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**Title of the Paper - UNDERSTANDING URBAN FINANCIAL INCLUSION**

**A STUDY OF BANKING HABITS OF BHIMNAGAR, KALYAN DIST**

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# UNDERSTANDING URBAN FINANCIAL INCLUSION

## A STUDY OF BANKING HABITS OF BHIMNAGAR , KALYAN DIST

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### *Abstract*

*Financial Inclusion has always been understood and discussed from the point of view of rural areas. But there is also a large part of urban and semi-urban population which is financially excluded. Such population include people, who are migrants not having sufficient documents required to open accounts, daily wage earners not having enough money to meet minimum balance requirements, and many below poverty line , financially illiterate people who are unaware of the various schemes rolled out for them. The researchers have in this paper taken such a pocket of population from Kalyan Dist of Maharashtra, and by using primary survey and secondary data sources tried to understand their banking habits. This study will be beneficial to understand the reason and extent of financial exclusion and will serve as a small step in formulating suitable measures towards Urban Financial Inclusion.*

**Key Words: Financial Inclusion, Financial Exclusion, Urban Financial Inclusion, Banking Habits, Financial Literacy**

### **Introduction**

The Committee on Financial Inclusion 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.”

However, we are far from realizing the vision of universal financial inclusion. One of the key challenges has been that the debate of financial inclusion in India has largely been rural centric. The analysis of the issues impeding inclusion and the subsequent strategy formulation has been based on, among other factors, challenges in making banking services accessible in rural areas financial exclusion in the urban areas is a rising problem. The country's urban population is increasing at a faster rate than the total population.

Much of this population comprises of migrants, who account for a substantial part of the 400 million people that comprise India's workforce work in the unorganized sector. According to McKinsey Global Institute, about 40% of Indians will be living in cities and towns by 2030 directly increasing in the number of urban poor. Providing financial services to the growing population will require addressing the following challenges.

In the rural areas, the common reasons cited for financial exclusion include non-existence of

bank branches in an area, physical distance of the bank from the people, fixed and limited timings of the banks, lack of awareness of advantages of having a bank account, and above all, low income that made it difficult to save.

In the case of the urban poor, the reasons are different. There are lots of banks in the urban areas that are not very far away from the slums. Hence, the distance of the bank from the slums cannot be a factor for financial exclusion. Further, the slum-dwellers are exposed to the city life and may have better financial awareness as compared to their rural counterparts. The incomes in urban areas may also be higher than rural areas, which would leave the people with surplus to save.

Against this background, it was felt that a study on financial inclusion in the urban slum areas would yield important clues to understanding the nature and extent of the problem.

## **REVEIW OF LITERATURE**

K.G.Karmakar et al; in the book titled – ‘Towards Financial Inclusion in India’ discusses the need for postal banks in India and says that public postal banks should concentrate on offering developing financial products which are not being offered by the private sector and also avoid offering similar products to similar markets, including retail credit, unless under a well targeted public-private partnership with microfinance entities of the banks..

Rangarajan Committee (2008) on financial inclusion stated that: “Financial inclusion may be defined 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.” The financial services include the entire gamut of Savings, Loans, Insurance, Credit, Payments, etc. The financial system is expected to provide its function of transferring resources from surplus to deficit units, but here both deficit and surplus units are those with low incomes, poor background, etc. By providing these services, the aim is to help them come out of poverty.

A study by Indian Institute of Banking & Finance (IIBF) says, “Financial inclusion is delivery of banking services at an affordable cost (‘no frills’ accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society”

### **Objectives:**

1. To identify the extent of financial inclusion of the urban poor at Bhimnagar , Kalyan.
2. Among those who were financially included, the study attempted to gauge the extent of their inclusion and financial awareness.

## Limitations

1. Bias of the respondents while giving information was a major limitation.
2. Due to lack of time and nature the study , only a limited area could be covered.
3. The findings of the study are limited to the area of study and may not be applicable on a larger platform.

## Research Methodology

As commonly noted financial exclusion is more among the slum dwellers in urban areas. Keeping this in mind, Bhim Nagar, a relatively large slum area housing around 250 families , in Kalyan , Thane District of Maharashtra was selected. Majority of the population here are illiterate and of backward caste. They are mostly working as laborers of domestic helpers.

