

# “FINANCIAL INCLUSION AND MICROFINANCE INSTITUTIONS (MFIs) IN CENTRAL DISTRICTS OF UTTAR PRADESH”

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**ABSTRACT:** Financial Inclusion is the new paradigm of inclusive growth and inclusive financial system. It is being implemented throughout the country through various agencies to eradicate the problem of social and financial exclusion. Banks, cooperative institutions, NGOs, postal banks, business correspondents and microfinance institutions are being roped into to achieve the objective of complete financial inclusion. The present study aims at understanding the importance of MFIs in financial inclusion in central districts of Uttar Pradesh. Exploratory study was performed to understand the concept of financial inclusion and microfinance as well. Various reliable sources were resorted to identify the MFIs active at central districts of Uttar Pradesh. Study found that MFIs are an effective means of promoting financial inclusion not only at central districts of Uttar Pradesh but also in whole India. Study concludes that all MFIs active in the central districts of Uttar Pradesh are promoting financial inclusion.

*Keywords: Financial Inclusion, MFIs, central districts of Uttar Pradesh*

## I. Introduction

Financial development, broadly defined to include not just financial sector deepening but also improvements in the efficiency of the financial sector, is vital for pro-poor growth (Mavrotas, 2009). It is well known and widely recognized fact that financial development impacts positively, economic growth of any nation which in turn leads to poverty alleviation. Financial development refers to increase in size of the financial sector which means increase in the number and size of financial intermediaries such as banking institutions, co-operatives etc. It also means increase in the variety of financial products to cater to the customers of the financial markets. It is also very pertinent to note that inclusiveness of the financial system is more relevant than mere its expansion, that too in Indian context. Inclusive financial system is a system that is pro poor and actually intends to provide access of financial services to the poor (Sen, 2010). Empirical research supports the viewpoint that development of a strong and sound financial system contributes to the economic growth (Rajan & Zingales, 2003). Researches all over the world have revealed that well developed and inclusive financial system results into equitable income distribution, expansion of economic opportunity and faster growth rate. Since India is a developing country where majority of the population lives in villages and is dependent on primary sector i.e. agriculture and allied sector, an inclusive financial system which has pro poor orientation becomes significant (Basu, 2006).

It is important to point out that inclusive financial sector development is aided by financial inclusion which is increasing access of financial services to poor households (Sen, 2010). Various formal agencies can accomplish financial inclusion. These may be commercial banks, state owned banks, rural banks, postal banks, cooperatives, NGOs and NBFIs (Jamal & Alam, 2017). In this situation microfinance gains relevance because it integrates poor into the mainstream of economy by extending them financial support (Basu, 2006). Development of inclusive financial system requires first finding out the underserved and excluded segments of the society, reasons of exclusion and required financial services (viz. savings, credit, remittances, insurance etc.) for serving the purpose of poverty alleviation, increasing the income levels, equitable income distribution and increase in the overall growth rate as well. In other words financial institutions have to precisely address the deprived strata of the society which does not have adequate access to financial services (Basu, 2006).

GOI along with RBI, SIDBI, NABARD and other financial institutions has been making sincere efforts to promote financial inclusion in India. Various measures adopted for enhancing financial inclusion are; expansion of banking industry in terms of outreach, promotion of formal financial services, promotion of SHG-Bank Linkage Programs, promotion of MFIs, deployment of BC/BF and various other measures. “Financial Inclusion intends to achieve the objective of transforming the lives of poor, weaker and marginalized section of the society by providing them various financial services formally and enabling them to earn a stable income (Reddy, 2017)”. In India financial inclusion has been a century old phenomenon when Cooperative Credit Societies Act 1904 was enacted to propel cooperative movement. In independent India Financial Inclusion was actually operationalised when SBI was nationalized in 1955. Nationalization of 14 private sector banks in 1969 to serve the purpose of Social Banking was also an attempt in the direction of accomplishment of financial inclusion (Singh et. al., 2017).

## II. Literature review:

Iqbal and Sami (2017) in their research study investigated the role of banks in financial inclusion in India. They observed that access to financial services can increase the living standard of the poor people. They found a statistically significant impact of bank branches and credit-deposit ratio and insignificant impact of ATM growth rate (indicators of financial inclusion) on financial inclusion.

Bhanot, Bapat, Bera (2012) studied financial inclusion in north-east India. Using logistic regression model they tried to identify the factors significantly contributing to financial inclusion in geographically remote area of north-east India. They found that level of financial inclusion was very low in the area of study. They reported that income, financial information, financial awareness and education are the critical factors that lead to financial inclusion. They also found that vicinity to financial institutions such as post office and banks increases chances of Inclusion. Important finding of their research was that factors such as terrain and financial

aid from government do not increase the level of Inclusion. They concluded their study with the finding of low Inclusion in the area as an opportunity for the financial institutions to tap the new market.

