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Driving inclusive growth: Analyzing financial inclusion policies and frameworks

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***Abstract*---**Inclusive growth focuses on equal and equitable development, by particularly mainstreaming the marginalized, vulnerable and underprivileged sections of society, such as rural poor women. Financial inclusion is considered as the keystone to accelerate inclusive growth. This manuscript aims to analyze the policy and institutional framework to promote financial inclusion in India. It also analyses the definition, measurement, outcomes and challenges to financial inclusion. The methodology adopted in this paper is that of document review. Relevant policy documents, internet sources, books, journal articles, research reports and other published material has referred to for carrying out this research. The findings of this study disclose that numbers of institutions are working in the financial inclusion space, namely the Planning Commission, Reserve Bank of India (RBI), Ministry of Finance, Regional Rural Banks (RRBs), NABARD, Cooperative banks, Commercial banks, Primary Agricultural Credit Societies, Micro-Finance Institutions and NGOs. This study provides some useful implications for policymakers and practitioners. It also directs researchers to carry out empirical studies on financial inclusion.

***Keywords*---**financial exclusion, financial inclusion, inclusive growth, policy analysis, self-help groups.

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1. INTRODUCTION

The discourses on inclusive growth andFinancial Inclusion (FI) emerged during the latter part of the 20th century and have come of age as we progress through 2020 and beyond. Inclusive growth focuses on equal and equitabledevelopment, by particularly mainstreaming the marginalized, vulnerable and underprivileged sections of society, such as rural poor women. Inclusiveness includes social as well as financial dimensions. FIensures the accessibility and deliverance of financial services to otherwise financially excludedpeople. In recent years, FI has been one of the top memo items on the policymakers' table as well as financial and non-financial institutions including banks, non-governmental organizations (NGOs), micro-finance institutions (MFIs), development agencies, *etc.* These institutions have been making a multitude of efforts to eliminate the obstacles faced by the poor, especially women, to enable them to accesseconomic opportunities and financial services, eventually leading to their empowerment(Napier et al. 2014).

In rural India, FI is essential for the establishment of stable supply chain networks. FI refers to the "access to appropriate, low cost, fair and safe financial products and services from main-stream service providers" (Varghese and Viswanathan, 2018, p. 2). The lack of knowledge to access the financial services, such as benefits provided by government, bank accounts and kisan card etc. disbales the rural pulation from electronic transaction. At one place government actively making policies for digit India whereas on other hand people don't know what it is and how to avail this facility. Making policy and announcing the policies are not enough for the economic growth. It required effective and proper implementation. Policy provided the access of services but not the guidance to rural and uneducated people how to access. It is like putting delicious non-veg dish infront of veg people.

The purposes of this paper are to elucidate the definition and measurement of financial inclusion, analyze the policy and institutional framework for FI in India. This paper will provide the insight on different policies prepared by government, how many institution established and why? Were they able to achived the purpose. In recent time we all are taking about the sustainable development and digit India here, FI plays key role in achivingthese goals. In developing country like India, FI help in bringing the large production sector under formal network of finance. This alsoinvestigate the outcomes and challenges to FI, and recommend a way forward for policy and practice to accomplishthe goal of FI.Each activity has some pro and cons, but we should take the benefits of pros and try to minimise the cons as much as possible. Hence, challenges shows the moving steps of FI toward sustatinable economic growth. The methodology adopted in this paper is that of document review. Relevant policy documents, internet sources, books, journal articles, research reports and other published material has referred to for carrying out this research. The paper is structured as follows: Section 2illustrates the definition and measurement of financial inclusion, followed by a discussion of the policy and institutional framework for financial inclusion. Subsequently, the outcomes and challenges to financial inclusion are analysed, followed by conclusions.

