credit, payments and other forms of savings. The financial system has to provide its functions of transferring resources from surplus to deficit units but both deficit and surplus units are those with low incomes and poor background in the need, access and use of finance. By providing these services, the aim is to help them come out of poverty.

M. Selvakumar and M. Anbalagan[53] (2012) in their study titled, "Financial Inclusion is the Road that India Needs to Travel", Empirical evidence shows that economic growth follows financial inclusion. Boosting business opportunities will definitely increase the gross domestic product, which will be reflected in our national income growth. People will have safe savings along with access to allied products and services such as insurance cover, entrepreneurial loans, payment and settlement facility. Our dream of inclusive growth will not be complete until we create millions of micro-entrepreneurs across the country. All budding entrepreneurs have to face these challenges and find solutions. People working in the social sector should work for filling up the deficit existing the economic and social arena. To sum up, financial

[53] M. Selvakumar and M. Anbalagan (2012) "Financial Inclusion is the Road that India Needs to Travel", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.Pp.17-23

inclusion is the road that India needs to travel toward becoming a global player. Financial access will attract global market players to our country and that will result in increasing employment and business opportunities. Inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process.

A. Subbiah and M. Gurusamy[54] (2012) in their study titled, "Financial Inclusion through Rural Retail Banking", and financial inclusion is not a onetime effort; it is an ongoing process. It is a huge project which requires concerted and team efforts from all the stake holders-the Government, financial institutions, the regulators, the private sector and the community at large. From the sporadic attempts of today dispersed across the nation, it should gather momentum and grow in geometric proportions and develop into a focused and effective movement. If this is to be achieved, it requires the passionate involvement, dedication and commitment of all stake holders. It required a major mindset change in the minds of every individual involved – bankers, bureaucrats and regulators. At the same time, the role of technology in the whole scenario cannot be undermined either. It has to be admitted that today, more than even before, technology plays a vital role in bringing about integration in society of all social and economic classes. Accessibility, affordability, appropriateness and benefits determine how deep financial inclusion penetrates the social fabric of the village. Financial inclusion can empower even the poorest person and bring about a dramatic change in his fate.

[54] A. Subbiah and M. Gurusamy (2012) "Financial Inclusion through Rural Retail Banking", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.Pp.24-33

FX. Robert Bellarmine [55] (2012) in his study titled, "FI – Millennium Development Goals", The Indian economy is growing strongly which ensures better recovery and asset valuation. Progressive bank reforms and low interest rates will increase borrowing activity to meet the financial targets of poor and downtrodden. Banking industry is making rapid strides with information technology driven initiatives and has led to expansion of products (i.e) expansion of financial services giving birth to the concept of Financial Inclusion. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. They 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 constitution "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.

P. Devaraju [56] (2012) in his study titled, "FI **–** Business Opportunity as Well as a Corporate Social Responsibility", the banks should come out of inhibited feeling that very aggressive competition policy and social inclusion are mutually exclusive. As demonstrated elsewhere, the mass banking with no-frills can become a win-win situation for both. Basically banking services need to be "marketed" to connect with large population segments and these may be justifiable promotional costs as the opportunities are plenty. It is becoming increasingly apparent that addressing financial

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[55] FX. Robert Bellarmine (2012) "FI – Millennium Development Goals", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.Pp.43-48.

[56] P. Devaraju (2012) "FI – Business OPportunity as Well as a Corporate Social Responsibility", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.Pp.71-76.

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. One of the ways in which this can be achieved in a cost-effective manner is through forging linkages with microfinance institutions and local communities. Banks should give wide publicity access to banking products in remote areas. ATMs cash dispensing machines can be modified suitably to make them user friendly for people who are illiterate, less educated or do not know English. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. They 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.

E.Kavitha[57] (2012) in his study titled, "FI – The Common Objective in India", financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society. It is argued that 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 public policy. The term "financial inclusion" has gained importance since the early 2000s, and is a result of findings about financial

[57] E.Kavitha (2012) "FI – The Common Objective in India", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.

exclusion and its direct correlation to poverty. Financial inclusion is now a common objective for many central banks among the developing nations. Financial inclusion is now a common objective for many central banks among the developing nations. Therefore goal should be very strong and it should be applied in right place at right time is order to achieve 100% financial inclusion. Financial inclusion plays a vital role in every country as it creates more opportunities like employment generation, more distribution of financial products and services. This will ultimately lead the country into the path of growth with equity. RBI is currently working on a three-year financial inclusion plan and is discussing this with each bank to see how to take this forward. The result should be "ability of individuals to access appropriate financial products and services". Financial inclusion should be of delivery of financial products and services at an affordable cost to the low income groups.

Bandgar[58] (2012) revealed that more than 65 percent of the Indian population was still unbanked‘and did not have access to basic banking facilities. As a mission to sustain the economic development of the country it is imperative that these people be brought, initially, into the banking fold, which subsequently could act as a base for providing other services? The movement of financial inclusion had been one of the real hopes for inclusive growth. The poor and the excluded have successfully organized themselves in 25 lakh self help group (SHGs). With the phenomenal growth recorded by microfinance in recent year-62 percent p.a. in terms of number of unique clients and 88 percent p.a. in terms of portfolio over the past five years and around 27 million borrowers accounts, the SHG linkage programme had achieved a phenomenal growth over the years but there was still a larger segment of society that was denied access to financial services.

[58] Bandgar, P.K. (2012).Financial Inclusion. The Management Accountant. Vol. 47, No.1.

Kuppan S[59] (2012) stated the main reason for financial exclusion is be short of regular or considerable income. In most of the cases people with low returns do not qualify for a credit. The proximity of the financial service is an additional fact. The loss is not only the shiPping cost but also the loss of daily pay for a low income person. Most of excluded consumers are not aware of bank's goods, which are helpful for them. Receiving of money for their financial necessities from a local money-lender is easier than getting loan from the bank.

Maiti, S.K, Banerji Sudipti, Majumder A, Sarkar. A[60] (2012): There were numbers of traditional and informal ways of forwarding credit before the emergence of the SHGs. All of them provide very little attention to the question of both empowerment and sustainability. Along with this there was a casual approach towards the responsibility of the credits leading to adverse impact on both repayments as well as additional outreach. The result that emerges from this study is that SHGs are playing a very important role in the rural empowerment, although most of SHSs are formed as a female group.

R. Allwin Nirmal Singh[61]**,** (2012) "Role of Banks in Financial Inclusion in India" The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure like staffed branches to a system supplemented by other channels like Automated Teller Machines (ATM), Credit/Debit Cards, Internet Banking, online Money Transfers, etc. Financial inclusion may be

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[59] S. KuPpan (2012), "Financial Inclusion", the Management Accountant, Vol.47, No.1, January 2012; p-12.

[60]Sajal Kumar Maiti, Sudipti Banarjee, Amit Majumdar & Anirban Sarkar (2012), " Financial Inclusion: A study on the Self Help Groups in West Bengal, The Management Accountant, Vol.47, No.1, January 2012; p-15.

[61] R. Allwin Nirmal Singh, (2012) "Role of Banks in Financial Inclusion in India", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.

defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantages and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. 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 objectives. When bankers do not give the desired attention to certain areas, the regulators have to step in to remedy the situation. This is the reason why the Reserve Bank of India is placing a lot of emphasis on financial inclusion. In India the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills, to all. Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account / savings account on its own, is not regarded as an accurate indicator of financial inclusion. There could be multiple levels of financial inclusion and exclusion. At one extreme, it is possible to identify the ‘super-included’, i.e., those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, we may have the financially excluded, who are denied access to even the most basic of financial products. In between are those who use the banking services only for deposits and withdrawals of money. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

D. Sivasubramanian[62] (2012) in his study titled, "Major Role of Technology in Financial Inclusion", financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Technology and financial inclusion are the popular coinage in banking parleys in the country. While technological up gradation and mobile banking are catching up so fast, financial inclusion is tardy. The use of technology in extending banking outreach has been an area of focus for the Reserve Bank. Technological innovation has not only enabled a broader reach for various products and services in real sector and financial sector, but also has played an important role in improving the quality and reducing the cost. Thus, technology is great enabler for continued and inclusive growth. Banks and financial institutions rely on gathering, processing and analysis information in order to improve its service and meet the expectations of the customers. Banks have been quick to realize and adopt technology in a big way.

S. Mahima[63]**, (2012)** made a study titled, "The Role of Financial Inclusion in the Self Help Groups (SHG)", Financial inclusion broadly means the provision of affordable financial services and Access to payments remittance facilities, savings, loans and insurance services by the formal financial system to those who has not so far inclined into banking activities. Till the last nineties, the comfortable and competitive financial services enable access to a wide range of financial products and opportunities to meet emerging credit needs. The common fund of an SHG consists of all money brought into its account through the common effort of members. These may be

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[62] D. Sivasubramanian (2012) "Major Role of Technology in Financial Inclusion", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.

[63] S. Mahima, (2012) "The Role of Financial Inclusion in the Self Help Groups (SHG)", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.

returnable or non-returnable. The returnable funds include members' savings and loans taken from financial institutions. Nonreturnable funds include membership fees, if any, fines, service charges, bank interest earned, donations and grants (e.g. matching grant from HCFP).

Audil Rashid Khaki[64] (2012), made a study titled, "Financial Inclusion in Jammu & Kashmir: A Study on Banker's Initiatives", The World economic order witnessed dramatic changes Post World War II and India being a newly Independent Country was faced with more complex issues of illiteracy, poverty, malnutrition, sustainability and underdevelopment; and the prime focus of Government remained Development for Sustainability and Inclusive Growth. In order to combat poverty and to achieve uniform growth all over, various measures have been taken from time to time which include building and strengthening rural cooperative sector, nationalization and privatization and expansion of financial sector. Easy Access to sources of finance is believed to be an important tool to poverty alleviation and inclusive growth. Following the recommendation of Khan Commission-2004, various reformative measures have been taken by Reserve Bank of India and Government of India. Most of the recommendations of the Khan Commission were incorporated into the mid-term review (2005-06) of Reserve Bank of India. In this report, Banks were exhorted upon to take up various strategies in order to achieve Greater Financial Inclusion. Banks throughout the Country scaled up their initiatives to achieve their targets for Financial Inclusion and have succeeded in doing so to a large extent. However, the State of Jammu and Kashmir lags behind other states in its vital Financial Inclusion Indicators; Credit-Deposit Ratio at a meager 35.71 against the benchmark 60, and Financial Exclusion to the extent of 68% which is highest in the Northern Region. It is in this direction that the

[64] Audil Rashid Khaki, "Financial Inclusion in Jammu & Kashmir: A Study on Banker's Initiatives", International Refereed Research Journal, Vol.–III, Issue–4, (2), October 2012, Pp.115-123.

present study has been carried out in order to look into the various initiatives taken up by Bankers in the State of Jammu and Kashmir. The present paper also attempts to look into the progress of financial inclusion in the State.

Roy[65], (2012) studied the overview of financial inclusion in India. The study concluded that banks have set up their branches in the remote corner of the country. Rules and regulations have been simplified. The study also said that banking industry has shown tremendous growth in volume during last few decades.

Singh[66] (2012) discussed that as the poverty level declined and households have greater levels of discretionary incomes, they would be first time financial servers. They would, therefore, need to have easy access to formal financial systems to get into the banking habit. Banks would need to innovate and devised newer methods of including such customers into their fold. Innovation in the form of business facilitators and correspondents would be needed for banks to increase their outreach for bank to ensure financial inclusion. He emphasized the financial inclusion as a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which banks were free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models to reach them. New entrants to the banking, system need household at their doorstep. There has been a burst of entrepreneurship across the country, spanning rural, and semi-urban and urban areas. This has to be nurtured and financed. It was only through growth of enterprises across all size and that competition would be fostered. With the increasing liberalization and

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[65] Roy, S. K. (2012). "Financial inclusion in India: An overview", Asian Journal of Multidimensional Research, 1 (5).
[66] Singh Kuldeep and Singh Kondan (2012) "Financial Inclusion, Development and Its Determinants: An Empirical Evidence of Indian States" *The Asian Economic Review* Vol.53 (1) 115-134.

higher economic growth, the role of the banking sector was poised to increase in the financing pattern of economic activities within the country. Financial inclusion would strengthen financial depending and provide resources to the banks to expand credit delivery. He concluded that financial inclusion would lead to financial development in our country which will in turn help to accelerate economic growth.

Ramasubbian and Duraiswamy[67] (2012) suggested in their study that though over the past six years the Financial Inclusion strategy had improved the life style of BPL, but missing focus on savings and credit improvement strategies degrades the benefit of financial inclusion. This study analyzed the issues pertaining to implementation of financial inclusion in economically down trodden districts of Tamil Nadu (India). SPSS (SPSS 2011) was used to analyze the data collected from the districts.

Ramapal and Rupayanpal[68] (2012) in their study find that increase of the proportion of households using formal financial services in a state need not necessarily reduce the inequality in FI across income groups or foster FI among the poor households in that state.

M. Fatima Rathy and K. Sathyabama[69] (2012), "Financial Inclusion and SHGs", Microfinance is more of the most remarkable socio-economic developments in the present era. The micro finance sector started getting recognition in India after the

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[67] Ramasubbian, Hemavathy and Duraiswamy, Ganesan (2012), "The Aid of Banking Sectors in SuPporting Financial Inclusion - An Implementation Perspective from Tamil Nadu State, India", *Research on Humanities & Social Sciences, Academic Journal*, Vol. 2 Issue 3, p.38

[68] Ramapal & Rupayanpal. (2012). *Income Related Inequality in Financial Inclusion and Role of banks: Evidence on Financial Exclusion in India*, WP-2012-013, Indira Gandhi Institute of Development Research, Mumbai, June 2012.

[69] M. Fatima Rathy and K. Sathyabama (2012), "Financial Inclusion and SHGs", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.

launch of the self help group linkage model in the year 1992. Self Help group linkage model is one of the indigenously developed and successfully operated models of Micro-finance in India. Under indigenously developed and successfully operated models of Micro-finance in India. Under this model, the SHGs are financed by bank without any collateral, peer group pressure is considered as collateral by the lenders. SHG led micro finance approach also helps to reduce the burden of heavy transaction cost faced by formal financial institution related with SHG members in Tirunelveli District, at Vallioor. It gives more information relation to SHG member's Financial Position. Further, it also seeks to depot cross sectional regression techniques to examine the role of SHG in achieving financial inclusion across various states in India especially in Tamil Nadu at various district levels.

Ms Apurva A. Chauhan[70] (2013) made a study titled, "A Study on Overview of Financial Inclusion in India"; financial inclusion refers to the delivery of financial services in a convenient manner at an affordable cost to vast sections of disadvantaged and low income group population. Financial inclusion is the road that India needs to travel toward becoming a global player. The paper attempts to study the overview of financial inclusion in India. A comparison has been made between India and some other selected countries regarding no of branches, ATMs, bank credit to identify India's position regarding financial inclusion as compared to other selected countries. It also attempts to know the various strategies adopted by RBI for strengthening the inclusion. The process of financial inclusion will not be possible without the contribution of banks so the paper includes the steps taken by banks to strengthen financial inclusion with the help of a case study of Axis bank. The paper also highlights challenges faced by Indian banks for strengthening financial inclusion.

[70] Ms Apurva A. Chauhan, "A Study on Overview of Financial Inclusion in India", Indian Journal of APplied Research, Volume: 3, Issue: 12, Dec 2013, Pp.351-353.

Bhoomika Garg[71] (2014) made a study titled, "Financial Inclusion and Rural Development", Nationalization of banks in 1969 and subsequent developments led to the expansion of commercial banks, Regional Rural Banks and Co-operative credit institutions geographically all over India. Banks policy aimed at "social" and "development bonding" by providing credit to agriculture and other priority sectors. It may be noted that despite of vast expansion, a large number of group remain excluded from the "oPportunities and services" provided by the financial sector. Such excluded groups include small and marginal farmers, women, unorganized sector workers including artisans, self-employed and pensioners. Against this background, the objective of this note is to bring out issues and challenges for reducing financial exclusion.

Sayantani Banerjee and Greeshma Francis[72] (2014) in their study entitled, "Financial Inclusion and Social Development", financial institutions are the catalyst in the economic and social growth and progress in the modern era. In this respect, there is a rapid thrust for financial inclusion, more so in emerging economies, such as, India. Society will progress only if there is financial independence for all the stakeholders and thus the importance of financial inclusion. Providing access to finance is a form of empowerment of the vulnerable groups. This article emphasis the need of financial inclusion for social development. Access to basic banking services provides congenial conditions for growth of individuals, households and private Institutions. Also, social factors like unemployment and illiteracy are closely connected to the success of

[71] Bhoomika Garg "Financial Inclusion and Rural Development", Research journali's Journal of Commerce, Vol. 2, No.1, February 2014, Pp.1-6.

[72] Sayantani Banerjee, Greeshma Francis "Financial Inclusion and Social Development", International Journal of scientific research and management (IJSRM, Special Issue On National Level Conference Business Growth and Social Development, 2014, Pp.13-18

financial inclusion. Thus a sustainable social development can be simultaneously achieved along side financial inclusion.

Nufazil Altaf[73] (2014) in his study titled, "Towards Financial Inclusion", explains that financial inclusion is a prerequisite to economic development. This has been echoed by international as well as national bodies. This indicates the depth and importance of financial inclusion in creating inclusive development. This paper concludes that enhanced information technology, business models, broadening of product and services at the lower end markets can serve as important measures to promote financial inclusion.

Suhail Qasim Mir, Ishaq Ahmad Bhat, Faisal Nazir Zargar[74] (2014) "A Study on the Effectiveness of the Financial Inclusion Program in Jammu and Kashmir: Initiatives by the Major Banks", Easy access to sources of finance i.e., Financial Inclusion is believed to be an important tool to poverty alleviation and inclusive growth. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to a large section of disadvantaged and low income segments of society. Following the recommendation of Khan Commission-2004, various reformative measures have been taken by Reserve Bank of India and Government of India to promote the extent of Financial Inclusion in India. To achieve maximum financial inclusion, banks throughout the country scaled up their initiatives to achieve their targets for Financial Inclusion and have succeeded in doing so to a large extent. However, in Jammu and Kashmir the results are not up to the mark. The credit-deposit ratio is far below the national benchmark. Jammu and Kashmir figures

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[73] Nufazil Altaf "Towards Financial Inclusion", Global Journal of Commerce and Management Perspective, Vol.3, Issue.4, 2014, Pp.128-131.

[74] Suhail Qasim Mir, Ishaq Ahmad Bhat, Faisal Nazir Zargar, "A Study on the Effectiveness of the Financial Inclusion Program in Jammu and Kashmir: Initiatives by the Major Banks",Global Journal of Finance and Management, Volume.6, Number.3, 2014, Pp. 281-286

among the states where financial inclusion is below average. It has a CRISIL Inclusix score of 36.9 compared to the national score of 42.8. It is in this direction that the present study has been carried out in order to look into the various initiatives taken up by Bankers in the State of Jammu and Kashmir. The present paper also attempts to look into the progress of financial inclusion in the State. It further attempts to reveal the current status of financial inclusion in India and achievements made so far.

Shahul Hameedu[75] (2014) in his study titled, "Financial Inclusion - Issues in Measurement and Analysis", explains that financial inclusion is 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. The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the 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. Internationally efforts are being made to study the causes of financial exclusion and designing strategies to ensure financial inclusion of the poor and disadvantaged. The reasons may vary from country to country and hence the strategy could also vary but all out efforts are being made as financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged.

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[75] ShahulHameedu "Financial Inclusion - Issues in Measurement and Analysis", International Journal of Current Research and Academic Review, Vol.2, No.2, (February-2014) Pp.116-124

Harshit Eric Williams and Azhar Abbas[76] (2014) "A Study on Financial Inclusion Initiatives Undertaken by Indian Banking Industry", over the past decades financial growth has been the priority in India. It has been observed that a safe, easy and affordable credit and other financial services for the poor and vulnerable groups, disadvantaged areas and lagging sectors has been recognized as a precondition for accelerating economic growth and thus reducing poverty disparities in the society. Despite of many efforts; India has faced several challenges in upgrading the standards over financial inclusion and the major constrain is the large number of population size which don't have an easy access to reasonable finance. Therefore, much importance need to be given to financial inclusion in India, as it give financial stability to under-privilege section of society and provide economic development. Hence the Indian banks are aiming to reduce income disparities and poverty and enable socially excluded people to integrate a better atmosphere for the economy by actively contributing to the development. In the view of above statement this article focuses on three major aspects namely, scope and coverage of financial inclusion in India; activities initiated by the RBI towards financial inclusive growth; and understand the factors affecting financial inclusion in the banking sector. Financial inclusion is possible only through proper mechanism and governance of banking sector. Thus, article concludes the various initiatives taken by R.B.I and various banks for encouraging financial inclusion services; so as to achieve rural, social and economic growth.

[76] Harshit Eric Williams and Azhar Abbas "A Study on Financial Inclusion Initiatives Undertaken by Indian Banking Industry", New Man International Journal of Multidisciplinary Studies, Vol. 1, Issue.12 Dec. 2014

K. Hema Divya[77] (2013), in her study titled, “A Study on Impact of Financial Inclusion with Reference to Daily Wage Earners”, the objective of financial inclusion is to deliver banking services at an affordable cost to vast sections of the low-income groups. Indian Finance Minister has set the ball rolling by articulating the Government's decision to provide essential financial services like savings, credit, micro insurance and remittance, for all villages with population over 2,000 by March 2012. Therefore, the present study attempts to find out the impact of financial inclusion on daily wage earners.

V.Ganeshkumar[78], (2013) in his study titled, “Overview of Financial Inclusion in India”, noted that branch density in a state measures the oPportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence intuitively it seems to be a key tool for financial inclusion. But the above observations imply that literacy alone cannot guarantee high level financial inclusion in a state. Branch density has significant impact on financial inclusion. It is not possible to achieve financial inclusion only by creating investment awareness without significantly improving the investment opportunities in an India.

L.S.Subramanian[79] (2013) in his study entitled, “A Study of Branchless Banking in achieving Financial Inclusion in India”, this research paper is a study of the Role of Branchless Banking in achieving Financial Inclusion in India. The researcher carried out this study to understand the role of branchless banking and the implementation of the same for the unbanked population of India. The researcher has

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[77] K. Hema Divya, “A Study on Impact of Financial Inclusion With Reference To Daily Wage Earners”, Journal of Business Management & Social Sciences Research (JBM&SSR), Volume.2, No.6, June 2013, Pp.85-92.

[78] V.Ganeshkumar, C., “Overview of Financial Inclusion in India”, International Journal of Management and Development Studies, 2013.

[79] L.S.Subramanian, “A Study of Branchless Banking in Achieving Financial Inclusion in India”, BVIMSR’s Journal of Management Research, Vol. 5, Issue.2, October: 2013, Pp.170-179.

also studied the experiences in other countries in the implementation of branchless banking and how it has been adapted in India. A study of a number of research papers and articles in magazines and other publication including internet was used to research this paper. The researches have relied on secondary data and interaction with senior leaders of the banking industry. Indian Banks must embrace financial inclusion as an economically viable and profitable business activity by innovation in service delivery process and information technology solutions to lower costs of transactions and improve customer acceptance and satisfaction. Business Correspondent (BC) agents have been a key resource in ensuring that the unbanked population receives banking facilities. Banks continue to built brick and mortar branches, customer service points and card based service outlets to service customers; these aspects have to be strengthened by financial literacy programs and marketing campaigns to ensure that these services are used by the targeted population. Branchless Banks in future should also offer services like life and non-life insurance, accept investment in financial and commodity markets and also in other saving instruments like mutual funds and bonds to the poor. Financial Inclusion is one of the most significant initiatives taken by the Government of India, The Reserve Bank of India and the Indian Banks. It has already made a significant impact to the poor in rural and urban India by empowering them with financial services thus providing them economic stimulus and security. Financial Inclusion can be considered as the second Economic Reforms in India in making India a Global Economic power house. More research can be done on customer satisfaction, process improvement opportunities, cost reduction and also the economical impact in the area of Branchless Banking for Financial Inclusion in India.

Nagaraja. S and Pallavi and S. Kusugal [80] (2013) in their study titled, "Financial Inclusion and Rural Development", the financial inclusion is meant for to ensure a range of aPpropriate financial services made available to every individual and enable them to understand and access those services. Financial inclusion not only mean that opening of savings bank account but imply creation of awareness about the financial products, education and guidance on money management, offering debt counseling, etc. by banks. In rural areas revolutionary steps have taken place by the government through introducing the micro credit facility in two ways, those include 'Self Help Groups-bank linkage' and 'Microfinance institutions'. Rural development requires this type of provision that is formation of Self help groups. In the rural areas it has created remarkable change and in the recent phase of globalization, self help groups have given answer to the poverty. This has created self-reliance, self-respect, entrepreneurship among poor rural people, not only in India but also in all developing countries.

Vivekanandan, N.R[81]**.,** (2013) in his study titled, "Financial Inclusion in India-A Path towards Inclusive Economic Growth", explains that India had experienced a rapid economic growth in the last decade. But the growth was not inclusive. One of the main reasons for poverty in India is that low income and disadvantaged groups are financially excluded. All kinds of financial services are enjoyed by few people in the country but still majority of the people lack access to the basic financial services such as savings, credit and insurance. Government has taken many steps such as nationalization of banks, credit to priority sector, opening of Regional Rural Banks

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[80]Nagaraja. S and Pallavi. S. Kusugal "Financial Inclusion and Rural Development", Global Research Analysis, Volume : 2 | Issue : 7 | July 2013, Pp.188-189.

[81] Vivekanandan, N.R., "Financial Inclusion in India-A Path towards Inclusive Economic Growth (April 30, 2013). Available at SSRN: http://ssrn.com/abstract=ivekanandan, N.R., Financial Inclusion in India - A Path Towards Inclusive Economic Growth (April 30, 2013). Available at SSRN: http://ssrn.com/abstract=2294779 or http://dx.doi.org/10.2139/ssrn.2294779

(RRBs), Cooperative society, direct benefit transfers, etc., During last six decades but still majority of rural households do not have credit from formal source. This article gives the depth knowledge of financial inclusion, product initiatives, policy initiatives, recent initiatives taken by the Reserve Bank of India (RBI) and the future initiatives. It brings out whether the financial inclusion paves a way towards inclusive economic growth of the country.

Shashikumar, T.P. Rangaswamy K. and Kiran, S.P[82]. (2013) in their study titled, "Financial Inclusion in India", explains that access to finance by the poor is a prerequisite for poverty reduction and sustainable economic development. Importance of financial inclusion arises from the problem of financial exclusion of nearly three billion people from the formal financial services across the world. The study has critically analyzed the issues and challenges involved in financial inclusion for inclusive growth and has also successfully attempted to highlight the factors that can aid in achieving financial inclusion for inclusive growth in India, particularly in the context of the feared global slowdown and negative impact of high inflation on the Indian economy. Despite the laudable achievements in the field of rural banking, issues such as slow progress in increasing the share of institutional credit, high dependence of small and marginal farmers on non-institutional sources, skewed nature of access to credit between developed regions and less developed regions loom larger than ever before. Therefore, the key issue now is to ensure that rural credit from institutional sources achieve wider coverage and expands financial inclusion. For achieving the current policy stance of "inclusive growth" the focus on financial inclusion is not only essential but a prerequisite. And for achieving comprehensive financial inclusion, the

[82] Shashikumar, T.P. Rangaswamy, K. and Kiran, S.P. Financial Inclusion in India: An Overview, Research Explorer, Vol.II, Issue. 6, 2013, Pp.13-15.

first step is to achieve credit inclusion for the disadvantaged and vulnerable sections of the society. The state has to play an important role in financial markets and the role itself is necessitated due to pervasive market failures which in the current globalised scenario is not a rare occurrence. In developing countries both market and government as institutions have their limitations, but it is necessary to design government policies that are attentive to those limitations. Financial Inclusion is one such intervention that seeks to overcome the frictions that hinder the functioning of the market mechanism to operate in favor of the poor and underprivileged.

Neha Dangi and Pawan Kumar[83], (2013) in their study titled, "Current Situation of Financial Inclusion in India and its Future Visions", explains that strong and vigorous financial institutions are the pillars of economic growth, progress and success of modern economies. Lack of accessible, affordable and aPpropriate financial services has always been a global problem. Therefore, the significance of an inclusive financial system is widely accepted not only in India, but has become a policy priority in many countries. Financial access can really boost the financial condition and standards of life of the poor and the disadvantaged. So, RBI has been constantly encouraging the banking sector to develop the banking network both through setting up of new branches, installation of new ATMs, implementation of EBT and also through BC model by leveraging upon the information and communication technology (ICT).This article focuses on the RBI and GoI initiatives and policy measures, current status and future prospects of financial inclusion in India on the basis of facts and data provided by various secondary sources. It is concluded that financial inclusion shows positive and valuable changes because of change in strength and technological changes.

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[83] Neha Dangi and Pawan Kumar, "Current Situation of Financial Inclusion in India and Its Future Visions", International Journal of Management and Social Sciences Research (IJMSSR), Volume 2, No. 8, August 2013, Pp.155-166.

Therefore, adequate provisions should be inherent in the business model to ensure that the poor are not driven away from banking. This requires training the banks forefront staff and managers as well as business correspondents on the human side of banking.

Savita Shankar[84] (2013) made a study titled, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?", explains that financial inclusion, implying expanded access to financial services to those currently not accessing them, is an important objective in many developing countries. Two lines of enquiry were followed: the spread of microfinance penetration in the country was analyzed and field interviews of 103 MFI field officers were conducted. It is found that while MFIs do break down many barriers to financial inclusion, there are limitations in the extent of their outreach to those excluded. First, MFI penetration in the country is skewed and excludes some areas neglected by the banking sector, suggesting a need for policy incentives to encourage expansion to those areas. Second, even in areas in which MFIs operate they are unable to provide services to some financially excluded individuals on account of their methods of operation. To provide greater and more long lasting access to more individuals there is a need for MFIs to consider adopting more flexible operating models and to offer portability of accounts. There is also a case for skill based training to enable greater access to MFI membership.

Kabita Kumari Sahu[85] (2013) made a study titled, "Commercial Banks, Financial Inclusion and Economic Growth in India", the objectives of the paper are to understand the present status of India's financial inclusion, to estimate the financial inclusion index for various states in India and to study the relationship between

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[84] Savita Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?", ACRN Journal of Entrepreneurship Perspectives, Vol. 2, Issue 1, Feb. 2013, Pp. 60-74.

[85] Kabita Kumari Sahu, "Commercial Banks, Financial Inclusion and Economic Growth in India", International Journal of Business and Management Invention, Vol.2, Issue.5, May 2013, Pp.01-06.

Financial Inclusion Index and Socio-economic Variables. It is found that 72.7 percent of India's 89.3 million farmer households are excluded from formal sources of finance. The Credit -Debit ratios of foreign banks is 85.0 per cent, of regional rural banks is 59.9 per cent and of Private sector banks is 74.7 per cent which have increased in 2011 from their levels in the previous year (72.9 per cent, 58.3 per cent and 72.7 per cent respectively). No state in India belongs to high IFI group. The two states namely Chandigarh and Delhi belong to medium IFI, and rest of the states have low IFI values. The coefficients of PNSDP is positively associated with financial inclusion. Regression results reveal that 34 percent of the change in financial inclusion index is explained by per capita net state domestic product.

Uma and Rupa[86] (2013) highlighted the role of SHGs in financial inclusion. The primary data was collected through random sampling method and reflected the positive relationship between SHGs membership and financial inclusion. The study shown after the membership to SHGs there was increase in the number of bank accounts by members to the extent of 82.7 percent from 17.3 percent before membership. The credit availed by the members and annual repayment of the loan also shown positive trend. SHGs helped the deprived sections of the people to enter into formal financial sector and given boost to social and economic empowerment.

Sachin Napate[87] (2013) made a study titled, "Financial Inclusion in India", tells that financial inclusion has been looked at only from the prism of making financial services available, opening no frill accounts, giving smart cards and so on. This paper presents the cases of financial inclusion in India. While the aim was to ensure that

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[86] Uma, H.R and Rupa, K.N (2013), "The Role of Self Help Groups in Financial Inclusion. A Case Study", *International Journal of Scientific and Research Publications*, Vol.3, No.6, Pp.1-5. www.igidr.ac.in/conf/money/mfc

[87] Sachin Napate, "Financial Inclusion in India", International Conference on Technology and Business Management March 18-20, 2013.

financial inclusion should not be measured by the number of new groups or enterprises but should focus on consumption-credit over credit-for-income generation purposes.

Anupama Sharma and Sumita Kukreja [88] (2013) in their study titled, “An Analytical Study: Relevance of Financial Inclusion for Developing Nations”. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to the large sections of disadvantaged and low income segments of society. There have been many formidable challenges in financial inclusion area such as bringing the gap between the sections of society that are financially excluded within the ambit of the formal financial system, providing financial literacy and strengthening credit delivery mechanisms so as to have an improvised financial/economic growth. A nation can grow economically and socially weaker section can turn out to be financial independent. The paper highlights the basic features of financial inclusion, and its need for social and economic development of the society. The study focuses on the role of financial inclusion, in strengthening the India’s position in relation to other countries economy. For analysing such facts, data for the study has been gathered through secondary sources including report of RBI, NABARD, books on financial inclusion and other articles written by eminent authors. After analysing the facts and figures it can be concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

[88] Anupama Sharma and Sumita Kukreja, “An Analytical Study: Relevance of Financial Inclusion for Developing Nations”, Research Inventy: International Journal of Engineering and Science, Vol.2, Issue.6, March 2013, Pp 15-20.

Gandhi, M.M[89] (2013) made a study titled, “Financial Inclusion in India Issues and Challenges”, Access to finance by the poor, disadvantaged and underprivileged group is a prerequisite of poverty alleviation on one hand and the economic growth on the other. In the struggle against poverty, the financial inclusion is a crucial element as a large section of the rural population have no access to financial services and their only recourse is to borrow from moneylenders at the exorbitant charges causing exploitation. The main reason why the large section of the rural population still remains under below poverty is financial exclusion, which is proving to be a major obstacle in the path of India’s economic growth. The Reserve Bank of India (RBI)’s dictate (2005) obligated the Banks to adopt the national policy of financial inclusion and take initiatives and suitable measures therefore. The objective data derived from the RBI’s reports and other empirical studies unequivocally pinpoint that the main reasons of financial exclusion are lack of opportunities and access to finance, financial illiteracy, besides poor performance, apathy and negative approaches of the Banks. This paper critically evaluates the initiatives taken by the Banks in financial inclusion and the efforts made for IT enabled financial services, on the basis of the objective data derived from the RBI’s reports and other empirical studies. This paper stresses the need of matured, positive attitude and approach and sound strategy to achieve complete financial inclusion. This paper also looks at some of the business models and essential elements of profitable models for financial inclusion so as to increase the meaningful and whole hearted participation of the banks in achieving complete financial inclusion.

[89] Gandhi, M.M. “Financial Inclusion in India Issues and Challenges”, International Multidisciplinary Journal of APplied Research, Vol.1, Issue.3, 2013, Pp.12-22.

Chirodip Majumdar and Gautam Gupta[90] (2013) made a study titled, "Financial Inclusion in Hooghly", The Reserve Bank of India has directed all banks to maintain "no-frills accounts" – a bank account at zero balance – for 100% financial inclusion so as to include all households under the ambit of the formal financial sector. This study conducted in 2008 in Hooghly district of West Bengal reveals that the scheme has been largely unsuccessful in the financial inclusion of excluded categories such as the scheduled castes, scheduled tribes, Other Backward Classes and those who are less educated. The survey revealed that this scheme is ill-targeted and the benefits are reaped by the higher classes of society.

Laila Memdani and Rajyalakshmi, K[91] **.** (2013) in their study titled, "Financial Inclusion in India", the article discusses about financial inclusion in India, its evolution over six decades and progress achieved so far. The article also compares the financial inclusion in India with United States, United Kingdom, Germany, Russia, Brazil and China. The article concludes that, considering the vastness of the country, the progress is too small and banks and financial institutions need to synchronise all their energies towards financial inclusion because the development of the economy depends to a large extent on the extent of financial inclusion in the country.

Neha Kumar, Akhil Mathur, and Siddhartha Lal[92] (2013) in his study entitled, "Banking 101: Mobilizing Financial Inclusion in an Emerging India", tells that the market for mobile financial services in India is growing steadily. With 41 per cent of India's adults financially excluded, however, promoting financial literacy requires

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[90] Chirodip Majumdar, Gautam Gupta, "Financial Inclusion in Hooghly", Economic & Political Weekly, Vol.XVII, Issue.21, 2013, Pp.55-60.

[91] Laila Memdani and Rajyalakshmi, K., "Financial Inclusion in India", International Journal of APplied Research and Studies, Vol.2, Issue.8, 2013, Pp.1-10.

[92] Neha Kumar, Akhil Mathur, and Siddhartha Lal, "Banking 101: Mobilizing Financial Inclusion in an Emerging India", Bell Labs Technical Journal, Vol.17, Issue.4, 2013, Pp.37-42.

serious attention. They present Banking 101—a contextually relevant, mobile storytelling tool that, if integrated with mobile financial offerings, can offer a holistic solution to financial exclusion.

Shivani[93] (2013) in her study titled, "Financial Inclusion in India", financial inclusion is the availability of banking services at an affordable cost to disadvantaged and low-income groups. In India, the basic concept of financial inclusion is having a savings or current account with any bank. In reality, it includes loans, insurance services, and much more. The Indian banking system will have to deliver on the plan for financial inclusion, the system, which demonstrated its resilience in the face of the recent global financial crisis, should adopt strong and urgent measures to reach the unbanked segment of society and unlock their savings and investment potentials. The banking sector has also taken a lead role in promoting financial inclusion. In India, the Reserve Bank of India (RBI) has initiated several measures to achieve greater financial inclusion, such as facilitating "no-frills" accounts and "General Credit Cards" for low deposit and credit. Alternate financial institutions, such as micro-finance institutions and Self-Help Groups, have also been promoted in some countries. The main objective of this paper is to understand the concept of financial inclusion and Role of banks for financial inclusion in India.

Arulmurugan, P. Karthikeyan, P. and Devi, N[94]. (2013) made a study titled, "Financial Inclusion in India: A Theoretical Assessment", Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. More than 150 million poor people have access to collateral – free loans. However,

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[93] Shivani, "Financial Inclusion in India", International Journal of Research in Finance & Marketing, Vol.3, Issue.7, July 2013, Pp.49-60.

[94] Arulmurugan, P. Karthikeyan, P. and Devi, N., "Financial Inclusion in India: A Theoretical Assessment", Indian Journal of APplied Research, Vol.3, Issue.3, 2013, Pp.217-222.

there are still large sections of the world population that are excluded from the financial market. In India half of the poor are financially excluded from the country's main stream of banking sector. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The paper discuss about the current status of Financial Inclusion in India and the World general, highlight the measures taken by the Government of India and RBI for promoting financial Inclusion and highlight the inter-linkages between Socio – Economic welfare and Financial Inclusion. In India, the apex body RBI takes various inclusive steps for implementing the Financial Inclusion program. These steps include Opening of No – Frill Accounts (NFA), Relaxation of KYC norms, Engaging Business Correspondents (BCs), opening of branches in unbanked rural centers and Financial Literacy Programmes etc.

Uma.H.R and Rupa.K.N[95] (2013), "The Role of SHGs in Financial Inclusion-A Case Study", inclusive growth is much needed to include common people into the orbit of development. Social and economic justice can be provided only with the inclusion of hitherto excluded deprived section of people. Lot of measures were taken by the Government of India and Reserve bank of India together to mitigate the problem of financial exclusion which leads to particularly, development of all sections of people. To achieve this multi-model approach was adapted wtih service area approach, priority sector lending, differential rate of interest, Lead Bank Scheme, issue of General credit card and Kisan credit card and so on to help overcome financial hassle and to get credit from formal institutions. In this direction emergence of Self Help Groups(SHGs)

[95] Uma.H.R and Rupa.K.N "The Role of SHGS in Financial Inclusion-A Case Study", International Journal of Scientific and Research Publications, Volume 3, Issue 6, June 2013, Pp.1-5

and then SHG- Bank Linkage Programme help extensively to strengthen the poor specially women folk. SHGs play a vital role to improve the socio-economic condition of women folk by developing thrift habit and providing micro finance in times of need and also encouraging micro entrepreneurs. This study highlighted the role of SHGs in financial inclusion. The primary data were collected through random sampling method and it reflects the positive relationship between SHGs membership and financial inclusion. The study shows after the membership to SHGs there was enormous increase in the number of bank accounts by members to the extent of 82.7 percent from 17.3 percent before membership. With that, the credit availed by the members and annual repayment of the loan also shows positive trend. Thus SHGs help the deprived section of people to enter into formal financial sector and through that social and economic empowerment.

Vipin Kumar Aggarwal[96] (2014) in his study titled, “Financial Inclusion in India: an Analytical Study”, 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. Indian economy in general and banking services in particular, have made rapid strides in the recent past. In the process of progress of high economic growth route, there is an indispensable need for the participation of all sections of society. However, a sizable section of the population, particularly the vulnerable groups, such as weaker sections and low income groups continue to remain excluded from even the most basic opportunities and services, be it opening a savings bank account or availing a loan provided by the financial sector.

[96] Vipin Kumar Aggarwal, “Financial Inclusion in India: An Analytical Study”, IRACST – International Journal of Commerce, Business and Management (IJCBM), Vol. 3, No.6, December 2014, Pp.841-849.

Divya Joseph[97] (2014) in her study titled, "A Study on Financial Inclusion and Financial Literacy", India as a country presents great diversity in its geography, history, culture and population demography. This diversity makes it extremely difficult to suitably categorize the country on economic, political, religious or demographical grounds. Post-independence growth has led to overall development of the country as a whole but it has also divided it into two distinct segments thus providing a suitable basis of categorization in the form of Rural India and Urban India. As per the census of 2001 only 27.78% population of the country lives in the urban segment while the rest are still residing in the inherently characteristic Rural India. The things however have changed significantly since independence when around 82% of the population lived in the rural segment. The rural segment is distinct in respect of various features such as purchasing power, development, social system, etc., These distinctions relate directly to the kind of distinct demand patterns that the rural sector has in various product segments especially when it comes to financial services.

2.2.2 Foreign review

Midgley, J.[98] (2005) argue that while financial exclusion may be caused by one or a combination of factors, the experience of financial exclusion includes common factors which quite often are over-looked. These include social and economic prejudice or spaces of discriminatory ecologies which are aspects of religious faith or cultural differences, unemployment, single parenthood, class, social welfare, dependency, low-wage or level of household income, marital status, apprenticeship, non-homeowner or

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[97] Divya Joseph, "A Study on Financial Inclusion and Financial Literacy", International Journal of Business and Administration Research Review, Vol.2, Issue.4, Jan-March, 2014 , Pp.126-134.

[98] Midgley, J. (2005). Financial inclusion, Universal Banking and Post Offices in Britain, *Area, V*ol.37, no.3, Pp. 277-285.

housing tenure, old age, impairment, immigrants and refugees, ethnicity or black and minority-ethnic (BME), minority neighborhoods and communities.

Cole et al.[99] (2009): Financial literacy program has no effect on the likelihood of opening a bank savings account, but do find modest effects for untrained and monetarily illiterate households. In contrast, small grant expenses have a large effect on the likelihood of opening a savings account. These expenses are more than two times more cost-effective than the financial literacy training.

Isern Jennifer and Louis de Koker[100] **(2009)** find that in lesser developed economies, financial services are often provided informally through money lenders, informal money transfer operators, unregistered community finance organisations and others. Low-income people often prefer to use informal financial services because of convenient locations, familiarity with the institutions and their services and often fewer restrictions (such as ID requirements).

Ravichandran K.[101] (2010) made a study titled, "Financial Inclusion- A Step towards Poverty Elimination", initially listed the formal and informal financial sources accessible to a common man for availing the financial services.

Sylvia M. Wambua and Evelyne Datche[102] (2013) in their study titled, "Innovative Factors that Affect Financial Inclusion in Banking Industry. (A Case Study of Equity Bank Mombasa County, Kenya)", the general objective of the study was to

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[99] Cole, S., Sampson, T. and Zia, B. (2009), "Money or Knowledge? What drives demand for financial services in emerging markets?" Harvard Business School Working Paper, Pp. 09-117.

[100] Jennifer, I. & Koker, L.D. (2009). AML/CFT: *Strengthening Financial Inclusion and Integrity.* Focus Note 56. Washington D.C, CGAP.

[101] Ravichandran K. (2010), Financial Inclusion- A Step towards Poverty Elimination, VDM Verlag, Germany, 2010.

[102] Sylvia M. Wambua and Evelyne Datche "Innovative Factors That Affect Financial Inclusion in Banking Industry. (A Case Study of Equity Bank Mombasa County, Kenya)",International Journal of Sciences: Basic and APplied Research (IJSBAR), Volume 12, No 1, 2013, Pp 37-56

analyze the innovative factors that affect financial inclusion specifically focusing on perceived risk on innovated channels, trust and confidence on innovated delivery channels, user friendliness of innovated delivery channel and anti-money laundering requirement on the innovated delivery channels in Mombasa County. The study utilized the descriptive survey research design with quantitative and qualitative approaches. The target population for the study was 20,585 equity customers operating in 5 branches within Mombasa County. The sample size for the study was 2000 customers. To ensure validity of the data collected, effort was made to ensure that the items in the instruments adequately address all the objectives of the study. The questionnaire were pilot-tested on 20 customers who were not part of the actual sample and the data obtained was used to determine the reliability of the questionnaire, after checking the collected data for completeness, quantitative data was coded and analyzed using Statistical Package for Social Scientists (SPSS). Descriptive statistics and correlation analysis were aPplied in data analysis and findings were presented using frequency distributions, graphs and pie charts. The study found that innovated channels of distribution are generally underutilized, the banks that roll out new channels of distribution such as Agency banking, E-Banking and M-banking are still experiencing inflexible long queues inside their banking halls especially at enquiry and customer service counters despite these innovated channels.

Mohammad Omar Faruk, Soeb Md. Shoayeb Noman[103] (2013) in their study titled, “The Financial Inclusion: A District Wise Study on Bangladesh”, the financial inclusion, including all the people with the finance, is very concerned issue all over the world where Bangladesh is also trying to include all the people with the

[103] Mohammad Omar Faruk, Soeb Md. Shoayeb Noman “The Financial Inclusion: A District Wise Study on Bangladesh”, International Journal of Economics, Finance and Management, VOL. 2, NO. 4, Jun-July 2013, Pp.291-295

finance. The paper studied the model of Financial Inclusion Index (FII) between 2007 and 2010 in district level to analyze the changes of FII in Bangladesh. Though FII ranking of 19 districts have shown positive changes but ranking of 10 districts have not changes where 35 districts have negatively changed among the 64 districts of Bangladesh. Some of the reasons of slow financial inclusion are also discussed in the paper like lack of strong infrastructure, inadequate financial information, and high account maintenance balance, low income of people and high cost of banking product. This paper shows the status, problems and key points of financial inclusion in Bangladesh. The study used three dimensions of financial inclusion to measure the FII value which indicates the coverage, availability, input and output of banking services to compute the status, level and magnitude of financial inclusion in division/districts of Bangladesh and to give a better idea for making fruitful decision to ensure stable and equitable economic growth of the country.

Porkodi and Aravazhi[104] (2013) in their study titled, "Role of Micro Finance and Self Help Groups in Financial Inclusion", the purpose of this paper is to examine the role of micro finance in the empowerment of people and the realisation of financial inclusion in India. While there are reservations about the efficacy of MFIs in handling public money, their growth and achievements demand attention and appreciation. Today the MFIs want the government to empower them for mobilising savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. However, in the light of recent experiences, and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as

[104] Porkodi and Aravazhi "Role of Micro Finance and Self Help Groups In Financial Inclusion", International Journal of Marketing, Financial Services & Management Research, Vol.2, No. 3, March 2013, Pp.137-149

social responsibility. This is of utmost importance in order to upgrade MFIs from thrift and credit institutions to capacity building and livelihood- sustaining associations of people. NGOs have played a commendable role in promoting Self Help Groups linking them with banks. There is, therefore, a need to evolve an incentive package which should motivate these NGOs to diversify into other backward areas.

Elizabeth Kalunda[105] (2014) in her study titled, “Financial Inclusion Impact on Small-Scale Tea Farmers in Nyeri County, Kenya”, explains that small scale tea farmers in Kenya have been targeted by financial inclusion initiatives because of their major contribution in the country’s economy. The outcome of these initiatives and their impact is not well known. The study aimed to bridge the gap in empirical literature on the impact of formal financial services on small scale tea farmers. The study sought to find out the level of financial inclusion in terms of access and usage and its impact on small scale tea farmers in Nyeri County, Kenya. The relationship between gender and age on the demand and use of financial services was also investigated using the Pearson Chi square method. The findings reveal that the level of inclusion is high and usage in terms of credit access is also high. In terms of financial literacy the farmers are not receiving adequate financial education which is a component of financial inclusion. The relationship between gender and age on the demand and use of financial services under the Pearson’s Chi square method yielded inconclusive results. The study recommends that financial counseling and education should be offered to the farmers to enable them to aPpropriately use the financial products and services offered through financial inclusion initiatives.

[105] Elizabeth Kalunda “Financial Inclusion Impact on Small-Scale Tea Farmers in Nyeri County, Kenya”, World Journal of Social Sciences, Vol. 4. No. 1, March 2014, Pp.130 – 139

Nwankwo, Odi., Fcib and Nwankwo and Ogonna N. O[106]. (2014) in their study titled, "Sustainability of Financial Inclusion to Rural Dwellers in Nigeria: Problems and Way Forward", this study critically examines the sustainability of financial inclusion to rural dwellers in Nigeria using descriptive study and content analysis. The study observed that the sustainability of financial inclusion to rural dwellers in Nigeria remains in the mainstream for economic growth in any country. The implication of this study is that economy cannot grow fast without proper implementation of financial inclusion to rural areas in Nigeria. The study recommended that the promotion of collaboration between Deposit Money Banks (DMBs), Microfinance Banks (MFBs) and Communication service providers for enhanced intermediation of financial services.There is a need to educate rural dwellers on the importance of banking as it would facilitate the success of CBN financial inclusion policy and that since some of the rural dwellers preferred to keep money under their pillows at home, there should be proper enlightenment to change their orientation on financial inclusion.