Jayasheela, Dinesh and Hans (2008) highlighted the role of microfinance for empowering the poor and accomplishment of financial inclusion in India. They pointed out that MFIs & NGOs could play a crucial role in financial inclusion of India despite their constraints. For this they suggested that MFIs must be permitted to accept deposits to fulfill the unmet demand of rural finance. Due attention, appreciation, financial and technological support should be provided to empower the MFIs and NGOs for eradicating the chronic problem of poverty, unemployment, hunger, social and financial inclusion. For structural and legal reforms they also prescribed various policy measures for banking system and government of India.

Dwivedi, Dwivedi and Dwivedi (2011) studied the financial performance of CASPOR Micro-credit (CMC) and concluded that the MFI has been able to achieve its mission of alleviating poverty by making a positive impact on the life of its customers in the eastern UP region.

### III. Statement of problem:

In a developing country like India poverty is still prevalent and root cause of many societal evils such as illiteracy, farmer's suicide, social and financial exclusion. Inclusive growth and inclusive financial system are being advocated for as a policy measure. GOI has been making various concerted efforts to eradicate these problems of Indian economy but still there are lacunae which need to be filled. Poor and downtrodden are detached from the mainstream economy and they need to be financially and socially included so that they also can be a part of the growth story of our country. This research study, in this context, is an attempt to understand the concept of financial inclusion and microfinance. It also intends to identify the MFIs active in the central districts of the Uttar Pradesh and understand their importance in promoting financial inclusion.

### IV. Objectives:

The study intends to achieve following objectives:

1. To understand the concept of financial inclusion and microfinance
2. To identify the MFIs active at central districts of Uttar Pradesh
3. To explore the importance of MFIs in financial inclusion at central districts of Uttar Pradesh

### V. Research methodology:

The proposed study is based on secondary data. Data has been collected from various sources such as websites, magazines, journals, reports, working papers, research papers, economic reviews and news papers.

### VI. Financial Inclusion and microfinance:

Indian economy is moving towards a cashless economy and lack of access to financial services will put individuals at serious risk of financial exclusion, social exclusion and social marginalisation. Financial exclusion being a serious threat to the economy, results in detachment of masses from the mainstream economy, leads the individuals to resort to informal sources of finance, exposes to various forms of social exclusion, vulnerabilities related to old age, or various other deprivations and ultimately multiplication and reinforcement of effects of financial exclusion takes place. So severity of financial exclusion should not be undermined. Financial Inclusion and Financial Exclusion have been defined by various researchers, policy makers and institutions but there is no universally acceptable definition of these two concepts. In consultation with Leeds City Council, Select Committee on Financial Exclusion (United Kingdom) to develop a relationship between these two terms proposed that financial exclusion should be regarded as a problem whereas financial inclusion as the solution. Defining financial exclusion as those processes that prevent poor and disadvantaged social groups from gaining access to the financial system Leyshon and Thrift (1995) advocated that it amplifies geographical differences in levels of income and economic development. According to Stephen Sinclair (2001) financial exclusion means the inability to access necessary financial services in an appropriate form, reasons of which can be related to problems with access, conditions, prices, marketing or self-exclusion. In the context of Europe, US and the developing world Carbo, Gardner and Molyneux (2005) in their book titled "Financial Exclusion" defined financial exclusion as "the inability and/or reluctance of particular societal groups to access mainstream financial services. Financial Exclusion has also been referred to as the inability, difficulty or reluctance to access mainstream financial services (J R Foundation, UK, 2017) which can stimulate social exclusion, poverty and inequality. Thus for the sake of this research study financial exclusion can be defined as- "deprivation of appropriate financial services, abundantly existing in many societal groups such as women, poor, disadvantaged, downtrodden and rural population which stimulates poverty, income inequality, social exclusion, low economic growth and economic development" (Researcher).

In the Indian context, the term 'Financial Inclusion' was used for the first time in April 2005 in the annual policy statement presented by Mr. Y. Venugopal Reddy, the then governor, Reserve Bank of India. Thus the idea of "banking to all" and "access of institutional finance to the financially excluded people" was propounded when the concept of Financial Inclusion was recognized for the first time in 2005 by the RBI in its annual policy statement. RBI expressing its concern in regard to the banking practices that used to exclude rather than include vast sections of the population urged the banks to review their existing banking practices to align them with the objective of Financial Inclusion (Jamal & Alam, 2017). Later on, this concept gained momentum and came to be widely used in India. Financial Inclusion is defined by RBI as "the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players." Financial Inclusion has also been defined as the process of ensuring access to financial services (savings, insurances, remittances, payments etc.) and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income group (Bhanot & Bapat, 2017). Financial inclusion aims at making the unbanked, banked and also making available financial services that meet the specific needs of users without any discrimination. Prof. Mandira Sarma (2008) defined Financial Inclusion as "a process that ensures the ease of access, availability, and usage of formal financial system for all members of an economy." GOI constituted Rangarajan Committee (2008) defined financial

inclusion as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”

Microfinance is certainly not the silver bullet that will wipe away poverty, however it is undoubtedly making a significant impact on the social and economic status of those who avail it and use it well (Microfinance and Poverty Alleviation-An Impact Survey, by Royal Bank of Scotland Group, 2008). The microfinance movement in India took shape in the 1970s as organizations like SEWA and MYRADA experimented with social mobilization and organization of the rural poor into groups for self-help. Task Force on Supportive Policy and Regulatory Framework for Micro Finance in India constituted under the chairmanship of Shri Y. C. Nanda, Managing Director, NABARD has defined micro finance as “the provision of thrift, credit and other financial services to the poor in rural, semi-urban and urban areas to help raise their income levels and improve their living standards” (NABARD, 1999). In Indian subcontinent microfinance was born in 1976 in Bangladesh by the efforts of Prof. Muhammad Yunus as a response to eradicate extreme poverty. Astonishing growth rates of microfinance in Bangladesh lead to Inclusion of millions of clients worldwide. This trend was reinforced in India in the next century through SHG based microfinance system and proved to be a basis of promoting empowerment and improvement of status of women (World Bank, 2006).

