FINANCIAL INCLUSION IN NORTHEAST INDIA : A SWOT ANALYSIS

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ABSTRACT

Accumulation of human capital has always paved the way for economic development provided the accumulation and savings are organised and structured by a formal credit institution. But regions where majority of the populations reside in rural areas, with low infrastructure and literacy rate, the benefits of a formalised credit institutions have always not been tasted. Timely availability of credit and timely saving of the capital is of great necessity for the wellbeing of weak and deprived section of the population and thereby creating greater economic development. For instance the Credit-Deposit ratio of Northeast India to Rest of India is 35:73, which is a clear indicator of unutilised bank's resources in Northeast India. Financial Inclusion has been thought as an answer to bank the unbanked and bring the weaker sections of society specially the rural people under the umbrella of authorised financial services provided by regulated financial institutions. The technological revolution and the vast use of ICT in banking sector has paved a way for the financial institution and are adopting branchless banking as their strategy. Branchless banking is expected to make their efforts successful towards financial inclusion. In this paper attempt has been made to understand the concept of Branchless banking and how it can be implemented in Northeast India.

Key words : Branchless banking, credit, financial inclusion, Information Communication Technology, channel.

INTRODUCTION

According to planning commission, India is a home to 22 percent of the world's poor. Such a high incidence of poverty is a matter of concern in view of the fact that poverty eradication has been one of the major objectives of the development planning process (Planning Commision). It is well-known that generally poor people tend to seek help and borrow credit from friends, relative etc. Low income Indian Households in the informal or subsistence economy often have to borrow from friends, family or usurious money lenders (RBI Docs). They have little awareness and practically no access to insurance products that could protect their financial resources in unexpected circumstances such as illness, property damage or death of the primary breadwinner (RBI Docs). By informal and subsistence economy, it is meant that informal sector is non-regulated and non-tax paying. The informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behaviour of individuals and families in an economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behaviour of entrepreneurs who desire to escape state regulations". Transactions in the informal sector are usually not supported by legal agreement or documentation, but rely to a large extent on social capital (Khalek, 2005). Again, "Social capital refers to the internal social and cultural

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coherence of society, the norms and values that govern interactions among people and the institutions in which they are embedded" (Grootaert, 1998). Specifically Informal social capital refers to those networks which operate outside of this formal system; it refers to things such and kinship, informal networks between individuals, families and groups (Morris, 1998).

The informal sector is a major component of any developing country's economy. It must be financed in order to achieve sustained growth. The type of finance the informal sector generates and operates is called informal finance. There are many terms that were used to describe and label the activities of informal finance, such as moneylender, un-organized, and non-institutional (Khalek, 2005). Informal finance as stated in Informal Finance in Low Income Countries is best thought of as lying along a continuum that ranges from casual loans among friends or relatives, through loans made by merchants and traders, through loans and deposits handled by various types of informal credit and savings groups, through pawnshops, through finance companies that are not regulated, and through credit unions that are unregulated (Khalek, 2005).

There are several disadvantages of Informal finance. In absence of formalised financial markets, people face difficult decisions and has to choose the alternative, costly means to meet immediate cash needs or that cause them to forego otherwise attractive investment opportunities. We observe that poor people throughout the world commonly choose seemingly inefficient or myopically short-sighted responses that carry a high cost. This high cost is, effectively, the astronomical interest rate or quasi-insurance premium they must pay for credit or insurance not available through more conventional channels. The resulting displaced distortions of production and exchange behaviours impede asset accumulation and help to perpetuate poverty (Barrett, 2007). Information asymmetry in financial transactions is prevalent in informal finance. For e.g. a loan involves the exchange of current resources for future resources. It therefore involves a promise.

