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"STATUS OF FINANCIAL INCLUSION: AN IN-DEPTH STUDY OF NOKSIGKITTIM VILLAGE, MEGHALAYA"

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Abstract

Adoption of farm technology is capital intensive and its application requires sufficient supply of credit to meet input demands. In order to enable the poor farmers to get access to the modern technology and enhance their investments, the concept of financial inclusion has been initiated by the government with the aim to provide financial assistance to the low income earners at an affordable cost. The study aims to examine the efficacy of micro-finance and its principal purveyors SHGs in increasing the accessibility, especially of the disadvantaged sections of the economy to the financial services in the rural areas of Umling block of Ri-bhoi district of Meghalaya. It also attempts to seek an insight into the major issues and challenges, future prospects and the policy measures undertaken in regard to microfinance and SHGs. The process of financial inclusion via the SHG linked microcredit network is still in its infancy in India and especially in the North Eastern part. Considering the spawning size and unmet needs of the population for one and the vast untapped potential for another; perhaps the present study would be able to plug this gap to some extent.

Keywords:Financial Inclusion, Self-Help Group, Savings, Banking, Micro-finance.

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1. Introduction:

Financial inclusion is the delivery of financial services at affordable costs to vast sections of disadvantaged and low income groups. Financial inclusion has far reaching positive consequences, which can facilitate many people to come out of the abject poverty conditions.The policy makers have been focussing on financial inclusion of Indian rural areas primarily for three most important pressing needs.

a. Creating a platform to inculcate the habit to save money – The lower income category has been living under the constant shadow of financial duress mainly because of the absence of savings which has made them a vulnerable lot. Presence of banking services and products aims to provide a critical tool to inculcate the habit of saving. Capital formation in the country is also expected to be boosted once financial inclusion measures materialize, as people move away from traditional models of parking their savings in land, building, bullion, etc.

b. Providing formal credit avenues – So far the unbanked population has been vulnerable dependent of informal channels of credit like family, friends and money lenders. Availability of adequate and transparent credit from formal banking channel shall allow the entrepreneurial spirit of the masses to increase output and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the micro-finance sector.

c. Plug gaps and leaks in public subsidies and welfare programmes – A considerable sum of money that is meant for the poorest of poor do not actually reach them. Much of this money is widely believed to leak and does not reach the intended parties while meandering through various systems of government bureaucracy. Therefore rather than subsidizing products and making cash payments government is pushing for direct cash transfer to beneficiaries through their bank accounts. This laudable effort is expected to reduce government’s subsidy bill and provide relief only to the real beneficiaries. All these efforts enquire an efficient and affordable banking system that can reach out to all. Therefore there has been a push for financial inclusion.

1.1 Financial inclusion in india: The Reserve Bank of India set up the Khan Commission in 2004 to look into financial inclusion and the recommendation of the commission were incorporated into the mid-term review of the policy (2005-06). In the report RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic “no-frills” banking account. In India, financial inclusion first featured in 2005, when it was introduced by

K.C Chakraborthy, the chairman of Indian Bank. Mangalam became the first village in India where all households were provided banking facilities. In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organisations (NGOs/SHGs), micro-finance institutions and other civil society organisations as intermediaries for providing financial and banking services. As a result of a campaign by the commercial banks of different regions, states and union territories like Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. RBI's vision for 2020 is to open nearly 600 million new customers' account and service them through a variety of channels by leveraging on IT. However illiteracy and low income savings in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

1.2 Financial inclusion in the north-east:

States	Bank Branches (number)		Population Per branch (number)	Bank Branches Per 1000/km^2	C-D Ratio	Ratios of Deposit and Credit Accounts to Population 2009-10		Per Capita Deposits and Credit (Amount in Rs.)	
	Total	Rural				Deposit	Credit	Deposit	Credit
Arunachal Pradesh	80	51	17,282	1	27	37.7	4.1	29843	8218
Assam	1,477	791	21,103	19	36	36.8	4.2	15590	5892
Manipur	81	35	33,602	3	41	18.1	2.7	9917	4170
Meghalaya	213	126	13,916	9	26	30.9	3.9	25785	6605
Mizoram	98	54	11,133	4	24	29.7	5.4	20525	10916
Nagaland	90	37	22,007	5	30	24.3	4.6	21140	6406
Sikkim	74	48	8,252	10	37	56.9	7.2	51561	19188
Tripura	192	114	19,130	22	25	46.2	8.3	20319	5999
NER	2,342	1256	19,465	9	35	39.8	4.9	16879	6255
All-India	86,960	32,627	13,916	26	73	60.7	9.8	37688	27642

Source : Based on the research study on 'Expanding Financial Inclusion in the North Eastern States' by Justice K. S. Hedge Institute of Management, Nitte, Karnataka

Since nationalisation of banks in 1969, a remarkable progress was made in the banking development both geographically and demographically. Though starting from a low base, the branch network of commercial banks expanded significantly in North-Eastern states. However, the banking development in the region is still lagging far behind all-other states in India. Even within the region the inequalities in the availability of banking services are found to be very wide and glaring.Ratios of Deposit and Credit Accounts to Population ranges from 24.3 in Nagaland and 30.9 in Meghalaya and is lower than the national average of 60.7. The number of Bank branch per1000 km ranged from 1 in Arunachal Pradesh to 22 in Tripura. The regional average is 9, which is distinctively lower than the national average of 26. The Credit/Debit ratios varied between24 inMizoram and 41 in Manipur as compared to all-India level of around 73 as of 2009-2010. All these banking development indicators show the slow progress of banking and resultant low level of financial outreach in North Eastern States.