2.3 Research Gap

The above review of literature proves beneficial in identifying research issues and research gaps, which are mainly the edifices on which the objectives of the present study is based on. It is found that most of the studies highlight the role of SHGs in financial inclusion, the role of Micro financial institutions in financial inclusion. Very few studies have cited the role of banks for financial inclusion. In this regard this study is an attempt to fill the gap by explaining the role of banks in financial inclusion.

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[106] Nwankwo, Odi., Fcib and Nwankwo, Ogonna N. O. "Sustainability of Financial Inclusion to Rural Dwellers in Nigeria: Problems and Way Forward", Research Journal of Finance and Accounting, Vol.5, No.5, 2014, Pp.24-31.

III CHAPTER

PROFILE OF THE STUDY

This chapter is divided into three parts. The first part is the general profile of Tirunelveli district. It includes population, income, industry, education, hospital and its historical aspects of Tirunelveli district. The second part deals with the banking profile of Tirunelveli district. It contains a list of public and private banks and foundation of banks in India as well as Tirunelveli district and it includes history of modern banking services and committees related to use of IT in Indian banking industry

1. General profile of Tirunelveli
2. Banking profile of Tirunelveli
   - Public sector banks in Tirunelveli
   - Private sector banks in Tirunelveli

3.1.1 GENERAL PROFILE OF TIRUNELVELI DISTRICT

Tirunelveli an ancient city is about 2000 years old and is a town of hoary tradition. Tirunelveli is the capital of Tirunelveli District. This district was formed on 1st September 1790. Later came under the direct control of the British Crown Queen Victoria. The name Tirunelveli has been composed of the three Tamil words, i.e. 'Thiru – Nel – Veli' meaning Sacred Paddy Hedge and it's also known as Nellie[1].It is the twin city, namely Tirunelveli and Palayamkottai. It is the administrative headquarters of the Tirunelveli District. It is situated 700 km (430mi) south west of the state capital Chennai. Total geographical area of the district is 6770 Sq.Kms. This constitutes just 5.6 per cent of the area of the State.

[1]*Gazetteers of India (2010), Tamil Nadu State, Tirunelveli District, Vol-1, Pp.1*

3.1.2 POPULATION

The total population of Tirunelveli district was 3,077,233 lakhs as per the census in 2011 of which 15,20,912 lakh males 15,56,321 lakh female populations. There are percentage of the total population of the district are living in urban areas of the district.

Tirunelveli district is populated with a person who includes males and females. Details of the population data are given below table3.1[2]

TABLE 3.1.2

Population	Number of people	Percentage
Male	15,20,912	49.424
Female	15,56,321	50.575
Total	30,77,233	100

Source: censes of India 2011

3.1.3 TOPOGRAPHY

This district is located in the southern part of Tamilnadu and surrounded by Virudhunagar district on the North, Tuticorin on the east, Kanyakumari district on the south, and Western Ghats on the west. Tirunelveli has its own individuality from rice to culture. The lofty legendary life line of this district is the river Tamiraparani that flows across the district. It caters to the various spheres of activities like agriculture, industry and in providing the main source of drinking water[3].

[2] *http://censusindia.gov.in/2011-prov-results/paper2/prov_results_paper2_indiavol2.html*
[3]*Ibid*

3.1.4 INDUSTRY

Tirunelveli district is not industrially backward. The Government has declared the following talks as the most backward talk viz., Radhapuram, Tenkasi, Sankarankovil and other as backward taluks. There are 25 medium and major industries such as cement, cotton yarn, calcium carbide, sugar, cotton seed oil, printing paper and flour mills etc., in addition there are about 14,389 small scale industries registered in this district. The types of industries in this district are mainly Agro-based, chemical based, mineral based, textile based and metal engineering and so on. There are about 3,985 household units engaged in activities like handloom, khadi, mat, mat weaving, basket making, palm leaf products, palmiah tapping, palmgur pottery, brick making, tiles making, black smithy, carpentry, leather tanning, metal and allied works and handicrafts.

The handloom products are marketed in North India. The fine car mats from Pattamadai. The exquisite quality of silk mats of Pattamadai is incomparable in quality and has won world fame, also the Tirunelveli "have" are specialities which earned many laurels to the district.

3.1.5 TOURIST SPOT

Courtallam, Pappanasam, Sanctuary at Mundanthurai and Kalakadu, ManjolaiHills, Sankarankoil, Swamynellaiappar, Kanthimathiambal Temple, Tamirabarani, Tirukkurungudi,Thirupudaimarudur, Thiruvenkatanathapuram, Vishnu Temple, Balasubramaniasamy Temple.

3.1.6 EDUCATION

During the 1790s, Christian missionaries established a lot of schools in Tirunelveli. The number of converting Christians increased in the region during the 19th century and the number of schools also increased simultaneously. They are like Robert Caldwell, Sarah Tucker etc. Tirunelveli is known for its educational institutions, many of which are located at Palayamkottai which is known as the "Oxford of South India". Tirunelveli has the following Educational Institutions[4]:

TABLE 3.1.6

S.NO	EDUCATIONAL INSTITUTION	TOTAL
1	Universities	2
2	Arts and science colleges	25
3	Medical College	1
4	Siddha medical college	1
5	Veterinary College and Research Institute	1
6	Engineering colleges	20
7	Law school	1
8	Pre-kindergartens	241
9	Primary schools	1501
10	Middle schools	431
11	High schools	114
12	Higher secondary schools	185
13	Teacher-training institutes	28

Source: District collectorate office (2012)

[4] *Tirunelveli district profile 2012*

3.1.7 TRANSPORT

Tirunelveli has an extensive transport network and is well-connected to other major cities by road, rail and air. The Tirunelveli city is well connected by roads. It is connected with NH7 by the Tirunelveli highway[5]. The main bus station was relocated from Tirunelveli and Palayamkottai area. The Tirunelveli junction railway station is one of the oldest railway stations in India. Tirunelveli Junction Railway Station is one of the busiest and most important ones in Tamil Nadu. It is connected to major cities in all four directions, Madurai/Sankarankovil to the north, Nagercoil to the south, Tenkasi/Kerala (Kollam) to the west and Tiruchendur to the East. The Nellai express, Anathapuri, Chennai, Kannyakumari, Nagarcoil express etc. Across the Tirunelveli railway station. There is no airport in Tirunelveli. The closest airport to Tirunelveli city is the Tuticorin airport (TCR), located at Vaagaikulam, Thoothukkudi district, about 28 km east of Tirunelveli. The Madurai Airport and Thiruvananthapuram International Airport are about 150 km away by road.[6]

3.2 HISTORY OF BANKING IN INDIA

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

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[5] *Lead bank details(2013),Pp5*
[6]*History of profile,en.wikipedia.org/wiki/tirunelveli_district,*

The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases.

They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks
- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.
- New phase of Indian Banking System with the advent of Indian Financial and Banking Sector Reforms after 1991.

The three Phases are listed below:

Phase I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders.

In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935.

During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

During those day's public has lesser confidence in the banks. As an aftermath deposit mobilization was slow. Abreast of it the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders.

Phase II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India was nationalized in 1960 on 19th July, 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country were nationalized. Second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80 percent of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the Country:

- 1949: Enactment of Banking Regulation Act.
- 1955:Nationalization of State Bank of India.
- 1959:Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1969:Nationalization of 14 major banks.
- 1971: Creation of credit guarantee corporation.
- 1975: Creation of regional rural banks.
- 1980:Nationalization of seven banks with deposits over 200 core.

After the nationalization of banks, the branches of the public sector bank India rose to approximately 800 per cent in deposits and advances took a huge jump by 11,000 per cent. Banking in the sunshine of Government ownership gave the public implicit faith and immense confidence about the sustainability of these institutions.

Phase III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of Mr.Narasimham, a committee was set up by his name which worked for the liberalization of banking practices.

The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money.

The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

The reserve banks of India drive of the technology initiatives in the banking sector. The reserve bank of India has played important role in the implementation of the information technology. The foundation for large-scale induction of IT in the banking sector was provided by the recommendations of the committees headed by Dr. C. Rangarajan in 1984. The list of committees related to use of IT in Indian banking industry are listed below till 2014.[7]

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[7]*Committees recommended by technology banking www.rbi.in*

TABLE 3.2

COMMITTEES RELATED TO USE OF INDIAN BANKING INDUSTRY		
Year	**Name of the Committee**	**Chairman**
1979	Committee on Consumer Services in Banks‘	R.K. Talwar
1982	Working Group to consider feasibility of introducing MICR/OCR Technology for Cheque Processing	Dr.Y.B.Damle
1984	Committee on Mechanisation in the Banking Industry	Dr. C. Rangarajan
1987	Committees on Communication Network for Banks and SWIFT implementation	Shri T. N. A. Iyer
1988	Committee on Computerisation in Bank	Dr. C. Rangarajan
1990	Committee on Customer Service in the Banks.	M. N. Goiporia
1993	Ghosh Committee on Frauds and malpractices in Banks	Shri A. Ghosh
1994	Committee on Technology Issues relating to Payments System, Cheque Clearing and Securities Settlement in the Banking Industry	ShriW.S.Saraf
1995	Committee for proposing Legislation on Electronic Funds Transfer and other Electronic Payments	Smt.K.S.Shere
1991 1998	Narshimhan Committee (I and II) The Committee on Banking Sector Reforms	Shree. R. Narshimhan
1996	Committee on Technology Up gradation In The Banking Sector	A. Vasudevan
1998	S. H. Khan Working Group	S. H. Khan
2000	Committee for Suggesting a Framework for Electronic Benefit Transfer	R.B. Barman
2001	Working Group on Internet Banking	S. R. Mittal
2001	Advisory Group on Payment and Settlement System	M.G. Bhide
2001	Expert Committee on Legal Aspects of Bank Frauds	N. L. Mitra

2002	Working Group on Electronic Money	Mr.Zarir J. Cama
2002	Committee on Payment Systems	Dr R H Patil
2003	Working Group on Cheque Truncation and E-Cheques	Dr R B Barman,
2004	Expert Group on Internet Deployment of Central Database Management System	A. Vaidyanathan,
2005	Working Group On Regulatory Mechanism For Cards	R. Gandhi
2007	The Working Group On Preparing Guidelines For Access to Payment Systems	R.Gandhi
2008	The Working Group On Technology Upgradation Of Regional Rural Banks	Shri G.Srinivasan
2008	Working Group on IT support for Urban Cooperative Banks	R.Gandhi
2009	The Working Group To Review The Business Correspondent Model	P.VijayaBhaskar
2011	Working Group on information security, electronic banking, technology risk management, and cyber frauds	ShriG.Gopalakrishna
2011	High Level Committee for Preparation of the Information Technology Vision Document 2011-2017	Dr K C Chakrabarty
2012	Working Group report on Cloud computing option for Urban Cooperative Banks	Shri A. K Hirve - Member Secretary
2014	Report of the Technical Committee on Mobile Banking	Mr. B Sambamurthy

Source : vijayop. cit(2010) edited by author

3.3 PUBLIC SECTOR BANKS

In the year 1955 imperial bank of India was nationalised to from state bank of India with the stated objective of extension of banking facilities on a large scale, more particularly in the rural and semi urban areas and for diverse other public purposes the seven banks now forming subsidiaries of SBI was nationalized in the year 1960. If, brought one third of the banking segment under the direct control of the Government of India.

Nationalized banks or public banks dominate banking System in India. The first resulted in phase of financial reforms the Nationalization of banks in India took place in 1969 by Mrs. Indira Gandhi the then Prime minister. The major objective behind nationalization was to spread banking infrastructure in rural areas and make available cheap finance to Indian farmers. Before 1969, State Bank of India (SBI) was the only public sector bank in India. The total deposits in the banks nationalized in 1969 amounted to ₹ 50 cores. This move increased the presence of nationalized banks in India, with 84 per cent of the total branches coming under government control.

Public sector banking was enlarged on 15th April 1980 with the nationalization of six more Indian banks, whose liabilities exceeded ₹ 200 Crore on 14th March 1980 after nationalization the term limited war dropped from the name as central Government has now become the only shareholder of nationalized bank the nationalized banks are subsequently referred as “Public Sector Banks”.

TABLE 3.3

PUBLIC SECTOR BANKS IN INDIA

S. No.	Bank Name	Year of Establish	Origin of the Bank	Total no of branches
1	Allahabad Bank	1865	Alahabad	2686
2	Andhra Bank	1923	Hyderabad	1888
3	Bank of Baroda	1908	Vadarora	4463
4	Bank of India	1906	Mumbai	4467
5	Bank of Maharashtra	1935	Pune	1777
6	Canara Bank	1906	Bangalore	4245
7	Central Bank of India	1911	Mumbai	4574
8	Corporation Bank	1906	Mangalore	1746
9	Dena Bank	1938	Mumbai	1414
10	IDBI	1965	Mumbai	1652
11	Indian Bank	1907	Chennai	2061
12	Indian Overseas Bank	1937	Chennai	3131
13	Oriental Bank of Commerce	1943	Gurgaon	2065
14	Punjab and Sind Bank	1908	New Delhi	1147
15	Punjab National Bank	1895	New Delhi	6047
16	State Bank of Bikaner and Jaipur	1963	Jaipur	1060
17	State Bank of Hyderabad	1941	Hyderabad	1606
18	State Bank of India	1955	Mumbai	15214
19	State Bank of Mysore	1913	Mysore	840
20	State Bank of Patiala	1960	Patiala Punjab	1138
21	State Bank of Travancore	1945	Trivandrum	1038
22	Syndicate Bank	1925	Udupi	2856
23	UCO Bank	1943	Kolkata	2576
24	Union Bank of India	1919	Mumbai	3622
25	United Bank of India	1950	Kolkata	1740
26	Vijaya Bank	1931	Mangalore	1560
Total number of banks in public sector banks				76613

Source:1) www.rbi.org.in, accessed on November 25, 2013.
2) Website of respected banks and survey.
3) Details collected through particular banks.

Table 3.3 Mentioned that commercial banks are also play a vital role for their customers in providing the modern banking services. These banks have very huge number of branches in India nearly 76,613 in the year of 2013. The state bank of India only has highest number of branches in India is around 15,214. It was found that year of establishment and origin of the public sector banks headquarters.

TABLE 3.4

PUBLIC SECTORS BANKS AND NO. OF BRANCHES IN TIRUNELVELI

S. No.	Bank Name	Total	Rural	S. Urban	Urban
1	Allahabad Bank	2	0	1	1
2	Andhra Bank	1	0	0	1
3	Bank of Baroda	4	0	0	4
4	Bank of India	4	1	1	2
5	Canara Bank	31	10	21	0
6	Central Bank of India	10	2	4	4
7	Corporation Bank	5	1	1	3
8	IDBI	1	0	0	1
9	Indian Bank	23	3	10	10
10	Indian Overseas Bank	62	27	23	12
11	Punjab National Bank	4	1	2	1
12	State Bank of India	25	7	10	8
13	State Bank of Travancore	8	1	5	2
14	Syndicate Bank	3	0	1	2
15	UCO Bank	1	0	0	1
16	Union Bank of India	4	0	3	1
17	Vijaya Bank	1	0	0	1
Total		**186**	**53**	**82**	**54**

Source: Lead bank in Tirunelveli(2013) (Indian Overseas Bank)

Table 3.4 reflects the total number of branches 186 in Tirunelveli District, including the areas in 53 are in the Rural, 82 in semi urban and 54 in urban areas. All the commercial banks are making continuous effort to improve the branches because this extensive service due to which banking services are growing in India. Every bank is making a lot of steps in improving their branches because this is the most demanding and required for public sector growth.

As per changing environment in the banking industry and technology updating in banks from Tirunelveli district the banks invested a lot of funds to provide various modern banking services. The modernization of technology or automation is primarily step of providing modern banking services. Our survey shows that all selected banks and their respective branches were fully computerized and were having a core banking solution. Almost all banks were automatized their bank offices step by step and spent an average of ₹ 60 lakh for small branches and 90 lakh for a large branch as the initial cost of automation. Table 3.4 Shows the total number of Tirunelveli bank branches in the public sector.

3.5 BANKING SERVICES IN TIRUNELVELI DISTRICT

3.5.1 Growth of Deposits

Mobilization of resources is a key challenge facing the banking sector. The details of growth of deposits in Tirunelveli district are presented in Table.

Table 3.5.1

GROWTH OF DEPOSITS (IN RUPEES)

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
State Bank of India	6874249	8114500	9155100	11426300	12940200	17.44
State Bank of Travancore	1317342	1699367	1982698	2238721	2135679	13.21
Allahabad Bank	--	15704	38310	50285	64660	25.34
Andhra Bank	52470	67479	101618	92410	100907	17.62
Bank of Baroda	422705	559833	--	1374207	501912	13.21
Bank of India	198866	555792	244561	361720	392554	9.75
Canara Bank	7722739	9132206	9934222	9841520	11005024	8.14
Central Bank of India	1056451	1110944	--	1437645	1412673	8.71
Corporation Bank	569463	699162	141169	940139	913022	29.38
IDBI	--	--	--	34553	34553	--
Indian Bank	4270463	5259000	6332057	7444090	8730872	19.97
Indian Overseas Bank	9557200	12047800	13336472	14796003	17028300	98.97
Punjab National Bank	483569	627321	678491	846601	846601	15.21
Syndicate Bank	208415	268415	332673	349192	372692	15.32
Union Bank of India	485503	620616	798797	1298561	1083018	26.41
UCO Bank	259525	278678	297627	376787	393654	12.02
Vijaya Bank	67194	74375	73531	78427	102085	98.88

Table 3.5.1 shows the growth of deposits in Tirunelveli district. The table reveals that the deposits of the Indian Overseas Bank has increased from ₹ 9557200 in 2008-09 to ₹ 11005024 in 2012-13, the deposits of State Bank of India has also increased from ₹ 6874249 in 2008-09 to ₹ 12940200 in 2012-13. The deposits of Canara Bank have increased from ₹ 7722739 in 2008-09 to ₹ 11005024 in 2012-13 and the deposits of Indian bank have increased from ₹ 4270463 in 2008-09 to ₹ 8730872 in 2012-13. It is further clear from table that the growths of deposits of Indian Overseas bank, State Bank of India, Canara Bank and Indian bank in Tirunelveli district have recorded compound growth rates of 98.97, 17.44, 8.14 and 19.97 per cent respectively.

3.5.2 Growth of Advances

Credit is a crucial input for economic development of any individuals. Every individual need credit for a variety of reasons. They need credit to meet requirements for working capital, long term investment in agriculture and other income bearing activities apart from credit needs for food, housing, health, education and other social obligations. The details of growth of advances in Tirunelveli district are presented in Table.

Table 3.5.2

GROWTH OF ADVANCES (IN RUPEES)

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
State Bank of India	7231353	7769400	7819400	7990600	9220500	5.29
State Bank of Travancore	1556112	1806977	2170994	2247507	2724935	14.29
Allahabad Bank	--	1292	5714	36660	86234	106.11
Andhra Bank	80217	76937	89537	94806	85929	3.51
Bank of Baroda	300332	371437	--	304685	249307	-7.28
Bank of India	266405	309496	281185	379011	485408	15.05
Canara Bank	3634821	4120844	5316458	5919927	6786587	17.48
Central Bank of India	489540	674391	--	879151	1099467	14.36
Corporation Bank	151875	170375	12051	378626	594784	42.29
IDBI	--	--	--	33110	33110	--
Indian Bank	3286086	3931900	5097492	6349582	7134197	22.48
Indian Overseas Bank	4088400	4906200	6488260	8492429	10665100	27.96
Punjab National Bank	453226	623835	648892	1040749	1040749	24.27
Syndicate Bank	184459	219299	248941	312572	355369	18.15
Union Bank of India	400588	645463	877980	1081956	1068847	27.17
UCO Bank	253267	262418	281936	311251	409485	11.96
Vijaya Bank	98032	102598	107020	104709	127799	5.43

Table 3.5.2 shows the growth of advances in Tirunelveli district. The table reveals that the advances of the Indian Overseas Bank has increased from ₹ 40,88,400 in 2008-09 to ₹ 10,66,5100 in 2012-13, the advances of State Bank of India has also increased from ₹ 72,31,353 in 2008-09 to ₹ 92,20,500 in 2012-13. The advance of Canara Bank has increased from ₹ 36,34,821 in 2008-09 to ₹ 1,10,05,024 in 2012-13 and the advance of Indian bank has increased from ₹ 32,86,086 in 2008-09 to ₹ 71,34,197 in 2012-13. It is further clear from table that the growth of advances of Indian Overseas bank, State Bank of India, Canara Bank and Indian bank in Tirunelveli district has recorded compound growth rates of 27.96, 5.29, 17.48 and 22.48 per cent respectively.

3.6 Growth of branches in Rural area

Opening of bank branches at all unbanked rural areas is a pre-requisite for bringing all households into the banking fold. The details of growth of branches in rural areas in Tirunelveli District are shown in Table.

Table 3.6

GROWTH OF BRANCHES IN RURAL AREA

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13
State Bank of India	9	9	9	9	7
State Bank of Travancore	0	0	0	1	1
Allahabad Bank	0	0	0	0	0
Andhra Bank	0	0	0	0	0
Bank of Baroda	0	0	0	0	0
Bank of India	1	1	1	1	1
Canara Bank	7	7	8	10	10
Central Bank of India	2	2	2	2	2
Corporation Bank	0	0	0	0	1
IDBI	0	0	0	0	0
Indian Bank	2	2	2	2	3
Indian Overseas Bank	21	21	22	27	27
Punjab National Bank	1	1	1	1	1
Syndicate Bank	0	0	0	0	0
Union Bank of India	0	0	0	0	0
UCO Bank	1	1	1	1	1
Vijaya Bank	0	0	0	0	0
Total	**44**	**44**	**46**	**54**	**54**

Table 3.6 shows the growth of branches in rural areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 21 in 2008-09 to 27 branches in 2012-13, the branches opened by Canara bank has increased from 7 to 10 branches, the branches opened by Indian bank has increased from 2 to 3 branches and the State Bank of India has declined two branches in 2012-13.

3.7 Growth of branches in Semi-Urban area

The details of growth of branches in semi-urban areas in Tirunelveli District are shown in Table.

Table 3.7

GROWTH OF BRANCHES IN SEMI-URBAN AREA

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13
State Bank of India	4	4	6	6	10
State Bank of Travancore	5	5	3	3	5
Allahabad Bank	1	1	1	1	1
Andhra Bank	0	0	0	0	0
Bank of Baroda	0	0	0	0	0
Bank of India	1	1	1	1	1
Canara Bank	11	11	12	12	21
Central Bank of India	3	3	3	3	4
Corporation Bank	2	2	2	2	1
IDBI	0	0	0	0	0
Indian Bank	9	9	10	10	10
Indian Overseas Bank	20	20	21	23	23
Punjab National Bank	2	2	2	2	2
Syndicate Bank	0	0	0	0	1
Union Bank of India	3	3	3	3	3
UCO Bank	0	0	0	0	0
Vijaya Bank	0	0	0	0	0
Total	**61**	**61**	**64**	**66**	**82**

Table 3.7 shows the growth of branches in Semi-Urban areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 20 in 2008-09 to 23 branches in 2012-13, the branches opened by Canara bank has increased from 11 to 21 branches, the branches opened by Indian bank has increased from 9 to 10 branches and the branches opened by the State Bank of India has increased from 4 to 10 branches in 2012-13.

3.8 Growth of branches in Urban area

The details of growth of branches in urban areas in Tirunelveli District are shown in Table.

Table 3.8

GROWTH OF BRANCHES IN URBAN AREA

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13
State Bank of India	7	7	7	7	8
State Bank of Travancore	0	0	2	2	2
Allahabad Bank	0	0	0	0	1
Andhra Bank	1	1	1	1	1
Bank of Baroda	2	2	2	2	4
Bank of India	2	2	2	2	2
Canara Bank	10	10	9	9	10
Central Bank of India	3	3	3	3	4
Corporation Bank	1	1	1	1	3
IDBI	1	1	1	1	1
Indian Bank	8	8	8	10	10
Indian Overseas Bank	10	10	10	12	12
Punjab National Bank	1	1	1	1	1
Syndicate Bank	1	1	2	2	2
Union Bank of India	2	2	2	2	2
UCO Bank	1	1	1	1	1
Vijaya Bank	1	1	1	1	1
Total	**51**	**51**	**53**	**57**	**65**

Table 3.8 shows the growth of branches in urban areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 10 in 2008-09 to 12 branches in 2012-13, the branches opened by Indian bank has increased from 8 to 10 branches, the branches opened by State Bank of India has increased from 7 to 8 branches and the branches opened by Canara bank has declined one branch in 2010-11.

3.9 PRIVATE SECTOR BANKS

All the banks in India were earlier private banks. They were founded in the pre-independence era to cater to the banking needs of the people. But after nationalisation of banks in 1969 public sector banks came to occupy a dominant role in the banking structure. Private sector banks in India received a flip in1994 when the Reserve Bank of India encouraged setting up private banks as part of its policy of liberalisation of the Indian Banking Industry. Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. Private Banks have played a major role in the development of the Indian banking industry. They have made banking more efficient and customer friendly. In the process, they have jolted public sector banks out of complacency and forced them to become more competitive. It is by now well recognised that India is one of the fastest growing economies in the world. Evidence from across the world suggests that a sound and evolved banking system are required for sustained economic development. India has a better banking system in place of other developing countries[8]. The table explained about all private sector banks with its origin, establishment and total No of branches. HDFC bank has a network of over 3939 branches across India as on Dec 2013.

[8] *ibid*

TABLE 3.9

PRIVATE SECTOR BANKS IN INDIA

S. NO.	BANK NAME	YEAR OF ESTABLISH	ORIGIN OF THE BANK	TOTAL NO OF BRANCHES
1	Axis Bank Ltd.	1994	Mumbai	2149
2	Bank of Rajasthan	1943 -2010 Merged with ICICI	Udaipur, Rajasthan	
3	Catholic Syrian Bank Ltd.	1920	Thrissur, Kerala	401
4	City Union Bank Ltd.	1904	Kumbakonam, Tamil Nadu	394
5	Development Credit Bank Ltd.	1930	Mumbai	110
6	Dhanlaxmi Bank Ltd	1927	Thrissur, Kerala	279
7	Federal Bank Ltd.	1945	Aluva, Kochi	1132
8	HDFC Bank Ltd.	1994	Mumbai	3939
9	ICICI Bank Ltd.	1954	Mumbai	3247
10	Indusind Bank Ltd.	1994	Mumbai	588
11	ING Vysya Bank Ltd.	2002	Banglore	598
12	Jammu and Kashmir Bank Ltd.	1938	Jammu and Kashmir	731
13	Karnataka Bank Ltd.	1924	Manglore	578
14	KarurVysya Bank Ltd.	1916	Karur, Tamil Nadu	608
15	Kotak Mahindra Bank Ltd.	1985	Mumbai	611
16	Lakshmi Vilas Bank Ltd.	1926	Karur, Tamil Nadu	334
17	Nainital Bank Ltd.	1922	Nanital	101
18	Ratnakar Bank Ltd.	1943	Kolhapur	143
19	SBI Commercial and International Bank Ltd.	Acquired by SBI		
20	South Indian Bank Ltd.	1929	Thrissur, Kerala	778
21	Tamilnad Mercantile Bank Ltd.	1921	Tuticorin	356
22	YES Bank	2003	Mumbai	1983

Source: 1) www.rbi.org.in accessed on NOV 25, 2013.

2) Website of respected banks and survey.

3) Details collected through particular banks.

TABLE 3.10

PRIVATE SECTOR BANKS AND NO. OF BRANCHES IN TIRUNELVELI

S. No.	Bank Name	Total	Rural	S. Urban	Urban
1	Axis Bank Ltd.	4	2	2	0
2	City Union Bank Ltd.	7	0	6	1
3	Federal Bank Ltd.	4	0	3	1
4	HDFC Bank Ltd.	2	0	1	1
5	ICICI Bank Ltd.	9	7	2	0
6	KarurVysya Bank Ltd.	7	0	6	1
7	Lakshmi Vilas Bank Ltd.	2	0	1	1
8	South Indian Bank Ltd.	2	0	1	1
9	Tamilnad Mercantile Bank Ltd.	19	10	8	1
Total		**56**	**19**	**30**	**7**

Source:Lead bank in Tirunelveli(2013). (Indian Overseas Bank)

3.11 Growth of Deposits in private sector banks

The details of growth of deposits of private sector banks in Tirunelveli district are presented in Table.

Table 3.11

GROWTH OF DEPOSITS IN PRIVATE SECTOR BANKS

Private sector banks	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
Axis Bank Ltd.	4,54,374	7,89,900	7,89,900	7,89,900	9,77,285	16.55
City Union Bank Ltd.	9,35,006	10,17,603	10,17,603	12,59,621	13,74,614	15.61
Federal Bank Ltd.	11,746	1,43,165	1,43,165	1,78,431	2,68,912	92.97
HDFC Bank Ltd.	1,66,599	2,21,640	2,21,640	2,21,640	2,21,640	5.92
ICICI Bank Ltd.	12,09,100	13,41,700	13,41,700	17,14,723	19,12,000	29.10
KarurVysya Bank Ltd.	10,27,771	10,91,678	10,91,678	12,66,776	14,15,644	8.21
Lakshmi Vilas Bank Ltd.	4,15,730	5,106	5,106	5,106	6,68,179	9.95
South Indian Bank Ltd.	1,51,572	1,96,692	1,96,692	2,41,457	2,59,150	13.63
Tamilnad Mercantile Bank Ltd.	37,81,100	46,03,972	46,03,972	46,03,972	63,78,792	16.57

Table 3.11 shows the growth of deposits of private sector banks in Tirunelveli district. The table discloses that the deposits of the Tamilnad Mercantile Bank Ltd. Have increased from ₹ 3781100 in 2008-09 to ₹ 6378792 in 2012-13, the deposits of ICICI Bank Ltd. has also increased from ₹ 1209100 in 2008-09 to ₹ 1912000 in 2012-13. The deposits of Karur Vysya Bank Ltd. have increased from ₹ 1027771 in 2008-09 to ₹ 1415644 in 2012-13 and the deposits of City Union Bank Ltd. has increased from ₹ 935006 in 2008-09 to ₹ 1374614 in 2012-13. It is further clear from table that the growth of deposits of Tamilnad Mercantile Bank Ltd, ICICI Bank Ltd, Karur Vysya Bank Ltd and City Union Bank Ltd in Tirunelveli district have recorded a compound growth rates of 16.57, 29.10, 8.21 and 15.61 per cent respectively.

3.12 Growth of Advances in private sector banks

The details of growth of advances of private sector banks in Tirunelveli district are presented in Table.

Table 3.12

GROWTH OF ADVANCES IN PRIVATE SECTOR BANKS

Private sector banks	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
Axis Bank Ltd.	366358	962473	1411000	1411000	1610577	39.70
City Union Bank Ltd.	408268	391074	881121	880043	1018633	30.19
Federal Bank Ltd.	73819	84534	97427	107825	325250	37.84
HDFC Bank Ltd.	116088	206343	235361	235361	235361	16.72
ICICI Bank Ltd.	3061200	2979000	2367700	23999629	3283800	71.85
KarurVysya Bank Ltd.	634761	715120	1123102	1706781	1904213	35.89
Lakshmi Vilas Bank Ltd.	597390	728250	5707	5707	598278	38.39
South Indian Bank Ltd.	130465	214775	310711	400606	589761	43.91
Tamilnad Mercantile Bank Ltd.	2906100	3171800	4506538	4506538	8997468	29.84

Table 3.12 shows the growth of advances of private sector banks in Tirunelveli district. The table exhibits that the advances of the Tamilnad Mercantile Bank Ltd have increased from ₹ 2906100 in 2008-09 to ₹ 8997468 in 2012-13, the advances of ICICI Bank Ltd has also increased from ₹ 3061200 in 2008-09 to ₹ 3283800 in 2012-13. The advances of Karur Vysya Bank Ltd has increased from ₹ 634761 in 2008-09 to ₹ 1904213 in 2012-13 and the advances of City Union Bank Ltd has increased from ₹ 408268 in 2008-09 to ₹ 1018633 in 2012-13. It is further clear from table that the growth of advances of Tamilnad Mercantile Bank Ltd, ICICI Bank Ltd, Karur Vysya Bank Ltd and City Union Bank Ltd have recorded a compound growth rate of 29.84, 71.85, 35.89 and 30.19 per cent respectively.

3.13 Growth of Branches of private sector banks in rural area

The details of growth of branches of private sector banks in rural areas in Tirunelveli District are shown in Table.

Table 3.13

GROWTH OF BRANCHES OF PRIVATE SECTOR BANKS IN RURAL AREA

Private sector banks	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Axis Bank Ltd.	2	2	2	2	2
City Union Bank Ltd.	0	0	0	0	0
Federal Bank Ltd.	0	0	0	0	0
HDFC Bank Ltd.	0	0	0	0	0
ICICI Bank Ltd.	7	7	7	7	7
KarurVysya Bank Ltd.	0	0	0	0	0
Lakshmi Vilas Bank Ltd.	0	0	0	0	0
South Indian Bank Ltd.	0	0	0	0	0
Tamilnad Mercantile Bank Ltd.	8	8	8	10	10

Table 3.13 shows the other private banks have no rural branches. The growth of branches of private sector banks in rural areas in Tirunelveli district. The table discloses that the branches opened by Tamilnad Mercantile Bank Ltd has increased from 8 in 2008-09 to 10 branches in 2012-13, the branches of ICICI Bank Ltd has 7 branches in 2012-13, the branches of Axis Bank Ltd has 2 branches in 2012-13.

3.14 Growth of Branches of private sector banks in semi-urban area

The details of growth of branches of private sector banks in Semi-Urban areas in Tirunelveli District are shown in Table.

Table 3.14

GROWTH OF BRANCHES OF PRIVATE SECTOR BANKS IN SEMI-URBAN AREA

Private sector banks	2008-09	2009-10	2010-11	2011-12	2012-13
Axis Bank Ltd.	0	0	0	0	2
City Union Bank Ltd.	0	0	0	1	6
Federal Bank Ltd.	0	0	0	3	3
HDFC Bank Ltd.	0	0	0	0	1
ICICI Bank Ltd.	2	2	2	2	2
Karur Vysya Bank Ltd.	2	2	2	4	6
Lakshmi Vilas Bank Ltd.	1	1	1	1	1
South Indian Bank Ltd.	0	0	0	0	1
Tamilnad Mercantile Bank Ltd.	5	5	5	8	8

Table 3.14 shows the growth of branches of private sector banks in Semi-Urban areas in Tirunelveli district. The table discloses that the branches opened by Tamilnad Mercantile Bank Ltd has increased from 5 in 2008-09 to 8 branches in 2012-13, the branches opened by Karur Vysya Bank Ltd has increased from 2 to 6 branches and the

branches opened by City Union Bank Ltd has increased from 1 branch in 2011-12 to 6 branches in 2012-13.

3.15 Growth of Branches of private sector banks in urban area

The details of growth of branches of private sector banks in urban areas in Tirunelveli District are shown in Table.

Table 3.15

GROWTH OF BRANCHES OF PRIVATE SECTOR BANKS IN URBAN AREA

Private sector banks	2008-09	2009-10	2010-11	2011-12	2012-13
Axis Bank Ltd.	1	1	1	1	0
City Union Bank Ltd.	1	1	2	2	1
Federal Bank Ltd.	1	1	1	1	1
HDFC Bank Ltd.	1	1	1	1	1
ICICI Bank Ltd.	0	0	0	0	0
Karur Vysya Bank Ltd.	1	1	1	1	1
Lakshmi Vilas Bank Ltd.	1	1	1	1	1
South Indian Bank Ltd.	1	1	1	1	1
Tamilnad Mercantile Bank Ltd.	1	1	1	1	1

Table 3.15 shows the growth of branches in urban areas in Tirunelveli district. The table reveals that the branches opened of Karur Vysya Bank Ltd has only one branch in 2012-13, the branches opened by City Union Bank Ltd has decreased from 2 to 1 branch, the branches of Lakshmi Vilas Bank Ltd branches only one branch in 2012-13.

CONCLUSION

The study about the profile of the banking services exposed and adapted in Tirunelveli district**.** This chapter gave information regarding profile of Tirunelveli district, and banking profile of Tirunelveli district. The banking profile helped the researcher to know the public and private sector banks in India and Tirunelveli district. The history of modern banking services helped the researcher to understand the growth of banking services in the study area.

CHAPTER IV

FINANCIAL INCLUSION AN OVERVIEW

4.1 The Need for Reaching out

It has been universally accepted today that the objective of inclusive growth cannot be attained without Financial Inclusion. This has led to a paradigm policy shift for financial inclusion for economic growth. Access to safe, easy and affordable financial services for poor, vulnerable groups, disadvantaged areas and lagging sectors is a sine qua non for accelerated growth and for reducing income disparities and poverty. In fact, access to affordable finance enables the poor and vulnerable groups to undertake economic activities and take advantage of growth opportunities for economic empowerment. Hence, developing an inclusive financial system to provide equal opportunities to all in accessing financial services at affordable is a pre-condition for achieving accelerated economic growth along with a reduction in income inequality and poverty. Without an inclusive financial system, poor and vulnerable section of the community and small and petty enterprise would not be in a position to take advantages of growth opportunities.

A clearer definition and understanding the various dimensions of financial inclusion is, therefore, considered crucial for identifying the underlying factors that lead to financial exclusion and developing an appropriate policy framework for policy intervention.

4.2 Financial Inclusion: Conceptual Framework

Financial services or products provided by banks, finance companies, postal saving banks, credit unions, insurance companies and micro-finance institutions and other formal financial institutions generally form the basis for financial inclusion. The Financial services rendered by the informal sources such as money lenders, traders etc, do not come under the purview of financial inclusion as they are limited in supply and exploitative in nature. The formal financial institutions help mobilize savings and efficient allocation of funds for development. In addition, they provide payment services that facilitate the exchange of goods and service. Efficient and well-functioning financial institutions are, thus, crucial in channeling funds to the most productive uses and thereby boosting economic growth.

Despite critical importance of access to financial services for achieving equitable economic development, in most developing countries, a large segment of the population particularly low income and vulnerable section of the society has very little or no access to financial services from formal financial system. It is estimated that globally over two billion people are currently excluded from the access to financial services (UN, 2006). They normally depend on their own limited resources or informal sources of finance at absorbitantly exploitative terms. Unless the financial system is inclusive, the benefit of financial services is likely to elude many individuals and enterprises and thereby denying much of the population the benefit of growth opportunities.

Inclusive finance, including safe saving, appropriately designed and at affordable cost loans for poor and low income households and micro small and medium sized enterprises and appropriate insurance and payment services can help people to enhance incomes, acquire capital, manage risks and come out of poverty (UN 2006). Inclusive finance however does not mean that everyone who ineligible uses each of these services, but they should be in a position to use them if they so desired the essence of financial inclusion is, thus, to ensure that a range of appropriate financial services rendered by the formal financial system is available to every individual and enable them to access those services whenever needed. The range of financial services include the entire gamut of financial products -cheque-accounts, saving products, loans, debit cards, credit cards, insurance and health care services and other financial services such as payment services, remittance and money transfer and financial advisory services and counseling.

By virtue of above conceptual framework and with a view to significantly increase outreach to unnerved and underserved enterprises and households, the vision of inclusive financial system would be characterized by:

1. Access at reasonable cost of all households and enterprises to the range of financial services for which they are ‘bankable' including savings, credit, leasing and factoring, mortgages, insurance, pensions, payments and local and, international transfers;
2. Sound institutions guided by appropriate internal management systems, industry performance standards and performance monitoring by the market, as well as by sound prudential regulation where required;
3. Financial and institutional sustainability as a means of providing access to financial services over time, and
4. Multiple providers of financial services, so as to bring cost-effective and a wide variety of alternatives to customers (UN 2006).

Broadly, financial inclusion means access to finance and financial services for all in a fair; transparent and equitable manner at an affordable cost It refers to a process that ensures access, availability and usage of the financial system for all, inclusive in terms of people, area and sectors Theoretically, this definition assumes efficient market hypothesis based on perfect competition. In a perfect competitive financial market there are no frictions it is financially inclusive and facilitates efficient allocation of financial resources and welfare by providing a whole range of efficient financial services hence, there is no problem of financial exclusion in an inclusive perfect financial system.

Financial inclusion is defined in terms of financial exclusion from the financial system. Financial exclusion implies existence of obstacles to the use of financial products and services. Hence, it is defined in terms of financial exclusion as inability to access necessary financial services in an appropriate form due to financial market imperfections.

The definition of financial inclusion in terms of financial exclusionism though a restrictive one it focuses on people excluded and more so poor people without money or assets. It is construed as the inability to access necessary financial services in an appropriate form due to problems associated with access, conditions, and prices, marketing or self -exclusion in response to discouraging experiences or perceptions of individuals/entities. It also refers to the processes that serve to prevent certain social groups and individuals from gaining access to the existing financial system. Since the policy makers are more interested in reaching the unreached access to Finance by the poor and vulnerable groups is considered a prerequisite for empowerment, employment economic growth poverty reduction and social cohesion. In the context of policy paradigm of inclusive growth financial inclusion has become a policy priority in many countries.

Recognizing the critical importance of financial Inclusion for inclusive economic development in India the Committee on Financial Inclusion defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee 2008) .Thus, the financial inclusion, in the Indian context, implies 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 (RBI 2008). It may include a basic no frills banking account for making and receiving payments savings products suited to the pattern of cash flows of a poor household money transfer facilities, small loans and overdrafts for productive personal and other purposes The emphasis is thus placed on affordability of these financial services, ability to understand them and access the financial services without any obstacles. However, inclusive finance does not require that everyone who is eligible uses these services, but they should be able to choose to use them if they so desired (Rangarajan Committee 2008).

4.3 Inclusive Growth and Financial Inclusion

Inclusive growth and financial inclusion -which comes first, is a million dollar question. The earlier theories of development have focused on accelerating growth and concentrated on capital as a critical factor for growth. Finance was never considered as a factor for growth. The growth was considered as a pre-condition for the financial sector development. The rise in income inequality was an inevitable consequence of the early stages of development. Trickle -down theory would take care of the inequality. The emphasis was on the need to develop a vibrant and extensive financial system that could tap savings and then channel the funds so generated to a wide spectrum of developmental activities. The main assumption behind these theories was the assumption of perfect competition and efficient market allocation of capital. The public policy focused on redistribution of wealth.

There is now genuine and wide spread recognition about the adverse social consequences of accelerated growth which do not seem to be mitigated through the "trickle -down mechanism. The recent theories of development advocate inclusive growth which is defined as a “Growth process which yields broad based benefits and ensures equality of opportunity for all” (Eleventh Plan, 2008). Growth dos not benefit all the benefits of growth tend to concentrate in the hands of those who have access to the financial system. Inclusive growth encompasses ideas related to basic needs and equity. It focuses on broad based growth so that growth covers all strata of society. Reduction in poverty and disparities of income and ensuring everyone a basic minimum standard of living are the objectives of inclusive growth. In this context, access to finance by the poor and vulnerable groups has to be recognized as a pre-requisite for poverty reduction and social cohesion. It has to become an integral part of the efforts to promote inclusive growth (Rangarajan, 2007).

Finance is therefore considered critical for inclusive growth. The lack of access to finance is an important factor responsible for Persistent income inequality as well as slower growth. Inclusive growth cannot be achieved without financial inclusion. Access to safe, easy and affordable credit and other financial services by the poor and vulnerable groups, disadvantaged areas and lagging sectors is therefore recognized as a precondition for accelerating growth and reducing income disparities and poverty. An inclusive financial system creates equal opportunities to enable economically and socially excluded people to integrate better into the economy and actively contribute to development.

Financial exclusion, on the other hand, leads to social exclusion, poverty as well as all other associated economic and social problems. According to the Treasury Committee, UK (2006), financial exclusion can impose significant costs on individuals, families and society as a whole. They include:

1. Barriers to employment as employers may require wages to be paid into a bank account,
2. Opportunities to save and borrow can be difficult to access,
3. Owning or obtaining assets can be difficult,
4. Difficulty in smoothening income to cope with shocks and
5. Exclusion from mainstream society.

In 2000, The United Nations adopted the Millennium Development Goals, which include *inter alia* eradicating poverty in all its forms by 2015, universal primary education, gender equality and health related indicators (reduction in child and maternal mortality and reversing the spread of AIDS, malaria and other disease). While financial inclusion is not explicitly mentioned among these goals, but it is well recognized that financial inclusion is an important direct or indirect contributor to the achievement of most of the goals. Better access to financial services improves incomes and therefore the possibility of obtaining better health and education services. Allowing women direct access to financial services will improve their possibilities to become entrepreneurs, thus increasing their incomes. Their chances to become more independent and their participation in family and community decision making. There is also insurance effect: better access to credit, savings and insurance services provide a buffer against income and health shocks. The goal of global cooperation will be hard to attain without better functioning of global finance markets. Thus, the link between the financial inclusion and Millennium Goals is obvious and critical.

Improving access and building inclusive financial systems is, thus, a goal that is relevant to economics at all levels of development. In India, inclusive growth or equitable growth has been central objective right from the inception of the planning process. Despite higher growth in recent years, a significant proportion of the population in both rural and urban areas could not take advantage of growth opportunities. There is also growing concern arising from an inadequate reduction in poverty levels, sartorial divergences in growth and employment opportunities and tardy improvement in other social indicators. The Eleventh Five Year Plan, therefore, reemphasized the need for a more inclusive growth. Inclusive financial system creates enabling conditions to bring large number of people, potential entrepreneurs, small enterprises and others who have immense potential to play a critical role in achieving the objective of faster and more inclusive growth.

4.4 Financial Exclusion

The definitional emphasis on financial exclusion has three dimensions such as ‘breadth focus' and ‘degree’ of exclusion. The breadth dimension links financial inclusion to social exclusion, which defines financial exclusion as the processes that prevent poor and disadvantaged social groups from gaining access to the financial system (Layton and Thrift, 1995). It is measured in terms of people excluded. In an under developed financial system, certain segments of the population experience difficulties in obtaining appropriate access to financial services. The focus dimension links financial exclusion to potential difficulties faced by excluded segments in accessing financial system (Meadows et al, 2004). It is assessed in terms of access barriers such as price, terms and conditions, appropriateness of products etc. It is also include various segments of population excluded such as individuals, households, communities. The focus dimension varies depending on the socioeconomic characteristics of the various excluded segments of community. The degree dimension, on the other hand, links exclusion from particular financial products or services such as credit, insurance, bill-payment services. There is also the question of financial exclusion in terms of area or region, sectors and institutions. Financial inclusion refers to access to formal financial institutions such as banks, insurance companies and micro-finance institutions. Informal providers of financial services are excluded. Similarly, the backward or undeveloped regions are usually neglected by formal institutions and excluded from financial inclusion. Similarly, agriculture, small and micro enterprises and informal service sectors are often neglected by the financial sector. This is also true for the sporadic financing requirements of low income households for non-productive consumption purposes and other emergency requirements such as medical expenditure etc. Notwithstanding all these, there is a livelihood of voluntary exclusion. People may have access to financial services, but may not wish to use them because such services are not suiting their needs.

The nature and forms of financial exclusion thus vary considerably according to the dimensions and within dimension, relative to some standards. Early discussion on financial exclusion focused predominantly on the issue of geographical access to financial services, in particularly banking outlets (Layton and Thrift, 1993). However financial exclusion is not just about physical access. It is broadened to include social exclusion focused on access to particular financial products and services provided by the mainstream financial system. There is also shift in emphasis from physical access to wider dimension covering availability and usage of products and services at affordable prices. From the public policy perspective, they are mostly context-specific originating from country-specific problems of financial exclusion dimensions, public policy concerns and socio- economic conditions.

The factors responsible for financial exclusion are varied and, thus, no single factor could explain the phenomenon. Broadly, they can be classified as demand-side factors and supply-side factors. The supply side factors mainly emanate from the structural operation of financial service providers. The principal barriers in the exclusion of financial services are physical access, high charges, penalties and conditions attached to financial products, which make them inappropriate or complicated and perceptions of financial service institutions which are thought to be unwelcoming to low income people (Sinclaire, 2001). The physical access is mainly due to absence of network of the financial service providers, resulting lack of access in terms of distance. Large urban neighborhoods and densely populated areas have more physical access, while rural population generally have harder time accessing financial services. Remote areas are the most poorly served. The availability of communication, transport and other infrastructure facilities are also important in determining the easy physical access to financial services.

Other important supply side barriers are convenience of the branch timing appropriateness of products and services, Cumbersome procedure / documents required, collateral requirements, language, staff attitude, high charges and penalties, costs and risk perception of financial institutions about pool: There are many reasons why formal financial institutions do not offer low income and poor customers more access to financial services. The poor and low income people have latent demand, but that cannot be satisfied by the financial products or terms and conditions and delivery practices offered by the financial institutions. Their requirements are practical: convenient, affordable, flexible, continuously available, reliable and safe financial services. The formal financial institutions often do not “look through the eyes of their customers"

The demand-side factors mainly emanate from socio-economic conditions of financial service users. They include mainly lack of awareness, uselessness resulting difficulty in offering collateral required, low income and low productivity leading to week and non-viable demand, lower social status resulting social exclusion and financial illiteracy barriers and information asymmetry. The most conspicuous demand-side barriers are low income and uselessness financial status of people is always important in gaining access to financial services, Access to credit is frequently limited for women who do not have or cannot hold tide to assets such as land and property or must seek male guarantees to borrow. Other factors affecting access to financial services to some extent are: gender issues (access to credit for women limited), age factor (Senior Citizens and young are usually discriminated), legal hurdles (non-availability of appropriate legal rights documents and psychological and cultural barriers resulting self-exclusion.

