INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

IJRCM

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than 3770 Cities in 175 countries/territories are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mentionthe following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1” margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES &TABLES**: These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**:These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- 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.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

PROSPECTS AND PROBLEMS OF FINANCIAL INCLUSION IN INDIA

PURUSHOTTAM KUMAR ARYA
RESEARCH SCHOLAR
FACULTY OF MANAGEMENT STUDIES
UNIVERSITY OF DELHI
DELHI

HIMANSHU MISHRA
RESEARCH SCHOLAR
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI
DELHI

AAKASH UPADHYAY
RESEARCH SCHOLAR
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI
DELHI

ABSTRACT

India is one of the largest and fastest growing economies of the world, but what has been the most disturbing fact about its growth is that its growth has not only been uneven but also discrete. The need of the era is thus inclusive growth across the nation keeping in mind all the sections of the society. With respect to inclusive development financial inclusion can play a very important role. Financial inclusion is importantfor improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups. Financial exclusion, in terms of lack of access to credit from formal institutions, is high for small and marginal farmers and some social groups. Apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, the role of the self-help group movement and microfinance institutions is important to improve financial inclusion. This requires new regulatory procedures and depoliticisation of the financial system.

KEYWORDS
financial inclusion, Indian economy.

INTRODUCTION

Our country India is one of the fastest growing and largest economy of the world, but the matter of the fact about its growth is that its growth has not only been uneven but also discrete. In this regard the nationalisation of banks in 1969 and subsequent developments led to expansion of the geographical and functional reach by commercial banks, regional rural banks (RRBs) and cooperative credit institutions. Public policy aimed at "social" and "development banking" by meeting rural credit needs and reducing the role of informal sector credit. It may be noted that despite the vast expansion, a large number of groups remain excluded from the opportunities and services provided by the financial sector. Such excluded groups include small and marginal farmers, women, unorganised sector workers including artisans, the self-employed and pensioners. *P Chidambaram*, union finance minister, indicated in Budget 2006-07 that "out of the total number of cultivator households only 27 per cent receive credit from formal sources and 22 per cent from informal sources"(Mahendra Dev,2006). The minister proposed appointing a committee on financial inclusion. Based on this announcement, the government of India has set up a committee on financial inclusion under the chairmanship of C Rangarajan to suggest ways and means to extend the reach of the financial sector to cover excluded groups by minimising the barriers to access financial services. The Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD) are also concerned about financial exclusion of many households. Against this background, the objective of this note is to bring out issues and challenges for reducing financial exclusion.

FINANCIAL INCLUSION

Considered as an effective tool for inclusive development, financial inclusion may be called as *delivery of banking services at an affordable cost to the vast sections of disadvant-aged and low-income groups*, which vary in terms of credit which states households who are denied credit in spite of their demand. One of the defination given by Rangarajan Committee, 2008 is "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". The most important component of financial inclusion is credit but it covers different aspects like savings, insurance, payments and remittance facilities by the formal financial system to those who tend to be excluded (Thorat, 2006). In the rural areas many households are being exploited by moneylenders at very high interest rates (50% to 60%) and, therefore, these households should not be seen as being financially excluded. Since people find it convenient to borrow money from moneylender then approaching banks the banking regulatory authority may think of using moneylenders as agents. As a whole financial inclusion means households accessing institutional credit including commercial banks, cooperative banks, RRBs, NABARD, SHG-linkage and other self-help groups, and credible micro-finance institutions focusing on increase in productivity and sustainability of farmers and other vulnerable groups. Opening bank accounts can be one probable solution in this regard. The Prime Ministers concept of Jan-Dhan Yojana is a step towars realizing the goal of financial inclusion and making efforts towards covering small and marginal farmers and vulnerable social groups. Given below (Figure 1) is the diagram which briefly describes the essential contents of financial inclusion.

