VOLUME - 10, ISSUE - 06, JUNE- 2021 • PRINT ISSN No. 2277 - 8160 • DOI : 10.36106/gjra

Original Research Paper

Arts

FINANCIAL INCLUSION THROUGH MICRO FINANCE

Dr.P.Nagarajan

Assistant Professor in Commerce, (Deputed from Annamalai University), Arignar Anna Govt.Arts College, Namakkal – 637 002, Tamil Nadu, India.

ABSTRACT

Finance has become an essential part of an economy for development of the society as well as economy of nation. World leaders are embracing financial inclusion at an accelerating pace, because they know that an inclusive financial system that responsibly reaches all citizens is an important ingredient for social and economic progress for emerging markets and developing countries. Despite the political tailwind, half of the working-age adults globally – 2.5 billion people – remain excluded from formal financial services. Instead, they have to rely on the age-old informal mechanisms of the moneylender or pawnbroker for credit or the rotating savings club and vulnerable livestock for savings. The pandemic has had a momentous impact on economies and societies around the world. At the same time, it has shown that, with the right approach, it is possible to protect and safeguard the economy. . Through Financial inclusion we can achieve equitable and inclusive growth of the nation. Financial inclusion stands for delivery of appropriate financial services at an affordable cost, on timely basis to vulnerable groups such as low income groups and weaker section who lack access to even the most basic banking services. It helps in economic development as it widens the resource base of the financial system by developing a culture of savings among large segment of rural population. Further, financial inclusion protects their financial wealth and other resources in exigent circumstances by bringing low income groups within the perimeter of formal banking sector. Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. Microfinance has become a medium of extending financial services to unbanked sections of population. Microfinance is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In a country like India with almost 30% (more than 360 million) people still below poverty line and according to latest census figures, more than 70% or 840 million people living in rural areas with little or no access to formal banking and other financial services, microfinance has a big role to play in order to bridge this gap. The Micro Finance Institutions occupies key position in financial inclusion through micro finance where the exclusion. In developing countries, the growth of microfinance institutions (MFIs) which specifically target low income individuals are viewed as potentially useful for promotion of financial inclusion. Even though MFIs at present, mainly offer only credit products; as they grow, they are likely to expand their product range to include other financial services.

KEYWORDS : Micro Finance, Financial Inclusion, Financial Institutions, Financial Product, Financial Services, Credit.

FINANCIAL INCLUSION

Financial Inclusion is described as the method of offering banking and financial solutions and services to every individual in the society without any form of discrimination. It primarily aims to include everybody in the society by giving them basic financial services without looking at a person's income or savings. Financial inclusion chiefly focuses on providing reliable financial solutions to the economically underprivileged sections of the society without having any unfair treatment. It intends to provide financial solutions without any signs of inequality. It is also committed to being transparent while offering financial assistance without any hidden transactions or costs.

It helps in economic development as it widens the resource base of the financial system by developing a culture of savings among large segment of rural population. Further, financial inclusion protects their financial wealth and other resources in exigent circumstances by bringing low income groups within the perimeter of formal banking sector. Financial inclusion also mitigates the exploitation of poor sections by the money lenders by facilitating easy access to formal credit.

Financial inclusion, implying expanding access to financial services to those currently not accessing them, is an important objective in many developing countries. Microfinance has become a medium of extending financial services to unbanked sections of population. Microfinance is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral.

In new paradigm of economic growth the Financial inclusion plays major role in driving away the poverty from the country. It refers to delivery of banking services to masses including privileged and disadvantaged people at an affordable terms and conditions. Financial inclusion is important priority of the country in terms of economic growth and advanceness of society. It enables to reduce the gap between rich and poor population.

NEED FOR FINANCIAL INCLUSION

Financial inclusion enhances the financial system of the country comprehensively. It strengthens the availability of economic resources. Most importantly, it toughens the concept of savings among poor people living in both urban and rural areas. This way, it contributes towards the progress of the economy in a consistent manner.

Many poor people tend to get cheated and sometimes even exploited by rich landlords as well as unlicensed moneylenders due to the vulnerable condition of the poor people. With the help of financial inclusion, this serious and hazardous situation can be changed.

Financial inclusion engages in including poor people in the formal banking industry with the intention of securing their minimal finances for future purposes. There are many households with people who are farmers or artisans who do not have proper facilities to save the money that they earn after putting in so much effort.