Primary Survey using a structured questionnaire was used to elicit the responses of a randomly selected population of 40 respondents. The schedule for slum-dwellers was prepared in English but administered in Marathi, which was -easily understood by all the respondents.

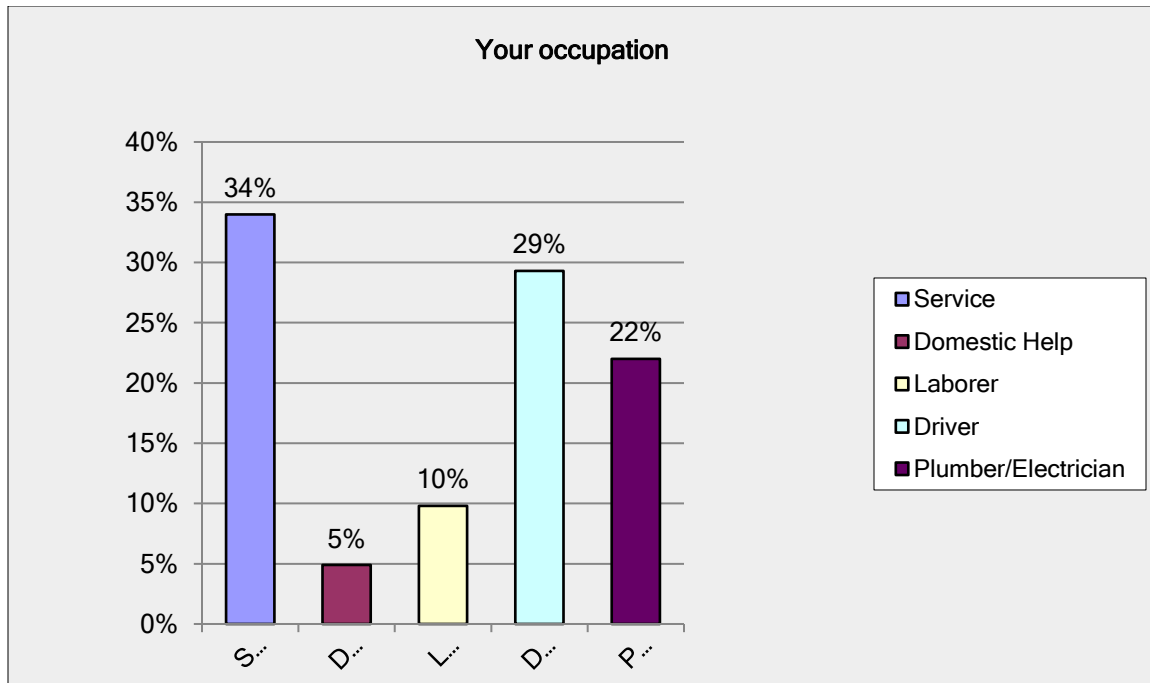
## Data Analysis Interpretation and Findings

1. Table 1 shows that majority of the responded are into some unstructured service like peons and helpers in office. Many are working are auto rickshaw drivers while around 22% were working in various capacities as Plumbers/Painters/Electrician etc.

**Table 1**

<b>Your occupation</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
Service	34%	13
Domestic Help	5%	2
Laborer	10%	4
Driver	29%	12
Plumber/Electrician/Painter	22%	9
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>40</b>

**Figure 1**



2. The respondents vary of giving answer on their income in writing so oral answers were elicited. Majority of them are not having a regular income. A few of them came under the category of BPL families as well.