FIGURE 1: ESSENTIAL CONTENTS OF FINANCIAL INCLUSION

Source: Rangarajan Committee Report, 2008

PROSPECTS AND ROLE OF FINANCIAL INCLUSION IN INDIA

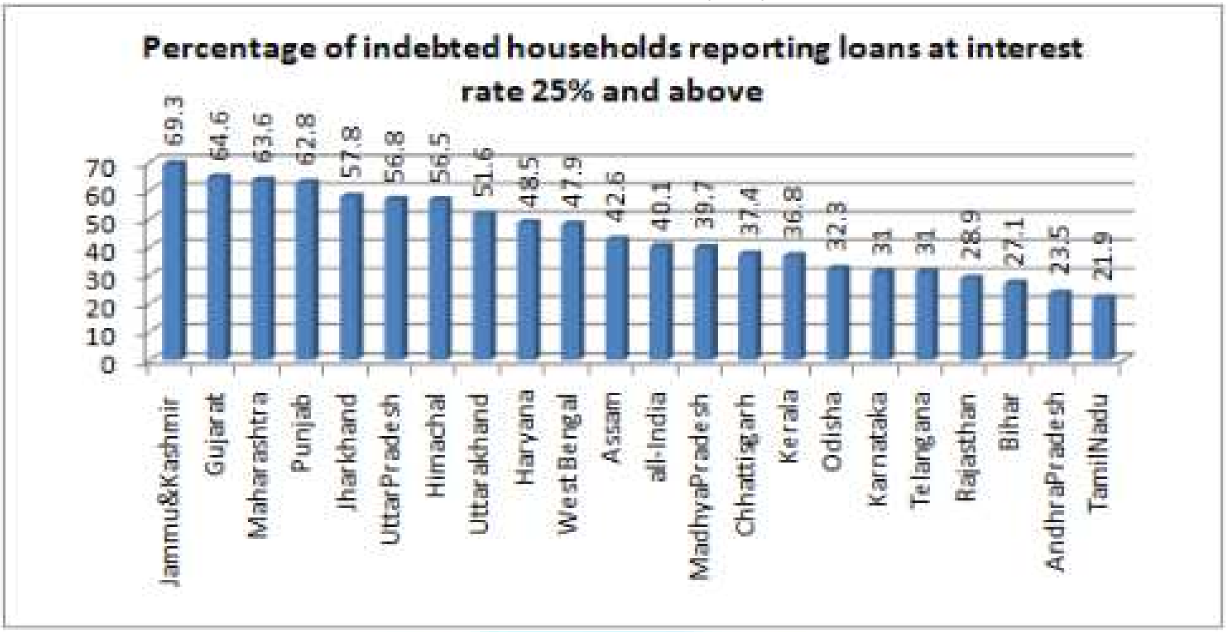
It is very much imperative for inclusive growth of India, with more than 25 % of its population living in abject poverty government's onus towards their growth and development is huge, and inclusive finance is one such measure which if targeted and attained in right manner will provide an apt solution to the severe problems of poverty and unemployment. Providing access to financial services has significant potential to help lift the poor out of the cycle of poverty. Financial inclusion promotes thrift and develops culture of saving and also enables efficient payment mechanism strengthening the resource base of the financial institution which benefits the economy as resources become available for efficient payment mechanism and allocation. Poors are typically more vulnerable to financial exclusion this is simply because their major problems arise from the need for finances. The formal banking services, by exploiting economies of scale and making judicious use of targeted subsidies may reduce or remove market imperfections and facilitate financial inclusion of the poor, ultimately leading to higher incomes. The access to financial services by poors would lead to their consumption smoothing and investments in health, education and income generating activities, thus expanding growth opportunities for them. Inclusive growth if targeted systematically may lead to financial stability, asset building and economic mobility and empowerment of the low income group people. However one need to understand that inclusive finance is a long run phenomenon which can not be achieved overnight, especially with regard to developing country like India where the access to financial products is constrained by several factors such as lack of awareness, unaffordability, high transaction costs, and inconvenient, inflexible and low quality of products. In a nation where about 60% of the population is poor has immense scope and need for financial inclusion in the long run. The idea of financial inclusion if implemented successfully can bring about the desired and much neede changes in the Indian economic system. Effective implementation of financial inclusion can be fruitful in lifting up the down trodden and the vulnerable economic section. If we look at the geographical and spatial variation across the nation it would be a tedious task at hand to reach far flung areas and bring about the easy credit system for their economic growth and long term sustainable livelihood option by loaning and investing the their respectiev field. Diverse country like India today faces many such issues and problems in terms of effectively implementing financial inclusion. Some of the issues and problems can be seen the following paragraph.

