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Microfinance Interventions and Financial Inclusion: Theoretical Insights

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Abstract: *With the ascendancy of the concept of microcredit in development literature, access to credit vis-à-vis economic empowerment and poverty alleviation is much learnt and widely debated. However, there is yet so much to discover on how to improve financial inclusion through microfinance intervention. In the larger developmental discourse, it is believed that the provision of extending timely, adequate and affordable loans to the poor in rural areas through the formal banking system would not only lead to their socio-economic enrichment but also include them in rural banking system. Thus, the need of the hour is to bring the hitherto unbanked poor and women into the ambit of institutional finance by providing basic financial services. In this discourse, ensuring financial inclusion is all about integrating the potentialities of various microfinance and banking models which are aimed at providing adequate credit and other financial services at an affordable cost. This article therefore, makes an attempt to revisit the concept of microfinance and bring out its potentials in ensuring financial inclusion of the excluded sections through SBLP and BC models. The study primarily attempts to bring out the important theoretical insights of microfinance intervention and financial inclusion. The study is of analytical in nature and based on secondary data of the available literature on the subjects of microfinance and financial inclusion. While doing so, it also makes an attempt to bring out the potential possibilities of SBLP and BC model in ensuring financial inclusion of the poor in general and women in particular. The study concludes that financial inclusion is an ongoing and a progressive process in the banking system. Its success depends upon various factors including access to adequate, affordable and timely credit along with availability of basic financial services and its optimum usage by the people. In other words, achieving financial inclusion is a concerted effort of government, bankers and the end users or beneficiaries. As far as the BC model is concerned, it is primarily an agent driven model and its success depends upon the efficiency and motivation of the business correspondent in connecting with the customers and creating awareness among them.*

Key Words: *Business Correspondent Model, Micro finance, financial inclusion, SHG-Bank Linkage Model.*

1. INTRODUCTION:

The concept of microfinance has become a significant aspect of development phenomenon in the international arena over the last three decades. It has emerged as an innovative and bottom-up approach to offer tiny loans directly to the rural poor, predominantly for women (Bateman, 2010). The primary aim of the microfinance intervention was to provide tiny loans for the unbanked poor households, particularly women. Later on, this practice matured into a "sustainable development finance approach", and efforts were made to break gender barriers in accessing credit services. It is believed that this approach has helped the poor and provided them with adequate amount of credit that was restricted in the formal banking system (Chiu, 2014; Silvia, 2012:48; and Lee, 2019). In recent times, owing to its popularity, there is a growing acceptance of the fact that microfinance is acting as a potential contributor in alleviating poverty but also ensuring financial inclusion of the poor in general and women in particular (Basu and Srivastava, 2005).

George defines

> Microfinance as a provision of thrift, credit and other financial services (loans) and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels, improve living standards and empower them in different spheres. (2008: 62)

Women's World Banking Annual Report (2010) put forward purpose of microfinance as follows:

> Microfinance is the provision of financial services to poor people who have been excluded from the formal banking sector. Most often, the term is used to refer to the practice of giving small loans to poor clients, to be used to start small businesses. Customers use these loans in different ways: some purchase a bicycle to transport vegetables to a market, or use the money to buy fertilizer for their crops, or a sewing machine to start a tailoring business. However, they all have one goal: to make a decent living and support their families' basic needs. (2010: 5)

Financial inclusion is a global phenomenon in the banking system that has gained wider currency in the development literature in contemporary times. Given the magnitude of poverty in the Third World economies, wherein a large segment of the population do not have access to basic financial services, the idea of financial inclusion – commonly understood as 'banking to all'– has become conspicuous in these economies. It is believed that a 'well-functioning financial system' with access to adequate institutional finance enables the poor to start investing money in various income-generating activities and maximize the returns, and reduces their vulnerability to the financial risks that they encounter in their daily lives. It enhances mobilization of savings and contributes to economic growth by supporting capital accumulation. Having a bank account and access to other financial services through formal financial institutions helps the low-income segments to accumulate funds in a secure place. This, in turn, will have a sobering influence on the informal sector, hence benefiting those who were otherwise excluded from it (Arora and Leach, 2005, Beck, et al., 2009, Ellis, 2007; and Kirkpatrick, 2000).