2. FINANCIAL INCLUSION (FI)

2.1. Meaning and Definitions

The discourse on financial inclusion has to be studied and understood concerning financial exclusion; it shows the requirement to access the financial services by needy people. Financial exclusiondefined as the processes that withhold particular individuals and groups, such as the poor and the marginalized, from securing approach to the recognized financial system(Conroy, 2005; Leyshon & Thrift, 2016; Mohan, 2006).

The concept of FI initiated in the UK. Subsequently, several developing and developed nations started according to importance to financial inclusion as they found it essential for inclusive growth and principle of equity(Aynsley and Helen 2010). In India, the definition given to financial inclusion is "*provision of affordable financial services to those who have been left unattended or under attended by the formal agencies of the financial system*"(RBI 2006).Asper the RangrajanCommittee (2008), *"Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost*". CRISIL defined FI as "*The extent of access by all sections of society to formal financial services such as credit, deposit, insurance and pension services*"CRISIL (2015). The definition given by The World Bank, (2014) for FIis "the proportion of individuals and firms that use financial services". Hence, FI addresses the supply side of the institutional and policy framework stated as 'access', and the demand side or the 'users' of financial services.In India, financial inclusion mainly focuses on safeguarding the right to use of saving accounts;however, in the world, it has a broader approach including various dimensions(Leeladhar 2006). Financial inclusion has a special focus on individuals and groups, which have so far remained excluded, such as rural poor women and other disadvantaged and marginalised groups. Thus, financial inclusion is essential for a country as financial exclusion is a hurdle not only to inclusive growth of a country but also to the social exclusion of shakygroup of the society.

2.2. Measurement of Financial Inclusion

Chakravarty & Pal (2013) were the first to identify an axiomatic measurement tool for FI in India. The research examined the collision of financial inclusion policies implemented by banks during the period 1972 to 2009. It has foundthat social banking have wider impact on society and helps in promoting FI. The performance of FI is measured with respect to the index value. Higher value indicates better performance and vice versa in expressions of financial inclusion.

"Credit Rating and Information Services of India Limited" (CRISIL), Indias'well-known research company and credit rating agency introduced a financial inclusion index CRISIL Inclusix to analyse the situation of FI in India by covering all 666 districts. The methodology adopted by CRISIL is similar to some global index.It has developed a metric based on four essential indicators such as bank penetration, deposit penetration, credit penetration and insurance penetration. As per the index, among the large States, Kerala, Karnataka and Andhra Pradesh, and among the small States and Union Territories (UTs), Goa, Pondicherry and

Chandigarh have a high degree of financial inclusion. On the other hand, Bihar, Uttar Pradesh and Assam among the large States, and Manipur, Nagaland and Meghalaya among the small States/UTs have low financial inclusion status (CRISIL Inclusix 2018).

Gwalani & Parkhi, (2014) studied the various models of financial inclusion adopted by GoI and RBI and concluded that a diversified country like India needs to have a customized model to capture a high degree of FI. Sarma (2008) proposed a multi-dimensional index called the index of financial inclusion (IFI), wherein 0 indicated financial exclusion and 1 specify complete FI. Sarma & Pais (2008) identified the association between the development of a country and FI by using the index of financial inclusion. They found that stage of human development and FI in a country move hand in hand, although there are few exceptions to it.

Demirguc-Kunt, Klapper, Singer, & Van Oudheusden (2015) used the 2014 Global Findex database to analyze the status of financial inclusion worldwide. The data revealed that 62% of the total world's adults have a bank account and that account ownership has been significantly increasing in developing countries. Using data from 123 countries and 124,000 respondents, Allen, Demirguc-Kunt, Klapper, & Martinez Peria (2016)identified the various factors of financial inclusion worldwide. They found that use of an account linked to the availability of financial institutions, and that lack of money was the common obstacle to the use of bank accounts. Efobi, Beecroft, & Osabuohien, (2014)studied availability and usage of financial services in Nigeria, using three dependent variables banking services, saving and withdrawal. The study revealed that income, age and ICT inclination of people affect their access to and use of banking services in Nigeria.