OBJECTIVES OF THE STUDY

1. To highlight the objectives , approaches of Financial Inclusions and available schemes in India
2. To Study the Role of Micro Finance and Micro Financial Institutions in Financial Inclusions

APPROACHES OF FINANCIAL INCLUSION

According to Dr.C.Rangaraja there are Six approaches to financial Inclusion and they are as follows:

1. Credit to marginal and sub marginal farmers as well as other small borrowers
2. Commercial Banks to open a Branches in Rural Areas
3. Strengthening the SHG-Bank linkage programme
4. Going beyond Credit and Providing a helping hand to the rural areas
5. Simplification of Procedure for granting loan to small borrowers
6. Effective implementations of business facilitator and Correspondent model

FINANCIAL INCLUSION SCHEMES IN INDIA

The Government of India has been introducing several exclusive schemes for the purpose of financial inclusion. These schemes intend to provide social security to the less fortunate sections of the society. After a lot of planning and research by several financial experts and policymakers, the government launched schemes keeping financial inclusion in mind. These schemes have been launched over different years.

The list of the financial inclusion schemes in the country:

1. Pradhan Mantri Jan Dhan Yojana (PMJDY)
2. Atal Pension Yojana (APY)
3. Pradhan Mantri Vaya Vandana Yojana (PMVVY)
4. Stand Up India Scheme
5. Pradhan Mantri Mudra Yojana (PMMY)
6. Pradhan Mantri Suraksha Bima Yojana (PMSBY)
7. Sukanya Samriddhi Yojana
8. Jeevan Suraksha Bandhan Yojana
9. Credit Enhancement Guarantee Scheme (CEGS) for Scheduled Castes (Scs)
10. Venture Capital Fund for Scheduled Castes under the Social Sector Initiatives
11. Varishtha Pension Bima Yojana (VPBY)

OBJECTIVES OF FINANCIAL INCLUSION

1. Financial inclusion intends to help people secure financial services and products at economical prices such as deposits, fund transfer services, loans, insurance, payment services, etc.
2. It aims to establish proper financial institutions to cater to the needs of the poor people. These institutions should have clear-cut regulations and should maintain high standards that are existent in the financial industry.
3. Financial inclusion aims to build and maintain financial sustainability so that the less fortunate people have a certainty of funds which they struggle to have.
4. Financial inclusion also intends to have numerous institutions that offer affordable financial assistance so that there is sufficient competition so that clients have a lot of options to choose from. There are traditional banking options in the market. However, the number of institutions that offer inexpensive financial products and services is very minimal.
5. Financial inclusion intends to increase awareness about the benefits of financial services among the economically underprivileged sections of the society.
6. The process of financial inclusion works towards creating financial products that are suitable for the less fortunate people of the society.
7. Financial inclusion intends to improve financial literacy and financial awareness in the nation.
8. Financial inclusion aims to bring in digital financial solutions for the economically underprivileged people of the nation.
9. It also intends to bring in mobile banking or financial services in order to reach the poorest people living in extremely remote areas of the country.
10. There are many governmental agencies and non-governmental organisations that are dedicated to bringing in financial inclusion. These agencies are focussed on improving the access to receiving government-approved documents. Many poor people are unable to open bank accounts or apply for a loan as they do not have any identity proof. There are so many people who live in rural areas or tribal villages who do not have knowledge about documents such as PAN, Aadhaar, Driver's License, or Electoral ID. Hence, they cannot avail many of the services offered by governmental or private institutions. Due to lack of these documents, they are unable to avail any form of subsidies offered by the government that they are actually entitled to.

MICOR FINANCE

Modern microfinance could be said to have originated in Bangladesh, as Mohammad Yunus built upon earlier models of small-scale lending (the 'Comilla model') to create a network of lending that was eventually formalised in Grameen Bank in 1983. However, the not-for-profit orientation of the form of microfinance provision championed by Yunus and others, in which NGOs focused on development and poverty reduction were the dominant providers, was gradually phased out during the 1990s, to be replaced by a model that emphasised 'full-cost recovery' and thereby paved the way for a more market- oriented approach that would accommodate and even encourage for-profit microfinance.