An increasing body of literature delves into the causes of financial exclusion. Lack of access to adequate institutional credit and other financial services compel poor individuals and small enterprises to depend on their own limited savings and earnings. This restricts their choice to investing in small business enterprises and taking advantage of growth opportunities (Ellis, 2007, World Bank, 2009: ix). The CGAP (2009) report asserts that poor households with inadequate access to finance largely depend upon semi-formal or informal financial providers, such as pawnshops, conventional moneylenders, and other rotating savings and credit associations. Financial exclusion is thus the inability, difficulty or reluctance to access appropriate or so-called mainstream financial services. The reduction of financial exclusion, therefore, should be a priority for any government because it can lead to social exclusion. Thus, ensuring financial inclusion through microfinance intervention channels received significant attention. To tackle the problem of financial exclusion and to use inclusion as an engine of participation and poverty alleviation, several steps have been taken by the Government of India in recent years. The term financial inclusion was used by the RBI for the first time in its annual policy statement of 2005-06 and several measures have been taken since then to achieve this. The introduction of no-frills accounts with low or zero minimum balance and general purpose of credit card, relaxation of "know your customer" (KYC) norms, and the introduction of business correspondents model in rural areas to bring banking facilities to the farmers are some notable measures (Majumdar and Gupta, 2013).

2. RESEARCH METHODOLOGY:

The primary objective of this study is to provide theoretical insights on the potentials of microfinance intervention vis-à-vis financial inclusion. Thus, the study is descriptive in nature and based on the analysis of secondary data. Various books, articles, reports and documents issued by Reserve Bank of India, Ministry of Finance, NABARD ,World Bank, United Nations Organizations were extensively used for the study.

3. FINANCIAL INCLUSION:

In recent times, financial inclusion has become a matter of great deliberation in developing countries. In fact, the very idea of financial inclusion was built on the provision of lending credit and the outreach of various microfinance services to a maximum number of people. The Rangarajan Committee Report on Financial Inclusion (2008:5) defines financial inclusion as "the process of ensuring access to financial services and timely and adequate credit when needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". It is the delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of disadvantaged and low-income groups who tend to be excluding (Chhabra, 2015). In a strict sense, financial inclusion implies inclusion of at least one member of each household in formal sector banking services through deposit account (Majumdar and Gupta, 2013). Kamath et al, (2010) suggest that in addition to a deposit account and adequate credit, financial inclusion should also include affordable insurance and remittance facilities, credit counseling and financial education to the needy. Thus, financial inclusion is nothing but providing financial services starting from basic credit services to insurance and remittance facilities along with promoting financial literacy. Thus it is understood that financial inclusion is one of the means to provide various financial services (through no-frills bank account) to low-income and under-privileged sections at an affordable cost (Karmakar, 2009; Khan, 2012; and Thorat, 2006). It is believed that financial inclusion is necessary since credit is critical in a country like India where a large percentage of te population is either self-employed, or engaged in small informal businesses (Rajeev and Vani, 2017).