3. POLICY AND INSTITUTIONAL FRAMEWORK FOR FINANCIAL INCLUSION

3.1. Planning Commission

The Eleventh Five Year Plan from 2007-12 and Twelfth Five Year Plan from 2012-17 have a significant bearing on inclusive growth and financial inclusion in India.High national income alone cannot solve the problems of unemployment, poverty, regional development, *etc.* Economic growth also has to be inclusive, *i.e., v*arious economic resources should be impartially distributed in society regardless of caste, religion, gender, region,*etc.* The Eleventh Five Year Plan envisaged "to trigger a development process which ensures broad-based improvement in the quality of life of the people, especially the poor, SCs/STs, other backward classes (OBCs), minorities and women" (Planning Commission 2008). It aimed to increase income and employment opportunities as well as finance programmes that help improve the economic growth rate.

"Faster, More Inclusive and Sustainable Growth"was the subtitle of the Twelfth Five Year Plan (2012-17) (Planning Commission 2008). It envisaged that inclusive growth could be achieved through income-generating activities, expansion of various sectors of the economy, employment generation, gender equality, development programmes, equitable distribution of resources, *etc.* It also included the goals for sustainable development of the environment as well as human capabilities for individual growth. Both the Eleventh and Twelfth Five Year

Plans have aimed for inclusive and equitable growth based on the utilitarian philosophy and democratic principles enshrined stated in the Constitution of India.

3.2. Ministry of Finance (MoF) andGovernment of India (GoI)

MoF, GoI., has taken numeral of initiatives to promote FI, launched in February 2011, theSwabhimaan scheme aimed for banks to provide essential banking services over 74,000 people living in habitations with a population of more than 2000. The National Mission for Fl, commonly known as “Pradhan Mantri Jan-DhanYojana” (PMJDY) was propelled in 2014 to fulfil the financial needs of excluded sections of the society such as low earnings group and weaker sections. The main objective of PMJDY is to open ‘zero balance’ savings bank accounts of all households and provide them facilities like an overdraft, credit, remittance facility, debit card, accident and life insurance and pension. The PMJDY has implemented in two phases. The first phase (August 15, 2014 to August 14, 2015) focused on providing universal access to essential banking servicesthrough a bank or a Business Correspondent (BC). Each individualhas providedBasic Banking Account (BBA) andRuPay debit card, which also includes insurance cover of Rs.1,00,000 and Rs.1,000 overdraft. Financial literacy programmes have organized at the village level.

Direct Benefit Transfer (DBT) under various government schemes has given to the beneficiaries through their bank accounts. RuPayKisan Card also planned to provide along with Kisan Credit Card (KCC). The second phase of PMJDY (15 August 2015 to 14 August 2018) focused on micro insurance and pension scheme. ‘Swavalamban’ is a pension scheme introduced in 2010 especially for the unorganised sector, provided through the BCs. PMJDY aimed to expand access through branch banking and branch-less banking (through BCs). The shift in policy was towards hilly, tribal and difficult areas, targeting households rather than villages, and semi-urban and rural areas both instead of only rural regions targeted in the earlier policies. The present programme also includesthe creation of a Credit Guarantee FundedDigital Financial Inclusion (DFS) 2014.PMJDY reached total of 38.22 crores people (of which 53.4% are women) with deposits of Rs.117015.50 crores as on 04 March, 2020. Rupay cards have issued to 29.2 crore beneficiaries (Mission FI, 2020).

3.3. Reserve Bank of India

Over the last decade, several initiatives have adopted by RBI to enhance FI. In 2005, the RBI called upon banks to open “no-frills account” or “zero balance account” and provide a small amount of overdraft (Rangarajan Committee, 2008).RBI has relaxed“Know-Your-Customer” (KYC)needs for opening a bank account predominantly for those people who are unable to maintain minimum balance not exceeding Rs.50,000 (Gupta 2011).