If a loan transaction occurs in a risky environment and if a complete set of markets for contingent commodities does not exist, then the promised transfer of future resources may not be certain. The character of the loan transaction will then be influenced by the risks faced by the parties involved, and by their knowledge of each other and the activities they undertake (Aryeetey & Udry, 1995). Again there is a great deal of heterogeneity among farmers in any village. While lenders might have a good idea about the average characteristics of the pool of potential borrowers, they may not have complete information concerning the characteristics of any particular borrower. This may lead to problems of adverse selection (Aryeetey & Udry, 1995). According to (Adams, 1992), moneylenders were perceived to be "monopolists", "usurers" and "exploiters", charging poor peasants exorbitant interest rates and consequently keeping them poor. Informal Money lenders are monopolistic money lenders who exploit the poor by charging usurious interest rates and are stereotyped as being explorative (Gupta & Lensink, 2002). According to (Owen & Sollis-Fallas, 1989), formal and informal financial markets functions in isolation. The borrowers of the informal financial markets have no access to formal financial markets. The observed high interest rates in the informal credit markets are explained by the monopoly power of the money lenders (Chandavarkar, 1965) (Saleem, 1987). Based on the idea that rural informal lenders are extremely exploitative, government in many developing countries have often tried to drive the traditional moneylenders out of the market by the creation of credit programs (Gupta & Lensink, 2002). From (Mas, Financing for Development, 2009) we know that poor people save small balances through a variety of informal mechanisms: hiding cash at home, loaning funds to relatives, participating in savings groups with their neighbours, buying livestock or jewellery. Poor people do not live in a static state of poverty. Every year, many millions of people transition out of poverty by successfully adopting new farming technologies, investing in new business opportunities, or finding new jobs (Voorhies, 2012). A continuum of financial services needs to be made accessible to individuals as they improve their standard of living (Shankar, 2013). Increasing poor people's access to financial services can help them weather personal financial crises and increase their chances of climbing out of poverty (Voorhies, 2012). Safe, easy and affordable credit and other financial services to the poor and vulnerable groups, disadvantaged areas and lagging sectors is recognised as a pre-condition for accelerating growth and reducing income disparities and poverty (Prathap, 2013). Thus the concept of inclusive finance focuses on providing people with a low-income access to affordable financial services which are tailored to their needs. An inclusive financial system is one that services all citizens - not just the relatively well - off. Empirical evidence indicates that inclusive finance is a critical tool for both economic growth and human development. Inclusive finance comprises a broad range of financial services, such as micro credits, micro savings, and micro pensions.

FINANCIAL INCLUSION

As per the (Rangarajan Committee, 2008) Financial Inclusion is defined "as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost".

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of underprivileged and low income groups. By financial inclusion we mean the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded (Agarwal, 2007). The goals of financial inclusion can be met by initiative of banking sector to cut across various strata of society, regions, gender, and income and encourage the public to embrace banking habit (Kumar, 2012). The importance of an inclusive financial system is widely recognized in the policy circles, not only in India, but has become a policy priority in many countries. Several countries across the globe now look at financial inclusion as the means of a more comprehensive growth, wherein each citizen of the country is able to use their earning as a financial resource that they can put to work to improve their future financial status, adding to the nation's progress (Chakrabarty, 2011).

NEED FOR THE STUDY

Though financial inclusion has become a buzzword lately, for India it is fairly old. We always had policies etc to bring more banking services to the people. But most of such measures backfired and we have achieved very little (Mostly Economics, 2011). Some of the factors for such failures as stated in (Chakrabarty, 2011), are absence of banking technology, absence of reach and coverage, not having a business model and need for realization that poor are bankable. Thus emphasising on developing a business model and emphasising on technology may be the answer for reviving the status of financial Inclusion. As a strategy branchless banking may be considered as a solution to the above problem.

OBJECTIVE OF THE STUDY

The main objective of this study is to present a theoretical review of Branchless Banking, its concept and application in financial inclusion. Hence the paper tries to synthesize the available literature in order

i. To understand the conceptual nature of Branchless Banking
ii. To highlight how branchless banking can become a successful tool or strategy for banking the unbanked.
iii. To find out the status of Branchless Banking in Northeast India and
iv. To find out SWOT analysis of applicability of Branchless Banking in Northeast India.

METHOD

The study is based on a descriptive approach to describe the new emerging strategy of Branchless Banking and its practices among banks.

Thus the study reviewed the literature on all of the above from Google scholar, Emerald Insight, SpringerLink, Jstor, Science Direct and many others. More than 60 studies were used for the current review study.