Based on the factors contributing, various forms of financial exclusion are identified (RBI, 2008). They are;

1. Access exclusion - restriction of access both physical and financial emanating from the structural operation of financial system,
2. Condition exclusion - terms and conditions attached to financial products and services which make them inappropriate for the needs of some segments of population,

3. Price exclusion - prices charged are not affordable.
4. Marketing exclusion - market excludes some section of the population if they do not have entitlement.
5. Self-exclusion - people voluntarily decide not to opt for a financial product because of the fear of refusal to access by the service providers.

4.5 Financial Inclusion: Global Perspective

The problem of financial exclusion is a global phenomenon. Globally, over two billion populations are found excluded from access to financial Services. In a landmark research work titled “Building Inclusive Financial Sectors for Development" the UN had raised the basic question: “why are so many bankable people unbanked?" (UN,2006).

In most developing countries, financial services are only available to a minority of the population. The financially excluded outnumber the financially included. The situation is worse in the least developed countries particularly sub-Saharan African countries, where more than 80 percent of the population is excluded from access to formal financial system. The problem of financial exclusion is also found even in several developed countries to the extent of 10 to 20 percent of the population. "Financial inclusion, thus, has become an issue of worldwide concern, relevant equally in economies of the under-developed, developing and developed nations. Building an inclusive financial sector has gained growing global recognition bringing tithe fore the need for development strategies that touch all lives, instead of a selected few" (UN, 2006).

Tom Easton (2005) in a study using the World Bank data relating to 54 countries (excluding India), has shown a positive correlation between the GDP per capita and the financial inclusion in terms of the percentage of households having bank accounts. Bangladesh has the lowest percentage of households having access to banks less than 5 percent. Thailand and Malaysia, though not very rich in terms of per capita GDP have higher ratios of 49 percent and 60 percent banking penetration respectively. Singapore, the city-state has me distinction of having almost 100 per cent access to banking facilities. In Brazil, it is less than 30 percent and Russia has it less than 20 percent.

Historically, the problem of financial exclusion was tackled mainly on supply side in different countries. Governments in different countries intervened in two ways:

1. Through state - driven intervention by way of enacting appropriate statutory instruments.
2. Through voluntary effort by the banking institutions to provide affordable banking services to all without discrimination.

The measure undertaken include nationalization of private banks, promoting specialized banks including national savings banks, concessional lending to low income groups, enactment of legislations denying the right of access to formal banking services and promoting community based savings and credit societies and mutual saving banks. Most Asian and African countries resorted to nationalization of private banks to expand banking services to the excluded and established specialized state-owned banks to serve low income segments. The strategies adopted included inter alia expansion of branch networks and promotion of micro-finance institutions and self-help groups. In Bangladesh, the establishment of Gramin Bank played the lead role in pushing the frontier of finance for the poor:

The developed countries have also initiated specific measures to bring financially excluded people within the fold of the financial system. The measures adopted, among others, include legislation backed norms, voluntary code of practices, basic bank accounts and subsidized accounts for the low income groups. In UK, one out of 12 households does not bank account with any bank. A Treasury Committee on Financial Inclusion set up in 2006, identified three priority areas for the purpose of financial inclusion, namely, access to banking services, access to affordable credit and access to free face to face money advice. Among the initiatives taken to promote financial inclusion include:

1. Establishment of Financial Inclusion Fund of UK pound 120 million to support initiatives to tackle financial exclusion.
2. Set up a fund of UK pound 45 million for free face-to-face money advice targeted in arms of high financial exclusion. The fund is administered by the Department of Trade and industry and the face-to-face advice is provided by citizen's advice bureau and community development groups.
3. Assignment of responsibility to banks and Credit Unions to remove financial exclusion.
4. Introduction of ‘no Frills' basic bank account and 24 hours basic banking services.
5. Creation of Post Office Current Account for those unable or unwilling to access a basic bank account.
6. Introduction of a `Savings Gateway' for those on low-income employment. Under this arrangement, for every UK pound saved by those on low income employment, the state will contribute an equivalent UK pound subject to limit up to UK pound 25 per month.

7. Setting up of Community Finance Learning Initiatives to promote basic financial literacy among housing association tenants and other disadvantaged groups.

In the USA, about 20 percent of households lack a bank account. Among the low income families earning less than US$25000 per annum, around 22 percent do not have a current or saving bank account. The US government has taken a number of initiatives to bring the financially excluded into financial inclusion. Community Reinvestment Act (CRA) enacted for this purpose prohibits discrimination by banks against families with low and moderate incomes. All the licensed and chartered banks have been mandated to fulfill social obligations by enabling access to banking services to excluded sections. Under this Act, the Federal Bank regulatory agencies rate banks on their efforts and effectiveness at serving low-income communities.

Other initiatives undertaken in USA include no minimum balance requirement, low fees, and universal saving accounts, saving by the poor matched by the government, free ATM facility and one-time subsidy of US$12.60 for every account opened by the poor. Mortgage lending to people living in deprived parts of the country is also used as a key instrument of financial inclusion. It is also interesting to note that in the US, the Treasury established in 2002 an Office of Financial Education. This office coordinates the financial education efforts of banks and other bodies and promotes access to financial education tools and effective education practices for financial inclusion.

France was in the forefront in promotion of financial inclusion. The 1984 Baking Act made access to a bank account a legal right. Accordingly, any person with French nationality has the right to open an account with any bank. If refused, the aggrieved person can approach the Bank of France, its central bank. On receipt of complaint, the Bank of France will identify and nominate an institute to provide the bank account. In 1992, banks in France signed a charter, committing them to opening bank accounts at an affordable cost with related payment facilities to all. In Germany the banking industry has adopted voluntarily ‘Current Account for Everyone' to provide current accounts on demand.

In Canada, a legislation entitled "Access to Basic Banking Services Regulations" was enacted in 2003, to ensure that all Canadians could open personal bank accounts and encase most government cheque at no charge. The Federal Government has also legislation, requiring banks to offer a standard low cost bank account with a basket of services to low income groups. Memoranda of Understanding were also signed between the Federal Government and banks/financial institutions to ensure that all Canadians have access to affordable banking services.

In Africa, the UNDP with the help of United Nations Capital Development Fund (UNCDF) initiated a regional program called BIFSA (Building Inclusive Financial Sector in Africa) for financial inclusion in African countries in 2004. Its goal is to contribute to the achievement of the Millennium Development Goals particularly the specific goal of reducing poverty by half by 2015 through increasing sustainable access to financial service in Sub-Saharan Africa for poor and low income people and for micro and small enterprises. The program follows three-step process for financial inclusion: (i) conducting a financial sector assessment in each country, (ii) working through an open, participatory process with multiple stakeholders to develop, policy strategy and a national policy for building an inclusive financial sector and (iii) assisting policy makers and a broad range of financial institutions, development agencies, the private sector and other financial market participants to implement this action plan.

South Africa launched in 2004 “MZANSI” a low cost national bank account for extending banking services to low income market segments for which the banking services were elusive till recently. It is a card based saving account with easy availability at accessible outlets like merchant point-of-sale and post offices. This initiative has put access to banking services within the proximity of 15 km for all citizens. Even an ATM service is made available within 10 km. of their homes. By end of August 2005, more than 1.5 million MZANSI accounts were opened by people who had never availed banking facilities before.

Some countries like Bolivia, Indonesia and Bangladesh adopted micro-finance institutions for providing poor and low income segments of the society access to financial services and thereby promoting financial inclusion. In Mexico, there are around 500 savings and credit societies to provide financial services to low and medium income families.

All these clearly show that in both developing and developed countries, the financial inclusion was recognized as an important instrument for socio-economic development of the poor and disadvantaged groups. As banking services are considered as quasi- public good, it is essential that availability of banking services to the entire population without discrimination should constitute one of the prime objectives of the banking policy. To this end, strategies for building inclusive financial system have to be creative, flexible and appropriate to the national situation. Various proactive and positive actions have been initiated in this direction by the Governments in different countries worldwide, which can be used to draw lessons for policy formulation on financial inclusion in the Indian context.

4.6 Dimensions of Financial Exclusion

In India, the financially excluded sections comprise largely asset less low income small and marginal farmers, landless laborers, oral lessees, unemployed youth, people engaged in unorganized sector, women, old people, physically challenged people and urban slum dwellers. The financial institutions consider them unbankable because they do not have enough income or too high a lending risk. However; in many developing countries, even non-poor households, micro, small and medium entrepreneurs also have difficulty in accessing financial services. Even amongst those who have access to finance, most are underserved in terms of quality and quantity of products and services and significant proportion depends on services of unsustainable poorly performing institutions. The contractual and informational framework might prevent financial institutions from reaching out m this section of community because the outreach is too costly to be commercially viable. There is also difference between access to and use of financial services. There are people who have access but do not use financial services for cultural or religious reasons or because they do not see any need. These non-users include households who prefer to deal in cash and enterprises depending on their own resources.

The widening of access to financial services has been considered, though not explicitly, one of the objectives of financial sector policies since independence. After nationalization of major banks in 1969, the banking policies were, in fact, shaped by the continuous concern regarding a large segment of low income population left out of the fold of the formal financial system especially in rural areas. The critical issue in the context of financial inclusion is to assess how inclusive Indian financial system is and what is the nature and extent of financial exclusion. A comprehensive assessment of financial inclusion/ exclusion in the Indian context, therefore, needs hardly any emphasis.

No comprehensive data are, however; available to analyze the various dimensions of financial inclusion or exclusion in India. An assessment of financial inclusion/exclusion in Indian contact has to be, therefore, made based on whatever partial information available from various sources such as 2001 Census, National Sample surveys, All India Debt and Investment Survey and various banking data published by RBI from time to time. In this chapter, an attempt is made to empirically assess and determine the extent or degree of financial inclusion/exclusion in India and their dimensional characteristics from various perspectives based on whatever secondary data available.

4.7 Measure of Financial Inclusion or Exclusion

While there is some element of clarity on conceptual framework of financial inclusion/exclusion, as adumbrated in the earlier chapter, the literature on the subject lacks a common approach that can used to assess the degree or extent of financial inclusion/ exclusion. While the standard indicators of financial depth and efficiency such as the deposit and lending structure of the banking system, capital markets and insurance sector in terms of outreach and deployment of resources are widely available, they do not provide information about the degree or extent of financial inclusion and who has access to which financial products and services. Aggregate data on these indicators can be misleading. For instance, the total number of bank accounts far exceeds the number of customer-households served as households and enterprises have business with several ban or multiple accounts with a single bank. They do not show how many households are excluded. There is, thus, at present no universally accepted single measure for assessing and determining financial inclusion/exclusion.

Theoretically, it is difficult to measure financial inclusion because access has many dimensions. Moreover, access is conceptually different from use of financial services. Financial services include a range of financial products and services. The partial indicators such as population per bank branch or number of saving Credit accounts for a given population, proportion of households indebted, etc. are usually used as indicators to measure financial inclusion/exclusion

They, however; provide only partial information on the level of financial inclusion in an economy. They do not show clearly the extent and magnitude of the financial inclusion/exclusion for a range of financial products and services. They can be considered, at the most, as proxies for financial inclusion/exclusion for basic financial services,

Multiple indicators such as proportion of population of different category, who uses the services of any formal financial institutions, proportion of different category of population with different types of bank accounts, category of people receiving money regularly through formal financial instruments people keeping money in formal financial institutions, and people who have obtained credit facilities from formal financial institutions are important to assess the nature and extent of financial inclusion/exclusion, However, this requires census data or household surveys on the number and characteristics of households that have availed different type of financial services from different type of financial institutions. There is, thus, a need for accurate comprehensive financial inclusion/exclusion measure which would take into consideration a holistic set of financial products and services, usage by whom and in what quantities and at what price and terms, and characteristics of the households, who are financially included/ excluded.

4.8 Bank Network Outreach

One of the indicators for measuring banking access is the population per branch. It reflects physical access to banking. Without a bank branch nearby and easily accessible, financial inclusion cannot take place and such areas are financially excluded. In India, the branch network of commercial banks expanded rapidly after nationalization of fourteen major commercial banks in 1969. It has increased from 8262 bank branches in 1969 to 70018 bank branches in 2007. The rural bank branches as a percentage of total bank branches have increased from 22 percent in 1969 to 41 percent in 2007. The country has at present 32459 bank branch network in rural areas. As a result, population per bank branch declined from 63000 per bank branch in 1969 to 16000 per bank branch in 2008. In rural areas, it has declined from 82000 per bank branch in 1969 to 17000 per bank branch in 2010 showing financial deepening in rural India. Though the population bank intensity differs across states, the variation is found only marginal. It varies from 12000 in southern states to 22000 in North-eastern states. Notwithstanding this remarkable geographical coverage, in India at present only 5.2 percent of the villages are having bank branches and most of the rural branches are situated at semi-urban areas.

However India has network of 100000 cooperatives throughout the country. With the total credit outlets of 1,59,912 (including banking), the country has, on an average, one credit outlet for around 5000 population or using a family factor of 5, one credit outlay for every 1000 rural households. This clearly shows that in India, financial inclusion in terms of institutional net work outreach is relatively very good.

4.9 Access to Financial Services

Though, the population per bank branch is one of the indicators for measuring physical access to banking, it does not show the nature and dimension of financial exclusion. Despite an impressive branch network throughout India, the banking penetration at the household level remains at a low level of 35.5percent according to the 2001 Census data.

Only 68.2 million households out of 191.9 million households were reported to have availed banking services, in the rural areas, the banking outreach is still lower. Out of 138.3 million rural households, only 41.6 million households (30 percent) have access to banking services. In urban areas, on the other hand, 49.5 percent of the urban households have availed banking facilities. Over 120 million households in India, of whom more than 90 million in rural India are yet to be touched by banking sector: These findings were more or less confirmed by NCAER survey in 2008, which indicated that at the end of June 2005, 23.9 percent of all households had loan outstanding; 20.9 percent in urban and 25.2 percent in rural areas.

Institutional (banks and cooperative societies) and non-institutional (money lenders, landlords, relatives and friends) sources are broadly the main sources of supply of financial products and services for households. Prior to independence, institutional sources played hardly any role in provision of financial services to households particularly in rural areas. Non-institutional sources were the main source of financial services. In 1971, the share of number of households indebted to institutional sources in rural areas was only 24 percent and remaining 76 percent households relied for their financial needs on non-institutional sources.

After the nationalization of banks, the share of number of households indebted to institutional sources increased sharply, while that of indebted to non-institutional sources declined correspondingly. However In recent years, trend is reversed; the shares of households indebted to institutional sources in the total indebted households declined, while the households indebted to non- institutional sources increased. The decline was relatively more significant among rural households. This has serious implications for financial inclusion in India.

4.10 Financial Exclusion by Economic and Social Status

The Endings of the NSS 59” Round (2003) reveal that 45.9 million farmer households in the country (51.4 percent) out of a natal 89.35 million farm households do not access credit either from institutional or non-institutional sources. The magnitude of financial exclusion is found more if all rural households are considered. Out of 149 million rural households, 92 million (62 percent) are found financially excluded.

Among farmer households, 54 percent of marginal and small farmers are found financially excluded. As against this, the financially excluded constitute only 39 percent among medium and large farmers. It clearly demonstrates that the ability to access credit increases with the increase in size of farm holdings. The NSS data also shows that 87 percent of non-indebted farm households (financially excluded) belong to the marginal and small farm categories. Only 13 percent belong to medium and large farmer categories. If the financially excluded are considered as those households not having any access to formal financial institutions only, the picture that emerges is furthermore dismal. Only 27 percent of total farm households are indebted to formal sources. In other words, out of 89.35 million farm households, 64.95 farm households, which constitute 73 percent of total farm households, do not have any access to formal credit sources. The majority of the financially included among marginal/small farmer households is indebted to informal sources and excluded from the formal financial system.

The incidence of financial exclusion among non-cultivator households was found the highest (78 percent) in rural India. Out of 59.6 million non-cultivator households, about 46.6 million were estimated to be financially excluded. The agricultural laborers, artisans and other non-cultivator families are mostly asset less resource poor households in rural areas. The financial exclusion constitutes 78.8 percent among agricultural laborer households, 71.4 percent among artisans and 79.7 among other non-cultivator families.

The extent of financial exclusion across social groups among farmer households in rural areas is very glaring. The analysis of data shows that the highest level of financial exclusion is found among scheduled tribes (63.7 percent). This is apparently due to their living in remote rural/tribal areas, where it is difficult to provide financial services.

Surprisingly, the level of access to credit among the schedule caste farmers is comparable to other social categories of farmers. It is 49.7 percent among schedule castles, 48,5 percent among other backward classes and 50.7 percent among others. However; it should be noted that most of the schedule tribe and schedule caste farm households rely on the non-Institutional sources for their credit requirements.

4.11 Financial Exclusion: Region-wise Review

The region-wise analysis of NSS data reveals wide inter-regional disparity in access to financial services. The farm households excluded from accessing credit from formal sources as a proportion to total farm households is as high as 96 percent in North-Easter, 81 percent in Eastern and 78 percent in Central regions. These regions taken together account for 64 percent of the total farm households excluded from accessing credit from formal sources. In Southern and Western regions, on the other hand, the percentage of financially excluded farm households works out to 57 percent and 56 percent respectively

The state-wise NSS data reveal that the financial exclusion (proportion of non-indebted farmer households) is most acute in most of the states in the North-Eastern, Eastern and Central regions. It is 68 percent in Jammu and Kashmir and 67 percent in Himachal Pradesh in Northern Region. In the North-Eastern Region, almost all States except Tripura have financial exclusion varying between 61 and 96 percent. In Bihar it is 67 percent and Jharkhand, 79 percent. In Central region, Uttarakhand has the highest financial exclusion (93 percent) followed by Chhattisgarh (59.8 percent) and Uttar Pradesh (59.7 percent).

In Western region, in both Gujarat and Maharashtra, it is slightly less than 50 percent. More inclusive states are in Southern region. Financial exclusion in these states varies only from 18 percent in Andhra Pradesh to 38 percent in Karnataka. In Kerala, it is 36 percent and in Tamil Nadu, 25 percent. The financial exclusion is lowest in Andhra Pradesh (18 percent) followed by Tamil Nadu (25 percent) and highest in Meghalaya (96 percent) followed by Arunachal Pradesh (94 percent).

To sum up, though India has achieved remarkable progress in institutional network outreach, not much progress is made in financial inclusion. Financial exclusion in terms of access to banking facilities and credit and deposit accounts penetration is still significantly very high. Nearly three-fourth of the households does not have access to formal financial institutions. The magnitude of financial exclusion also varies widely across regions/states, social groups, income levels and asset holdings, the poorer the households are, and greater is the financial exclusion. The preponderance of financially excluded population occurs mainly in rural and semi-urban areas. Similarly, more backward regions have higher financial exclusion ratios.

4.12 Policy Initiatives for Financial Inclusion

India has a long history of banking development. Although, the term 'financial inclusion' was not in vogue in India historically, the Government and the RBI have undertaken several initiatives over time to tackle the non-availability of banking facilities to the under-privileged and weaker sections of the society. These initiatives include nationalization of banks, branch expansion through Lead Bank Scheme, prescription of priority sector targets, lending to weaker sections at concessional rates, promotion of micro-finance and Self- help Groups (SHGs) and SHG-bank linkage for micro finance. These initiatives were undertaken at different points in time to expand the outreach of banking facilities and increase the flow of credit to the weaker section of the society, This and next chapters, therefore, briefly trace the historical and contemporary initiatives undertaken by the Government of India and RBI for financial inclusion.

4.13 Evolution of Commercial Banks

Though, historically banking was emerging as an urban-oriented service and accessible to only the rich and educated class, there were exceptions especially in the south, where small banks were serving the persons from the middle class. Banks were promoted by some of the enlightened leaders of the society who were in the national freedom movement and also in the social reform initiatives. Members of the legal profession were in the vanguard in starting Schools and banking companies with the resources pooled from the Society However; banking was mostly confined to the business classes and the rich during the last hundred years.

With the dawn of Planning Era in the fifties, the policy-makers slowly started thinking about the need for utilizing banks as an instrument of economic development. The All India Rural Credit Survey of 1954, after making a thorough study of the rural credit scenario recommended the nationalization of Imperial Bank of India with a mandate to open 500 rural branches (Reserve Bank of India 1956). Imperial Bank of India was functioning with its imperialistic posture, distancing itself away from the common men. State Bank of India came into being in its place in 1955 with some of its new branches operating in rural areas.

Independent India witnessed the proliferation of banking companies in the metropolitan and urban centers, catering to the requirement of big business and industries growing under the license Raj. Industrial houses were the promoters and the major beneficiaries of the banking facilities (Thingalaya N K 1997). The establishment of National Credit Council under the chairmanship of Prof. D.R.Gadgil paved the way for the introduction of Social Control on banks in 1968. Some of the important sectors of the economy were recognized as priority sectors and the banks were directed to lend to them on a priority basis (Reserve Bank of India 1969).

After the nationalization of banks in 1969, directed lending to small borrowers became an integral part of the lending programmes of banks due to the operational guidelines issued by the Government of India, the owner of banks, and monitored periodically by the Reserve Bank of India. Specific lending programmes like the Differential Interest Rate Scheme and subsidy-linked lending programmes under Integrated Rural Development Programme (IRDP) were introduced. Populist programmes under poverty alleviation schemes also were introduced.

While efforts were made from time to time to extend the reach of the banking sector to the poor, financial inclusion was never considered as a goal to be reached by the banking sector: The broad approach followed in India in 1970s and 19805 was more oriented towards credit requirements of specific sectors and segments of population, There was no emphasis on individual or household level financial inclusion. Since the emergent pattern of economic development itself was also not able to attain inclusive growth even alter nearly five decades of planning, inclusive growth for the banking sector did not attract the attention of the policy makers till recently.

4.14 Rural Branch Expansion

When banks were nationalized in 1969, there were only 8187 bank branches in India. The ratio of population per branch was very poor. There was one branch for a population of 64000. The number of rural branches was only 1833, constituting 22 percent of the total branches. Regional inequalities in the availability of banking facilities were very large, depriving a sizeable portion of the population accessibility to banks. One of the first programs, therefore, introduced was the rapid rural branch expansion programme, The branch licensing policy was made rural branch-oriented, by directing the banks to open four rural branches in order to get a license for opening one metropolitan or urban branch.

Expansion of rural branches was rightly conceived as a strategy for augmenting rural credit and expanding the rural customer base. Banks in the private sector were concentrating in urban areas for obvious reasons. Public sector banks were compelled to go rural. Bare-foot bankers were found in many hitherto unknown villages. After pursuing this goal relentlessly in me 1970s and 1980s, there was a total change in emphasis since the 1990s, when the new generation banks came into being. The latest trend is the emergence of branchless banking, with the tacit support of the regulator.

Public sector banks were under great pressure in the 1970s to open rural branches in the districts allotted m them under the Lead Bank Scheme. In many cases, in the lead district, the designated lead banks were having no presence or very little exposure. But they initiated the survey of the districts, identifying unbanked areas for branch opening. The number of rural branches increased to 24,577 during the next 15 years, thanks to the prodding. Perhaps, but for the regimentation of branch expansion, banks would not have opened rural branches in such large numbers.

The tangible result of the branch expansion programme was the dramatic change in the branch distribution pattern of the commercial banks. The share of rural branches has increased from 22 percent in 1969 to 42 percent in 2007. However their share in total banking business remains disproportionately low. Though the rural retail outlets constitute 42 per cent of the branch network, they have single digit shares in both deposit mobilized and credit lent by banks.

In deposit mobilization their share is 9 percent and in credit deployment it is not more than 8 percent. On the other end are the metropolitan branches, which are less in number but have a lion's share in banking business. These 11,789 branches, forming 16 percent of the total branch network, mobilize 56 percent of the total bank deposits. Over 65 percent of the total credit is lent through them. The concentration of banking business of this magnitude in the metropolitan centers in a large country like ours, certainly calls for a reduction in the regional inequalities. What is more intriguing is the fact that inequalities are more pronounced in terms of the volume of banking business than in terms of the availability of banking outlets.

Along with the expansion in the service points across the states, banks also embarked upon enlarging their customer base through the branches. Opening of savings bank accounts is the first step in initiating the uninitiated. With a small amount of initial deposit, new customers were inducted into the banks. On the branch opening day, invariably hundreds of savings bank passbooks were distributed through the specially invited dignitaries. An amount, as small as Rs.25, was enough to open an account, when the present day procedures of know your customer, insisting on the photo of the depositor were not in vogue. Though, many such accounts remained dormant after some time, banks were able to bring to the banking fold many illiterate villagers. There were instances, where the money concealed in pots found their way to the rural branches.

The number of branches of banks - the service points, which include administrative offices - has increased from 14,650 in 1972 to 87,152 in December 2010. Banks have increased their rural presence considerably during the same period. The rural offices constitute 41.5 percent of the total offices of the banks in India, while the offices in the metropolitan centers account for 17.4 percent only. (RBI 2008) Geographically, the structure of the Indian banking sector is thus rural-oriented, a fact, which is often not taken note of. The number of savings bank accounts has gone up from 2.26 crore to 49.21 crore. It may be noted that the number of savings bank accounts is not synonymous with me number of bank customers, as many of the customers in urban areas have more than one savings bank deposit account. An informed estimate of the bank customers derived from the number of savings bank accounts could be about 19 crore at present. The total number of deposit accounts of all type has risen to 66 crore from less than 4 crore alter the nationalization of banks. Interestingly 30 percent of the deposit accounts originate from the rural branches. The share of metropolitan branches is 25 percent. The plausible inference is the preponderance of small deposit accounts in the rural branches.

The spurt in the number of borrowing accounts is equally significant; the increase is from less than a crore to 11.01 crore. The numbers of deposit accounts and borrowing account are not additive. Invariably, every borrower would be having a savings bank account.

Taking into consideration of the multiplicity of accounts held by the bank customers, the number of bank customers (not deposit-accounts or harrowing accounts) could be estimated at 30 crore. Banks certainly have a long way to go to reach the unreached

Banks have travelled a long way from their traditional banking environment. The computer-survey new generation banks have changed the concept of branches as business channels, Brick and mortar branches are substituted by computerized click branches. For improving the accessibility to customers, their reliance is not on the traditional branches. E-banking is being popularized and out-sourcing of agents is increasingly being used for reaching out the growing number of customers. The latest trend is to go for cost effective branchless banking.

4.15 Entry of Regional Rural Banks

An institutional innovation made in the field of rural banking, with the avowed objective of reaching out to the rural poor; is the formation of Regional Rural Banks - gramin banks. By their constitution, they were designed to operate only in the rural areas, catering to the credit needs of the target groups- the marginal farmers, agricultural laborers, petty traders and families below the poverty line, Though, they were thrust upon the rural banking scenario in 1975 by the Government of India driven by its impatience about the slow progress made by banks in rural areas, the new credit agency raised some hopes about its comparative advantages, However what was conceived as an experimental model to be tried in selected agro- economic zones initially attracted the attention of most of the state governments. Between 1975 and 1987, as many as 196 gramin banks came into existence all over the country, excluding Goa, Puducherry, Sikkim and Andaman and Nicobar Islands.

These banks were promoted by the Government of India, the state governments and public sector banks. Besides the public sector banks, two private sector banks and a cooperative bank also were designated as the sponsors of these banks. The first bank- Prathama Bank- was sponsored by Syndicate Bank in Moradabad in Uttar Pradesh on October 2, 1975.

Operating mostly in the second-order villages- which are not served by commercial banks- these banks have built up relationship with different strata of the village society. They have been successful in mobilizing small savings. They have canvassed 5.26 crore savings bank accounts. Though this process, many of them have been able to raise a substantial proportion of their funds at lower cost. In the case of a few successful gramin banks like Gurgaon Gramin Bank, the share of low cost deposits is as high as 66 percent.

The policy-makers' obsession with the propagation of gramin banks as low cost rural credit agencies, made them blind to the need for building up an integrated rural credit apparatus from the village level. With a mandate to provide credit to only the target groups, these banks were forced to operate in truncated rural economy catering to only a section of the rural society. This has adversely affected their viability and growth. Smaller advances to the poorer people, at lower interest rates, operating in smaller premises (with a ceiling on rent) in backward villages, these banks were managed by people drawing lower salaries. Their lending operations were narrowly confined to the target groups - marginal farmers, landless labourers and village artisans. They were not permitted to lend to the borrowers from the non-target groups in their operational areas. Relaxations were made after much damage was done to the viability of the branches. This has led to what may be termed as the under-utilisation of the installed capacity of this rural credit agency (Thingalaya, 2002).

There were uncertainties about the continuation of these banks, when the financial sector reforms were implemented. However some of elements of liberalisation in their operations introduced since then have improved their performance, Relaxation of the restricted lending, partial de-regulation of the interest rates and the introduction of a promotion policy for their staff have resulted in strengthening their bottom lines. Some of them have grown stronger than the old generation banks in the private sector operating under comparable conditions in some states.

After nearly three decades of existence, the policy makers realized the necessity of enlarging the operational areas of gramin banks, providing them more space to expand. Based on the recommendations of working groups, which have studied this aspect, they were allowed to extend their branch network to the neighboring district on a selective basis. Amalgamation of gramin banks sponsored by the same bank at state level was considered as necessary for their development. The process of amalgamation of gramin banks introduced recently, though incomplete, is a step in the right direction in revitalizing the operational capabilities of these banks. Since September 2005 silently and effectively, 108 gramin banks have been amalgamated at the statue level, reducing their number from 196 to 82, at present. Gramin banks sponsored by the same bank in each state were merged to form bigger banks. Expansion of their operational areas is beneficial to them, as some of them were stagnating, by operating in single districts.

These banks were religiously publishing in their annual reports the number of new deposit and borrowing accounts added during the year. It is desirable that they continue to publish these details in their Annual Report for the benefit of the Banking fraternity.

4.16 Lending to Small Borrowers

For reaching out to the relatively poorer sections of the society, many experiments have been made by the policy-makers since bank nationalization. When the bare-foot bankers landed in the rural areas, they were compelled to adopt lending programmes to suit the local population. In the absence of ready-made lending programmes, they initially concentrated on mobilizing small savings, wherever possible. This was a relatively less risky venture, the result was, the growth in deposits in the rural branches, though not very copious. But then they faced the problem of having very low credit-deposit ratio. Banks came to be criticized for siphoning of rural savings for investment in urban areas. To erase the impression that the banks are in rural areas only to exploit the local economy, the Reserve Bank of India directed them to attain a credit-deposit ratio of 60 percent in rural and semi-urban branches. This directive induced the bankers to start lending small loans in the rural branches.

Within a short span of time, small loan accounts (amount borrowed being less than ₹ 10,000) started growing rapidly in the rural branches. Their number swelled from around 10 lakh on the eve of bank nationalization to a little more than one crore by 1977. There were very few big borrowing accounts in those days. These small borrowing accounts therefore constituted nearly 90 percent of the total borrowing accounts handled by the banking sector. In 1983, the definition of small loans was revised, raising the level of credit to ₹ 25,000. They continued to grow until the 90s, when the Financial Sector Reforms were introduced. There was a shift in emphasis from social banking to profitable banking. Small accounts and less remunerative transactions almost lost the support of the operational staff.

The banking sector at present handles 4.52 crore small borrowing accounts, nearly 45 percent of them are in the rural areas, 1.72 crore accounts. With the total number of borrowing accounts rising to 11.86 crore, the number of small borrowers is declining over the years. A large number of small borrowing accounts got closed as a part of the Agricultural Debt Waiver and Debt Relief Scheme introduced in 2008-09. Another scheme introduced recently was to free the rural borrowers from the clutches of the moneylenders by taking over their accounts. Public sector banks and the gramin banks were directed in 2008-09 to adopt villages for replacing the money lenders, through this process, the banks were able to reach out to the heavily indebted farmers and lend to them at very reasonable rate of interest. While the scheme has conferred huge benefits to the poor farmers, the details of the total number of new accounts opened by all banks for this purpose are not readily available. Banks have to continue to cater to the small borrowers as a parts of their efforts m expand financial inclusion.

4.17 Replacing Village Moneylender:

Another laudable scheme introduced recently was designed to bringing into the banking fold a different group of customers was the Scheme for replacing the village money lender through debt- swapping. Replacement of the rapacious village money lender by institutional credit agencies has been the guiding principle of rural credit management in India. However; it has not been possible to achieve this objective, even after promoting through state-patronage the cooperative sector, nationalization of major banks and the creation of gramin banks. According to the All India Debt and Investment Survey 2002, moneylender's share in the debt of rural households has gone up from 17.5 percent in 1991 to 29.6 percent in 2002. More disheartening is I decline in the share of commercial banks during the same period; from 33.7 percent to 24.5 percent.

The rural borrower is not interest-insensitive; he is aware of the interest rates charged by various credit agencies, His inability to swap his high interest bearing loans makes him perpetually indebted to the money-lenders. Through this scheme of debt-swapping, the debt-ridden borrower can reduce his interest burden substantially. The scheme also supports the financial inclusion efforts of the banking sector, making these farmers the customers of the banks. To arrest the growing clout of the money lenders, now the banks are asked to swap money lenders’ credit by bank credit.

A beginning in this direction was made by many gramin banks, as directed by the NABARD. While some of them have taken up the task seriously, some banks have merely mentioned the number of villages adopted and many others do not mention in their annual reports, the progress made in this direction. The details of the exact number of farmers benefiting under this scheme are not available in any published source.

4.18 Differential Rate of Interest Scheme

The Differential Rate of Interest scheme introduced in 1972 was one the earliest experiments in micro credit. Banks were directed to lend at least 0.5 percent of their total advances to the poor at an interest rate of 4 percent. Later in 1978, this limit was raised to one Percent. The interest rate was fixed at two percent lower than the then prevailing Bank Rate of 6 percent. While initially only the public sector banks were directed to implement this scheme, from 1978, private sector banks also agreed to lend under this scheme. The ceiling on advances was fixed at ₹ 6500 per borrower. The beneficiaries were the poor from both rural and urban areas. The income criteria adopted for fixing the eligibility was in urban areas the family's annual income should be less than ₹ 7200 and in rural areas it was to be less than ₹ 6400. It was stipulated that 33 percent (later raised to 40 percent) of the DRI advances should be made to the borrowers belonging to scheduled classes and scheduled tribes in the villages. To ensure that the benefits of the scheme are made available to the rural borrowers, it was directed that 66 percent of the advances should be made in rural and semi-urban branches. The progress made was however very poor. In most of the Regional Consultative Committee meetings held periodically in different states under the chairmanship of the Union Finance Minister banks were cajoled for their failure, if not indifference, to this scheme.

Though this scheme has been in operation for over three decades, the flow of credit under it is unbelievably low. According to the latest data, there are 3.69 lakh borrowing accounts; the amount lent is ₹ 752 crore accounting for 0.06 percent of the total credit as on March 2010.

The number of accounts has been consistently declining from 1991, incidentally after the financial sector reforms were introduced, from 34.49 lakh to less than 3 lakh at present. The amount involved was varying, though the percentage share of the advances under the scheme was consistently moving south. In the Union Budget of 2007-08, the scope of the scheme was widened raising the ceiling on loan from ₹ 6,500 to ₹ 15,000 and for housing from ₹ 5000 to ₹ 20,000. The interest rate however remains unchanged at 4 percent.

Banks may be asked to extend credit facilities to BPL families under the DRI scheme (call it Darkness Removal Initiatives, if necessary) for installing solar power system for domestic lighting. The amount of loan required per family for installing solar power system with two bulbs may be around ₹ 13,000 only. Banks have to be directed to ensure that at least one per cent of their total advances are lent for this purpose, preferably in the rural areas, where electricity has not reached. As the overall target is to provide power through renewable sources to 2.43 crore BPL households, this scheme can play a crucial role in banishing darkness for a large number of poor households in rural areas. The electricity boards cannot provide electricity to all remote villages, even over the next two decades, considering their inherent problems of inadequate generation and inefficient distribution. Extending credit to the poor households at the concessional rate of 4 per cent would enable most of them to opt for solar power installation. And this loan may not erode drastically the total profits of banks, as only one per cent of their total advances are expected to be earmarked for this purpose.

Financial inclusion would be operationally more meaningful, if the DRI lending scheme is adopted to extend credit to the hitherto unread-red poor rural households, who cannot hope to get the benefit of electricity for decades. Instead of retaining the DRI scheme as an ineffective scheme in their ledgers, the banks can channelise it for rural electrification. Since the loan component is small and interest rate is low, the BPL households can get the advantages of solar light at an affordable cost brighter light at home brings not only happiness. It would provide the facility for the school going children to read after sun set. Its contribution to the welfare of the family is invaluable.

The broad approach adopted towards financial inclusion in the 1970s and 1980s was more oriented towards expansion of the outreach of banking facilities and meeting the credit requirements of specific sectors/sub-sectors based on the planning priorities. There was hardly any focus on individual/household level inclusion. Though, there were programs to reach the underprivileged segments of population, a sizeable majority of the population particularly vulnerable groups continue to remain excluded from the opportunities and services provided by the financial sector. Under the economic reforms during 1990s, the focus of the banking policy was more on creating a strong and globally competitive banking system. In recent years, however; both government and RBI were concerned about the non- availability of banking facilities to the majority of the weaker section of the society and have undertaken several initiatives towards financial inclusion. An attempt is made briefly to review some of the important initiatives undertaken for financial inclusion in recent years.

The central vision of Eleventh Plan is to trigger a development process which ensures broad based improvement in the quality of life of the people, especially poor, SCs/STs, other backward communities, minorities and women. With this vision the Eleventh Plan aimed at achieving faster and inclusive economic growth. The inclusive growth is defined as a “Growth process which yields broad based benefits and ensures equality of opportunity for all" (Eleventh Plan, 2008). Access to safe, easy and affordable credit and other financial services by the low income and vulnerable groups is recognized as a pre-requisite for achieving faster and more inclusive growth. It is evidently shown earlier that despite remarkable growth in the bank outreach network, there is a vast majority of the people who do not have access to basic banking services resulting in financial exclusion. Financial inclusion is therefore considered essential for fostering more inclusive economic growth.

Financial inclusion also got impetus from information and communication technology (ICT) revolution. ICT offers an excellent opportunity for expansion of banking outreach in a convenient and cost effective basis. It can become a driving force for low cost initiatives for financial inclusion in the rural areas. In this background, the RBI has introduced a number of measures no achieve at faster rate financial inclusion in the country.

4.19 RBI Directives and Initiatives

The banking services are considered as quasi-public good for achieving inclusive growth. It is therefore essential to ensure the availability of banking services to the all the people without discrimination. As against this, the banking practices adopted in India mostly tended to exclude rather than attract vast section of population. Concerned about the non-availability of banking facilities to the poor and vulnerable section of the population, the RBI has explicitly used financial inclusion as a policy objective and thrust of banking policy in the Annual Policy Statement for 2005-06. With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, the following policy objectives were set out in the Annual Policy Statement:

1. To implement policies to encourage banks which provide extensive services while dis-incentivising those which are not responsive to the banking needs of the community, including the underprivileged.
2. To monitor the nature, scope and cost of services to assess whether there is any denial, implicit or explicit, of basic banking services to the common person
3. Banks are urged to review their existing practices to align them with the objective of financial inclusion.

Following these policy objectives, several initiatives were subsequently introduced aiming at promoting financial inclusion of under privileged and vulnerable section of the society. Broadly the policy framework adopted by RBI for promoting financial inclusion has the following features:

1. Aim at connecting people with the banking system and not just credit dispensation.
2. Aim at giving people access to the payments system.
3. Use multiple channels such as civil service organizations, NGOs, post offices, farmers' club, panchayats, MFIs, SHGs etc as Business facilitators or correspondents to expand the outreach of banks.
4. Make use of ICT using bio-metric smart cards and mobile hand held electronic devices for receipts and disbursement of cash by agents of banks, such as business facilitators/ correspondents.

5. Portray financial inclusion as a viable business model and opportunity.
6. Aim at continuous monitoring and evaluation, sharing of experiences, feedback and improvement.

With this policy framework, the RBI has induced the commercial banks to implement a number of measures for attracting the financially excluded people into the financial system. The details of the important measures initiated are summarized below.

4.20 No-frills Accounts

The requirement of minimum balance and charges levied deter a sizeable section of population from opening and maintaining bank accounts. The banks were, therefore directed by the RBI in November 2005 to offer basic banking no-frills accounts, either with nil or very low minimum balances as well as charges, which would enable hitherto, excluded people to access easily bank services, The free or low cost account is deliberately introduced to reach the unbanked. Under the no-frills accounts, the banks were also advised to allow access to ATM facility and 5-10 free transactions per month. RRBs have been allowed to provide limited over limit facilities in no- frills accounts without any collateral.

Following the RBI directives, most of the banks have already introduced the scheme of no-frill accounts. There has been a significant progress in the number of no-frills accounts opened by the banks. As on December 2008, the number of no-frills accounts opened were 2.82 crore. It should be, however, noted that opening a no-frill account is only the first step in accessing and building the bank-customer relationship. The ultimate objective should be to meet all the financial needs of the customers who opened no-frills accounts through sustained efforts on the part of the banks.

4.21 Simple KYC Norms

Compliance with Know Your Customer (KYC) norms is made the sole responsibility of the banks. Since the objective is to attend savings and credit facilities to the under-privileged and unbanked population, banks were advised to adopt a flexible approach within the parameters of guidelines issued on KYC by the RBI from time 0 time. In addition to introduction from any person on whom KYC has been done, the banks can also rely on certificates of identification issued by the intermediary being used as Banking Correspondent, Block Development Office Head of village Panchayat, Post Master of the post office in the area or any other public functionary known to the bank.

4.22 General Credit Card (GCC):

In urban areas, credit cards are used by individuals to make purchase of goods and services on credit and make cash withdrawals. Since in rural areas with limited point-of-sale and absence of ATM facilities credit cards may not a feasible, there has been demand for somewhat similar products. The matter has been examined and it has been decided that the banks introduce a General Credit Card (GCC) to their constituents in rural and semi-urban areas, based on the assessment of income and cash-flow of the household as in the case of credit card. Banks have been asked to consider GCC facility up to Rs.25000 at their rural and semi-urban branches for rural people, particularly landless class. The GCC is in the nature of revolving credit, entitling the holder to withdraw up to the limit sanctioned. The interest rate on the facility is completely deregulated and fifty percent of the GCC loans are treated as priority sector lending. With a view to targeting women, the banks were advised to give preferential treatment under the GCC scheme.

4.23 Adoption of Districts for 100 percent Financial Inclusion:

In order to achieve 100 percent financial inclusion, the State Level Bankers Committees (SLBC) were advised to identify one or more districts for adoption by banks for financial inclusion by providing no-frills accounts. In the identified district, surveys are conducted to identify households without bank account. Responsibility is given to the banks in the area for ensuring that all those who wanted to have a bank account are provided with one by allocating the villages among the different banks. The bank staff or their agents, who are usually local NGOs or village volunteers, contact the households at their doorstep. The banks in association with insurance companies also provide innovative insurance policies at affordable cost, covering life disability and health covet MFIs and SHGs are also used extensively for financial inclusion on the credit side.

As on 2008, the SLBCs have reported having achieved 100 percent financial inclusion in 134 districts. The RBI is undertaking an evaluation of the progress made in these districts by an independent external agency to draw lessons for further action in this regard. In order to improve financial inclusion in Eastern and North-Eastern regions, the RBI has set up a Committee on financial Sector Plan for North-Eastern Region headed by the Deputy Governor with members from banks and other financial institutions and state governments for expanding banking facilities and formulating appropriate state-specific monitor able action plans for the region. The Committee has recommended that the banks in the region should draw up plan to Provide at least 50 new households with deposit accounts (with option of no-frills accounts) per branch per month for the next four years. Keeping in view the local conditions, the banks were also advised to bake recourse to SHG linkage programs, business correspondent models, post office and widespread use of ICT based solutions for increasing outreach.

4.24 Business Facilitator/ Business Correspondent Models:

With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, in January, 2006, the RBI advised the banks to use the services of Non-Governmental Organizations (NGOs), self-help groups, MFIs and other Civil Society Organizations (CSOs) as intermediaries in providing financial and banking services through the use of Business Facilitator and correspondent models. The RBI permitted banks to utilize the services of individuals, NGOs/SHGs, MFIs, and other civil society organizations as intermediaries for providing financial and banking services through the use of business facilitator (BF) and business correspondent (BC) models. Under the BF model, the banks can use, depending on the comfort level of the bank, for providing facilitation services such as identification of borrowers, collection and preliminary processing of loan applications, creating awareness about savings and other products and monitoring and follow-up for recovery.

Under the BC model, individuals who include retired bank employees, ex-servicemen, retired government employees, shop owners etc. NGOs/MFIs, cooperative societies and post offices located in the area within the proximity of 30kms from the branch may act as Business Correspondents, While engaging such intermediaries as BCs, the banks should ensure that they are enjoying good reputation and having confidence of me local people. In addition to the functions of BF the scope of activities to be undertaken by the BC include collection of small value deposits, disbursal of small value credit, recovery of loan amount with interest and delivery of remittances and other payment instruments. The banks should endeavour to adopt technology-based solutions for managing risks, besides increasing the outreach in a cost effective manner. Thus the BC would undertake on behalf of the bank the normal banking business. The BC model allows banks to undertake door-step banking in rural areas. For the services rendered, the banks are permitted to pay to BF/BC reasonable commission/fee. However the BF/BC is not allowed to charge any fee m the customers.

With a view to ensuring adequate supervision over the operations of the BCs by banks, it has been stipulated that every BC should be attached to and be under the oversight of a specific bank branch to be designated as the base branch. The distance between the place of business of a BC and the base branch should not exceed 30kms in rural and semi-urban areas. The RBI has also advised banks to constitute Grievance Redressal Machinery within the bank for redressing complaints about services rendered by BFs/BCs and give wide publicity about it through electronic and print media.

4.25 Use of ICT Solutions:

Technology can play an important role in expanding outreach and reducing transaction cost of providing banking services particularly in rural and semi-urban areas. In fact, it has provided the perfect launch pad for extending bank outposts to remote locations without having to open bank branches in the rural areas. The RBI has encouraged banks to use ICI' solutions for enhancing their outreach with the help of the BF/ BC models. Three types of technologies have been identified: (i) pro-poor new information and communication technology, primarily low cost cell phones; (ii) ATMs and other point of sales devices and (iii) smart plastic card. Mobile phone-based services are revolutionizing micro-finance services in number of Countries. Banks in India have initiated pilot projects using smart cards/mobile technology to increase outreach. Biometric methods for uniquely identifying customers are also being increasingly adopted. Use of ICT solutions also led some banks to adopt branchless banking for delivery of banking services at affordable price and to a wider section of the population. Ultimately technology drives financial inclusion.

4.26 Financial Literacy and Credit Counseling:

Recognizing that the lack of awareness is a major factor for financial exclusion, RBI has initiated a number of measures for increasing financial literacy and credit counseling, it has set up a multilingual website in 13 languages on all matters concerning banking. "Project Financial Literacy" has been launched by RBI with the objective of disseminating information regarding the banking products and practices to various target groups including schools, and college going children, women, rural and urban poor and senior citizens. Financial literacy programs are being launched in each state with the active involvement of state governments. SLBCs were asked to set up a credit counseling centre in one district as pilot and extend it to all other districts in due course. There is also plan to set up a Centre for Financial Education and Excellence in RBI's College of Agricultural Banking at Pune.

4.27 Roadmap for Across to Banking Facility in Every Village by 2011:

A High Level Committee was set up by the RBI in 2007-08 to review the Lead Bank Scheme and improve is effectiveness with a focus on financial inclusion. The Committee has recommended inter alia the following:

1. A sub-committee of the District Consultative Committee should draw up a roadmap to provide services through a banking outlet (in any form such as brick and mortar branch, mobile banking, extension counters, satellite offices or BCS) at every village with a population of over 2000 at least once a week on regular basis by March 2011.

2. State Governments should ensure road and digital connectivity to all centres where penetration of banking system required, expedite use of IT solutions for disbursal of wage payments under NREGA and social security payments and extend support to banks in me recovery of their dues.
3. Strengthening of the office of Lead District Managers and the Lead Bank Manager should convene a quarterly meeting at various locations in the district where the RBI official and other stakeholders are present to generate awareness of the various banking policies relating to the common person, obtain feedback from the public and provide grievance redressal.

Following the strategy recommended by the Rangarajan Committee in 2006 the National Rural Financial Inclusion Plan (NRFIP) was formulated with set targets to increase financial inclusion in the country across regions and across institutions. The following are the targets set and major recommendations in this regard:

1. A target of providing access to comprehensive financial services to at least 50 percent (55.77 million) of the financially excluded rural households by 2012 and the remaining by 2015.
2. Rural and Semi-urban commercial bank branches and RRBs should cover a minimum of 250 new cultivator and non- cultivator households per branch per annum, with emphasis on financing marginal farmers and poor non-cultivator households.
3. The national targets to be disaggregated state-wise district-wise at the SLBC and DLCC levels. The DLCCs at district level should draw up village-wise/block-wise maps of financially excluded households and ensure appropriate action for financial inclusion in a time bound manner. A state Level Rural Financial Inclusion Plan should be prepared and implemented jointly by SLBC and NABARD.

4. The Government should constitute two funds with NABARD: Financial Inclusion & Development Fund for promotional and development initiatives and Financial Inclusion Technology Fund for application of ICT, with an initial corpus of Rs.500 crore each to be contributed by Government of India, RBI and NABARD.

The Government in the Union Budget 2007-08 has accepted the recommendations of the Committee and set up with NABARD two funds -Financial Inclusion (Promotion and Development) Fund (FIF) and Financial Inclusion Technology Fund (FITF). The funds have an initial corpus of Rs.500 crore - Rs.250 crore each contributed equally by GOI/RBI/NABARD. Banks are eligible for support from the funds on a matching contribution of 50 percent for non-tribal and 75 percent for tribal districts. The Funding from FIF would be available for meeting the cost of various developmental and promotional initiatives to facilitate financial inclusion among the poor and vulnerable sections.