The United Nations Capital Development Fund (UNCDF) (2006) identifies key features for inclusive finance. These features, in general, state how microfinance enables financial inclusion of the poor. First, adequate access to various financial services including savings or deposit services, payment and transfer services, credit and insurance at a reasonable cost for all households. This feature reflects the core objective of financial inclusion. Second, sound and safe financial institutions governed by proper regulation and industry performance standards. This feature indicates government's responsibility to have a proper regulating and monitoring mechanism over financial institutions for its proper functioning. Further, it also emphasizes that the same institution itself maintains standards for better performance. This seems to be relevant in the case of Andhra Pradesh where there are no proper regulative mechanisms by the government on MFIs (Nair, 2014). This may compel the government to take necessary punitive measures to protect the microfinance consumers against the exorbitant interest rates and illicit practices adopted by the MFIs. Financial and institutional sustainability of the institutions to ensure continuity and certainty of investment is the third feature of inclusive finance. It emphasizes accountability and sustainability of the financial institutions in the process of serving the poor. These institutions need to promote awareness among the beneficiaries about various financial services and its usage. The last feature is healthy competition among the financial players to ensure choice and affordability for the beneficiaries. It enables for positive competition within the microfinance industry, in which the borrowers' safety is the prime concern.

It is, however, argued that despite the huge banking system, over three billion people around the world do not have access to formal sources of banking and financial services of which about 90 percent live in developing countries. This has led to a considerable demand from the developing countries for a more inclusive financial system that would cater to the demands of the poor in these regions (Consultative Group to Assist the Poor, 2012 and John et al., 2009). With reference to India, despite a well-developed banking system, a large number of groups remain excluded from the basic opportunities and services provided by the financial sector for a variety of supply and demand side reasons (Report of the Steering Committee on Microfinance and Poverty Alleviation, Government of India, 2007:12). The report observes that the credit needs of the financially excluded population are often met by the informal and non-institutional sources rather than the formal institutions. The excluded sections are drawn from the small and marginal farmers, women, unorganized sector workers including artisans, the self-employed and pensioners (Dev, 2006). The data of NSSO 59th round survey report reveals that of the 89.3 million farmer households in the country, 45.9 million households (51.4 per cent) do not have access to credit, either from institutional or non-institutional sources. The banking system has proven ineffective in providing universal access to credit. Many financial and infrastructural issues prohibit banks from reaching out to the poor. Given this background, financial inclusion is increasingly becoming a major focus of research.

The Reserve Bank of India (RBI) initiated the idea of 'financial inclusion' in 2005. Since then, it has been promoting financial inclusion through a campaign aimed at providing 'unbanked' households with a bank account (Kamath et al., 2010). Further, through the Eleventh Five Year plan (2007-2012), the Government of India and RBI have come up with a number of initiatives to promote the process of financial inclusion (Rangarajan, 2008). Before these initiatives, most of the people did not have access to credit and other financial services. Following the recommendations of Rangarajan Committee Report (2008), the government and RBI have taken proper measures to deepen financial inclusion. As a part of this, the RBI has directed all banks to maintain no-frills accounts –a bank account at zero balance –for 100% financial inclusion so as to include all households under the ambit of the formal financial sector (Majumdar and Gupta, 2013). Recently, the Government of India has come up with a socio-economic initiative in the realm of Indian banking sector, named as the Pradhan Mantri Jan-Dhan Yojana (PMJDY) on 28 August, 2014. The main objective of the scheme is to "ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the low income groups" (Report on Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion, Government of India, 2014: 1). In other words, the scheme also emphasized that access to microcredit and other basic financial services are pertinent to ensure financial inclusion.

4. SHG-BANK LINKAGE PROGRAMME (SBLP) MODEL AND FINANCIAL INCLUSION IN INDIA:

In the post-independence period, numerous measures were taken to provide credit facilities to the rural poor. The rural credit structure in India has been evolved gradually over a long period of time, from 1947 to the 1980s. This began with the starting up of State Cooperative Banks (1955), the Reserve Bank of India (RBI) in banking policies (since1955) and the creation of Regional Rural Banks (RRBs) in 1976 (Misra, 2006). The 1980s witnessed a paradigm shift in the Indian rural credit structure. The formal Banking sector took the initiative to develop a 'supplementary credit delivery mechanism' through the establishment of the National Bank for Agricultural and Rural Development (NABARD). During 1980s, there was active involvement of RBI and NABARD in providing microcredit to the rural poor. These initiatives have gained a momentum with the launching of Self-Help Group-Bank Linkage Programme (SBLP) model by NABARD in 1992 (Dev, 2006 and Mohan, 2008).

