UNDERSTANDING FINANCIAL ABANDONING FROM A MICRO PERSPECTIVE: POLICY RESPONSES TO PROMOTE INCLUSION IN INDIA

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Abstract

Financial inclusion measures initiated in India to contain financial abandonment have hardly taken the demand side factors at grass roots level into consideration. The authorities of implementation, including the Reserve Bank of India, operate under the presumption that the financial inclusion initiatives have trickled down automatically to the lowest administrative unit at village level and have brought respite into the lives of the hitherto financially excluded sections. However, reality on the ground is entirely different and the situation remains unchanged. Since these measures have had hadly any impct on the financially excluded sections of society, the incidence of financial abandonment remains unchanged at the lowest administrative unit. Surprisingly, people at the grass root level are not familiar and have not even heard about the financial inclusion measures. Therefore, it is unrealistic to expect the necessary change to occur in the absence of any financial institution, like commercial bank or cooperative society at lowest administration unit level. Also, the conspicuous absence of rural credit cooperative societies and self-help group organizations has further worsened the situation in rural areas. This paper, besides identifying the failures of the financial inclusion measures from the perspective of the lowest administrative unit, attempts to bring the demand side factors to the forefront, including the business potential that exists for financial institutions, and effective administration of financial services by the formal financial system and other newly emerged institutions like self-help groups.

JEL classification: G2, G21, G28.

Key Words: Financial exclusion, Policy interventions, Micro perspective, Failures and Options.

1. INTRODUCTION

Forty years of imposition of social responsibility on the Indian scheduled commercial banks, and the enactment of the Regional Rural Banks (RRBs)

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Act in the mid 1970s, have only led to geographical expansion of their operations, without making serious inroads into rural business and the improved access of rural communities to financial services. The position of the rural credit cooperative societies (RCCS) is not significantly different despite their presence for over a century now. This is evident from the fact that the financial coverage of the rural communities is only 29 per cent by all the commercial banks, including the RRBs and about 17 per cent by the short term and long term rural credit cooperative societies. Similarly, the situation regarding the number of villages being serviced by each financial institution is even more disheartening, in the sense that each branch office of the Scheduled Commercial Banks (SCBs) currently services up to 20 villages and the Primary Agricultural Credit Societies up to 6.4 villages. Furthermore, the coverage of women, being half the total population of the country, by banking operations is far from satisfactary at only 23 per cent (Mahadeva, 2008). If this is the overall situation of the operations of the financial institutions, the coverage of the vulnerable sections like scheduled castes and scheduled tribes (socially distanced and economically deprived segments of the population), marginal farmers, oral lessees (informal cultivators or persons with leased-in land without absolute title) and many others is even more disappointing. The literature (Thorat, 2007), including the various official documents on the financial system affirms that there are supply as well as demand side reasons for financial exclusion in India. Apart from the lack of physical access to financial institutions, which acts as a major deterrent factor, lack of awareness, low income/assets, social exclusion and illiteracy have been the demand constraints. Distance, unsuitable financial products, indifferent attitudes and unmotivated bank staff, unsuitable business hours, and others have been the supply side constraints. Furthermore, systemic, market, credit risks, low asset level, low investment returns, widespread population dispersion, limited infrastructure, institutional, technical and training capacities, social and regulatory interference have been the challenges of rural finance (Miller 2004). These apart, it is very commonly and loosely argued in banking circles that rural areas are not business viable and that rural communities always look to the major financial services providers for credit products. The supply-demand constraints of the present financial system have led to the exclusion of 112 million rural households of both cultivators (64.95 million or 57.99 per cent) and non-cultivators (46.60 million or 41.61 per cent) from the organized financial system (RCFI, 2008). The Central region of the country accounted for the highest incidence of financial exclusion with 32.42 per cent, followed by the Eastern region (26.35 per cent), the Southern region (14.24 per cent), the Northern region (12.63 per cent), the Western region (8.94 per cent), the

North-Eastern region 95.22 per cent) and the Union Territories (0.20 per cent).

The status quo of the financial system gave adequate space for questioning the very operation of the financial institutions in rural areas. Are the financial institutions actually located in places with all measurable rural characteristics? Is the financial machinery working according to the aspirations and requirements of rural communities? Are the financial products designed to cater to rural communities? Most decline to answer these questions. In reality, most of the commercial banks in rural areas only exist to fulfill the government's or the Reserve Bank of India's norms, rather than to actually engage themselves in promoting rural business. It is often mentioned that most of these branches are located in the urban peripheries for want of good networks like roads, transportation and communication in rural areas. Secondly, the business hours (usually 8 hours in the day time) of these banks are generally not suitable to the rural communities, as they generally engage in farm works during that time. It should also be noted that the lack of proper facilities like decent accommodation with all housing amenities and the wish to avoid the deprivations of rural areas has prompted the bank offices and the officials to keep themselves away from rural areas during non-business hours. It may not be surprising that most bank officials avoid rural postings on account of lack of decent accommodation, proper educational infrastructure for their children and for lack of adequate health care services. Thirdly, most of the Indian commercial banks seem to have developed insensitivity towards the very existence of the rural communities and their financial needs. This is because the only banking product made available to some extent to rural communities is 'credit', which is largely provided to meet the financial requirements of undertaking agriculture and allied activities. In other words, by and large, financial products, particularly those providing credit to household and personal segments, are altogether missing from the product ranges offered by commercial banks. In this regard, it is notable that rural communities are thus deprived of credit facilities to meet various households and personal expenses. If this is the case for credit, the other financial services like insurance and bill payments, which are commonly available in urban areas, are yet to make inroads into rural India.

The literature highlights how social banking has been effective in achieving the present level of financial penetration, as well as the supply-demand sides' policy gaps, and the dismayed growth performance of the financial system, which excludes a large chunk of the rural population (Leeladhar, 2006; Rajalakshmi, 2007; Srinivasan, 2007). At the same time, the Reserve Bank of India made serious attempts to include the hitherto excluded popu-

lation into the financial network of the country. It is over optimistically believed that all the measures implimented with the objective of achieving higher financial inclusion have automatically trickled down to the rural and remote regions. In reality, even the people living in villages, which are located close to urban centers have not heard of these initiatives, let alone those living in villages in the hinterlands or the most remote regions. At this juncture, there is a need for proactive initiatives to be developed on the part of the state to extend financial services to all, and to the excluded population, in particular accross the whole of the country, taking the Grama Panchayat (GP: village council), as a unit of the last tier of the administration in rural areas. Being the lowest administrative units at the village level, GPs have come to be known as an important intermediary between the common man and the state, as well as its other development agencies. However, despite their importance in development administration, GPs have been relegated to a minor role in the national financial inclusion strategy.