#### VII. MFIs active in central districts of Uttar Pradesh:

As per planning commission of India the state of Uttar Pradesh has been divided into four regions. These regions are: (1) Bundelkhand region (2) Central region (3) Eastern region and (4) Western region. These regions have further been divided into Circles, each consisting of districts of Uttar Pradesh. This can be shown as following:

Table: 1

S. No.	Regions	Circles	Districts
1	Bundelkhand region	Chitrakoot	Banda, Chitrakoot, Hamirpur, Mahoba
		Jhansi	Jalaun, Jhansi, Lalitpur
2	Central region	Kanpur	Auraiya, Etawah, Farrukhabad, Kannauj, Kanpur Dehat, Kanpur Nagar
		Lucknow	Hardoi, Kheri, Lucknow, Rae Bareli, Sitapur, Unnao
3	Eastern region	Allahabad	Allahabad, Fatehpur, Kaushambi, Pratapgarh
		Azamgarh	Azamgarh, Ballia, Mau
		Basti	Basti, Sant Kabir Nagar
		Devipatan	Balrampur, Bahraich, Gonda
		Faizabad	Ambedkar Nagar, Barabanki, Faizabad, Sultanpur
		Gorakhpur	Deoria, Gorakhpur, Kushinagar, Maharajganj
		Varanasi	Chandauli, Ghazipur, Jaunpur, Varanasi
4	Western region	Agra	Agra, Aligarh, Etah, Firozabad, Hathras, Mainpuri, Mathura
		Bereilly	Bareilly, Badaun, Pilibhit, Shahjahanpur
		Meerut	Baghpat, Bulandshahar, Gautam Buddha Nagar, Ghaziabad, Meerut
		Muradabad	Bijnor, Jyotiba Phule Nagar, Moradabad, Rampur,
		Saharanpur	Muzaffarnagar, Saharanpur

Source: planningcommission.nic.in

For the proposed study, area selected is Central region of Uttar Pradesh which consists of two circles viz. Kanpur circle and Lucknow circle. Districts included in this central region are being taken as Central districts of Uttar Pradesh. Various districts belonging to these circles are shown above. As per Sa-Dhan report 27 MFIs are active in the whole Uttar Pradesh. Legal form of MFI, districts where the MFI has its branches and microfinance operation and the web address has been summarized in the following table.

Table: 2

S. No.	MFI	Legal form	Operational area in Uttar Pradesh	Dis tt.	Contact details
1	ASA	NBFC	Chandauli, Jaunpur, Varanasi	3	<a href="http://www.asaindia.in/">http://www.asaindia.in/</a>
2	Ashirvad	NBFC-MFI	Agra, Aligarh, Amroha, Azamgarh, Ballia, Basti, Bijnor, Chandauli, Deoria, Fatehpur, Firozabad, Ghaziabad, Ghazipur, Gorakhpur, Hapur, Hathras, Jaunpur, Kushinagar, Maharajganj, Mathura, Mau, Meerut, Mirzapur, Muzaffarnagar, Pratapgarh, Raebareli, Saharanpur, Sonbhadra, Sultanpur, Varanasi	30	<a href="http://svcl.in/#/dashboard">http://svcl.in/#/dashboard</a>
3	Basix	NBFC	Agra, Bereilly, Moradabad, Saharanpur	4	<a href="http://www.basixindia.com/">http://www.basixindia.com/</a>