The Indian model of microfinance, i.e. SBLP, is increasingly recognized as the largest and most successful model of its kind in the world. In fact, it is recognized as a "decentralized, cost-effective and fastest growing microfinance initiative" that continues to enable over 103 million poor households to access a variety of sustainable financial services from the banking system as its member (NABARD, Report on States of Microfinance in India, 2011-12: 3). This model primarily aims at enhancing rural poor's access to the formal financial system in a cost effective and sustainable manner by making use of SHGs (Rajeev and Mahija, 2013). A recent report of NABARD reveals that as on 31st March, 2013 there were 7.3 million savings-linked SHGs covering 970 million poor households under the microfinance programme. The report further states that though this phenomenon was impressive in Andhra Pradesh and Karnataka, the movement later widely spread to various parts of India such as Tamil Nadu, Kerala, Maharashtra, Gujarat, Uttar Pradesh, Bihar and so on (The Status of Microfinance in India, 2012-13). Of late, the SBLP model has emerged as an important microfinance programme in the country, being implemented by commercial banks, Regional Rural Banks (RRBs), and co-operative banks (Thakur, 2010; Vaish and Agarwal, 2010; and Nair, 2019).

Under SBLP model, women in a village are encouraged to form a group of ten to fifteen members each called Self-Help Group (SHG). The formation of Self-Help Groups (SHGs) and provision of credit and other microfinance services to group members is an important feature of SBLP model (Thakur, 2010; Vaish and Agarwal, 2010; and Mukhopadhyay and Rath, 2011). In this regard, SHGs in India are increasingly seen as potential intermediaries between women and banks. In order to understand the relationship between SHGs and financial inclusion, it is pertinent to understand the concept of SHG, and its functioning, with a focus on India. Thanka (2012) is of the view that ensuring access to adequate institutional credit in rural areas augments agricultural production and increases the percentage of bank customers. Such a trend is seen as a potential sign for furthering financial inclusion. In this context, as far as SHGs linkage to financial inclusion is concerned, Vaidyanathan (2014) believes that the provision of lending subsidized credit is the key issue in ensuring the process of financial inclusion. The potentialities of SHGs in disbursing tiny loans to the rural unbanked sections, particularly women, are critical.

Besides the SBLP model, The RBI adopted a 'technology based agent bank model' through Business Correspondent (BC) model in 2006. This model envisages providing an alternative banking structure to branch-based banking services. This model allows banks to partner with third party agents to provide basic financial services such as credit and savings to households that do not have banks in their neighborhood. 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, SHGs, and MFIs as intermediaries in providing financial and banking services through the use of business correspondent model. Provision for this kind of financial intermediation have opened new and diverse avenues to address the issue of financial inclusion by banks (Dev, 2006).

5. BUSINESS CORRESPONDENT (BC) MODEL AND FINANCIAL INCLUSION:

In order to provide an alternative banking structure to branch-based banking services, the RBI in the year of 2006 adopted the technology based agent bank model through business facilitators (BFs)/business correspondents (BCs) model. The model is intended to reach out to a geographically diverse population, particularly those who are financially excluded from the mainstream banking services (Khan, 2012). It is also aimed at developing and strengthening the relationship between unbanked people and the formal financial system. It is branchless banking model such as appointing banking agents as business correspondents is a cost effective measure to extend the outreach (Dasgupta, 2009 and Handoo, 2010). In order to reduce the demand and supply gap in financial services delivery, more business correspondents should be appointed and post offices by optimally utilized by acting as business correspondnts (Gar et al. 2016). The salient features of this model include: identifying the borrowers, collection and verification of loan applications, creating awareness on various financial services, products and transactions, and post-sanction monitoring and so on. Important financial services available under the BC model such as opening bank accounts, fixed cash deposits, savings, cash withdrawals, balance enquiries, money transfer on a small-scale basis, receipt, and delivery of small value remittances/other payments. However, a maximum limit is imposed on every financial service (Anath and Sabri, 2014).