1.1 Methodology

In order to facilitate appropriate policy making for effective financial inclusion, this paper describes the 'on the ground' reality of financial exclusion among the different social groups of the people who live in rural areas, and considers the financial inclusion measures in terms of their outreach to the lowest administrative unit. The four specific objectives are: (a) to examine the extent of financial inclusion and financial exclusion of the people, given their demographic and economic profiles; (b) to outline the effectiveness of the various measures taken by the government and other authorities to promote financial inclusion; (c) to highlight the business potentiality (willingness to contribute to savings) and make use of financial services in the including the financial locations; and (d) to offer the necessary inferences drawn from the field area for public policy making to achieve higher financial inclusion. The study is based on the responses of 165 or ten per cent of the total households of a Grama Panchayat in the Mysore District, which is considered to be one of the lowest administrative units in India. The respondent households include (a) marginal farmers (b) landless labourers (c) self employed (d) un-organised Eetrepreneurs (e) oral lessees (f) migrants (g) minorities (h) scheduled castes (i) scheduled tribes (j) women-headed households and (k) senior citizens, who are considered to be excluded from the financial services of the financial institutions of the country (Thorat, 2007, p1167; Mohan, 2006; Dev, 2006). The sample respondents were carefully selected from all the villages of the Panchayat limit and primary data was col-

lected from fifteen respondent households from each of the above categories, by administering a tested questionnaire.

For the purposes of eliciting information from the selected sample respondents, two types of questionnaires were prepared, tested and administered. The first questionnaire, which was meant for the group of elected representatives of the people in the grama panchayat, intended to collect information regarding the number of villages the Panchayat represents over what area; population and households; religion and occupation; public offices; rural based institutions, including financial institutions; the panchayat's financial operations and the efforts of the panchayat to have financial institutions in its jurisdiction. The second questionnaire was meant for the selected respondents within the panchayat limit. This consisted of questions pertaining to details of the households; education; occupational background; land and various assets, including housing type; financial affiliation and credit for housing, education, ornaments, electrical gadgets and motor vehicles; financial affiliation and types of financial services received from institutions. The second part focused mostly on the financial inclusion measures initiated by the financial system in the country to mitigate incidences of financial exclusion. It was intended to assess the respondents' awareness of these measures, and to capture the level of penetration of the financial inclusion measures at the lowest administration level. Three important financial inclusion initiatives were included in the questionnaire. They are: (a) no-frills accounts; (b) general credit cards; and (c) One Time Settlement Scheme, mainly to ascertain their awareness of their contents and potential benefits. Respondents' preferences as to the type of the financial institution, its location, type of financial products and other financial services were elicited.

2. THE STUDY AREA

Sindhuvalli Grama Panchayat (SGP) is one of the five thousand and odd grama panchayats in the state of Karnataka, located about fifteen kilometers from the city of Mysore – a heritage city – and hundred and fifty kilometers away from the State capital (Bangalore). The Panchayats' headquarters is located in Sindhuvalli, and surrounded by four villages, viz., Doddakanya (3 kms), Chikkakanya (2 kms), Byathahalli (2 kms) and Dadadahalli (2 kms). The panchayat has a total number of 1591 households with a population of 8702 (4470 males and 4232 females). The average household size being 5.47, and around half of the population is illiterate. Members of Scheduled Castes and Scheduled Tribes constitute 24 per cent and work participation rate is around

60 per cent in the case of males 18 per cent in the case of females. By their religious divisions, Hindus are a majority, agriculture is the main occupation and a majority of the households engage in animal husbandry as a subsidiary occupation, as an additional source of income to their household. A small segment of households also engage in carpentry and seasonal trades within their villages and sometime in nearby villages. Interestingly, because of the close proximity to Mysore city and the presence of good transportation facilities, most of the dropped-out younger generation engages in self-employed activities, particularly in the construction sector, as skilled labourers and masons.

Excepting the landless labourers and the migrants, all the other respondents owned agricultural land at an average of 0.80 acres. A few segments registered more than this, including senior citizens with 1.85 acres, followed by the un-organised entrepreneurs (1.55 acres), Scheduled Castes (1.40 acres) and marginal farmers (1.17 acres). Minority families (Muslims) registered the lowest ownership of agriculture lands at 0.30 acres. Oral lessees also claimed to own untitled lands (0.25 acres). The extent of agricultural lands brought under irrigation (canal and bore well) is in the order of 39 per cent. The annual family income of the respondent is Rs. 28,174, although some categories of families have ended up having an annual income less than the average. The annual average income is highest among the families of the Scheduled Castes at Rs. 53,067, followed by marginal farmers (Rs. 34,800) and Scheduled Tribes (Rs. 32,600). The lowest average income is recorded among the families of oral lessees at Rs. 18,880. The decent family income of a good number of respondents prompted them to go ahead with accumulation of household assets, including ornaments (gold and silver), motor vehicles (two and three wheelers) and electrical gadgets (mostly televisions) and the average worth of the household assets is Rs. 29,358. Further, marginal farmers, minorities and Scheduled Caste families have registered a higher value of household assets. Own savings and borrowing from informal sources have been the two major means of financing the acquisition of the various household assets. With the exception of motor vehicles, ornaments and electrical gadgets have been largely acquired by families' own savings. Informal borrowing from friends, relatives and money lenders have supplemented the efforts of acquisition of electrical gadgets and ornaments respectively to the extent of 22 and 15 per cent. Informal sources are a critical means of financing their children's education, the acquisition of household assets and for house construction for about fifty per cent of families. Owing to their challenging economic conditions, oral lessees and women headed households, depend more heavily on the informal sources of borrowing than the other segments of society.

Lack of financial infrastructure is one of the conspicuous features of the panchayat. The close proximity of the panchayat to one of the prominent urban centers of the state has not brought the desired development in this regard. The absence of a branch office of any financial institution like Scheduled Commercial Bank (SCB), Regional Rural Bank (RRB), cooperative society etc, is conspicuous and the people have been entirely dependant on the local money lenders and self help groups to meet their financial needs. In this regard, although local administration has realised the value of having a public financial institution within their jurisdiction, they have not approached any public authorities, nor has any financial institution come forward, despite the strong saving habits of all the respondent categories. For example, marginal farmers save one third of their household income, followed by migrant families (29.70 per cent), scheduled castes (29.27 per cent) and senior citizens (16.38 per cent). Furthermore, the dream of establishing a financial institution in the panchayat limit has remained unfulfilled despite its former Member of the Legislative Assembly having been one of the successful Finance Ministers of the State Government, as well as serving as Deputy Chief Minister for some time.

