The Indian Economic Journal

JOURNAL OF THE INDIAN ECONOMIC ASSOCIATION

Special Issue, December 2017

ISSUES IN DISTRIBUTION

(Part - II)

Financial Inclusion among The Urban Poor in Goa – A Case Study of Zuarinagar Slum Dwellers

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INTRODUCTION

Financial inclusion for inclusive growth is central to the developmental philosophy of most of the nations over the past several decades. It has been a priority for all policymakers in the financial sector to improve the usage and access of financial services in order to achieve comprehensive financial inclusion. It is estimated that globally over 2.5 billion people are excluded from access to financial services of which one third is in India.

The origins of financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking/payment services to all 'bankable' households and enterprises at a reasonable cost. In India, financial inclusion first featured in 2005, when it was introduced by K.C. Chakrabarty, the Chairman of Indian Bank.

The availability of quality financial services is extremely important for the growth of the economy as it enables a large number of rural as well as the urban households to fund the growth of their livelihoods. Access to financial services to all citizens, particularly to low income and poor people is a key to promote inclusive growth. In India, most studies on poverty have been centred on the rural poor and urban poverty has received little attention of the policymakers. With the rapid growth of big cities, slums have been the breeding grounds of urban squalor and poverty, due to increased migration of the poor from the villages in search of better employment opportunities and improved standard of living. Most of the working population in urban areas work under utterly deplorable conditions in unorganised sector with a very few livelihood options. The deprivation of urban poor is further accentuated as more than 40 percent of adult Indian urban population has no access to a bank account thereby depriving them of savings, credit, remittance and other financial service facilities from the formal financial system.

Goa which is also known as the 'Rome of the East' has been experiencing a rapid growth of urbanisation during the last few decades. The number of people living in urban areas has steadily increased from increased from 49.8% in 2001 to 62.2% in 2011. But due to the scarcity of land, these urban areas get extremely overcrowded. As a result, these migrated people are forced to get settled in informal settlements like slums. The slums manifest themselves

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into the worst form of poverty and hence these people are being deprived off with the basic services including the access to banking facilities thereby depriving them of savings, credit, remittance and other financial service facilities from the formal financial system.

REVIEW OF LITERATURE

Mohammed A. (2001) have examined the bank selection criteria which are being employed by college students in Bahrain. A total of 1000 college students were being interviewed. The findings of the study revealed that the chief factors determining college students' bank selection were bank's reputation, availability of parking space near the bank, friendliness of bank personnel, and availability and location of automated teller machines (ATM). Hence the findings of the study suggested that it would be necessary to deal with male and female students as distinctive segments because both of them have different priorities in their bank selection process.

R.K. Uppal (2010) analysed the extent of complaints in 3 types of banks namely public sector banks, Indian private sector banks and foreign banks. The study relied on secondary data. The findings of the study revealed that a maximum number of complaints were registered by public sector banks and these complains were mainly related to deposits, credit cards and housing loans. Due to these complaints, the performance of the banks was adversely affected. Hence, it was suggested that each and every public sector banks should establish a customer care centre to solve the complaints filed by the clients at the earliest because if the banks don't try to mitigate the problems of their clients then it would be difficult for them to survive in the long run.

R.K. Sharma et al (2014) analysed the current status of financial services in rural areas of Al-Dakhliya region of Oman and identified the factors influencing demand and supply of financial services in this region. The study relied on primary data. The findings of the study revealed that there was a need to work on both demand as well as supply side of financial inclusion for achieving inclusive economic growth of the country.

P.Gupta et al (2013) in their study tried to assess the correlation between the Usage Dimension of Financial Inclusion Index and literacy level in India using Karl Pearson coefficient of correlation. The findings of the study depicted a large variation in the extent of correlation among the different states of the country with a very low correlation at the national level. Thus, it was suggested that in order to promote financial inclusion, the Government should try to promote the use of Information Communication Technology models like biometric ATM, telecentres to achieve Financial Inclusion in India as these models do not compulsorily require high literacy levels.

