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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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## FINANCIAL INCLUSION FOR INCLUSIVE GROWTH – A COMPARATIVE STUDY ON RURAL & URBAN AREAS OF DIBRUGARH

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### ABSTRACT

*The issue of financial inclusion is emerging as the new paradigm of growth. Financial inclusion is defined “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). RBI and Government take various steps to generate wide awareness and expand the risk of banking services. Through different agencies the government offers loans to the targeted beneficiaries. Different schemes are introduced to popularize the financial inclusion. Panchayat and District Industrial centers are taking care of that in the rural areas and Town Committees, Municipalities are taking care of that in urban areas. Subsidized loans are allowed to the farmers. This reduces the dependency of peasants on the money lenders. The farmers committed suicide due to inability to repay their loans which are waived by the government to stop the repulsive suicide attempts by the peasantry. The waiver is linked to the financial inclusion for inclusive growth. The present paper is a comparative study on financial inclusion for growth penetration in rural and urban areas in Dibrugarh, Assam supported by the analysis of the empirical data available at hand.*

### KEYWORDS

Financial inclusion, inclusive growth, rural area, urban areas.

### INTRODUCTION

The objective of socio-economic policies of the government always remains partially fulfilled. Why is it so? Population under study is pointing to a grim picture of financial inclusion for inclusive growth in India. If this continues to be so then Abraham Lincoln’s saying, “ Democracy is of the people, for the people and by the people ” will be replaced with the policy not meant for the wealthy section –“ policy is of the rich, for the rich and by the rich”.

Financial inclusion for inclusive growth must flow from the top of the society to the root of the society. If the root of the society is integrated to the financial institutions then the growth of the country will be unstoppable. The integrating agencies are certainly rural and urban area’s banks, co-operative societies, NGOs, Civic bodies, Panchayat, insurance companies and Government agencies. The root of the society is the majority of the society. They need everything at an affordable cost.

### REVIEW OF LITERATURE

In developing countries, still 90% of the people remain outside the formal financial system. Even India is far below the rank in respect to bank branches and ATMs among the Asian countries like China, Thailand, Indonesia etc. 30%-40% of the total population of India still lives below the poverty line as the poverty is defined by low health, malnutrition, high mortality rate of infant. Among them those who have 1 \$ per day were the ultra poor. (Dr. Debabrata Das, Tezpur University).

Number of unbanked population among rural and urban is very high. Only 39% in rural areas against 60% in urban areas are covered. (Thorat, 2007). So the dependency of the population for credit sources is still the private money lender and exploiters in both the areas. Financial inclusion is delivery of bank services at an affordable cost to the vast sections of disadvantaged and low income groups. As banking services are from the public & to the public, it is needful that banking and payment services to the entire population without difference should be the prime objective of the public policy.

### FINANCIAL INCLUSION

Financial inclusion is defined ---“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”—(By Rangarajan Committee).

The issue of financial inclusion is emerging as the new paradigm of growth. Financial inclusion for inclusive growth is aimed at the unemployed, the underemployed, the semi-employed, the casually employed and the disguised unemployed, rural and urban. Does financial growth induce and increase in per capita gross domestic product only because the very rich get even richer or does finance expand economic opportunities for the majority of the society?

Thus, financial inclusion = government agencies + banks + NFAs + OFIs + IT + MFIs

\*NFAs = No- Frills Accounts

\*OFIs = Other Financial Instruments

\*IT = Information Technology

\*MFIs = Micro Financial Institutions

Financial inclusion is a must for equal opportunities to all section of the people, inclusive growth, social development and business opportunities. India’s national vision for 2020 has mission to open nearly 600 million new customer’s bank account and services. So a variety of channels are in the offing in unbanked areas. For this purpose cardinal aspects are –

- LAISSEZ FAIRE IN FINANCE:** -At present there are 99 blocks in the country which don’t have any bank branch. In which 86 are in North East and 13 are in other parts of country. In current budget the government has granted a sum of Rs. 150 cores for banks to open branches in unbanked and difficult areas. Due to less population in most north east areas, RBI has proposed to use branchless banking with help of technology to promote inclusion through micro finance bodies, business correspondent, co-operative societies, grocery shops etc. This step is taken to access easily the financial market.
- ACCESS CREDIT MARKET:** -There is need for more products that meet credit and insurance need of people. For meeting credit needs a saving linked financial model can be adopted for these segment, which should kept simple and guarantee the beneficiaries of credit limit. In the rural part of state, primary agriculture co-operative societies are pretty active through it is being paid little attention, because it exist side by side with district central co-

operative banks(DCCBs).Thus, now state governments have taken initiating steps to rationalization functioning of co-operative societies in area like procurement, fertilizers and pesticides sale etc.

- KNOWLEDGE OF FINANCIAL MARKET:-** Due to lack of awareness, poor infrastructure is one of the major reasons of financial exclusion. Thus Reserve Bank of India setting up pilot project for credit counseling and financial inclusion on June 18, 2007. RBI launched a multinational website in 13 in all matter concerning banking & common people. Example: SBI has launched service centre's (knowledge centre's), village knowledge centre for providing knowledge to farmers which provide basic infrastructure internet connection and updated libraries.

