Financial Inclusion at BoP – A Suggestive Model for Poverty Eradication in the North-East India

Dr. Sanjeeb K Jena
Associate Professor, Department of Commerce,
Rajiv Gandhi University, Rono Hills, Doimukh – 791112, Arunachal Pradesh, India.

ABSTRACT

Billions at the bottom who live on less than a nominal income of 2$ a day, as projected by C. K. Prahalad, in his book "The Fortune at the Bottom of the Pyramid", is an indignation and endeavour for the academicians, government machineries, NGOs, and so on so forth. They are human entities not numerical. Various financial indicators of North Eastern Region promulgated the dismal level of financial inclusion and banking outreach as compared to other regions of the country. The main factors that impede the dismally are the dependency on central grant, non-existence of self-sufficiency, geography of the region, sparse settlements of population, infrastructural bottlenecks, low level of commercialization and entrepreneurship, insecure law and order situations, low network of branches, nonexistence of customized and flexible financial products to suit the needs of the local population, poor loan recovery experience, and lack of awareness. The purpose of financial inclusion is to return the NER to the position of national economic eminence it held till a few decades ago; to so fashion the development process that growth springs from and spreads out to the grassroots; and to ensure that the Region plays the arrow-head role it must play in the vanguard of the country's Look East Policy. Establishing a conceptual relation between inclusive capitalism and livelihood development of people of NER, paper will profound a roadmap for the financial inclusion.

Key Words: *Financial Inclusion, NER, BoP, Poverty, Livelihood, Model.*

1.1. INTRODUCTION

'*A country is poor because it has poor*' - Ragnar Nurkse

This statement proves to be true even today, and the reasons are related to poverty, exclusion, unemployment, unutilized human and physical resources, and uneven distribution of income. The vicious circle of poverty is now being the resultant of another factor, the insufficient availability of capital or finance for a sustainable livelihood and disbursement capabilities, and ultimately impair the economic development and its viable growth. Capital is the life blood for any livelihood options and without it neither a person nor a country can flourish. The capital includes human capital and as well financial capital. In a developing country like India, human capital is abundant and not fully utilised, and can only embellish when accessibility to adequate finance is conceivable. When we discuss of human capital with reference to India, it is not the handful of literate and educated people in the high and middle class groups but a major chunk of population in the bottom of the pyramid (BoP) who depends on agriculture. This vulnerable human capital comprises of unemployed, illiterates, and low income group. Now, the second form of capital that is financial capital, is very important. Providing financial support to the people for improving their livelihood is very decisive as it will inevitably leads towards development [1]. But this also had two facets, whether financially supporting the handful of literate and educated people or to the population in the bottom of the pyramid. If finance is provided to the former it will not result in the equitable economic development and hence no growth. Secondly the most imperative query that arise today is, if financing the population at BoP will solve these then how to increase their participation in the financial ambit to bring them under one financial umbrella. It was thought hitherto that by providing finance to these masses under different developmental schemes and priority sector lending etc. will solve the delinquency of poverty, unemployment etc. The failure of major livelihood schemes and the feeling of an inadequacy make the government adopted a new strategy to bring the population at BoP under the financial ambit and this ardent program is well recognized by the term Financial Inclusion [2].

1.2. STATEMENT OF PROBLEM

Looking back at the years that have just passed by as we move closer to 2020, India paces into the 12th Five Year Plan after its sixty years of journey as a planned economy, it gives a sense of optimism and desolation, pleasantries and discontents, and surprises and expectancies. With well over one billion population, and the alarm of inflation and uncertainty in economic and political front, India has attained a near double digit growth to draw appreciative attention from the rest of the world. However, the murky picture of unemployment, exclusion, poverty and hunger in India leaves little scope for rejoice. The way out is inclusion of the BoP in the mainstream. The multi-dimensional concept of inclusiveness signifies a lower manifestation of poverty, appropriate augmentation of health services, universal access to primary education, increased opportunities for skill based higher education and improved standards of education, including skill development. It also comprises financial inclusion, which is an important component of policy intervention to bring the hapless millions out of the unemployability, misery, poverty, and financial and social exclusion [3].