The following criteria were used to search the literature and select the papers:

- The keywords Electronic Banking, Internet Banking, Mobile Banking, Adoption, acceptance, satisfaction, word of mouth, Loyalty etc were used to search the titles and abstract of the papers.
- Journals, International journals, Conference papers, Masters Theses, doctoral dissertations, textbooks and unpublished working papers are searched and reviewed.

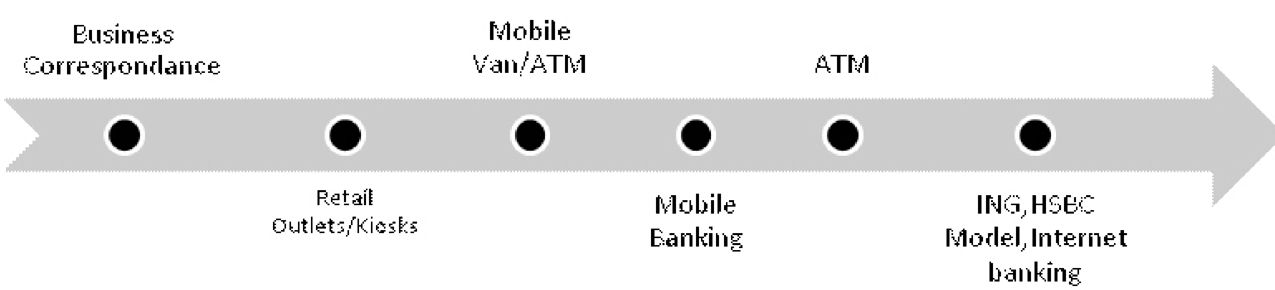
BRANCHLESS BANKING DEFINITION

Branchless Banking (BB) is a strategy of distribution channels which are used to provide financial services and seeks to expand the concept of the traditional bank branch. This is done through the growth and development of technology (Delloite, 2012). Branchless banking systems are becoming prevalent in the developing regions of the world as a mechanism to extend financial services to the economically deprived populations. Instead of setting up formal bank branches and ATM outlets, these systems use a network of human agents to facilitate banking transactions, thereby reducing the cost of banking for the people with small cash holdings (Panjwani, Ghosh, Ponnurangam, & Singh, 2012). Branchless banking has great potential to extend the distribution of financial services to poor people who are not reached by traditional bank branch networks; it lowers the cost of delivery, including costs both to banks of building and maintaining a delivery channel and to customers of accessing services (e.g., travel or queuing times) (Ivatury & Mas, 2008).

BRANCHLESS BANKING CONCEPT

The last few years have seen a significant increase in experimentation with branchless banking. Branchless banking projects are according to the relationships between the users and the various players in the service-delivery chain (Mas, 2009). According to (Ivatury & Mas, 2008) branchless banking substantially entails use of technology such as payment cards or mobile phones, to identify customers and record transactions electronically and, in some cases, to allow customers to initiate transactions remotely. Use of (exclusive or nonexclusive) third-party outlets, such as post offices and small retailers, that act as agents for financial services providers and that enable customers to perform functions that require their physical presence, such as cash handling and customer due diligence for account opening. Again according to (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009), branchless banking has different modes such as Internet Banking, Mobile Banking, Mobile Vans/ATMs, HSBC Model, ING direct Model, Business Correspondence. Branchless banking continuum can be developed on the basis of (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009) as follows:

Figure 1: Branchless banking continuum



The study of (Rathod, Arelli, & Saha, 2012), describes the concept in a different structure. According to the study the models of branchless banking can be divided into four types: 1. Bank focused model, 2. Third party channel, 3. Branchless banking with MNO channel and 4.

MNO led branchless banking solution. Where MNO is mobile network operator.