In 2006, RBI allowed banks to appoint Business Correspondents (BC) or Bank Mitrsto provide banking services. Post Offices, NGOs, Cooperative Societies, NBFCs (“Non-Banking Financial Companies”),MFIs (“Micro Finance Institutions”), retail shops, *etc*. may act as BC to deal with rural poor on behalf of banks. BCs need to identify customers and provide them banking services such as deposits, credit, loan processing, monitoring of loan, collection of loan amount & interest, promoting SHGs, sale of micro insurance/mutual funds/pension products, a small amount of remittance, education & counselling *etc.* (Planning Commission 2008).Use of ICT can help reduce the operating cost of banking services. It can enable the functioning of BC as illiterate people can access banking services by using biometrics. In this scheme, RBI has especially focused on mobile banking and Unique Identification (UID) number (Gupta 2011).

RBI has also introduced general credit card (GCC) to facilitate rural and semi-urban people to access credit easilyup to Rs.25,000. Based on the income and cash assessment, it is similar to a credit card facility in which banks provide credit to their customers without security (Gupta 2011). Micro-insurance is the insurance of low-income group people with a sum assured ofuptoRs.50,000. To sustainand accelerate the economic growth rate, the full participation of economically disadvantaged groups of the society is a must. As poor face higher risk than the well-off people, micro insurance could be an alternative to reduce their risk (Rangarajan Committee, 2008).

3.4. Regional Rural Banks (RRBs)

The RRBs developed to provide financial assistance to rural and semi-urban areas primarily to provide loans and advances to farmers, agricultural field labourers and other wage labourers. 91% of RRB employees posted in rural and semi-urban areas. They deal with 31% of deposit accounts and 37% of loan accounts of total rural extent. RRBs have an enormous network in the areas which have a high level of financial exclusion (Rangrajan Committee, 2008).

3.5. National Bank for Agricultural and Rural Development (NABARD)

NABARD is an apex institution helping RRBs and cooperative banks in improving the condition of the core banking system (CBS), the functioning of BCs, initiation of ICT and financial literacy programme. NABARD has maintained the Financial Inclusion Fund (FIF) for development and promotion of financial inclusion programme and Financial Inclusion Technology Fund (FITF) for managing the technology cost for improving financial inclusion in India. In 2008-09, NABARD launched the Rural Financial Institutions Programme (RFIP) on behalf of GoIand the Government of the Federal Republic of Germany, through GIZ. This programme comprises three areas which cover cooperative banks, SHG networks and bank-led financial inclusion approach. Under the latter, GIZ and Department of Financial Inclusion and Banking Technology (DFIBT) of NABARD have been functioning together to improve the currentprominence of financial inclusion in India. They have also been working on the BC model with support of RRBs, improvement in the payment system through Rupay cards of cooperative banks and RRBs. The financial literacy programme has adopted to enhance the financial capability of the rural poor(T. Nair and Tankha 2015).

NABARD initiated the SHG-Bank Linkage Programme (SBLP) in 1992. SBLP is regarded as the keystone of the financial inclusion programme to reach unbanked people. NABARD and state governments have set aside specific funds to promote self-help groups (SHGs), especially in areas with a high level of exclusion. They have also supported Micro Finance Development and Equity Fund (MFDEF) to promote SHGs. NGOs have played a creditable role in developing SHGs and linking them with banks and other financial institutions. Many SHGs are functioning well with high levels of saving and credit operations all over India. Several SHGs have come together to develop federations and clusters to improve their status. The Committee on Financial Inclusion has recognised SBLP as an effective strategy to enhance the level of financial inclusion (Rangarajan Committee, 2008).

3.6. Commercial Banks

Both public and private sector commercial banks are promoting microfinance in rural areas, especially for women. They provide loans at reasonable rates to SHGs and women entrepreneurs They have launched many development schemes to promote SBLP, such asPriyadarshiniYojana (Bank of India), CAN Mahila (Canara Bank), PNB Kalyani Card Scheme (Punjab National Bank), Stree Shakti (State Bank of India) and many more(Arora and Meenu 2011).