Under the BC model, banks undertake financial transactions with the help of the business correspondent and permits branchless banking. In other words, banks allow private employees to provide financial services in the villages where bank branches are not available. This model is increasingly aided by technology such as point of service handheld devices, mobile phones and biometric scanners (Karmakar, 2009). The best advantage through the BC model is, on the one hand, banks get vast exposure to the rural population without its physical presence in terms of branches, and on the other hand, the rural unbanked people get easy access to basic banking facilities at their doorstep by the person among themselves. It also promotes and nurtures SHGs/JLGs wherever relevant and works as potential contributors in creating awareness about various financial operations. The BC model is, therefore, recognized as an economically feasible and customer-friendly banking model for the poor. It also helps the people to overcome regional

barriers of language and culture, and inadequate infrastructure in rural areas (Frost and Sullivan, 2009). This model can also bridge the gap between the service providers (the banks) and the service seekers (people) who are under-served and unbanked. The BC model was evolved to counter the lack of required manpower to reach all people in the current banking system (Khan, 2012).

Banks offer various basic financial services under the BC model such as holding bank accounts, savings, fixed deposits, money transfer etc. on a small-scale basis. However, a maximum limit is imposed on every financial service (Bhargava, 2009). Besides, savings, fixed deposit, cash transfers, cash withdrawals, availing various loans, availing scholarship facility by the students, availing gas subsidy in the form of cash transfer and pensions, and alike are some of the important financial services available to the clients of BC model. The very purpose of the business correspondent (BC) model is to establish an alternative formal banking structure to the branch based banking system and to spread the banking facilities to the remote regions. The business correspondent, as a bank agent, helps the rural poor and illiterate sections in opening a bank account at their doorstep and offers the necessary financial services, which suits their needs, which could be seen as a potential contribution in the process of ensuring financial inclusion.

With regard to the functioning of the BC model, the Report of the Committee of Financial Inclusion, Government of India (2008) observes that adopting appropriate technology enables the BCs to go directly to the customers instead of the other way round. Banks can use the services of BCs for opening a bank account, under the compliance with KYC norms. As per the RBI guidelines, BCs cannot charge any fee from the customers for services. Recently, the RBI has expanded the scope of BC model responding to government policy of opening 'no frills accounts' and some of the electronic benefits have been transferred to these accounts to process government payments such as the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), pensions and other social payments with the help of POS devices (CGAP, 2012). In this regard, BC model has the potential to deliver services even to rural regions, which is one of the core strategies of accelerating financial inclusion. As of 31 March, 2014 there are more than 1.4 lakh business correspondents (BCs) of public sector banks and Regional Rural Banks (RRBs) in the rural areas (A Report on the Pradhan Mantri Jan-Dhan Yojana (PMJDY), 2014: i). The BC model, however, has important limitations. Jessica et al. (2014) observe that there is dissatisfaction among the agents appointed due to non-recognition from banks and delayed payments/commission from the bank. SIDBI (2014) in their report on BC in Bihar stated many issues in the model such as lack of basic infrastructure like high speed internet, frequent power cuts created hurdles in effective service delivery. Moreover high attrition rate was found among agents appointed. There are some operational challenges faced by the agents in the field. The basic product offered by the BC's is the no-frills account, which fail to attract the customers as for all other banking services a customer still has to visit a bank branch (Grameen Foundation, 2013). In fact, the usage of the accounts opened under the BC model is low and most of the accounts lie dormant. This underscores the need to pay greater attention to provide customer centric products and services that would motivate the customers to utilize the bank accounts and avail the appropriate services. Moreover, the business correspondents are facing serious problems in maintaining wide network and quality service due to lack of infrastructure and technical inadequacy. It is evident from the field survey that both the demand and supply side factors are equally responsible for the poor performance of the BC model.