Financial exclusion, not just an India-centric problem, is a global problem. Speaking with evangelical fervour on the occasion of the International Year for Microcredit (2005), the former Secretary-general of the United Nations, Kofi Annan, observed, “The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector.... Together, we can and must build inclusive financial sectors that help people improve their lives. [4]”

Millions at the Bottom of Pyramid (BoP) in India who live on less than minimal income is an indignation and endeavour for the scholars, academicians, government machineries, philanthropies, large scale industries and so on for every concerns. At presence, the BoPs seem to become numerical rather than human entities. Excluded from the mainstream of development, they have also been excluded financially, socially and so furtherance. But what we might presume or plan or effort is not always be exact or empathetic and so also the blemishes were extant during the conscripting the endeavour for poverty eradication. So we failed…. [5]

Various indicators for North Eastern Region have designated a low level of financial inclusion as compared to other regions of the country. The major factors that limit financial inclusion in NER are the development strategy based on central government grants rather than self-sufficiency and reliance, regional topography, sparse settlements of population with low density, infrastructural tailbacks, low level of commercialization and entrepreneurship, deteriorating law and order conditions, low banking outreach, lack of simple, flexible and customized financial products to suit the needs of the local population, poor loan recovery practices, and lack of education and awareness. The purpose of financial inclusion is to return the North Eastern Region to a position of national economic eminence it held till a few decades ago; to so fashion the development process that growth springs from and spreads out to the grassroots; and to ensure that the Region plays the arrow-head role it must play in the vanguard of the country’s Look East Policy [6].

1.3. OBJECTIVES OF THE STUDY

With this above backdrop, the present study had made the following endeavour:

1. To study the present state of affairs of financial inclusion in the NER.
2. To suggest a model to enhance financial inclusion for excludes at BoP in NER along with a collaborative strategy between strategic partners for financial inclusion.

1.4. METHODOLOGY

The present study is an analytical study based on secondary data to analyze the present scenario of the financial inclusion in the NER of India. The situational analysis included a triangulation study and factor analysis to pinpoint the causes of the backwardness and the gap between the expectations and actuals. A participatory focused group discussion among the stakeholders was undertaken to develop a suggestive model for the development of financial inclusion for populations at BoP in the NER region to enhance financial inclusion.

1.5. FINANCIAL INCLUSION IN NER OF INDIA – PRESENT SCENARIO

Financial Inclusion is an integral part of the growth process as the inclusive economic growth is sustainable, for a diversified country like India. For a long run economic growth, the sustainable livelihood is one of the most important impetus. The timely availability of livelihood opportunities has a bigger role to play in contributing to the well-being of the weaker sections of the society. Availability and access to finance is a key requisite to employment, livelihood, economic growth and poverty alleviation; and the Micro Finance, Self–Help Groups and bankability are the three dimensional approach to it. Micro Finance has emerged as a powerful tool for financial inclusion, which links poor and oppressed masses with banks and / or financial institutions, especially the micro-financial institutions (mFIs). According to the World Bank's India Development Policy Report (2006), 60 per cent of India's poor do not have a bank account and 87 per cent do not have any access for credit from formal sources. In India, micro financial activities are dominated by the SHGs, a bank linkage programme. It is a cost effective mechanism and aims at providing financial services through small group credits to the unreached poor. In preliminary phases, the micro-credits financialized the everyday lives of the poor and then assimilate them into the global financial market with a return-based productive system. In the early part of 2000, this aftermath exposed the shortcomings of this social processes and the very objectives of non-profit microfinance model. The unprecedented growth of the MF sector in Indian rural sector led to an oversupply of microcredits and resulting in growing over-indebtedness among the poor households. The overburdened poor failed to recapitulate the expected repayment system, and eventually sever impedes happened due to low liquidity of the micro finance institutions (mFIs). To survive this onslaught, the mFIs started exploiting the poor with the commercialized arrogance, the advantages of micro-finance and SHGs gone to an intimidated disaster. It led to crisis, caused by the market rationality of growth, the rapid commercialization of this sector, over-heating of the situation and finally a crash of the so called "micro finance bubble" (Froud et al., 2007) [7].