3.7. Cooperative Banks

Rural, as well as urban cooperative banks are playing an essential role in promoting financial inclusion. Cooperative banks affiliated to the local community, which helps them develop trust, take upcoming business opportunities and check borrower's creditworthiness. They able to address unbanked people through BCs, no-frills accounts, financial literacy programmes, *etc.* The labour and operating cost of cooperative banks are comparatively less than that of commercial banks (Nayak 2012).

3.8. Primary Agricultural Credit Societies (PACS)

PACS developed to fulfil the needs of a group/ group members who are associated with agricultural activities. PACS borrow funds from members and provide loan to other members who need fund for some agricultural activities. They also help in supplying machinery, cattle and other inputsrequired by members for their production purposes. PACS help in providing knowledge related to the latest developments in agriculture, handicrafts, *etc.*(Rangarajan Committee, 2008).

3.9. Micro Finance Institutions (MFIs): Non-Banking Financial Companies

MFIs havecreated to supply to the requirements of the low population of rural areas. They have a better understanding of the needs of the poor population of rural areas and accepted more by the rural poor. The Micro Financial Sector (Development and Regulation) Bill, 2007 was initially introduced in Parliament in March 2007. The Bill, when passed, would assist the growth of microfinance sector in India(Rangarajan Committee, 2008). The Micro Finance Institutions (Regulation of Money Lending) Bill, 2016 was introduced in Lok Sabha in July, 2016. It has included many causes related to registration and functions of MFIs, cancellation of registration of MFIs, regulations for SHG members, prior approvals required for taking a loan, settlement of disputes between SHGs and MFIs, *etc.*

3.10. Non-Governmental Organizations (NGOs)

Several NGOs are promoting various development programmes in the country. Many of them, such as MYRADA, DISHA, MAHER, PRADAN, DHAN Foundation, CARE-NGO and others work on SBLP.APMAS has been working for the development of urban SHGs since 2003 through capacity building programmes and training to improve the skills of SHGs members (PRADAN 2018). PRADAN was established in 1983 to eradicate poverty from rural India. It has been working with GoIsince 1987 and has played an essential role in promoting many development programmes of government. Pradhan's primary focus is on women of marginalized communities to help them to develop skills and abilities to improve their living (PRADAN 2018). DHAN Foundation was originated in 1997 to bring professionals to the development of the country by initiating innovation to remove poverty. The main objectives of this institution are innovation, reachinga large number of people, development of the human resource, *etc*. (DHAN 2018).

4. OUTCOMES OF FINANCIAL INCLUSION

It well recognized that access to finance is imperative for the economic growth of a country(Bansal 2014). Bank branch coverage substantially impacts the economic development of a country (Smith 1776). Access to finance helps in, equitable distribution of resources which improves the economic opportunities to poor people (Beck, Demirgüç-Kunt, and Honohan 2009). Availability of financial services improves economic stability and equity (Conroy 2005). The study suggests that economic growth and financial development of a country have positive associations(Abu-Bader and Abu-Qarn 2008).

Lack of access to finance has a negative impact on innovation (Caskey, Duran, and Solo 2006). Access to finance can increase consumption expenditure, including children education and reduction in child labour(Becker 1975). Greater access to financial services increases self-employment and decreases unemployment & underemployment (Menon and van der Meulen 2011). Providing banking services to low-income group in Mexico resulted in a rise in informal entrepreneurs due to expansion of bank branches, which has increased the employment and income status of the people (Bruhn and Love 2009).

Financial exclusion, on the other hand, leads to lack of credit facilities, high interest cost from money lenders, lack of saving habit, no insurance and lack of awareness and financial literacy (Elaine Kempson, Atkinson, and Pilley 2004). Ray, (1998) observed that disadvantaged people in developing countries are limited to the informal financial system because of the non-availability of collateral.

