

DR. SREEMOYEE GUHA ROY

INCLUDING FINANCIALLY
THE POOR

Including Financially
The Poor

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**INCLUDING
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By

Dr. Sreemoyee Guha Roy

About The Author

Dr. Sreemoyee Guha Roy is an Assistant Professor in the Morning section in the Department of Commerce in St. Xavier's College (Autonomous), Kolkata. She is also Guest Lecturer in many other postgraduate disciplines in various other colleges. She has a PhD in Commerce (specialised in Accounting and Finance) from University of Calcutta. Her primary area of interest is Microinsurance, Rural Development, Financial Inclusion, Microfinance, Microsavings and microcredit amongst others. She is also an Associate Editor to four international research journals. She has a teaching experience of almost 10 years. She has published over twenty scholarly research paper in various peer reviewed national and international journals. She has also presented papers over twenty-five papers in international and national conferences. She has also received the Best Paper Award at an international seminar. Her debut book "Microinsurance: Including the Excluded" was published in 2015.



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Dr. Sreemoyee Guha Roy



Preface

Including the Poor financially is about the advancing or enriching of financial services to those people who do not have access to financial services sector, the excavating of financial services for people who have minimum or absence of financial services, and greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices. It means delivery of financial services, including banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups. The concept of financial inclusion has been prevailing in India for almost 50 years now. Beginning with the nationalization of commercial banks in 1969 and 1980, major step taken was the establishment of Regional Rural Banks in 1975 and banking sector reforms after 1991. A large numbers of studies have been made so far on financial inclusion in India, yet some gaps still persist. There are still problems of access to finance; credit, poverty and indebtedness have not been adequately examined. Just to open an account in the bank is not the only solution of the problem. Financial literacy is required for the overall achievement of the objective of financial inclusion. This book is an attempt to find out regional disparity, indebtedness and status of financial inclusion in India. The prime objective of the book is to give important clues to understand the nature, causes and determinants of financial inclusion in India. Financial inclusion is required to uplift the poor and excluded people by providing them the made-to-order financial products and services. This leads to inclusive growth circumferential the deprived and unfortunate sections. Steps have been

taken by the Government and Reserve Bank of India for expansion of banking services and linking of opportunities among various segments of financial sector like capital markets, insurance, etc. to achieve its aim of growth with the already included population and by including the excluded population.

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Executive Summary

Financial services actively contribute to the humane & economic development of the society. These lead to social safety net and protect the people from economic shocks. Hence, each and every individual should be provided with modest and low-cost institutional financial products or services popularly called Financial Inclusion. Despite witnessing considerable progress in financial sector reforms in India, it is daunting to note that nearly half of the rural households even today do not have any access to any source of funds- institutional or otherwise. Hardly one-fourth of the rural households are assisted by banks. Hence the major task before banks is to bring most of the excluded.

This has been highlighted in this book.

The first chapter highlights the nature and need of the financial inclusion in the process of inclusive growth and also explains the importance of financial exclusion in India. The second chapter is focused on the status of financial inclusion in India. The purpose of this chapter is to present an outline of the concept of financial inclusion and its major milestones in India. It also deals with the present scenario of financial inclusion in India.

The third chapter discusses the relationship between financial inclusion and economic development of the country. The fourth chapter analyses the trends and patterns of economic inequality across the Indian states.

The basic objective here is to understand the dynamics of growth in the country which is resulting in regional imbalances and proposes measures for alleviating the problem. The inter-state inequality in bank branches, credit accounts, saving accounts and credit deposit ratio show a clear picture of regional inequality in India. This chapter also critically evaluates the initiatives taken by the Reserve Bank of India and Government of India for attaining of financial inclusion. The fifth chapter discusses the issues and challenges being faced for achieving a better level of financial inclusion in India and also puts forward the conclusion in line of purpose of the book.



1 Introduction

1.1 Introduction

The GDP in any economy, depends on the increase in the proportion of savings and investment of a nation. Thus it is implied that financial exclusion of a vast majority represents a missed opportunity of an enormous potential for economic growth. So to include this huge population financially would result in reduction of poverty instigating inclusive growth. Inclusive growth means growth with equal opportunities which focuses on both creating opportunities and making opportunities accessible to all. Growth is inclusive when it allows member of all sections of a society to participate in and contribute to the growth process on an equal basis regardless of their individual circumstances. Developing countries all over the world has been constantly emphasizing reduction of poverty, one of the basic agenda of Millennium Development Goals (MDGs). The State, formal financial system and community based organizations are incidental in annihilating poverty while poising as the three pillars in achieving societal transformation (Thorat, 2006). Financial system can play a role in reinforcing many of the objectives of the MDGs involving savings, livelihood and economic infrastructure apart from providing an efficient payments system. Financial exclusion epithets limited accessibility of individuals to formal financial services. India has the

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Financial Inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. RBI is furthering financial inclusion in a mission mode through mishmash of strategies like liberalization of regulatory guidelines, innovative products, encouraging use of technology for achieving sustainable financial inclusion. The book constructs a critical analysis of financial inclusion and the developmental understanding and assumptions found within it.

ABOUT THE AUTHOR

Dr.Sreemoyee Guha Roy is an Assistant Professor in the Morning section in the Department of Commerce in St.Xavier's College (Autonomous), Kolkata. She is also Guest Lecturer in many other postgraduate disciplines in various other colleges. She has a PhD in Commerce(specialised in Accounting and Finance) from University of Calcutta. Her primary area of interest is Microinsurance, Rural Development, Financial Inclusion, Microfinance, Microsavings and microcredit amongst others. She is the author of three books on various areas of Financial Inclusion, Microfinance and Microinsurance.



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