The attention of all policy makers have been attracting unprecedentedly as financial inclusion in all the eight North Eastern States of India is very dismal and depressing. This region consist of 8 per cent of the total landmasses of India, 3.9 percent of population and 2.7 per cent of the all-India Net Domestic Product (NDP). The swift economic growth and even distribution of money-power, as observed by other mainland states of India during the last 30 years, have not touched NER in the same equitable manner. Thus it results in unequal distribution of financial power and in turn social chaos and turmoil. So also the interstate divergence is also too high among these eight states. The banking outreach and development in NER is a post-nationalization phenomenon. This can be evidenced from the fact that prior to 1969 Arunachal Pradesh and Mizoram did not have any commercial bank branches and only two branches of commercial banks served the entire states of Manipur and Nagaland. Assam, however, with tea and oil industries was better served by commercial and private banks. After 1969, a noteworthy improvement was experienced in the bankability in both geographically and demographically, but the picture is still discouraging and is one of the reason for low financial inclusive population in this region [8].

After nationalization of banks in 1969, the commercial bank branch networking expanded considerably in the North Eastern States. But the banking outreach and coverage in the region is still lagging far behind in comparison to other states in India. The inter-state disparities in availability of banking services are also prevailed within the region. As evinced, the Credit to Net State Domestic Product (NSDP) ratio varies from a minimum of 9 per cent in Nagaland to a maximum of 41 per cent in Meghalaya which is much lower than the sub continental average of 62 per cent. A widespread difference is also experienced with respect to current and savings bank accounts of the banking sector per 100 adult population which ranges from a minimum of 19.5 per cent in Manipur to 40.9 percent in Meghalaya as maximum with a regional average is 37.3 per cent, contrary to the national average of 59.2 per cent. The Credit / Deposit ratios of commercial banks excluding regional rural banks differs between 14 percent in Arunachal Pradesh to 29 per cent in Meghalaya as compared to all India figures of around 60 per cent as at the end of 2008. A sluggish progress of banking activities has been evidenced from all these figures of banking outreach indicators and ultimately, resulted in low level of financial inclusion in North Eastern States, especially Arunachal Pradesh. At the end of the financial year on 31^{st} March 2011, there were 3,250 villages with population of above 2,000 with no-banking facility in the North-Eastern Region whereas 1,031 villages of these were covered by banking channels at the end of September 2011. The progress is closer to goals but still a long way to go [9] [10] [11].

Recently, the findings of the Crisil Inclusix also supplemented the fact that there is a huge gap existed between the NE states and all other states in India with respect to the financial inclusiveness. The NER scores a dismal figure of 28.5 in Inclusix 2011 whereas it was 26.5 and 23.8 in Inclusix 2010 and Inclusix 2009 respectively. The growth through these 3 years is also very slow in comparison to other states. Three states from NER, Arunachal Pradesh, Nagaland and Manipur, have positioned in the list of bottom five states in Inclusix 2011 along with Chhattisgarh, and Bihar. The performance of each three parameters to calculate Inclusix by Crisil, deposit and credit penetration shows that NE states again are falling far below the rest of India. With respect to branch penetration NER scores 29.9 in 2011 and 27.7 in 2009, the score is 21.6 in 2011 as against 17.9 for credit penetration and 36.5 in 2011 as against 27.7 in 2009in terms of deposit penetration. The coefficient of variation in financial inclusion across districts in NER is 0.44, 0.46 and 0.48 in 20011, 2010 1nd 2009 respectively which indicated a similar stature across the length and breadth of the region [12].