PROBLEMS OF FINANCIAL INCLUSION

Financial Inclusion is imperative for inclusive growth of India, with more than1/4th of its population living in poverty. Government's role towards their growth and development is huge, and inclusive finance is one such measure to soluve the severe problems of poverty and unemployment. Like any other schemes in India application of financial inclusion have many problems. They can be seen in the following paragraphs.

- **Indebtness of Farmers and other vulnerable group:** The most important problem in Indian economic set up, the driver of the economy is always under a severe burden of indebtness. Credit to farmer households is one of the important elements of financial inclusion. Here we must take a note of number of household who are denied credit in spite of demand in order to know the extent of credit inclusion. As it is a difficult task to obtain relevent datas and not much data is availabe from the secondary sources, the basic problem at the lowest level, i.e indebtness of farmers has been taken into account. The latest survey report of the National Sample Survey Office (NSSO) further confirms India's worsening agrarian crisis. More than half of the agriculture households are in debt, and the worst affected states are southern states like Andhra Pradesh, Telangana, and Tamil Nadu, says the 70th round of NSSO survey. The survey report says about 52 per cent of the agricultural households in the country are estimated to be in debt. Among the major states, Andhra Pradesh had the highest share of indebted agricultural households in the country (92.9 per cent), followed by Telengana (89.1 per cent) and Tamil Nadu (82.5 percent). The report states nearly 40 per cent of households take loan from non- institutional sources like money lenders. Nearly 60 per cent of total outstanding loan is taken from institutional sources. The banks' share is (43 per cent), followed by cooperative societies (15 per cent). The survey also showed that a very small segment of agricultural households utilised crop insurance because of lack of awareness. A report on indebted household from NSSO can be seen from Figure 2.

FIGURE 2: INDEBTED HOUSEHOLD (NSSO), 2014



The new National Sample Survey Organization (NSSO) report, released in December 2014, has suggested that Gujarat has one of the highest proportions rural households reporting outstanding cash loan at a very high interest rate compared to most Indian states. Titled "Key Indicators of Debt and Investment in India", the report, based on NSSO's 70th survey round, has suggested that, in all, there are 260 rural households in Gujarat out of every 1000 which reported outstanding cash loans. A large majority of these households, around 64.6 per cent — 30.8 per cent at the interest rate between 25 to 30 per cent and per 33.8 per cent at the interest rate 30 per cent and above — have taken loan at more than 25 per cent rate of interest. There is just one state out of the 21 major ones, selected for the sake of analysis, which has a higher proportion of rural households reporting cash loans at the high rate of 25 per cent or more than Gujarat – Jammu & Kashmir (69.3 per cent).