In the recent times, the Government of India has come up with a socio-economic initiative in the realm of Indian banking sector, named as the Pradhan Mantri Jan-Dhan Yojana (PMJDY) on 28 August, 2014. It is primarily intended to financially empower the people by encouraging them to open bank accounts and providing basic banking services. The main objective of the scheme is "ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections such as low income groups and disadvantaged sections" (A Report on Pradhan Mantri Jan-Dhan Yojana: A National Mission on Financial Inclusion, Government of India, 2014: 1). The Scheme emphasizes that every household in our country must have a bank account and he/she is in a position to avail credit and other banking facilities and get benefit out of it. The report believes that having a bank account and availing banking services enables them to come out of the grip of moneylenders and financially helps them from emergencies. Thus the report suggests that the BC model has to play a major in not only encouraging the poor and unbanked sections to open a bank account but also ensure them to utilize those accounts with appropriate financial services. Having understood the potentials of BC model in terms of microfinance intervention, it is believed that it is one of the profitable model for financial inclusion in India (Raj et al. 2011). In fact, the expansion of this model significantly promotes better financial service delivery (Garg et al. 2016).

6. SHG WOMEN AND BC MODEL: A FEASIBILITY TO FOSTER FINANCIAL INCLUSION:

There is a possible link between SHG women and the BC model. Recognizing the importance of financial inclusion of women and appointing SHG women as business correspondents to promote the BC model, this study has attempted to identify and examine the possible linkages between SHG women as a business correspondent and the development of the BC model. If the banks use SHG women as business correspondents, it may improve the functioning of BC model in mobilizing people to be a part of BC model and to avail various financial services. In fact,

the RBI in a circular released on 25 January 2006, recognized the potentialities of the SHGs in delivering various financial services to the poor in general and women in particular. The RBI states that with the objective of ensuring financial inclusion and increasing the outreach of the banking sector, it has been decided in public interest to enable banks to use the services of SHGs as one of the potential intermediaries in providing financial services using business correspondent model (RBI, 2006).

Similarly, in a recent study on the BC model in Andhra Pradesh, Ananth and Sabri (2014) found some of the SHG women working as business correspondents in Kurnool and Chittoor districts of the state. They believe that encouraging village organizations (VOs) or the district level SHG federations (Zilla Samakhyas) to become business correspondents can be considered for the forward integration of the SHG movement into the BC model. They argue that the SHG women, who are successfully running various self-employment activities, have the potential to save money, however these sections have been so far ignored in opening individual bank accounts. Corroborating the above statement, P. Chidambaram, the then Finance Minister of Union Government, at the inauguration of the first Bharatiya Mahila bank (BMB) in Mumbai on November 19, 2013 estimated that only 26 per cent of women in India have bank accounts and per capita credit for women is currently 80 percent lower than that for men. He further argues, "there is deep-seated bias, at institutional and individual levels against women. Since fewer women have bank accounts, fewer women get bank loans"[1]. These arguments emphasize the urgent need of improving the banking habit among women. Considering the magnitude of the problem of exclusion of women from the banking system, it is essential to include them in every activity that promotes and promises financial inclusion. The idea of appointing SHG women as business correspondents, therefore, could be seen as an effective strategy for including the hitherto financially excluded sections in the banking ambit.

