**Book Review**

**Financial Inclusion, Inclusive Growth and the Poor**

Editors: Padmaja Mishra, Alok Ranjan Behera and Himanshu Sekhar Rout  
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The term *financial inclusion* means a comprehensive and holistic process of ensuring access to financial services and credit by vulnerable and marginalized groups in the society. Inclusive growth means broad-based benefits to all sections of people. The Eleventh Five Year Plan (2007-12) envisioned inclusive growth as a key objective. India’s Twelfth Five Year Plan (2012-17) with its focus on *Faster, More Inclusive and Sustainable Growth*, has put the growth debate in the right perspective.

Growth is inclusive when it creates economic opportunities, along with ensuring equal access to them. The concept *inclusion* should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process and not simply as welfare targets of development programmes.

Indian economy has made rapid strides in the recent past. However, a sizeable section of the population continues to remain excluded from even the most basic opportunities and services provided by the financial sector.

The book under review contains 12 scholarly papers—authored by experts in the field of finance and development policy—which provide deep insights into various aspects of financial inclusion and inclusive growth efforts in India.

In their introductory paper titled “Financial Inclusion, Inclusive Growth and Poverty”, Padmaja Mishra, Alok Ranjan Behera and Himanshu Sekhar Rout spell out the need for financial inclusion of the marginalized groups in India and recent steps taken by government agencies towards this objective. They maintain that financial inclusion is a pre-requisite for inclusive growth which is the central theme of the Twelfth Five Year Plan (2012-17).

Shibalal Meher in his paper entitled “Financial Inclusion in India: An Inter-
"State Analysis" tries to construct a financial inclusion index to study the status and relative position of financial inclusion across major states in India. Different dimensions of financial indicators are used to measure access, availability and usage of the financial system by the members of the economy. The index follows a multi-dimensional approach which is in line with the UNDP approach of construction of HDI, though there are methodological differences between the two. The findings show that the performance of financial inclusion of low income states is worse compared to the middle and high income states, indicating that there is close relation between economic growth and financial inclusion in India. Odisha, though a low income state, has shown better performance in financial inclusion due to large coverage of self-help groups.

Indian economy is recognized as one of the fastest moving economies of the world with an annual average growth rate of 8.5-9 percent. Despite this rapid growth rate, India continues to suffer from poverty, unemployment and so many other socio-economic problems which have resulted in the emergence of strategies like inclusive growth and financial inclusion in the policy options. The Government of India and RBI are taking several initiatives to promote financial inclusion. Still a large chunk of population remains outside the formal financial system and continues to depend upon the traditional exploitative informal financial sector for their financial need.

This calls for an analysis of the strategies adopted so far and the models developed to facilitate the financial inclusion among the excluded groups to find out the reasons for the gap. In this connection, Dipti Ray and Himanshu Sekhar Rout in their paper entitled “Financial Inclusion Models in India” discuss the theoretical background of inclusive growth and financial inclusion, the approach and initiatives adopted for financial inclusion in India, and deal with the analysis of different financial inclusion models.

Prakash Kumar Sahoo and Alok Ranjan Behera in their paper entitled “Financial Inclusion through Micro Finance” attempt to examine micro finance as a means of financial inclusion in a developing state like Odisha. They argue that poverty alleviation and employment generation are two crucial issues confronting governments, NGOs and development agencies around the world today. After many successful experiments on financial inclusion and its related aspects, micro finance, and its basic instrument, micro credit, have grown in
scope and scale.

Today various mainstream entities, including commercial banks, ICT-based organizations, and insurance and credit card companies have joined the microfinance bandwagon offering poor people access to basic financial services. While microfinance will undoubtedly continue to play a vital role in socio-economic development certain issues regarding both the efficacy and ethics of various applications of this approach need to be critically evaluated. In India, microfinance has been dominated by the SHGs which are playing a very important role in the process of financial inclusion.

Mitali Chinara and Santosh Kumar Kamila in their paper entitled “Financial Inclusion through India Post” take a look at the host of financial services being offered by India Post. They argue that financial inclusion will not happen on its own and more importantly, mere provision of financial services, that is tackling supply side of the problem, is not enough.