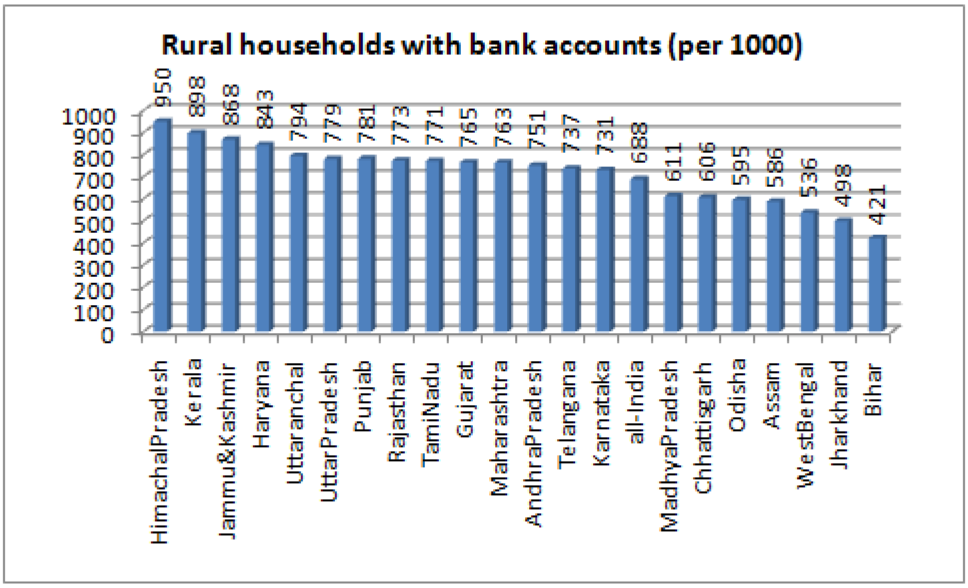
No doubt, the report suggests, Telangana and Andhra Pradesh are two states having the highest proportion rural households which reported highest number of outstanding cash loans – 591 per 1000 and 541 per 1000 respectively. However, clearly, being indebted is one thing, and being indebted at a very high rate of interest is totally another. Any economy in transformation — especially the rural economy of India which is fast moving from a feudal setup into a market framework — should mean that farmers would need loan in order to better their economic status by improving the quality of their agricultural output by going in for necessary inputs such as seeds, equipment, fertilizers, transportation, and so on. However, for this, formal banking sector should be effective enough to offer loan, which does not seem the case in Gujarat.

Whether it is Telangana or Andhra Pradesh, the proportion of indebted households reporting outstanding loans with a very high rate of interest (25 per cent or more) is 30.8 per cent and 23.5 per cent, respectively. At the all-India level, there are 40.1 per cent indebted households which reported taking loans at a rate higher than 25 per cent rate of interest. Taking loan at a very high interest rate – almost double of what the formal banking sector offers – should mean the farmer is dependent on the informal sector for loan, especially the usurious moneylender. A recent analysis, referring to the NSSO study, suggests that financial inclusion drive appears to be "failing rural India", with rural households increasingly depending on informal sector for borrowings in a significant way, adding these are mainly "private moneylenders", instead of "the organized financial sector". If this is true of rural India, it is even truer for states like Jammu and Kashmir and Gujarat.

- **Supply and Demand Side Issues:** It is being increasingly recognised that addressing financial inclusion requires a holistic approach addressing both supply and demand side aspects. Although there has been significant expansion in banking in the last few decades, there are many supply side problems for commercial banks, RRBs and cooperative banks. Some of the criticisms on the trends in rural credit in the 1990s are:
  - (a) narrowing of the branch network in rural areas;
  - (b) fall in credit-deposit ratios in rural areas;
  - (c) dispro-portionate decline in agriculture credit to small and marginal farmers;
  - (d) Worsening of regional inequalities in rural banking -steepest decline in credit-deposit ratio in eastern and north-eastern states; and
  - (e) Crippling of the RRBs.