The literature proved that the SHG women can maintain a strong communicative network within the village. As a group, they can have easy access from the village president to households of poor women (Ananth and Sabri, 2014). If an active SHG member is appointed as a business correspondent, then the possibility of opening a bank account by the SHG women will increase. If female members come forward to open a bank account within the family, it may not only ensure financial inclusion but also increase women's participation in the financial domain. Moreover, with regard to the functioning of the BC model, having a SHG woman as business correspondent, the problem of irregularity and unavailability of the business correspondent will be relatively reduced. There is a possibility of the female business correspondents, as SHG members, making themselves more accessible and frequently available to the other SHG members of the village. It is therefore, high time to look at the possibilities of appointing active SHG members as a business correspondent in order to develop the BC model. Some of the earlier studies on this subject claimed that the two models: SBLP and BC models stood at the forefront of addressing the financial needs of the rural poor in Andhra Pradesh (Ananth and Sabri, 2014). Therefore, under the broad rubric of financial inclusion, provision for delivering institutional credit and other financial services, particularly through the SBLP and BC models gained critical importance.

7. CONCLUSION:

The literature proved that a well-established financial system with a goal of financial inclusion helps the people to secure a sustainable income of their own, enhances their mobilization of savings and enables them to stay within the ambit of a formal banking system. Financial inclusion, therefore has assumed growing significance. The paper theoretically analysed the potentialities of the SHG-Bank Linkage Programme (SBLP) model and Business Correspondent (BC) model in the process of promoting financial inclusion of the rural poor. As far as the former model is concerned, the SHG-Bank Linkage Programme (SBLP) model in India, for instance, showed that the microcredit intervention is a successful strategy in the rural credit market. The public sector banks, apart from providing SHG-Bank Linkage loan to the SHG women, are encouraging SHG members to open individual bank accounts under 'no-frills account' category. With regard to Business Correspondent (BC) model, the study inferred that the model can be seen as 'an alternative formal banking structure' to the traditional banking process. It aims at improving banking facilities to the remote regions. It can be understood that this model has the potential to bridge the gap between the service providers (the banks) and the service seekers (clients) who are under-served and unbanked.

The study also makes it clear that the goal of poverty alleviation through promoting financial inclusion of women in rural areas, through different microfinance and banking models is a laudable attempt. In particular, encouraging women to start self-employment activities, encouraging them to be economically independent and further promoting them to be a part of formal banking system through SBLP and BC models could be seen as a forward linkage from poverty alleviation to financial inclusion. However, it is important to understand that merely providing subsidized credit for self-employment through SBLP model and providing individual bank account alone through the

[1] "Mahila bank to offer universal banking services", The Hindu, November, 20, 2013.

BC model may not address the multidimensional nature of poverty. It is also pertinent to understand that without addressing multidimensional nature of poverty, an effort to achieve full-cycle of financial inclusion is not possible. This suggests that the public sector banks must ensure an optimum utilization of these services by the needy sections. The banks, therefore, should look at ensuring greater financial inclusion in two ways: (i) as a business opportunity and (ii) as a social responsibility. Thus they ought to play an instrumental role in building an effective credit information system, creating awareness of how to utilize various financial services, promoting financial education and counseling on management of credit, savings, debt repayment and so on. From the community side, the beneficiaries, especially women and low-income groups must be empowered to utilize all the available financial services and reap the perceptible benefits, which are essentially designed and aimed at their economic upliftment and to achieve the larger goal of financial inclusion.

8. DIRECTION FOR FURTHER RESEARCH:

Financial inclusion is an ongoing and a progressive process in the banking system. Its success depends upon various factors including access to adequate, affordable and timely credit along with availability of basic financial services and its optimum usage by the people. In other words, achieving financial inclusion is a concerted effort of government, bankers and the end users or beneficiaries. With regard to SBLP model, encouraging women to start self-employment activities, encouraging them to be economically independent and further promoting them to be a part of formal banking system through SBLP could be seen as a forward linkage from poverty alleviation to financial inclusion. As far as the BC model is concerned, it is primarily an agent driven model and its success depends upon the efficiency and motivation of the business correspondent in connecting with the customers and creating awareness among them. Having said the potentialities of both the models, there is a need for more in-depth empirical assessment on the performance of SBLP and BC model in ensuring financial inclusion.

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