The RBI is pursuing a multi-pronged strategy to enhance the level of financial inclusion by harnessing the entire spectrum of financial service providers, comprising the commercial banks, regional rural banks, urban cooperative banks, primary agricultural credit societies, self-help groups, the microfinance institutions and the post offices. Postal financial inclusion is the provision of financial services for the unbanked through postal operators. It is commonly accepted that the postal networks have been grossly underutilized for this purpose. To strengthen the service base, India Post should achieve its target of total computerization and networking as projected under National e-Governance Plan (NeGP).

The paper entitled “Financial Inclusion in India: A Kaleidoscopic View” by Abhilas Kumar Pradhan highlights efforts at financial inclusion in India. He states that the growth of the financial system in India is quite impressive and it has made remarkable progress in pursuit of its functional and geographical coverage in the country. Statistics show that financial exclusion is the highest among the poor, marginal farmers, small farmers and disadvantaged sections of the society. Greater and effective inclusion of this deprived population would not only empower them but also help achieve inclusive growth in the country.

Reetanjali Dash in her paper entitled “Financial Inclusion and the Banking Sector in Odisha” makes an attempt to explain the financial inclusion programme
undertaken by the banking sector in Odisha. She states that success of financial inclusion depends on achieving desired goals in banking penetration, availability of the banking services and usage of the banking system according to RBI.

Financial inclusion, as a quasi-public good, ought to influence public policy and hence it is incumbent upon the government to provide it in partnership with other agencies (including private agencies) or else risk a demographic disaster. This has been argued by Anthony Joseph and Poonam Barla in their paper entitled “Affordable Financial Services and Inclusive Growth”. They also state that cheap labour is a significant, albeit temporary, cause for India Shining. This scenario is highlighted by the fact that Indian banking practices tend to exclude vast sections of India’s population, comprising of self-employed and those employed in the unorganised sector, pensioners, and the under-privileged and weaker sections of the society.

Biranchi Narayan Swar and Prasant Kumar Sahoo in their paper entitled “Role of Micro Finance Institutions (MFIs) in Financial Inclusion” made an attempt to explore the contribution of MFIs in financial inclusion in India. Due to lack of collateral and paperwork-based banking system prevailing in India, the poor keep distance from the formal financial sector and the vacuum continues to be filled by the local moneylender who charges hefty interest rates. In this situation, micro credit is a blessing for the poor as it requires less or no paperwork, no collateral and is a doorstep service.

In their paper entitled “A Policy Perspective of Financial Inclusion in India”, Jogeswar Garnaik, P.K. Mishra and B.B. Pradhan have made a study on the role of banking sector in financial inclusion including various problems and prospects associated with it. They argue that the objective of financial inclusion is to extend financial services to the large hitherto un-served population of the country to unlock growth potential. In this direction several policy initiative have been taken by the Government of India and RBI including spreading of bank branches in unbanked areas, simplification of KYC norms, opening of no-frills accounts, issuing of debit and credit cards, introduction of electronic fund transfer and core banking, initiation of business correspondents model, initiation of financial literacy programmes and so on.

Rural impoverishment, excessive dependence on agriculture and lack of diversification in occupational structure in the rural areas, are few such factors
which have put a big question mark on the efficiency of financial institutions in delivering financial services in rural India. Low agricultural productivity, less education and lack of adequate assets at the disposal of rural households are few other reasons which have virtually made institutional finance inaccessible to the rural households. In the aftermath of the reform era there has been an expansion of the financial institutions and extension of financial services too. However, the services are not accessible to the masses. Further, given the size of female population and their vulnerability, access to finance is expected to enhance their socio-economic participation.

In this connection, Alekha Chandra Mohanty’s study on “Financial Inclusion in Rural India” is topical and relevant. The matter is not how many banking or financial institutions we have, the problem lies with how often the poor or for that matter, persons those who require some financial transactions have free access to those institutions to avail quality services. On the basis of the secondary data, the study tries to examine the status, strategies, bottlenecks and roadmaps for strengthening the system to increase financial inclusions in rural India.

Reenati Mishra in her paper titled “Financial Inclusion Strategy in India” looks into the necessity of providing financial services, including credit, to the vulnerable groups for inclusive growth. She states that financial inclusion, as a goal, is gaining greater attention in policy options of government agencies.

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