3. POLICY RESPONSES

This section briefly describes the initiatives that have been implimented by the Reserve Bank of India since 2005 in order to achieve higher financial inclusion, and the main recommendations of the Taskforce on Financial Inclusion and their implications for areas with no banks and un-served people at the lowest administrative unit. The RBI has initiated financial inclusion measures in two installments in order to provide financial services to the people hitherto financially abandoned in India. In the first instance, no-frills accounts and general credit cards with overdraft facility were the main focus (Thorat, 2006, Mahadeva 2008, pp 182-84). Also, a one time settlement scheme was designed to bring back customers who had strained their relationship with banks on account of bad credit records. The objectives were to remove the entry barriers faced by excluded people through the intoduction of no-balance accounts with overdraft facility available to the account holders, and to sustain their financial relationship. The second set of initiatives from the financial year 2007-08 were designe to further the process of financial inclusion by engaging rural intermediaries, community organizations, civil society, the government and the financial institutions on a large scale (RBI, 2007a; RBI, 2008a).

The introduction of rural intermediaries to assist in the process of increasing financial inclusion is one of the very important initiatives of the RBI. Since 2007-08 financial institutions have been allowed to engage the services of non-governmental organizations (NGOs), self-help groups (SHGs), micro finance institutions (MFIs), registered companies, other civil society organisations, retired bank employees, ex-servicemen and retired government employees like postmasters, school teachers and head masters, as business facilitators (BFs) and business correspondents (BCs) to act as facilitators between the banks and the disadvantaged people. BFs/BCs should be local residents, and are expected to work over an area in the vicinity of 15 kilometers in rural/semi-urban/urban areas and 5 kilometers in metropolitan areas, under the supervision of the area's bank branch. Secondly, given the very poor educational background and the prevelance of financial illiteracy, empowerment of the excluded population in terms of financial decision making and coping with everyday financial need (Gopinath, 2006), under the label "Project Financial Literacy" is another ambitious intervention. The project intends to disseminate knowledge of general banking concepts and practices through pamphlets, brochures, films, banks, schools/colleges and the local government machinery, in all the recognized languages of the country. It can be said that today, if a majority of rural Indians are unaffiliated to banks, non-savers, unsecured and pushed to expensive financial services, it is mostly on account of financial illiteracy. This project represents a significant step towards improving this situation, provided it is properly implemented by the banking authorities. Thirdly, the establishment of over one hundred Credit Counseling Centers (CCCs) in the country, both to offer technical and credit advices and to ensure proper credit delivery in the underdeveloped regions is another significant measure. Fourthly, the expansion of the Lead Bank Scheme (LBS) (assigning a scheduled commercial bank to each district to act as a 'consortium leader' to coordinate efforts of banks in the district, especially in matters of branch expansion and credit planning) to increase the total coverage of the districts to 617, including the recently formed districts in the states like Karnataka, Tamilnadu, Gujarat, Rajasthan, Jharkhand and Madhya Pradesh is yet other initiative. The aim is to give additional impetus to enhance the flow of bank finance into priority sector activities, and to bring visibility to banking operations in rural areas. Fifth, in order to address the issue of disparity in banking operations and thin presence of banks in the Central, Eastern, Western and Northern states of the country, the reserve bank has considered improving the outreach of banks and their services, as part of promoting financial inclusion. Furthermore, as far as the North-Eastern region is concerned, efforts are underway to set up banking facilities

in the commercially unviable areas, on a cost- sharing basis between the banks (service providers) and the State Governments. In fact, this initiative has been welcomed and has lead to the agreeement of many states to provide bank premises and the necessary security (RBI, 2008, p 40).

Finally, the establishment of two very important funds namely, 'Financial Inclusion Fund (FIF)' and 'Financial Inclusion Technology Fund' (FITF) at a corpus of Rs 5,000 million each in the year 2008 is a significant step towards bringing higher financial inclusion (RBI, 2008b). The Government of India, the Reserve Bank and the National Bank for Agriculture and Rural Development (NABARD) are the funding sources, contributing at the ratio of 40 per cent, 40 per cent and 20 per cent respectively. The FIF/FITF will be in operation until 100 per cent of rural families are financially included in all the districts, in the next five years. The objectives of the FIF are to support developmental and promotional activities for the greater financial inclusion of the weaker sections and the low-income groups in the least developed and unbanked areas. Similarly, FITF is intended to promote the technology-absorption capacity of financial services providers, in order to promote financial inclusion. NABARD, Commercial Banks, Regional and Rural Banks (RRBs), Cooperative banks, NGOS, MFIs, SHGs, farmers' club, insurance companies, post offices and any other institution can withdraw funds from these corpuses. Capacity-building for the BF/BC, personnel of NABARD, banks, post offices, state departments, MFIs, NGO, members of SHGs and others, and the provision of funding support for the promotion, nurturing and credit linking of SHGs are the main purposes of FIF funding. The FITF intends to support technological solutions designed to provide affordable financial services to the disadvantaged sections of society, and to develop a common technological infrastructure for comprehensive credit information, processing of loans and for the academic activities of the financial inclusion mission.

One of the recent initiatives to mitigate financial abandonment is the constitution of the Taskforce on Financial Inclusion (TFI), which submitted its final report in January 2008. The TFI offered a number of recommendations in order to bring visibility to the financial inclusion process in rural and other deprived regions of the country. At the outset, it is significant to note that SHGs and MFIs have been recognized as financial service providers, especially to the poor and disadvantaged groups in rural areas (RCFI, 2008, p 13). These recommendations can be categorized as regards the traditional financial service-providers (commercial banks, RRBs, cooperative credit institutions) and the newly emerged community based institutions (Self-Help Groups (SHGs) and Micro Finance Institutions (MFIs). Given the extent of the financial exclusion in rural areas, it is suggested that there should be a

National Rural Financial Inclusion Plan (NRFIP), within the formal credit delivery mechanism. The NRFIP should initially provide about 50 per cent (56 million) households by 2012 with comprehensive financial services, including credit via the rural/semi-urban branches of commercial and RRBs, and improve the credit absorption capacity of marginal, sub-marginal and poor non-cultivator households. This gives a target of 243 households per branch per year totaling 1,217 households in five years. The District Level Consultative Committee (DLCC) of banks with appropriate personnel and materials is assigned the responsibility of developing and implementing the plan, and achieving its goals on a priority basis. Also, it has reccomended the creation of a 'State Level Rural Financial Inclusion Plan' (SLRFIP) with a well guided target map for financial inclusion by the State Level Bankers' Committee (SLBC) and NABARD. The establishment of a National Mission on Financial Inclusion (NMFI), with representatives of all the stakeholders (RCFI, 2008 p 44) is emphasized in order to ensure that the goal of universal financial inclusion is achieved within the specified time frame.