4.28 Financial Inclusion:

1.The Way Forward

The Government and the RBI have taken number of initiatives to bring the financially excluded underprivileged and weaker section of the society within the fold of the formal financial system. These measures have, no doubt, significant impact on improving financial inclusion. However; the magnitude of the financial inclusion problem and issues and challenges involved in widening and deepening in financial inclusion are enormous. Sill many areas and the majority of the rural and urban low income and poor segment of the population have very little or no access adequately to financial services from the formal financial system. Barriers to access both on demand side and supply side are several and require to be removed to achieve greater and faster financial inclusion.

2.Strategies for Addressing Financial Exclusion

The magnitude of financial exclusion varies widely across regions, states, sectors, social groups, income levels and asset holding. The poorer the households are, greater is the financial exclusion. There is also wide inter-regional disparity in access to financial services. The farm households excluded from accessing credit from formal sources constitutes as high as 96 percent in North-eastern region and 80 percent in Eastern and Central regions. These regions taken together account for 64 percent of the all-India total farm households excluded. The recent exit of number of rural bank brandies, slow-down in credit flow to rural areas and declining flow of credit to agricultural sectors also aggravated the magnitude of financial exclusion in rural areas, which has serious welfare implications. Moreover, poor households need access to not only credit but also other financial services. Access to saving and micro insurance services help to cushion income shocks and smooth consumption, while payment services and remittance are increasingly becoming important with the migration of rural youth to urban areas and implementation of various government schemes,

The strategic interventions are needed to remove the barriers and broaden the access to financial services geographically and demographically. The barriers responsible for financial exclusion are several, both on demand-side and supply side. The supply side constraints emanate from the structural operation of financial institutions. The principal barriers on supply side are: lack of physical access in terms of bank network, distance, branch time and infrastructure such as transport and communication, high interest charges, penalties, appropriateness of products and services, cumbersome procedures and documents required, collateral requirements, language staff attitude and risk perception of financial institutions about poor as unbendable. The demand side factors mainly emanate from socioeconomic conditions of financial service users. They include lack of awareness, uselessness resulting difficulty in offering collateral required, low income and low productivity leading to small and unviable demand, lower social status resulting social exclusion and financial literacy and information asymmetry.

The strategies adopted in the past were mainly entered around supply side; expansion of outreach of banking facilities and meeting the credit requirement of specific sectors/sub-sectors based on planning priorities. There was hardly any policy focus on demand side particularly on individual/household level financial inclusion. Under the economic reforms during 1990s, the focus of me financial sector reform policy was more on creating a strong and globally competitive banking system. Concerned with non-availability of banking facilities to the majority of the weaker section of the society, the RBI in its Annual Policy Statement for 2005-06, for the first time, included financial inclusion as a policy objective and thrust of banking policy. The Committee on Financial Inclusion (Rangarajan Committee)constituted by the Government of India in 2006, recommended taking up financial inclusion on a mission mode and a National Rural Financial Inclusion Plan with targets to increase financial inclusion across regions and across institutions. The number of initiatives introduced so far and their impact were dismissed in depth in chapter 5 and 8.Considering the magnitude of the problem and enormity of the task involved, in addition to the initiatives already undertaken, there is a need for strategic intervention in number of areas, which are adumbrated below.

1. Need for Inclusive Financial System

With a view to significantly increase outreach and financial access to unnerved and underserved households and enterprises require inclusive financial system involving grass root level organizations and offering appropriate financial products and services to meet the needs of various section of the society at cost effective basis. Building the inclusive financial system focuses on not only expanding the outreach of the commercial banks, but also expanding their retail capacity to serve the unbanked and under banked. The rural based retail institutions can serve poor and low income people better because they have local knowledge and can understand better what customers need. Inclusive financial system therefore require fostering development of an array of grass root level organizations such as postal network, cooperatives, MFIs, SHGs, NGOs and civil society organizations as financial intermediaries. The use of business facilitators like LIC agents and financial intermediaries as business correspondents would enable banks to undertake door-step banking and expand the outreach of financial services in rural areas.

2. SHG-Bank Linkage as Strategic tool for Financial Inclusion

The empirical evidences proved that SHG model can be successfully used as a tool for financial inclusion. The use of joint liability groups is traditionally used as a tool to overcome the hurdles of adverse selection, moral hazard and monitoring and enforcement costs. During the last decade, the SHG-Bank Linkage program has made rapid progress in delivering financial services to the poor and low income people. It has succeeded in expanding the Banks' outreach with many advantages like micro savings, timely repayment of loans, reduction in transaction costs etc. As recommended by Rangarajan Committee, there is a need to strengthen the SHG-Bank Linkage program particularly involving all the excluded people and in excluded areas. In order to make the program more effective, there is also need for building and expanding their capacity as financial intermediary and ensure their sustainability.

3. Technology-led Rural Banking

One of the most challenging issues in rural banking is the operational viability and sustainability of providing financial services to the poor and low income households at affordable costs. The use of ICT can address these issues and has the potential to revolutionize rural banking. It has potential to enhance outreach and reduce transaction costs; thereby provide financial products and services at affordable costs. It can also deliver financial services in time, whenever customers need without the hustle of going to bank branch. Thus, the technology, combined appropriately with the right business model and policy, holds the key to extending affordable, viable and sustainable access to finance for all the people even in rural areas. Mobile phone, smart plastic cards and ATM can be converted into a ‘virtual bank'. ATMs can be used for transaction accounts and payment services and providing accessibility of accounts 24 hours, thereby improving convenience. Branchless banking through use of technology and business correspondents already adopted by some banks is another model of rural banking to address the issues of outreach and affordability of the financial services. Thus, use of ICT combined with use of banking correspondents has the potential for creating a banking outpost in every village.

4. Need for Integrated Financial Inclusion Plan

Credit planning at the district level under the Lead Bank Scheme has been in operation for over three decades. Based on District Credit Plan, the Lead District Managers prepare preparing Annual Credit Plans. NABARD prepares the Potential-

Linked Plans (PLP) for every district. The Branch Manager prepares Service Area Credit Plan for the villages coming under his service area. All these could be merged and integrated into a financially inclusive plan. The integrated Financial Inclusion Plan has to be, however, based on a planned exercise, mapping the financial service needs of all households at the village level. Micro-insurance has to be an integral part of this plan. This calls for households' survey by bank branches in their service areas. The promotion of SHGs should be made an integral part of the financial inclusion planning exercise at the village level, based on the actual need for them. Mere opening No-frills accounts or preparing plan for credit needs alone cannot serve the purpose. What is needed is a road map with present technology for all inclusive financial services at household level in every village. The road map should consider the following:

Extending the Service Points: identifications of spatial gaps in the availability of financial services in village in each district, beginning with the districts of high financial exclusion, should be the starting point. The Lead Bank has to identify the highly financially excluded villages in each district. Based on the logistics of the districts, the central villages have to be selected for branch opening. These branches should be computerised and work as nodal branch for business correspondents. In other surrounding villages virtual branches with business correspondents using ICT solutions should be promoted by the lead bank. Branchless banking model, with proper training of the business correspondent and proper safe-guards built into the system should be the preferable mode for reaching out to larger households in a cost-effective manner.

Conducting Household Surveys: A simplified format has to be designed by revising the present Service Area Plan format for collecting the basic data pertaining to each household in the villages coming under the service are of each branch. Besides the branch managers, the business correspondents also should be trained to gather the relevant data relating to the expectations of each adult member of the households. The respondents have to be educated about the banking transactions and the pros and cons of borrowing from the bank, Bench mark data for all the households have to be prepared and stored at the LDMs' offices to be updated, whenever changes in their economic status are reported by the branch manager.

Integrating Financial Inclusion Plan with Developmental Plans the branch manager has to prepare the village level financial inclusion plan by consolidating household credit plans. Integrating the village plan with the developmental plan of the village panchayat, if any and dovetail it with the block level developmental plans. The village plans have to be finalized in consultation with the Lead District Manage; taking cognition of any of the major development projects expected to be implemented in the village.

5. Availability of Appropriate Financial Products and Services

To realize the vision of financial inclusion, financial products and services to be provided by the financial institutions should be suitable to meet the needs of poor and low income segment of the population. The demand for financial products and services by this section of the society cannot be satisfied by the financial products, delivery methodology or terms and conditions currently being offered. What market offers should be shaped by what customers demand. In all cases, poor and low income people want financial products and services that match their needs to better manage their households and business in rural setting. Their requirements are easy access, convenience, affordability, continuous availability, reliability and useful and safe financial services. As a general rule, the financial institutions should “look through the eyes of their customers" Hence, the financial institutions should design tailor-made thrift, credit, insurance and remittance and payment services for the poor and weaker sections taking into account their needs, capacity and environment in which they live.

6. Financial Literacy and Education

Limited literary, particularly financial literacy in basic accounting and business skills and lack of understanding or misunderstanding of banking operations are considered as the main constrains in limiting the access to financial services of the poor and weaker section of the society. The perception of the rural customers about financial institutions can have also important effects on willingness to their Services. Financial literacy and education campaign and setting up a financial education and counseling office by each bank would go a long way in bringing the financially excluded into the fold of financial inclusion. Recognizing critical importance of financial literacy and education to bring the finically excluded into the fold of financial inclusion, many developed countries have set up financial inclusion funds to undertake initiatives to promote basic financial literacy among financially excluded. Based on the recommendation of Rangarajan Committee, the Government of India has also set up Financial Inclusion and Development Fund with NABARD for promotional and development initiatives for financial inclusion. The fund should be used to promote financial education efforts of banks and other bodies and promote access to free face-to-face financial counseling and advice.

Financial inclusion is an opportunity for enhancing business for banks and other financial institutions in the rural areas. It should be the beginning of the mutually beneficial nexus between the banks and the households. To realize the vision of financial inclusion, financial services for poor and low income people should be seen as an important and integral component of financial sector policies. Inclusive finance should be made integral part of any financial sector development plan and strategy. Since factors inhibiting financial inclusion are several, it requir5 multi-pronged approach. Like many other welfare schemes, it should not end in a mere statistical exercise. It should emerge as a powerful tool for poverty alleviation and means for facilitating the inclusive growth of all sections of the society.

Financial inclusion is not an end in itself. It is one of the means for reaching out to all sections of the society to facilitate inclusive growth. The manner in which announcements are made about the achievement of hundred percent financial inclusions, in a large number of districts in too short a period, leads to a state of complacency. There are multiple agencies engaged in formulating developmental plans at various levels, most of which are made in isolation, confining to a few selected issues or areas. Their integration at the district or state level is only an aggregation, which often has very little relevance to grass-root level needs or aspirations.

It should be, however accepted by all who have a stake in making financial inclusion a success, that hundred percent financial inclusions in the real sense cannot be achieved, in a year or two. The achievement could be made in a phased manner with a time horizon dictated by clear-out goals and action plans by taking into account the specific local conditions. On the way forward, the real challenge is for the banks and other financial institutions to adopt ICT solutions and multiple channels for expanding outreach and delivery of variety of financial products and services at affordable costs on sustainable basis. This requires attitudinal change; change in organizational structure and innovative models of delivery at the doorstep of poor and weaker section of the society As rightly pointed out by Rangarajan Committee, financial inclusion is no longer an option; it is a compulsion.

In its Annual Report 2009-10, Reserve Bank of India has made the following observation on the overall performance of the banking sector in enhancing financial inclusion. 'As regards financial inclusion, India compares poorly with OECD as well as many of its Asian peer group countries. However, a welcome development in the recent years has been a steady increase in the penetration of bank branches and ATMs (reflected by a decline in population per bank branch/ATM). More importantly, the increased penetration of both branches and ATMs could be seen across rural India. Micro- finance, which has emerged as an important engine for financial inclusion in India, showed further growth in 2009-10, particularly under the MFI-linkage programme as compared to the SHG-Bank Linkage programme”.

7. IOB’s Initiatives in Financial Inclusion

Indian Overseas Bank is one of the pioneer banks to start the ICT based Financial Inclusion initiative as early as in 2008, conducting two pilot projects in villages in Tamil Nadu, namely Kuthambakkam and Kameshwaram.

The Financial Inclusion initiatives comprised of three a pronged strategy: Opening of No frills accounts under simplified Know Your Customer (KYC) norms to bring people from the low income groups into banking fold. As on date IOB has opened over 17.61 lakh No- frills Saving Bank accounts through all its branches.

For meeting their urgent credit requirements, overdraft facility is provided to these account holders. General Purpose credit card is issued to people with a credit limit of ₹ 25,000. So far the Bank has issued over 7000 cards, with a credit assistance of ₹ 18crore.

In accordance with the directives of the Reserve Bank of India, banking outlets are provided to unbanked villages (having population over 2000) by the Bank. Banking services are extended to these villages by leveraging Information Communication Technology (ICT).

Smart Card Banking (SCB) is introduced in unbanked villages utilizing the Business Correspondent (BC) model. IOB has tied up with Tata Consultancy Services to be the service provider for this purpose.

IOB has been mandated to cover 1273 such unbanked villages across the country before March 2012.

The Bank has already rolled out Smart Card Banking in over 1142 identified un-banked villages and in addition to another 29 villages selected in different districts. These villages are spread over 20 states and one Union Territory.

IOB has a dual responsibility in the Financial Inclusion roll out plan. Primarily it has to achieve the targets stipulated by itself and secondly as the convener of State Level Bankers' Committee (SLBC) of Tamil Nadu, and is instrumental in drawing out the road map for 4385 unbanked villages in Tamil Nadu for all member banks. It has the responsibility of monitoring the progress made by all banks in the state till March 2011, all banks have covered 2077 villages in the state.

The Bank was given the Skoch Award for Financial Inclusion for implementing the concept of last mile banking when it took the banking services to the Kaanni Tribal hamlets in Papanassam village in Tamil Nadu Indian Overseas Bank has set four Rural

Self Employment Training Institutes initially in four of its lead districts. In Sivaganga, the Bank has established the Regional Training Centre in collaboration with NABARD and Indian Bank. In other lead districts also the Bank has established RSETIs, taking the total number of such Institutes to 12 as on date. All these RSEI'Is have so far trained 16776 rural unemployed youth through 531 training programmes.

In all the 13 Lead Districts, me Bank has set up Financial Literacy and Credit Counseling Centers (FLCCC), which is popularly named as "SNEHA" SNEHA centers are promoting financial literacy among both the literate and illiterate people in the villages. Credit counseling was rendered to about 380 persons.

As the Self Help Groups movement has become a silent revolution in the rural areas, the Bank has played its own role in propagating and supports SHGs. The SHGs build mutual trust and confidence between bankers and the rural poor. They have enabled millions of poor families to practice thrift and to get access finance. They have also facilitated improved social status for the women. Indian Overseas Bank has cumulatively sanctioned ₹3545 crore covering four lakh self-help groups since inception. The Bank organizes Sakthi Bazaar for marketing products manufactured by members of Self Help Groups throughout India. The Bank has also organized an exhibition of SHG products in the New Delhi, the national capital on 10th February 2011, as part of Platinum Jubilee Celebrations, when the Bank entered its 75th Year.

As a part of its rural development initiatives, the Bank has adopted 30 villages to introduce EKAL Vidyalaya Schools in Salem District with the assistance of "Friends of Tribal society". This project will motivate tribal rural children no go to school and learning subjects not restricted to academics alone but also covers health care and hygiene, self-employment ventures, empowerment by financial literacy awareness about Govt. schemes their benefits.

IOB plans to implement the project called UPLIFT in co-operation with Max Academy to enhance the educational standards for 200 under-privileged rural and urban children. UPLIFT will introduce the poor students into scientific learning skills, Motivation, Values arid Virtues and Social responsibility

The Bank has decided to adopt the Primitive Tribal Villages of Niligiris under the Bank's “Sampoorna” Village Adoption Scheme and plans to extend both financial and Non-Financial support to improve the living standards of the tribals.

IOB has launched a unique programme in 2008 unveiling a stream of activities to facilitate Total Village Development viz., IOB- Sampoorna. As the name implies, IOB-Sampoorna aims at total inclusive growth for Integrated Rural Development covering all aspects of social and economical life of people. This project is a curtain raiser for IOB's involvement and commitment to rural development

The Bank has sponsored the construction of Rural Business HUB- for storage and display of products of cottage industries at Kuthambakkam village. It has also sponsored the construction of drying yard for incense sticks produced by the rural households. It has also supported the establishment of a Rural BPO in this village. Besides these, the Bank has sanctioned loans under Differential Rate of Interest scheme to 900 rural families for constructing toilets.

8.A Profile of IOB in Tamil Nadu

Tamil Nadu was in the forefront in fostering banking companies during the British Raj. It has over three hundred years' banking history starting with the operations of the Nattukkottai Chettiars. Indigenous banking was well organised by them. (Sadasivan 1939). The earliest joint stock bank established in Madras, the capital of Madras Presidency in 1843 was the Bank of Madras. While the British merchants had promoted many joint stock banks in some of the major trading centers, port towns and plantation areas in the north, they did not take much interest in the south in establishing banking companies. A couple of banks from Calcutta and Bombay like National Bank of India Ltd and Oriental Banking Corporation were having their brandies for short periods in the city Agra Bank also had a brief stint here in 1843.

Some of the trading houses started by the British in Madras were undertaking banking business (Hilton Brown, 1954). One of them was the G.Arbuthnot & Co, which was undertaking banking transactions, besides trading activities. Established in Madras during the early years of the last century, this business house run by British businessmen, was accepting large amount of deposits from the public. It was not, however; registered as a banking company. On account of the speculative activities in which the directors of this company indulged, investing huge amounts on the exploration of gold mining and other unproductive ventures, it lost its financial stability and collapsed suddenly in 1906. On October 22, 1906, the company presented a petition in Madras for being declared as insolvent.

This crash rudely shook people's faith all over the Presidency in the financial stability of the European-managed commercial houses. A graphic description of the adverse impact of this crash on the financial position of people from all walks of life is available in the centenary volume of The Hindu. It says, “The consequences of this sudden and disastrous failure of Messrs. Arbuthnot and Co. will be as serious as they are far-reaching. It means the ruin of many hundreds of families in Southern India. The firm was the most popular one in Madras until the new firm, Arbuthnot Industries, was started. At this time there was a shrewd suspicion in the minds of some that all was not as it should be. But the public confidence in the integrity of the firm was so great that its transactions did not in any way suffer. An enormous business was being done and vast sums of money belonging to Maharajas, Rajas and Zamindars, the well-to-do official classes, the Government of native states, public charitable endowments and private trusts, mutual benefit funds and Nidhis, besides the small hard earned investments of the earning classes was all there. To the vast majority of the investors, who with their helpless dependents can be counted by the thousands in Southern India, the insolvency of the firm is a calamity which might well-nigh mean their ruin. At present the feeling is one of general consternation in the city and as the news spread over the Presidency, the extent of suffering can be realized. It will be years before the large body of our countrymen who have been affected by the sudden blow can hope to recover from its effects. To the confiding public, it had seemed that the solvency of Arbuthnot & Co. was almost as stable as the British Government itself. It cannot be gainsaid that the prestige of the British capitalist and his reputation for integrity and right dealing had been associated in men's mind with the long established name of Arbuthnot & Co. in Madras".

This financial debacle set the leaders of the business community to think about the necessity of promoting the banking institutions owned and managed by Indians. The indigenous banks received an impetus from this milieu. Two banks were born in South Kanara district, located at one end of the sprawling Madras Presidency, just before this turmoil shook the confidence of the investing the public in the banking business. In 1907, Indian Bank Ltd was promoted as a Swadeshi bank by the enlightened citizens of Madras for extending credit to the needy. More banks started appearing thereafter.

Bank of Madras went ha the hill station Ootacamund as early as in 1866. It opened its branches in port towns like Tuticorin in 1867; Nagapattinam in 1868 and Imperial Bank of India went to Cuddalore in 1922. On a selective basis the latter went to trading centres like Tiruchirapalli in 1916; Erode in 1921; Vellore in 1922; Tinnelvelly in1923 and Tirupur in 1925.

One of the banks from outside the state entering the city was the Bombay-based Tata Industrial Bank Ltd, which opened a branch in1920. As this bank was wound up in 1923, it was merged with Central Bank of India; the latter opened its branch here in 1935.

9.The Growth of IOB:

Madras was fairly well banked when IOB arrived on the scene in 1937. The founder of the Bank was Sri. M. Ct. M. Chidambaram Chettyar, a Pioneer in many fields like banking, insurance and industry. Imperial Bank of India was having two branches in the city, standing apart with its imperial grandeur. Indian Bank Ltd, by then 30 years old, had one branch in the city besides its head office, A short-lived bank called Madras Agricultural Bank Ltd was also operating here.

In its long journey, Indian Overseas Bank has taken over eight smaller banks in Tamil Nadu. In the sixties, many of the smaller banks in the southern states were in difficulty and quite a few of them have gone into liquidation. The oldest bank taken over by IOB was the Coimbatore-based Coimbatore Varthak Vidhi Bank Ltd established in1878. It was merged first with a local bank Srinivasa Perumal Bank Ltd in 1964 and later in 1966, the merged bank was taken over by IOB.

On July 19, 1969 the Government of India promulgated Banking companies (Acquisition and Transfer of Undertakings) Ordinance to nationalise the bigger 14 commercial banks. Banks having deposits more than ₹50 crore were brought under government ownership. From Tamil Nadu, IOB and Indian Bank were nationalised. Among the 14 banks, IOB was ranking 13th based on the size of its deposits. IOB then had a deposit base of ₹87 crore; advances of ₹37 crore. Its network of branches was small, having 218 branches only. It was more of a regional bank, having a large number of its branches located in Tamil Nadu.

When the Lead Bank Scheme was introduced in 1969, IOB was allotted 13 districts, with the responsibility of ensuring all round banking development in the allotted districts. Twelve districts out of them were from Tamil Nadu, where the Bank had its presence. They spread out from Perambalur to Kanyakumari. Thiruvananthapuram district, the adjacent district in Kerala was also allotted to IOB.

10. Small Banks in Small Place

Initially, before joint stock companies were formed, banks appeared in different shape as Nidhis or Paropakara nidhis or as permanent funds. Some of the lawyers and merchants of Madurai formed the Madurai Hindu Permanent Fund Limited in 1894 to cater to the financial needs of the members of their profession in particular and other members of the Fund in general. Through this, it was possible for them to collect the savings of their members and make use of the resources thus pooled for lending at reasonably low rate of interest. Tanjore Permanent Fund on similar lines came up in Tanjore in 1901.

Coimbatore took the lead in promoting nidhis. A British Gazetteer is reported to have observed in 1858 that ‘Coimbatore town was not fit for human dwelling, with air and water unsuitable for humans. Within a couple of years this town was put on the railway map, connecting it to Cochin. By 1878, the first local bank appeared on the scene. It was Coimbatore Vartaka Vridhi Bank Ltd. Within the next five years, Coimbatore Janopakara Nidhi came up in 1883. Another bank, Coimbatore Sarvajana Sankhabi Vrithi Nidhi was registered in 1900. Many others followed later. An interesting feature of me genesis of banks in this district is that 38 out of 44 banks were born in Coimbatore city only. Most of them were registered as Paropakara Nidhis (mutual benefit funds). Local merchants and traders were the promoters of these funds. Much later, Bank of Madras, the original incarnation of State Bank of India, came to the town, in 1908.

Smaller towns like Tinnevelley, Tiruppur, karur, Pollachi, Kumbakonam and Mettupalayam also joined the race in promoting nidhis and banks. South India Bank Ltd came up in Tinnevelley in1903. It existed for nearly nine decades until it was merged with Indian Bank in 1990. Karur witnessed the birth of four banks since 1916, two of them. Karur Vysya Bank Ltd and Lakshmi Vilas Bank Ltd have successfully faced the changing conditions in the banking industry and have survived. The oldest surviving bank, Kumbakonam Bank Ltd came up in Kumbakonam in 1904 and merged with City Union Bank Ltd in 1957.

Tanjore has produced seven banks, but none has survived. Pollachi promoted two banks: Pollachi Town Bank Ltd merged with Syndicate Bank in 1963 and Pollachi Union Bank Ltd merged with Canara Bank in 1964. Nadar Bank Ltd which was established in Tuticorin in1921changed its name as Tamilnad Mercantile Bank Ltd in 1962 and is going strong, spreading its branch network.

Madras and Coimbatore are the two cities, which have fostered the largest number of banks. In Madras, 18 banks were born since 1843 and Coimbatore's score is much higher 44. While two of the Madras-born banks have survived, none has survived in Coimbatore, which has become the Manchester of the south. Incidentally its counterpart in Gujarat, Ahmedabad, which is tailed me Manchester of the east, also could not provide sustenance for the survival of two banks born in that city. As explained earlier; out of the 149 banks born in Tamil Nadu only six have survived; 41 have merged with other banks, local or from outside; the rest are not in existence.(Thingalaya, 2003).

11.Rural Banking: Lesser Presence

When the Government of India, was in great hurry to introduce regional rural banks all over India through a special act of the Parliament in 1976, Tamil Nadu, like Kerala had adopted a lukewarm attitude. Perhaps prompted by the cooperative lobby, it did not welcome the new breed of rural credit agency. Kerala allowed only two of them and Tamil Nadu reluctantly agreed to join as a minor Partner in promoting three regional rural banks. Karnataka and Andhra Pradesh welcoming the new banks went ahead in promoting them; Ultimately, two of the state-based nationalised banks, Indian Overseas Bank and Indian Bank were roped in to be the promoter banks.

Indian Overseas Bank promoted Pandyan Grama Bank at Virudhnagar in 1977. Indian Bank promoted after a time lag Adhiaman Grama Bank at Dharmapuri and Vallalar Grama Bank at Cuddalore in 1985. Interestingly, both the nationalised banks were invited by the governments of the neighbouring states to promote such banks in Andhra Pradesh and Orissa. Indian Bank sponsored two banks in.

Indian banks, comprising of a wide variety of operations, remunerative or otherwise, contribute to this difference. It does not denote the differences in the efficiency of the manpower; it largely reflects the divergences in the priorities accorded to various facets of funds management. The foreign banks have 30 branches in Tamil Nadu; the deposits mobilised by them in the state is ₹14,148 crore and advances made are ₹26,228 crore as on December 2010, Their emphasis is not on deposit mobilisation but on credit deployment unlike the domestic banks. (Thingalaya 2005).

Recently, one foreign bank has ventured to go to a semi-urban centre in Tamil Nadu. Barclays Bank Plc has opened a branch in Kanchipuram. This city of silk sarees is not a dumb town. It is ranked 176th among the top 200 banked centres in India as on December 2010, on the basis of credit lent.

12.Inter -District Variations:

Inter-district variations in the state are quite visible, despite the expansion of the branch network since the introduction of lead bank scheme. While in the districts like Chennai, Coimbatore, Madurai and Salem banks better spread, in many other districts banking facilities are not acc5sible to many in the rural areas. The number of borrowing accounts is less than two lakh in five districts- Karur; Namakkal, Nilgiris, T'heni and Thiruvarur. Concentration of credit in Chennai district is 37 percent of the slate's total credit.

Banking sector in Coimbatore district has made remarkably rapid strides in expanding banking business in tune with the growing demand for credit from the industrial sector. Banks in search of greener pastures have flocked into the district in large number to acquire bigger shares in the fast growing industrial credit. There are 455 branches of various banks as on December 2010. The total credit deployed by them in the district is ₹ 33,321 crore, while the volume of deposits mobilised is ₹ 24,834 crore. The credit-deposit ratio is very high at 134 percent. More than 50 percent of the total credit is lent by the public sector banks operating in the district. Foreign banks have four branches, claiming about three percent share of the total credit deployed. Regional rural bank has only a passive presence in the district. Its four branches have negligible share of the total business.

13.Current Status:

Indian Overseas Bank has the largest network of 819 branches in Tamil Nadu. Out of them 340 branches are functioning in its 12 Lead Districts in the state. District Credit Plans are being prepared for all these districts and the Bank has a major share in the disbursal of credit in these districts. The Bank has been designated as the convener of the State Level Bankers Committee. So far 126 meetings are held to deliberate upon the major problems confronted by the operating in the state. Positive steps are initiated to implement the Financial Inclusion programmes with the cooperation of all banks.

The population of Tamil Nadu has increased to 7,21.38,958 according to 2011 Census, increasing from 6,21,10,839 2001. During the decade the total number of branches in the state has risen to 6,450 as on December 2010. The population- branches ratio works out to be 11,184, which compares favorably with the national average of 14,000.

The total number of deposit accounts handled by the banks in the state is 5,21,99,and 658 as on March 2009. Based on merely the number of deposit accounts, it cannot be saw the banks have reached out to 72 percent of the population. Rural branches have 1,16,42,279 deposit accounts; semi-urban branches have 1,72,15.191. The urban branches handle 1,26,72,378 accounts and in metropolitan branches, it is slightly less at 1,06,69,810 accounts . It is quite interesting to know that in the semi-urban branches more deposit accounts are handled than in the urban branches.

The number of deposit accounts does not strictly depict the number of depositors, as in many cases, depositors have more than One deposit account, savings account, current account or fixed deposit accounts. Similarly, they may have deposit accounts in more than one branch and some of which may be even outside the state. Based on the available data on deposit accounts, it is difficult to arrive at the exact number of bank depositors. Assuming Thai in urban and metropolitan branches the depositors have more than one account the number of depositors can be estimated to be 3.05 crore. For the state's population of 7.21 crore, only 3.05 crore of depositors does not present a satisfactory status.

The Banking Sector in Tamil Nadu has added as many as 57.16 lakh no frill accounts since the initiation of the financial inclusion programmes. Through this process the banks have reached a fairly wider segment of the state’s population,

14. Looking Ahead:

Tamil Nadu has a strong banking infrastructure. More banks, including the foreign banks, are waiting in the wings to open their branches in the state. The new generation banks are consistently widening their delivery platforms in some of the important banking centres. By taking over the Madurai-based Bank of Madurai Ltd in 2001, ICICI Bank Ltd, the biggest bank in the private sector has obtained a good number of branches in the state, including a few rural branches. This bank has an insatiable hunger for taking over smaller banks. The other new generation banks also have good presence in urban Tamil Nadu.

Competition among banks to grab me new business would be intensified as more MNG are making Chennai and is neighborhood as their destination for developing green held industrial units. Their funds requirements would be substantial. They require prompt and IT-enabled banking services. The brick and mortar branches have to yield place to virtual branches. Many of the younger banks strategically prefer to install more ATMs than to open branches. Two of the public sector banks, bigger as they are, would be in a better position to respond to the changing needs. The smaller and older banks have to prepare themselves to face the challenges.

15. Banking Profile of Tirunelveli District

Tirunelveli District has a population of ₹ 30.73 lakh according to the Census 2011. The total number of deposit accounts handled by 249 branches operating in the district, according to the Basic Statistical Returns on Scheduled Commercial Banks in India: March 2010, published by the Reserve Bank of India, is ₹ 23.55 lakh as on March 2010. It does not ipso facto mean that the financial inclusion ratio in the district is over 68 percent. The number of deposit account is not synonymous with the number of depositors. It is very common that many of the depositors have more than one deposit account, either in the same bank or in different bank or may be in a bank outside the district. A realistic estimate of the number of depositors may be not more than 10 lakh. Roughly the crude financial inclusion ratio could be around 30 percent. More critical analysis has to be made to assess the extent to which the banks in the district have reached out to people living, particularly in the un-banked villages in the district.

Tirunelveli has the advantage of having banking facilities since 1903. South India Bank Ltd was established in the town as early as in 1903. It had long innings spanning a little less than a century. Its name was changed into Bank of Tamilnadu Ltd in 1979 and in 1990 it merged with Indian Overseas Bank.

On the eve of Independence, this small town had ten branches. Central Bank of India from Bombay had two pay offices. Imperial Bank of India was present here, Indian Bank, Indian Overseas Bank and Indo-Commercial Bank Ltd had branches. South India Bank Ltd had, besides its head office, two branches. Among the non-scheduled banks, there were the branches of Dindigul Sri Kannikaparameshvari Bank Ltd and Thomcos Bank Ltd in 1946.

Three smaller towns were having banking facilities in the forties. Sankarankoil was having a branch of South India Bank and also of Rajapalayam Commercial Bank Ltd. In Tenkasi, there were two banks having their branches: South India Bank and Indo-Commercial Bank Ltd. Ambasamudram had more branches: Central Bank of India had two Pay Offices. Besides the branches of South India Bank and lndo-Commercial Bank ltd, there was a branch of a non-scheduled bank; Central united Bank Ltd. None of them, except Central Bank of India, is in existence now.

Major changes have taken place in the banking industry in India during the last seven decades. The Banking Companies Act of 1949 was instrumental in weeding out the weaker banks. In the sixties, the process of mergers, voluntary or forced, resulted in a large number of banks bowing out specially in the south. Nationalisation of banks in 1969 brought in a paradigm shift in the functioning of banks. Financial reforms ushered in during the 90s saw the emergence of new generation banks. Computerisation of banking operations has made the banks more competitive.

By 2001, Tirunelveli district had 210 branches of both public and private sector banks. Among them 89 were operating in the rural areas in tune with the rural-orientation policy of the Reserve Bank of India. Semi-urban areas had 66 branches and the urban centre, 55 were in operation.

Banks' spread in Tirunelveli town was very brisk since then. In March 2011, this town could enter the list of Top 200 banking centres in India with 68 branches functioning here. These branches have mobilised a total deposit of ₹ 3,3672 crore, securing for the town the 118^{th} rank.

16.Deposit Mobilisation:

The district now has 249 branches and they are having a resource base of ₹ 6,129 crore as on March 2010. Rural branches constitute about 30 percent of the branch network but generate less than 15 percent of the total deposits mobilised in the district.

Indian Overseas Bank is the Lead Bank of the district, which has 53 branches. State Bank of India has 25 branches. The private sector banks, both the old and new, have 38 branches. Pandyan Grama Bank, the gramin bank sponsored by IOB, has the largest number of branches in the district-52. Most of its branches are located in the rural areas. Having mobilised ₹ 559 crore, the gramin bank's share in rural deposits in the district is over 50 percent.

17. Credit Deployment:

Unlike many other districts in Tamil Nadu, Tirunelveli has a credit deposit ratio less than 100 percent. The total advances are ₹ 4489 crore only. The number of borrowing accounts is ₹ 6.31 lakh and the borrowing accounts of the farmers constitute the major chunk of the total number of borrowers. The amount of credit availed by this sector also is the highest.

Industrial advances are not very large. There are only 0.15 lakh accounts having obtained a total credit volume of ₹ 762 crore Professionals as a group have availed bank credit to the extent of ₹ 219 crore. Transporters appear to be relying more on non-banking finance companies for their credit needs, as Tamil Nadu has a few very well-organized finance companies having huge exposure to this segment.

Books & journals Referred:

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2. www.financialinclusion.com
3. www.nabard.org
4. Microfinance.com
5. Reserve bank of India, “speeches published on financial inclusion”
6. Beck Thorsten, Ross Levine, and Norman Loayza.(2000): “Finance and the sources of growth” Journal of financial economics 58(1): 261-300
7. National conference on Financial Inclusion and beyond, www.micrifinancegateway.org

CHAPTER V

ANALYSIS 1: CUSTOMERS' PERSPECTIVE

Table 5.1

Gender of the respondents

In the concept of financial inclusion, major thrust is given on women SHGs, empowerment and inclusion. Hence the question relating to the gender is gathered and presented in the below table

Gender	Frequency	Percent
Male	36	10.0
Female	324	90.0
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 samples taken for study 36 of the respondents (i.e) 10 per cent of them are male and the remaining 324 (i.e) 90 percent of the respondents are female. More number of women is concentrated for financial inclusion which is reflected in the study.

Table 5.2

Age of the respondents

Age is the most important aspect in financial inclusion and hence the question relating to the age of the respondents are gathered and presented in the below table

Age	Frequency	Percent
Less than 30	88	24.4
30 - 50	177	49.2
50 and above	95	26.4
Total	**360**	**100.0**

Source: Field data

From the above table it is found that 49.2 percent of the respondents are in the age group of 30 – 50, 26.4 percent of the respondents are in the age above 50 and the remaining 24.4 percent of the respondents are in the age less than 30 years. Majority of the respondents are in the age between 30 and 50 years which is primarily the most dominating and responsible age in Indian context.

Table 5. 3

Marital status of the respondents

The marital status depicts the role and responsibility and hence the details relating to the marital status is gathered and presented in the below table.

Marital status	**Frequency**	**Percent**
Married	102	28.3
Unmarried	226	62.8
Widow	32	8.9
Total	**360**	**100.0**

Source: Field data

From the above table it is found that out of 360 respondents 62.8 percent of the respondents are unmarried, 28.3 percent are married and the remaining 8.90 percent are widows. In this study, it is found that majority of the respondents are found to be unmarried.

Table 5.4

Religion of the respondents

Religion plays a major role in participating in the society and social empowerment activities and hence the question relating to the religion is gathered and presented below

Religion	Frequency	Percent
Hindu	98	27.2
Muslim	107	29.7
Christian	80	22.2
Others	75	20.8
Total	**360**	**100.0**

Source: Field data

From the above table it is found that out of 360 respondents considered for the study 29.7 percent of the respondents are Muslims, 27.2 percent of them are Hindus, 22.2 percent of them are Christians and the remaining 20.8 percent of the respondents belong to other category. In the study region it is found that majority of the respondents are Muslims.

Table 5.5

Caste / community category of the respondents

As the topic of the study is socially focused the question relating to the social status of the respondents are gathered and presented below

Caste / community	Frequency	Percent
General	97	26.9
OBC	162	45.0
SC/ST	101	28.1
Total	**360**	**100.0**

Source : Field data

Form the above table it is found that out of 360 respondents considered for the study 45 percent of the respondents belong to other backward community, 28.1 percent of the respondents belong Scheduled caste and Tribe, 26.9 percent of the respondents belong the general category. Majority of the respondents are from OBC.

Table 5.6

Education

The educational qualification plays a major role in the concept of accessing bank and availing banking services. It is felt important as the awareness towards service sector in Indian context requires a certain level of education.

Education	Frequency	Percent
Primary	67	18.6
Secondary	58	16.1
Higher Sec.	72	20.0
Degree	93	25.8
Other	70	19.4
Total	**360**	**100.0**

Source : Field data

The above table highlights the educational level of the respondents and it is found that a majority of 25.80 per cent of the respondents are degree holders, 20 percent of the respondents are with a level of higher secondary school education, 18.60 percent of the respondents have primary level education, 16.10 percent with high school level of education and the remaining 19.40 percent are with other educational level. Majority of the respondents are degree holders in this study.

Table 5.7

Occupation of the respondents

The type of occupation has an influencing factor in relation to accessing banks and availing banking services. Hence the question relating to the banking services are gathered and presented in the table below

Occupation	Frequency	Percent
Agriculture	82	22.8
Business	28	7.8
Govt. & Private Employee	63	17.5
Daily Worker	87	24.2
Self-employed	18	5.0
House wife	82	22.8
Total	**360**	**100.0**

Source : Field data

The above table reveals that out of 360 respondent customers associating with the bank, it is found that 24.2 percent of them are daily workers, 22.80 percent each of the respondents are agriculturalists and house wife respectively, 17.5 percent of the are government and private employees, 7.8 percent are involved in business and the remaining 5.00 percent are self employed. A large majority of the members are daily workers and agriculture workers in this study.

Table 5.8

Area of residence of the respondents

The area of residence has more implication in the concept of study namely the financial inclusion and hence the question relating to the area of residence is gathered and the results are presented in the below table.

Area	Frequency	Percent
Rural	306	85.0
Urban	54	15.0
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents considered for the study, 85 percent of the respondents are from rural area and the remaining 15 percent are from urban areas. As the topic has more relevance to rural area, majority of the respondents are concentrated from the rural areas.

Table 5. 9

Type of Bank

The study has more relevance to the type of banks and hence the question relating to the type of banks are gathered and the results are presented below

Type of Bank	Frequency	Percent
Public	270	75.0
Private	90	25.0
Total	**360**	**100.0**

Source : Field data

The above table reveals that out of 360 customers taken for the study, it is found that 270 (75%) respondents are being financially included by the public sector banks and the remaining 90 respondent customers (25%) are financially included by the private sector banks. The role of public sector banks is in the admirable state when compared with the private sector banks. The rural focus is more in case of public sector banks than the private sector banks.

Table 5. 10

Type of Deposits

The type of deposits carry more information about the concept of financial inclusion and hence the question relating to the type of deposits are gathered and the results are presented in the below table.

Type of Deposits	**Frequency**	**Percent**
Savings Bank Deposits	128	35.6
Fixed Deposits	82	22.8
Recurring Deposits	98	27.2
Others	52	14.4
Total	**360**	**100.0**

Source : Field data

Out of 360 respondent customers considered for the study, it is found that a large majority of 35.6 percent of the customers is holding savings bank account, 27.2 percent of the customers have been covered by recurring deposits, 22.8 percent of them are covered by fixed deposits and the remaining 14.4 of them are covered by other simple saving methods. However a large majority of the customers are covered by savings bank and recurring deposit accounts.

Table 5. 11

Type of Loans

The below table gives the details of the type of loan availed and sanctioned to the customers by the various sectors of banks in the study area. The result below gives a detailed picture of the same.

Type of Loans	Frequency	Percent
Agriculture Loan	72	20.0
Gold Loan	28	7.8
Personal Loan	75	20.8
Housing Loan	45	12.5
Vehicle Loan	55	15.3
Education Loan	35	9.7
Business Loan	30	8.3
Other	20	5.6
Total	360	100.0

Source : Field data

From the above table it is found that out of 360 customer respondents taken for the study, it is found that 20.8 percent of the customers have availed personal loan, 20 percent have availed agricultural loan, 9.7 percent have availed educational loan, 8.3 percent have availed business loan, 7.8 percent have got gold loan and 5.6 percent have got other type of loans.

Table 5.12

Type of Insurance

Insurance coverage is the very important phenomenon which is insisted upon by the government. Hence the question relating to the insurance coverage is gathered from the respondents and the results are presented in the below table

Type of Insurance	Frequency	Percent
Life Insurance	92	25.6
Medical Insurance	58	16.1
Health Insurance	42	11.7
Accident Insurance	78	21.7
Vehicle Insurance	35	9.7
Property Insurance	25	6.9
Cattle Insurance	10	2.8
Crop Insurance	8	2.2
No insurance	12	3.3
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents, 25.6 percent of the respondents are covered by life insurance, 21.7 percent are covered by accident insurance, 16.1 percent are covered by medical insurance, 11.7 percent are covered by health insurance, 9.7 percent are covered by vehicle insurance, 6.9 percent are covered by property insurance, 2.8 percent are covered by cattle insurance, 2.2 percent are covered by crop insurance and a very less percent of 3.3 are not covered by any type of insurance. Majority of the respondents are covered by life insurance which is very common in Indian context.

Table 5. 13

Years of Membership in SHGs

The below table brings to light the years of membership in SHGs that ultimately lead to empowerment and inclusion and hence this question is asked and the results are presented

Number of years	Frequency	Percent
Less than 3 Years	39	10.8
3 - 5 Years	41	11.4
5 - 7 Years	83	23.1
7 - 10 Years	79	21.9
More than 10 Years	118	32.8
Total	**360**	**100.0**

Source : Field data

From the above table it is inferred that out of 360 respondents taken for the study, 32.8 percent of the respondents are members of SHGs for more than 10 years, 23.1 percent of the respondents are members of SHGs for a period of 5 – 7 years, 21.9 percent are members for a period of 7 – 10 years, 11.4 percent are members for a period of 3 – 5 years and the remaining 10.8 percent are members for a period less than 3 years. Majority are members of SHGs for more than 10 years which is the trend for SHGs in Indian context.

Table 5. 14

Knowledge about SHGs

The below table provides information relating to the knowledge gathered by the members on SHGs and the source of awareness towards the concept of financial inclusion and the results are tabulated below

Knowledge	Frequency	Percent
Through Neighbors	100	27.8
Panchayat / Municipal staff	108	30.0
Bank Staff	73	20.3
SHG Members	79	21.9
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents, it is observed that 30 percent of the members have knowledge and awareness about SHGs through the panchayat and municipal staff, 27.8 percent learned through neighbors, 21.9 percent have knowledge on the same through SHG members and the remaining 20.3 percent of the members were enriched with the same through bank staff. The major source of knowledge about the SHGs is provided by the municipal staff which leads to an understanding that the role of government is in an appreciable state.

Table 5.15

Number of time loan availed from SHGs

Loan and the benefit of improvement in the life style of the members is the major objective of SHG and financial inclusion and hence the question relating to the number of loans taken by the beneficiary is pictured-out in the below table

Number of time loan	Frequency	Percent
Only Once	54	15.0
Two Times	58	16.1
Three times	85	23.6
More than 3 Times	82	22.8
Never	81	22.5
Total	**360**	**100.0**

Source : Field data

The above table highlights that 23.6 percent of the members have availed loan three times, 22.8 percent of the respondents have availed loan for more than three times, 22.5 percent of the members have never availed loan from the SHGs, 16.1 percent have availed loan for two times and the remaining 15 percent of the members have availed loan just only once. A large majority of the respondents have availed loan from SHGs for three times and more than three times. The financial discipline of the group / members helps them in going for loan more than once.

Table 5. 16

Opinion about Interest Charged by the SHGs

The below table provides information relating to the interest charged by the SHGs on loans and the opinion of the members are tabulated below

Interest	Frequency	Percent
Very High	72	20.0
High	77	21.4
Moderate	111	30.8
Low	55	15.3
Very Low	45	12.5
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents considered for the study, 30.8 percent of the respondents feel that the interest charged is moderate, 21.4 percent feel that it is high, 20 percent feel that it is very high, 15.3 percent feel that the interest rate is low and the remaining 12.5 percent feel that it is very low. Majority of the respondents feel that the interest rate is moderate and high.

Table 5.17

Payment of the Loan Installments

The regular payment of installments lead to financial discipline of the members and the SHGs follow their own model and methodology in collecting the same. Hence the question relating to the time of payment of installment are gathered and presented in the below table

Payment	Frequency	Percent
Weekly	137	38.1
Monthly	223	61.9
Total	360	100.0

Source : Field data

From the above table it is found that out of 360 respondents considered for the study, 61.9 percent of the members pay the loan monthly and the remaining 38.1 percent of the members pay by way of weekly installments. Majority of the members pay the loan in monthly installments.

Table 5. 18

Motivating factor for Regular Payment

In any aspect there remains a motivating factor that will be a guiding principle leading to a set of discipline, hence the question relating to the motivating factor for regular payment is gathered and presented in the table below

Motivating factor	Frequency	Percent
Pressure from the group	67	18.6
Getting further loans	68	18.9
Fear of legal action	78	21.7
Self –Esteem/Self discipline	101	28.1
Other	46	12.8
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents considered for the study, 28.1 percent of the respondents pay back the loan installments due to self esteem / self discipline, 21.7 percent pay regularly due to fear of legal actions, 18.9 percent pay in time for getting further loan, 18.6 percent repay due to pressure from the group members and the remaining 12.8 percent repay due to other reasons. Majority of the members repay due to self esteem.

Table 5. 19

Reason for Irregular Payment

In any area where finance is dealt there is always a scope for irregularity which has valid and invalid reasons. Hence the question relating to the reasons for irregular payment are gathered and tabulated.

Reason	Frequency	Percent
Inadequate Income	125	34.7
High amount of installments	58	16.1
Other emergency expenses occurred	95	26.4
Willful default	52	14.4
Others	30	8.3
Total	**360**	**100.0**

Source : Field data

From the above table it is found that out of 360 respondents a majority of 34.7 percent make irregular payment of their installments due to inadequate income, 26.4 percent of the respondents make irregular in payments due to emergency expenses, 16.1 percent of the respondents feel that the amount of installment is high which leads to irregular payment of the loan installments 14.4 percent make a willful default and the remaining 8.3 percent have other reasons for irregular payment of their loans. Majority of the respondents are defaulters in repayment due to inadequate income and emergency expenses.

Table 5. 20

Type of Bank * Gender

The topic of the study has more relevance over the type of banks and the types customers selected / extended the service of banking and hence the question relating to the type of banks and gender is gathered and the results are tabulated below

Crosstab

			Gender		Total
			Male	Female	
Type of bank	Public	Count	36	234	270
		Expected Count	27.0	243.0	270.0
		% within Type of Bank	13.3%	86.7%	100.0%
	Private	Count	0	90	90
		Expected Count	9.0	81.0	90.0
		% within Type of Bank	0.0%	100.0%	100.0%
Total		Count	36	324	360
		Expected Count	36.0	324.0	360.0
		% within Type of Bank	10.0%	90.0%	100.0%

Source: Field data

From the above table it is found that out of 360 customer respondents taken for the study under the concept of financial inclusion, it is found that a large majority of the customers are extended service by the public sector banks numbering to 270 out of 360 which is 75 percent and the remaining 25 percent of the customers are extended service by the private sector banks. The role of financial inclusion is more in case of public sector banks than by the private sector banks. The reasons are the public sector banks to extend this service effectively are the government regulations and the establishment of their branches in rural areas.

Further it is found that out of 360 respondents considered for the study 324 (90%) are female and the remaining 36 (10%) are male. The concept is more relevant in case of female members as they associate with banks and other micro financial activities for their family's financial and economic needs.

Hypothesis: There is no significant relationship between the type of banks and the type of customers.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**	**Exact Sig. (2-sided)**	**Exact Sig. (1-sided)**
Pearson Chi-Square	13.333[a]	1	.000		
Continuity Correction[b]	11.893	1	.001		
Likelihood Ratio	22.016	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	13.296	1	.000		
N of Valid Cases	360				

From the above table it is found that the observed value of chi square is 13.333, the degree of freedom is 1 and the level of significance is 0.00 which is less that 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of customers and the type of banks.

