Enterprise Development and Microfinance, 30:1, 69–71
<http://dx.doi.org/10.3362/1755-1986.2019.30-1.BR>

Book Review

Inclusive Finance India Report 2018
By Alok Misra and Ajay Tankha, 2018, Access Assist, New Delhi

2019, ACCESS Development Services, 290 pages,
ISBN 9788193907504, 1350 rupees.

This is an unusual document, and should not really be described as a 'book'; it is very much a report, as the title claims, and is for sure not easy reading. The document has been produced every year for at least the last 10 years, if not longer, and copies of all the earlier issues sit on the shelves behind me here in my study in the cold United Kingdom.

Unlike many of the books on the same shelves, these are not gathering dust; they are a remarkable and relatively accessible record of what has been an amazing story of expanding financial inclusion, in what is still (by an ever smaller margin) only the world's second largest country, but is by any measure also still the world's poorest country, if this sorry title is measured by the numbers of its inhabitants who live in desperate poverty.

Opinions vary as to what financial inclusion actually means, and how important it is in the alleviation of poverty. One over-enthusiastic proponent of micro-finance, for instance, claimed that it can 'put poverty in a museum', but this exaggerated view has now been largely and correctly abandoned. It is generally agreed that decent education, accessible health care, and the rule of law are immeasurably more important contributors than access to or even regular use of some form of formal financial services. This Report makes no special claims for the role of financial services in the reduction of Indian poverty; it documents the progress towards financial inclusion, and leaves it to the reader to decide how this can benefit the millions of people who have become 'financially included'.

One very important positive aspect of the progress of financial inclusion in India, which is not shared by many so-called 'developing countries' in Africa and elsewhere, is the fact that a major role has been played by the existing commercial banks. There are in India large numbers of specialized 'microfinance institutions'. Some have more or less disappeared in the last 10 years, such as one in which I was particularly and personally involved, albeit well before the well-documented micro-finance crisis of 2010 (see Rai, 2010), while one or two others such as Bandhan have 'graduated' and have become full service banks.

Well before the emergence of these institutions, however, which specialize in reaching out to poor people who had previously not enjoyed any formal financial services, the Indian banks, stimulated and assisted by the Central Bank's subsidiary the National Bank for Rural and Agricultural Development (NABARD), had pioneered in 1991 what became known as the Self-Help Group Movement. This was an exclusively Indian innovation. Unlike the more widely known Grameen Bank in neighbouring Bangladesh, which was also a local initiative but has been substantially supported by international donors and has widely and generally successfully spread worldwide, self-help groups (SHGs) are from their beginnings clients of India's existing banks. The groups are effectively micro-banks; their members save with and borrow from the group, which has its own savings account with a bank, and after some months of regular saving the groups are eligible to take loans, from which they can then lend to their members, along with their accumulated savings.

SHG members are also encouraged to open individual savings accounts, and, like any other customer, they can if they qualify then take individual loans. Microfinance institutions, or 'MFIs' are in some sense ghettos of the poor; their services are designed specifically for people who have not previously had access to formal financial institutions, and they often have a vested interest in retaining their more successful customers who may be eligible to bank with regular commercial banks.

The Report states that in 2018 there were 8,740,000 SHGs, with well over a hundred million individual members; 85 per cent of these groups consisted only of women members. There is of course some element of dual membership, and not every individual member is regularly active in her group, but the SHG movement is by a large margin the world's biggest microfinance movement. It enables its members to get on to the first rung of the ladder towards the comprehensive banking services which I myself and probably every reader of this review take for granted, in contrast to the services of MFIs which are tailor-made for the poor.

It is therefore encouraging to read in the Report that the 47 most important MFIs have 'only' 25 million clients, less than a third of the SHG membership. Most of the MFIs are registered non-bank finance institutions, and there is the beginning of a trend for the more successful, such as Bandhan Bank, to become 'real grown-up' banks. This trend away from the ghetto MFIs towards the same types of banks that serve the general population is particularly to be welcomed in India, where barriers of all kinds, such as caste and gender, are so strong.

Two of the eight chapters of the report are devoted to MFIs and to SHGs, and a further chapter covers the remarkable progress of India's campaign to extend financial inclusion to the whole population, irrespective of SHGs and MFIs, whose origins and continuing emphasis continue to be on credit, extending as many loans as possible, rather than on financial inclusion as such.

The Report says that there were in March 2018 536 million so-called basic savings and bank deposit accounts, or BSBDAs. Many of these are inactive, or are only used to receive occasional official remittances or other payments, but this figure amounts to slightly over 40 per cent of India's total population of 1,339 million. The possession of a bank account does not of course in itself make a poor person any less poor, but it is a very important means whereby poverty can be reduced. This dramatic progress in India owes more to advances in information technology than to microfinance or SHGs, and a further chapter of the Report is devoted specifically to digital finance, but it does show that mass financial inclusion is possible. It will be fascinating to see how these hundreds of millions of new banking relationships are used further to reduce India's already falling but still shameful level of poverty.

The above comments are based on only a small sample of the 262 very fully packed pages of the Report. As I suggested at the outset, it is not an easy read. The list of tables, diagrams, and so on itself occupies five pages, and includes some 200 items, and the seven page list of acronyms includes some 350 of these often confusing abbreviations which are for some reason so loved by Indian writers. The Report also makes no concessions to readers who are unfamiliar with India. It would require a further section to explain the rupees, the crores, the lakhs, and the innumerable mysteriously named institutions, but Indians make up about a fifth of the world's population so that it may not be unreasonable to expect interested outsiders to make an effort to understand its special features.

Any such effort would certainly be well rewarded; this Report is not designed to be read cover to cover, but it would be a fascinating exercise to do so. Its content clearly and in detail describes what must be by a large margin the world's most ambitious and thus far most successful attempt to bring financial inclusion to a large population of very poor people.

Malcolm Harper

Reference

Rai, V. (2010) 'India's microfinance crisis is a battle to monopolize the poor', *Harvard Business Review*, 4 November 2010.