Bank focused model is a traditional retail banking model wherein, Banks offer Internet and ATM services to the existing customers. In this model the role of MNO is limited and acts as a channel to send SMS notifications whenever the customer makes any transaction through conventional means of banking. Branch less banking (Third party channel) model is an arrangement between a bank and third party which helps in expanding the banks outreach by having outlets for customer transactions. Transactions at retail stores may be performed using a card and POS infrastructure or by using the mobile phones of both the customer and the store. In this model, MNO acts as a transaction acquisition network facilitating the transactions using mobile as a medium. Branch less Banking (MNO's Channel) model is the retail bank, instead of building its own retail distribution, outsources the necessary infrastructure for MNO to manage the individual user accounts while the account issuance and fund management services are still retained with the bank. MNO led branch less banking solution is a model where MNO owns the entire value chain of banking service by obtaining an e-money license, signing up a network of cash-in/out retail stores, and maintaining a pooled account with a bank holding 100 percent of the value of e-money issued. MNO entity would require customer management systems, channel development, audit trails, reporting etc (Rathod, Arelli, & Saha, 2012).

Table 2: Models of branchless banking.

Model	**Bank Focused model**	**Bank led with third party**	**Bank led with MNO**	**Non Bank led by MNO**
Account	Bank	Bank	Bank	MNO
Cash in/ out	Bank	Third party	MNO	MNO
Brand	Bank	Joint(Bank and Third party)	MNO	MNO
Role of MNO	Mobile as Channel	Mobile as transaction acquisition network	MNO being outsourced for banking service	Complete ownership of services
Cost/revenue for MNO	Low cost/margins are also low	Low Cost/ High revenue	High cost/ High revenue	High cost/ High revenue
Example	SBI's mobile banking service	Eko Aspire foundation as BC to SBI, using communication network and prepaid channel of airtel.	Smart Money in Philippines	M-PESA Mobile in Kenya

Source: (Rathod, Arelli, & Saha, 2012)

Mobile banking: Now Mobile banking as stated in the model (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009) relates to the model 1 i.e. Bank focussed model of (Rathod, Arelli, & Saha, 2012). According to Press Information Bureau, Govt. of India , India is the second-largest mobile phone user with over 900 million users in the world. Mobile banking is defined as the virtual channel over which customers may carry out transactions using cell phones (Alonso, Fernández de Lis, López Moctezuma, Sánchez, & Tuesta, 2013). According to India Mobile Landscape (IML) 2013 study, India has 55.48 crore mobile users .More than 29.8 crore, about 54 percent, of these device owners are in rural areas as compared to 25.6 crore in cities and towns.

Mobile banking can serve primarily to decrease the charge of deploying customer touch points into lower income or more remotely located 'deployed base'. Mobile-as-ATMs can facilitate merchants to become cash-in/cash-out points; Mobile-as-POS can serve to alternate cash and electronically detain transactions at the store. Mobile-as-Internet machines can allow customers to transact remotely (sending remittances, paying bills) without having to physically access a service point. A mobile phone can replace four specific devices - a bankcard, a POS terminal, a human ATM and an Internet banking terminal (Rao & Sonar, 2013). This is why poor people are more likely than rich people to use mobile phones to undertake financial transactions. People in developing countries have less options (if any) for transferring money and accessing banking services, because there is less deployed formal banking infrastructure-fewer branches, automated teller machines (ATMs)generally co-located to relieve branches, and low (Mas & Kumar, 2008).The service provider forwards this message to the banks mobile banking applications. The mobile banking applications interface with the core banking servers (that contain the user account information) that service the request made by the user. The response is then sent by the mobile banking applications to the bulk service provider who in turn forward it to the valid user via SMS.

Movable ATM/Mobile Van/Bank on Wheels:

Movable ATM/Mobile Van/Bank on Wheels which comes under the model of (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009) also relates to model 1 of (Rathod, Arelli, & Saha, 2012). As a part of financial inclusion, Bank on Wheels is a banking kiosk in a mobile van which goes to various villages as per the predetermined schedule to provide banking services to the rural areas. Bank on Wheels is an example of technical brilliance and can be made a multi modal utility vehicle for all sorts of banking transactions (4g Identity Solution). "Bank on wheels" is in which a vehicle visits a town at a regular interval for people to make transactions" (Dupas, Green, Keats, & Robinson, 2012). Bank on Wheels is a technology innovation for delivery of financial services in rural areas. It is a bank within a mobile van that delivers banking services at the doorstops of rural villages. Bank on Wheels is an example of technical brilliance and is made as multi-modal utility vehicle that delivers different kinds of rural services (4G Identity Solutions, 2013).