The committee on financial inclusion (RCFI, 2008, p 48) suggests that the commercial banks and leading financial service providers should open branches in rural and semi-urban areas, where per branch population is significantly above the national average, thus including 250 hitherto excluded rural households every year. The costs involved in the branch expansion, application of low-cost technology, procedural simplification, credit services and promotion of intermediaries, exemptions for small and marginal farmers and others can be met out of the FIF. Since the mere opening of new branches and inclusion of excluded households do not give them guaranteed access to credit, it is reccomended that small savings products suitable to the needs of the poor be created and mobilized through SHGs, allowing savings-linked financing to be adopted. In addition to small, saving linked credit, banks have been advised to develop micro-insurance products, and to expand the SHG-Bank Linkage programme, especially to the excluded segments of society to include the landless, crop sharers and tenants. Secondly, the committee suggested that there should not be any more horizontal mergers of the RRBs, except with their sponsor banks, and highlighted the urgent need to recapitalize banks with negative net worth to enable them to fulfill many mandatory banking requirements and to further the cause of financial inclusion. The RRBs are also encouraged to expand their operations in the 87 districts where the banks are completely absent, either by taking the village as a unit for opening a bank branch, or through the BF/BC model to achieve a higher degree of financial inclusion. Furthermore, these banks are given a mandate to develop more than 3000 credit links with the SHGs in the North

Eastern, Eastern and Central regions over the next five years, under the RRBs-NABARD Strategic Action Plan, with the latter providing development and promotional assistance out of the FIPDF.

Thirdly, given the inroads made by SHGs into rural areas, and the financial opportunities created for women, on the one hand, and the uneven development of SHGs, on the other, the committee recommended the promotion of SHGs in rural areas and a deepening/up-scaling of micro-finance activities, especially in the undeveloped states and the North-Eastern and hilly regions. For this purpose, besides involving the Department of Women and Child Development of the respective state governments, the NABARD should provide budgetary support for promoting SHGs and the Micro Finance Development and Equity Fund to ensure high levels of inclusion in these regions. Also, NABARD should open dedicated project offices in 13 states in order to promote and expand the SHG-Bank linkage programme, and evolve incentive packages to motivate SHGs to diversify their activities, largely in the backward areas. Fourthly, Micro Finance Institutions (MFIs) have come to be accepted as common-people friendly institutions as well as providers of financial services in rural areas. With this in mind, it is suggested that two financial products to provide loans up to 50,000 and 150,000 rupees, respectively, to finance small enterprises, and for individuals' housing purposes be developed. That apart, the committee recommended that MFIs be given greater legitimacy to use savings as a source of onward lending, and that they be recognized as Non-Banking Finance Companies (NBFCs). The NABARD is encouraged to provide equity support to the MF-NBFCs to build up their reserves and allowing them to enjoy tax concessions to the extent of 40 per cent of their profits.

The other three residual issues that the committee considered for augmenting financial inclusion in rural areas are the remittance needs of the poor, micro-insurance and the application of technology. The committee is in favour of the development of a system of bank account linked, low value cards to enable the transfer of small amounts from one card to another, and from place to place. However, in making these provisions the cost effectiveness as well as the optimum use of the existing banking infrastructure needs to be kept in view. A combined network of SCBs and post offices in rural areas could further enhance the remittance facilities available to the poor, besides having a micro-bank in every village, with a business correspondent. In order to have higher acceptability among the financially excluded, leveraging the benefit of existing government organizations, banks, NGOs, SHGs and MFIs is an urgent need for the provision of micro insurance. In addition, linking micro-credit with micro insurance would bring down the inherent

risk cost of lending, and poor need not suffer on account of bad financial behaviour. Lastly, a network mechanism among farmer – business-correspondent – bank respectively, with a smart card, hand-held terminal and central processing unit should be developed to make use of the technology, which the banks have already embraced in a very big way. It is cost-effective for increasing outreach for the excluded people. The necessary cost of developing the mechanism could be met by the FITF.

4. ANALYSIS OF FINDINGS

4.1 Financial Inclusion

It has been argued by many (Leyshon and Thrift, 1995; Levine, 1997; Rajan and Zingales, 1998; Kempson and Whyley, 1999; Mohan, 2006) that theoretically, in the first instance, financial institutions promote thrift, motivate individual/household savings, and thereby increase access to financial services and finally financial inclusion. The field data confirms this argument to a larger extent, though some degree of success in gaining limited access to financial services has been achieved even without the presence of any public financial institutions and motivations for thrift promotion/savings within the panchayat limit. It must be noted that this limited access to banking services has become possible in distant places on account of circumstantial compulsion. The Self-Help Groups (SHGs) movement of rural women has also brought some degree of financial inclusion, although it has a number of impediments, which will be discussed subsequently. Access to the financial services of the commercial and the regional rural banks has thus far been made possible to only about 28 per cent of the population within the panchayat limit (Table 1). In this regard, it has been maintained by a majority of people that "but for receiving the compensation for losing agricultural lands (for canal irrigation) through account payee cheques, the circumstances for opening the savings bank accounts in the far distant place (Mysore City) would not have arrisen, and [account holders] have had employment and income losses besides incurring opportunity costs whenever they operates their accounts. Further, all the account holders maintain that they have conceded to the pressure of the bank managers to keep deposits". This only emphasises the fact that the scheduled commercial banks have not achieved 28 per cent financial inclusion by their own efforts, but by people's initiative. If this is the case of the rural areas attached to urban centres, the situation in the hinterlands must be far worse still. The cooperative credit societies are

Table 1: Financial Inclusion and Other Details in the Study Area (In percentage)