3. From Table 2 below it is understood that all the respondents are having a per family.

**Table 2**

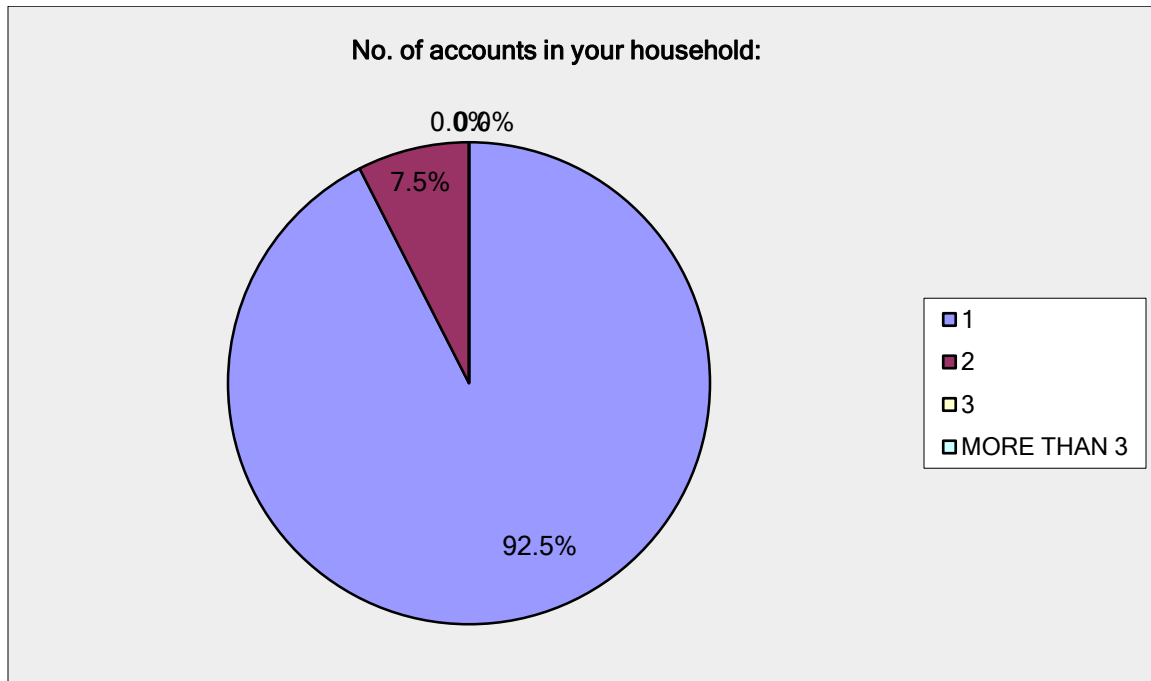
<b>Is your household having a bank account?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
YES	100.0%	40
NO	0.0%	0
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>0</b>

4. From Table 3 below it is understood that majority the respondents are having only a single bank account per family. Either they dint feel the need to open another account or they dint have enough savings to put in to another account.

**Table 3**

<b>No. of accounts in your household:</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
1	92.5%	37
2	7.5%	3
3	0.0%	0
MORE THAN 3	0.0%	0
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>0</b>

**Figure2**



5. Table 4 shows that all the respondents have opened savings account. They were not having even FD/RD accounts either due to monetary reasons or they were simply not interested.