Table 1: Financial Exclusion in North Eastern States – Major Indicators

States	Population per Branch (Number)	% of rural branches	Average Annual Growth rates in Deposits & Credit Amounts and C-D Ratios (in %)					
			Deposit		Credit		C-D Ratio	
			1991-2001	2001-2010	1991-2001	2001-2010	1991	2010
Arunachal Pradesh	17282	63.8	15.4	24.4	8.1	34.5	28	27
Assam	21103	53.5	16.2	19.7	11.2	21.7	50	36
Manipur	33602	43.2	14.9	20.7	8.3	23.1	72	41
Meghalaya	13916	59.2	15.8	22.6	12.9	31.5	22	26
Mizoram	11133	55.1	14.4	19.1	12.8	27.2	28	24
Nagaland	22007	41.1	15.4	19.4	1.7	27.7	44	30
Sikkim	8252	64.9	18.9	20.0	6.0	21.1	68	25
Tripura	19120	49.8	NA	20.3	NA	34.4	14	37
NER	**19465**	**53.6**	**16.2**	**19.8**	**10.2**	**22.5**	**47**	**35**
All-India	**13916**	**38.1**	**16.8**	**18.9**	**15.8**	**21.9**	**62**	**73**

Source: www.mdoner.gov.in/content/financial-inclusion

Table 2: Financial Exclusion in North Eastern States (as on 1st April, 2010)

States	Bank Branches (Number)		Population per Branch (Number)	Bank Branches per 1000 Sq.km.	C-D Ratio	Ratios of Deposit and Credit Accounts to Population 2009-2010		Per Capita Deposits and Credit (Amount in Rs.)	
	Total	Rural				Deposit	Credit	Deposit	Credit
AP	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	51361	19188
Tripura	192	114	19,120	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: *Report on Expanding Financial Inclusion in the North Eastern States by Justice K. S. Hegde Institute of Management, NITTE, Karnataka*

Table 3: Financial Exclusion in North Eastern States (as on 01st April, 2012)

States	Population per Branch (Number)	%age of rural branches	Average Annual Growth rates in Deposits and Credit Amounts and C-D Ratios (in %)					
			Deposit		Credit		C-D Ratio	
			1991-2001	2001-2010	1991-2001	2001-2010	1991	2010
AP	17282	63.8	15.4	24.4	8.1	34.5	28	27
Assam	21103	53.5	16.2	19.7	11.2	21.7	50	36
Manipur	33602	43.2	14.9	20.7	8.3	23.1	72	41
Meghalaya	13916	59.2	15.8	22.6	12.9	31.5	22	26
Mizoram	11133	55.1	14.4	19.1	12.8	27.2	28	24
Nagaland	22007	41.1	15.4	19.4	1.7	27.7	44	30
Sikkim	8252	64.9	18.9	20.0	6.0	21.1	68	25
Tripura	19120	49.8	NA	20.3	NA	34.4	14	37
NER	**19465**	**65.0**	**16.2**	**19.8**	**10.2**	**22.5**	**47**	**35**
All-India	**13916**	**48.2**	**16.8**	**18.9**	**15.8**	**21.9**	**62**	**73**

Source: Report of the RBI Committee on Financial Sector Plan for NER, 2012

Table 1 and 2 seemingly established that there is an imperative need for the acceleration in the spread of banking activities in this region to make it attuned with Indian policy of equitable regional growth. Banking development, however, cannot take place in isolation without a development of geo-physicality, awareness of the masses and attitude of the population. Steps necessary to create necessary conditions for development through planned investments where the geographical peculiarities and constraints contributing to the tardy progress made by the banking sector can be reversed to opportunities [13]. Table 3, portraying the picture of the decadal growth and other major indicators of the financial exclusion during the period, 1991-2001 and 2001-2010, shows that the NE states has higher population per branch (i.e. 19465) as compared to All India figure, 13916 and so also the percentage of rural branches as 65 percent against the percentage of 48.2 per cent. The C-D ratios, however, indicate that there is a decline ranging from 47 to 35 in the region whereas there is an increase at All India level from 62 percent in 1991 to 73 in 2010. Further, the C-D ratio is the highest in Manipur at the annual growth rate of 41 percent whereas the Mizoram has the lowest ratio at 24 per cent. Manipur shows and maintains its status quo of the highest financial inclusion among 8 states as the C-D ratios are 72 per cent and 41 per cent in 1991 and 2010 respectively [14].