Particulars by Respondents	Respondents											
	Marginal Farmers	Landless Labourers	Self Employed	Un-organised	Oral Lessee	Migrants	Miori Ties	Scheduled Castes	Scheduled Tribes	Women House Holds	Senior Citizens	Total
Affiliation to Financial Institutions												
CB	6.67	-	26.67	20.00	-	-	33.33	20.00	20.00	13.33	13.33	13.93
RRB	13.33	-	26.67	20.00	-	-	13.33	20.00	20.00	26.67	13.33	13.93
CCS	-	-	-	-	-	-	6.67	-	-	-	-	0.61
SHG	40.00	46.67	20.00	13.33	40.00	60.00	-	40.00	6.67	40.00	20.00	29.30
Others	6.67	13.33	6.67	-	-	-	6.67	-	-	-	-	3.03
Total	10 (66.76)	9 (60.00)	12 (79.60)	8 (53.33)	6 (40.00)	9 (60.00)	9 (60.00)	12 (79.60)	7 (46.67)	12 (79.60)	7 (46.67)	101 (61.21)
Type of Accounts												
Depositor	73.33	60.00	20.00	53.33	53.33	80.00	60.00	86.66	53.33	80.00	53.33	70.30
Creditor	26.67	40.00	80.00	46.67	46.67	20.00	40.00	13.34	46.67	20.00	46.67	29.70
Duration of Affiliation												
One Year	6.67	6.67	6.67	13.33	-	-	6.67	-	6.67	20.00	-	6.06
Five Years	26.67	46.67	26.67	33.33	20.00	33.33	26.67	13.33	13.33	46.67	26.67	28.48
Ten Years	26.67	-	26.67	6.67	20.00	26.67	6.67	40.00	13.33	6.67	20.00	17.58
Fifteen ears	13.33	6.67	20.00	-	-	-	20.00	26.67	13.33	6.67	-	9.70
Distance of the Financial Institutions												
< Two KM	6.67	13.33	-	13.33	13.33	20.00	20.00	33.33	20.00	20.00	20.00	16.36
< Five KM	6.67	20.00	20.00	20.00	-	6.67	-	-	-	6.67	-	7.27
> Five KM	13.33	26.67	26.67	13.33	20.00	26.67	20.00	6.67	20.00	33.33	6.67	19.39
> Ten KM	46.67	-	33.33	6.67	6.67	6.67	20.00	40.00	6.67	20.00	20.00	18.79
Services Mostly Obtained												
Depositor	60.00	26.67	13.33	13.33	26.67	40.00	26.67	46.67	26.67	40.00	26.67	31.52
Creditor	13.33	20.00	-	33.33	-	-	6.67	6.67	13.33	40.00	20.00	13.93
Both	-	13.33	66.67	6.67	13.33	20.00	26.67	26.67	-	-	-	15.76
Others	-	-	-	-	-	-	-	-	6.67	-	-	0.61

Note: CB = Commercial Bank, RRB = Regional Rural Bank, CCS = Cooperative Credit Society, SHG = Self-Help Group, CA = CommunityAgency.
Source: Field data collected through tested questionnaire from the sample respondents.

similarly very conspicuous in their absence. They have remained equally distant from the people in the study area. It is evident from the table that the cooperative credit societies cover less than a per cent of the people. Further, as is the case elsewhere, the other disheartening fact is that the landless labourers and oral lessees are the second largest groups to have been entirely excluded from financial services. It is indeed important to note that the financial institutions do not have space and generally do not cater to such segments of the population, as they do not fulfill the stringent banking procedures and conditions.

One positive aspect of the limited financial access in the study region is that more than two-thirds of bank account holders have been depositors rather than creditors, and thus erased the misconception of the financial institutions that rural people do not provide savings business. Large numbers of scheduled caste families, women-headed households, migrants and marginal farmer families have turned out to be depositors. However, self-employed persons have been the creditors, obviously to meet the capital requirement of their ventures. The time at which people enter into financial affiliation, as mentioned earlier, coincides with the date of distribution of financial compensation for the loss of land for irrigation purposes. The land acquisition process commenced about fifteen years ago; payment of the first installments of compensation started in the last ten years and payment of the second installment in the last five years. About 10 per cent of them have been financially affiliated for fifteen years, 17.58 per cent for the last ten years, and over 28 per cent for the last five years. The success of financial inclusion largely depends on accessibility, in terms of distance, and the services offered by the financial institutions. If the success rate is far below satisfaction levels, it is mainly due to the institutions' absence in most of the remote and under-developed regions. In fact, about 20 per cent of people have to travel more than five kilometers, and 19 per cent of people have to travel more than ten kilometers to undertake financial transactions, thereby losing employment, wages etc. Marginal farmers, members of Scheduled Castes, women-headed households and self-employed people are found to be traveling more than ten kilometers to access financial services, at the cost of their employment and income loss.

4.2 Self Help Groups

Self Help Groups are the newly emerged financial intermediaries and a critical segment of the microfinance movement in India, after the Chit Funds, which have also made early inroads in the process of financial inclusion in

many countries, including India (Rao 2007). One important distinction between the chit funds and self help groups, however, is that the former were largely organized by men and are professionally administrated, especially in urban areas, whereas the later are formed mostly by women in rural areas, incorporating self management and financial development to provide easy access to low-cost financial services. One of the conspicuous contributions of SHGs is that these organizations, being socially beneficial (Schreiner 2002), have enabled women to build up their savings, and use them same for credit purposes on a significant scale. SHGs are generally supported both by non-governmental organizations and/or government agencies (EDARS 2006). SHGs have become the catalytic agencies in providing credit linkage to the poor in general, and rural women in particular, along with the commercial banks and Micro Finance Institutions (MFIs) (Nagarajan and Meyer, 2005; RBI 2007b). The banking sector claims to be nurturing SHGs as a means of bringing financially excluded people within the fold of the formal financial sector (NABARD 2004; Srinivasan 2003), although Meyer (2003) and Von Pischke (2000) are skeptical about the recent phenomenon of rural lending, particularly in terms of its risk management and sustainability. In the study area of Sindhuvalli Grama Panchayat, there are 85 SHGs, which are largely promoted (76.47 per cent) by two very important non-governmental organizations viz, Srinivasan Services Trust (SST) and Mysore Rural Areas Development Agency (MYRADA) (Table 2). SHGs have made a significant contribution towards financial inclusion, particularly by covering farmers. It can be said that there is hardly any segment of the population that has not been reached by a SHG. The Government of Karnataka through its Department of Women and Child Development (DWCD) has also organized as many as 20 SHGs (23.53 per cent of all groups in the area). These SHGs have covered over one-third (34.5 per cent) of the women under their purview, and have mobilized about Rs. 7 million of savings over the years. It is significant to note that most of the groups promoted by the Government of Karnataka and SS Trust have links with RRB, Mysore District Cooperative Credit, Vysya, Union and UCO Bank branches. Additionally, Sangha Mitra (a private trust and a micro finance institution) also lends to women members, for identified productive purposes on the guarantee of SHGs. The SHGs have been instrumental in meeting the short term credit needs of their members, both from their own savings to the order of 56 per cent, and through savings linked refinance from the various banks and micro finance institutions in the case of the remaining 44 per cent. There are two main purposes for which women members of SHGs sought credit. The first is income generating activities, including development of agricultural lands, drilling bore wells, petty shops, childrens' education,