RETAIL OUTLETS/KIOSKS:

Retail Outlets/Kiosks is one of the modes of branchless banking described in (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009) and relates to the model 2 of (Rathod, Arelli, & Saha, 2012) . The study of (Mas, 2009) emphasised building banking system by taking banking transactions out of bank branches and into retail stores in every neighbourhood and in every village. If customer, retail outlet, and bank are linked by a common secure technology platform, they can transact with sufficient certainty. Technology, and in particular the spread of real time communications networks, permits banks to delegate 'last mile' cash management and customer servicing functions to third party retail outlets. By making basic deposit, withdrawal and payment functions available securely through retail shops that exist in every village and neighbourhood, there is an opportunity to dramatically increase the physical footprint of banks and to transform the basic economics of low balance savings (Alexandre, Mas, & Radcliffe, 2010).

BUSINESS CORRESPONDENCE:

Business Correspondence which falls under the model of (Moorthi, Arun, Dilip, Ravindran, & Shaym Sanker, 2009) is related to the model 2 of (Rathod, Arelli, & Saha, 2012). On the basis of recommendations made by an Internal Group of Reserve Bank of India on Rural Credit and Micro Finance (Khan Committee), banks have been permitted in January 2006 to use intermediaries such as Non-Governmental Organisations/ Self Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs), other Civil Society

Organisations (CSOs) and private entities including outlets of the corporate in the rural sector in providing banking and financial services through the use of eBusiness Facilitators and eBusiness Correspondents This has the potential of providing services and products savings, credit, insurance, remittance, etc. at the doorstep of the customers in both rural and urban areas (CAB CALLING, 2007). Business Correspondence is a bank led model where a technology driven banking agent manager (or individual agents) dovetails with a prudentially regulated well capitalized financial entity (bank). A bank brings trust and robustness whereas a BC brings low cost access, technology and new tailor made products to masses at base of the pyramid and makes banking possible at their doorstep (Development Outlook).

BRANCHLESS BANKING IN NORTHEAST INDIA

The unbanked population is higher in the poorer regions of the country, and is the worst in the North-Eastern and Eastern regions (Gupta A. , 2012). The world's second fastest growing economy presents a very uneven picture when it comes to banking. The unbanked population is the highest in the North-East. For instance, in Manipur, only 17 of every 100 adults have a bank account. In Nagaland, the number is 21. Meghalaya has the maximum number of bank accounts there-44 per 100 adults (Bandyopadhyay, 2007). Exclusion is most acute in Central, Eastern and North Eastern regions having a concentration of 64% of all financially excluded farmer households (from formal sources) in the country (Sudesh Kr & Sahoo, 2011). In 2009 the share of branches opened at unbanked areas was 5.8% in which southern region has opened maximum branches as 32% where central region 26.6%, northern region 15.3%, eastern region 13.8%, western region 9.9% and north eastern region 2.5%. Government initiatives for branchless banking in Northeast India can be cited during the year 2012 Budget speech , the Union Finance Minister, Shri Pranab Mukherjee at that time, has proposed to extend the 'Swabhimaan' campaign to habitations with population of more than 1000 in North Eastern and hilly States and to other habitations which have crossed population of 2000 as per Census 2011 (Media & Communications Officer, 2012). There are 3250 villages in the north-eastern region (NER) falling into this category of over 2000 population with as yet no banking facility. Of these, only about 1031 villages were covered by end September 2011. There may have been further progress since, but admittedly, the performance in NER is inferior to that in the rest of the country (Subbarao, 2011). Agriculture is the lifeline of the people in the North East. But as far as credit flow is concerned, the farmers don't get credit. The Government of India has asked the banks to increase their credit to the agriculture sector in order to boost productivity (Subbarao, 2011). The Financial Inclusion Network and Operations Ltd (FINO) have tied up with SBI and other private banks to expand financial inclusion services in the north-east. FINO performs its operations using the business correspondent (BC) model and works on behalf of banks (Aggarwal, 2012). The largest lender of the country, State Bank of India has initiated the concept of mobile banking to reach out to people of Meghalaya. The Shillong branch of the bank has started 'Bank on Wheels' to reach to the doorstep of villagers in the nearby rural areas. A total number of 662 unbanked villages were allotted to SBI to be covered with March 31 next year and already 496 villages were covered. A certificate from the headman along with photographs of villagers would be the only requirement to open bank accounts (Aggarwal, 2012). The financial Exclusion status can be seen from the report of the Economic survey 2011-2012.