Microfinance is most fundamentally the provision of credit without collateral, usually in relatively small amounts and for short periods of time. The excitement around microfinance and microcredit in particular, has generally been based on the perception that it allows formal financial institutions to enter into forms of lending that are otherwise dominated by informal arrangements, such as traditional moneylenders. The phenomenon of group lending, whereby borrowers are clubbed into small groups whose members typically receive sequential loans, has been seen as the fundamental innovation that allows MFIs to service clients without collateral, who would otherwise be excluded not only because of the risk of default in general but because of the difficulties and high transaction costs involved in sorting more and less reliable borrowers.

In a country like India with almost 30% (more than 360 million) people still below poverty line and according to latest census figures, more than 70% or 840 million people living in rural areas with little or no access to formal banking and other financial services, microfinance has a big role to play in order to bridge this gap.

The "microfinance" is the heart and soul of "financial inclusion," as microfinance pioneered a transformative vision of reaching poor people who had previously been excluded from financial services. Yet that original vision has now exploded with at least five "P's":

1. New **products** beyond the original enterprise credit, to encompass all forms of credit, savings, insurance, and payments
2. New **populations**, both upmarket and downmarket of the populations traditionally reached by microfinance, and including new groups microfinance has largely ignored, such as persons with disabilities and the elderly
3. New **platforms**, using digital technologies to connect with people at more times and places
4. New **providers**—not just traditional microfinance institutions, but a range of private and not-for-profit providers, with governments kicking in some helpful impetus through G2P transfers
5. All facilitated by new **policies**.

MICRO FINANCE OPERATIONS AT STATE LEVEL IN INDIA

As of September 2020, microfinance operations are present in 28 states and 7 union territories (Uts), The table 1 summarizes the state wise distribution of number of unique entities, unique branches, unique borrowers, accounts and GLP as on 30 September 2020.

Table 1 Micro Finance operations at state level in India

State	No.of unique Entity/FIs	No.of unique Borrowers	No.of Accounts	GLP (in cr)	GLP Rank
Anaman& Nicobar	19	2969	3086	4.71	35
Andhra Pradesh	59	283651	358099	870	19
Arunachal Pradesh	19	7003	7594	21	31
Assam	46	2523876	4307984	12367	9
Bihar	85	6883409	11508877	24984	3
Chadigar	28	8578	14327	27	30
Chattisgar	64	1157712	2155413	4128	1
Dadra& Nagar Haveli	26	5783	7647	21	32
Daman & Diu	22	1893	2533	5.36	34
Delhi	60	175302	230860	592	20
Goa	33	32952	57943	124	26
Gujarat	67	1966359	3140260	6447	12
Haryana	69	1057456	1737986	3729	16
Himachal Pradesh	35	25638	35681	77	27
Jammu & Kashmir	21	4180	7226	15	33
Jharkhand	66	1437904	2628313	5482	13
Karnataka	69	4888697	9412488	18510	4
Kerala	56	2054607	4544888	9481	10
Madhya Pradesh	87	3740610	6427355	13245	7
Maharastra	87	4352951	8321287	16935	5
Manipur	19	50322	61658	145	24
Megalaya	29	38169	54170	153	23
Mizoram	17	22635	29954	76	28
Nagaland	18	15652	18010	64	29
Odisha	62	3206686	6512279	12858	8
Pondicherry (UT)	48	133516	256487	521	21
Punjab	61	1288314	2115370	4387	14
Rajasthan	74	2467106	4475426	9306	11
Sikkim	23	27684	42223	141	25
Tamilnadu	68	8305005	16937741	34141	1
Telengana	48	139223	161421	369	22
Trupura	30	424284	832406	2790	17
Uttar Pradesh	100	4637435	7098000	14568	6
Uttarakhand	52	296187	453189	1146	16
West Bengal	81	6017686	10591314	32881	2
Total	**171**	**57118736**	**105017463**	**231778**	

Source: Micrometer (Issues:35) Sep 2020

MICRO FINANCIAL INSTITUTIONS

Measuring financial inclusion is a challenge due to the difficulties in differentiating between voluntary and non-voluntary financial exclusion .The Micro Finance Institutions occupies key position in financial inclusion where the exclusion. In developing countries, the growth of microfinance institutions (MFIs) which specifically target low income individuals are viewed as potentially useful for promotion of financial inclusion. Even though MFIs at present, mainly offer only credit products; as they grow, they are likely to expand their product range to include other financial services. By partnering with MFIs, mainstream financial service providers could expand their outreach. Financial inclusion does not imply that everyone will use all available financial services rather everyone has the option to use them. A continuum of financial services needs to be made accessible to individuals as they improve their standard of living. More recently, financial inclusion has been defined by the World Bank (2008), as the absence of price and non-price barriers in the use of financial services.