Mahendra Dev, (2006) pointed out the importance of financial inclusion for the betterment of poor farmers living conditions, growth of rural micro-enterprises and development of disadvantaged groups. He identified that financial exclusion is higher in the case of small farmers and rural micro-enterprises. In Andhra Pradesh, the majority of the loans by small farmers were taken from informal sources. The study suggested banks needed to consider financial inclusion as a social responsibility as well as a business opportunity. MFIs and SHGs needed to play a greater role to improve the level of financial inclusion. The risk element also had to be taken care of while preparing financial inclusion policy for farmers and vulnerable groups.

Swamy, (2014) found that financial inclusion programs had greater impact on women in comparison with men. The study highlighted that income growth was 8.40% for women as against 3.97% for men. The study found that the women are more affected by micro credit programs due to many awareness programmes and their access to financial resources, and that they use their income for enhancing the welfare of their families, particularly children. This ultimately contributed to the savings, which significantly improved their decision role in the family.

Pokhriyal & Ghildiyal, (2011)analyzed SHG-bank linkage program (SBLP) to assess its impact on reducing regional disparities in the society. It was identified that banking coverage is high in southern and northern regions in compare to eastern and western regions in India. Paybacks of the programme were not equally distributed in all regions of India. Reddy & Malik, (2011) reviewed the extent of SBLP and suggested policies to overcome regional and class disparities. APMAS, (2005) analysed the performance of SBLP in Andhra Pradesh, and suggested other States to follow the Andhra Pradesh Model for the growth of SBLP. Ramakrishna, (2006) examined the efforts of SBLP 27 public banks, 192 RRBs and 114 cooperative banks & financial institutions of five States of India and found that public sector banks had made more efforts for promoting SBLP.

A. Nair, (2005) highlighted the need for SHG federations to increase the sustainability of SHGs in the long term. Ramakrishna, (2006) identified the factors hindering the growth of SBLP such as lack of awareness and gender inequality. The study found that SBLP had a significant impact on the socioeconomic status of SHG members and their families. It had enhanced the access to financial services of rural poor, reduced poverty of SHG members, and increased women empowerment in terms of self-assurance and favourable behavioural variations in Post-SHG period.

Thus, financial inclusion is essential for sustainable development of a country as it enhances economic development, self-employment, social inclusion, mobilization of savings & disbursement of credit. It also helps in the reduction of unemployment, underemployment, disparities in the distribution & utilization of financial resources to rural and urban areas. Financial exclusion leads to a lack of credit availability, loan at high-interest rates from money lenders, lack of saving habit, lack of knowledge of financial products & their benefits, and lack of financial literacy. SBLP helps in improving the socioeconomic status and empowerment level of SHG members in the family, society and ultimately their country.

5. CHALLENGES TO FINANCIAL INCLUSION

Lack of availability of financial services is a big constraint to economic growth and development (Ghosh and Vinod 2017). The challenges to financial inclusion can be understood from the demand side and the supply side. On the demand side, several factors restrain the poor from being financially included. Small and marginal farmers face the problem of low productivity, poor market linkages, lack of awareness, illiteracy, low financial literacy, *etc*. The poor face many problems in dealing with banks, such as language, documentation requirement, terms & conditions of banks, lack of identity proof, bank charges, access to banks, cultural and psychological barriers, issues related to social security, high cost of banking products, *etc*. (Caskey et al., 2006; E. Kempson & Whyley, 1998; Elaine Kempson & Whyley, 1999; Collard, Kempson, & Whyley, 2001;Elaine Kempson & Jones, 2000; Sarma, 2008; Swamy, 2014). They do not access financial services due to discrimination, lack of information, the problem in understanding product design, price barriers, ill-informed regulations, *etc*. (Beck, Demirgüç-Kunt, and

Honohan 2009).The Global Findex survey covered 70,000 adults who are unbanked and the data revealed that the most common reason around the world is not having enough money to open and sustain an account. If one family member has a bank account, the other family members use the same account. Furthermore, bank accounts were found expensive; banks are located far; people lack mandatory documents, did not have trust in banks, religious reasons, *etc.*Poverty levels, innovation in finance, financial sector stability, financial literacy, economic state and frameworks of the regulators are affected and influenced by FI, which differs from country to country (Ozili 2020).