OBJECTIVES

- To assess the socio-economic conditions of the urban poor in the Zuarinagar slums area.
- To examine the relationship among factors which determine financial inclusion among this urban poor.
- To recommend certain suggestions so as to enable the urban poor to be in the ambit of financial inclusion.

RESEARCH METHODOLOGY

The study is based both on primary and secondary data. Primary data are collected through an interview schedule by undertaking a field survey of 100 households which are randomly selected in the Notified slums of Zuarinagar Nagar area located in Mormugao Taluka in Goa. Secondary data is collected from Panchayat, Census reports, published articles, magazines, newspaper, etc. The data is analysed with the help of SPSS software. Simple percentages and regression analysis is used to examine the relationship between the dependent and independent variables.

DATA ANALYSIS

Socio-Economic profile of the respondents

The major household characteristics considered were age, gender, educational qualification, occupation, gender and occupation of the head of the household, monthly income and savings of the household, preference for savings and preference for availing loans and possession of identity proof. The sample consists of 51% of males and 49% of females.

Table 1

Cross Tabulation between Gender and Age

Gender of the respondents	*Age of the respondents*					*Total*
	Up to 20 years	*21-30 years*	*31-40 years*	*41-50 years*	*50 years and above*	
Male	3	10	17	11	10	51
Female	8	15	12	11	3	49
Total	11	25	29	22	13	100

Source: Field Survey

The above results indicated that most of the respondents are economically active as more than 75% of the respondents were in the age group between 21 to 50 years.

Table 2

Cross Tabulation between Gender and Educational Qualification

Gender of the respondents	*Educational Qualification of the respondents*				*Total*
	Illiterate	*Primary*	*Secondary*	*Tertiary*	
Male	10	11	17	13	51
Female	6	7	17	19	49
Total	16	18	34	32	100

Source: Field Survey

From the above analysis, it is clear that out of the total 100 respondents interviewed, more than 65% of the respondents are literate.

Table 3

Cross Tabulation between Gender and Occupation of the Respondents

Gender of the respondents	*Occupation of the respondents*					*Total*
	Casual Worker	*Household work*	*Factory worker*	*Self Employed*	*Others*	
Male	10	5	25	3	8	51
Female	6	18	16	2	7	49
Total	16	23	41	5	15	100

Source: Field Survey

The above table reveals that majority of the respondents work as factory workers (41 percent), followed by household work (23 percent), self-employed (5 percent), casual (16 percent) and others. (15 percent).

Table 4
Cross Tabulation between Gender and Occupation of the Head of the Household

Gender of the respondents	*Occupation of the respondents*					*Total*
	Casual Worker	*Household work*	*Factory worker*	*Self Employed*	*Others*	
Male	13	2	20	7	9	51
Female	12	15	15	2	5	49
Total	25	17	35	9	14	100

Source: Field Survey

The above table reveals that majority of the head of the households are male (51 percent) followed by female (49 percent). Majority of the head of the household work as factory workers (35 percent), followed by casual workers (25 percent), household (17 percent), self-employed (9 percent) and others (14 percent).

Table 5
Table showing the type of family

Family Type	*Frequency*	*Percentage*
Nuclear	82	82
Joint	18	18
Total	100	100

Source: Field Survey

The above table reveals that majority of the respondents live in nuclear families (82 percent) and few live as joint families (18 percent).

Table 6
Table showing reasons for opening bank account

Reasons	*Frequency*	*Percentage*
Savings Purpose	21	21
Loan	18	18
For availing subsidy	61	61
Total	100	100

Source: Field Survey

The above analysis revealed that majority of the respondents (61 percent) had opened a bank account in order to avail Government subsidy, 21 percent had opened an account for saving purpose and 18% had opened an account for availing loans.

Trends in Financial Inclusions

One of the key indicators of financial inclusion is the proportion of households holding bank accounts which are measured by the ratio of a number of bank accounts to the no of adult family members in a household.

Table 7
Table showing trend in financial inclusion

Ratio	*Frequency*	*Percentage*
Less than 0.24	19	19
0.25 to 0.74	48	48
More than 0.75	33	33
Total	100	100

Source: Field Survey

An analysis of the above table reveals that 48 percent of the households had an inclusion ratio ranging between 0.25 to 0.74, whereas 33 percent of the respondents had this ratio which was more than 0.75 and 19 percent had inclusion ratio less than 0.24.