1.5.1. Causes of Lagging Behind of NER to the Rest, With Respect to Financial Inclusion

The study had undertaken a triangulation analysis, as stated in the diagram, to trace out the causes of the non-adherence to the financial inclusion strategies which ultimately lead to sustainable livelihood and eradication of poverty, which are as follows:

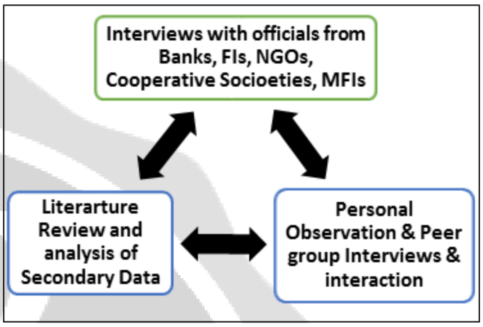

Figure -1: Triangulation Study

1. Major Causes
   a. Low per capita income
   b. Low literacy level
   c. Nil or low savings
   d. Lack of awareness
   e. Lack of assets and land records
   f. Unemployment/Under Employment
   g. Use of inappropriate financial products
   h. Financial illiteracy
   i. Poor financial habits and management of resources
   j. Higher dependency on informal financial sources
   k. Inadequacy of financial infrastructure
2. Other Causes
   a. Indigenous/ethnic issues
   b. Geographical remoteness
   c. Lack of time
   d. Psychological / disability issues
   e. Feeling of being excluded from the mainstream politically, socially and economically
   f. Lack of PC/Internet Access
   g. Availability of alternative products and suppliers
   h. Higher dependency on central grant abandoning self-sufficiency

1.6. FI AT BoP–A SUGGESTIVE MODEL FOR POVERTY ERADICATION

During the last two decades, the Reserve Bank has been augmented financial inclusion on the belief and understanding that financial inclusion is a necessary pre-condition for inclusive growth in India. The experience of the last sixty years' planned economy in India clearly establishes that what the poor want is not doles, but opportunity to expand and improve their incomes and thereby an enriched quality of life. Financial inclusion is a prerequisite for providing such existence to the poor. It not only to elevate their incomes but also to protect their families against future shocks and emergencies like illness, death, job-loss etc., sustainably [15].

RBI and the Indian Government had provided a road map for banking access to all villages, about 74,000 villages, with population of over 2000 by March 2012, either by establishing a "brick and mortar" branch or through the business correspondent model. Around 3250 villages in the north-eastern region (NER) falling into this category with no banking facility till date. The furtherance in this endeavour was seen with the introduction of various measures like transferring LPG subsidy and MGNREGA wages to bank account, no frill account, Pradhan Mantri Jan Dhan Yojana, etc. by the present and past governments. But undeniably, the performance in NER is mediocre to that in the rest of the country. Due to the factors like lack of education and awareness, difficult geographical terrain, lower population densities, dispersed human settlements, poor infrastructure and inadequate communication facilities, and above all law and order disruptions, the NER poses a more multifarious challenge for financial inclusion.

a. Challenges ahead:

i. Enormous Tasks: The coverage area is vast, wide spread and difficult. The task of making people financially literate is abundantly a difficult proposition due to cultural diversifications, and separate identity and attitudes.
ii. Cast-off target groups due to tribal identity crises
iii. Vast geographical spread and smaller human settlements
iv. Small value and high transaction cost of the financial tools
v. Coping with the limited outreach
vi. Eradication of technology-bottleneck
vii. Inadequate infrastructure –administrative, technological and organizational
viii. Business models to appropriate the specific need of the stakeholders
ix. Products to synchronize the cultural, social, religion and need of the stakeholders

b. Exploiting the Poor: Generally, the poor often make choices, but not in their own interest and according to self-need. Present developmental schemes and livelihood programmes aimed to the BoP cluster of the NER society, who are diversified and different than the mainstream society, are not well customized or tailor made. These poor are susceptible and also vulnerable due to lack of formal education and awareness, ill-informed and influenced, preys to social and cultural deprivations and above all too lack capabilities and preferences. Their utility preferences are flexible and molded by their background and experience. The necessity, to look beyond the expressed preferences and people's capabilities to choose their own lives they reason to value, is inevitable. Thus improvement in poor's lives can only materialize by embracing the production and distribution of financial products and services which are culturally harmonious, environmentally sustainable and economically profitable.