Table 3: Financial Exclusion in North Eastern States

Financial Exclusion in North Eastern States - Major Indicators								
States	Population per Branch (Number)	Percentage of rural branches	Average Annual Growth rates in Deposits and Credit Amounts and C-D Ratios (Percentage)					
			Deposit		Credit		C-D Ratio	
			1991-2001	2001-2010	1991-2001	2001-2010	1991	2010
	1	2	3	4	5	6	7	8
Arunachal Pradesh	17282	63.8	15.4	24.4	8.1	34.5	28	2 7
	16936	81.2						
Assam	21103	53.5	16.2	19.7	11.2	21.7	50	36
	21803	64.5						
Manipur	33602	43.2	14.9	20.7	8.3	23.1	72	41
	31618	55.9						
Meghalaya	13916	59.2	15.8	22.6	12.9	31.5	22	26
	13687	71.8						
Mizoram	11133	55.1	14.4	19.1	12.8	27.2	28	24
	11707	77.2						
Nagaland	22007	41.1	15.4	19.4	1.7	27.7	44	30
	30360	52.1						
Sikkim	8252	64.9	18.9	20	6	21.1	68	25
	(NA)	76.6						
Tripura	19120	49.8	NA	20.3	NA	34.4	14	37
	18274	65.6						
NER	19465	53.6	16.2	19.8	10.2	22.5	47	35
		65.6						
All-India	13916	38.1	16.8	18.9	15.8	21.9	62	73
		48.2						

Source: (DONER, 2012)

Figures in bracket in Column 1 of Table 3, show population per branch in 2005 as per the Report of the RBI Committee on Financial Sector Plan for NER. The highlighted figures show a lower population per branch in 2005. The highlighted figures in bracket in Column 2 show a higher percentage of rural branches in 2001.

SWOT ANALYSIS OF BRANCHLESS BANKING IN NORTHEAST INDIA

Several delivery models are being practised and experimented in the country, including self-help groups (SHGs), cooperatives, mobile banking, Internet banking, business correspondents (BC),etc. These are being further supplemented by focused initiatives such as UIDAI project and a progressive regulatory environment. The success of a particular model in a region, however, will depend on the strengths and weaknesses of the region (Kapoor, 2011). The SWOT analysis involves examining the Strengths, Weaknesses, Opportunities and Threats of the entire environment with regard to branchless banking. Strengths and weaknesses are internal to the setting, while opportunities and threats that are external to it (Rabayah & Awad, 2009).

STRENGTHS:

1. Mobile penetration in the north-eastern region has increased from 26% in March 2009 to 47% in September 2010 (Kapoor, 2011).
2. Northeast India Literacy rate is 83.91 (Estimate 2013) which is above national level (wikipedia, 2013) .
3. Technology provides the opportunity to innovate at a much faster pace and to create products that are closely linked to the needs of the consumer (Chakrabarty, 2011). Thus Northeast India with lack of infrastructure including roads and communication, technological branchless banking is most suitable.
4. As Govt. of India initiatives, ICT is applied in the grass root level such as Panchyaths etc and provision for trainings on ICT are provided to citizens of every panchayaths in Northeast India. (NedfiIndia, 2013). Having ICT trained rural people makes the adoption of branchless banking more easier.
5. Govt. of India eNGO initiative is a national programme. Under this grassroots NGOs are empowered in basic ICT skills and web skills to manage their own activities online and make information available on the web. The purpose is to improve governance and performance of NGOs. So far more than 150 organisations in North East India has benefited from this programme (NedfiIndia, 2013). Thus with ICT trained NGOs and SHGs, gives a strong foundation for branchless banking initiatives.