4	BFIL (SKS)	NBFC-MFI	Agra, Aligarh, Allahabad, Ambedkar nagar, Amroha, Azamgarh, Bagpat, Bahraich, Ballia, Barabanki, Bereilly, Basti, Bijnor, Badaun, Bulandshahar, Chandauli, Deoria, Faizabad, Fatehpur, Firozabad, Ghaziabad, Ghazipur, Gorakhpur, Hapur, Hathras, Jaunpur, Kaushambi, Kushinagar, LKMPR Kheri, Lucknow, Maharajganj, Mathura, Mau, Meerut, Mirzapur, Muzaffarnagar, Pratapgarh, Raebareli, Saharanpur, Sant kabir Nagar, Sant Ravidas Nagar, Shahjahanpur, Shamli, Siddharth Nagar, Sitapur, Sonbhadra, Sultanpur, Unnao, Varanasi	49	<a href="http://www.bfil.co.in/">http://www.bfil.co.in/</a>
5	BMC	Sec.- 8	Agra, Allahabad, Amethi, Banda, Deoria, Faizabad, Fatehpur, GBNagar, Ghazipur, Gonda, Gorakhpur, Kanpur Nagar, LKMPR Kheri, Lucknow, Mau, Mirzapur, Pratapgarh, Raebareli, Rampur, Saharanpur, Sant Ravidas Nagar, Sitapur, Sultanpur, Unnao, Varanasi	25	<a href="http://bmcindia.co/">http://bmcindia.co/</a>
6	Capital	NA	Bereilly, Badaun, Hathras	3	NA
7	Capital Trust	NBFC-MFI	Agra, Aligarh, Amroha, Bulandshahar, Bijnor, Hapur, Mathura, Moradabad, Saharanpur, Shahjahanpur	10	<a href="http://www.capital-trust.com/">http://www.capital-trust.com/</a>
8	Cashpor	Sec.- 8	Allahabad, Ambedkar nagar, Amethi, Azamgarh, Ballia, Banda, Basti, Bhadohi, Chandauli, Chitrakoot, Deoria, Faizabad, Fatehpur, Ghazipur, Gonda, Gorakhpur, Hamirpur, Jalaun, Jaunpur, Kanpur Nagar, Kaushambi, Kushinagar, Maharajganj, Mahoba, Mau, Mirzapur, Pratapgarh, Raebareli, Siddharth Nagar, Sonbhadra, Sultanpur, Varanasi	32	<a href="http://www.cashpor.in/">http://www.cashpor.in/</a>
9	Disha India	Sec.- 8	Meerut, Saharanpur	2	<a href="http://www.dimc.in/">http://www.dimc.in/</a>
10	Futureage	Sec.- 8	Jaunpur, Lucknow, Mirzapur, Sitapur, Unnao	5	<a href="http://www.faimcs.com/">http://www.faimcs.com/</a>
11	Gramottan	Sec.- 8	Kushinagar, Maharajganj, Varanasi	3	NA
12	HPPI	Sec.- 8	Agra, Bereilly, Badaun, Hathras, Mathura	5	<a href="http://www.humana-india.org/">www.humana-india.org/</a>
13	IMPACT	Sec.- 8	Hardoi	1	<a href="http://impact-mfi.in/">http://impact-mfi.in/</a>
14	Margadarshak	NBFC-MFI	Agra, Aligarh, Allahabad, Ambedkar nagar, Bahraich, Barabanki, Bereilly, Basti, Bijnor, Bhadohi, Deoria, Faizabad, Fatehpur, Firozabad, Gorakhpur, Hapur, Hardoi, Hathras, Jhansi, Kannauj, Kanpur Dehat, Kanpur Nagar, LKMPR Kheri, Lucknow, Mirzapur, Moradabad, Pilibhit, Rampur, Shahjahanpur, Sitapur, Sultanpur, Unnao, Varanasi	33	<a href="http://www.margdarshak.org.in/management-team/">http://www.margdarshak.org.in/management-team/</a>
15	Muthoot Microfinance	NBFC-MFI	Aligarh, Allahabad, Badaun, Bulandshahar, Faizabad, Ghaziabad, Jaunpur, Kanpur, Lucknow, Mathura, Meerut, Moradabad, Pratapgarh, Unnao	14	<a href="http://www.muthootmicrofin.com/">http://www.muthootmicrofin.com/</a>
16	NAMRA (ARMA N)	NBFC-MFI	Barabanki, Faizabad, Lucknow, Saharanpur, Sultanpur	5	<a href="https://www.armanindia.com/">https://www.armanindia.com/</a>
17	NEED	NBFC-MFI	Barabanki, Lucknow, Raebareli, Sitapur, Unnao	5	<a href="http://needmfi.com/">http://needmfi.com/</a>
18	Saija	NBFC-MFI	Ballia, Basti, Chandauli, Deoria, Faizabad, Ghazipur, Gorakhpur, Jaunpur, Kushinagar, Mau	10	<a href="http://saija.in/">http://saija.in/</a>
19	Samhita	Sec.- 8	Bahraich, Gonda, Hardoi, LKMPR Kheri, Maharajganj, Sitapur	6	<a href="http://www.sdevnet.org">http://www.sdevnet.org</a>