Political inter-ference including loan waivers and write-offs also resulted in unviability and sick-ness in some of the formal rural credit institutions. One issue is whether we need separate institutions for promoting financial inclusion. Existing formal institutions may be sufficient for this purpose. It is true that commercial banks have their own problems such as manpower shortage, an unfavour-able attitude towards rural services, infra-structure and technology problems in rural areas, etc. Rural banking has to be friendly to small and marginal farmers and other vulnerable groups. Quoting the NSSO report, the analysis says, "Between 2002 and 2012, the number of rural households with bank accounts more than doubled in number. Yet, rural households increased their borrowings in a significant way from private moneylenders, and not the organized financial sector." It says, despite a 120 per cent increase in rural households with bank accounts in the decade in question, "Indebtedness is more among poorer households, who borrow more from moneylenders and more for non-business use." An Asst. Professor at the Jawaharlal Nehru University, Himanshu, has been quoted as saying in a recent report, on the basis of the NSSO report, that the latest survey is "a stark reminder that little has changed for farmers in the last decade. While formal credit flow has multiplied by four times in this period, small and marginal farmers have certainly not benefitted. The question is who has benefitted from this increased outflow to the agriculture sector." A visiting fellow at the prestigious Centre de Sciences Humaines, New Delhi, the scholar adds, "More worrying is the absence of minimum support price operations and extension services for most farm families- what it means is that the agriculture sector which sustains half the country is still out of the radar of government policy." While Gujarat may have targeted around 1.02 crore households under the Prime Minister's Jan Dhan project for opening bank accounts, the issue at stake is: How many of those who already had bank accounts were able to avail credit at rates offered at the normal, not to talk of subsidized, rate, which would be around 10-12 per cent. The NSSO report, prepared on the basis of the data collected in 2012-13, suggests that there are in all 76.5 per cent of the rural households in Gujarat which bank accounts, which was lower as many as nine major states of 21 – Haryana (84.3 per cent), Himachal Pradesh (95 per cent), Jammu & Kashmir (86.8 per cent), Kerala (89.8 per cent), Punjab (78.1 per cent), Rajasthan (77.3 per cent), Tamil Nadu (77.1 per cent), Uttaranchal (79.4 per cent), and Uttar Pradesh (77.9 per cent). Bank accounts in most of these states have not meant the ability to use the banks for what they meant – to offer loans for investing in agriculture. Number of Rural household with bank accounts can be seen from Figure 3.

FIGURE 3: RURAL HOUSEHOLD WITH BANK ACCOUNTS



There is a need to address the supply side problems in commercial banks, RRBs and cooperative banks. As the last year's union budget admits, "the cooperative banks, with few exceptions, are in shambles". This institution has to be revived as many farmers are dependent on the credit from these banks. The Vaidyanathan Committee's recommendations may be helpful to revive cooperative sector. So far we have been discussing mainly the issues relating to credit. Savings, in-surance and other financial services are also important. NSS data shows that around 88 per cent of rural households in 2002 reported one or the other form of financial assets under "deposits" which include deposit accounts with banks, government, certificates, post office deposit accounts, private deposits, insurance policy and cash in hand. However, it may be noted that only 6.82 crore households out of a total of 19.9 crore households (around 36 per cent) availed of banking services to have a deposit account in 2001. Therefore, there is a lot of scope for business opportunities for banks to include deposit-excluded households. The poor face many individual and covariate risks such as droughts, floods, cyclones, fires, theft, pest attacks, sharp falls in prices, health problems, accident, death of a family member, etc. They need some kind of insurance to cope with these risks. The supply of insurance mechanisms has increased in the last decade. With the opening up of insurance to the private sector, the pricing of insurance services will see some changes. Too much under-pricing of these schemes by the government may not be sustainable for both the public and private sectors. On the demand side, some of the con-straining factors for financial inclusion in rurala ndu rbana reasa rel ow productivitya nd risk and vulnerability of small and marginal farmers, low skill and poor market link-ages for rural non-farm and urban workers. Vulnerability to risk for rural landless and urban poor, inadequate awareness and low financial literacy. In order to improve demand, the suitability of existing finan-cial products for the farmers/poor must be assessed. For example, the rural poor do not even have a safe place to keep their savings, let alone thinking about the demand for credit. Suitable mechanisms have to be explored for addressing the risks faced by farmers and other poor, risks such as weather, price, yields, technology, etc. Moreover, financial instruments have to be developed in such a way that they promote economically viable activities. The financial institutions have to educate the poor and vulnerable by giving wide publicity to their financial instruments, e g, and no frills bank accounts