WEAKNESSES:

1. The regional economy of the north-east is largely dependent on agriculture, and most other economic activity is small scale and heavily dependent on traditional skills of weaving and handicraft. Inadequate infrastructure is another major challenge that isolates the region from the rest of the country (Kapoor, 2011).
2. The SHG movement, which is linked to banks, also could not catch up in the region, due to low branch network of banks, and non-availability of local staff (Kapoor, 2011).
3. North-East India has some of the largest concentrations of the financially excluded population in India due to lack of infrastructure including roads and power and dense forestation have had a detrimental impact on the development of the financial sector in these regions. The population of these regions often have to travel large distances over inhospitable terrain to access a financial institution (Sahrawat, 2010).
4. Though literacy rate of some part of the region are above national average, there are some parts where literacy rate is below nation average namely Assam, Arunachal Pradesh and Meghalaya (wikipedia, 2013).Illiteracy and ignorance comes in the way of financial inclusion. Most of the inhabitants depend on others to open accounts, to apply for loans etc. This delays their inclusion in the financial system. Guidelines, booklets etc are not made available in vernacular languages (Bharadwaj & Chakraborty, 2014).
5. Diversity of individual states in Northeast has to be appreciated, as there is often a tendency to lump the region as one whole. However, different states have significantly different characteristics which must be taken in to consideration (M2iConsulting).

OPPORTUNITIES:

1. Already existing informal financial networks in some parts of the northeast which may be undertaken by a formal financial institute

for efficient financial inclusion through branchless banking. For e.g., Manipur has a well-established network of marups system among the Metei community, which has been an effective form of traditional socio-economic organisation that has benefited the community (Kapoor, 2011).

2. As per a recent report, North-East Migration and Challenges, over 3.1 lakh people migrated from the north-east to mega cities during 2005-09. With a high migration growth rate of 13%, there is a considerable number of north-eastern population that is now residing in the cities. This offers a huge opportunity for remittance solutions that may be flowing to the region (Kapoor, 2011).
3. There is enormous "banking potential" at the bottom of the pyramid in Northeast India, and first mover banks will be able to exploit that potential. Northeast relatively virgin territory as far as banking is concerned. Those banks which pursue financial inclusion in the north-east will be rewarded not only by business opportunities but by a fulfilling experience (Subbarao, 2011).
4. Adoption of technology by banks including smart cards, magnetic strip cards, mobile accounts, mobile wallets, etc, put forth a number of options to design solutions that can be successfully implemented in the region. A potentially feasible inclusion model for the north-eastern region could be a combination of mobile and smart card-based and business correspondent-based solutions that are supported by micropayment platform (Kapoor, 2011).

THREATS:

1. Security and Identity management remain primary concerns (Rao S. R., 2010).
2. There are more regulatory issues than technology issues in utilizing mobile commerce for inclusive growth (Rao S. R., 2010).
3. North East India has very close border with foreign countries. Taking advantage of porous border, fake currencies are coming to the region (Subbarao, 2011).
4. Despite strict guidelines, a section of fake microfinance companies have started their operation in the North East. Hundreds of people are the victims of these microfinance companies (Subbarao, 2011).
5. Touts, unauthorized persons from rural and urban areas take full advantage of illiteracy and ignorance of people to make money in the name of "Go and Get" from the concerned authority. Even a chain of dishonest officials traps the people who apply for I-cards, KCCs, loans etc to pay bribes (Bharadwaj & Chakraborty, 2014).

CONCLUSION AND RECOMMENDATION

The north-eastern region comprising the eight states of Arunachal Pradesh, Assam, Nagaland, Manipur, Meghalaya, Mizoram, Tripura and Sikkim is geographically, ethnically and culturally different from the rest of the country. While significant initiatives have been taken by the government towards inclusion of the financially excluded in the country, the challenge gets accentuated for the north-eastern region due to its inherent characteristics that make it difficult to implement or replicate the inclusion models adopted elsewhere in the country. The solution lies in developing low-cost banking models, by leveraging technology and forging local partnerships, and this is an opportune time to actualise execution of the financial inclusion strategy for the north-eastern region (Kapoor, 2011). Govt of India has taken number of initiatives and rewards for inclusive finance in the region but the benefits of such initiatives is yet to achieve. The strengths of the region and opportunities should properly be leveraged in order to successfully implement branchless banking. Caution should be taken from the threats and weaknesses associated in the region.

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