20	Satin	NBFC-MFI	Agra, Aligarh, Allahabad, Ambedkar nagar, Amethi, Amroha, Azamgarh, Bagpat, Ballia, Bereilly, Basti, Bijnor, Badaun, Bulandshahar, Chandauli, Deoria, Etah, Faizabad, Fatehpur, Firozabad, GBNagar, Ghaziabad, Ghazipur, Gorakhpur, Hapur, Hathras, Jaunpur, Kaushambi, Kushinagar, Lucknow, Maharajganj, Mathura, Mau, Meerut, Mirzapur, Moradabad, Pratapgarh, Raebareli, Rampur, Sambhal, Sant kabir Nagar, Sant Ravidas Nagar, Shahjahanpur, Siddharth Nagar, Sultanpur, Varanasi	46	<a href="https://satincreditcare.com/">https://satincreditcare.com /</a>
21	Satya Microcapital	NBFC	Agra, Bulandshahar, Mathura	3	<a href="http://satyamicrocapital.com/">http://satyamicrocapital.com/</a>
22	Shikhar	NBFC-MFI	Agra, Aligarh, Bereilly, Bijnor, GBNagar, Ghaziabad, Hathras, Mathura, Pilibhit	9	<a href="http://shikharfin.com/">http://shikharfin.com/</a>
23	Sonata	NBFC-MFI	Aligarh, Allahabad, Ambedkar nagar, Amethi, Amroha, Banda, Barabanki, Bereilly, Basti, Bijnor, Badaun, Bulandshahar, Chandauli, Chitrakoot, Deoria, Etah, Faizabad, Fatehpur, Firozabad, Ghaziabad, Ghazipur, Gonda, Gorakhpur, Hapur, Hardoi, Hathras, Jaunpur, Jhansi, Kannauj, Kanpur Dehat, Kaushambi, LKMPR Kheri, Lucknow, Maharajganj, Mathura, Mau, Meerut, Mirzapur, Moradabad, Muzaffarnagar, Pilibhit, Pratapgarh, Raebareli, Saharanpur, Sambhal, Sant kabir Nagar, Sant Ravidas Nagar, Shahjahanpur, Siddharth Nagar, Sitapur, Sultanpur, Unnao	52	<a href="http://www.sonataindia.com/">http://www.sonataindia.com/</a>
24	Spandan	NBFC-MFI	Allahabad, Azamgarh, Chandauli, Ghazipur, Jaunpur, Pratapgarh, Raebareli, Varanasi	8	<a href="http://www.spandanaindia.com">http://www.spandanaindia.com</a>
25	Svatantra	NBFC-MFI	Allahabad, Ballia, Chandauli, Jaunpur, Mirzapur, Sonbhadra, Varanasi	7	<a href="https://www.svatantraicrofin.com">https://www.svatantraicrofin.com</a>
26	SVCL	NBFC-MFI	Agra, Aligarh, Allahabad, Amethi, Amroha, Azamgarh, Ballia, Bereilly, Bijnor, Badaun, Bhadohi, Bulandshahar, Chandauli, Deoria, Faizabad, Fatehpur, Firozabad, Ghaziabad, Ghazipur, Gorakhpur, Hapur, Hathras, Jaunpur, Jhansi, Kaushambi, Kushinagar, LKMPR Kheri, Maharajganj, Mathura, Meerut, Mirzapur, Moradabad, Rampur, Saharanpur, Shahjahanpur, Sultanpur, Varanasi	37	<a href="http://svcl.in/#/dashboard">http://svcl.in/#/dashboard</a>
27	Vedika	NBFC-MFI	Allahabad, Barabanki, Jaunpur, Lucknow, Varanasi	5	<a href="http://www.teamvedika.com/">http://www.teamvedika.com/</a>

Source: Sa-Dhan (2017) & researcher

Above table shows that Sonata a NBFC-MFI has presence in 52 districts which is maximum in Uttar Pradesh followed by BFIL (SKS) and SVCL with 49 and 37 districts respectively. It is pertinent to note that BMC, Cashpor, Disha India, Futureage, Gramothan, Margdarshak, NEED, and Sonata are Uttar Pradesh based MFIs whereas rest have their headquarters outside the Uttar Pradesh. Apart from these some other MFIs have also their microfinance operations at Uttar Pradesh. To name a few, A. U. Welfare Foundation (Sec-8 Co), Rudraaksha Microfinance Foundation (Sec-8 Co), Surya Jyoti Leasing and Finance Ltd. (NBFC) and Suvidha Microfin (NBFC) are prominent MFIs.

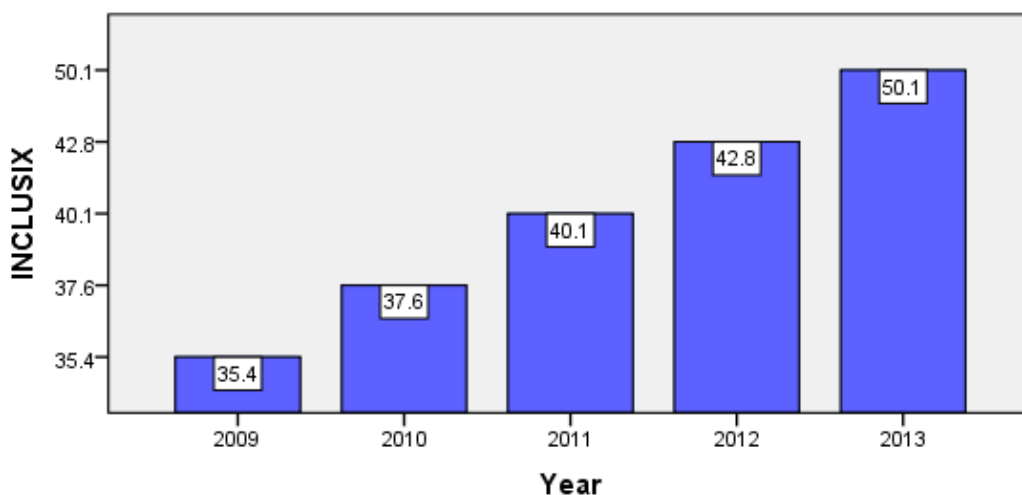
### VIII. Importance of MFIs in Financial Inclusion:

Millions of poor people lack access to institutional financial services in many parts of the world. Irony is that needy poor are denied financial services by most of the formal financial institutions because of many reasons such as inherent high risks, high costs involved in small transactions, and inability of the poor to provide marketable collateral for loans and doubtful repayment thereof. Concept of financial inclusion is being implemented all around the world and is considered a key to inclusive and balanced economic growth. Inculcating the habit amongst the poor to save and providing them better access to microfinance can help poor increase their income, build household assets, get rid of the vicious circle of poverty and enjoy a better standard of life (ADB, 2018). Microfinance industry can serve this purpose by accomplishing financial inclusion to a great extent. Microfinance is provision of very small loans (microcredit) to help poor families to engage them in productive activities or to grow their small business. Now it has come to include a broader range of services such as savings, insurance, pawns and remittances etc. (Tankha, 1999). That is why microfinance is now being increasingly used as a vehicle for reaching the financially excluded masses of the country to provide them all basic financial services they need. In the pursuit of achievement of its objectives Indian financial sector reforms excluded several sections of the society. Concentration of the banking industry in urban areas had its reflections as well, such as rural retrogression and farmer's suicide. Extending the reach of formal financial institutions among the poorest of the

poor should intend to get them rid out of the clutches of money lender (Mathew, 2008). Microfinance can provide a solution for these socio-economic problems through financial inclusion. Microfinance is the key mantra for sustained and long-term economic growth in India (Anand, 2008). Though microfinance could not produce miraculous results it has made several positive contributions in India (Mathew, 2008). Microfinance industry of India is one of the largest in the world. It has played a critical role in India's financial inclusion. Though its roots can be traced back to the 1970s, it has exploded in size and reach since the 1990s. The SHG-bank linkage model and the MFI model have been two main alternative delivery channels in this sector. The MFI model gained momentum recently but is showing impressive growth (Chkrabarty & Sanyal, 2015). Earlier this industry was mainly based at south India (World Bank 2006) but now it has made presence in whole India. FICCI report "Promoting Financial Inclusion" states that now microfinance sector is a major contributor to Financial Inclusion in India through SHG-Bank Linkage Program (SBLP Model) and MFI-Bank Linkage Programs (MFI Model). This report on the basis of authentic data substantiates the contribution made by these lending models to the advancements of financial inclusion. It also points out that MFI outreach in terms of portfolio size and number of clients served is becoming an increasingly significant part of the financial system (FICCI, UNDP 2011). In India microfinance movement could increase substantially not only because of SHG-Bank Linkage Program but also due to the growth of NGO MFIs (World Bank, 2006). In the recent past other legal forms of MFIs (NBFC, NBFC-MFIs and Section-8 co.) have also taken a lead role in this movement.

Many new players are still entering into the microfinance industry and would surely contribute towards the achievement of objectives of financial inclusion. Recently Mr. Ratan Tata, Mr. Nandan Nilekani and Mr. Vijay Kelkar have joined hands to start a NBFC-MFI named Avanti Finance. Over the past few years MFIs in India have gained significant position as legitimate and credible financial institutions, struggling hard to expand, grow and sustain. Defying attacks on their operational features (working, governance, high interest rates, transparency, client treatment), profitability and sustainability MFIs have been able to deliver financial services to unbanked low-income households of our country. This is evident by the success story of BANDHAN Bank, transformation of MFIs into Small Finance Banks and more recently by Mr. Ratan Tata's venture Avanti Finance (Sriram, 2016). Recognizing the exclusive microfinance efforts of various NBFCs in supplementing Financial Inclusion (along with the banks), RBI has carved out a separate category of NBFCs as NBFC-MFI. RBI has also approved 30 MFIs as NBFC-MFIs (Bhaskar, 2013). Latest statistics show that MFIs have spread throughout the country and currently operate in 29 states, 4 union territories and 563 districts of India. 168 MFIs reporting to Sa-Dhan have a network of 10,233 branches, employee strength of 89,785, reaching out to 29 million clients with an outstanding loan portfolio of 46,842 crores (Sa-Dhan, 2017). These figures prove that microfinance industry is not only a promoter of financial inclusion but also a significant constituent of the Indian financial system. These Microfinance Institutions have still a vital role to play in achieving the objectives of financial inclusion. These institutions have financially included millions of poor people across the country. Today microfinance institutions are an important means of delivery of microcredit at the doorstep of the needy poor and also provide a bunch of credit plus services (such as business development, financial literacy, health, water and sanitation) that empower them. The presence of MFIs has been a boon to the poor as it provides them an affordable and timely access to credit, saving them from the exploitative clutches of moneylender (SIDBI, 2019). It can be asserted that microfinance institutions have emerged as important players in the inclusion space (Sane & Thomas, 2013) but these still have a long way to go since achievement of complete financial inclusion and total eradication of poverty is still a distant dream. Financial exclusion is still widespread in India. Mor committee (2013) in its report pointed out that overall situation of financial inclusion and financial deepening is very poor and uneven on regional and sectoral basis. As mentioned earlier in this research study also, Micro Finance Institutions could play a significant role in facilitating financial inclusion (Rangarajan Committee 2008), can be proved by analysing the financial inclusion Index: CRISIL INCLUSIX released by CRISIL. CRISIL for the first time included district level (fiscal 2013) MFI data for computation of index in its 3rd edition released in June 2015. This catapulted the all India CRISIL Inclusix score for fiscal 2013 to 50.1 from 42.8 in 2012. This is evident by the following exhibit.