Table 5.21

Type of Bank * Age of Group

The below table highlights the type of bank and age group of customers to whom the banks extend service through financial inclusion.

Crosstab

			Age of Group			Total
			Less than 30	30-50	50 and above	
Type of bank	Public	Count	85	136	49	270
		Expected Count	66.0	132.8	71.3	270.0
		% within Type of Bank	31.5%	50.4%	18.1%	100.0%
	Private	Count	3	41	46	90
		Expected Count	22.0	44.3	23.8	90.0
		% within Type of Bank	3.3%	45.6%	51.1%	100.0%
Total		Count	88	177	95	360
		Expected Count	88.0	177.0	95.0	360.0
		% within Type of Bank	24.4%	49.2%	26.4%	100.0%

Source: Field data

From the above table it is found that out of 360 respondents 270 (75%) members are associating with the public sector banks and the remaining 90 (25%) are associating with the private sector banks. Of the total respondents in the public sector banks it is found that 50.4 percent of the respondents are in the age group of 30 – 50, 31.5 percent of the respondents are in the age group of less than 30 years and the remaining 18.1 percent of the respondents are in the age above 50 years. A huge majority of the respondents are in the age group between 30 – 50 years of age which is a responsible age for the members who associate with banks for financial benefits.

Hypothesis: There is no significant relationship between the type of banks and the age group of the respondents.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	49.990	2	.000
Likelihood Ratio	55.507	2	.000
Linear-by-Linear Association	49.489	1	.000
N of Valid Cases	360		

From the above table it is found that the observed value of chi square is 49.999, the degree of freedom is 2 and the level of significance is 0.00 which is less that 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the age group of the respondents.

TYPE OF BANK * AGE OF GROUP

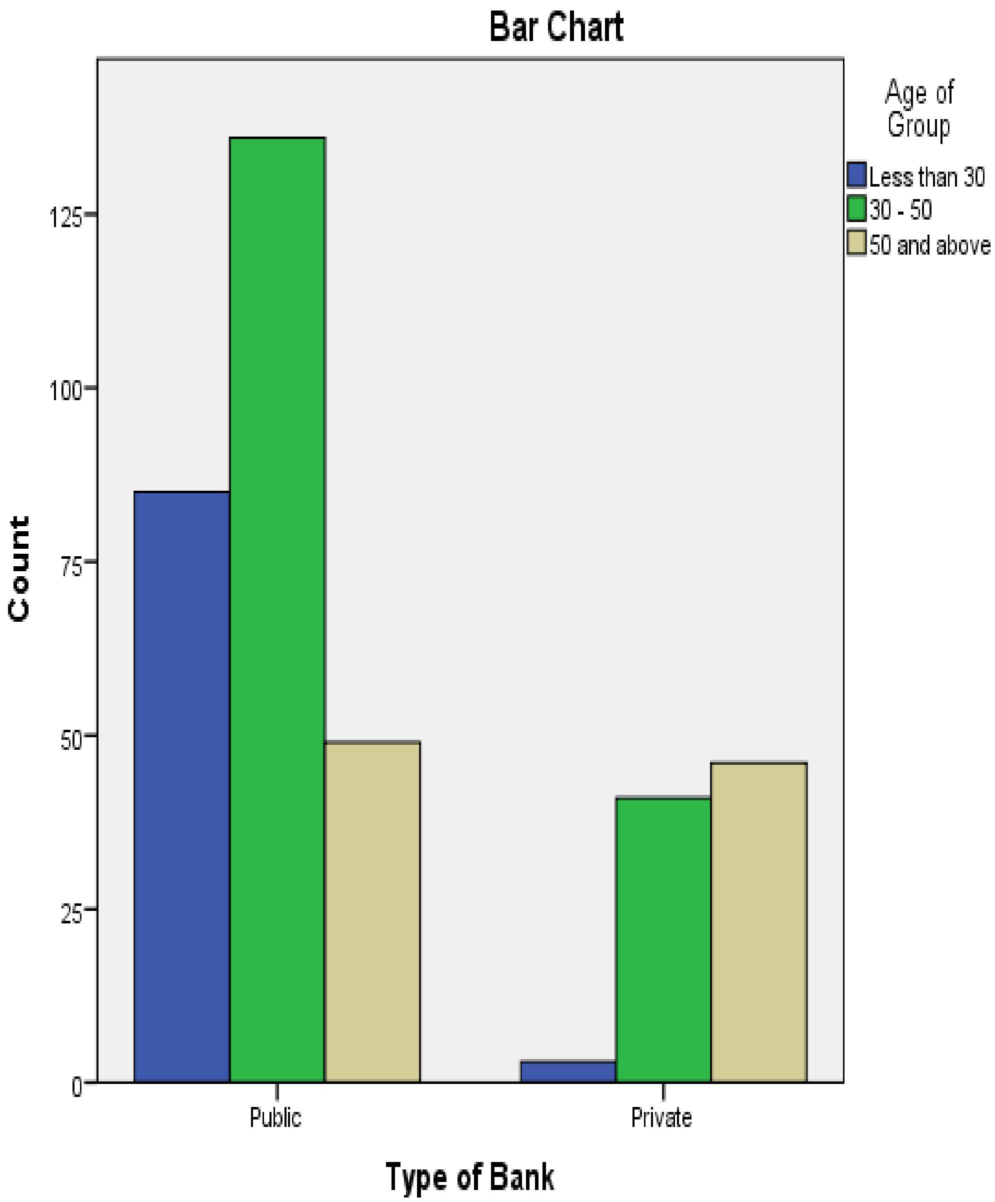

Table 5.22

Type of Bank * Marital Status

The focus of financial inclusion is to bring into the financial fold a large population invariably of their status in the society. Hence the question relating to the marital status is gathered and presented in the table below

Cross tab

			Marital status			Total
			Married	Unmarried	Widowed	
Type of bank	Public	Count	76	170	24	270
		Expected Count	76.5	169.5	24.0	270.0
		% within Type of Bank	28.1%	63.0%	8.9%	100.0%
	Private	Count	26	56	8	90
		Expected Count	25.5	56.5	8.0	90.0
		% within Type of Bank	28.9%	62.2%	8.9%	100.0%
Total		Count	102	226	32	360
		Expected Count	102.0	226.0	32.0	360.0
		% within Type of Bank	28.3%	62.8%	8.9%	100.0%

Source : Field data

From the above table it is found that out of 360 respondents considered for the study 226 are single, 102 are married and the remaining 32 respondents are widowed.

Of these the classification relating to the public and private sector is highlighted. With regard to the public sector banks adoption it is found that out of 270 respondents it is found that 63 percent are single, 28.1 are married and the remaining 8.9 percent are widows. In case of the private sector banks adoption it is found that out of 70 respondents 62.2 percent are single, 28.9 percent are married and the remaining 8.9 percent are widow. In both the cases the outcome is even with same proportion.

Hypothesis: There is no significant relationship between the type of banks and the marital status of the respondents.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	.019[a]	2	.991
Likelihood Ratio	.019	2	.991
Linear-by-Linear Association	.011	1	.916
N of Valid Cases	360		

From the above table it is found that the observed value of chi square is 0.1999, the degree of freedom is 2 and the level of significance is 0.991 which is higher than that of 0.05 and hence the null hypothesis is accepted. There is no significant relationship between the type of bank and the marital status of the respondents.

TYPE OF BANK * MARITAL STATUS

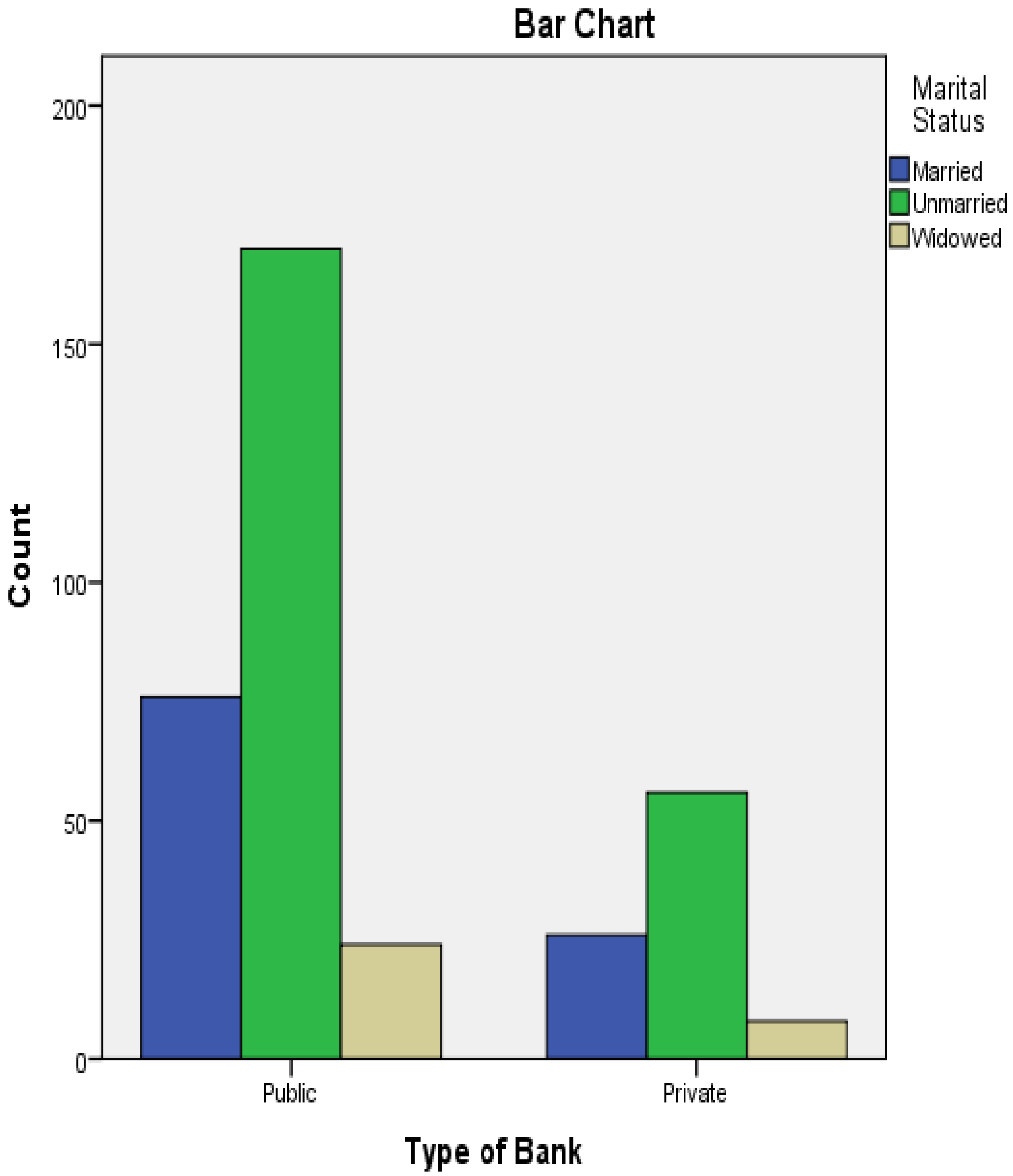

Table 5.23

Type of Bank * Religion

The concept of financial inclusion is mooted to benefit every population of the country that suffers exclusion. Hence the question relating to the religion is gathered and the results are presented in the below table.

Crosstab

			Religion				Total
			Hindu	Muslim	Christian	Others	
Type of bank	Public	Count	90	61	80	39	270
		Expected Count	73.5	80.3	60.0	56.3	270.0
		% within Type of Bank	33.3%	22.6%	29.6%	14.4%	100.0%
	Private	Count	8	46	0	36	90
		Expected Count	24.5	26.8	20.0	18.8	90.0
		% within Type of Bank	8.9%	51.1%	0.0%	40.0%	100.0%
Total		Count	98	107	80	75	360
		Expected Count	98.0	107.0	80.0	75.0	360.0
		% within Type of Bank	27.2%	29.7%	22.2%	20.8%	100.0%

Source : Field data

From the above table it is found that out of 360 respondents considered for the study 270 are associated with the public sector banks and the remaining 70 are associated with the private sector banks. Of the 270 respondents considered for the study in the public sector banks 33.3 percent of the respondents belong to Hinduism, 29 percent of the respondents follow Christianity 22.6 percent follow Islam and the remaining 14.4 percent follow other faith. In case of private sector banks it is found that out of 70 respondents 51.1 percent follow Islam, 8.9 percent follow Hinduism and the remaining 40 percent follow other faith.

Hypothesis: There is no significant relationship between the type of banks and the religion of the respondents.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	81.113[a]	3	.000
Likelihood Ratio	99.389	3	.000
Linear-by-Linear Association	11.897	1	.001
N of Valid Cases	360		

From the above table it is found that the observed value of chi square is 81.113, the degree of freedom is 3 and the level of significance is 0.000 which is less than that of 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the religion of the respondents.

TYPE OF BANK * RELIGION

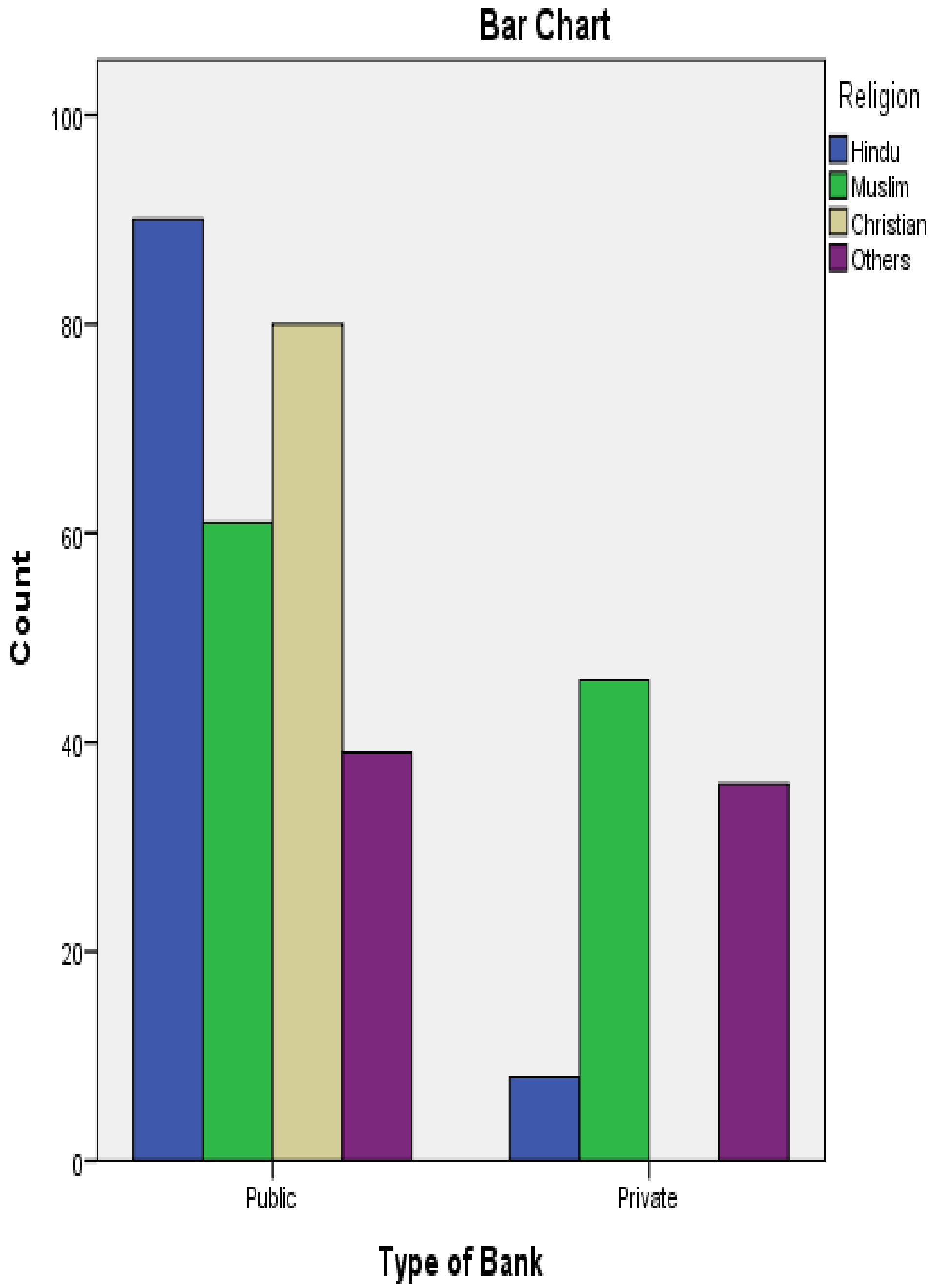

Table 5.24

Type of Bank * Caste

An attempt is made by the researcher to identify the type of bank and the community background of the respondents. As the banks are expected to serve the socially and economically weak segment of the society this attempt is made by the researcher and the results are presented in the below table

Crosstab

			Caste			Total
			General	**OBC**	**SC/ST**	
Type of bank	Public	Count	76	116	78	270
		Expected Count	72.8	121.5	75.8	270.0
		% within Type of Bank	28.1%	43.0%	28.9%	100.0%
	Private	Count	21	46	23	90
		Expected Count	24.3	40.5	25.3	90.0
		% within Type of Bank	23.3%	51.1%	25.6%	100.0%
Total		Count	97	162	101	360
		Expected Count	97.0	162.0	101.0	360.0
		% within Type of Bank	26.9%	45.0%	28.1%	100.0%

Source : Field data

From the above table it is found that out of 360 respondents approached for the study and 270 covered under the public sector banks it is found that 43 percent of the respondents belong to OBC category, 28.9 percent of the respondents belong to SC / ST category and the remaining 28.1 percent of the respondents belong to general category. In case of private sector banks with 90 respondents, it is found that 51.10 percent of the respondents belong to OBC, 25.6 percent belong to SC / ST and the remaining 23.3 percent belong to general category. In both the cases it is found that majority of the respondents belong to the OBC category which is a very common factor in the Indian context followed by the SC / ST people.

Hypothesis: There is no significant relationship between the type of banks and the caste catagory of the respondents.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	1.844[a]	2	.398
Likelihood Ratio	1.840	2	.398
Linear-by-Linear Association	.027	1	.870
N of Valid Cases	360		

From the above table it is found that the observed value of chi square is 1.844, the degree of freedom is 2 and the level of significance is 0.398 which is more than that of 0.05 and hence the null hypothesis is accepted. There is no significant relationship between the type of bank and the caste category of the respondents.

TYPE OF BANK * CASTE

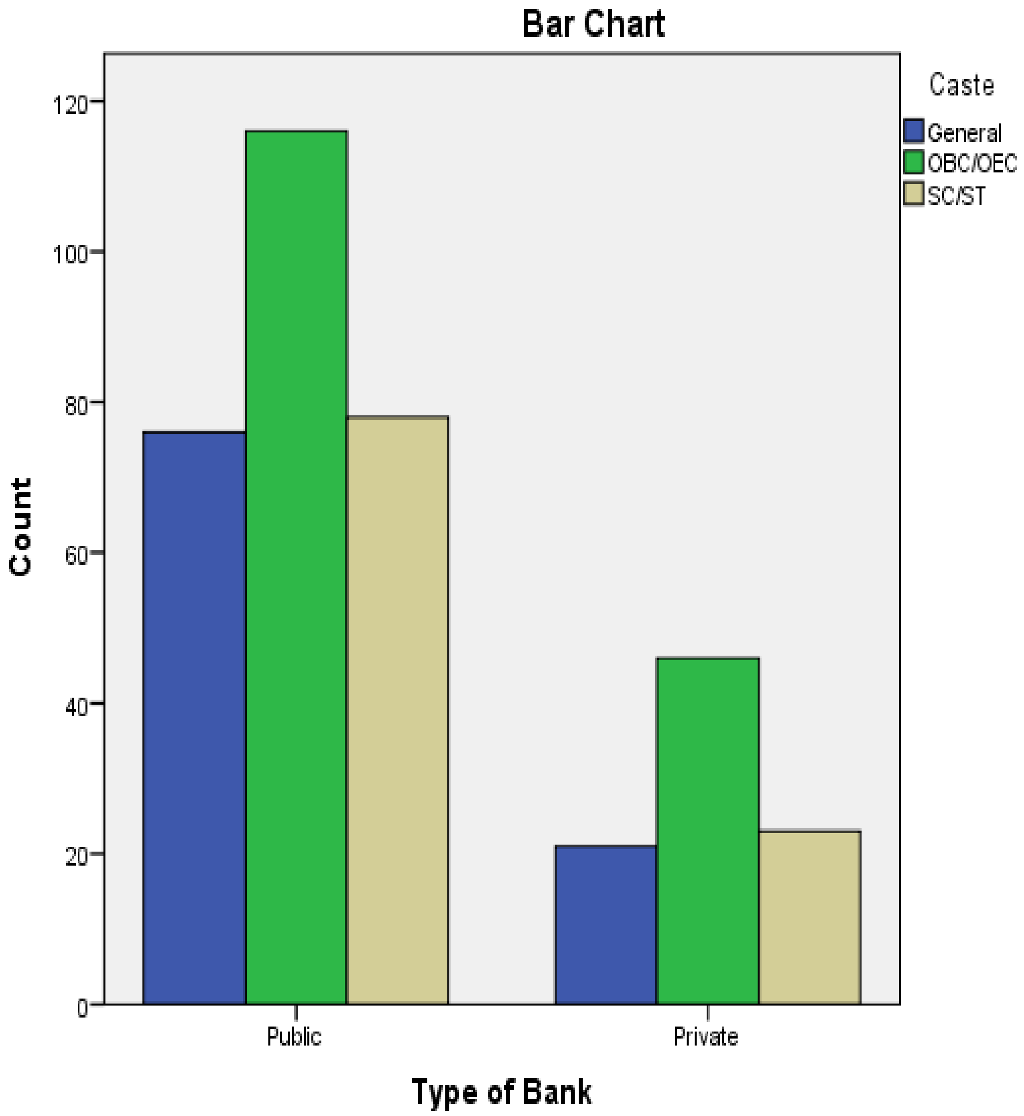

Table 5.25

Type of Bank * Area

The study focuses on the financial inclusion and more particularly the role of banks in financial inclusion extended by both public and private sector banks in both rural and urban areas. The details are gathered and the results are presented in the below table

Crosstab

			Area		Total
			Rural	Urban	
Type of bank	Public	Count	230	40	270
		Expected Count	229.5	40.5	270.0
		% within Type of Bank	85.2%	14.8%	100.0%
	Private	Count	76	14	90
		Expected Count	76.5	13.5	90.0
		% within Type of Bank	84.4%	15.6%	100.0%
Total		Count	36	306	54
		Expected Count	36.0	306.0	54.0
		% within Type of Bank	10.0%	85.0%	15.0%

Source: Field data

Of the total 270 respondents from the public sector banks 230 (85.2%) respondents are from rural areas and the remaining 40 (14.8%) respondents are from urban areas. In case of private sector banks of the 90 respondents 76 (76.5%) respondents are from rural areas and the remaining 14 (13.5%) respondents are from the urban area. Collectively it is found that out of the total 360 respondents 85% of the respondents are from rural areas and the remaining 15% of the respondents are from urban areas. As the study has more focus on the rural development and financial inclusion of rural people more representations are from rural areas.

Hypothesis: There is no significant relationship between the type of banks and the area of the respondents.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**	**Exact Sig. (2-sided)**	**Exact Sig. (1-sided)**
Pearson Chi-Square	.029[a]	1	.865		
Continuity Correction[b]	.000	1	1.000		
Likelihood Ratio	.029	1	.865		
Fisher's Exact Test				.866	.492
Linear-by-Linear Association	.029	1	.865		
N of Valid Cases	360				

From the above table it is found that the observed value of chi square is .865, the degree of freedom is 1 and the level of significance is 0.492 which is more than that of 0.05 and hence the null hypothesis is accepted. There is no significant relationship between the type of bank and the area of the respondents.

TYPE OF BANK * AREA

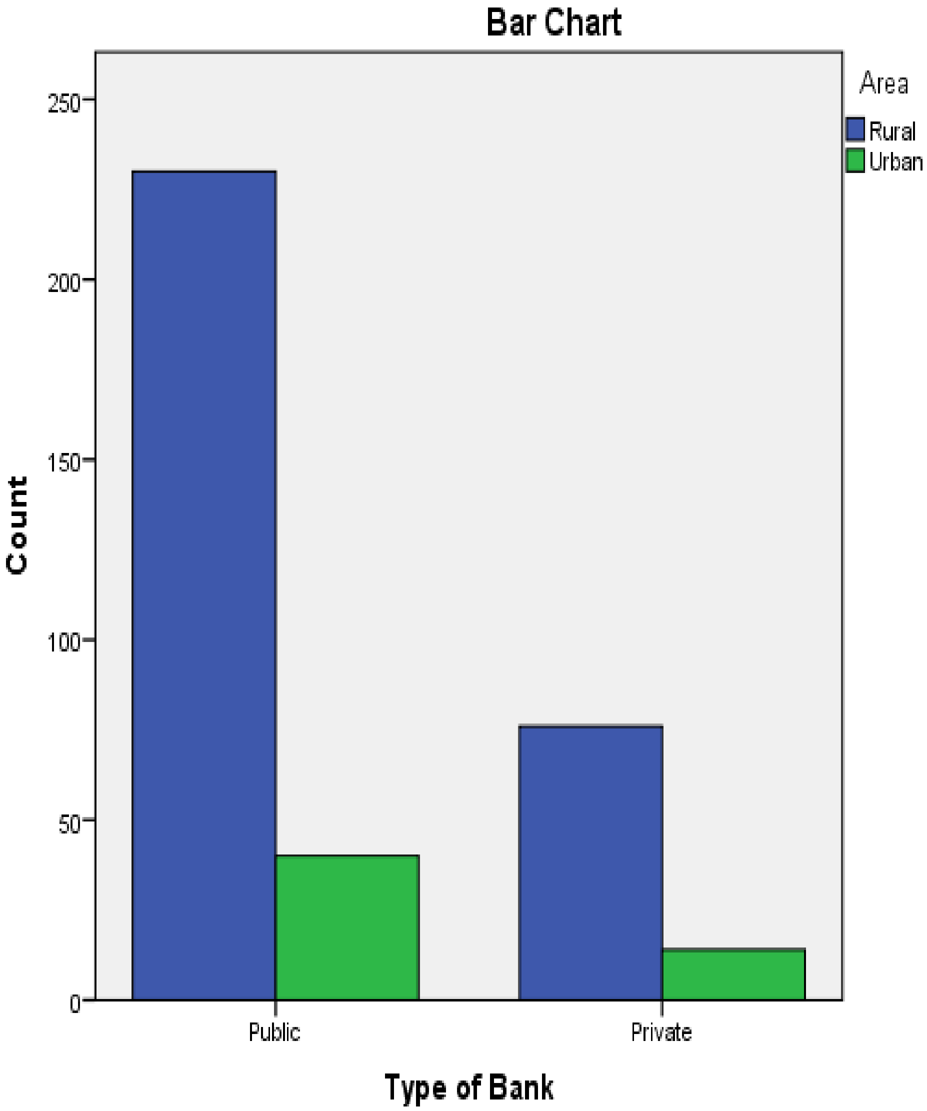

Table 5.26

Type of Bank * Type of Deposits

The below table highlights the type of banks and their ability to create various types of deposits created by them as an aspect of banking service

Crosstab

			Type of Deposits				Total
			Savings Bank Deposits	Fixed Deposits	Recurring Deposits	Other	
Type of bank	**Public**	Count	88	77	55	50	270
		Expected Count	96.0	61.5	73.5	39.0	270.0
		% within Type of Bank	32.6%	28.5%	20.4%	18.5%	100.0%
	Private	Count	40	5	43	2	90
		Expected Count	32.0	20.5	24.5	13.0	90.0
		% within Type of Bank	44.4%	5.6%	47.8%	2.2%	100.0%
Total		Count	128	82	98	52	360
		Expected Count	128.0	82.0	98.0	52.0	360.0
		% within Type of Bank	35.6%	22.8%	27.2%	14.4%	100.0%

Source : Field data

From the above table it is found that out of 270 respondents considered for the study in the public sector banks it is found that 32.6 percent of the members hold savings bank deposits, 28.5 percent of the respondents hold fixed deposit account, 20.4 percent have the recurring deposit account and the remaining 18.5 percent of the respondents have other type of accounts. Majority of the respondents have savings bank deposit account.

In case of private sector bank customers it is found that out of 90 respondents 47.8 percent of them have recurring deposits, 44.4 percent of them have savings bank account and the remaining percent of the respondents have other types of accounts.

Collectively it is found that 35.5 percent of the respondents have savings bank account, 27 percent of them have recurring deposits, 22.8 percent of them hold fixed deposits and the remaining 14.4 percent of them have other types of deposits.

Majority of the respondent customers have both saving bank account and the recurring deposits account.

Hypothesis: There is no significant relationship between the type of banks and the various types of accounts

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	49.329[a]	3	.000
Likelihood Ratio	56.883	3	.000
Linear-by-Linear Association	1.680	1	.195
N of Valid Cases	360		

From the above table it is found that the observed value of chi square is 49.329, the degree of freedom is 3 and the level of significance is 0.000 which is less than that of 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the various types of accounts promoted by the banks from its customers.

TYPE OF BANK * TYPE OF DEPOSITS

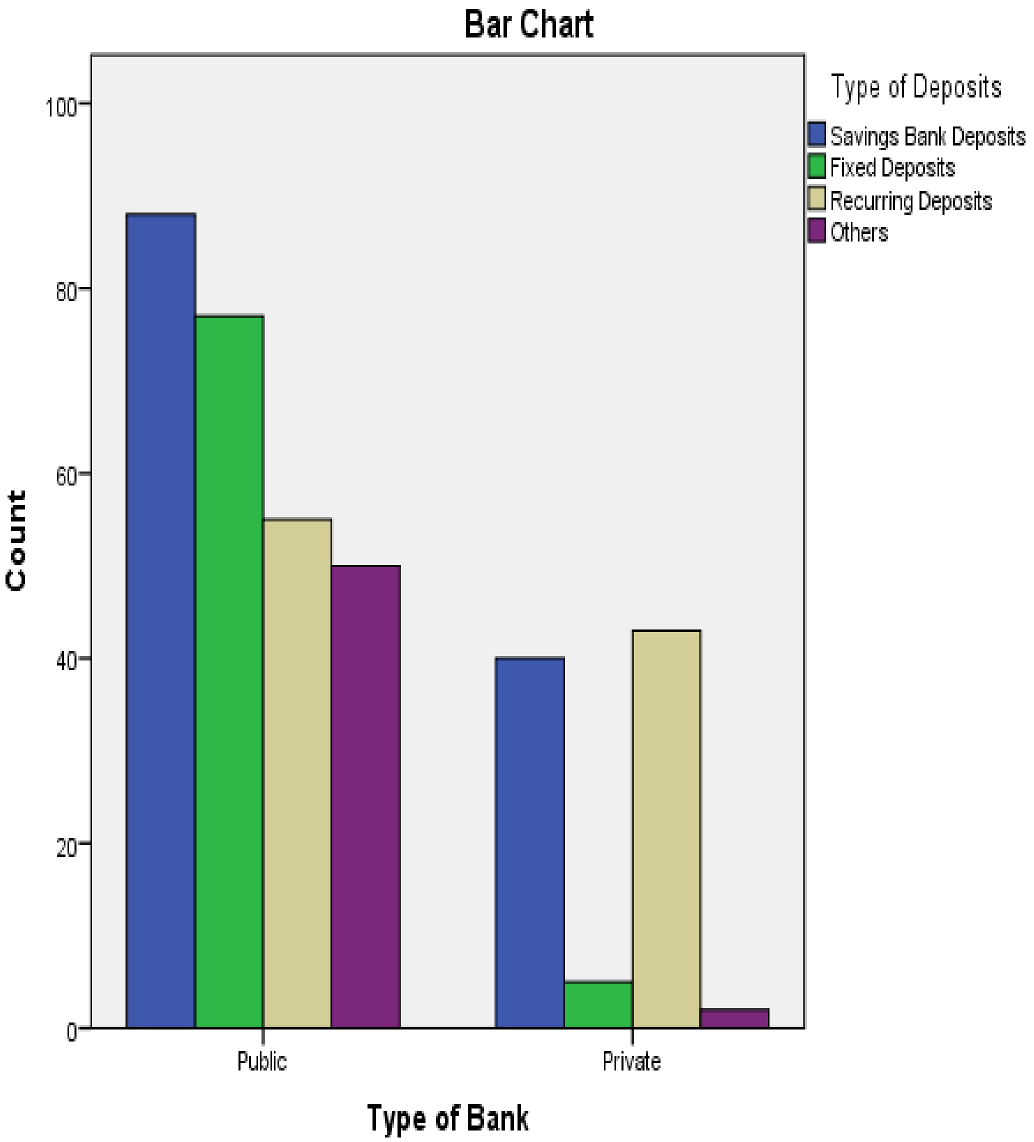

Table 5.27

Type of Bank * Type of Loans

The below table analysis the type of loans sanctioned by public and private sector banks

Type of loan	**Agriculture**	**Gold**	**Personal**	**Housing**	**Vehicle**	**Education**	**Business**	**Others**	**Total**
Public sector	54	20	58	35	39	25	23	16	270
Percentage	20	7.4	21.5	13	14.4	9.3	8.5	5.9	100
Private sector	18	8	17	10	16	10	7	4	90
Percentage	20	8.9	18.9	11.1	17.8	11.1	7.8	4.4	100
Total	72	28	75	45	55	35	30	20	360
Total percentage	20	7.8	20.8	12.5	15.3	9.7	8.3	5.6	100

Source : Field data

Of the 270 respondents from the public sector banks, it is found that 21.5 percent of them borrow as personal loans, 20 percent of the borrow agriculture loan, 14.4 percent take vehicle loan, 9.3 percent take educational loan, 8.5 percent take business loan, 7.4 percent take gold loan and the remaining 5.9 percent of the respondents take other types of loans. There is a big awareness among the beneficiaries about financial inclusion and the result of the analysis is the evidence.

With regard to the private sector banks, it is found that out of 90 respondent customers 20 percent of them take agriculture loan, 18.9 percent take personal loan, 17.8 percent of them take vehicle loan, 11.1 percent of the respondents respectively take housing and educational loan, 8.9 percent of them take gold loan, 7.8 percent take business loan and the remaining 4.4 percent of the respondent customers take other loans, majority of the respondents take agriculture load and personal loan.

TYPE OF BANK * TYPE OF LOANS

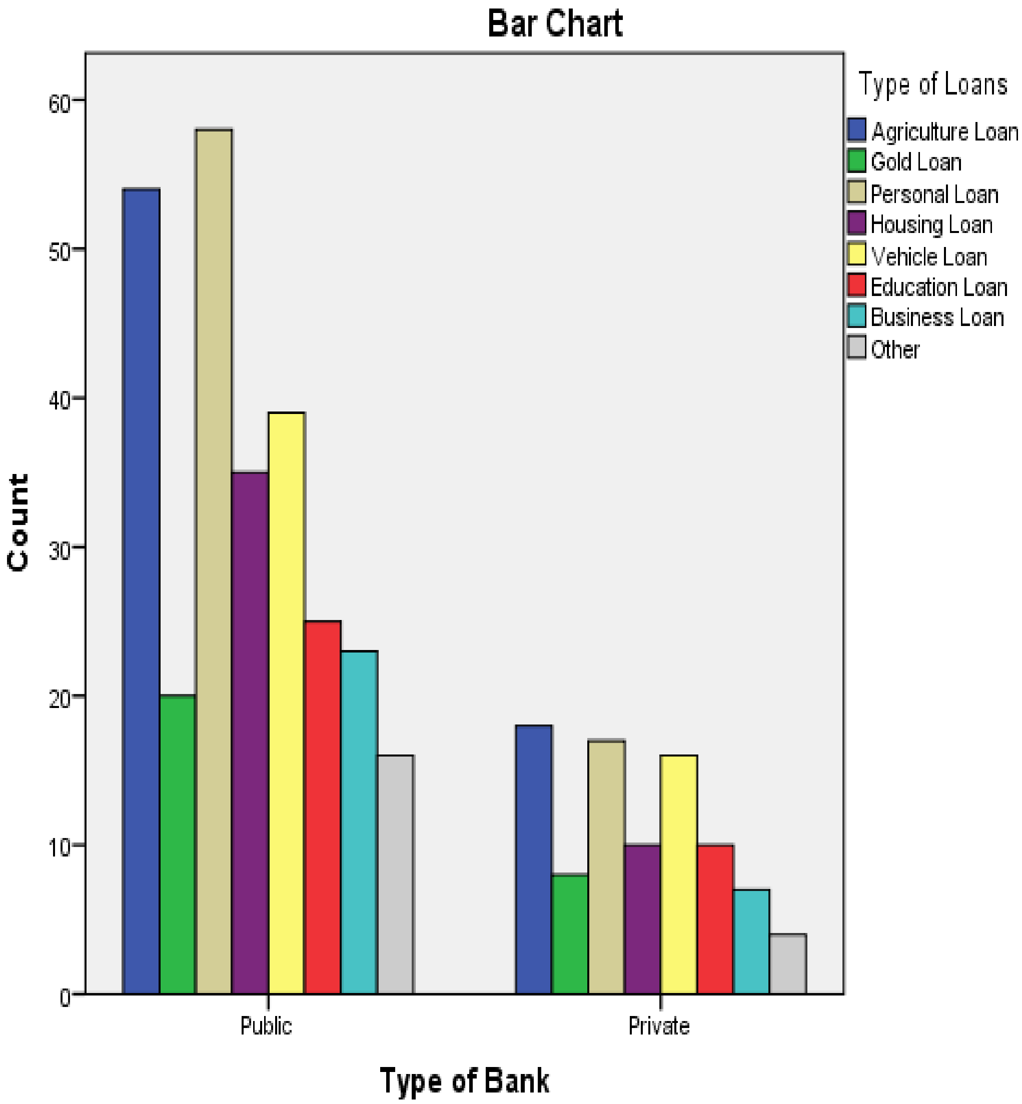

Table 5.28

Type of Bank * Type of Insurance

Insurance is one of the major aspect of financial inclusion and hence the question relating to the insurance coverage is gathered and presented in the below table.

	LIC	**Med.I**	**Health I**	**Acc. I**	**Vehi I**	**Prop I**	**Cat. Ins**	**Crop I**	**No I**	**total**
Public	92	37	32	44	34	4	10	7	10	270
%	34.1	13.7	11.9	16.3	12.6	1.5	3.7	2.6	3.7	100
Private	--	21	10	34	1	21	--	1	2	90
%		14.5	10.5	37.8	1.1	23.3	0	1.1	2.2	100
Total	92	58	42	78	35	25	10	8	12	360
%	25.6	16.1	11.7	21.7	9.7	6.9	2.8	2.2	3.3	100

Source : Field data

From the above table it is found that out of 270 respondents in the public sector banks it is found that 34.1 percent are covered by LIC, 16.3 percent are covered by accident insurance, 13.7 percent are covered by medical insurance, 12.6 percent of the respondents have vehicle insurance, 11.9 percent are coved by health insurance and the other types of insurance have a representation less than 5 percent each. In case of private sector banks37.8 percent have the accident insurance coverage, 23.3 percent of the respondents are covered by property insurance, 14.5 percent have medical insurance coverage, 10.5 percent have health insurance coverage and the remaining types of insurance coverage is less than 5 percent each. Collectively it is found that there is more insurance coverage for life policies followed by accident insurance, medical insurance and health insurance. The other types of insurance have very less representation.

Hypothesis: There is no significant association between the type of banks and the various types of insurance coverage.

Chi-Square Tests

	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	108.970[a]	8	.000
Likelihood Ratio	128.090	8	.000
Linear-by-Linear Association	12.582	1	.000
N of Valid Cases	360		

From the above table it is found that the calculated value is 108.970, the degree of freedom is 8 and the level of significance is .0000 which is less than 0.05 and hence the null hypothesis is accepted. There is no significant association between the type of banks and the various types of insurance coverage.

TYPE OF BANK * TYPE OF INSURANCE

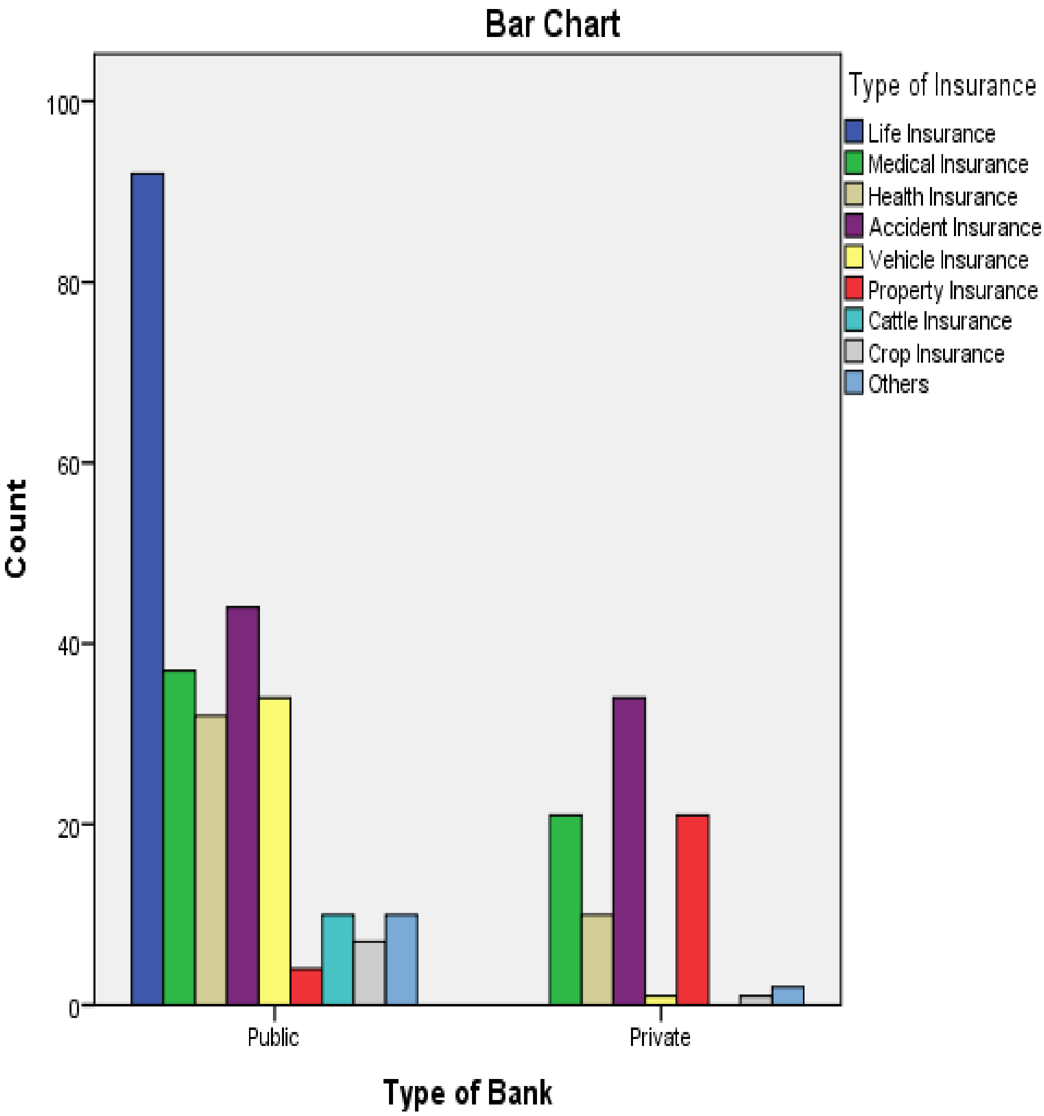

Table 5.29

Type of Bank * Zero Balance Account

In the concept of financial inclusion the no frills account is floated by the banking sectors, hence the question relating to the no frills account is gathered from the respondents and the results are presented in the below table.

Crosstab

			Zero Balance Account				
			Very Low	**Low**	**Neutral**	**High**	**Very High**
Type of bank	Public	Count	93	65	54	30	28
		Expected Count	88.5	69.0	57.0	30.0	25.5
		% within Type of Bank	34.4%	24.1%	20.0%	11.1%	10.4%
	Private	Count	25	27	22	10	6
		Expected Count	29.5	23.0	19.0	10.0	8.5
		% within Type of Bank	27.8%	30.0%	24.4%	11.1%	6.7%
Total		Count	118	92	76	40	34
		Expected Count	118.0	92.0	76.0	40.0	34.0
		% within Type of Bank	32.8%	25.6%	21.1%	11.1%	9.4%

Source : Field data

In case of public sector banks the concentration towards the no frills account is very low for 34.4 percent of the respondents, it is low for 24.1 percent of the respondents and it is high and very high for respondents of 10 % each in both the cases. In case of private sector banks it is found that out of 90 respondents the concentration is low and very low for 30 percent and 27.8 percent of the respondents. Collectively it is felt that the banking sector has less concentration over the zero balance accounts even though it is being floated by the banking rules and by government as well.

Level of awareness about various financial products and services

Hypothesis: There is no significant relationship between the level of awareness and various financial products and services offered by the banks

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.872
Bartlett's Test of Sphericity	Approx. Chi-Square	2841.913
	df	36
	level of significance	.000

The outcome of the KMO and Bartlett's test reveals that the P value is 2841, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the level of awareness and various financial products and services extended by various sectors of banks.

TYPE OF BANK * ZERO BALANCE ACCOUNT

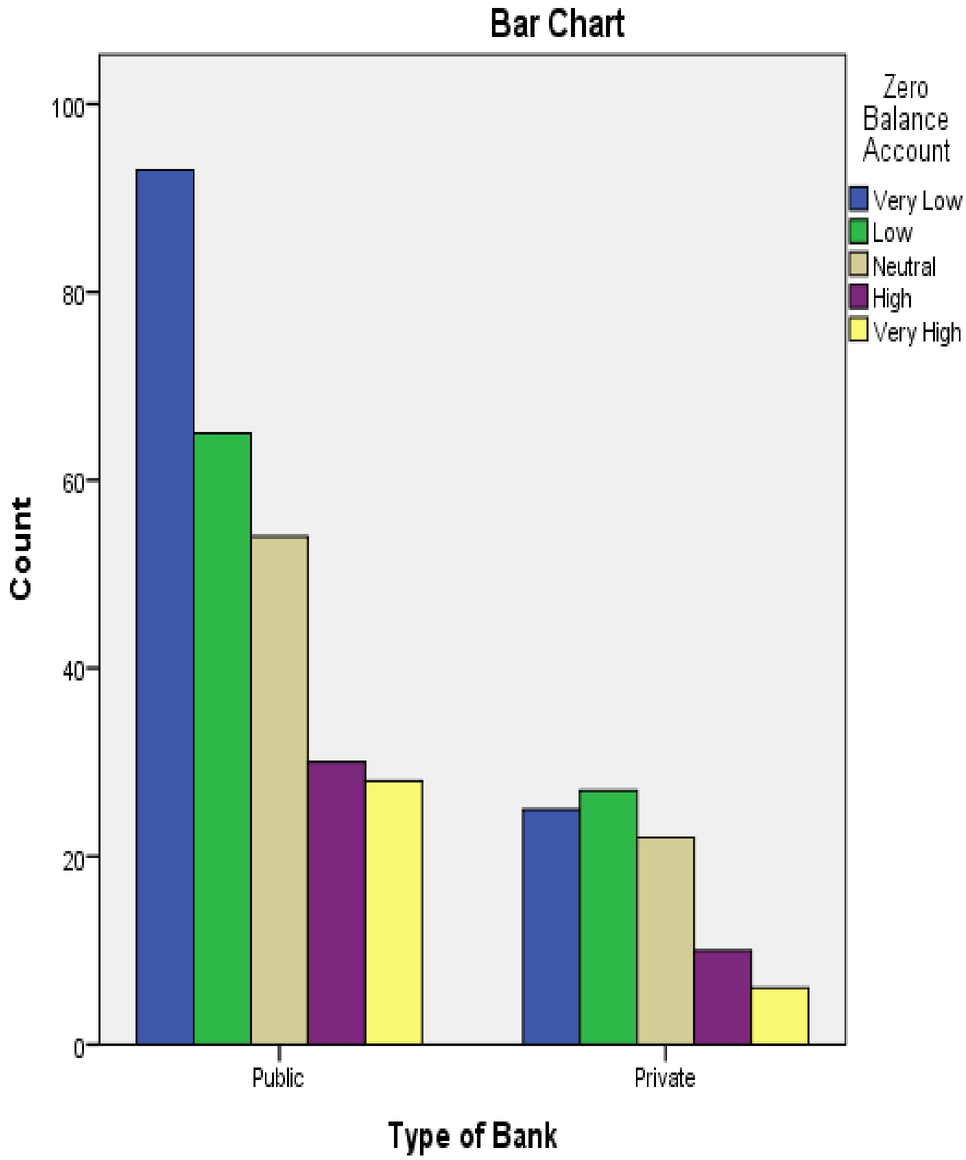

Table 5.30

Various factors of financial products

Financial products	Extraction	Ranking
ATM/Debit Card	**.744**	**III**
Credit Card	.635	
Cheque Book	**.880**	**I**
Money Transfer	.720	
Locker Facility	.608	
Insurance facilities	**.736**	**IV**
Mobile Banking	.725	
Internet Banking	.688	
Money Advice & Credit Counseling	**.874**	**II**

From the above table of factor analysis it is found that the most dominating level of awareness in relation to the financial products are knowledge on cheque facilities followed by money advice and credit counseling. A good many of the respondents have awareness on ATM / Debit card facilities and insurance facilities.

Discouraging reasons for not associating with the bank

Opinion regarding the discouraging factors to associate with the bank is evaluated with the help of nine factors and is evaluated with the help of factor analysis and the outcome is presented below,

Hypothesis: There is no relationship with the type of members and the discouraging factors to associate with the bank.