Table 2: Role of Self Help Groups in Financial Inclusion

Particulars of SHGs	Sindhuvalli Grama Panchayat					
	Sindhu valli	Dodda kanya	Chikka kanya	Dadada halli	Byatha halli	All
Numbers	**27**	**19**	**12**	**17**	**9**	**85**
Promoted by						
Sthreeshakthi	9	5	1	4	1	20
SST	16	6	10	12	8	52
MYRADA	3	8	1	1	-	13
Own Initiative	-	-	-	2	-	2
Members	**492**	**362**	**174**	**312**	**120**	**1,460**
Sthreeshakthi	171	92	12	76	12	363
SST	268	108	146	183	108	813
MYRADA	53	162	16	18	-	249
Own Initiative	-	-	-	35	-	35
Total Savings	**26.41**	**18.62**	**5.37**	**10.38**	**8.58**	**69.36**
Sthreeshakthi	7.75	4.27	0.25	2.18	1.25	15.70
SST	14.43	2.35	3.91	5.34	7.33	33.36
MYRADA	4.23	12.00	1.21	1.20	-	18.64
Own Initiative*	-	-	-	1.66	-	1.66
Total Credit	**28.28**	**25.99**	**9.04**	**7.10**	**4.89**	**69.30**
Own Savings	**14.30**	**15.41**	**2.11**	**4.10**	**2.74**	**38.66**
Sthreeshakthi	7.00	3.90	0.12	1.95	0.87	13.84
SST	3.85	1.61	1.12	1.45	1.87	9.90
MYRADA	3.45	9.90	0.87	0.70	-	14.92
Refinance	**13.98**	**10.58**	**6.93**	**3.00**	**2.15**	**30.64**
Sthreeshakthi	6.60	3.23	-	-	1.73	11.56
SST	2.38	2.25	0.93	1.00	0.42	6.98
MYRADA	5.00	5.10	6.00	2.00	-	18.10

Note: Two of the SHGs organized by own initiatives are no longer involved in lending business nor have their savings been distributed and dissolved.

Source: Information collected from the field through a questionnaire.

house construction/repairs, animal husbandry and purchase of passenger auto rickshaws. The second is domestic purposes, including the purchase of ornaments (gold and silver) household assets (electrical gadgets, furniture etc), childrens' marriages, festivals and other social obligations. Generally, the term of the credit is one year in the case of internal loans, i.e. of SHGs' own savings, and two to three years in the case of external loans. However, most of the women members report that SHGs have brought some respite in meeting the financial needs of consumption and livelihood needs of their families. Nonetheless, these organizations are bogged down by many limitations and incapabilities. At the same time, it is argued that commercial banks have not made any significant contribution other than by providing short term refinancing, and that too against their own savings.

4.3 Financial Exclusion

Despite the horizontal expansion of the Indian banking sector since its nationalization and the presence of the cooperative credit movement for over a century now, levels of financial exclusion remain alarmingly high. These two financial institutions, notwithstanding their spread, have not been able to take their financial services to every corner of the country. The rigid and reluctant attitude of the commercial banks in particular is conspicuous even now. In this regard, the recent initiatives to minimize financial abandoning (like no-frills accounts, general credit cards, one-time settlement schemes, engaging rural intermediaries, financial education, credit counseling centres, the expansion of the lead bank scheme etc), and to ensure higher financial inclusion have not brought the desired results in rural areas. People in the study area have hardly heard of the initiatives that are supposed to promote financial inclusion, let alone benefited from them. Given the absence of any financial institution in the study area, the means by which financial inclusion initiatives are communicated to the people, and comply with the other requirements is a fundamnetal question. This critical supply side constraint has resulted in financial exclusion and deprivation of financial services from the formal sources, including the self-help groups to the tune of about forty per cent (Table 3). Further, while the extent of financial abandonment is comparatively low among the self-employed, scheduled castes, women-headed and marginal farmer families, it is also far greater than this among other segments. Families of oral lessees in particular face financial abandonment to the order of 60 per cent, followed by scheduled tribes and senior citizens (53.34 per cent each), un-organised entrepreneurs (46.67 per cent), landless labourers, migrants and minorities (40.00 per cent

Table 3: Financial Exclusion in the Study Area (In percentage)

Particulars by Respondents	Respondents											
	Marginal Farmers	Landless Labourers	Self Employed	Un-organised	Oral Lessee	Migrants	Miori Ties	Scheduled Castes	Scheduled Tribes	Women House Holds	Senior Citizens	Total
Financial Exclusion												
No Affiliation	(5) 33.33	(6) 40.00	(3) 20.00	(7) 46.67	(9) 60.00	(6) 40.00	(6) 40.00	(3) 20.00	(8) 53.34	(3) 20.00	(8) 53.34	**(64) 38.79**
Awareness of the Financial Inclusion Measures												
No Frill A/Cs	6.67	-	-	-	-	-	13.33	-	-	-	-	**3.03**
G Credit Cards	6.67	-	-	-	-	-	-	-	-	-	-	**0.61**
OTS	6.67	-	-	-	-	-	13.33	-	-	-	-	**1.82**
Financial Institution Preferred												
RRB	86.67	53.33	66.67	73.33	66.67	80.00	73.33	66.67	93.33	60.00	46.67	69.70
CB	6.67	40.00	20.00	20.00	6.67	13.33	26.67	20.00	6.67	33.33	53.33	21.21
CCS	6.67	-	13.33	6.67	26.67	6.67	-	13.33	-	6.67	13.33	8.48
IA	-	6.67	-	-	-	-	-	-	-	-	-	0.61
Services Looking Forward												
Savings Services	40.00	53.33	26.67	40.00	40.00	46.67	46.67	40.00	40.00	13.33	46.67	39.39
Credit Provider	40.00	40.00	60.00	46.67	53.33	53.33	46.67	46.67	40.00	26.67	26.67	43.64
Cross Business*	20.00	6.67	13.33	13.33	6.67	-	6.66	13.33	20.00	60.00	26.67	17.00
Location of Financial Institution												
Within Village	46.67	53.33	66.67	40.00	46.67	26.67	33.33	60.00	6.67	46.67	46.67	43.03
Panchayat Limit	53.33	40.00	33.33	60.00	53.33	73.33	66.67	33.33	93.33	53.33	40.00	54.55
Nearest City	-	6.67	-	-	-	-	-	6.67	-	-	13.33	2.42

Note: RRB = Regional Rural Bank, CB = Commercial Bank, CCS = Cooperative Credit Society, IA = Insurance Agency
* = Includes pension payment, payment of service charges (electricity, telephone, insurance- life and general) and marketing of other institutions products.
Source: Field data collected through tested questionnaire from the sample respondents.

each). Furthermore, less than two per cent of such families (marginal farmers and the minorities) are aware of the no-frills accounts, general credit cards and one-time settlement schemes, and maintained that the other initiatives like rural intermediaries and credit counseling centers never existed within their panchayat limit. The financial literacy project of the RBI has not been heard of by anyone at all.