c. **Opportunity not an Obligation:** Financial inclusion is more than planning, executing and meeting a target. Apart from covering every household with a bank account, the banks and other institutional service providers must ensure an active account, i.e., the household must use that account for saving, for remittance and for credit and if necessary, for insurance. To make sure that financial inclusion is "meaningful", the FIs must not brand it as an obligation, but admit it as an opportunity to cater an enormous "banking potential" at the bottom of the pyramid. The northeast is relatively virgin territory as far as banking is concerned. Those banks and FIs which pursue financial inclusion in the north-east will be rewarded not only by business opportunities but by a fulfilling experience.

d. **Products:** The financial products and services must have to ensure that-
i. Money management is more crucial at BoP than elsewhere as because the poor
    i. Save low irregular income into dependable source for daily living
    ii. Cope with risk particulary emergencies
    iii. raise lump sums by reliably accumulating meaningful bits
ii. They generally use informal tools which are costly, unreliable and unsafe due to poor quality
iii. MFIs have attempted, but fail in several ways
iv. Mobile money is a dependable channel, but not a sophisticated and suitable financial tool.
v. The financial products and services must be
    i. reliable – Delivery of services at assured time, in the assured amount, at the assured price
    ii. convenient – ability to access quickly, nearby, privately and unobtrusively
    iii. flexible – ease with which transactions are reconcilable with cash flows
    iv. structure – ensure regularities to promote self-discipline
    v. belongingness – me & mine
    vi. No fungibility

1.6.1. Suggestive FI Model – The 4Ps Model: With the above expectations and scenario, the following 4Ps model is suggested which may enhance the capabilities of the present government initiatives to enhance the financial inclusion of the poor strata in the North-East Regions of India. The model contains four constituents, product, producers, partnership and precautions.

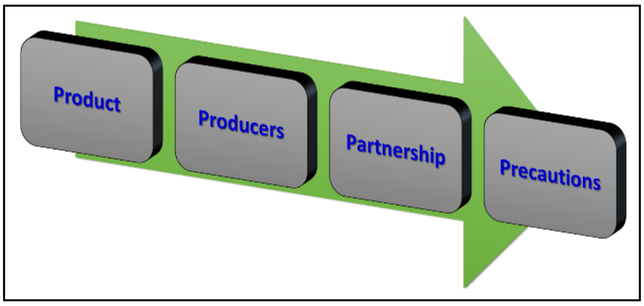

Figure 2: The 4Ps Model

a. <u>Products</u>: To ensure greater acceptability of the product by the BoP masses of NER, the producers must develop the products which must contain the following characteristics:

i. Creating buying power of the stakeholder by providing him an opportunity to generate a stable income through access to credit.
ii. Ensure improvement in accessibility to the market to make their product marketable, to the distribution system and to the communication system.
iii. They must be tailor-made for the stakeholders, i.e., based on the socio-cultural traits; and the targeted product development must be based on bottom-up innovation to develop the belongingness of the stakeholders.
iv. The stakeholders must be educated through the uses of the products and a sustainable long range development plan must be arrived at for each products in the product line, so developed. The product should provide financial services that focus not only on access but building financial literacy and encouraging a habit of savings.
v. It has to be ensure that the credit should not be for luxury purchases (the definition of luxury is debatable and controversial.), and all together, to encourage investment in productive assets (tools, agricultural materials, preventative health).