The objective of financial inclusion is to extend the scope of activities of financial system to include people with low income. Although the banking network has rapidly expanded over the years but the key challenges would be to extend the banking coverage to include the target population living in 6 lakhs villages. The objective of the paper is to analyze the role of financial inclusion in the growth of Indian banking system in Dibrugarh, rural & urban.

**INITIAL MEASURES FOR FINANCIAL INCLUSION**

Reserve bank of India and government plays an important role in promoting financial inclusion for economic growth to increase the banking penetration in the country. Before 1990s several initiatives has been undertaken which included creation of State Bank of India in 1955; nationalization of commercial banks in 1969 and 1980; initiating the Lead Bank Scheme in 1970;, was a big step to expand financial inclusion. National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 mainly to provide refinance to the banks extending credit to agriculture, establishment of regional rural banks in 1975 are also the major steps for same aim which encourage branch expansion in rural area. It also regulate interest rate ceiling for credit in weaker sections. After 1990s there are major important steps taken for financial excluded people as launching Self helpgroups' linkage programmed in1992 by NABARD, which facilitates and provides door step banking. Simplifications of Know your customer (KYC) norms are another milestone. Where NGOs are set up to organize the poor, build their capacities and facilitates the process of empowering them. In 1998 Kisan credit card has been launched and on the suggestion of NABARD in 2005 General credit card has been launched which facility up to Rs. 25000/-In January 2006 NGOs, SHGs, and Micro Finance Institutions are permitted by RBI. Now MFIs currently cover 8.3 million borrowers. MFIs, self-help groups (SHGs) also meet the financial service requirements of the poorer segments.

**METHODOLOGY**

The urban and rural experience in the field of financial inclusion in Dibrugarh district is the main objective of this paper. Primary and secondary data from various sources are used to show the role of banks and other financial institutions in driving away poverty from the down trodden population of the society under study. It is also analyzed if government can achieve full financial inclusion in this area by 2015. References of some articles are also used to find out the need, opportunities and challenges in this direction. To arrive at a conclusive deduction some special case studies have been included in this paper.

**ILLUSTRATION**

Around 45% of the population in India is poverty stricken and only 31% has access banking services. 39% in rural area and 60% in urban areas are unbanked. The rate of unbanked areas in North East is very high. In India 14% of adult population has loan account. It is 9.4% in rural population and 14% in urban population and 7% in North East region. More than half population in India has no access to any formal and non-formal source of credit. 70% have no access to formal source of credit and they are still dependent on money lenders/usurers. KYC and other related knowledge are critical for them. More than 70% of the population is without life, health and non-life insurance coverage. In Dibrugarh district number of bank branches in Urban area is 50 and 37 in rural areas.

In the area under discussion, there are 1 co-operative and 5 commercial banks in urban area (listed below) and none in rural area.

List of banks and other financial institutions:-

- SBI
- UBI
- CENTRAL BANK
- ALAHABAD BANK
- CO-OPERATIVE APEX BANK
- GRAMIN VIKASH BANK OF ASSAM
- POST OFFICE SAVING BANK
- SAHARA INDIA

List of insurance companies:-

- LICI LTD.
- BAJAJ ALLIANZ
- RELIANCE LIFE

Private players are not opening any branch of banks in both urban and rural areas here.

No of total population under study = 50,000 each in rural and urban areas. Households visited are 1000 each.

A few years ago there were only two branches of banks in the urban area, now there are 4 commercial banks. Therefore population gets involved in increased number in the financial activities. Population in the rural area is integrated to the banks of urban areas.

**INDICATORS LIST OF FINANCIAL INCLUSION**

TABLE – 1

Sl. No	NAME OF FINANCIAL INSTITUTES	NUMBER OF ACCOUNTS	
		2010-2011	2011-2012
1.	SBI	12,000	14,000
2.	AGVB	1,788	2,340
3.	SAHARA INDIA	1,000	1,500

TABLE – 2

Names of schemes (Urban)			Names of schemes (Rural)		
	2010-2011	2011-2012		2010-2011	2011-2012
1. SHGs	50	60	SHGs	119	138
2. IG Old age pensionscheme(beneficiary)	----	443(till date)	IG Old age pensionscheme(beneficiary)	----	462(till date)
3. IG Widow pension scheme (Not implemented)	----	-----	IG Widow pension scheme(beneficiary)	----	2643(till date)
4. IG Disable pension scheme (Not implemented)	-----	-----	IG Disable pension scheme(beneficiary)	----	7
5. KCCs(Not Applicable)	----	-----	KCCs	1,789	2,340
6. GCCs (Data not available)	-----	-----	GCCs	98	101
7. Bajaj Allianz Life	10,000	16,000	Bajaj Allianz Life	5,000	6,000
8. LIC	9,097	12,431	LICI	9,000	13,000
9. PLI	----	210	PLI	----	160
10. Personal loan	----	180(till date)	Nil	----	-----
11. Agricultural loan (Nil)	----	----	Agricultural loan	----	2,200(till date)
12. Business loan	----	10(till date)	Business loan (Nil)	-----	-----

On the basis of statistical data we can experience the effect of the schemes taken for financial inclusion for financial growth in both urban and rural areas.