Economic Characteristics

Table 8
Table showing monthly income of the respondents

Income (Rs)	*Frequency*	*Percentage*
Upto Rs. 5000	6	6
Rs. 5001-Rs. 10,000	25	30
Rs. 10,001-Rs. 15,000	43	43
Rs. 15001-Rs. 20,000	25	20
Above Rs. 20,000	1	1
Total	100	100

Source: Field Survey

The above data reveals that majority of the respondents (43 percent) had an income ranging between Rs. 10,000 to Rs. 15,000 per month. Around 30 percent of households earned income between Rs 5,001 to Rs 10,000 per month, 6 % had income up to Rs. 5000/- per month, 20% had an income ranging between Rs. 15,001 to Rs. 20,000 per month, whereas only 1 percent of the respondents earned an income more than Rs 20,000 per month.

Table 9
Table showing monthly savings per month of the respondents

Savings per month (Rs)	*Frequency*	*Percentage*
Upto Rs. 1000	25	25
Rs. 1001-Rs. 5000	56	56
More than Rs. 5000	19	19
Total	100	100

Source: Field Survey

The above table reveals that majority (56 percent) of the respondents had savings ranging between Rs. 1001 to Rs. 5000/- per month. 19 percent of respondents could save more than Rs 5000 per month and 25 percent of the respondents saved up to Rs. 1000 per month.

Table 10

Table showing Preference for savings of the respondents

Savings per month (Rs)	*Frequency*	*Percentage*
Bank	72	72
Informal arrangement	13	13
Self-Help Group	10	10
Post-Office	0	0
Home	4	4
Other sources	1	1
Total	100	100

Source: Field Survey

According to the findings of the survey, 72 percent of households saved their money in banks, followed by informal institutions like Bishi and Kofri (13 percent), self-help groups (10 percent), 4 percent of the respondents kept their money at home and I percent had some other forms of savings. None of the respondents kept their money in the post office. Therefore we can conclude that bank was the preferred institutions for savings.

As regard to the reasons for savings, emergency (72 percent) is the most important reason followed by education (56 percent), child's marriage (19 percent), and old age (9 percent).

Table 11

Table showing Preference for availing loans by the respondents

Preference for Loan	*Frequency*	*Percentage*
Bank	39	39
Informal Sources	35	35
Self-Help Group	17	17
Friend/ Relative	9	9
Total	100	100

Source: Field Survey

From the above analysis, it is clear that 39 percent of respondent availed the loan from banks, 35 percent had availed loans from informal sources at very high-interest rates, 17 percent had availed loans from Self Help Group and 9 percent availed loans from friends and relatives. The main reasons for availing loans are for consumption purpose (49 percent), social purpose (31 percent). Business (23 percent) and for investment purpose (7 percent).

Table 12

Table showing possession of Identity Proofs by Households

Identity Proof	*Percentage*
Voter's Card	97
Aadhaar Card	99
Pancard	5
Ration Card	98
Driving License	25
Electricity Bill	89

Source: Field Survey

Determinants of Financial Inclusion

A Linear regression model is used to analyse the impact of socio-economic variables on Adult Bank Ratio. The regression model is represented as follows,

Adult Bank Ratio = $\beta 0+\beta 1$(Age) $+\beta 2$ (No. of family members)$+\beta 3$ (Monthly Income) $+\beta 4$ (Reasons for opening account)+ $\beta 5$ (monthly income of the Household) + $\beta 6$(Savings per month) $+\varepsilon$