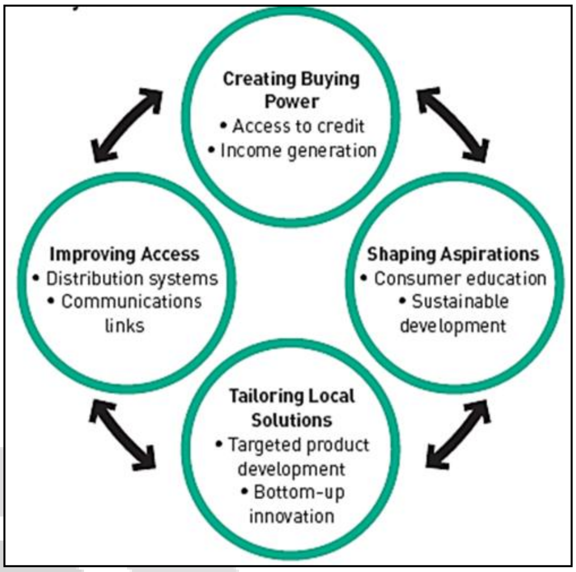

Figure 3: Product Characteristics

b. <u>Producers</u>: The producers of financial products and services are generally the banks, financial institutions, micro-finance institutions, SHGs and the most important is the informal money lenders. The formalization and regularization of the informal money lenders may solve a measure problem in financial exclusion in NER. The choice of service providers should be made on the basis of reliability, convenience, flexibility, structure and cost factors. The duplication of services should be avoided and a common minimum programme may be developed for all the service providers till the minimum level of financial inclusion ensured for the BoP. To improve branch network in the region, domestic scheduled commercial banks (other than RRBs) are free to open branches / mobile branches / administrative offices / central processing centers (CPCs) / service branches in any areas, either rural or urban, in all North-Eastern States without permission from Reserve Bank of India. Many investors in this region, especially Assam, have been victims of pyramid schemes operated by some Non-Banking Financial Companies (NBFCs)/ Multi-Level Marketing Companies (MLM) and Unincorporated Bodies (UIBs) in the recent past. By sensitizing the police and by creating awareness among them about the nefarious activities of these entities, this can be eliminated.

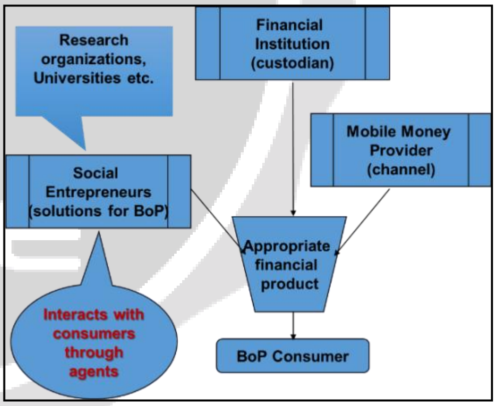

Figure 4: Partners in FI Model

c. <u>Partnership</u>: No one unit or agency will do the whole act of financial inclusion. It is impossible as well as impractical to depend on only one service provider to anticipate a sea-change in the scenario. The role played, by the governments, financial institutions especially mFIs and NBFCs, research organisations and universities, social entrepreneurs, mobile money providers and the most important BoP stakeholders, must have to be pre-defined with a timeframe. A well-defined marketing approach should be adopted rather than a schematic approach. The BoP stakeholders to be treated as a consumer rather than a beneficiaries to all the poverty eradication and financial inclusion programmes.

d. <u>Precautions</u>: Romanticizing the Poverty harms the Poor. The vote-bank policies, the one policy for the country, the regional developmental disparity, treatment of poor as under-developed etc. are the blocks to be eliminated from the path of poverty eradication programmes to achieve success. The major attitudinal change should be inculcated in the approach of all participants, which may be summed up as follows
i. Recognize the poor as “resilient and creative entrepreneurs and value-conscious consumers” not as beggars.
ii. Customized programmes and policies should be drafted basing on the culture, needs, expectations and capabilities of the stakeholders.
iii. Interventions should be provided to the stakeholders with a provision of withdrawal in a phased manner to make the latter self-reliant and self-sustainable rather than finding themselves in despair with sudden withdrawal.