- **Role of Self-Help Groups**: The RBI recognised the problem of financial exclusion in the annual policy statement in 2005 and since then has initiated several policies aimed at promoting financial inclusion of especially pensioners, the self-employed and those employed in the unorganised sector (Usha Thorat, 2005). The self-help group (SHG)-bank linkage programme of NABARD is an innovative programme. It started as a pilot programme in 1992. We now have 22 lakh SHGs under this programme, comprising more than three crore poor households who are accessing credit through commercial and cooperative banks. Every year six lakh SHGs are added. The programme is no longer confined to southern states. The non-southern states have 46 % of the groups. Thus, the SHG movement is now a national movement. There have been several institutional innovations in financial services by including civil society. Followed by the success of SHG-bank linkage programme and the Bangladesh Gramin Bank model, many of the NGOs have taken to financial intermediation by adopting innovative delivery approaches. As per RBI guidelines 2000, commercial banks including RRBs have been providing funds to micro-finance institutions (MFIs) for on-lending to poor clients, whose number is incresing continously. A large majority of MFIs operate on much smaller scales with clients, with the latter number ranging from 500 to 1500 per MFI. However, a few non-banking financial companies (NBFC) MFIs have an outreach of more than one lakh. MFIs have been playing an important role in substituting moneylenders and reducing the burden on formal financial institutions (Reddy, 2005). The competition created in the form of developing several non-banking financial institutions in rural areas and the SHG movement has also reduced the interest rates in the informal credit market (Mahajan,2004) With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks have been allowed to use the services of NGOs, self-help groups, MFIs and other civil society organisations as intermediaries in providing financial and banking services through the use of business facilitator and correspondent models. Provisions for this kind of financial intermediation have opened new and diverse avenues to address the issue of financial inclusion by banks. NABARD also has some other initiatives like thejoint liability group approach, Rytu Mitra Groups in AP. One can also learn lessons from success-ful experiences in and outside India. Within India, we have good and successful practices for credit like the Kudumbasree programme in Kerala and the Velugu (Indira Kranti Padhakam) SHG programme in Andhra Pradesh. We also have good practices in SEWA (health) and BASIX (livelihoods) for insurance, while the Pondicherry pilot project offers lessons for bank accounts. We can also learn from the successful practices in countries like Bangladesh, Thailand, Indonesia, Mexico and Brazil. There are some issues, which have to be sorted out regarding the SHG movement and MFIs. Some of these are: Are the SHGs really self-help groups or is they receiving lot of subsidies from the government or donors? What will happen if the subsidies are removed? Are the interest rates of 24 per cent to 36 per cent charged by MFIs justified? What types of terms and conditions are needed for better functioning of MFIs?
- **Productivity of Small Farmers and Other Vulnerable Groups:** At the end of the day the success of Financial inclusion is dependent on the productivity of the small and marginal farmers, rural non-farm enterprises and other vulnerable groups is sustained with viable economic activities. We have to recognise that financial inclusion for farmers cannot be sustained by the banking system alone as there is a need for other measures like public investment in irrigation, research and extension, infrastructure in rural areas, proper seeds and fertilisers, a good mar-keting system for better price etc. Small and marginal farmers face many risks in cultivation. Financial inclusion should take into account the risk elements experienced by farmers while framing policies. Banks should provide credit plus services to the farmers and the rural non-farm sector. The agricultural officers must provide "farm advisory" services that will help in making agriculture an integrated activity with appropriate backward and forward linkages. Rural banking has to be restructured so that credit will be supplemented with farm and non-farm advisory services.

CONCLUSION

Inclusive growth attainment depends a great deal on equitable distribution of growth opportunities and benefits and financial inclusion is one of the most crucial opportunities which need to be equitably distributed in the country in order to attain comprehensive growth. It needs to be understood by the state that in order to bring orderly growth, order needs to be developed with regard to inclusive finance. The percentage of financial inclusion in the different states of the country varies differently. For instance Kerala, Maharashtra and Karnataka accounts for higher rate of financial inclusion but the states such as Gujarat, Manipur, Assam, Bihar, Uttar Pradesh, and Madhya Pradesh, etc stand poorly on the grounds of financial inclusion. The purpose of this note is to flag the importance of financial inclusion in im-proving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups arid discuss a few important issues and challenges. It does not cover all the issues due to space constraints. The concept of financial inclusion covers wider financial services such as credit, savings, insurance, etc. Banks should look at financial inclusion both as a business opportunity and as a social responsibility. Apart from formal banking institutions, the role of the self-help group movement and MFIs is important to improve financial inclusion of people. However, some regulatory procedures for MFIs may have to be evolved by having consultations with MFIs, consumers and the government. Depoliticisation of the financial system is needed for maintaining the viability of formal financial institutions. The risk elements of small and marginal farmers and other vulnerable groups have to be taken into account in framing policies for financial inclusion. For improving the productivity of small and marginal farmers and improving the skills of rural non-farm workers, the banking system may have to undertake credit plus advisory services.