Table 13

Regression Results

Dependent Variable: Adult Bank Ratio	*Unstandardised Coefficients*		*t*	*Sig*	*Collinearity Statistics*	
	B	*Std. Error*			*Tolerance*	*VIF*
(Constant)	1.148	0.156	6.276	0.000		
AGE	-0.170	0.020	-4.052	0.002	0.852	1.367
NO. OF FAMILY MEMBERS	-0.046	0.017	-2.715	0.003	0.752	1.150
FAMILY TYPE	-0.161	0.026	-3.514	0.002	0.766	1.085
REASONS FOR ACCOUNT OPENING	0.564	0.138	4.487	0.003	0.740	1.170
MONTHLY INCOME	0.612	0.121	5.463	0.002	0.675	1.422
SAVINGS	0.139	0.047	4.785	0.002	0.878	1.402
Model Summary	R 0.785	R Square 0.616	Adjusted R Square. 0.599	Std. Error of the Estimate 0.560	Sig. F Change - .000	Durbin Watson - 2.297
		Sum of Squares 4.675	Df 6	Mean Square 1.558	F 16.823	Sig. 0.000

The regression results showed that all independent variables are significant in influencing the Adult Bank ratio. There is a positive and significant influence of Monthly Income, Reasons for Account Opening and Savings on Adult Bank Ratio while Age, Number of Family members and family type is negatively influencing the Adult Bank ratio. The adjusted r squared value of 0.599 shows that 60 percent changes in the depended variable is causing due to changes in the independent variables. The F value is significant means there is overall model fit and the model is appropriate in explaining the dependent model. The Durbin-Watson statistic for this model is 2.297 which fall within the acceptable range showing that the regression is not spurious.

The regression model is statistically significant, $F(6,94)=16.823$, $p<0.0005$. It is statistically significant because $p<0.05$. A statistically significant result indicates that there is a statistically significant linear relationship.

Therefore the estimated model is as follows:

Adult Bank Ratio= 1.148 + (-0.170) Age + (-0.046) family members + (- 0.161)family type + (0.564) reasons for opening account+(0.612) monthly income+(0.139) savings.

The above analysis shows that both social and economic variables play an important role in determining the adult bank ratio. Reasons for opening a bank account, monthly income and savings have a positive influence in the determining adult bank ratio whereas age, family members, family type have negative influencing in determining the adult bank ratio.

SUGGESTIONS

The Indian households can be broadly divided into two main groups, rural and urban. In order, to have effective financial inclusion, the banks have to always keep in mind these target-groups and try to bring those people who are financially excluded from the banking sector so as to achieve a win-win situation for both. In order to achieve this, the Commercial banks can step in to augment financial inclusion in two ways: (i) Providing banking and other related services and (ii) Providing non-banking services and support. To ensure that banking services become attractive to those with low incomes, these banks need to develop certain features that meet the needs of this poor group of consumers. Hence the following are some of the suggestions that are given to improve the banking sector.

Banks need to adopt a holistic approach in order to create awareness about financial products, education, and advice on money management, debt counselling, savings and affordable credit among the urban poor. Besides, the banks should look at financial inclusion both as a business opportunity and social responsibility.

The banks can develop some specific strategies by taking help of microfinance institutions, NGO and the local community in order to expand their services, especially to the urban poor.

Banks should give wide publicity to the facility of no-frills account.

Since most of the urban poor are illiterate or have less education, ATMs cash dispensing machines can be suitably modified to make them user-friendly.

Banks need to impart financial counselling to the urban poor by updating them on the available financial services and this can be achieved by upscaling their credit counselling initiatives.

Finally, the banks need to redesign their business strategies so as to incorporate specific plans to promote financial inclusion of low-income group treating it both a business opportunity as well as a corporate social responsibility.

CONCLUSION

With the rapid growth of urbanisation, social engineers have been compelled to give attention to providing financial services to meet the savings, credit, remittance and other financial requirements of the urban poor. Financial inclusion should not only begin with opening up of bank accounts, but various product innovations in financial services need to be introduced keeping in view their life cycle needs. Besides, the launching of the product should also be backed by an effective '8Ps'marketing strategy. The banks also need to create some linkages with Microfinance institutions and NGO's to deliver the financial products to the urban poor at place and time convenient to them. For improved efficiency and better risk management, innovative ICT solutions have to be leveraged to provide banking services at the doorstep of the excluded groups. As financial literacy plays a significant role in empowering the urban poor, the Government need to undertake proactive steps to seek support from the formal financial institutions in order to implement financial literacy for achieving greater financial inclusion in the urban areas rather than just considering it as a part of their corporate social responsibility.

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