In order to address the economic situation and the demand for credit, it is felt that the state must come up with proactive policies, and a friendly institutional network must be established in rural areas as a matter of urgency. In this regard, insights from the field suggest that a majority of the people (about 70 per cent) favour financial services from the regional and rural banks, as they have a clear mandate both to serve the rural communities and to promote rural economic activities. It is argued that with further expansion of their network in un-banked areas RRBs could easily match their financial business to rural expectations, and that they can better perform in places where scheduled commercial banks and cooperatives do not exist. Across the respondents, large numbers of scheduled tribes, marginal farmers, migrants and minorities preferred RRBs over other financial institutions. Secondly, about 21 per cent of people preferred financial services from scheduled commercial banks, with a higher preference for these providers evident among senior citizens and landless labourers. Thirdly, 8.48 per cent of the people preferred to use cooperative credit societies to meet their financial needs, although this figure was much higher amoung oral lessees. One particularly significant change in peoples' mindsets is a growing awareness of the insurance business in the rural areas, and it has been argued that this should be encouraged at the grass root level by insurance providers. Fourthly, in addition to a large number of people favouring the financial institutions traditional businesses of acceptance of savings and credit provisions, a good chunk of the people (17.00 per cent) have opted for chain-linked cross business, including the marketing of products of other financial institutions, payments of pensions, which is largely being done through post offices, and collection of service charges for water, electricity, telephone etc. This strategy is believed to release people from the many encumbrances and difficulties associated with these services. It is further argued that the strategy would be cost-effective. A majority of self-employed people and women headed households respectively consider the provision of credit and cross business to be the financial institutions' most prominent services. Finally, with regard to location of the financial institution, a majority of the respondents feel that the panchayat is the ideal place, since it is a central place for all the villages, and would therefore facilitate effective financial inclusion across all sections

of the community. This approach would not only reduce the role of the local money-lenders, but also ensure effective financial administration at local level. The idea of a financial institution in every village is a popular notion, but such a measure is not administratively or financially feasible. Similarly, having access to financial services in a nearby city/town makes hardly any difference to the present style of financial operation.

5. THE CONCLUSION

Given the very low penetration of banking services in rural areas of India, and the necessity of achieving the financial inclusion of the hitherto excluded sections of the population, the suggestions of the Task Force on Financial Inclusion assume great significance for policy making in the years to come. These recommendations not only encourage the government to make a strong commitment to the alleviation of existing financial abandonment, but also urge the financial sector to shoulder responsibility for establishing its presence in a more visible and meaningful way. From these perspectives, the initiatives of the RBI since 2005 for achieving higher financial inclusion and the recommendations of the TFI to mitigate levels of financial abandonment would only bring about fringe benefits, rather than deal comprehensively with the deprivation in rural areas, and particularly in the hinterlands. Notwithstanding the well-intended initiatives instigated by the RBI to achieve higher financial inclusion, one of the strategy's major handicaps is that it has not been accompanied by a physical expansion of the financial infrastructure into the un-banked areas of the country. The present financial infrastructure is inadequate for the size of the population that it serves: each bank branch currently caters for a population of over 15,000 in rural areas, and in the thinly-banked areas like the North-Eastern, Eastern and Central regions the bank to population ratio is 1: 20,000 (RBI, 2008c). The situation is even worse with regard to Primary Agricultural Credit Societies (PACS), which cover only one in every seven villages, with an average membership of over two lakh per society. With this very thin financial infrastructure, financial inclusion will continue to be a distant dream for the under-served and un-served people living in the rural areas. The other flaw in the financial inclusion design regards the no-frills accounts, provided by the commercial banks. Unlike in other cases, where basic bank accounts are provided to receive wages, state benefits and for making payments (HM Treasury, 2007) the purpose of issuing no-frills accounts to hitherto excluded people needs to be defined, especially when these people do not receive any benefits from

the banks. Meanwhile, PACS have performed a significant role in meeting the financial needs of the farming community for over a century. Despite this, these institutions have not been involved in the provision of no-frills accounts and associated benefits. Similarly, SHGs being known as common-people friendly institutions, and already operating on the doorsteps of rural communities, should have been given a definite role in the administration of no-frills accounts, which would have brought a significant change in the financial inclusion process.

As far as the recommendations of the Task Force on Financial Inclusion are concerned, the larger issue of financial abandonment at the lowest administrative level still remains to be addressed. Despite the critical importance attached to the lowest administrative unit in the rural transformation process, the committee has not considered the gram panchayat (council of villages) as a starting point for the achievement of effective financial inclusion, which could accomodate a financial service provider - either a bank branch or a co-operative credit society. Such a strategy would have extended the local presence of the formal financial institutions at grass root level in rural areas, beside from releasing financially deprived sections of society from the clutches of money lenders. As it stands, the TFI's recommendation that commercial and regional banks open branches in thinly or un-banked rural areas would only benefit a few regions, mainly the North-East, East and Centre. With this, the development process in the other regions gets marginalized, and thereby the larger issue of reducing the huge difference in the bank to population ratio has remained unaddressed. That apart, the financial sector in general, and the commercial banking sector in particular, may continue to exhibit its historical reluctance to expand bank branches into the rural and under-developed regions on business reasons, unless it is properly persuaded, monitored and enforceed by the introduction of stringent mechanisms by the state.