- a) No frills accounts are basis which have zero and low minimum balances and charges. These accounts have increased year by year.
- b) Kisan Credit Card has been launched in 1998. But here it is implemented later. KCCs issued are increasing year by year.
- c) Though there is no bank branches in rural areas, people are integrated to banks by the introduction of schemes mentioned above in the table.
- d) Of 50,000 population under study. 80% have direct or indirect access to financial market through no frills accounts, KCCs, SHGs, MNREGA, Life insurance companies, Old age pension, Personal loans home loans etc.
- e) 90% of population under study in urban area has the access to financial market through A/c's, pension, PMRY etc.
- f) In both the cases 50% of the population is from the deprived section of the society, who are either BPL families or APL families. Financial inclusion brings them many opportunities to overcome poverty. Rural areas under study are a big store house of disguised unemployed, unemployed, and casual employed. This section is benefited with the introduction of policies of financial inclusion.
- g) Rural people have GCCs.
- h) Most people in urban area have personal and business loan. This number is small, so number of lendees may be widened. Urban area becomes the breeding ground of semi employed, under employed and casual employed. Therefore loan opportunities offer them hopes of "Let's live."

### STEPS TAKEN ON FINANCIAL INCLUSION BY GOVERNMENT AND BANKS

- a) Agents of small savings schemes of the government of India, insurance companies, retired teachers, authorized persons of well run SHGs are appointed as Banks Correspondents. So 80% of population has come under banking system in unbanked rural areas.
- b) State bank of India appoints a CSP (Customer service point of business) in Naharani, rural unbanked area.
- c) ST, SC, OBC, Tai Ahom organizations are used by governments as Bank Facilitators in rural and urban areas.
- d) Among life insurance companies – LIC which has 50-50 policy holders from both rural and urban people is leading bank facilitators then Bajaj Life, Tata Life, Reliance Life, SBI Life follow. Sahara India is also doing the same.
- e) The rural area under study is very remote. The area is linked to the newly constructed highway through Gram CharakYojona. Means of communication remain uninterrupted. This immensely helps mpeople to link with the financial inclusion. This makes people all terrain affairs. The urban area under study has sufficient civic amenities.
- f) Computer Service point with internet connection are also handy to impart know how about financial inclusion to the targeted people.

### IMPEDIMENTS

- a) Illiteracy and ignorance comes in the way of financial inclusion. Most of the inhabitants depend on others to open accounts, to apply for loans etc. This delays their inclusion in the financial system. Guidelines, booklets etc are not made available in vernacular languages.
- b) Interrupted power supply breaks computer links to internet and frequent networks down forced people to waste hard earnings.
- c) Most of the people have lack of identity. To include in the financial system identity proof is a must. ADHAR (UID) is not issued here; voters I-cards have also not been issued.
- d) Touts, unauthorized persons from rural and urban areas take full advantage of illiteracy and ignorance of people to make money in the name of "Go and Get" from the concerned authority. Even a chain of dishonest officials traps the people who apply for I-cards, KCCs, loans etc to pay bribes.
- e) Financial inclusion aims at driving away poverty. But people who are in queue for financial inclusion have to incur expenses larger than their income prior to inclusion that landed them in penury.
- f) At least 10 to 20% people are still victims of usury which is rampant in rural area because of absence of hassle-free competitive financial markets.

### RECOMMENDATION AND CONCLUSION

- a) Holistic counseling free of cost by financial institutes, NGOs, Commercial agents should be made mandatory to those who are ignorant. Schools/ rented houses can be used as counseling centers.
- b) Booklets, guidelines regarding schemes, loans etc should be published in vernacular languages.
- c) More CSPs should be appointed in unbanked areas.
- d) For supporting documents in case of financial inclusion the issuing authority of such documents should reach the applicants on demand. The applicants should not be compelled under any circumstances via touts or unauthorized persons to reach the authorities. The applicant should get them at nominal cost.
- e) Uninterrupted power supply in rural areas during day time should be ensured. In case of network breakdown alternative arrangements should be at hand so that service is not stopped.
- f) Peasant, suicide case is not traced out in the area under study but risk of suicide is present there.

The areas under study will achieve 100% financial inclusion before national vision 2020 if the impediments short listed here are hit to nil. People, who once got half a loaf, now get a loaf in full due to financial inclusion in the areas under study. Two helpings of meal a day may be good food but that does not guarantee nutritious food. Only deep penetration of financial inclusion into the deprived section of the society will improve growth of our economy. And then people will be able to buy nutritious food, quality education and poverty will die out.

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