1.3 Literature review:

.**V.Leeladhar (2005)** in his lecture at the FedbankHormis Memorial Foundation,Ernakulam, expressed that Financial inclusion is emerging as a global hot topic, since finance is the lifeblood of all economic activities, so the access to finance by the poor and vulnerable groups is an important strategic measure for poverty alleviation. He refers to, financial inclusion as the delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups. **Joseph Massey(2010),** in his Periodical study"Role of financial Institutions in financial Inclusion"discussed about financial institutions having a very crucial and a wider role to play in fostering financial inclusion. Lack of financial literacy is the major hindrance in spreading financial inclusion. This has resulted in the more than 50 per cent of savings of the household sector and of the financially illiterate getting drained in non-financial investments. **Amidzic Goran, et.al, (2014)**in their paper stated that there is general recognition among policy makers that financial inclusion plays a significant role in sustaining employment, economic growth and financial stability. Therefore more and more effort should be made to make Financial Inclusion reachable and affordable by all.

2. Research Method:

Map of study area (Ri-Bhoi district of Meghalaya)

Source: www.mapofindia.com

The study was carried out in a village called Noksigkittim, under Umling block of Ri-Bhoidistrict, Meghalaya. The village has a total of 22 households with a total population of 175. The Garo tribes are the major dweller of the village. It is a Christian dominated village located at a distance of only 5 Km from NH37. The households are scattered randomly over the hills and located quite a distance away from each other.The primary data was collected adopting an in-depth survey method where out of total 22 households, 18 household were surveyed based on their availability, convenience and co-operation. The data was collected through a survey conducted with the help of a structured interview schedule with the objective of finding out the extent of financial inclusion in the village.

3. Results and Analysis:

The village is covered by rocky mountain that is not suitable for extensive cultivation, hence, majority of the people earn their livelihood by working in the stone query located in the village. The village lacks proper infrastructure, without proper road connectivity, no religious or social institution and no Public Health Centre as well. The economy of the village is not very pleasant; the earnings from the stone query which is the main source of livelihood for majority of the householddoes not suffice the family needs; therefore they engaged themselves in other sources as well, such as selling fruits and vegetables on the street. Majority of the people do not have the habit of saving their earnings, in fact they do not earn enough to keep aside for saving,and furthermore, their earnings hardly meet their household needs. Moreover, there is an absence of financial institution in the village, be it private or public. The location of the nearest bank is more than 5kms which wouldn't seems far away had there been a proper means of transportation. The Self Help Group which is an effective means of financial inclusion to the rural dwellers all over India seem to be unheard of, while some who have a little knowledge about it seem to be under the wrong impression of misunderstanding the concept of SHG with that of the Women's association. The Pradhan Mantri Jan DhanYojana which was introduced in 2014 as an approach towards financial inclusion has not reached the village yet. The benefits that people receive from MGNREGA and IAY seem to be inadequate, as it was revealed that the wage they get does not correspond to the work done. On asking regarding the need of loan, some respondent showed the desire to take loan but the long distance and inadequate financial facility as well as the fear to repay on time with interest becomes a hurdle. Though majority of the household has a bank account it was found that due to the distance and also due to lack of awareness about banking facilities it remains inactive except during the payment of MGNREGA wage. Besides the government's ignorance, no NGO's have showed any interest towards the village, as there is no record on any NGO ever visiting the village.

There is an urgent need of accelerating the pace of financial inclusion in the village. The extent of financial inclusion of the village is very depressing. Many villagers are still not aware of various financial products available. Enhanced financial inclusion will result in increase in the rate of modernisation of Indian agriculture as newer activities which are gaining importance in the rural areas-horticulture, floriculture, organic farming, food processing etc. that are cash intensive as they require improved seeds, fertilizers and other modern inputs and equipment including sophisticated technology considering the area is less agriculture friendly. The access to financial aids would provide access to multi-purpose, safe and standardised financial products that are regulated by credible regulation at low cost. Financial inclusion, through better riskmanagement tools will encourage small scale entrepreneurs to adopt new technologies at a faster rate. By providing greater access to educational loans to all section of the society, improved financial inclusion will bring equal opportunities to the doorstep of each individual which is pre-condition for achieving inclusive growth.

4. Conclusion and Recommendations

From the interpretation of the findings some recommendations could be compiled as follows:

i. The need to improve the means of transportation is crucial which should be given a top priority since proper road connectivity will enhance people's movement in and out of the village for both the villagers and the outsiders as well.

ii. Immediate introduction and proper implementation of government schemes that aims at promoting financial inclusion like Pradhan Mantri Jan DhanYojana should be ensured.

iii. The concerned bank/financial institutions should make an effort to reach out to the unreached by undertaking proper survey of the regions under its jurisdiction and the availability of banking facility to every village should be ensured within a reachable distance.

iv. People need to be motivated to inculcate the habit of savings. The concept of financial inclusion and its importance should be made known to the people through awareness programmes.

v. The concept of SHG as a micro-finance institution needs to be made known to the villagers and encourage its formation. This intermediary could be used as business facilitators or business correspondents by commercial banks.

vi. There is a need to create awareness and improve financial literacy level in the villages, Government of India and RBI should come forward to frame some effective policies and implement it through appropriate governance so that universal banking services can be extended to the un-served.

vii. The most effective way to bring any issue into limelight is through media; media can play an important role in bringing the village to the peoples' view and contribute to its promotion.

Solving the problem of financial exclusion requires a holistic approach on the part of the bank in creating awareness about financial products, education and advice and money management, debt counselling, savings and affordable credit. The bank will have to adopt specific strategies to expand the outreach of their service in order to promote financial inclusion, banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. Financial literacy and financial awareness among these groups of people are very important because lack of financial literacy and awareness/understanding of financial products among the prospective customers do continue to remain an issue in the region. It can be inferred that the financial inclusion is not an obligation but an opportunity for all.

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