Secondly, a very conspicuous ommission from the financial inclusion design is a significant role for non-credit cooperative societies, which have grown in leaps and bounds in recent years. In particular, given the widespread disparity in the development of housing cooperative societies, special emphasis should have been placed upon their organizational development in rural areas, and their involvement in the financial inclusion mission. As popular organisations, housing cooperative societies are found to be committed to the welfare of their members and communities and have already contributed significantly to the financial inclusion mission. In particular, housing cooperative societies have participated in facilitating the opening of basic bank accounts, credit delivery, the financial literacy campaign, the provision of money and debt advice and many other financial services (NHF, 2007). Fi-

nally, SHGs are already established as suppliers of short-term credit, particularly to rural women to meet their household financial needs. Excessive dependence on SHGs for achieving financial inclusion, as portrayed by the Committee on TFI may not be sufficient to meet the overall objectives of the mission, unless these organisations surpass their traditionally limited functions and acquire professional financial and risk-managment skills. Yet another important lapse on the part of the SHG movement is the lack of any supervisory organizations/federations at the local level to provide guidance, and to play a bridging role between the movements and society as a whole, including governmental organizations. It must be noted that SHGs are not the single answer, and it is illogical to expect them to operate beyond their capacities and capabilities, or to be able to meet rural communities' long-term credit needs out of their limited average savings of less than Rs.10, 000.

Financial opportunity always paves the way for the development of individual entrepreneurships and facilitates various production activities at unit level, and these two dimensions contribute to the augmentation of growth in rural societies. This is particularly true of those individuals who are deprived of financial services from formal institutional sources; a fair financial opportunity makes all the difference in terms of access and affordability, which in turn liberates them from the clutches of expensive local money lenders, especially in the rural areas. Unfortunately, the financial growth that has taken place in the country for the last forty years has neither met the financial needs of rural communities, nor released them from the high cost borrowing. In other words, the country's financial growth has not led to the required level of penetration of financial services into rural India. As a result, over two-thirds of people have been financially excluded and abandoned, as discussed earlier. The disparity in the development of the financial institutions is very conspicuous. In response to the growing concerns overn the unfavourable and unhealthy development of the financial system, a series of measures have been taken by the Reserve Bank of India to bring the excluded people into the gamut of the organized financial system. An expert committee on Financial Inclusion has also made a number of recommendations to alleviate poor and other deserving people in the rural and most under-developed areas from financial abandonment. But as they stand, these interventions are not going to make very significant changes to the lives of these excluded people for the reasons described already. They hardly have the capacity to release these abandoned people from the high cost of borrowing in rural areas. If the public authorities are serious about bringing the financially excluded sections of society into mainstream, what is required is a pragmatic and bottom-up approach, rather than the current top-down strategy.

The creation of the necessary infrastructure at the level of every panchayat is one of the essential conditions for the extension of financial citizenship, as well as the creation of better access to financial services for people who are currently unserved. Needless to say, the initiative for the creation of the financial infrastructure (bank branches, credit societies or member-based institutions) has to come both from the state and the financial system, on cost sharing basis. The private financial institutions, including the Foreign Financial Institutions (FFIs) need incentive-based encouragement (not only tax breaks and concessions, but also new potential market perspectives) to broaden the base of their network operations in rural areas. Therefore, if the financial abandonment is to be alleviated effectively, every panchayat, the lowest unit of public administration, needs to have its own unit of a commercial bank/Regional Rural Bank or cooperative credit society. This strategy would not only bring financial products down to the people at the lowest level, but also make money and financial services cheaper through healthy competition with the local money suppliers. It would also enable rural people to obtain money and financial advice from time to time, especially during times of financial distress.Advice on the issue of money management is altogether missing in the current model of financial institutional intervention. However, as emphasized in the taskforce recommendations, the mere setting up of financial units at panchayat level will not ensure financial inclusion unless tailor made financial products are developed by the service providers to meet the social, economic and personal financial needs of the rural communities. At this juncture, the Reserve Bank of India should encourage financial service providers to redesign their savings mobilization strategies with a focus on small savings.

Furthermore, coordination among the financial institutions like the scheduled commercial banks, regional rural banks and the cooperative societies is essential regarding the opening of branches/outlets at the level of every panchayat, and in the design of products to avoid conflicts in business interests. Secondly, the organization of house building societies at panchayat level is also as important as the presence of a financial institution. These societies not only create demand for housing credit for activities like house construction, housing redevelopment and housing acquisition, but also improve the overall housing environment in rural areas. These societies should also encourage housing-related saving products, essentially for the houseless households, so that housing credits can be effectively administered by the financing institutions. Given the important role that housing societies are playing in the financial inclusion mission/campaign on the one hand, and their very limited presence in terms of their networking operations and busi-

ness, there is every need to organize them on a large scale in the rural areas. The housing federations at the state level needs to take up the expansion of the cooperative housing activities in rural and under-developed areas, so as to bring visibility to their movement. Thirdly, the setting up of federations of self-help groups at each panchayat level is equally essential for the organisation of SHGs in the non-SHG areas, and for better management of the movement. These federations can function as guiding force and 'spokes-organizations' for the movement, apart from working as catalysts for a viable financial inclusion process, and as business facilitators for the financial institutions. Also, the federations would be able to undertake capacity building activities from time to time, for both SHGs and their members, to promote professional financial management.

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Résumé

Les mesures d'inclusion financière introduites en Inde pour contenir l'abandon financier ont rarement pris en considération les facteurs demand-side au niveau de base. Les autorités de mise en œuvre, y compris the Reserve Bank of India, agissent en vertu de l'opinion que les initiatives d'inclusion financière ont descendues automatiquement jusqu'à la plus petite unité administrative au niveau du village et ont apporté un répit dans la vie des sections financièrement exclues jusque-là.
Cependant, la réalité sur le terrain est différente et la situation reste inchangée. Puisque ces mesures n'ont pas influencé les sections financièrement exclues de la société, l'incidence d'abandon financier reste inchangée au niveau de la plus petite unité administrative. Étonnamment, les personnes au niveau de la base ne connaissent pas et n'ont pas entendu parler de mesures d'inclusion financière. Par conséquent, la possibilité d'avoir les changements nécessaires est irréaliste sans les institutions financières, comme la banque commerciale ou la société coopérative au plus bas niveau administratif. En outre, l'absence manifeste de sociétés coopératives de crédit rural et d'organisations de groupes d'autopromotion a aggravé la situation dans les zones rurales.
Cette étude identifie les défaillances des mesures d'inclusion financière du point de vue de l'unité administrative de base et souligne l'importance des facteurs demand-side, y compris le potentiel de business qui existe pour les institutions financières, et la gestion efficace des services financiers par le système financier formel et par les nouvelles institutions, comme des groupes d'autopromotion.

Mots clés: exclusion financière, interventions politiques, micro perspectives, échecs et alternatives.