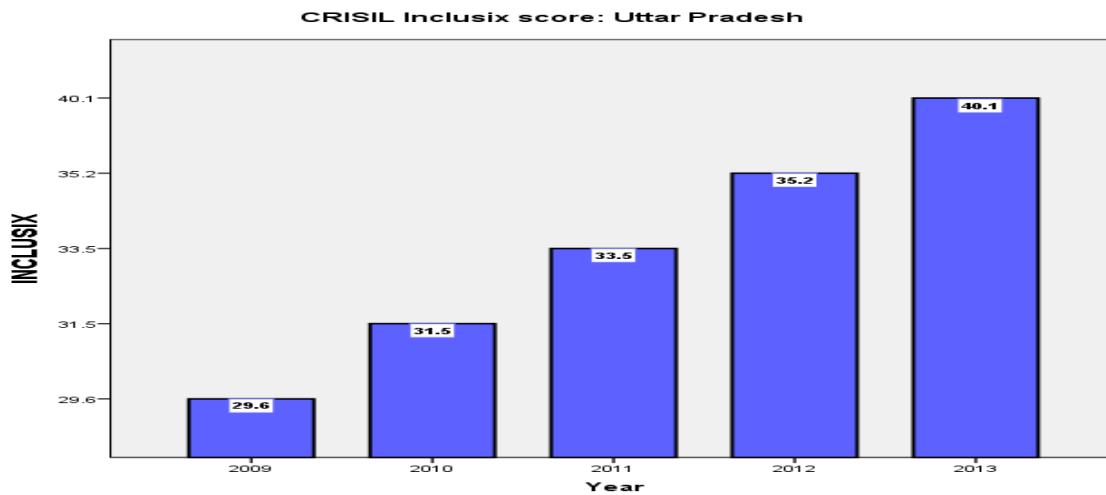
**CRISIL Inclusix score: India**



Source: CRISIL (2015)

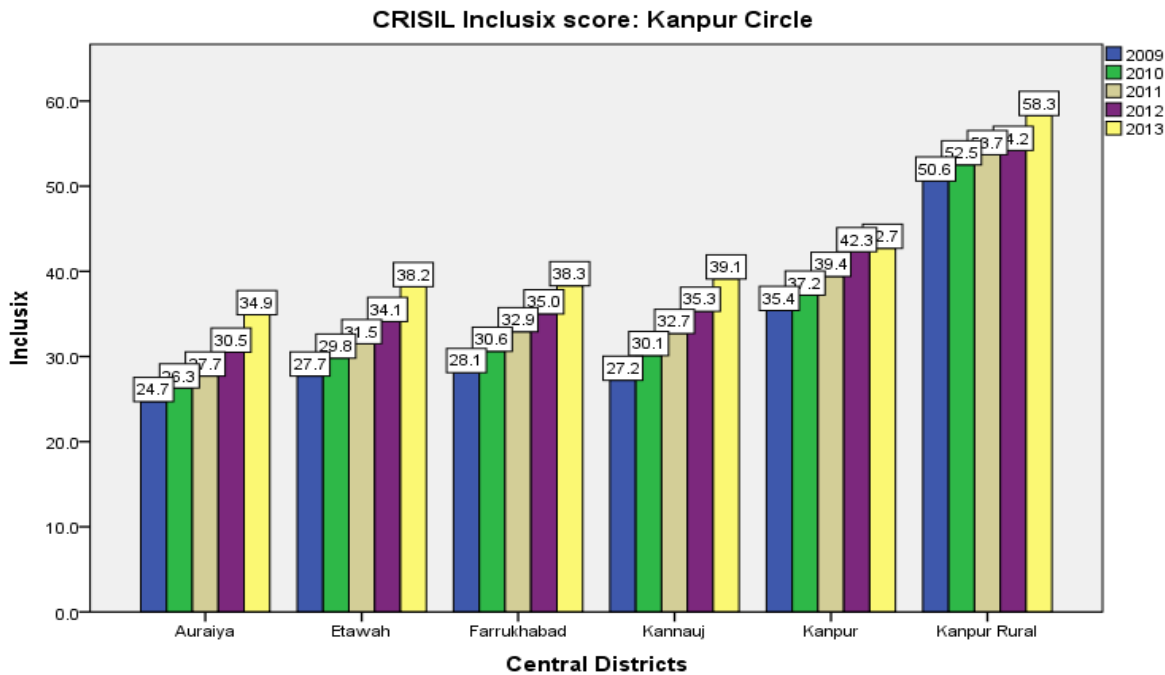
This clearly indicates that MFIs are important for enhancement of financial inclusion. The increase in index value is definitely owed to their strong presence in the unbanked and underbanked regions of India especially in semi-urban and rural areas. The inclusion of MFIs reduced regional disparities and augmented the Inclusix scores of the traditionally excluded regions. Some states such as West Bengal were also benefitted by this addition. Strong presence of large MFIs, including Bandhan Financial

Services (the largest in the country), helped West Bengal post a CRISIL Inclusix score of 46.6 and enter the list of top 20 states on financial inclusion. This is true for the UP and central districts selected for this research study also.