REFERENCES

1. Mahajan, V. (2004). Deregulationg the rural Credit. From Microcredit to Livelihood Finance. Economic and Political Weekly.
2. NSSO. (2005). Indebtedness of Farmer Households 2003 . Central Statistical Organisation . Government of India.
3. Dev, S. M., & Rangarajan , C. (2006). Financial Inclusion: Issues and Challenges. Vol. 41 (No. 41), pp. 4310-4313.
4. Reddy, Y. V. (2005, September). Micro-Finance: Reserve Bank's Approach. Retrieved from http://www.rbi.org.in: http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/66135.pdf
5. Arya, P. K. (2014). Financial Inclusion and Economic Development. The Brahmaputra Rhythm of The Promises , Vol:VII (Issue 1), pp.41-45.
6. Arya, P. K., & Seth, V. (2014). Financial Exclusion and Inclusion: An International Perspective. International Journal of Management, IT and Engineering (IJMIE) , Volume 4 (Issue 10), P(210-221).
7. Thorat, U. (2006, February). http://rbidocs.rbi.org.in/. Retrieved from www.rbi.org.in: http://rbidocs.rbi.org.in/rdocs/content/PDFs/89715.pdf
8. Thorat, U., & P, Y. S. (2006). Indian Banking: Shaping an Economic Power House . http://www.ficci.com.
9. Arya, P. K. (2015, February). Financial Inclusion and their role in inclusive growth . International Journal of Management, IT and Engineering (IJMIE) , Vol. 5 (Issue 2) , pp.79-96.
10. Leeladhar, V. (2005, December 2). Indian Institute of Banking and Finance. Retrieved from www.iibf.org.in: http://www.iibf.org.in/scripts/iib_finance inclusion.asp
11. United Nations Department of Economic and Social Affairs. (2009, February 29). Doha Declaration on Financing for Development. Retrieved from www.un.org: http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf
12. Asian Development Bank. (2007). Effect of Microfinance Operations on Poor Rural Households and the Status of Women. Philippines: Asian Development Bank.
13. Reserve Bank Of India. (2008, Sep 04). Financial Inclusion. Retrieved May 2011, from rbi.org.in: http://rbi.org.in/scripts/PublicationsView.aspx?id=10494
14. Reserve Bank of India. (2006, January 25). Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents. Retrieved from http://www.rbi.org.in: http://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=2718
15. Planning Commission. (2012, December). http://planningcommission.nic.in/. Retrieved January 2014, from http://planningcommission.nic.in/: http://planningcommission.nic.in/reports/genrep/rep_hasim1701.pdf
16. World Bank. (2005). Indicators of Financial Access – Household – Level Surveys. World Bank.
17. NABARD. (1992). NABARD. Retrieved from http://www.nabard.org/: http://www.nabard.org/
18. Reserve Bank of India. (2005, January). Report of the Task Force on Revival of Cooperative Credit Institutions. Retrieved from http://www.rbi.org.in/scripts/PublicationReportDetails.a spx?FromDate=01/11/2005&SECID=21&SUBSECID=0
19. Economic Advisory Council to the Prime Minister. (2012). Review of the Economy. New Delhi: PMO.
20. Ministry of Housing and Urban Poverty Alliveation, Government of India. (2009). Urban Poverty Report. New Delhi: Oxford.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you tosupply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail**infoijrcm@gmail.com** for further improvements in the interest of research.

If youhave any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals