The Effectiveness of Financial Inclusion with reference to Banking Practices

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Abstract

The concept of financial inclusion is a new paradigm of economic growth and one of the major tools of faster economic development in a country. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. The present study makes an attempt to evaluate the effectiveness of financial inclusion with reference to the banking practices, by focusing on the role of formal banking sectors in financial inclusion. The effectiveness of financial inclusion with reference to banking practices will be evaluated with the help of primary and secondary data. The Primary data will be collected by administering a well planned questionnaire and with the help of a scheduled interview. The respondents for the study will be the urban poor from different areas of Bangalore from Karnataka State. To make the study more empirical and valid, appropriate statistical tools will be implemented to analyse and interpret the effectiveness of financial inclusion with reference to banking practices in Karnataka.

Key words: Financial Inclusion, Banking Sectors, Banking initiatives, Disadvantaged and low income group.

Introduction

Finance is a powerful intervention for economic development. Access to finance, especially for the poor, is empowering because financial exclusion often leads to broader social exclusion. Amartya Sen, the Nobel Prize winner and the famous Indian Economist convincingly argued that poverty is not merely insufficient income, but rather the absence of wide range of capabilities, including security and ability to participate in economic and political system. Today the term bottom of the pyramid refers to the global poor who live mostly in the developing countries. These large numbers of poor are required to be provided with much needed financial assistance in order to sail them out of poverty. Accordingly, there is a need for policy support in channeling the financial resources towards the economic upliftment of poor in any developing economy.

Financial inclusion refers to delivery of banking services to masses including under privileged and low income people at an affordable terms and conditions. It not only enhances overall financial intensity but also help in increasing activities which lead to development of economy and improve economic condition of people. Financial Inclusion is a process of promoting access to formal account, formal savings and formal credit where needed by the vulnerable group such as low income households, small business, etc. at affordable cost with no impediments. In other words it is the formal financial institutions reach to the vulnerable groups by motivating and contributing to the development of their economic state.

The broad objectives of financial inclusion for the poor are to address their needs through the formal financial system. Transform moneylender dependent urban and rural poor into a highly bankable group, eliminate the high-cost interest regime, stop the resource drain from the poor, build up diversified and multiple livelihoods and inculcate a strong savings culture among them. In a broader sense the objective of extensive financial inclusion is to offer a wide range of services for achieving holistic set of services for growth and development of the country.

Bangalore, or Bengaluru city, is located in Karnataka State of India and is known as the Silicon Valley of India, due to it being the hub of the IT industry in the country. Rapid industrialization and globalization has led to a surprising rise in population and expansion of Bangalore's city limits. According to the 2001 census, the population of Bangalore was 56.86 lakh. Bangalore has grown at a much faster rate, and the population of Bangalore has increased from 41.30 lakh to 56.86 lakh during the decade 1991-2001. According to the census 2011 conducted by the census organization of India headed by Mr. C. Chandramouli, Commissioner and registrar General of the Indian 2011 census, Bangalore has become one among the most populated Metros in India with population of 85,20,435 of which 44,33,855 are males and 40,86,580 constitute females. Bangalore City alone has population of 84, 43,675, of which 43, 91,723 constitute males and 40, 51,952 are females. The survey reveals the current population trends, its varied characteristics that are valuable inputs for planning sound programs and policies aimed towards the welfare of India & her people and also for effective public administration.

Need For the Study

The general impression is that the urban population is rich and the standard of living is very good in all respect but the fact is that the growth and development of urban cities simultaneously contributing to the growth of urban poverty especially in the areas of unorganized sectors and weaker sections of the society .To what extent formal financial institutions reach to the urban low income households through banking practices is the concern of the study. Study regarding the financial inclusion has been conducted in States like Tamil Nadu, Andhra Pradesh, West Bengal and other places. A need is felt to conduct the study pertaining to financial inclusion that is access to formal account, formal savings and formal credit in Bangalore District of Karnataka State.

Objectives of the Study

Objectives of the study are as follows**:**

1. To report the percentage analysis of financial inclusion, banking practices, barriers and alternate sources of borrowing among low income households in urban Bangalore district.
2. To find out the effectiveness of Banking practices on financial inclusion among low income households.

3. To suggest recommendations from the findings of the study which will help the policy holders to identify policies and promote the same to cater to the needs of the society.

Review of Literature

The term Financial Inclusion was first coined in 1993 by geographers who were concerned about bank branch closures and the resulting limited physical access to banking services (Helen, 2010).

In India, financial inclusion was first featured in 2005, when it was introduced by K.C. Chakraborthy, the chairman of Indian Bank. Mangalam village became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit.

Financial inclusion becomes a major prerequisite of poverty alleviation. There is a long way to go for the financial inclusion to reach the core poor according to K. C. Chakravarty, RBI, and Deputy Governor who states that it is a fact that even today half of the Indian population does not have access to formal services and are largely dependent on money lenders. Financial Inclusion in reality has far reaching position consequently which can help resource poor people to access the formal financial services in order to pull themselves out of abject poverty (Srikanth, 2013). Financial inclusion can meet multiple macroeconomic goals, but macro - economic gains wane as both financial inclusion and depth increase and there are trade-offs with financial stability (Ratna, Adolfa, & Martin, 2015).The presence of financial future market was found to be a significant determinant of economic growth (Hao & Hunter, 1997). The use of formal financial services crucially determines economic development (Fungacova & Weill, 2014). Goals of financial inclusion can be met by initiatives of banking sectors to cut across various strata of society, regions, genders, income and encourage public to embrace banking habits (Kumar, 2013).

Since 2005, the Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase financial inclusion. The Reserve Bank of India (RBI) issued various instructions to banks to bring in inclusive growth through financial inclusion like - To open *'No frills'* savings accounts with low or nil minimum balance as well as charges for opening and maintaining an account. Relax *'Know Your Customer (KYC)'* norm for opening a bank account with self declaration of address and introduction by an account holder of a bank in order to expand the outreach of bank accounts to even weaker sections of the society. Reserve Bank of India has taken various measures for promoting financial inclusion and uplifting the standard of living of weaker sections of the society (Kapoor, 2013)**.**

Despite 67 years as an independent nation, India is still lagging behind in the process of providing financial services to the masses with nearly half the households remaining unbanked, and nearly ninety percent villages not having bank branches. More importantly, people in these unbanked areas do not fully appreciate why they need a bank account at all, or why loans from the formal sector are more useful than the informal sector. Lack of awareness and financial literacy among rural population are primarily responsible for low penetration of financial services (Charan, 2014). Financial inclusion has not yielded the desired results and there is a long road ahead despite the banking sector playing significant role and working on the positive side.

The government should encourage the banks to adopt financial inclusion by means of financial assistance, advertisement and awareness programmes etc. (Nalini & Mariappan, 2012). Every bank has either to do new things or to do the same things differently evolving and adopting a strategy of innovating creativity to balance their socio economic and commercial interest (Karmakar, Banerjee, & Mohapatra, 2011)**.**

The authors have identified a number of dimensions of financial exclusion and broadly classified them into access-exclusion, condition exclusion, price-exclusion, marketing exclusion and self-exclusion, thereby encompassing all the relevant factors that result in denial of financial services and conditions that would deprive an individual or a group from the benefits of these services (Carbo, Gardener, & Molyneux, 2005).

Whereas most of the researchers in the previous studies and the reports from reliable source do emphasize that changing trends in the banking practices, including innovative approaches such as technological advances and role of business correspondent and business facilitators have been emphasized as part of the changing role of the formal financial system to meet the needs of financial inclusion. There are diversified opinions and conclusions drawn by the researchers in various literatures and articles about the effectiveness of financial inclusion with reference to banking practices in particular and individual characteristics' influence on financial inclusion in general. Few authors are of the opinion that there is large unmet demand for credit, especially among the poor. Estimates of credit demand internationally and nationally present a wide gap in the demand and supply of formal financial services in general and credit in particular. It is generally asserted that roughly half of the world population is without access to credit and saving facilities beyond that provided by family members, friends or money lenders. There is significant divergence regarding estimates about the extent to which formal financial services actual reach to the poor.

Based on the opinions, facts and realities of the previous studies the present study has been conducted to analyse the effectiveness of financial inclusion with reference to banking practices in Urban Bangalore of Karnataka State in India. The researcher has made sincere effort to systematically compile as far as possible the research studies relating to the effectiveness of financial inclusion with reference to banking practices.

Methodology

The purpose of this investigation was to study the effectiveness of financial inclusion with reference to banking practices that is formal financial institutions reach to the vulnerable group such a low income households. Survey method was used to collect the primary data and data will be quantitatively analysed and interpreted accordingly.

Hypotheses

To find out the effectiveness of Banking Practices on financial inclusion among low income households the following null hypotheses were framed for analyses and interpretation.

Hypothesis-1: Reasons for saving does not significantly predict Account at Formal Bank among low income households.

Hypothesis-2: Reasons for Loan does not significantly predict Account at Formal Bank among low income households.

Universe and Sample

The low income households from five different main areas of Bangalore from Karnataka State constitute the population of the study. The respondents for the study is from low income households like self employed workers, vegetable vendors, casual laborers, pavement caterers, house- maids etc.

Sampling Procedure

The selection of sample was adopted through Stratified sampling method. The sample had representation from all strata and all the categories were represented. The population was split into groups of five units from five different areas of Bangalore Urban which were homogenous with regard to their occupation and income. From each stratum a sample of 100 respondents belonging to the low income households were randomly selected for the study. They were drawn from varied background belonging to self employed workers, vegetable vendors, casual laborers, pavement caterers, house- maids etc. and from the following main areas of metropolitan Bangalore.

Places covered for field study –

1. Bangalore South 2. Bangalore North 3. Bangalore East 4. Yelahanka
5. Anekal

Sample Distribution

Table -1: Indicating the distribution of sample across demographics

DEMOGRAPHIC	CATEGORIES	N	Percent
Educational Background	Primary	293	58.6%
	SSLC	186	37.2%
	Graduate & Above	21	4.2%
Religion	Hindu	401	80.2%
	Muslim	54	10.8%
	Christian	45	9.0%
Age Group	18-40	385	77.0%
	40-60 & above	115	23.0%
Marital Status	Married	367	73.4%
	Unmarried	133	26.6%
Gender	Male	283	56.6%
	Female	217	43.4%
Annual Income	Below Rs. 60,000	134	26.8%
	Above Rs. 60,000	366	73.2%
Working Status	Employed	197	39.4%
	Self Employed	303	60.6%

Variables for the Study

The data were used to test the hypotheses among the factors of the independent and dependent variables. From the literature review, it was seen that various critical factors have affected the level of financial inclusion/ exclusion. Variables for the study were:

Demographic variables - Age, Gender, Religion and Marital status
Dependent variables – Formal Account, Formal Savings and Formal Credit
Independent variables - Educational background, Annual income and Working status

Predictor variables:

Saving habits - To start a new business, to grow existing business, for old age, For education purpose, For others specify,
Loan availed - To start a new business, to grow existing business, for health purpose, For education, For others specify,

Method of data collection

For the purpose of the study the researcher personally collected primary data from 500 respondents from the five different areas of Bangalore urban city under stratified sampling method through structured interview schedule and a well planned questionnaire was administered (Demirgue - Kunt and Klapper, 2012).The questionnaire consisted of 15 questions which were relevant for the study based on the objectives to measure the level of financial inclusion, barriers and alternate source of borrowings in Bangalore by the low income households.

Techniques of Analysis

1. Descriptive statistics is used to report the percentage analysis of financial inclusion, banking practices, barriers and alternate sources of borrowing among low income households in urban Bangalore district.

2. The influence of the predictor variables on the dependent variable is measured using Regression analysis - Multiple regressions and Logistic regression analysis.

Data Analysis and Interpretation

The purpose of this research is to find out the effectiveness of Financial Inclusion with reference to Banking Practices.

Descriptive Statistic

To report the percentage analysis of financial inclusion, banking practices, barriers and alternate sources of borrowing among low income households in urban Bangalore district.

Table 2: Indicating the number and percentages of Financial Inclusion, Banking Practices, Barriers and Alternate sources of borrowing

Items		Frequency	Percent
Account at Formal Bank	No	181	36.2
	Yes	319	63.8
Account in Private/Public Bank	Public Bank	304	95.3
	Private Bank	15	4.7
Savings at Formal bank	No	320	64.0
	Yes	180	36.0
Loan at a Formal Bank	No	452	90.4
	Yes	48	9.6
Saving to Start a New Business	No	497	99.4
	Yes	3	.6
Saving toGrow the existing business	No	473	94.6
	Yes	27	5.4
Saving for Old Age	No	462	92.4
	Yes	38	7.6
Saving for Education	No	451	90.2
	Yes	49	9.8
Saving for Other reasons	No	438	87.6
	Yes	62	12.4
Loan for Health and Medical	No	491	98.2
	Yes	9	1.8
Loan For Education	No	487	97.4
	Yes	13	2.6
Loan- Others	No	476	95.2
	Yes	24	4.8
Barriers - Low income	No	445	89.0
	Yes	55	11.0
Barriers - Cumbersome documentation procedure	No	440	88.0
	Yes	60	12.0
Barriers - Timings not convenient	No	493	98.6
	Yes	7	1.4
Barriers - Being rejected	No	498	99.6
	Yes	2	.4
Barriers - Lack of financial knowledge	No	395	79.0
	Yes	105	21.0
Alternate sources - An Employer	No	489	97.8
	Yes	11	2.2
Alternate sources - A Private Lender	No	254	50.8
	Yes	246	49.2
Alternate sources - Family and friends	No	491	98.2
	Yes	9	1.8
Alternate sources - Other sources	No	406	81.2
	Yes	94	18.8

Percentage analysis indicates that more than half (64%) of the sample have formal bank accounts; almost all (95%) of them have accounts in Public banks; one third (36%) of the sample have accounts for savings; the most important being other reasons (13%) and the least being to start a new business (1%); Only a mere (10%) of the sample have Loans in Banks; out of which a mere (5%) have taken loans for other reasons while for education (3%) and for Health and medical (2%); Among the barriers for opening a formal bank account, Lack of Financial knowledge (21%) was the most reported reason, next being Cumbersome documentation procedure (12%) followed by Low income(11%); Among the alternate sources of borrowing, nearly half of the sample borrowed from Private lenders (49%), followed by other sources (20%) and a few (2%) borrowed from their employers and family and friends(2%).

Regression Analysis

To find out the effectiveness of Banking practices on financial inclusion among low income households.

Hypothesis-1: Reasons for saving does not significantly predict Account at Formal Bank among low income households.

Table-3: Indicating the Model summary of Reasons for saving – Account at formal bank

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.565[a]	.319	.312	.399

a. Predictors: (Constant), Others, Start a New Business, Grow the existing business, Old Age, Education

b. Dependent Variable: Account at Formal Bank

Table – 4: Indicating ANOVA of Reasons for saving – Account at formal bank

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.856	5	7.371	46.315	.000[b]
	Residual	78.622	494	.159		
	Total	115.478	499			

a. Dependent Variable: Account at Formal Bank

b. Predictors: (Constant), Others, Start a New Business, Grow the existing business, Old Age, Education

Table-5: Indicating the regression coefficients of Reasons for saving – Account at formal bank

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.434	.022		19.477	.000
	Start a New Business	.566	.231	.091	2.444	.015
	Grow the existing business	.566	.080	.266	7.075	.000
	Old Age	.566	.068	.312	8.263	.000
	Education	.566	.061	.350	9.242	.000
	Others	.566	.055	.391	10.286	.000

a. Dependent Variable: Account at Formal Bank

Multiple regression analysis is used to test if the Reasons for Saving significantly predicted Account at formal bank. The results of the regression indicated that Reasons for saving explained 31.2% of the variance (R^2=.312, F(5,494)= 46.315, p<.001). Table-4, *p*< 0.001 indicates that, overall, the model applied is significantly good enough in predicting Account at formal bank.

It is found from Table-5 that Start a new business (t (498) = 2.444, p<.05); Grow the existing Business (t (498) = 7.075, p<.01); Old age (t (498) = 8.263, p<.01); Education (t (498) = 9.242, p<.01); and Others (t (498) = 10.286, p<.01); all reasons significantly predicted Account at formal bank.

The null hypothesis is rejected and the alternate hypothesis is supported: Reasons for saving significantly predicts Account at Formal Bank among low income households.

Hypothesis-2: Reasons for Loan does not significantly predict Account at Formal Bank among low income households.

Table-6: Indicating the Model summary of Reasons for Loan – Account at formal bank

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.245[a]	.060	.055	.468

a. Predictors: (Constant), Loan- Others, Health and Medical, For Education

b. Dependent Variable: Account at Formal Bank

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.958	3	2.319	10.601	.000[b]
	Residual	108.520	496	.219		
	Total	115.478	499			

a. Dependent Variable: Account at Formal Bank

b. Predictors: (Constant), Loan- Others, Health and Medical, For Education

Table-8: Indicating the regression coefficients of Reasons for Loan – Account at formal bank

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.600	.022		27.251	.000
	Health and Medical	.400	.157	.111	2.543	.011
	For Education	.400	.127	.137	3.155	.002
	Loan- Others	.400	.096	.182	4.167	.000

a. Dependent Variable: Account at Formal Bank

Multiple regression analysis is used to test if the Reasons for Loan significantly predicted Account at formal bank. The results of the regression indicated that Reasons for Loan explained 5.5% of the variance (R^2=.055, F(3,496)= 10.601, p<.001). Table-7, *p*< 0.001 indicates that, overall, the model applied is significantly good enough in predicting account at formal bank. It is found from Table- 8 that Health and Medical (t (498) = 2.543, p<.05); For Education (t (498) = 3.155, p<.01); and Loan-others (t (498) = 4.167, p<.01) all reasons significantly predicted Account at formal bank.

The null hypothesis is rejected and the alternate hypothesis is supported: Reasons for Loan significantly predicts Account at Formal Bank among low income households.

Conclusions and Implications of the Study

Conclusion

With reference to the main variables of the study that is account at formal bank, savings at formal bank and credit at formal bank it is found that, 64% of the samples have account at formal bank and almost 95% of these have account in public banks. Further 36% have savings at formal bank and only 10% of the respondents have borrowed from the formal bank. For the financial inclusion it is very important that urban low income at the least should have a bank account. The finding shows a good sign of 64% of the respondents having bank account and out of them 95% having account at a formal bank is a good effort from formal financial institutions whereas lack of financial awareness, low income and cumbersome documentations being the main barriers as per the study, reducing these impediments can cover the other 36% of the respondents under banking system and hence 100% inclusion can be achieved. As far as savings is concerned only 36% out of 64% having bank account having savings at formal banks which is relatively very low, hence these respondents can be made to understand the importance of savings with the help of financial awareness programs and workshops and inculcate in them the habit of savings which will improve their economic conditions. Whereas availing of loan at formal bank by the sample shows only 10% which is not a good sign for financial inclusion. As it is found in the study it is due to lack of financial knowledge and cumbersome documentation that the respondents are unable to avail loan from formal banks and are looking out for alternate sources of borrowings such as from private money lenders and others, who are at their doorstep to offer finance at an extremely high interest rates as compared to formal financial institutions, which is a failure of financial inclusion of RBI policies that wants to reach the urban as well as the rural areas.

From the study to find out the effectiveness of banking practices on financial inclusion among low income households it was found that reasons for saving do significantly predict Account at Formal Bank among low income households. It was found that savings towards starting a new business, to grow the existing business, for old age, education and others all reasons significantly predicted Account at formal bank. It is a positive sign to financial inclusion that there are savings for old age, education and other reasons like for marriages purposes, for purchase of a vehicle, for purchase of luxury items like fridge, television, gold etc.

With reference to the reasons for Loan significantly predicting Account at Formal Bank among low income households it was found that Health and medical, for Education and Loan-others all reasons significantly predicted Account at formal bank.

In the Study to explore the barriers effecting financial inclusion of low income households it was found that barriers like Low income, Cumbersome documentation , Timings not convenient, Being rejected and Lack of financial knowledge significantly predicted Account at formal bank and Savings at formal banks. To achieve 100% financial inclusion the formal financial institutions must think of implementing the following measures like -Through workshops and training programs reach out to the low income households and educate them how to earn extra income instead of wasting their time on unnecessary entertainments and make them understand the importance of money management, because most of them are from below graduate level whereby they are not exposed to higher education. The documentation procedure being an impediment to financial inclusion can be reduced and made convenient to the study population as most of the targeted population, being urban poor have migrated from rural areas to cities in search of living when asked to produce identity proof and address proof are unable to do so and avoid opening of formal account which is a failure to financial inclusion hence alternate method should be implemented whereby the formal financial institutions should allow the low income households to open account through some reliable source introduce a scheme whereby the low income households can save to whatever extent possible to them and by adding little extra interest to the amount accumulated by the low income households will attract and encourage the low income households to save more. Since there will be accumulation in the bank, availing of 50% of loan to the extent of accumulation will not be problem to the financial institution, they will be lending from the savings of the bank customer, who is no more from low income household, if helped by the formal financial institutions in the initial stage of opening a formal account.

As far as timings is concerned most of the sample being self employed, during day time to visit the branches and to avail the services of the bank being an hindrance can be considered by the formal financial institutions by setting up Kiosks and ATM's with advanced technology where they have the facility of remitting their little bit of earning per day as savings, this will save them from being cheated by small time pigmy bankers and chit fund holders. Even a small and nominal amount of Rs.10/- per day can become Rs.300/- per month and Rs.3600/- per year.

The low income households feel being rejected by the bank staffs at times when they visit the branches for enquiring with the facilities offered to them or with regard to opening of an account at formal bank. The barrier of being rejected must be a matter of concern to the formal financial institutions as every penny matters – little drops of water makes a 'Mighty

Ocean' and as such little savings of poor people will make India a 'Mighty Nation'. To reach out to the targeted population, proper channels of advertising through media can be introduced by the formal financial institutions about the facilities and services available to them through Government schemes and RBI's financial initiatives.

It is found from the study that cumbersome documentation and Lack of financial knowledge barriers significantly predicted Loan at formal bank. It was found from the study that 90.4% have not availed the loan from formal banks due to barriers like lack of financial knowledge and cumbersome documentation procedures which could be considered and enhanced by the formal financial institutions. Financial Literacy Camps, Workshops by the formal financial institutions and the Model proposed by the researcher in the study will definitely help the low income households to avail loan facilities only through formal financial institutions as they are going to avail loan from their own savings with nominal interest as compared to the interest charged by the private money lender and other source of borrowings.

Cumbersome documentation is the only barrier that significantly predicted Alternate Sources of Borrowing. The documentation procedure being an impediment to financial inclusion can be reduced and made convenient to the study population as most of the targeted population, being urban poor have migrated from rural areas to cities in search of living when asked to produce identity proof and address proof are unable to do so and avoid opening of formal account which is a failure to financial inclusion.

The objective of financial inclusion is to provide access to financial services to all vulnerable and low income households at an affordable cost with no impediments. According to the related literature bankers have done their best in reaching out to these segment people whereas when primary study is conducted, the responses by the respondents reveal from the data that there are no sincere attempts made by the formal bankers in the urban Bangalore district. However, the present study has revealed certain facts, which may motivate government agencies like RBI which have struggled hard to bring some tangible changes in the lives of underprivileged people.

Demand of the credit facilities revealed the difficulties faced by the respondents through existing channels of delivery which has led this segment to take shelter under the roofs of informal financial institutions and private lenders. On the other hand, cumbersome documentation, low income and lack of financial knowledge of the low income household were the prime impediments in adoption of access to account at the formal bank. In addition, the financial illiteracy is also a matter of concern among the urban Bangalore low income households. Such impediments could be removed / reduced through increased awareness and usage among the peers.

As far as the study is concerned, the indication from the study is that the Indian banking system still needs to adopt appropriate viable regulatory framework for economic strategies which focuses on accessible and affordable financial services with no impediments, urban areas have to be covered can be derived from this study. Government should make policy on financial literacy, capacity building and awareness of financial services for increasing the rate of financial inclusion as per the finding of this study. In making adaptation decisions, policies formulators and implementers must realize that various aspects of financial inclusion may require varying degrees of modifications. The key is to promote saving opportunities and Policy to improve credit flow to urban areas. If these issues are addressed in a proper way within time, the Indian banking sector has the potential to become further deeper and stronger. Appropriate measures from the policy holders and RBI with regard to financial services especially credit facilities will definitely help these segment people to come out the clutches of money lenders and informal financial institutions and contribute to their economic growth.

Implications of the Study

The study has contributed to the mass of knowledge significantly as the findings can be used by the financial institutions, government agencies and policy formulators for better understanding of the impediments faced by the study population. The findings can be utilised as guidepost for the effective solutions in the context. The information on financial inclusion can also be useful to the general public helping them to comprehend the importance of such financial services .They may also use information on the causes and effects of lack of access to better position themselves for better access to these opportunities. The Regulators (RBI) and implementers (financial institutions) can utilize the findings of this study to formulate the future policy of financial inclusion. The findings can be utilized by the financial institutions as the researcher applied a more informatory method of data accumulation while looking into aspects such as the access to formal account and savings, availing of credit facilities, barriers responsible for financial inclusion. In tackling the problem, it is important to note that the issue comes from urban low income households' point of view. This will enable regulators to make effective and innovative solutions. This can be in terms of customer perception and satisfaction regarding financial services. Acknowledging comments and data from all sources will drive for higher levels of development.

Indian banking system needs to adopt appropriate viable regulatory framework for economic strategies which focuses on accessible and affordable financial services with no impediments, urban areas have to be covered and can be derived from this study. Government should make policy on financial literacy, capacity building and awareness of financial services for increasing the rate of financial inclusion as per the finding of this study. In making adaptation decisions, policies formulators and implementers must realize that various aspects of financial inclusion may require varying degrees of modifications. The key is to promote Policy on to improve credit flow to urban areas. If these issues are addressed in a proper way within time, the Indian banking sector has the potential to become further deeper and stronger. Appropriate measures from the policy holders and RBI with regard to financial services especially credit facilities will definitely help these segment people to come out the clutches of money lenders and informal financial institutions and contribute to their economic growth.
The findings and conclusions from the study if understood and properly blended and implemented by the Regulators (RBI) and implementers (financial institutions), definitely by the year 2020 as anticipated, 100% financial inclusion can be achieved

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