Opinion of customers

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.817
Bartlett's Test of Source : Field data Sphericity	Approx. Chi-Square	3547.495
	df	36
	level of Significance	.000

The outcome of the KMO and Bartlett's test reveals that the P value is 3547, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of members and the affective factors to associate with the bank.

Table 5.31

Affective Factors of the members in the bank

Factors	Component	
	1	2
Filling of forms for opening account is tedious	**.973**	
Bank employees do not help in opening an account	**.950**	
I am not able to keep minimum balance in the account	.899	.100
Opening an account with a bank takes lot of time	.892	
Banks are not for the poor	.830	.654
I do not have savings habit	.820	.116
I am not able to save due to high cost of living	.112	.916
I prefer to deposit money with private bankers		.900
Bank employees are not friendly and co-operative	.359	.790

From the above table it is found that the most discouraging factor for a customer or the type of members associating with the study is filling of forms for opening account is tedious followed by the factor bank employees do not help in opening an account. A good many of the respondents do agree that they are not able to maintain minimum balance.

Type of customers and opinion relating to the difficulties in connection with taking loans and their later experiences

Loan is not a simple aspect for anybody, hence the question relating to the loan formalities and the later experience is gathered and tabulated in the below table.

Hypothesis: there is no significant relationship between the type of customers and the opinion relating to the difficulties in connection with taking loans and their later experiences.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.827
Bartlett's Test of Sphericity	Approx. Chi-Square	3765.220
	df	28
	level of Significance	.000

The outcome of the KMO and Bartlett’s test reveals that the P value is 3765, degree of freedom is 28 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of members and the opinion relating to the difficulties in connection with taking loans and their later experiences.

Table 5. 32

Difficulties in taking loans

Factors	Extraction	Rank
There is much delay in sanctioning and getting loan	**.838**	**III**
Banks charge heavy interest on loans	.843	
Attitude of the bank staff is different	.808	
Amount of repayment per instalment is high	**.792**	**I**
Number of instalments is not convenient	**.987**	**II**
Period of loan repayment is shorter	.919	
There is restriction in the use of loan amount	.750	
In case of default in payment, further loan is refused		

From the above table it is found that the factors relating to the difficulties in connection with taking loans and their later experiences. The primary factor is observed to the inconvenient number of installments and the period of loan repayment. The participants are not a regular income group and hence the convenience of the members is to be addressed than following the rules strictly. The other important factor is the charging of heavy interest on loans. The people empowerment and growth is the major factor in this segment of economic development and people should not be severely dealt for the sake of business / profit. There should be a liberal policy towards lending and recovery. Indicate your opinion with regard to the use of financial services.

The evaluation of the use of financial services provided by the banks are very important and hence the question relating to the opinion of the customers relating to the use of financial services are gathered and the results are presented in the below table.

Hypothesis: There is no significant association between the type of banks and the opinion relating to the use of financial services.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.698
Bartlett's Test of Sphericity	Approx. Chi-Square	3806.393
	df	55
	level of Significance	.000

The outcome of the KMO and Bartlett's test reveals that the P value is 3806.39, degree of freedom is 55 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of banks and the opinion relating to the use of financial services.

Table 5.33

Problem factors of the respondent members

The members of SHGs have so many problems in handling and repaying the financial support received from the NGOs / SHGs and hence the following factors are analysed with the help of the same question

Factor	Extraction	
I need insurance against loss of life and property	**.743**	**III**
I am not aware that, banks facilitate insurance policies	.538	
I know the insurance agents who sell policies	.685	
Insurance agents compel people to bur insurance policies	.739	
I am not aware of credit cards and not using it.	.579	
I don't know how to operate ATM, so I don't use it.	.842	
I am not able to have the minimum balance in my account	**.754**	**I**
I don't us cheque book because I have no deposits	.575	
I do'nt transfer money through bank because it is expensive	.679	
I am not aware and don't have mutual funds	**.737**	**II**
I use mobile phone but don't use mobile banking	.563	

From the above table it is found that out of the various factors considered for the study it is found that the factor not able to maintain minimum balance scores high rank with .754 followed by no awareness about the investment with a score of .737 and the factor need for insurance against loss of life and property with .743.

Table 5. 34

Influence of Informal Finance

The evaluation of the influence of informal finances provided by the money lenders are very important and hence the question relating to the opinion of the respondents relating to the informal financial services available are gathered and the results are presented in the below table.

Factor	Extraction	
Interest on deposits	**.855**	**III**
Interest on Loans	.775	
Loans are easily available from them	.681	
They give loans for any purpose	.147	
Involves less time and formalities	.656	
Loans are available even at the door steps	**.882**	**II**
More friendly than the commercial banks	**.901**	**I**

Of all the factors considered for the study relating to the opinion regarding informal financial services, it is found that the factor friendlier than the commercial banks scores .901 followed by loan available at the door steps with a score of .882 and the other factor interest of deposits with a score of .855. It is found that the respondents have high opinion relating to the informal financial system.

Hypothesis: There is no significant association between the availability of informal finance and the influence of such finance.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.727
Bartlett's Test of Sphericity	Approx. Chi-Square	1433.732
	df	21
	level of Significance	.000

The outcome of the KMO and Bartlett's test reveals that the P value is 1433.372, degree of freedom is 21 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the availability of informal finance and the influence of such finance.

Table 5.35

Type of Bank * Member of a registered SHGs

Financial inclusion concept has originated from the membership in SHGs and hence the question relating to these aspects are asked and tabulated below

Type of bank	Less than 3 years	3 – 6 years	5 – 7 years	7 – 10 years	More than 10 years	Total
Public sector banks	32	30	60	59	89	270
	11.90	11.10	22.20	21.90	33.00	100
Private sector banks	7	11	23	20	29	90
	7.80	12.20	25.60	22.20	32.20	100
Total	39	41	83	79	118	360
	10.80	11.40	23.10	21.90	32.80	100

Source : Field data

From the above table it is found that out of 270 respondents from the public sector banks it is found that 33 percent of them are members for more than 10 years, 22.2 percent are members for a period of 5 - 7 years, 21.9 percent are members for a period from 7 – 10 years and very percent are members for less than 6 years. Majority of the membership is established for a period of more than 10 years.

In case of private sector banks, out of 90 respondents 32.2 percent are members for more than 10 years, 25.6 percent are members for a period of 5 – 7 years, 22.2 percent are members of SHGs for a period of 7 – 10 years and the remaining numbers of members have become members for a period of less than 6 years. Majority of the membership is established for a period of more than 10 years.

Collectively it is found that out of 360 respondents it is found that 32.8 percent are members for more than 10 years, 23.1 percent are members for a period of 5 – 7 years, 21.9 percent are members for a period of 7 – 10 years and the remaining people are members of SHGs for a period less than 6 years. Majority of the membership is established for a period of more than 10 years.

TYPE OF BANK * MEMBER OF A REGISTERED SHGs

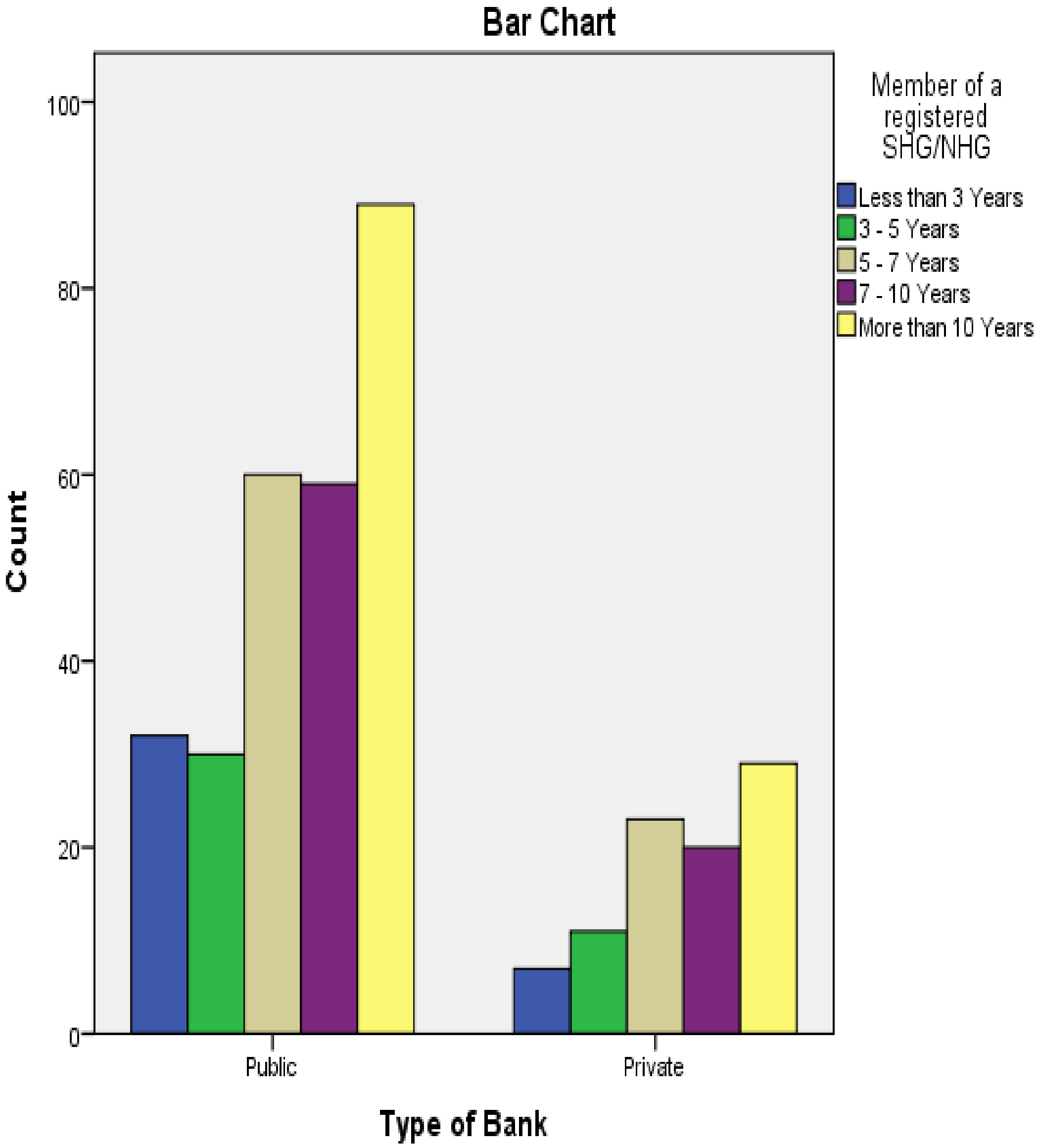

Table 5. 36

Type of Bank * Knowledge about SHGs

The below table highlights the type of banks and knowledge of the beneficiary respondents about SHGs

Type of bank	Through Panchyat	NGOs	Bank staff	SHG members	Total
Public sector	76	82	59	53	270
Percentage	28.1	30.4	21.9	19.6	100
Private sector	24	26	14	26	90
Percentage	26.7	28.9	15.6	28.9	100
Total	100	108	73	79	360
Percentage	27.8	30.00	20.3	21.9	100

Source : Field data

From the above table it is found that out of 270 respondents from the public sector banks 30.4 percent have knowledge about financial inclusion through NGO staff, 28.1 percent through panchayat, 21.9 through bank staff and the remaining 19.6 percent through SHG members. Majority of the respondent customers have knowledge about SHGs through panchayat and NGO staff and the role of bank and SHGs in this regard is very less.

In case of private sector banks 28.9 percent of the respondents have knowledge about the SHGs through NGO staff and SHG members respectively, 26.7 percent have become members through Panchayat and the remaining 15.6 percent are members with the help of bank staff. Most of the respondents feel that they become members of the SHGs with the help of NGOs and SHG members.

Collectively it is found that, 30 percent of the members feel that they have become members with the help of NGOs, 27.8 percent through panchayat, 21.9 through SHG members and the remaining 20.3 percent through the help of bank staff.

TYPE OF BANK * KNOWLEDGE ABOUT SHGs

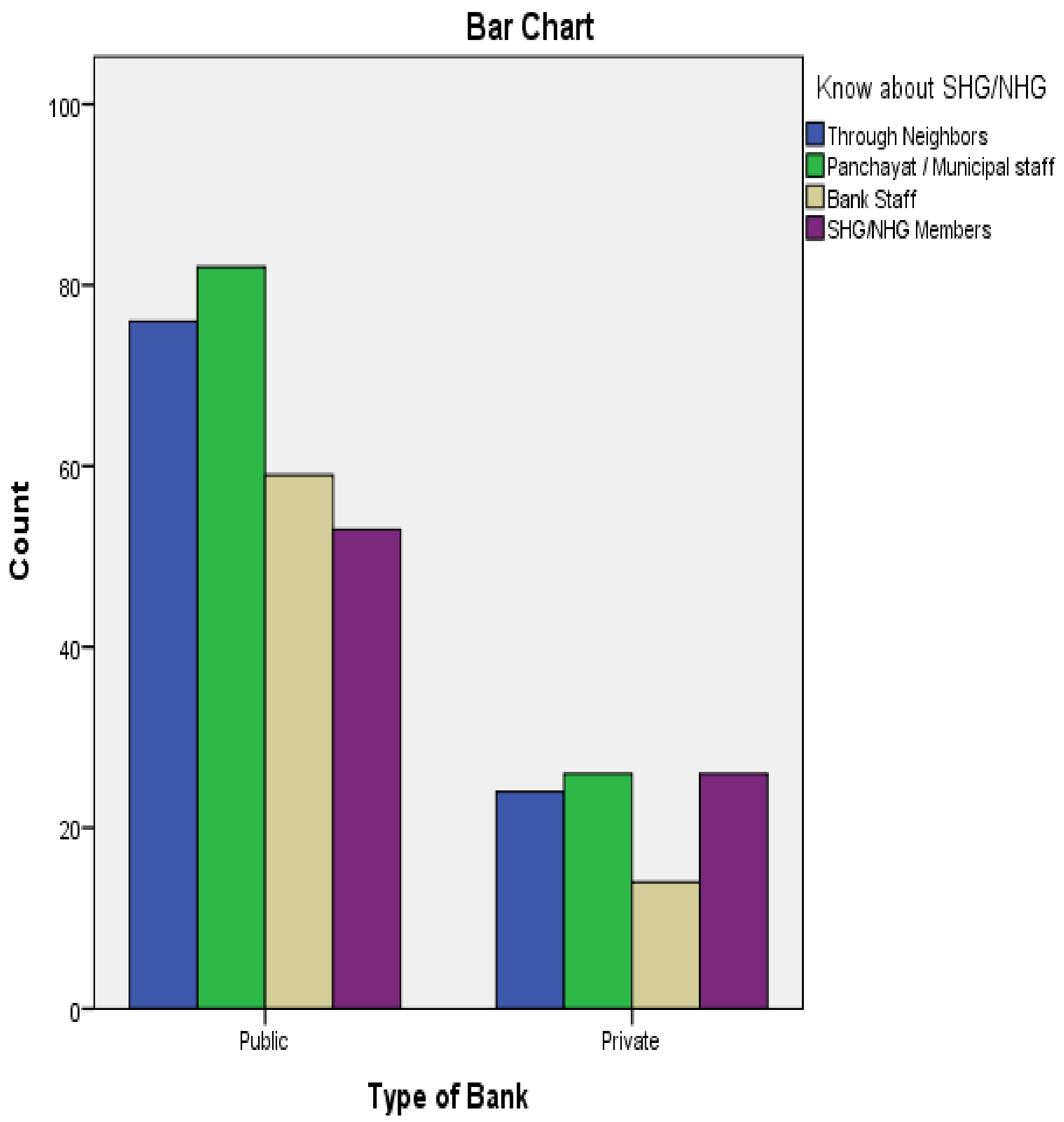

Table 5.37

Type of Bank * Times taken for loan from SHG

The membership in SHGs lead one to enhance economic sustainability and hence the question relating to the time loans have been availed is given in the below table

Type of bank	Once	Twice	Thrice	More than 3 times	Never	Total
Public sector	40	45	65	59	61	270
Percentage	14.8	16.7	24.1	21.9	22.6	100
Private sector	14	13	20	23	20	90
Percentage	15.6	14.4	22.2	25.6	22.2	100
Total	54	58	85	82	81	360
Percentage	15	16.1	23.6	22.8	22.5	100

Source : Field data

From the above table it is found that out of 270 respondents in the private sector 24.1 percent of the respondents state that they have availed loan for three times, 22.6 percent of them have never availed loan, 21.9 percent for more than 3 times, 16.1 percent have availed loan for twice and the remaining 14.8 percent have availed loan for only once. Nearly 25 percent of the respondents have availed loan for three times and 22.6 percent have not availed loan from the SHGs.

In case of private sector banks it is found that out of 90 respondents 25.6 percent of the respondents have availed loan for more than 3 times, 22.2 percent of the respondents have never availed loan and have availed loan for three times respectively, 15.6 percent of the have availed loan only once and the remaining 14.4 percent have availed loan twice. More than 25 percent of the respondents have availed loan for more than three times and 22.2 percent of the respondents have never availed loan in this concept of banking.

Collectively it is felt that out of 360 respondents 23.6 percent have availed loan thrice, 22.8 percent have availed loan for more than three times, 22.5 percent have never availed loan and the remaining 16.1 percent and 15 percent have availed loan for once and twice respectively. Majority of the respondents have availed loan for three times in their life time of membership.

TYPE OF BANK * TIMES TAKEN FOR LOAN FROM SHG

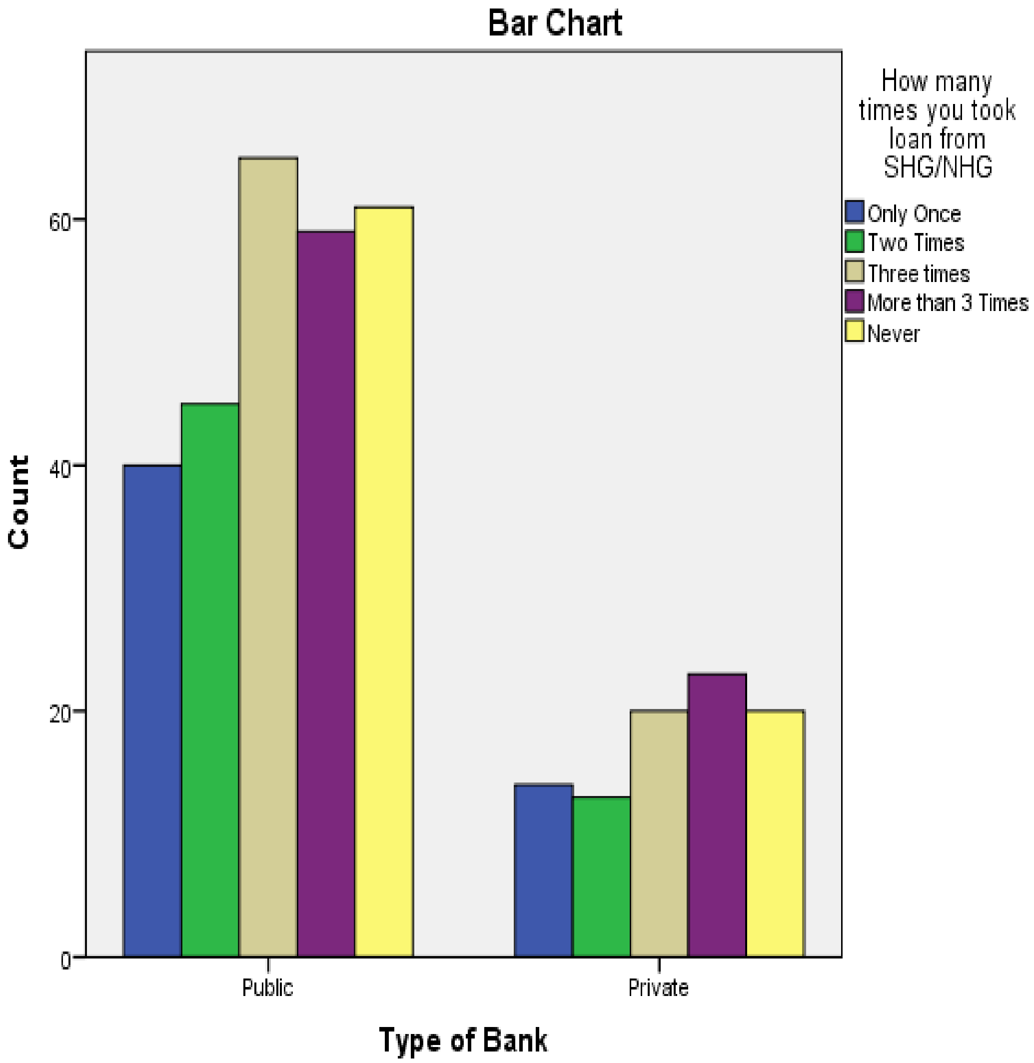

Table 5.38

Type of Bank * Payment of Loan Installments

The below table provides information relating to the repayment methods adopted by the members for their loans availed

			Pay the Loan Installments		Total
			Weekly	Monthly	
Type of bank	Public	Count	103	167	270
		Expected Count	102.8	167.3	270.0
		% within Type of Bank	38.1%	61.9%	100.0%
	Private	Count	34	56	90
		Expected Count	34.3	55.8	90.0
		% within Type of Bank	37.8%	62.2%	100.0%
Total		Count	137	223	360
		Expected Count	137.0	223.0	360.0
		% within Type of Bank	38.1%	61.9%	100.0%

Source: Field data

From the above table it is found that out of 270 respondents in the public sector banks, it is found that 103 (38.1%) respondents state that they pay the loan weekly and the remaining 167 (61.9%) respondents repay the loan monthly. Majority of the respondents make payment of their loans on a monthly basis.

In case of the private sector banks it is found that out of 90 respondents considered for the study 56 (62.2%) of them state that they opt to repay on monthly basis and the remaining 34 (37.8%) of the state that they opt to repay on weekly basis. Majority of the respondents state that they opt to repay the loan on monthly basis.

Collectively it is found that out of 360 respondents considered for the study, it is found that 61.9 percent of the respondents opt to pay on monthly basis and the remaining 38.1 percent of them opt to pay on weekly basis.

Table 5.39

Type of Bank * Reason for Irregular Payment

The member beneficiaries have every right to make payments of their loans, but sometimes it is very hard for them to repay the loan and hence the question relating to the reasons for irregular payments are gathered and tabulated below

			Reason for Irregular Payment					
			Inadequate Income	**High amount of installments**	**Other emergency expenses occurred**	**Willful default**	**Others**	**Total**
Type of bank	Public	Count	108	41	64	37	20	270
		Expected Count	93.8	43.5	71.3	39.0	22.5	270.0
		% within Type of Bank	40.0%	15.2%	23.7%	13.7%	7.4%	100.0%
	Private	Count	17	17	31	15	10	90
		Expected Count	31.3	14.5	23.8	13.0	7.5	90.0
		% within Type of Bank	18.9%	18.9%	34.4%	16.7%	11.1 %	100.0%
Total		Count	125	58	95	52	30	360
		Expected Count	125.0	58.0	95.0	52.0	30.0	360.0
		% within Type of Bank	34.7%	16.1%	26.4%	14.4%	8.3%	100.0%

Source : Field data

In case of public sector banks it is found that 40 percent of the respondents make irregular payment of loans due to inadequate income, 23.7 percent feel that they are not able to repay due to emergency expenses and the other reasons are high amount of installments and willful default and other reasons.

In case of private sector banks it is found that out of 90 respondents 34.4 percent state that they are defaulters due to other emergency expenses, 18.9 percent respectively feel that their income is inadequate and high amount of installments respectively, and the remaining aspect represents very less.

Collectively it is found that 34.7 percent feel that their income is inadequate and 26.4 percent feel that they are defaulters on reasons of emergency expenses and other aspects score very minimum.

ANALYSIS 2: BANKS' PERSPECTIVE

Table 5.40

Type of bank *Financial Assistance from Govt.

Financial inclusion concept is possible for banks only when there is a proper support from the government and hence the question relating to the financial assistance to banks are gathered and presented in the below table both for the private and public sector banks

		Financial Assistance from Govt.					**Total**
		Very Low	**Low**	**Neutral**	**High**	**Very High**	
Type of bank	Public	1	1	2	6	8	18
	Private	0	1	2	1	2	6
Total		**1**	**2**	**4**	**7**	**10**	**24**

From the above table it is found that out of 24 banker respondents taken for the study, 18 are from public sector and 6 are from private sector banks. Of the 18 in public sector banks it is found that 8 of them have very high satisfaction over the financial assistance and 6 of them have high satisfaction over the financial assistance from the government and other factors have less score.

In case of private sector banks it is found that out of 6 bank branches it is found that 2 of the banks have very high opinion on the financial assistance of the government, 2 of them have neutral opinion and the other opinion have less score.

Collectively it is found that the banks have very high and high degree of response over the support of the government through financial assistance to promote financial inclusion concept among the beneficiary customers.

Table 5.41

Type of bank * Attitude for Depositing Money

The below table highlights the type of bank and the attitude for depositing money. The opinion gathered from the bankers are gathered and presented in the below table

		Attitude for depositing money					**Total**
		Very Low	**Low**	**Neutral**	**High**	**Very High**	
Type of bank	Public	2	2	4	6	4	18
	Private	1	2	0	2	1	6
Total		**3**	**4**	**4**	**8**	**5**	**24**

From the above table it is found that out of 24 respondent bankers, it is found that 18 of them are public sector banks and the remaining 6 are private sector banks. Of the 18 public sector banks, it is found that 6 of them have high opinion relating to deposits, 4 of them have very high opinion and neutral relating to deposits respectively and 2 of the respectively have low and very low opinion relating to deposits. The general observation is that out of 18 a majority have high and very high opinion relating to deposits.

In case of private sector banks it is found that out of 6 respondent banks, 2 of them have high and low opinion respectively towards depositing money, and one respectively have very low and very high opinion relating to the same. Majority have high and low opinion on this aspect.

Collectively it is found that out of 24 respondent bankers it is observed that 8 of them have high opinion relating to deposits promoted from the members of below poverty line annexed to the Self help groups / Micro financial institutions.

Table 5.42

Type of bank *Attitude for taking Loans

The below table highlights the type of bank and the attitude of the members in taking loan.

		Attitude for taking Loans					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	3	4	4	6	18
	Private	1	0	2	1	2	6
Total		**2**	**3**	**6**	**5**	**8**	**24**

From the above table it is found that out of 18 respondent bankers covered from the public sector banks, it is found that 6 of the bankers give very high opinion relating to taking loan, 4 of the respondents respectively are neutral and high in their opinion. 3 of the bankers have low opinion and a lease one of the banker has very low opinion.

With regard to the private sector bankers, of the 6 respondent bankers 2 each have neutral and very high opinion relating to the taking of loans by the members and one each have high and very low opinion relating to loans taken.

Collectively it is found that out of 24 respondent bankers 8 of them have very high opinion relating to the loans taken by the members who associate with the self help groups / micro financial institutions.

Table 5. 43

Type of bank * Financial support from other sources

For the purpose of financial inclusion it is said that there are government agencies who try to help banks and hence the opinion relating to the financial assistance from other agencies are gathered and tabulated in the below table

		Receiving money from others					**Total**
		Very Low	**Low**	**Neutral**	**High**	**Very High**	
Type of bank	Public	1	3	4	6	4	18
	Private	0	0	1	2	3	6
Total		**1**	**3**	**5**	**8**	**7**	**24**

From the above table it is found that out of 18 respondents from the public sector banks 6 of them feel that they have high support in this regard, 4 of them have very high support and neutral respectively, 3 of them feel that it is low and the remaining one state that it is very low. In general; it is found that more than 50% of the respondents state they have high and very high support from other agencies to implement the programme very well.

With regard to the private sector banks of the total 6 respondents the opinion is very high and high for 3 and 2 of the banker respondents respectively and the remaining one has a neutral opinion.

Collectively it is found that 8 (33.33%) of the bankers have high opinion relating to the financial support, 7 of them have very high opinion, 5 have neutral opinion, 3 of them have low opinion and the remaining 1 has very low opinion on this. It is found in general that majority of the respondents have high and very high opinion relating to this support to implement the programme well.

Table 5. 44

Type of bank * opinion relating to the purposes

The following table provides information relating to the opinion of the bankers relating to the purpose of loans.

		For other purposes					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	0	1	4	9	4	18
	Private	1	0	2	0	3	6
Total		**1**	**1**	**6**	**9**	**7**	**24**

From the above table it is found that out of 24 respondent bankers endorsing opinion relating to the purpose of loan. 9 members in the public sector banks have high opinion relating to the purpose to which loans are sanctioned, 4 members are highly satisfied and neutral respectively and one member have low level of opinion. It is found that out of 18 members, majority of them have high and very high opinion relating to the purpose of loan.

In case of private sector bankers opinion it is found that out of 6 responses 3 of them have high opinion relating to the purpose of loan, 2 members state that they are neutral to the opinion and one member have very low opinion on this. It is found that a large majority have very high opinion on this.

Collectively it is found that out of the total 24 responses relating to the opinion on the purpose of loan 9 have high opinion, 7 with high opinion, 6 remain neutral and one respectively for low and very low opinion. Majority have high and very high opinion relating to the purpose for which the loans are sanctioned.

Table 5.45

Type of bank * Insufficient Security to offer

The following table provides information relating to the opinion relating to the sufficiency of the security and the results are presented in the below table

		Insufficient Security to offer					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	2	0	4	7	5	18
	Private	1	1	1	1	2	6
Total		**3**	**1**	**5**	**8**	**7**	**24**

From the above table it is found that out of 24 respondent bankers it is found that 18 of them are public sector and 6 of them are from private sector banks. Of the 18 responses from the public sector banks it is found that 5 of them feel that they have very high opinion relating to the insufficiency of the securities provided, 7 have high opinion, 4 are neutral and 2 of them have very low opinion on the same. Majority of the bankers have very high and high opinion over the insufficiency of the security provided by the clients.

In case of private sector banks it is found that out of 6 respondents, it is found that 2 have very high opinion on the same and the remaining members of one each give opinion on very low, low, neutral, high and very high opinion relating to the insufficiency of the security aspects. Majority have very high opinion.

Collectively it is found that of the bankers feel that the clients have insufficient security to offer, 7 have very high opinion on the same, 5 respondents are neutral to this opinion, 3 have very low opinion and the remaining one has low opinion. In general ait is found that out of 24 respondents 8 of them high opinion about insufficiency of security.

Table 5.46

Type of bank * lack of regular income

The below table highlights the opinion of the bankers on the lack of regular income of the respondents.

		Lack of regular income					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	1	5	5	6	18
	Private	0	0	1	2	3	6
Total		**1**	**1**	**6**	**7**	**9**	**24**

From the above table it is found that the bankers give opinion relating to the regular income of the members who try to annex with the banker for financial inclusion. Of the total 18 public sector bankers 6 of them feel that the members have very high score relating to lack of regular income, 5 have high score, 5 are neutral and 1 each have low and very low opinion on this. Majority of them feel that the lack of regular income category is more.

In case of private sector bankers it is found that out of 6 bankers, 3 give a score of very high opinion relating to lack of regular income, 3 give a high score and one is neutral to this. Majority of the respondents feel that the lack of regular income category of the members is very high.

Collectively it is found that out of 24 banker respondents giving opinion relating to the lack of regular income it is found that 9 state that it is very high, 7 state that it is high, 6 are neutral to this and the remaining one each has low and very low opinion relating lack of regular income of the members of the banks. Majority of the respondents feel that the lack of regular income group is high and very high.

Table 5.47

Type of bank * Loan availed by members

The below table highlights the opinion of the bankers relating to the loans availed by the members.

		Already availed loan					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	3	4	7	3	18
	Private	0	0	1	2	3	6
Total		**1**	**3**	**5**	**9**	**6**	**24**

From the above table it is found that out of 18 respondents in the public sector category 7 bankers state that the members have already availed loan, 3 have very high opinion and low opinion respectively, 4 members are neutral to this and one has very low opinion on this. Majority of the bankers stated that there is a high opinion relating to the loan already availed.

In case of private sector banker respondents it is observed that out of 6 the opinion relating to loans already availed has scored 3 in case of very high opinion, 2 has high opinion and one is neutral to this. Majority have very high opinion relating to this.

Collectively it is found that out of 24 banker respondents it is found that 9 have high opinion, 6 have very high opinion, 5 members are neutral to this statement, 3 have low opinion and 1 has very low opinion. Majority of the respondent bankers stated that they have high opinion relating to the loans already availed.

Table 5.48

Type of bank * Purpose of the Loan

The below table highlights the opinion of the bankers relating to the purpose to which loans are borrowed.

Type of bank		Purpose of the loan			Total
		Function	Family	Others	
	Public	1	9	8	18
	private	2	0	4	6
Total		**3**	**9**	**12**	**24**

From the above table it is found that out of 18 respondent bankers in the public sector it is observed that 9 (50%) members avail loan for family requirements, 8 members use for any required purpose and the remaining one use for functions. In case of private sector bank loan borrowers it is found that 4 of the use for any of the purposes, and 2 of them use it for functions. Collectively it is found that out of 24 banker respondents it is found that 12 (50%) of the use for any of the required purposes and 9 (35%) of them use it for family purpose and the remaining 3 (15%) of them use for functions. Majority of the members have availed loan for meeting any of the required purposes.

Table 5.49

Type of bank * economically backward people

The below table provides information relating to the type of bank and the opinion of the bankers relating to the service provided to the economically backward people.

		Economically backward people					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	5	3	6	3	18
	Private	0	1	1	3	1	6
Total		**1**	**6**	**4**	**9**	**4**	**24**

From the above table it is found that out of 18 banker respondents from the public sector category it is observed that 6 (33.33%) have high opinion relating to the services provided to the economically backward people, 5 members have low opinion on this, 3 have very high opinion and neutral to this aspect respectively and the remaining 1 banker has very low opinion on this.

In case of private sector bankers it is found that out of 6 respondent bankers it is found that 3 have high opinion on this statement, one each has very high, low and neutral to the opinion relating to the service provided by the economically backward people. Collectively it is found that 9 members have high opinion about the statement, 4 respectively has very high and neutral to this statement, 6 members have low opinion and 1 has a very low opinion on this. Majority have high opinion to the statement that the bankers provide service to the economically backward people.

Table 5.50

Important factors to avail loan from the bank

The below table highlights the various important factors to be considered while approaching the bankers for loan. The factors are listed and the most important factor to be considered is to be arrived at based on the application of factor analysis.

Factor	Component	
	1	2
Security Demanded by the Bank	**.847**	-.190
Nativity	**.790**	-.279
Timely availability of loan	.624	.437
Amount Of loan given	.618	.315
Familiarity with the lender	.508	.476
Attitude of the bank staff	.325	-.201
Procedural hassles		
Interest on Loan		**.825**
Repayment schedule	**.378**	**.631**
Trust in the lender	.199	.402

From the above table it is found that the principal factors security demanded by the bankers stands first with a score of 0.847 followed by nativity with a score of 0.790. The secondary factors are interest on loan with a score of 0.825 followed by the repayment schedule with a score of 0.631. The other factors are ignored.

Hypothesis: There is no significant association between the type of bankers and the factors to be considered before availing loans.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.281
Bartlett's Test of Sphericity	Approx. Chi-Square	117.873
	df	36
	level of Significance	.000

The outcome of the KMO and Bartlett’s test reveals that the P value is 117.873, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of bankers and the factors to be considered before availing loan.

The below table highlights the factors influencing the customers while interacting with the bankers. The factors are listed and the most important factor to be considered is to be arrived at based on the application of factor analysis.

Rotated Component Matrix		
	Component	
	1	2
Approach of bank staff	**.818**	.121
Facilities at the counter	**.815**	.232
Documentation formalities	.746	
Cost of transaction	.673	.183
Attractive premises		.861
Identification formalities	.136	**.713**
Distance to bank branch		**.669**
Language of bank staff	.555	.627
Processing time	.227	.436

From the above table it is found that the principal factors approach of the bank staff first with a score of 0.818 followed by facilities at the counter with a score of 0.815. The secondary factors are attractive premises with a score of 0.861 followed by the identification formalities with a score of 0.713. The other factors are ignored.

Hypothesis: There is no significant association between the type of bankers and the factors influencing the customer while interacting with the bankers.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.328
Bartlett's Test of Sphericity	Approx. Chi-Square	80.097
	df	36
	level of Significance	.000

The outcome of the KMO and Bartlett's test reveals that the P value is 80.097, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of bankers and the factors influencing the customers while interacting with the bankers.

The below table highlights the factors which prevent people from opening an account with a particular bank. The factors are listed and the most important factor to be considered is to be arrived at based on the application of factor analysis.

Component Matrix[a]		
	Component	
	1	2
No Money / Little Money	**.838**	.181
Easy availability	**.790**	
Problem of Minimum balance	.619	
Lengthy Process	.417	.150
Opening an account	.170	.772
Area / location	.308	**.693**
Services provided by the banks	.452	**.598**
Refused by the bank	.431	.556
Charges on account	.339	.457

From the above table it is found that the principal factors No or little money with the customer is with a score of 0.838 followed by easy availability with a score of 0.790. The secondary factors are location / area with a score of 0.693 followed by the services provided by the banks with a score of 0.598. The other factors are ignored.

Hypothesis: There is no significant association between the type of bankers and the factors that prevent people from opening account with a particular bank.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.485
Bartlett's Test of Sphericity	Approx. Chi-Square	25.011
	df	15
	level of Significance	.049

The outcome of the KMO and Bartlett's test reveals that the P value is 25.011, degree of freedom is 15 and the level of significance is 0.049 which is less than 0.05 and hence the there is a significant relationship between the type of bankers and the factors that prevent people from opening account with a particular bank.

The following table highlights the factors considered by the banks to introduce the concept of financial inclusion in their bank branches. As many as 23 major factors are listed and the results are presented in the following table

Rotated Component Matrix[a]		
	Component	
	1	2
Due to the pressure from RBI	**.779**	.325
Adequate Branches	**.769**	-.113
Private and money lenders	.764	.287
High interest on Loans	.718	-.342
No frill accounts remain dormant	.619	.295
Sufficient collateral	.509	.138
Don't use mobile banking	-.437	
Familiar with the poor people	.343	-.136
Aware of financial services	-.196	
DCBs provide group insurance	-.111	
Makes wilful default		**.906**
Produce the documents	-.231	**.841**
Profitable for the banks	.327	.633
People go to money lenders	-.317	.594
Open accounts and encourage savings	-.528	.589
Need consumption loans more	.310	.559
Loans from money lenders		-.540
DCBs provide micro loans	-.119	.512
Afraid of starting own business		.511
Advice not to repay the loan	-.125	-.479
To develop banking habits	-.181	-.396
DCBs extend micro finance to SHGs in a big way	-.175	.291

From the above table it is found that the principal factors pressure from the RBI for FI is with a score of 0.779 followed by adequate branches with a score of 0.769. The secondary factors are wilful default with a score of 0.906 followed by producing documents with a score of 0.841. The other factors are ignored.

The below table highlights the factors that are considered to be the challenges of financial inclusion concept for banks and the results are presented below

Component Matrix[a]		
	Component	
	1	2
Staff shortage	**.848**	
Lack of support from Government/RBI	**.847**	
Overdependence of people on money lenders and private banks	.706	.209
Reduced freedom in decision making	.599	-.477
Lack of infrastructure/facilities at branches	.378	**.722**
Dual control for the co-operatives		**.661**
Lack of interest of people towards co-operatives	.579	.600
Lack of computerization /automation		.439
Lack of awareness among people about services		-.234
Interference by Political parties		-.161

From the above table it is found that out of the 11 factors considered to be the challenges to the banks to introducing the concept of financial inclusion it is found that the shortage of bank staff is the primary factor with a score of 0.848 followed by lack of support from the Government and RBI. The secondary factors are lack of infrastructural facilities at branches with a score of 0.722 followed by dual control for the cooperatives. The other factors are ignored.

CHAPTER VI

Findings, Suggestions and Conclusion

6.1. FINDINGS

6.1.1 Gender of the respondents

In the concept of financial inclusion, major thrust is given on women SHGs, empowerment and inclusion. In the study it is found that out of 360 samples taken for study 36 of the respondents (i.e) 10 per cent of them are male and the remaining 324 (i.e) 90 percent of the respondents are female. More number of women is concentrated for financial inclusion which is reflected in the study.

6.1.2 Age of the respondents

Age is the most important aspect in financial inclusion and it is found that 49.2 percent of the respondents are in the age group of 30 – 50, 26.4 percent of the respondents are in the age above 50 and the remaining 24.4 percent of the respondents are in the age less than 30 years. Majority of the respondents are in the age between 30 and 50 years which is primarily the most dominating and responsible age in Indian context.

6.1.3 Marital status

It is found that 62.8 percent of the respondents are unmarried, 28.3 percent are married and the remaining 8.90 percent are widows. In this study, it is found that majority of the respondents are found to be unmarried.

6.1.4 Religion of the respondents

It is found that 29.7 percent of the respondents are Muslims, 27.2 percent of them are Hindus, 22.2 percent of them are Christians and the remaining 20.8 percent of the respondents belong to other category. In the study region it is found that majority of the respondents are Muslims.

6.1.5Caste / Community of the respondents

It is found that 45 percent of the respondents belong to other backward community, 28.1 percent of the respondents belong Scheduled caste and Tribe, and 26.9 percent of the respondents belong other caste.

6.1.6 Education

The educational qualification plays a major role in the concept of accessing bank and availing banking services. It is felt important as the awareness towards service sector in Indian context requires a certain level of education. It is found that a majority of 25.80 per cent of the respondents are degree holders, 20 percent of the respondents are with a level of higher secondary school education, 18.60 percent of the respondents have primary level education, 16.10 percent with high school level of education and the remaining 19.40 percent are with other educational level. Majority of the respondents are degree holders in this study.

6.1.7 Occupation of the respondents

The type of occupation has an influencing factor in relation to accessing banks and availing banking services. It is found that 24.2 percent of them are daily workers, 22.80 percent each of the respondents are agriculturalists and house wife respectively, 17.5 percent of the are government and private employees, 7.8 percent are involved in business and the remaining 5.00 percent are self employed. A large majority of the members are daily workers and agriculture workers in this study.

6.1.8 Area of residence of the respondents

The area of residence has more implication in the concept of study namely the financial inclusion It is found that out of 360 respondents considered for the study, 85 percent of the respondents are from rural area and the remaining 15 percent are from urban areas. As the topic has more relevance to rural area, majority of the respondents are concentrated from the rural areas.

6.1.9 Banks role in FI

It is found that 270 (75%) respondents are being financially included by the public sector banks and the remaining 90 respondent customers (25%) are financially included by the private sector banks. The role of public sector banks is in the admirable state when compared with the private sector banks. The rural focus is more in case of public sector banks than the private sector banks.

6.1.10 Type of deposits

It is found that a large majority of 35.6 percent of the customers is holding savings bank account, 27.2 percent of the customers have been covered by recurring deposits, 22.8 percent of them are covered by fixed deposits and the remaining 14.4 of them are covered by other simple saving methods. However a large majority of the customers are covered by savings bank and recurring deposit accounts.

6.1.11 Type of loans

It is found that 20.8 percent of the customers have availed personal loan, 20 percent have availed agricultural loan, 9.7 percent have availed educational loan, 8.3 percent have availed business loan, 7.8 percent have got gold loan and 5.6 percent have got other type of loans.

6.1.12Type of insurance

25.6 percent of the respondents are covered by life insurance, 21.7 percent are covered by accident insurance, 16.1 percent are covered by medical insurance, 11.7 percent are covered by health insurance, 9.7 percent are covered by vehicle insurance, 6.9 percent are covered by property insurance, 2.8 percent are covered by cattle insurance, 2.2 percent are covered by crop insurance and a very less percent of 3.3 are not covered by any type of insurance. Majority of the respondents are covered by life insurance which is very common in Indian context.

6.1.13 Years of membership in SHGs

32.8 percent of the respondents are members of SHGs for more than 10 years, 23.1 percent of the respondents are members of SHGs for a period of 5 – 7 years, 21.9 percent are members for a period of 7 – 10 years, 11.4 percent are members for a period of 3 – 5 years and the remaining 10.8 percent are members for a period less than 3 years. Majority are members of SHGs for more than 10 years which is the trend for SHGs in Indian context.

6.1.14 Knowledge about SHGs

It is observed that 30 percent of the members have knowledge and awareness about SHGs through the panchayat and municipal staff, 27.8 percent learned through neighbours, 21.9 percent have knowledge on the same through SHG members and the remaining 20.3 percent of the members were enriched with the same through bank staff. The major source of knowledge about the SHGs is provided by the municipal staff which leads to an understanding that the role of government is in an appreciable state.

6.1.15 Number of times loan availed from SHGs

The above table highlights that 23.6 percent of the members have availed loan three times, 22.8 percent of the respondents have availed loan for more than three times, 22.5 percent of the members have never availed loan from the SHGs, 16.1 percent have availed loan for two times and the remaining 15 percent of the members have availed loan just only once. A large majority of the respondents have availed loan from SHGs for three times and more than three times. The financial discipline of the group / members helps them in going for loan more than once.

6.1.16 Opinion about interest charges by the SHGs

30.8 percent of the respondents feel that the interest charged is moderate, 21.4 percent feel that it is high, 20 percent feel that it is very high, 15.3 percent feel that the interest rate is low and the remaining 12.5 percent feel that it is very low. Majority of the respondents feel that the interest rate is moderate and high

6.1.17 Payment of loan instalments

61.9 percent of the members pay the loan monthly and the remaining 38.1 percent of the members pay by way of weekly instalments. Majority of the members pay the loan in monthly instalments.

6.1.18 Motivating factor for regular payment

28.1 percent of the respondents pay back the loan instalments due to self-esteem / self-discipline, 21.7 percent pay regularly due to fear of legal actions, 18.9 percent

6.1.19 Reason for irregular payment

A majority of 34.7 percent make irregular payment of their instalments due to inadequate income, 26.4 percent of the respondents are irregular in payments due to emergency expenses, 16.1 percent of the respondents feel that the amount of instalment is high which leads to irregular payment of the loan instalments 14.4 percent make a wilful default and the remaining 8.3 percent have other reasons for irregular payment of their loans. Majority of the respondents are defaulters in repayment due to inadequate income and emergency expenses.

6.1.20 Type of Bank * Gender

It is found that a large majority of the customers are extended service by the public sector banks numbering to 270 out of 360 which is 75 percent and the remaining 25 percent of the customers are extended service by the private sector banks. The role of financial inclusion is more in case of public sector banks than by the private sector banks. The reasons are the public sector banks to extend this service effectively are the government regulations and the establishment of their branches in rural areas.

Further it is found that out of 360 respondents considered for the study 324 (90%) are female and the remaining 36 (10%) are male. The concept is more relevant in case of female members as they associate with banks and other micro financial activities for their family's financial and economic needs.

6.1.21 Type of Bank * Age of Group

270 (75%) members are associating with the public sector banks and the remaining 90 (25%) are associating with the private sector banks. Of the total respondents in the public sector banks it is found that 50.4 percent of the respondents are in the age group of 30 – 50, 31.5 percent of the respondents are in the age group of less than 30 years and the remaining 18.1 percent of the respondents are in the age above 50 years. A huge majority of the respondents are in the age group between 30 – 50 years of age which is a responsible age for the members who associate with banks for financial benefits.

6.1.22 Type of Bank * Marital Status

226 are single, 102 are married and the remaining 32 respondents are widowed. Of these the classification relating to the public and private sector is highlighted. With regard to the public sector banks adoption it is found that out of 270 respondents it is found that 63 percent are single, 28.1 are married and the remaining 8.9 percent are widows. In case of the private sector banks adoption it is found that out of 70 respondents 62.2 percent are single, 28.9 percent are married and the remaining 8.9 percent are widow. In both the cases the outcome is even with same proportion.

6.1.23 Type of Bank * Religion

It is found that out of 360 respondents considered for the study 270 are associated with the public sector banks and the remaining 70 are associated with the private sector banks. Of the 270 respondents considered for the study in the public sector banks 33.3 percent of the respondents belong to Hinduism, 29 percent of the respondents follow Christianity 22.6 percent follow Islam and the remaining 14.4 percent follow other faith. In case of private sector banks it is found that out of 70 respondents 51.1 percent follow Islam, 8.9 percent follow Hinduism and the remaining 40 percent follow other faith.

6.1.24 Type of Bank * Caste

It is found that out of 360 respondents approached for the study and 270 covered under the public sector banks it is found that 43 percent of the respondents belong to OBC category, 28.9 percent of the respondents belong to SC / ST category and the remaining 28.1 percent of the respondents belong to general category. In case of private sector banks with 90 respondents, it is found that 51.10 percent of the respondents belong to OBC, 25.6 percent belong to SC / ST and the remaining 23.3 percent belong to general category. In both the cases it is found that majority of the respondents belong to the OBC category which is a very common factor in the Indian context followed by the SC / ST people.

6.1.25 Type of Bank * Area

Of the total 270 respondents from the public sector banks 230 (85.2%) respondents are from rural areas and the remaining 40 (14.8%) respondents are from urban areas. In case of private sector banks of the 90 respondents 76 (76.5%)

respondents are from rural areas and the remaining 14 (13.5%) respondents are from the urban area. Collectively it is found that out of the total 360 respondents 85% of the respondents are from rural areas and the remaining 15% of the respondents are from urban areas. As the study has more focus on the rural development and financial inclusion of rural people more representations are from rural areas.

6.1.26 Type of Bank * Type of Deposits

It is found that out of 270 respondents considered for the study in the public sector banks it is found that 32.6 percent of the members hold savings bank deposits, 28.5 percent of the respondents hold fixed deposit account, 20.4 percent have the recurring deposit account and the remaining 18.5 percent of the respondents have other type of accounts. Majority of the respondents have savings bank deposit account.

In case of private sector bank customers it is found that out of 90 respondents 47.8 percent of them have recurring deposits, 44.4 percent of them have savings bank account and the remaining percent of the respondents have other types of accounts.