**Table 4**

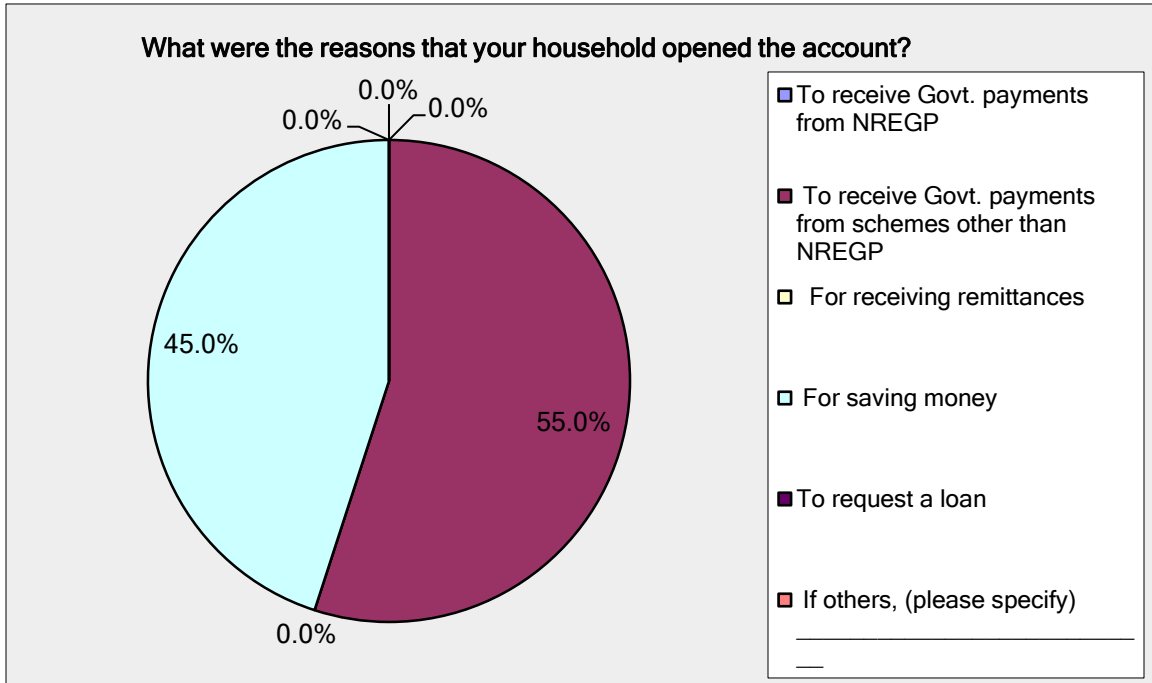
<b>Which type of account do you have?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
SAVINGS AC	100.0%	40
RECURRING ACCOUNT	0.0%	0
FIXED DEPOSIT	0.0%	0
ANY OTHER	0.0%	0
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>0</b>

6. From Table 5, it can be interpreted that majority of the people have opened bank accounts to receive payments from Government – in this case to receive cooking gas subsidy.

**Table 5**

<b>What were the reasons that your household opened the account?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
To receive Govt. payments from NREGP	0.0%	0
To receive Govt. payments from schemes other than NREGP	55.0%	22
For receiving remittances	0.0%	0
For saving money	45.0%	18
To request a loan	0.0%	0
If others, (please specify)	0.0%	0
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>0</b>

**Figure 4**



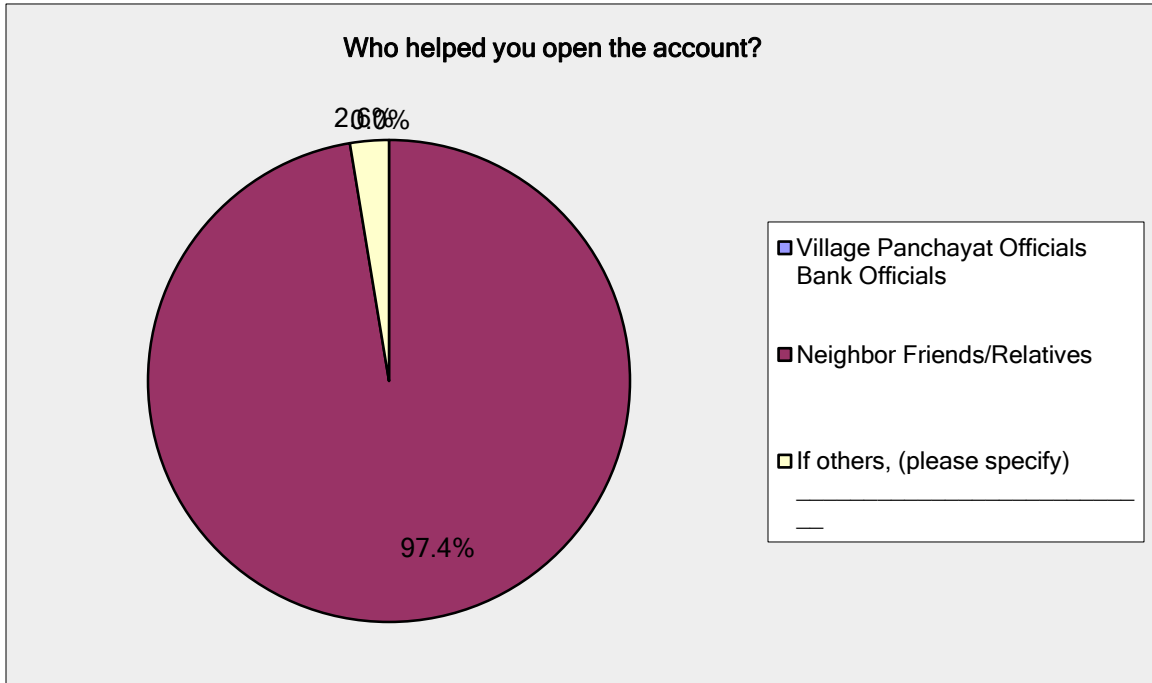
7. It could be understood from Table 6 that it was the relatives and neighbors who were instrumental in people opening their bank accounts.