1.7. CONCLUSION

Financial inclusion is the only road which India needs to travel towards becoming a developed economy with a proactive human resource consumer. As people earn sustainably, invest and save more; more will be removed from vicious circle of poverty and unemployment. It also act as a persistent source of employment, superior control over finance and financial decisions, and allow people to contribute effectively in the economic and social process and finally, in turn ensure empowerment and increase per capita income. The affluence of financial inclusion, as a tool of poverty alleviation, has received a colossal importance in India during the recent years. India had strived hard, in terms of money and man power, in expanding the banking network and outreach with the objective of reaching to the people at the BoP. During the last 40 years the development in the banking sector is significant. But large patches of rural India are still unbanked, especially in the North-eastern region of India, though urban India has been connected with banking services at a growing rate. Therefore, in accomplishing a complete financial inclusion for inclusive growth in NER, a need for coordinated effort between the banks, the Government and others stakeholders and facilitators is inevitable. In addition to this, the policy-makers at center, state and local level who believe that micro-finance can speed up financial inclusion should finance the financial education and awareness programs that allow the population at BoP to apprehend the economic prospective of micro-finance. Thus, by such consortium effort to ensure financial inclusion will lead to economic growth, raising living standard of BoP masses of north-eastern region of India.

1.8. REFERENCE:

[1] RBI, (2012), Speech by Kamalesh Chandra Chakrabarty, Deputy Governor, RBI at the BIS-BNM Workshop on Financial Inclusion Indicators at Kuala Lumpur on November 5, 2012.

[2] Rangarajan, C. (2008), *Report of the Committee on Financial Inclusion in India*, GoI.

[3] Raman, A. (2012), "Financial Inclusion and Growth of Indian Banking System", *IOSR Journal of Business and Management (IOSRJBM)*, Volume 1, Issue 3, May-June, pp. 25-29.

[4] M Gopalakrishnan, (2012), From the Editor's Desk (Editorial), *The Management Accountant*, January 2012

[5] Subbarao, D., (2011), '*Financial Inclusion in NER and Other Issues*' – an interview of Dr. D. Subbarao, former Governor of RBI, Assam Tribune, November 29, 2011.

[6] Kapoor, R (2011) "Enabling Financial Inclusion in North-East", *The Economic Times*, economictimes.indiatimes.com/opinion/view-point/enabling-financial-inclusion-in-northeast/articleshow/8524456.cms

[7] Froud, Julie, Adam Leaver and Karel Williams (2007) "New Actors in a Financialised Economy and the Remaking of Capitalism", *New Political Economy*, 12(3):339-47.

[8] Chakrabarty, K.C., (2012), "Financial Inclusion Issues and Measurement Analysis", *Report of the RBI Committee on Financial Sector Plan for NER*, 2012, RBI.

[9] GoI, (2012), "*2011-2012 on Financial Inclusion in NER*", Economic Survey, 2012.

[10] GoI, (2012), "*Financial Inclusion in North Eastern States – Major Indicators*", Report of Ministry of DoNER.

[11] M/o Statistics & Programme Implementation, GoI, (2011), "*Report on Expanding Financial Inclusion in the North Eastern States*", Justice K. S. Hegde Institute of Management, NITTE, Karnataka.

[12] CRISIL, (2013), *Crisil Inclusix, 2013*, RBI, GoI, www.mdoner.gov.in/content/financial-inclusion

[13] GoI, Ministry of Development NER, GOI, (2005), *North Eastern Regions Vision 2020*, 2005.

[14] RBI, (2012), *Report of the RBI Committee on Financial Sector Plan for NER, 2012*, RBI, 2012.

[15] Mohan, R. (2006), "Agricultural Credit in India: Status, Issues and Future Agenda", *Economic and Political Weekly* (March, 2006), pp.1013-23.

Biographies

Dr. Sanjeeb Kumar Jena, a Gold Medalist from Utkal University, is now working as Associate Professor in Commerce in Rajiv Gandhi University, Arunachal Pradesh. He had more than 21 years of teaching experience, 70 research presentations and 3 books and 25 research publications to his credit. His areas of interest and research are Rural Finance, Rural development, and Microfinance. He is also very active in the sectors of social and livelihood development, and women empowerment.