On the supply side, commercial and other financial institutions need to deal with the problem of infrastructure and technology in rural areas. Commercial banks have a shortage of human resources and an unfavourable attitude towards working in a rural area. They lack the ethos, culture and attitude for dealing with rural clients. They need to promote financial inclusion by considering it as an opportunity for generating turnover in future as well as a social responsibility. The problem of insufficient income of rural people restricts bankers to provide a loan. The underpricing of insurance products for poor people is not sustainable in the long run(Rangrajan 2005). Rural banking needs to be user-friendly as; generally, rural people are illiterate (Rangrajan 2005). Thebanking system needs to understand the needs of its poor clients. The loan size and duration need to be increased to improve its constructive impact on the livelihoods of the rural poor (Srinivasan 2008).

6. CONCLUSION

This study defines financial inclusion and analyses the tools of measurement, outcomes, supply-side, demand-side and obstacles to FI. It presents the policy and institutional framework for financial inclusion in India. In recent years, several policy initiatives have been taken to enhance financial inclusion, particularly the rural poor women. The study draws several implications for policymakers, practitioners and identifies directions for future research. The study concludes that the policy and institutional environment for financial inclusion is supportive and that banks need to change their attitude and approach towards the financially excluded people, particularly rural poor women. The next big wave in the financial inclusion space is digitisation through the use of debit and credit cards, internet banking, mobile app-based banking and digital wallets. Appropriate policies and regulations need to be put in place so as to yield the maximum benefit of these innovations to the rural poor.

6.1. Implications for Policy Makers

Through the analysis presented in this research, it can be said that the government alone cannot be called upon to realise the goal of financial inclusion. Government departments, agencies, public and private sector banks, corporates, NGOs, SHGs, PACS, MFIsand all other institutions need to network and collaborate for sharing information and resources, for achieving the shared goals of financial inclusion. The two bills related to MFIs need to be expeditiously put in place and the ensuing regulations implemented becausea proper regulatory framework is essential to the growth and expansion of SHGs and MFIs. Since most of the financial inclusion programmes are focused on women clients, the goal of women empowerment should go hand-in-hand with financial inclusion.

6.2. Implications for Practitioners

In order to include the financially excluded people, particularly the rural poor women, the onus is onbanks tosimplify banking procedures, documentation requirements and offer affordable banking products. Training and counselling need to be conducted from time to time to promote financial inclusion and financial literacy. Banks could work through partnership with SHG federations, NGOs and other development agencies to organize capacity building programmes for rural poor women. This could involve awareness generation about government schemes, market linkages, loan procedures, insurance, risks, *etc.*Banks could also liaison with SHG federations and NGOs for smoothening out the problems in interacting with rural women. Banks could interact with the rural people through forums such as evening schools, Panchayat, fields, SHGs meetings, *etc.*, and communicate to them the importance of financial inclusion and financial literacy. Banks also need to build the skills and capacity of BCs by providing regular and structured training and performance-based compensation. Women could also be selected as BCa for better positioning of various financial and banking products among rural women.

6.3. Directions for Future Research

Future researchers could carry out empirical studies on the determinants of financial inclusion, such as socioeconomic status and SHG membership. The outcomes of financial inclusion, such as improvement in socioeconomic status, poverty reduction and *inter alia*women empowerment, could be studied. The impact of newly launched schemes to promote financial inclusion, such as PMJDY also could be studied. The bankers' attitude towards rural people and their perceptions of financial inclusion would also serve as an exciting agenda for research. In the post-demonetization scenario, as India moves towards a cashless economy, digital financial literacy and digital financial inclusion could also be studied.

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