Collectively it is found that 35.5 percent of the respondents have savings bank account, 27 percent of them have recurring deposits, 22.8 percent of them hold fixed deposits and the remaining 14.4 percent of them have other types of deposits.

6.1.27 Type of Bank * Type of Loans

Of the 270 respondents from the public sector banks, it is found that 21.5 percent of them borrow as personal loans, 20 percent of the borrow agriculture loan, 14.4 percent take vehicle loan, 9.3 percent take educational loan, 8.5 percent take business loan, 7.4 percent take gold loan and the remaining 5.9 percent of the respondents take other types of loans. There is a big awareness among the beneficiaries about financial inclusion and the result of the analysis is the evidence.

With regard to the private sector banks, it is found that out of 90 respondent customers 20 percent of them take agriculture loan, 18.9 percent take personal loan, 17.8 percent of them take vehicle loan, 11.1 percent of the respondents respectively take housing and educational loan, 8.9 percent of them take gold loan, 7.8 percent take business loan and the remaining 4.4 percent of the respondent customers take other loans, majority of the respondents take agriculture load and personal loan.

6.1.28 Type of Bank * Type of Insurance

It is found that out of 270 respondents in the public sector banks it is found that 34.1 percent are covered by LIC, 16.3 percent are covered by accident insurance, 13.7 percent are covered by medical insurance, 12.6 percent of the respondents have vehicle insurance, 11.9 percent are coved by health insurance and the other types of insurance have a representation less than 5 percent each. In case of private sector banks37.8 percent have the accident insurance coverage, 23.3 percent of the respondents are covered by property insurance, 14.5 percent have medical insurance coverage, 10.5 percent have health insurance coverage and the remaining types of insurance coverage is less than 5 percent each.

Collectively it is found that there is more insurance coverage for life policies followed by accident insurance, medical insurance and health insurance. The other types of insurance have very less representation.

6.1.29 Type of Bank * Zero Balance Account

In case of public sector banks the concentration towards the no frills account is very low for 34.4 percent of the respondents, it is low for 24.1 percent of the respondents and it is high and very high for respondents of 10 % each in both the cases. In case of private sector banks it is found that out of 90 respondents the concentration is low and very low for 30 percent and 27.8 percent of the respondents. Collectively it is felt that the banking sector has less concentration over the zero balance accounts even though it is being floated by the banking rules and by government as well.

6.1.30 Level of awareness about various financial products and services

It is found that the most dominating level of awareness in relation to the financial products are knowledge on cheque facilities followed by money advice and credit counseling. A good many of the respondents have awareness on ATM / Debit card facilities and insurance facilities.

6.1.31 Discouraging reasons for not associating with the bank

It is found that the most discouraging factor for a customer or the type of members associating with the study is filling of forms for opening account is tedious followed by the factor bank employees do not help in opening an account. A good many of the respondents do agree that they are not able to maintain minimum balance.

6.1.32 Type of customers and opinion relating to the difficulties in connection with taking loans and their later experiences

Loan is not a simple aspect for anybody, hence the question relating to the loan formalities and the later experience is gathered and tabulated in the below table

Hypothesis: there is no significant relationship between the type of customers and the opinion relating to the difficulties in connection with taking loans and their later experiences. It is found that the factors relating to the difficulties in connection with taking loans and their later experiences. The primary factor is observed to the inconvenient number of instalments and the period of loan repayment. The participants are not a regular income group and hence the convenience of the members is to be addressed than following the rules strictly. The other important factor is the charging of heavy interest on loans. The people empowerment and growth is the major factor in this segment of economic development and people should not be severely dealt for the sake of business / profit. There should be a liberal policy towards lending and recovery.

Indicate your opinion with regard to the use of financial services. Hypothesis: There is no significant association between the type of banks and the opinion relating to the use of financial services. The outcome of the KMO and Bartlett's test reveals that the P value is 3806.39, degree of freedom is 55 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the type of banks and the opinion relating to the use of financial services. From the above table it is found that out of the various factors considered for the study it is found that the factor not able to maintain minimum balance scores high rank with .754 followed by no awareness about the investment with a score of .737 and the factor need for insurance against loss of life and property with .743.

6.1.33 Influence of Informal Finance

The evaluation of the influence of informal finances provided by the money lenders are very important and hence the question relating to the opinion of the respondents relating to the informal financial services available are gathered and the results are presented in the below table.

Of all the factors considered for the study relating to the opinion regarding informal financial services, it is found that the factor friendlier than the commercial banks scores .901 followed by loan available at the door steps with a score of .882 and the other factor interest of deposits with a score of .855. It is found that the respondents have high opinion relating to the informal financial system.

6.1.34 Type of bank * Financial Assistance from Govt.

It is found that out of 24 banker respondents taken for the study, 18 are from public sector and 6 are from private sector banks. Of the 18 in public sector banks it is found that 8 of them have very high satisfaction over the financial assistance and 6 of them have high satisfaction over the financial assistance from the government and other factors have less score.

In case of private sector banks it is found that out of 6 bank branches it is found that 2 of the banks have very high opinion on the financial assistance of the government, 2 of them have neutral opinion and the other opinion have less score.

Collectively it is found that the banks have very high and high degree of response over the support of the government through financial assistance to promote financial inclusion concept among the beneficiary customers.

6.1.35 Type of bank * attitude for Depositing Money

It is found that out of 24 respondent bankers, it is found that 18 of them are public sector banks and the remaining 6 are private sector banks. Of the 18 public sector banks, it is found that 6 of them have high opinion relating to deposits, 4 of them have very high opinion and neutral relating to deposits respectively and 2 of the respectively have low and very low opinion relating to deposits. The general observation is that out of 18 a majority have high and very high opinion relating to deposits.

In case of private sector banks it is found that out of 6 respondent banks, 2 of them have high and low opinion respectively towards depositing money, and one respectively have very low and very high opinion relating to the same. Majority have high and low opinion on this aspect.

Collectively it is found that out of 24 respondent bankers it is observed that 8 of them have high opinion relating to deposits promoted from the members of below poverty line annexed to the Self help groups / Micro financial institutions.

6.1.36 Type of bank * attitude for taking Loans

It is found that out of 18 respondent bankers covered from the public sector banks, it is found that 6 of the bankers give very high opinion relating to taking loan, 4 of the respondents respectively are neutral and high in their opinion. 3 of the bankers have low opinion and a lease one of the banker has very low opinion.

With regard to the private sector bankers, of the 6 respondent bankers 2 each have neutral and very high opinion relating to the taking of loans by the members and one each have high and very low opinion relating to loans taken.

Collectively it is found that out of 24 respondent bankers 8 of them have very high opinion relating to the loans taken by the members who associate with the self help groups / micro financial institutions.

6.1.37 Type of bank * Financial support from other sources

It is found that out of 18 respondents from the public sector banks 6 of them feel that they have high support in this regard, 4 of them have very high support and neutral respectively, 3 of them feel that it is low and the remaining one state that it is very low. In general; it is found that more than 50% of the respondents state they have high and very high support from other agencies to implement the programme very well.

With regard to the private sector banks of the total 6 respondents the opinion is very high and high for 3 and 2 of the banker respondents respectively and the remaining one has a neutral opinion.

Collectively it is found that 8 (33.33%) of the bankers have high opinion relating to the financial support, 7 of them have very high opinion, 5 have neutral opinion, 3 of them have low opinion and the remaining 1 has very low opinion on this. It is found in general that majority of the respondents have high and very high opinion relating to this support to implement the programme well.

6.1.38 Type of bank * opinion relating to the purposes

It is found that out of 24 respondent bankers endorsing opinion relating to the purpose of loan. 9 members in the public sector banks have high opinion relating to the purpose to which loans are sanctioned, 4 members are highly satisfied and neutral respectively and one member have low level of opinion. It is found that out of 18 members, majority of them have high and very high opinion relating to the purpose of loan.

In case of private sector bankers opinion it is found that out of 6 responses 3 of them have high opinion relating to the purpose of loan, 2 members state that they are neutral to the opinion and one member have very low opinion on this. It is found that a large majority have very high opinion on this.

Collectively it is found that out of the total 24 responses relating to the opinion on the purpose of loan 9 have high opinion, 7 with high opinion, 6 remain neutral and one respectively for low and very low opinion. Majority have high and very high opinion relating to the purpose for which the loans are sanctioned.

6.1.39 Type of bank * Insufficient Security to offer

It is found that out of 24 respondent bankers it is found that 18 of them are public sector and 6 of them are from private sector banks. Of the 18 responses from the public sector banks it is found that 5 of them feel that they have very high opinion relating to the insufficiency of the securities provided, 7 have high opinion, 4 are neutral and 2 of them have very low opinion on the same. Majority of the bankers have very high and high opinion over the insufficiency of the security provided by the clients.

In case of private sector banks it is found that out of 6 respondents, it is found that 2 have very high opinion on the same and the remaining members of one each give opinion on very low, low, neutral, high and very high opinion relating to the insufficiency of the security aspects. Majority have very high opinion.

Collectively it is found that of the bankers feel that the clients have insufficient security to offer, 7 have very high opinion on the same, 5 respondents are neutral to this opinion, 3 have very low opinion and the remaining one has low opinion. In general ait is found that out of 24 respondents 8 of them high opinion about insufficiency of security.

6.1.40 Type of bank * lack of regular income

It is found that the bankers give opinion relating to the regular income of the members who try to annex with the banker for financial inclusion. Of the total 18 public sector bankers 6 of them feel that the members have very high score relating to lack of regular income, 5 have high score, 5 are neutral and 1 each have low and very low opinion on this. Majority of them feel that the lack of regular income category is more.

In case of private sector bankers it is found that out of 6 bankers, 3 give a score of very high opinion relating to lack of regular income, 3 give a high score and one is neutral to this. Majority of the respondents feel that the lack of regular income category of the members is very high.

Collectively it is found that out of 24 banker respondents giving opinion relating to the lack of regular income it is found that 9 state that it is very high, 7 state that it is high, 6 are neutral to this and the remaining one each has low and very low opinion relating lack of regular income of the members of the banks. Majority of the respondents feel that the lack of regular income group is high and very high.

6.1.41 Type of bank * already availed on loan

It is found that out of 18 respondents in the public sector category 7 bankers state that the members have already availed loan, 3 have very high opinion and low opinion respectively, 4 members are neutral to this and one has very low opinion on this. Majority of the bankers stated that there is a high opinion relating to the loan already availed.

In case of private sector banker respondents it is observed that out of 6 the opinion relating to loans already availed has scored 3 in case of very high opinion, 2 has high opinion and one is neutral to this. Majority have very high opinion relating to this.

Collectively it is found that out of 24 banker respondents it is found that 9 have high opinion, 6 have very high opinion, 5 members are neutral to this statement, 3 have low opinion and 1 has very low opinion. Majority of the respondent bankers stated that they have high opinion relating to the loans already availed.

6.1.42 Type of bank * Purpose of the Loan

It is found that out of 18 respondent bankers in the public sector it is observed that 9 (50%) members avail loan for family requirements, 8 members use for any required purpose and the remaining one use for functions. In case of private sector bank loan borrowers it is found that 4 of the use for any of the purposes, and 2 of them use it for functions. Collectively it is found that out of 24 banker respondents it is found that 12 (50%) of the use for any of the required purposes and 9 (35%) of them use it for family purpose and the remaining 3 (15%) of them use for functions. Majority of the members have availed loan for meeting any of the required purposes.

6.1.43 Type of bank * economically backward people

It is found that out of 18 banker respondents from the public sector category it is observed that 6 (33.33%) have high opinion relating to the services provided to the economically backward people, 5 members have low opinion on this, 3 have very high opinion and neutral to this aspect respectively and the remaining 1 banker has very low opinion on this.

In case of private sector bankers it is found that out of 6 respondent bankers it is found that 3 have high opinion on this statement, one each has very high, low and neutral to the opinion relating to the service provided by the economically backward people.

Collectively it is found that 9 members have high opinion about the statement, 4 respectively has very high and neutral to this statement, 6 members have low opinion and 1 has a very low opinion on this. Majority have high opinion to the statement that the bankers provide service to the economically backward people.

6.1.44 HYPOTHESES FINDINGS

1. Hypothesis: There is no significant relationship between the type of banks and the age group of the respondents. It is found that the observed value of chi square is 49.999, the degree of freedom is 2 and the level of significance is 0.00 which is less that 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the age group of the respondents.

2. Hypothesis: There is no significant relationship between the type of banks and the marital status of the respondents. It is found that the observed value of chi square is 0.1999, the degree of freedom is 2 and the level of significance is 0.991 which is higher than that of 0.05 and hence the null hypothesis is accepted. There is no significant relationship between the type of bank and the marital status of the respondents.

3. Hypothesis: There is no significant relationship between the type of banks and the religion of the respondents. It is found that the observed value of chi square is 81.113, the degree of freedom is 3 and the level of significance is 0.000 which is

less than that of 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the religion of the respondents.

4. Hypothesis: There is no significant relationship between the type of banks and the caste category of the respondents. It is found that the observed value of chi square is 1.844, the degree of freedom is 2 and the level of significance is 0.398 which is more than that of 0.05 and hence the null hypothesis is accepted. There is a no significant relationship between the type of bank and the caste category of the respondents.

5. Hypothesis: There is no significant relationship between the type of banks and the area of the respondents. It is found that the observed value of chi square is .865, the degree of freedom is 1 and the level of significance is 0.492 which is more than that of 0.05 and hence the null hypothesis is accepted. There is a no significant relationship between the type of bank and the area of the respondents.

6. Majority of the respondent customers have both saving bank account and the recurring deposits account. It is found that the observed value of chi square is 49.329, the degree of freedom is 3 and the level of significance is 0.000 which is less than that of 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the various types of accounts promoted by the banks from its customers.

7. Hypothesis: There is no significant association between the type of banks and the various types of insurance coverage. It is found that the calculated value is 108.970, the degree of freedom is 8 and the level of significance is .0000 which is less than

0.05 and hence the null hypothesis is accepted. There is no significant association between the type of banks and the various types of insurance coverage.

8. Hypothesis: There is no significant association between the availability of informal finance and the influence of such finance. The outcome of the KMO and Bartlett's test reveals that the P value is 1433.372, degree of freedom is 21 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the availability of informal finance and the influence of such finance.

9. Hypothesis: There is no significant relationship between the level of awareness and various financial products and services offered by the banks. The outcome of the KMO and Bartlett's test reveals that P value is 2841, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the level of awareness and various financial products and services extended by various sectors of banks.

10. Hypothesis: There is no significant relationship with the type of members and the discouraging factors to associate with the bank. The outcome of the KMO and Bartlett's test reveals that P value is 3547, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence there is a significant relationship between the type of members and the affective factors to associate with the bank.

11. Hypothesis: There is no significant relationship between the type of customers and the opinion relating to the difficulties in connection with taking loans and their later experiences. It is found that the factors relating to the difficulties in connection with taking loans and their later experiences. The primary factor is observed to the

inconvenient number of installments and the period of loan repayment. The participants are not a regular income group and hence the zero balance accounts even though it is being floated by the banking rules and by government as well.

12. From the above it is observed that the P value is 6.222, degree of freedom is 2 and the level of significance is 0.045 which is less than 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of banks and the purpose of loan.

6.2. SUGGESTIONS

Based on the above findings, the following suggestions are made to all the stake holders which are to be addressed individually for the effective application of the programme and enhancing further improvement in the living standard of the members.

6.2.1 To the members

1. Members should voluntarily come forward to utilize the facilities available and to enhance the state of empowerment on all spheres of development.
2. There should be interest among the members to regularly participate in the activities and equip them in enhancing skills and talents to get identity in the society.
3. Members should plan their lives to have great control over their circumstances and free them from the shackles imposed on them by customs, beliefs and practices.
4. There should be more saving habit than borrowing habit and Borrowing should be possible to members based on necessity.
5. Financial benefit should not be the major focus of the members and SHGs, beyond the financial benefit the members and other agents must aim at empowerment in all spheres.

6.2.2 To the NGOs / MFIs

1. There should be 100 per cent membership in all the villages which may provide a strong empowerment state among the women flock.
2. There should be rotation based leadership to encourage and develop the talents and skills of all the members.
3. Women are to be considered as participants in the welfare programme than beneficiaries. It important to help women to reflect on their achievements and in the lights of that must be oriented towards further achievements.
4. New models and methodologies should be introduced now and then to attract women to participate in the efforts of financial inclusion and micro finance activities. There should be more need based training regularly to develop the talents individually and in groups.
5. NGOs should be observes and not dictators more particularly on financial matters. It is suggested that suitable administrative training to all the members of the SHGs should be given or at least to the animators and representatives of the groups and the same may be extended to the other members.

6.2.3 To the Government

1. A financial literacy and credit counseling centre may be opened in every district with suitable financial experts, bank officials and other agencies.
2. The state Government may consider giving preference to uncovered areas for promoting the SHGs which is a means for taking the concept of financial inclusion and micro finance to every segment of the people.

3. The training was given only on the conventional or traditional business activities. It is suggested that training on innovative economic activities by using the resources in and around the district may be given to the members of the SHGs.

6.2.4 To the banks

1. It is suggested that the officials of bank should visit the SHGs and grade them based on their quality and performance.
2. The grading system format is already approved by the NABARD and if needed, banks can outsource the task of grading the SHGs to third party to get better feedback.
3. The loan applications of the SHGs should not be delayed beyond 15 days and the banks can fix a day for transactions of the SHGs.
4. The formalities while opening the SHG accounts in banks can fix a day for transactions of the SHGs. The formalities while opening the SHG accounts in banks and while advancing loan to them should be simplified.
5. There should be uniform format for account opening and loan application across banks.
6. It is also suggested that necessary instructions may be given to the authorities and the bank officials to avoid the delay in sanctioning the loan and to respond to the queries of the SHG members.
7. Loan amount is one of the basic components to start an activity and also women can be financially sound when loan amount is given sufficiently. Loan amount should be increased to the extent that they can take up an income generating activity.
8. Same and balanced rules should be given to both private and public sector banks keeping the focus of financial inclusion and social development.
9. Interest should be kept less and meager to help members to enhance financial sustainability.

6.3 Conclusion

The basic idea behind micro finance is to provide financial services to low income households at an affordable cost not only for financial sustainability but also for the series of virtuous spirals of economic empowerment. Banks through FIs have undoubtedly begun to make a significant contribution in poverty alleviation and empowerment of poor, especially women in rural areas of our country. Investing in the capabilities of poor and empowering them to achieve their choices and opportunities is the definite way to contribute to the economic growth and the overall development of the family, village, state and nation. The present study is a critical attempt to analyze the socio-economic development of the members and the performance of the banks in financial inclusion and economic empowerment in Tirunelveli district. The greater percentage of women are influenced positively by being members of SHGs and effectively participating in the inclusive development process. Women's participation in the SHGs enabled them to discover their inner potentials and has given orientation to gain self-confidence, social, economic, political and psychological empowerment and capacity building. In this proves of development the role of Micro Financial inclusion and development of women through various means with the effective functioning of Self Help Groups (SHGs) in villages by organizing the poorest of the poor to feel confident by participation in the economic and capacity building aspects. Let us all vow to reinvent the modern effort of inclusive growth with new means and ideas to liberate women and bring them all to the state of empowerment and development. Thus financial inclusion is a tool and role of banks particularly for inclusion and development.

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Questionnaire

A STUDY ON THE ROLE OF BANKS IN THE FINANCIAL INCLUSION IN TIRUNELVELI

i. General Information:

Name of the Respondent: …………………………………….

1. Block: 1) Tirunelveli 2) Palayamkottai 3) Tenkasi 4) Nanguneri
2. Gender: 1) Male 2) Female
3. Age Group: 1) Less than 30 2) 30 – 50 3) 50 and above
4. Marital Status: 1) Married 2) Unmarried 3) Widowed
5. Religion: 1) Hindu 2) Muslim 3) Christian 4) Others
6. Caste: 1) General 2) OBC 3) SC/ST
7. Education: 1) Primary 2) Secondary 3) Higher Secondary 4) Degree 5) Others
8. Occupation: 1)Agriculture 2) Business 3) Govt. / Private Employee 4) Daily Worker 5) Self Employed 6) House wife
9. Area: 1) Rural 2) Urban
10. Category: 1) Public 2) Private

ii. Financial Awareness:

11. Type of Deposits: 1) Saving Deposits 2) Fixed Deposits 3) Recurring Deposits 4) Others
12. Type of Loans: 1) Agriculture Loan 2) Gold Loan 3)Personal Loan 4) Housing Loan 5) Vehicle Loan 6)Education Loan 7) Business Loan 8) Others

13. Financial Services

		Very Low 1	Low 2	Neutral 3	High 4	Very High 5
13.1	**ATM / Debit Card**					
13.2	**\Credit Card**					
13.3	**Cheque Book**					
13.4	**Money Transfer**					
13.5	**Locker Facility**					
13.6	**Mutual Fund**					
13.7	**Mobile Banking**					
13.8	**Internet Banking**					
13.9	**Money Advice & Credit Counseling**					

14. Type of Insurance: 1) Life Insurance 2) Medical Insurance 3) Health Insurance

4) Accident Insurance 5) Vehicle Insurance 6) Property Insurance

7) Cattle Insurance 8) Crop Insurance 9) Others

		Very Low 1	Low 2	Neutral 3	High 4	Very High 5
	Zero Balance Account					

iii. Financial Necessity

15. Indicate your level of requirement for the following using the scale given below:

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
15.1	**Various Deposit Accounts (SB / FB)**					
15.2	**Various Loans**					
15.3	**Various Other Financial Services**					
15.4	**Various Insurance Products**					

iv. Financial Availability:

16. Indicate the level of availability of the following from the District banks of your area, using the scale give below:

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
16.1	**Various Deposit Accounts (SB / FB)**					
16.2	**Various Loans**					
16.3	**Various Other Financial Services**					
16.4	**Various Insurance Products**					

v. **Financial Access**

17. **Indicate, how much you agree with the following statements relating to banking services, using the scale given below:**

****SDA – Strongly Disagree DA – Disagree N – Neutral A – Agree SA – Strongly Agree**

		SDA 1	DA 2	N 3	A 4	SA 5
17.1)	**For the Following reasons, I do not open account with banks**					
17.1.1	Opening an account with a bank takes lot of time.					
17.1.2	Bank employees do not help in opening an account.					
17.1.3	Banks are not for the poor					
17.1.4	I am not able to keep minimum balance in the account.					
17.1.5	Filling of forms for opening account is tedious					
17.1.6	I do not have savings habit					
17.2)	**For the following reasons, I do not deposit money with the banks**					
17.2.1	I am not able to save due to high cost of living.					
17.2.2	Bank employees are not friendly and co-operative					
17.2.3	I prefer to deposit money with private bankers					
17.3)	**Often. I feel the following difficulties, in connection with taking loans from banks**					
17.3.1	There is much delay in sanctioning and getting loan.					
17.3.2	Banks charge heavy interest on loans.					
17.3.3	Attitude of the bank staff is indifferent.					

17.3.4	Amount of repayment per installment is high.					
17.3.5	Number of installments is not convenient.					
17.3.6	Period of loan repayment is shorter.					
17.3.7	There is restriction in the use of loan amount.					
17.3.8	In case of default in payment, further loan is refused.					
		SDA 1	**DA 2**	**N 3**	**A 4**	**SA 5**
17.4)	**For the Following reasons, I do not open account with banks**					
17.4.1	I need insurance against loss of life and property.					
17.4.2	I am not aware that, banks facilitate insurance policies.					
17.4.3	I know the insurance agents who sell policies.					
17.4.4	Insurance agents compel people to buy insurance policies.					
17.4.5	I am not aware of credit cards and not using it.					
17.4.6	I don't know how to operate ATM, so I don't use it.					
17.4.7	I am not able to have the minimum balance in my account, so I don't have the cheque book.					
17.4.8	I don't use cheque book because I have no deposits.					
17.4.9	I don't transfer money through bank because it is expensive.					
17.4.10	I am not aware and don't have mutual fund.					
17.4.11	I use mobile phone but don't use mobile banking					
17.4.12	Mob banking / Internet Banking is popular in cities and towns.					

vi.

vii. Access to Information:

18. **How much information about the following is available to you?**

		Very Low 1	Low 2	Neutral 3	High 4	Very High 5
18.1	Day-to-day cash management.					
18.2	Profitable investment avenues.					
18.3	Effective use of credit					
18.4	Modern financial services					
18.5	Starting Micro / Small Enterprises					
18.6	Interest rates in force.					
18.7	Zero balance account.					
18.8	Exploitation by money lenders.					

viii. Attitude of People:

19.

		Very Low 1	Low 2	Neutral 3	High 4	Very High 5
19.1) Indicate your level of interest in the following financial activities.						
19.1.1	Opening bank account.					
19.1.2	Saving and depositing money with banks.					
19.1.3	Availing loans at reasonable interest.					
19.1.4	Taking insurance policies.					
19.1.5	Seeking advice in money management.					
19.1.6	Starting micro enterprises.					

19.2) Indicate your level of initiative in the following financial services.						
19.2.1	Opening bank account.					
19.2.2	Saving small amount and depositing with banks.					
19.2.3	Availing small loans.					
19.2.4	Taking insurance policies.					
19.2.5	Getting advice in money management.					
19.2.6	Starting small business.					

ix. Influence of Informal Finance:

20. **How much you agree with the following statements relating to money lenders and private banks, using the given scale.**

****SDA – Strongly Disagree DA – Disagree N – Neutral A – Agree SA – Strongly Agree**

		SDA 1	DA 2	N 3	A 4	SA 5
20.1	They give more interest on deposits than commercial banks.					
20.2	They charge more interest on loans than commercial banks.					
20.3	Loans are easily available from them.					
20.4	They give loans for any purpose.					
20.5	Involves less time and formalities than commercial banks.					
20.6	Loans are available even at the door steps.					
20.7	More friendly than the commercial banks.					

x. **Inclusion through Linkage Banking:**

21. How Long you have been the member of SHG / NHG?

1) Less than 3 Years 2) 3 – 5 years 3) 5 – 7 years 4) 7 – 10 years 5) More than 10 years

22. How did you come to know about SHG / NHG?

1) Through Neighbors 2) Panchayat Municipal staff 3) Bank staff
4) SHG / NHG Members

23. Rank the following factors that motivated you to join SHG / NHG in the order of preference, assigning 1 for the most preferred choice and 8 for the least preferred choice.

a. To obtain credit
b. To find fund for unexpected contingencies.
c. As a source to meet domestic expenses.
d. Access to bank credit, which is otherwise not possible.
e. Empowerment.
f. For promoting savings.
g. For employment opportunities.
h. To mingle with others.

24. Indicate how much you are using the following financial products / services.

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
24.1	Bank account.					
24.2	Deposits.					
24.3	Loans.					
24.4	Insurance.					
24.5	Money transfer facility.					
24.6	ATM.					

24.7	Credit Card.					
24.8	Mobile / Internet banking					
24.9	Money Advice / Credit Counseling					

25. How many times you took loan from SHG / NHG?

1) Only Once 2) Two times 3) Three times 4) More than 3 times 5) Never

26. How do you use the loan amount taken from SHG / NHG?

Rank the following in the order of preference assigning 1 for the most preferred choice and 10 for the least preferred.

a. Day – to – day consumption

b. Starting own business

c. Debt redemption

d. Consumable durables

e. Education of children.

f. Purchase of vehicle.

g. Medical expenses

h. Purchase of assets (Cattle, tailoring machine, gold etc)

i. Others (Entertainment, Charity etc)

27. What is your opinion about the interest charged by the SHG / NHGs?

1) Very High 2) High 3) Moderate 4) Low 5) Very Low

28. How do you pay the loan installments? 1) Weekly 2) Monthly

29. Reason for regular payment?

1) Pressure from the group 2) Fear of getting no further loans

3) Fear of legal action 4) Self Esteem 5) others

30. Reason for irregular payment?

1)Inadequate Income   2) High amount of installments

3) other emergency expenses occurred   4) willful default   5) others

31. Indicate the level of difficulty you have experienced with regard to the following.

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
31.1	Opening of accounts					
31.2	Making deposits					
31.3	Taking loan					
31.4	Taking Insurance Policies					
31.5	Transfer of money					
31.6	Financial advice and credit counseling					
31.7	Assistance for promoting the group.					

32. Indicate your satisfaction level on the following services given by the Tirunelveli District banks in your area?

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
32.1	Opening Bank account					
32.2	Taking Loans					
32.3	Micro-insurance					
32.4	Money Transfer facilities					
32.5	ATM / Debit cards					
32.6	Credit cards					
32.7	Mobile banking / internet banking					
32.8	Money advice / credit counseling					

33. How much you are benefitted by the Linkage Banking Programme of DCBS in your area, using the scale given below:

		Very Low 1	**Low** 2	**Neutral** 3	**High** 4	**Very High** 5
33.1) Economic Benefits						
33.1.1	Increase in Access to Finance					
33.1.2	Increase in Savings habit					
33.1.3	Increase in Assets					
33.1.4	Ability to take decisions on use of money					
33.2) Personal Benefits						
33.2.1	Improvement in Exposure					
33.2.2	Improvement in Self Esteem					
33.2.3	Improvement in Skills and abilities					
33.2.4	Improvement in Confidence and initiative					
33.2.5	Improvement in Communicative abilities					
33.3) Familial Benefits						
33.3.1	Improvement in family relations					
33.3.2	Improvement in Children education					
33.3.3	Improvement in Standard of living					
33.3.4	Improvement in Medical Care					
33.4) Social Benefits						
33.4.1	Improvement in Participation					

	in social activities					
33.4.2	Improvement in Collective bargaining					
33.4.3	Improvement in Social Concern					
33.5) Political Benefits						
33.5.1	Improvement in Participation in political activities					
33.5.2	Improvement in position of power					

INTERVIEW SCHEDULE

A STUDY ON THE ROLE OF DISTRICT BANKS IN THE FINANCIAL INCLUSION IN TIRUNELVELI DISTRICT

i. General Information:

Block : 1) Tirunelveli 2) Palayamkottai 3) Tenkasi 4) Nanguneri

1. Area: 1) Rural 2) Urban
2. Category: 1) Public 2) Private
3. How important are the following for an individual opening an account with your bank?

Indicate your response using the scale

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
3.1	To receive financial assistance form Govt.					
3.2	For depositing money					
3.3	For taking loans					
3.4	For receiving money from others					
3.5	For other purposes (ATM / Credit Card etc)					

4. How important are the following for an individual asking for a loan from your bank?

   Indicate your response using the scale.

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
4.1	Interest on loan					
4.2	Security demanded by the bank					
4.3	Amount of loan given					
4.4	Procedural hassles					
4.5	Timely availability of loan					
4.6	Local availability of loan					
4.7	Repayment schedule					
4.8	Familiarity with the lender					
4.9	Trust in the lender					
4.10	Attitude of the bank staff					

5. Among various loans offered by your bank, which one the customers prefer most?

   Rank the following in the order of preference, assigning 1 for the most preferred choice and 7 for the least preferred.

   a. Business loan
   b. Vehicle loan
   c. Education loan
   d. Housing loan
   e. Personal loan
   f. Gold loan
   g. Agricultural loan

6. How the following factors influence a customer, while transacting with your bank? Indicate your response using the scale.

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
6.1	Approach of bank staff					
6.2	Language of bank staff					
6.3	Distance to bank branch					
6.4	Identification formalities					
6.5	Documentation formalities					
6.6	Processing time					
6.7	Attractive premises					
6.8	Facilities at the counter					
6.9	Cost of transaction					

ii. Financial Exclusion / Inclusion:

7. How significant are the following factors which prevent people from opening account with your bank? Use the scale given below

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
7.1	She / He has no money / little money to put in the account					
7.2	No bank in his / her are (need to travel a lot to reach the bank)					
7.3	Fear that bank may take too many charges on account					
7.4	Proposal for the account was refused by the bank					
7.5	Opening an account is a lengthy process					

7.6	No help from bank for opening an account					
7.7	Not aware of the services provided by the banks					
7.8	Easy availability of money form money lenders and private banks					
7.9	Problem of minimum balance					

8. Indicate the reasons for refusal of account with your bank, by ranking the following.

   (Assign 1 for the most preferred choice and 5 for the least preferred)

   a. No identify Documents
   b. Previous bad credit history
   c. No job, unemployed
   d. Huge debts
   e. Not lived here long enough (no credit history)

9. How significant are the following factors to refuse a loan from your bank?

   Indicate your response using the scale.

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
9.1	Insufficient security to offer					
9.2	Lack of regular income					
9.3	Had already availed a loan					
9.4	Bank did not agree with the purpose of the loan					
9.5	Insufficient documents					
9.6	Bad credit history					

iii. Micro-Credit

10. Rank the following problems coupled with delivery of micro credit?

    (Assign 1 for the most preferred choice and 6 for the least preferred)

    a. Unfeasible proposals from groups
    b. Poor entrepreneurial skills of the beneficiaries
    c. Willful default by the beneficiaries
    d. Indifferent attitude of the beneficiaries
    e. Dual control of the cooperatives
    f. Malpractices by the groups.

11. Rank the following issues associated with recovery of micro credit?

    (Assign 1 for the most preferred choice and 6 for the least preferred)

    a. Lack of Government's support in arbitration
    b. Absconding of borrowers
    c. Lack of adequate bank staff
    d. Lack of financial discipline of beneficiaries
    e. Lack of follow-up
    f. Political interference

12. Priorities the benefits of micro credit by assigning 1 for the most preferred and 8 for the least preferred.

    a. Helps in alleviation of poverty
    b. Uplift the neglected sector
    c. Inclusion of the neglected sector
    d. Providing livelihood to the downtrodden
    e. More benefit to women
    f. Generating more employment

g. Increased rural development

h. Waste of public money

iv. Perception on Financial Inclusion:

13. How significant are the following factors in accelerating financial inclusion?

Indicate your response using the scale.

		Very Low 1	**Low 2**	**Neutral 3**	**High 4**	**Very High 5**
13.1	Financial awareness and financial literacy of the people					
13.2	Availability of financial products and services					
13.3	Level of access of people to financial products and services					
13.4	Attitude of the people towards the banking products					
13.5	Affordability of products and services					
13.6	Control over money lenders and private banks					
13.7	Attitude of the bank staff towards the customers.					

14. Indicate, how much you agree with the following statements relating to financial inclusion efforts of your bank, using the scale given below.

****SDA – Strongly Disagree DA – Disagree N – Neutral A – Agree SA – Strongly Agree**

		SDA 1	DA 2	N 3	A 4	SA 5
14.1	DCBs help people to open accounts and encourage savings					
14.2	Poor as well as rich people save with private banks and money lenders					
14.3	Poor people need consumption loans more					
14.4	Poor people are afraid of starting own business					
14.5	People may use the loan for some other purposes					
14.6	People makes willful default					
14.7	Political leaders may advice not to repay the loan					
14.8	Micro credit is not profitable for the banks					
14.9	Poor may not have sufficient collateral					
14.10	Poor people are not able to produce the documents					
14.11	Due to lack of awareness poor people go to money lenders					
14.12	DCBs have adequate branches in Tirunelveli					
14.13	Money lenders are familiar with the poor people					
14.14	Poor people prefer to take loans from money lenders					
14.15	Money lenders charge high interest on loans					
14.16	DCBs provide micro loans					
14.17	Micro finance helps to develop banking habits					

14.18	DCBs extend micro finance to SHGs in a big way					
14.19	DCBs provide group insurance					
14.20	Poor people use mobile phones but don't use mobile banking					
14.21	DCBs make the poor aware of financial services					
14.22	Banks take the FI initiatives due to the pressure from RBI					
14.23	Large portion of no frill accounts remain dormant					

15. To what extent, the Financial Inclusion efforts of your bank have resulted in the empowerment of the following categories of people?

Indicate your response using the scale.

		Very Low 1	**Low** 2	**Neutral** 3	**High** 4	**Very High** 5
15.1	Women					
15.2	Youth					
15.3	Persons with disabilities					
15.4	Older persons					
15.5	Economically backward people					

16. How much the following issues challenge the Financial Inclusion efforts of your bank? Indicate your response, using the scale given below.

		Very Low **1**	**Low** **2**	**Neutral** **3**	**High** **4**	**Very High** **5**
16.1	Dual control of the co-operatives					
16.2	Lack of support from Government / RBI					
16.3	Reduced freedom in decision making					
16.4	Staff shortage					
16.5	Lack of infrastructure / facilities at branches					
16.6	Lack of computerization / automation					
16.7	Lack of awareness among people about services					
16.8	Lack of interest of people towards co-operatives					
16.9	Overdependence of people on money lenders and private banks					
16.10	Interference by political parties					

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ROLE AND FUNCTIONING OF BANKS IN TIRUNELVELI DISTRICT TOWARDS FUND MOBILISATION, BRANCH EXPANSION AND FINANCIAL INCLUSION

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INTRODUCTION

The present scenario of Indian economy is growing, and the rate of growth is more than many other developed countries. Banks play a vital role in the economic development of our country. According to the RBI guidelines, banks in India should implement financial inclusion policy to enter vulnerable groups, by providing adequate financial services and by mobilizing their small savings. Thus the present paper aims to throw lights on the role of banks in the financial inclusion.

Financial access/inclusion is considered crucial for individuals/households to manage their incomes, to exploit opportunities and thereby, improving their economic positions. Given the fact that most of the banking parameters show dismal condition of Tirunelveli District, it is important to examine the extent and nature of financial inclusion/exclusion in the Tirunelveli district. However, as in the recent times the focus of policy makers is to use the intermediaries for promoting financial inclusion, the question whether various new forms of financial service providers or institutions have helped in promoting/enhancing financial inclusion also becomes pertinent. The present study seeks to address to these important issues. While a few studies on some of the aspects of the financial inclusion have been done recently, no concrete study on the multiple dimensions of financial inclusion/exclusion in the district in general and in the rural areas in particular is available. The proposed study is induced by the necessity to fill-in this gap to some extent. Based on the analysis of rural household survey, in combination with an evaluation of the role of financial institutions, the study examines different forms of financial service providers, both formal and informal. Moreover, the proposed study has important policy implications as well. It has made some recommendations for policy advisors and financial service providers on how to scale-up access to finance for Tirunelveli district rural poor in a commercially sustainable manner.

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MEANINGS

(i)Financial inclusion

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.

(ii)Financial exclusion

Financial exclusion is the process by which a certain section of the population or a certain group of individuals is denied the access to basic financial services

REVIEW OF LITERATURE

Navin Bhatia and Arnav Chatterjee[1] (2010) "Financial Inclusion in the Slums of Mumbai", although financial inclusion – the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups – has become the buzzword in financial circles, it has still a long way to go. The results of a study conducted in selected slums of Mumbai to gauge the nature of financial inclusion bust certain myths about banking practices among urban slum-dwellers.

Olga Morawczynski, David Hutchful, Nimmy Rangaswamy and Edward Cutrell[2], (2010) made a study entitled, "The Bank Account is not enough: examining strategies for financial inclusion in India", The Indian government has undertaken an ambitious strategy for financial inclusion (FI) as part of its development agenda. With the aid of technology-enabled branchless banking initiatives, this drive has been successful in regards to extending access—nearly 60% of the Indian population is banked. However, empirical evidence suggests that the majority of bank accounts are not being utilized, especially not by the poor who are the target of FI. This paper examines the reasons for such underutilization and also recommends ways to improve the FI drive. The paper contributes to the strand of ICTD literature that focuses on FI in two ways. First, it makes clear that the measures of FI success should not be focused on access alone. The real impact comes from aPpropriate usage of these accounts. Second, it argues that financial education (FE) should be integrated into the FI drive. This would help the poor to more effectively exploit their links to formal financial services and decrease their reliance on costly informal alternatives.

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[1] Navin Bhatia, Arnav Chatterjee "Financial Inclusion in the Slums of Mumbai", Economic & Political Weekly, Vol.XIV, No.42, 2010, Pp.23-26.

[2] Olga Morawczynski, David Hutchful, Nimmy Rangaswamy, and Edward Cutrell, "The Bank Account is not enough: examining strategies for financial inclusion in India", in Proc. of the 4th IEEE/ACM Conference on Information and Communication Technologies and International Development (ICTD) 2010, London, UK, IEEE

Arun, T.J and Ashok, J[3] (2010) in the study on, “Financial Inclusion-Indian Experience”, explains that banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business oPportunity as well as corporate social responsibility.

Hanning and Jansen (2010) found that reliable and comprehensive data capturing various dimensions of financial inclusion was a critical condition for evidence-based Policymaking. This presented several challenges ranging from the basics of what financial inclusion was and what it entailed especially because it was a concept that varied with level of countries‘economic development and geographical reasons. The definition of financial inclusion and its components was important for setting a clear direction for policymaking by translating the concept of financial inclusion into operational terms but also allowing tracking progress and measuring outcomes of policy reforms. This study attempted to articulate the definition of financial inclusion and its components in the context of Kenya.

Sarma and Pais[4] **(2010)** reported that literacy was positively and significantly associated with financial inclusion. Several empirical studies conducted in West Bengal have shown that SHGs created a smooth path of financial inclusion for the rural poor. The number of total deposit accounts had increased to 734.8 million and credit account to 118.6 million in 2010 for all banks and the number of no frill accounts in all public and private banks had increased to 33 million in 2009 from seven million in 2006 (RBI, 2010). Besides, KCC scheme had brought 95 million farmers under the purview of the banking system in 2010 as against 84.6 million farmers in 2009 and the SHG bank linkage programme had helped seven million rural people to have access to formal savings and formal credit (Government of India, 2011).

OBJECTIVE OF THE STUDY

i. To study the growth of deposits and advances
ii. To study the growth of branches in rural, semi urban and urban areas
iii. To study the financial assistance received by banks and to offer suggestions.

METHODOLOGY

The researcher collected secondary data from lead bank office in Tirunelveli. With the help of secondary data the researcher arrived at some suggestions.

[3] Arun.T.J and Ashok.J, “Financial Inclusion-Indian Experience”, Indian Economic Panorama, 2010, Pp.46-49.
[4] Sarma, M. and Pais, J. (2010). Financial inclusion and development. Journal of International Development, n/a. doi: 10.1002/jid.1698.

BANKING SERVICES IN TIRUNELVELI DISTRICT

GROWTH OF DEPOSITS

Mobilization of resources is a key challenge facing the banking sector. The details of growth of deposits in Tirunelveli district are presented in Table.

Table 2

Growth of Deposits (in Rupees)

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
State Bank of India	6,874,249	8114500	9155100	11426300	12940200	17.44
State Bank of Travancore	1317342	1699367	1982698	2238721	2135679	13.21
Allahabad Bank		15704	38310	50285	64660	25.34
Andhra Bank	52470	67479	101618	92410	100907	17.62
Bank of Baroda	422705	559833		1374207	501912	13.21
Bank of India	198866	555792	244561	361720	392554	9.75
Canara Bank	7722739	9132206	9934222	9841520	11005024	8.14
Central Bank of India	1056451	1110944		1437645	1412673	8.71
Corporation Bank	569463	699162	141169	940139	913022	29.38
IDBI				34553	34553	-
Indian Bank	4270463	5259000	6332057	7444090	8730872	19.97
Indian Overseas Bank	9557200	12047800	13336472	14796003	17028300	98.97
Punjab National Bank	483569	627321	678491	846601	846601	15.21
Syndicate Bank	208415	268415	332673	349192	372692	15.32
Union Bank of India	485503	620616	798797	1298561	1083018	26.41
UCO Bank	259525	278678	297627	376787	393654	12.02
Vijaya Bank	67194	74375	73531	78427	102085	98.88

Source: Lead bank in Tirunelveli (2013) (Indian Overseas Bank)

Table above table shows that the growth of deposits in Tirunelveli district. The table reveals that the deposits of the Indian Overseas Bank has increased from Rs. 9557200 in 2008-09 to Rs. 11005024 in 2012-13, the deposits of State Bank of India has also increased from Rs.6874249 in 2008-09 to Rs. 12940200 in 2012-13. The deposits of Canara Bank have increased from Rs.7722739 in 2008-09 to Rs.11005024 in 2012-13 and the deposits of Indian bank have increased from Rs.4270463 in 2008-09 to Rs.8730872 in 2012-13. It is further clear from table that the growths of deposits of Indian Overseas bank, State Bank of India, Canara Bank and Indian bank in Tirunelveli district have recorded a compound growth rates of 98.97, 17.44, 8.14 and 19.97 per cent respectively.

GROWTH OF ADVANCES

Credit is a crucial input for economic development of any individuals. Every individual need credit for a variety of reasons. They need credit to meet requirements for working capital, long term investment in agriculture and other income bearing activities apart from credit needs for food, housing, health, education and other social obligations. The details of growth of advances in Tirunelveli district are presented in Table.

Table 2
Growth of Advances (in Rupees)

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13	CGR
State Bank of India	7231353	7769400	7819400	7990600	9220500	5.29
State Bank of Travancore	1556112	1806977	2170994	2247507	2724935	14.29
Allahabad Bank		1292	5714	36660	86234	106.11
Andhra Bank	80217	76937	89537	94806	85929	3.51
Bank of Baroda	300332	371437		304685	249307	-7.28
Bank of India	266405	309496	281185	379011	485408	15.05
Canara Bank	3634821	4120844	5316458	5919927	6786587	17.48
Central Bank of India	489540	674391		879151	1099467	14.36
Corporation Bank	151875	170375	12051	378626	594784	42.29
IDBI				33110	33110	-
Indian Bank	3286086	3931900	5097492	6349582	7134197	22.48
Indian Overseas Bank	4088400	4906200	6488260	8492429	10665100	27.96
Punjab National Bank	453226	623835	648892	1040749	1040749	24.27
Syndicate Bank	184459	219299	248941	312572	355369	18.15
Union Bank of India	400588	645463	877980	1081956	1068847	27.17
UCO Bank	253267	262418	281936	311251	409485	11.96
Vijaya Bank	98032	102598	107020	104709	127799	5.43

Source: Lead bank in Tirunelveli (2013) (Indian Overseas Bank)

Table 6.2 shows that the growth of advances in Tirunelveli district. The table reveals that the advances of the Indian Overseas Bank has increased from Rs.4088400 in 2008-09 to Rs. 10665100 in 2012-13, the advances of State Bank of India has also increased from Rs. 7231353 in 2008-09 to Rs. 9220500 in 2012-13. The advance of Canara Bank has increased from Rs. 3634821 in 2008-09 to Rs.11005024 in 2012-13 and the advance of Indian bank has increased from Rs. 3286086 in 2008-09 to Rs. 7134197 in 2012-13. It is further clear from table that the growth of advances of Indian Overseas bank, State Bank of India, Canara Bank and Indian bank in Tirunelveli district has recorded compound growth rates of 27.96, 5.29, 17.48 and 22.48 per cent respectively.

GROWTH OF BRANCHES IN RURAL AREA

Opening of bank branches at all unbanked rural areas is a pre-requisite for bringing all households into the banking fold. The details of growth of branches in rural areas in Tirunelveli District are shown in Table.

Table 3
Growth of Branches in Rural Area

BANKS	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
State Bank of India	9	9	9	9	7
State Bank of Travancore	0	0	0	1	1
Allahabad Bank	0	0	0	0	0
Andhra Bank	0	0	0	0	0
Bank of Baroda	0	0	0	0	0
Bank of India	1	1	1	1	1
Canara Bank	7	7	8	10	10
Central Bank of India	2	2	2	2	2
Corporation Bank	0	0	0	0	1
IDBI	0	0	0	0	0
Indian Bank	2	2	2	2	3
Indian Overseas Bank	21	21	22	27	27
Punjab National Bank	1	1	1	1	1
Syndicate Bank	0	0	0	0	0
Union Bank of India	0	0	0	0	0
UCO Bank	1	1	1	1	1
Vijaya Bank	0	0	0	0	0
Total	44	44	46	54	54

Source: Lead bank in Tirunelveli (2013) (Indian Overseas Bank)

Table 6.3 shows the growth of branches in rural areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 21 in 2008-09 to 27 branches in 2012-13, the branches opened by Canara bank has increased from 7 to 10 branches, the branches opened by Indian bank has increased from 2 to 3 branches and the State Bank of India has declined two branches in 2012-13.

GROWTH OF BRANCHES IN SEMI-URBAN AREA

The details of growth of branches in semi-urban areas in Tirunelveli District are shown in Table.

Table 4

Growth of branches in semi-urban area

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13
State Bank of India	4	4	6	6	10
State Bank of Travancore	5	5	3	3	5
Allahabad Bank	1	1	1	1	1
Andhra Bank	0	0	0	0	0
Bank of Baroda	0	0	0	0	0
Bank of India	1	1	1	1	1
Canara Bank	11	11	12	12	21
Central Bank of India	3	3	3	3	4
Corporation Bank	2	2	2	2	1
IDBI	0	0	0	0	0
Indian Bank	9	9	10	10	10
Indian Overseas Bank	20	20	21	23	23
Punjab National Bank	2	2	2	2	2
Syndicate Bank	0	0	0	0	1
Union Bank of India	3	3	3	3	3
UCO Bank	0	0	0	0	0
Vijaya Bank	0	0	0	0	0
Total	61	61	64	66	82

Source: Lead bank in Tirunelveli (2013) (Indian Overseas Bank)

Table 6.4 shows the growth of branches in semi-urban areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 20 in 2008-09 to 23 branches in 2012-13, the branches opened by Canara bank has increased from 11 to 21 branches, the branches opened by Indian bank has increased from 9 to 10 branches and the branches opened by the State Bank of India has increased from 4 to 10 branches in 2012-13.

GROWTH OF BRANCHES IN URBAN AREA

The details of growth of branches in urban areas in Tirunelveli District are shown in Table.