Proper financial inclusion into institutional finance will require some forms of subsidy as well as creative and flexible approaches on the part of the central bank and the regulatory regime, to ensure that different banks (commercial, cooperative, development, etc.) reach excluded groups such as Small and Medium Enterprises (SMEs), self-employed workers, peasants, women and those without land titles or other collateral.

Today the MFIs want the government to empower them for mobilising savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. In the current scenario financial institutions are the robust pillars of progress, economic growth and development of the economy.

CONCLUSIONS

The pandemic has had a momentous impact on economies and societies around the world. At the same time, it has shown that, with the right approach, it is possible to protect and safeguard the economy. In developing counties like India, the banking sectors play a vital role in economy development. The banks works as mobilizers of savings from people and allocators of credit for investment and production and the banks identifying the entrepreneurs with the best chance of successfully initiating new commercial activities and providing credit to them. Proper financial inclusion regulation in the country to access the financial services and customers awareness about digital banking training and financial literacy programme should be organised. Even organised credit creation is clearly not a silver bullet to solve development problems, the measures to ensure formal financial inclusion need to be treated as one small element of a broader set of financial strategies for development. The changes of traditional regulatory practice that will ultimately be required and there can be no expectation that the changes required will be easy or quick to achieve. But it is vital that regulators begin to contemplate the future and start to plan for it.

REFERENCES

1. Savita Shankar, "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" ACRN Journal of Entrepreneurship Perspectives, Vol. 2, Issue 1, p. 60-74, Feb. 2013
2. Jayati Ghosh, "Microfinance and the challenge of financial inclusion for development", Cambridge Journal of Economics 2013, 37, 1203–1219. Retrieved : http://cje.oxfordjournals.org/ at Indian Agricultual research institute on January 12, 2014
3. Vedamani Basil Hans and Dinesha P T, "Financial Inclusion and Micro-Finance in India: An Overview", Chapter in SSRN Electronic Journal • February 2008
4. Prof Asha Bhatia, Dr.S.N.V.Sivakumar and Ankit Agarwal, "A Contemporary study of microfinance: A study for India's underprivileged," Journal of Economics and Finance, pp.23-31,2016
5. Sonu Garg and Parul Agarwal, "Financial Inclusion in India- a Review of Initiatives and Achievements", 2014. Retrieved from https:// www. researchgate.net/publication/314823121_Financial_Inclusion_in_India_-_a_Review_of_Initiatives_and_Achievements.
6. https://www.bankbazaar.com/personal-loan/financial-inclusion.html
7. Pooja Rakhecha and Dr. Manish Tanwar, "Role Of Banks In Bringing Financial Inclusion In Rural India", Global Journal of Commerce and management perspectives, Vol.7, No.2,pp.10-13, 2018 . Retrieved from https:// www. longdom.org/ articles/role-of-banks-in-bringing-financial-inclusion-in-rural-india.pdf
8. Badar Iqbal and Shaista Sami, " Role of Banks in Financial Inclusion in India", contaduria y Administration (2017), https://dx.doi.org/10.1016/ j.cya. 2017.01.007. Retrieved from https:// www. researchgate. net/publication/ 314131356 Role of banks in financial inclusion in India
9. https://www.who.int/news/item/06-05-2021-global-experts-of-new-who-

council-on-the-economics-of-health-for-all-announced.
10. https://www.cgap.org/blog/next-financial-inclusion-challenge-private-sector-leadership
11. https://www.geopoll.com/blog/challenges-financial-inclusion-nigeria/
12. https://www.afi-global.org/newsroom/blogs/the-supervisory-challenges-of-financial-inclusion/
13. https://www.centerforfinancialinclusion.org/microfinance-vs-financial-inclusion-whats -the-difference.
14. https://www.adb.org/sectors/finance/issues/financial-inclusion-microfin ance
15. https://onlinelibrary.wiley.com/doi/epdf/10.1002/jsc.2339, (https://doi.org/10.1002/jsc.2339)
16. https://assets.kpmg/content/dam/kpmg/in/pdf/2019/12/MFI-Microfinance-contributions-to-financial-inclusion.pdf