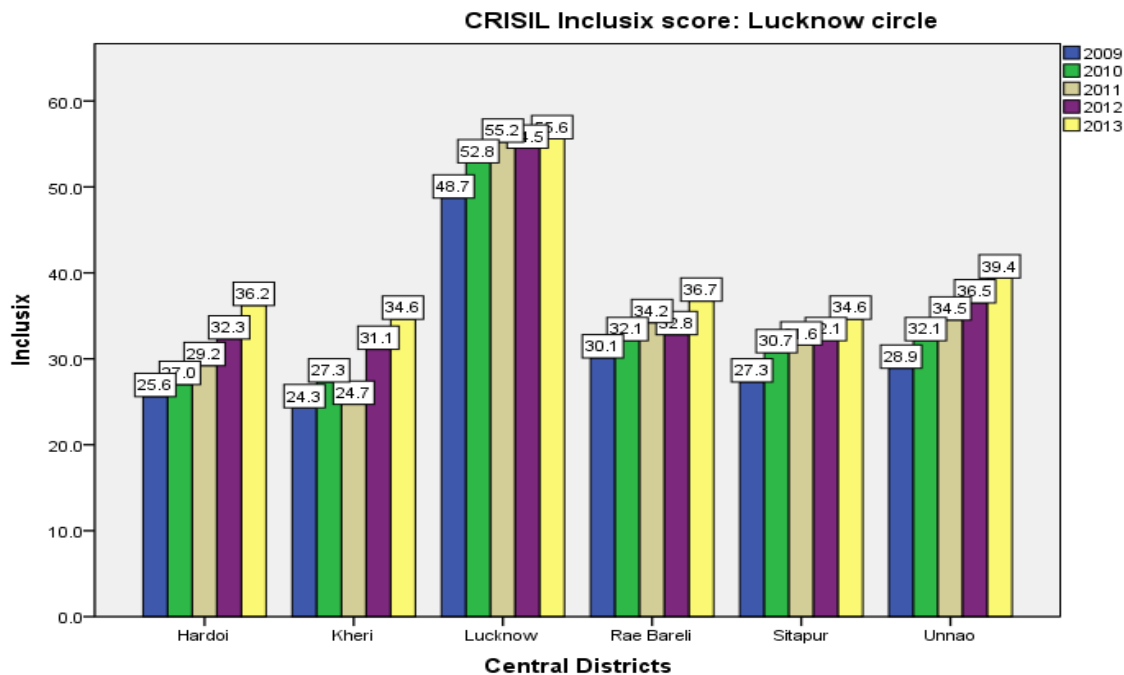
Source: CRISIL (2015)

Exhibit given above shows INCLUSIX score for UP for five years. It is exhibiting sudden increase in index value in year 2013 in comparison to gradual increase that took place in previous years. Same trend can be observed for central districts of UP as portrayed in the exhibit below.



Source: CRISIL (2015)

Above exhibit has been drawn for the Kanpur circle of Central region of Uttar Pradesh. Exhibit shows CRISIL Inclusix score for five years for Auraiya, Etawah, Farrukhabad, Kannauj, Kanpur and Kanpur rural districts contained in the Kanpur region. In this exhibit it is clearly obvious that for all the districts increase in Inclusix score in year 2013 is higher in comparison to the gradual increase that took place in previous four years. Same trend can be observed for the Lucknow circle of Central region of Uttar Pradesh. This is shown in the following exhibit.



Source: CRISIL (2015)

Thus the exhibits drawn above for India, Uttar Pradesh, Kanpur and Lucknow circle of Central region of Uttar Pradesh show that inclusion of MFI data (fiscal 2013) for computation of Inclusix index has resulted in increase in the Inclusix score abruptly for year 2013.

#### IX. Conclusion:

Inclusive growth and inclusive financial system are needed for economic growth of the country. GOI is promoting financial inclusion as a policy measure to propel economic growth and eradicate social and financial inclusion. This is so because financial inclusion and economic growth have a strong positive relationship (Julie 2013, Iqbal & Sami 2017). GOI and RBI have made concentrated efforts to promote financial inclusion in India. This study found that apart from other players MFIs have emerged as a potent tool of promoting financial inclusion in whole India. Study also found that around 31 MFIs are active in central districts of Uttar Pradesh and are playing an important role in promoting financial inclusion. It can be concluded that Microfinance institutions (MFIs) in India have played a key role in enhancing the status of financial inclusion (Islam, 2012).

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All the shortcomings, factual errors and mistaken opinions remaining above are ours which we will try to address in future.

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