Table 5

Growth of branches in urban area

BANKS	2008-09	2009-10	2010-11	2011-12	2012-13
State Bank of India	7	7	7	7	8
State Bank of Travancore	0	0	2	2	2
Allahabad Bank	0	0	0	0	1
Andhra Bank	1	1	1	1	1
Bank of Baroda	2	2	2	2	4
Bank of India	2	2	2	2	2
Canara Bank	10	10	9	9	10
Central Bank of India	3	3	3	3	4
Corporation Bank	1	1	1	1	3
IDBI	1	1	1	1	1
Indian Bank	8	8	8	10	10
Indian Overseas Bank	10	10	10	12	12
Punjab National Bank	1	1	1	1	1
Syndicate Bank	1	1	2	2	2
Union Bank of India	2	2	2	2	2
UCO Bank	1	1	1	1	1
Vijaya Bank	1	1	1	1	1
Total	51	51	53	57	65

Source: Lead bank in Tirunelveli (2013) (Indian Overseas Bank)

Table 6.5 shows the growth of branches in urban areas in Tirunelveli district. The table reveals that the branches opened by Indian Overseas bank has increased from 10 in 2008-09 to 12 branches in 2012-13, the branches opened by Indian bank has increased from 8 to 10 branches, the branches opened by State Bank of India has increased from 7 to 8 branches and the branches opened by Canara bank has declined one branch in 2010-11.

Table 6

Financial Assistance from Govt.

Crosstab							
Count							
		Financial Assistance from Govt.					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	1	2	6	8	18
	Private	0	1	2	1	2	6
Total		1	2	4	7	10	24

From the above table it is found that out of 24 banker respondents taken for the study, 18 are from public sector and 6 are from private sector banks. Of the 18 in public sector banks it is found that 8 of them have very high satisfaction over the financial assistance and 6 of them have high satisfaction over the financial assistance from the government and other factors have less score.

In case of private sector banks it is found that out of 6 bank branches it is found that 2 of the banks have very high opinion on the financial assistance of the government, 2 of them have neutral opinion and the other opinion have less score.

Collectively it is found that the banks have very high and high degree of response over the support of the government through financial assistance to promote financial inclusion concept among the beneficiary customers.

Table 7
Receiving money from others

Crosstab							
Count							
		Receiving money from others					Total
		Very Low	Low	Neutral	High	Very High	
Type of bank	Public	1	3	4	6	4	18
	Private	0	0	1	2	3	6
Total		1	3	5	8	7	24

From the above table it is found that out of 18 respondents from the public sector banks 6 of them feel that they have high support in this regard, 4 of them have very high support and neutral respectively, 3 of them feel that it is low and the remaining one state that it is very low. In general; it is found that more than 50% of the respondents state they have high and very high support from other agencies to implement the programme very well.

With regard to the private sector banks of the total 6 respondents the opinion is very high and high for 3 and 2 of the banker respondents respectively and the remaining one has a neutral opinion. Collectively it is found that 8 (33.33%) of the bankers have high opinion relating to the financial support, 7 of them have very high opinion, 5 have neutral opinion, 3 of them have low opinion and the remaining 1 has very low opinion on this. It is found in general that majority of the respondents have high and very high opinion relating to this support to implement the programme well

SUGGESTIONS

I. All the banks should provide services and create awareness about financial inclusion to urban and semi urban illiterate people.
II. Each banker should generate knowledge about advantages of financial inclusion.
III. Some benefits should be provided for new account holders bankers should assist one person to help the new account holders.

CONCLUSION

The present study has focused on the financial inclusion service offered by banks in semi urban and rural areas in Tirunelveli District. According to the research, many people have their account for the need of savings and to get loans. But some of the unorganized sector workers are not involved in financial inclusion; Therefore the bankers should help the public and create awareness about financial inclusion. “Everyone must have bank account”. This concept must be floated keeping in mind.

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A STUDY ON ROLE OF BANKS IN FINANCIAL INCLUSION WITH SPECIAL REFERENCE TO TIRUNELVELI DISTRICT

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INTRODUCTION

Financial inclusion is the availability of banking services at an affordable cost to the disadvantaged and low income groups. In India, the basic concept of financial inclusion is exhibited in a saving or current account at any bank. In reality, it includes loans, insurance services and much more, for all members of an economy. An inclusive financial system has several merits. It facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day to day management of finances. Thus the financial inclusion is the new mantra of the union government to include the excluded in the financial services for their wellbeing. A vast majority of the population lives in rural areas and they have no access to any facilities that ensures futuristic view not only of their life but also the future generations. Financial inclusion is the biggest problem in front of the financial system today in rural India and infrastructural bottlenecks are worsening it even further with each passing day. Hence the researcher intents to conduct a study of the extent to which the people having different demographic profile residing in a rural area are conversant with banking habits and the study is titled as “a study on role of banks in financial inclusion with special reference to Tirunelveli district”.

STATEMENT OF THE PROBLEM

According to the RBI guidelines, banks in India should implement financial inclusion policy to address the economic problems of vulnerable groups, by providing adequate financial services and mobilizing their small savings. Financial access/inclusion is considered crucial for individuals/households to manage their incomes, to exploit opportunities and thereby, improving their economic positions. Given the fact that most of the banking parameters show dismal condition of Tirunelveli District, it is important to examine the extent and nature of financial inclusion/exclusion in the Tirunelveli district. However, as in the recent times the focus of policy makers is to use the intermediaries for promoting financial inclusion, especially in rural areas, the question whether various new forms of financial service providers or institutions have helped in promoting/enhancing financial inclusion also becomes pertinent. While a few studies on some of the

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aspects of the financial inclusion have been done recently, no concrete study on the multiple dimensions of financial inclusion/exclusion in the district in general and in the rural areas in particular is available. The proposed study is induced by the necessity to fill-in this gap to some extent. Based on the analysis of rural household survey, in combination with an evaluation of the role of financial institutions, the study examines different forms of financial service providers, both formal and informal. Moreover, the proposed study has important policy implications as well. It has made some recommendations for policy advisors and financial service providers on how to scale-up access to finance for Tirunelveli district rural poor in a commercially sustainable manner.

OBJECTIVES OF THE STUDY

1. To study the socio, economic and cultural background of members targeted by banks for financial inclusion.
2. To identify the opinion of the members in becoming part of financial inclusion through banks and SHGs.
3. To evaluate the role of public and private sector banks in ensuring financial product among the members.
4. To study the role, responsibility and opinion of bankers in introducing the concept of financial inclusion and its implications.
5. To identify the pitfalls and offer suggestions to various stakeholders in strengthening the implementation of financial inclusion effectively.

SCOPE OF THE STUDY

Financial inclusion has become a concern in India as majority of the population live in rural areas and are dependent on agriculture and other related activities. Due to barriers like low income, being located in remote areas and illiteracy the rural poor do not enjoy the benefit of formal finance. The present study aims at analyzing the role of banks in financial inclusion with special reference to Tirunelveli district. The study analyzes the role of the government machineries and other private institutions in implementing the financial inclusion aspect in rural areas. This study is to provide a better understanding of Financial Inclusion and identify the contribution made by the programme in the overall wellbeing of the beneficiaries.

METHODOLOGY

1. Data collection

The present study has been based on both primary and secondary sources of data. The researcher has collected the secondary data from the Reserve Bank of India (RBI), State Level

Bankers' Committee (SLBC), NABARD, All India Debt and Investment Survey (AIIDS), the various rounds of NSSO Surveys and also from some of the published sources of Government of India like the Planning Commission, the Ministry of Finance, and various independent studies and reports. The secondary source of data has provided a broader picture of the spatial and temporal variations in the financial inclusion. It also gives some indication on the success and failure of various initiatives undertaken to promote financial inclusion. In short, analysis of these data provided a broad picture of the status and extent of financial inclusion in Tirunelveli district. To capture these dimensions, a field survey and a case study have been conducted to collect primary data with the help of two parameters that covers the interview schedule to collect data from the beneficiaries / members and a questionnaire circulated to the bank officials to extract their opinion on financial inclusion.

2. Sampling method

Stage I there is 186 bank branches in the study area which includes both private and public sector banks. A total of 18 banks branches from public sector and 6 bank branches from the private sector were selected as samples. The selection was based on proportionate sampling method and 13% of the total 186 banks that comes to 24.

Place	Rural	Sub urban	Urban	Total
Total bank branches	53 branches	82 branches	51 branches	186 branches
Total samples	53 * 13 / 100 = 7	82 * 13 / 100 = 10	51 * 13 / 100 = 7	24 branches
Public sector	6 branches	6 branches	6 branches	18 branches
Private sector	1 branch	4 branches	1 branch	06 branches

Stage II in Tirunelveli there is 23,743 SHGs operating with the help of NGOs and of these 7500 groups have direct contact with Banks that strive towards financial inclusion. Of these 5% of the sample members were selected for the study which comes to 375 members and after data elimination 360 samples were considered for the study. The member respondents were selected based on simple random sampling method.

TOOLS FOR ANALYSIS:

The collected data were analyzed properly with the help of proper tools for the effectiveness of this study. The tools employed are percentage analysis, ANOVA, Chi-square test,'t' test for independent sample and factor analysis.

HYPOTHESES

1. Hypothesis: There is no significant relationship between the type of banks and the age group of the respondents.
2. Hypothesis: There is no significant relationship between the type of banks and the marital status of the respondents.
3. Hypothesis: There is no significant relationship between the type of banks and the religion of the respondents.
4. Hypothesis: There is no significant relationship between the type of banks and the caste category of the respondents.
5. Hypothesis: There is no significant relationship between the type of banks and the area of the respondents
6. Hypothesis: There is no significant association between the type of banks and the various types of insurance coverage.
7. Hypothesis: There is no significant association between the availability of informal finance and the influence of such finance.
8. Hypothesis: There is no significant relationship between the level of awareness and various financial products and services offered by the banks.
9. Hypothesis: There is no significant relationship with the type of members and the discouraging factors to associate with the bank.
10. Hypothesis: There is no significant relationship between the type of customers and the opinion relating to the difficulties in connection with taking loans and their later experiences.

LIMITATIONS OF THE STUDY

1. The study suffers lack of knowledge on the part of beneficiaries about financial inclusion and its implications.
2. The major limitation of the research was the lack of co–operation on the part of the bank personnel. Repeated requests and visits were needed to convince the bank managers on the importance of the study and to collect their feedback.
3. Lack of knowledge and orientation about Financial Inclusion on the part of the bank personnel was another limitation associated with the study.

FINDINGS

1. More number of women populations are concentrated in the concept of financial inclusion.
2. Majority of the members are in the age between 30 and 50 years
3. Majority of the members belong to backward community.
4. A large majority of the members are daily workers and agricultural labourers.
5. Rural focus is more in case of public sector banks than that of the private sector banks.
6. Large majority of the customers / members are covered by savings bank and recurring deposit account.
7. Majority of the members take loan for family needs and personal purposes.
8. Majority are members of SHGs for more than 10 years.
9. The municipal staff members create knowledge among the members on SHGs and other related activities.
10. Majority of the members feel that the interest rate is moderate and high.
11. Majority of the members pay the loan in monthly installments.
12. The inadequate income and emergency requirements make the members to be defaulters in payment.
13. The concept of financial inclusion aims at rural development, there is more representation from rural people.
14. There is no much concentration by the banks on zero balance accounts which is the violation of government directives.
15. The members have awareness about ATMs, Debit card and insurance facilities.
16. To some extent the members are dealt severely for the sake of business and profit by the banks and banking system.
17. Public sector banks have very high degree of response towards implementing the concept of financial inclusion.
18. There is high opinion from the bankers relating to deposits promoted from the members of BPL annexed to SHGs & MFIs.
19. The government support to implement the programme has received high and very high opinion from the bank staff.
20. Majority of the bank staff state that they have high and very high opinion relating to the purpose for which the loans are sanctioned. It has really done some economic benefit to the members.

21. In majority cases the bankers state that the economically backward people are supported well by their banks.
22. In majority cases the demand for security has some implication over the functioning of the system of financial inclusion.
23. It is found that the observed value of chi square is 49.999, the degree of freedom is 2 and the level of significance is 0.00 which is less that 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the age group of the respondents.
24. It is found that the observed value of chi square is 0.1999, the degree of freedom is 2 and the level of significance is 0.991 which is higher than that of 0.05 and hence the null hypothesis is accepted. There is no significant relationship between the type of bank and the marital status of the respondents.
25. It is found that the observed value of chi square is 81.113, the degree of freedom is 3 and the level of significance is 0.000 which is less than that of 0.05 and hence the null hypothesis is rejected. There is a significant relationship between the type of bank and the religion of the respondents.
26. It is found that the observed value of chi square is 1.844, the degree of freedom is 2 and the level of significance is 0.398 which is more than that of 0.05 and hence the null hypothesis is accepted. There is a no significant relationship between the type of bank and the caste category of the respondents.
27. It is found that the observed value of chi square is .865, the degree of freedom is 1 and the level of significance is 0.492 which is more than that of 0.05 and hence the null hypothesis is accepted. There is a no significant relationship between the type of bank and the area of the respondents.
28. It is found that the calculated value is 108.970, the degree of freedom is 8 and the level of significance is .0000 which is less than 0.05 and hence the null hypothesis is accepted. There is no significant association between the type of banks and the various types of insurance coverage.
29. The outcome of the KMO and Bartlett's test reveals that the P value is 1433.372, degree of freedom is 21 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the availability of informal finance and the influence of such finance.

30. The outcome of the KMO and Bartlett's test reveals that P value is 2841, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence the there is a significant relationship between the level of awareness and various financial products and services extended by various sectors of banks.
31. The outcome of the KMO and Bartlett's test reveals that P value is3547, degree of freedom is 36 and the level of significance is 0.000 which is less than 0.05 and hence there is a significant relationship between the type of members and the affective factors to associate with the bank.
32. It is found that the factors relating to the difficulties in connection with taking loans and their later experiences. The primary factor is observed to the inconvenient number of installments and the period of loan repayment. The participants are not a regular income group and hence the zero balance accounts even though it is being floated by the banking rules and by government as well.

SUGGESTIONS

Based on the above findings, the following suggestions are made to all the stake holders which are to be addressed individually for the effective application of the programme and enhancing further improvement in the living standard of the members.

TO THE MEMBERS

1. Members should voluntarily come forward to utilize the facilities available and to enhance the state of empowerment on all spheres of development.
2. There should be interest among the members to regularly participate in the activities and equip them in enhancing skills and talents to get identity in the society.
3. Members should plan their lives to have great control over their circumstances and free them from the shackles imposed on them by customs, beliefs and practices.
4. There should be more saving habit than borrowing habit and Borrowing should be possible to members based on necessity.
5. Financial benefit should not be the major focus of the members and SHGs, beyond the financial benefit the members and other agents must aim at empowerment in all spheres.

TO THE NGOs / MFIs

1. There should be 100 per cent membership in all the villages which may provide a strong empowerment state among the women flock.

2. There should be rotation based leadership to encourage and develop the talents and skills of all the group members.
3. Women are to be considered as participants in the welfare programme than beneficiaries. It important to help women to reflect on their achievements and in the lights of that must be oriented towards further achievements.
4. New models and methodologies should be introduced now and then to attract women to participate in the efforts of financial inclusion and micro finance activities. There should be more need based training regularly to develop the talents individually and in groups.
5. NGOs should be observes and not dictators more particularly on financial matters. It is suggested that suitable administrative training to all the members of the SHGs should be given or at least to the animators and representatives of the groups and the same may be extended to the other members.

TO THE GOVERNMENT

1. A financial literacy and credit counseling centre may be opened in every district with suitable financial experts, bank officials and other agencies.
2. The state Government may consider giving preference to uncovered areas for promoting the SHGs which is a means for taking the concept of financial inclusion and micro finance to every segment of the people.
3. The training was given only on the conventional or traditional business activities. It is suggested that training on innovative economic activities by using the resources in and around the district may be given to the members of the SHGs.

TO THE BANKS

1. It is suggested that the officials of bank should visit the SHGs and grade them based on their quality and performance.
2. The grading system format is already approved by the NABARD and if needed, banks can outsource the task of grading the SHGs to third party to get better feedback.
3. The loan applications of the SHGs should not be delayed beyond 15 days and the banks can fix a day for transactions of the SHGs.

4. The formalities while opening the SHG accounts in banks can fix a day for transactions of the SHGs. The formalities while opening the SHG accounts in banks and while advancing loan to them should be simplified.
5. There should be uniform format for account opening and loan application across banks.
6. It is also suggested that necessary instructions may be given to the authorities and the bank officials to avoid the delay in sanctioning the loan and to respond to the queries of the SHG members.
7. Loan amount is one of the basic components to start an activity and also women can be financially sound when loan amount is given sufficiently. Loan amount should be increased to the extent that they can take up an income generating activity.
8. Same and balanced rules should be given to both private and public sector banks keeping the focus of financial inclusion and social development.
9. Interest should be kept less and meager to help members to enhance financial sustainability.

CONCLUSION

The basic idea behind financial inclusion is to provide financial services to low income households at an affordable cost not only for financial sustainability but also for the series of virtuous spirals of economic empowerment. Banks through FIs have undoubtedly begun to make a significant contribution in poverty alleviation and empowerment of poor, especially women in rural areas of our country. Investing in the capabilities of poor and empowering them to achieve their choices and opportunities is the definite way to contribute to the economic growth and the overall development of the family, village, state and nation. The grater percentage of women is influences positively by being members of SHGs and effectively participating in the inclusive development process. Women’s participation in the SHGs enabled them to discover their inner potentials and has given orientation to gain self-confidence, social, economic, political and psycho local empowerment and capacity building. Let us all vow to reinvent the modern effort of inclusive growth with new means and ideas to liberate women and bring them all to the state of empowerment and development.

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ROLE OF BANKS IN FINANCIAL INCLUSION: A FIELD SURVEY IN TIRUNELVELI DISTRICT

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ABSTRACT

In India, the basic concept of financial inclusion is exhibited in a saving or current account opened and operated at any bank. In reality, it includes loans, insurance services and much more, for all members of an economy. An inclusive financial system has several merits; it facilitates efficient allocation of productive resources that can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day to day management of finances. Thus the financial inclusion is the new mantra of the union government to include the excluded in the financial services for their well being. A vast majority of the population lives in rural areas and they have no access to any facilities that ensures futuristic view not only of their life but also the future generations. Financial inclusion is the biggest problem in front of the financial system as the in rural India and infrastructural bottlenecks are worsening it even further with each passing day. Hence the researcher intents to conduct a study on the extent to which the people having different demographic profile residing in a rural area are conversant with banking habits**.** This paper deals with self help groups and financial inclusion of banks and exhibits the financial and social background of the people.

Key words: financial inclusion, financial exclusion, financial literacy and unorganized sectors.

Introduction

Indian economy is growing strongly which ensures better recovery and asset valuation. Progressive reforms in banking and low interest rates have increased borrowing activity to achieve their financial targets. Banking industry is making rapid strides with information technology driven initiatives and has led to the expansion of products (i.e.) expansion of financial services giving birth to the concept of financial inclusion. Financial inclusion is the availability of banking services at an affordable cost to the disadvantaged and low income groups. In India, the basic concept of financial inclusion is exhibited in a saving or current account at any bank. In reality, it includes loans, insurance services and much more for all members of an economy. An inclusive financial system has several merits, it facilitates efficient allocation of productive resources and that can potentially reduce the cost of capital. In addition, access to appropriate financial services can significantly improve the day to day management of finances. Thus the financial inclusion is the new mantra of the union government to include the excluded in the financial services for their well being. A vast majority of the population lives in rural areas and they have no access to any facilities that ensures futuristic view not only of their life but also the future generations. Financial inclusion is the biggest problem in front of the financial system as the in rural India and infrastructural bottlenecks are worsening it even further with each passing day. Hence the researcher intents to conduct a study on the extent to which the people having different demographic profile residing in a rural area are conversant with banking habits.

What is Self Help Group(SHG)

Self Help Group is a homogeneous group of micro entrepreneurs with affinity among themselves, voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group from which small loans are given to the members for meeting their productive and emergent credit needs at such rate of interest, period of loan and other terms as the group may decide.

Financial inclusion: Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.

Review of literature

M. Selvakumar and M. Anbalagan[1] (2012) in their study titled, "Financial Inclusion is the Road that India Needs to Travel", Empirical evidence shows that economic growth follows financial inclusion. Boosting business opportunities will definitely increase the gross domestic product, which will be reflected in our national income growth. To sum up, financial inclusion is the road that India needs to travel toward becoming a global player. Financial access will attract global market players to our country and that will result in increasing employment and business opportunities.

A. Subbiah and M. Gurusamy[2] (2012) in their study titled, "Financial Inclusion through Rural Retail Banking", financial inclusion is not a onetime effort; it is an ongoing process. It is a huge project which requires concerted and team efforts from all the stake holders-the Government, financial institutions, the regulators, the private sector and the community at large. It should gather momentum and grow in geometric proportions and develop into a focused and effective movement.

Bandgar[3] **(2012)** revealed that more than 65 percent of the Indian population is still unbanked�did not have access to basic banking facilities. The poor and the excluded have successfully organized themselves in 25 lakh self help group (SHGs). With the phenomenal growth recorded by microfinance in recent year-62 percent p.a. in terms of number of unique clients and 88 percent p.a. in terms of portfolio over the past five years and around 27 million borrowers accounts, the SHG linkage programme had achieved a phenomenal growth over the years but there was still a larger segment of society that was denied access to financial services.

Kuppan S[4] (2012) stated the main reason for financial exclusion is be short of regular or considerable income. In most of the cases people with low returns do not qualify for a credit. The proximity of the financial service is an additional fact. The loss is not only the shipping cost but also the loss of daily pay for a low income person. Most of the excluded consumers are not aware of bank's goods, which are helpful for them. Receiving of money for their financial necessities from a local money-lender is easier than getting loan from the bank.

Objective of the study

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[1] M. Selvakumar and M. Anbalagan (2012) "Financial Inclusion is the Road that India Needs to Travel", Financial Inclusion-Imperatives for Human Development and Sustainable Growth, PG& Research Department of Commerce, St. Xavier's College (Autonomous), Palayamkottai, India.Pp.17-23

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[3] Bandgar, P.K. (2012).Financial Inclusion. The Management Accountant. Vol. 47, No.1.

[4] S. KuPpan (2012), "Financial Inclusion", the Management Accountant, Vol.47, No.1, January 2012; p-12.

- ✓ To know the level financial inclusion among Self Help Groups in the study area.
- ✓ To study assess the reasons for financial inclusion and its outcome
- ✓ To analyze the financial background of Self Help Groups and its utility
- ✓ To know the loan facilities provided by the banks for Self Help Groups to empower the members
- ✓ To identify the pitfalls and offer suggestions.

Profile of the study area

The study area is Vikramasingapuram and Ambasamudram Taluks of Tirunelveli District which are connected by rural and semi urban area. Different types of people live in this area with various differentiating factors. Most of the people in the study area are belonging to Hindu and Christian religion and are involved mostly in agriculture.

Methodology

To collect necessary data the researcher used a well framed questionnaire which consists of **23** questions. Primary data only used for this study. **84** Respondents were selected on simple random sampling method. Collected data were analyzed with the statistical tools like tabulation, averages and percentile methods.

Table -1 Age wise classification

Age	No. of Respondents	Percentage
26-35	28	33.3
36-45	34	40.5
above 45	22	26.2
total	84	100

Source: Primary Data

The above table shows that collection of data on age wise classification of self help group members. The most of the 40 percent of the women belong to the age group between 36-45.

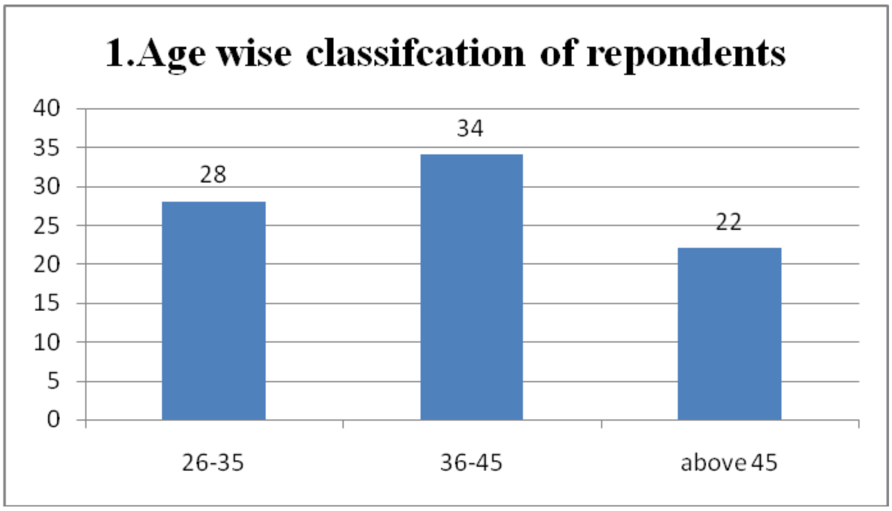


Table -2 Classification of respondents on the basis of Nativity

Native place	No. of Respondents	**Percentage**
Rural	24	28.6
Semi urban	60	71.4
Total	84	100.0

Source: Primary Data

The above table shows that collection of data on the basis of native place of the Self help groups. Majority of 60 percent of the respondents belong to semi urban.

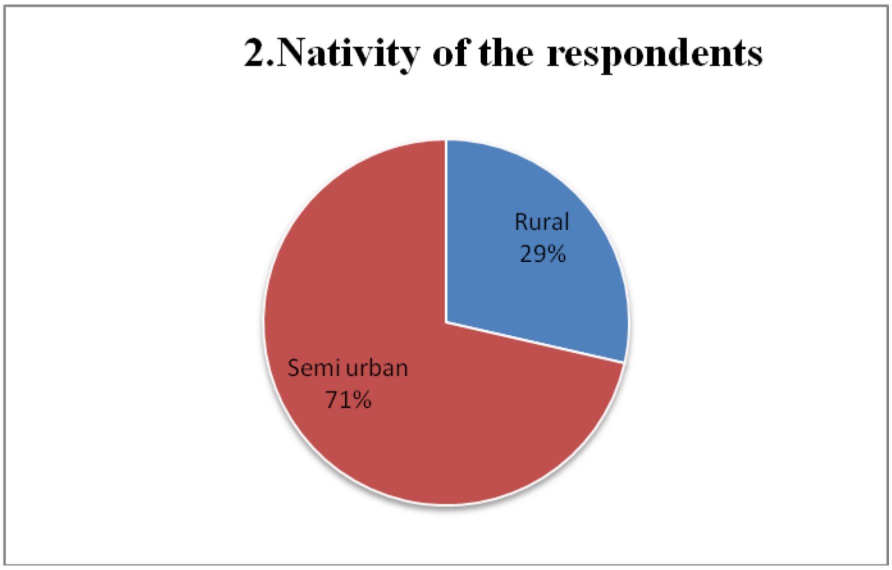


Table -3 Educational classification of the respondents

Educational qualification	No. of Respondents	Percentage
Illiterate	16	19.0
5th std	42	50
6-8 std	16	19.0
SSLC	4	4.8
HSC	4	4.8
College	2	2.4
Total	84	100.0

Source: Primary Data

The above table shows that collection of data on the basis of educational classification. Most of the respondents 42 percent of the respondents are having 5th standard qualification.

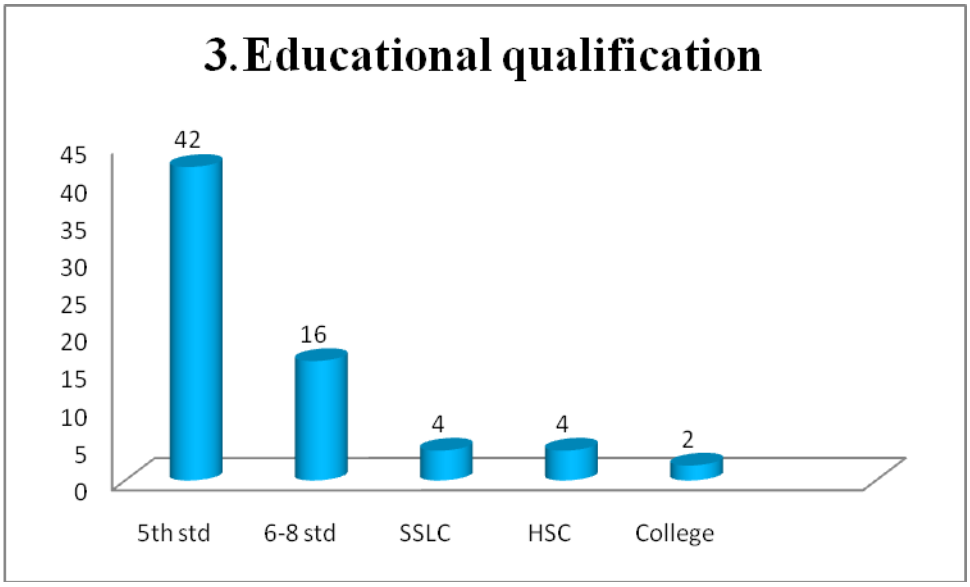


Table – 4 Religion wise classifications

Religion	No. of Respondents	Percentage
Hindu	74	88.1
Christian	10	11.9
Total	84	100.0

Source: Primary Data

The above table shows that religion wise classification of respondents. Majority of 88 percent of the respondents are belongs to Hindu.

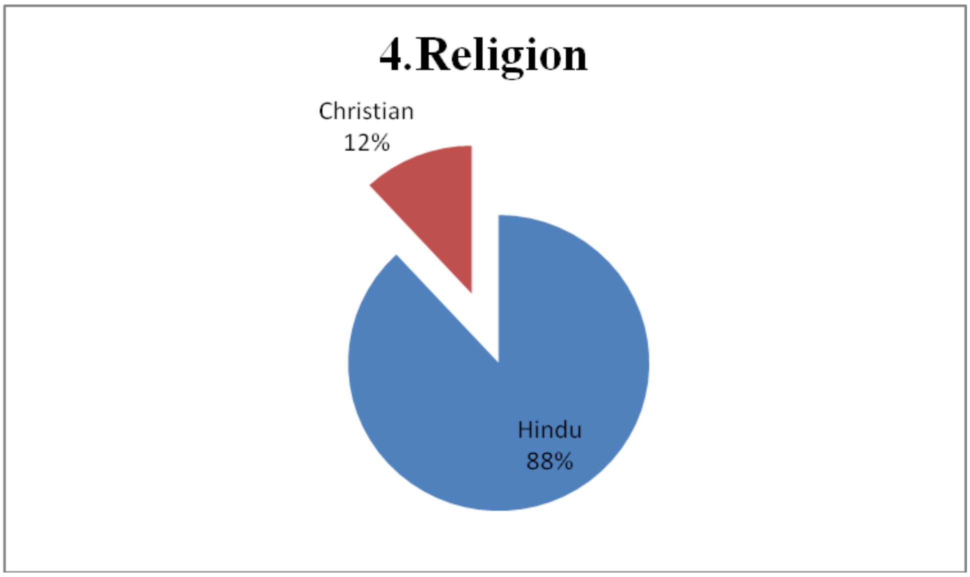


Table -5 Classification of respondents based on Community

Community	No. of Respondents	Percentage
BC	18	21.4
SC	66	78.6
total	84	100.0

Source: Primary Data

The above table shows that community wise classification of respondents. Majority of 78 percent of the respondents are belongs scheduled caste.

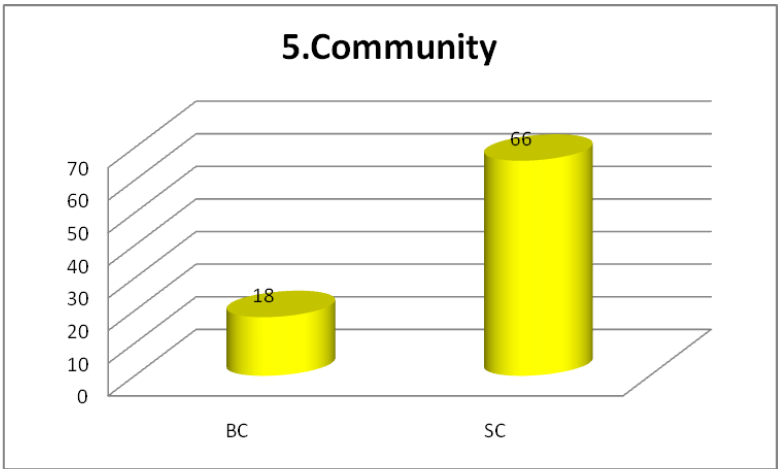


Table -6 Classification of based on Marital status

Marital status	No of respondents	Percentage
Married	68	81.0
Widow	16	19.0
Total	84	100.0

Source: Primary Data

The above table exhibits the marital status of the respondents out of 84, 81 percent of respondents are married and living with family members.

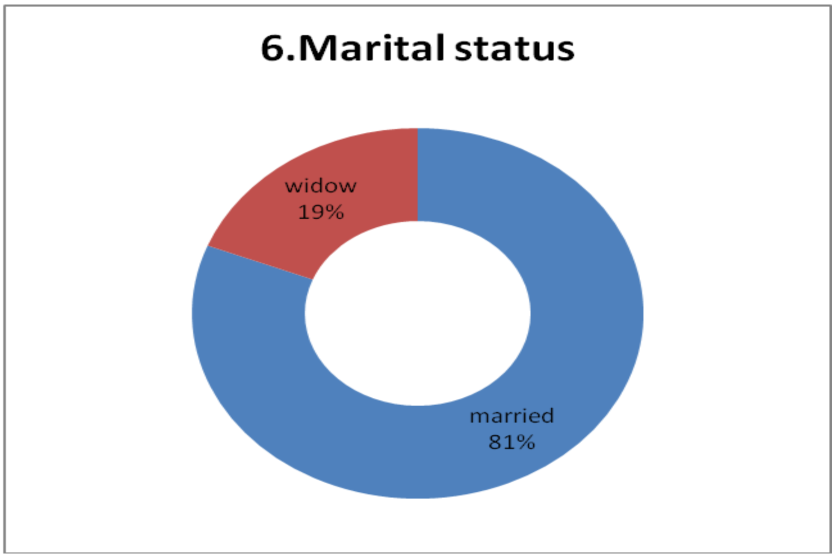


Table -7 Type of family

Family	No. of respondents	Percentage
Nuclear	62	73.8
Joint	22	26.2
Total	84	100.0

Source: Primary Data

The above table shows that types of family of respondents. Most of 62 percent of respondents belong to nuclear family.

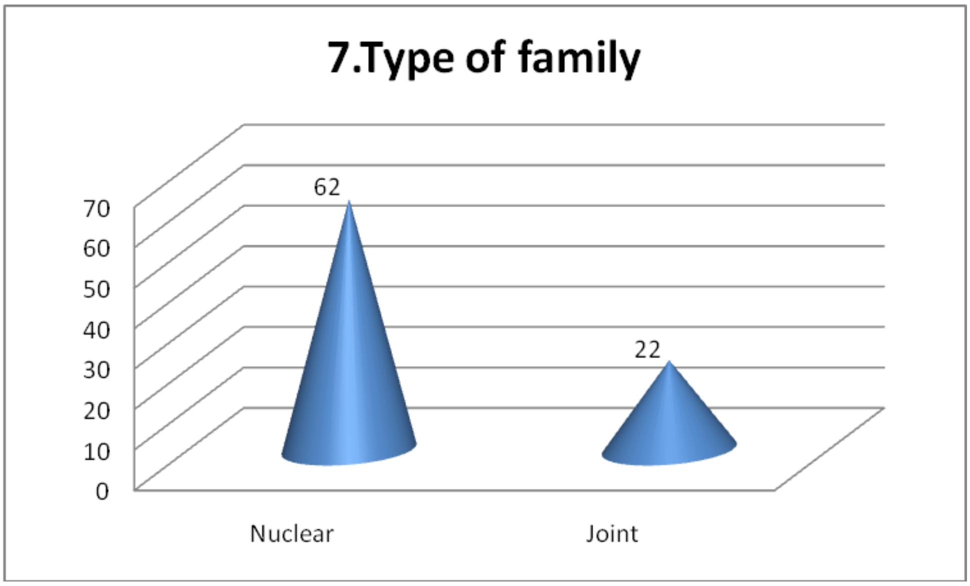


Table -8 Number of earning members in the family

No of earners	No. of Respondents	Percentage
1	10	11.9
2	66	78.6
3	8	9.5
Total	84	100.0

Source: Primary Data

The above table shows that number of earning members in the family. Out of 84 respondents 66 percent of the respondents are belong to 2 members earning in the family.

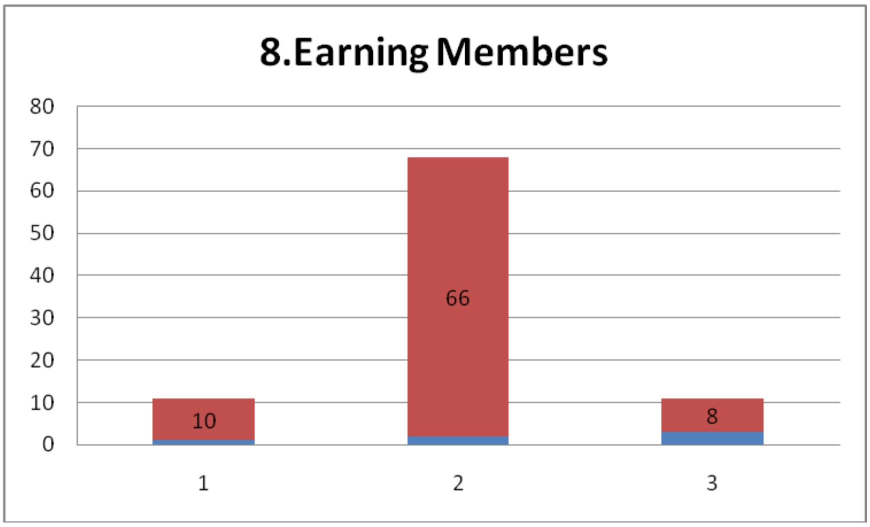


Table -9 Difficulties in opening a bank account

Opinion	No. of Respondents	percentage
Yes	74	88.1
No	10	11.9
Total	84	100.0

Source: Primary Data

The above table shows that difficulties in opening the current account, out of 84, 74 members agreed that difficulties in opening a bank account.

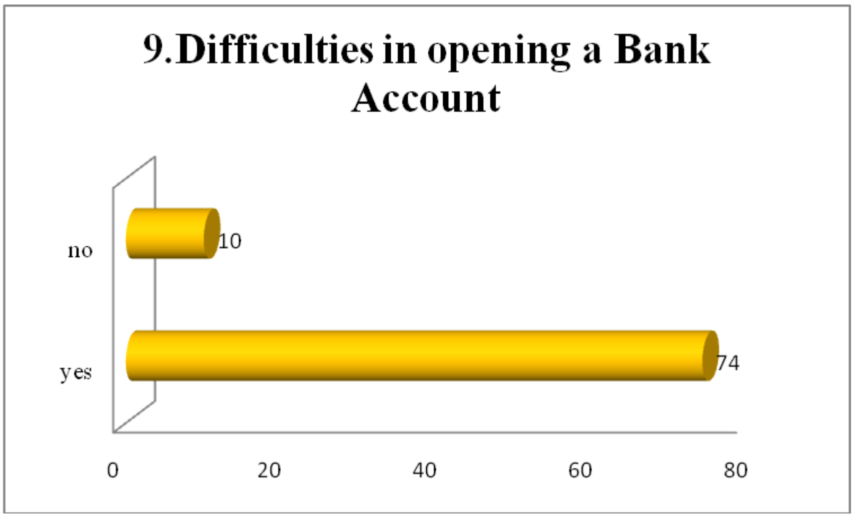


Table -10 Person who helped to open a bank account

Persons	No. of Respondents	Percentage
Friends	34	40.5
Neighbors	38	45.2
SHG Members	12	14.3
Total	84	100.0

Source: Primary Data

The above table shows that persons who helped to open a bank account. Most of the 45 percent of the respondents have got help from their neighbors.

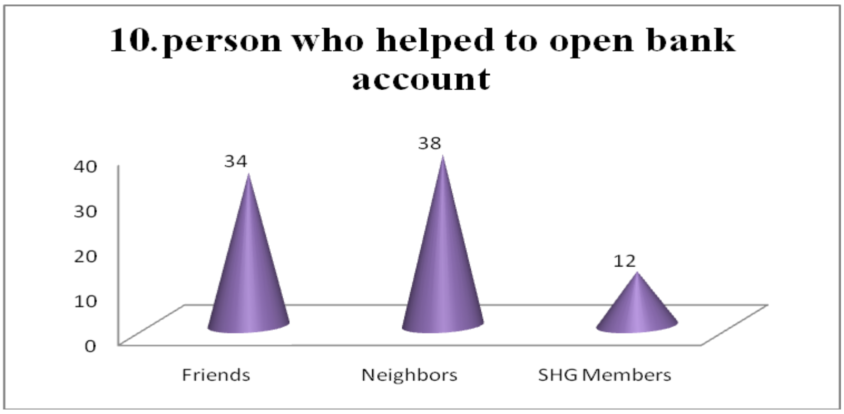


Table – 11 Availed loan through bank by Self Help Groups

opinion	No. of Respondents	Percentage
Yes	80	95.2
No	4	4.8
Total	84	100.0

Source: Primary Data

The above table shows that persons who availed loan through bank by self help groups. Out of 84 respondents, 95 percent of the respondents have availed loan from banks.

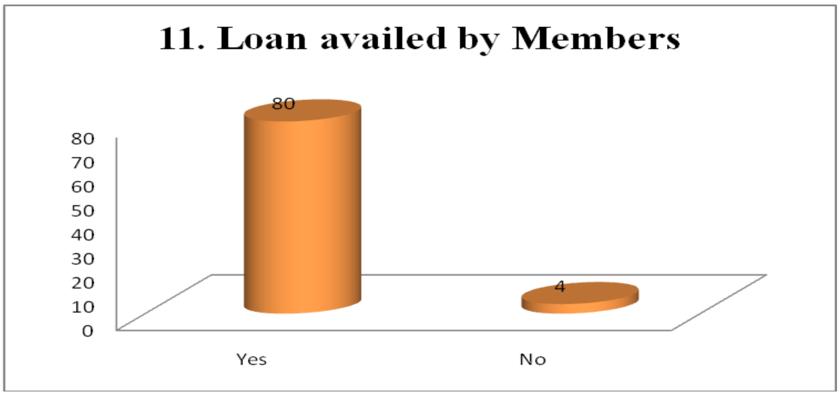
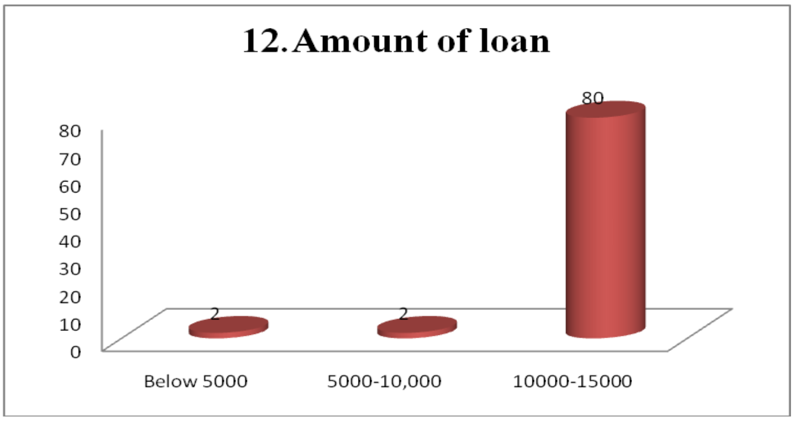


Table -12 Amount of loan

Amount	No. of Respondents	Percentage
Below 5000	2	2.4
5000-10,000	2	2.4
10000-15000	80	95.2
total	84	100.0

Source: Primary Data

The above table shows that amount of loan availed by the self help group members from banks. Some Self Help Group members could get 12,000 rupees as a loan therefore, majority of 95 percent of the respondents agreed that they would get loan amount from 10,000 to 15,000 rupees.



Findings

- ✓ Most of the respondents (040 percent of the women) belong to the age group between 36-45.
- ✓ Majority of 60 percent of the respondents belong to semi urban area.
- ✓ Most of the respondents (42 percent) are illiterates.
- ✓ Majority of 88 percent of the respondents belong to Hindu religion.
- ✓ Majority of 78 percent of the respondents belong scheduled caste.
- ✓ Majority of 81 percent of respondents are married.
- ✓ Most of 62 percent of respondents are belong to nuclear family.
- ✓ Majority of 66 percent of the respondents belong to 2 members earning in the family.
- ✓ Majority of 74 percent of the members agreed that there are more difficulties to open a bank account.
- ✓ Most of the 45 percent of the respondents are illiterates and seek the help of neighbors.
- ✓ 95 percent of the respondents availed loan from bank in support of the SHGs.
- ✓ Majority of 95 percent of the respondents agreed that they would get loan amount to the tune of Rs.10,000 to Rs.15,000.

Suggestions

- ✓ More services and awareness programmes can be conducted to create awareness and provide information relating to financial inclusion to illiterate people.
- ✓ Each banker should generate knowledge about financial inclusion with the help of government regulations and findout the ways and means to help the needy people.
- ✓ Financial literacy programmes could be often conducted in villages to reachout the poor for helping them financially.

Conclusion

The present study has been focused on the financial inclusion service offered by banks in semi urban and rural areas in Tirunelveli District. According to the research, many people are illiterate, therefore the bankers should help the public and create awareness about financial inclusion. People are in self help groups on reason that the banks could make the self help group members to be aware of financial inclusion. This concept must be floated keeping in mind the socio economic empowerment of the members that lead to help the family to sustain in their livelihood and to grow in the sphere of financial viability which take them to a position of growth and development at least to the required level.

தமிழ்நாடு மகளிர் நல மேம்பாட்டு நிறுவனம்,
திட்ட செயலாக்கப்பிரிவு, திருநெல்வேலி மாவட்டம்

பொது தகவல்

மகளிர் குழு

சுய உதவிக்குழுக்களின் எண்ணிக்கை	:	**23,743**
மக்கள் தொகை (பெண்கள் 2001 சென்சஸ்)	:	**14,29,112**
சுய உதவிக்குழு உறுப்பினர்களின் எண்ணிக்கை	:	**3,63,564**
சேமிப்பு (ரூ.இலட்சத்தில்)	:	**13635.11**

இளையோர் குழு

சுய உதவிக்குழுக்களின் எண்ணிக்கை	:	**889**
சுய உதவிக்குழு உறுப்பினர்களின் எண்ணிக்கை	:	**14,088**
சேமிப்பு (ரூ.இலட்சத்தில்)	:	**138.00**

மகளிர் திட்டத்துடன் இணைந்து செயல்படும் தொண்டு நிறுவனங்களின் எண்ணிக்கை	:	**18**
சமுதாய ஆதார பயிற்றுனர்களின் எண்ணிக்கை	:	**122**
வட்டாரங்களின் எண்ணிக்கை	:	**19**
மகளிர் திட்டம் செயல்படுத்தப்பட்டுவரும் வட்டாரங்கள்	:	**13**
புதுவாழ்வு செயல்படுத்தப்பட்டுவரும் வட்டாரங்கள்	:	**6**
மாநகராட்சி	:	**1**
நகராட்சிகளின் எண்ணிக்கை	:	**7**
பேரூராட்சிகளின் எண்ணிக்கை	:	**36**
கிராம பஞ்சாயத்துகளின் எண்ணிக்கை	:	**425**
மகளிர் திட்டம் செயல்படுத்தப்படும் கிராம பஞ்சாயத்துகளின் எண்ணிக்கை	:	**257**
புதுவாழ்வு திட்டம் செயல்படும் கிராம பஞ்சாயத்துகளின் எண்ணிக்கை	:	**156**

சுழல்நிதி, பொருளாதாரக்கடன் மற்றும் நேரடிக்கடன் வழங்கப்பட்ட விபரம்

சுழல்நிதி

கிராமப்புறம்
(ரூபாய் இலட்சத்தில்) :

05-06 வரை	06-07	07-08	08-09	09-10	10-11	11-12	மொத்தம்
3312	953	392	3100	3720	2070	981	14528
828.00	238.25	98.00	1550.00	2232.00	1242.00	637.65	6825.90

நகர்புறம்
(ரூபாய் இலட்சத்தில்) :

06-07	07-08	08-09	09-10	10-11	11-12	12-13	மொத்தம்
70	1220	2400	480	1000	1300	644	7114
17.5	305.00	1200.00	288.00	600.00	845	418.60	3674.10

பொருளாதாரக்கடன்
(ரூபாய் இலட்சத்தில்) :

05-06 வரை	06-07	07-08	08-09	09-10	10-11	11-12	மொத்தம்
607	**204**	**123**	**206**	**161**	**411**	**354**	**2066**
1238.84	577.04	401.69	702.1	633.8	1700.17	1645.74	**6899.38**

நேரடிக்கடன் (ரூ.கோடியில்) :

05-06 வரை	9012	71.47
06-07	1298	15.33
07-08	420	11.85
08-09	10055	111.66
09-10	11080	130.21
10-11	11571	183.62
11-12	9963	223.31
12-13	10743	211.88
13-14	10937	322.76
14–15	2486	82.85
மொத்தம்		**1364.94**

பயிற்சிகள் விபரம்

இளையோர் தொழில் திறன் பயிற்சி :

07-08	08-09	09-10	10-11	11-12	12-13	மொத்தம்
120	**635**	**485**	**685**	**1110**	**450**	**3485**

தொழில் முனைவு மேம்பாட்டு பயிற்சி (மகளிர்) :

08-09	09-10	10-11	11-12	12–13	மொத்தம்
125	**143**	**180**	**125**	**125**	**698**

பஞ்சாயத்து அளவிலான கூட்டமைப்புகள்
மறுசீரமைக்கப்பட்ட கூட்டமைப்புகள் விபரம் :

08-09	09-10	10-11 (காலாண்டு வாரியாக)			மொத்தம்
		முதல்	இரண்டாம்	மூன்றாம்	
4	**52**	**37**	**36**	**128**	**257**

கண்காணிப்பாளர்
தமிழ்நாடு மகளிர் மேம்பாட்டு நிறுவனம்
திட்ட செயலாக்கப் பிரிவு
திருநெல்வேலி