**Table 6**

<b>Who helped you open the account?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
Village Panchayat Officials Bank Officials	0.0%	0
Neighbor Friends/Relatives	97.4%	38
If others, (please specify)	2.6%	1
<b><i>answered question</i></b>		<b>39</b>
<b><i>skipped question</i></b>		<b>1</b>



**Figure 6**



8. It is clear from Table 7 that due to irregularity of income people are not able to save frequently. They put in the money in the account whenever they have some surplus to spare.

**Table 7**

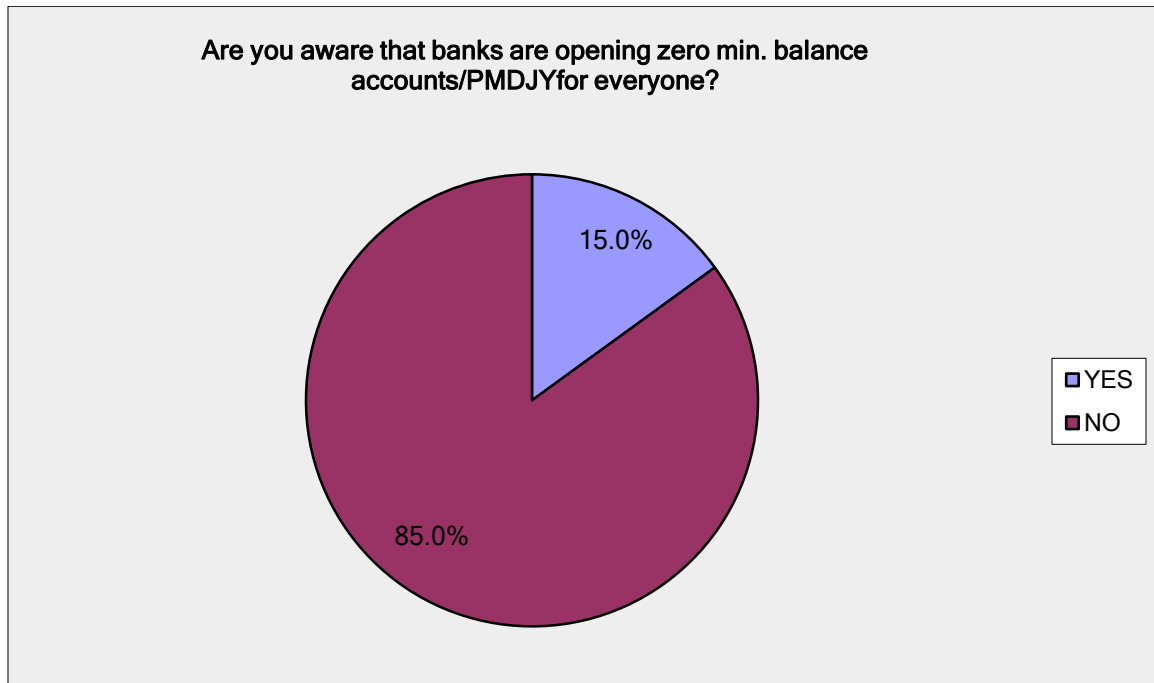
<b>How frequently do you save in your account?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
don't save / never	0.0%	0
At least once a month	0.0%	0
Less than once a month	0.0%	0
I put in money as and when I can	100.0%	36
I have paid money in but not in past 12 months	0.0%	0
I have not added money since account was opened	0.0%	0
If others, (please specify) _____	0.0%	0
<b><i>answered question</i></b>		<b>36</b>
<b><i>skipped question</i></b>		<b>4</b>

9. Table 8 through a surprising result that majority were not aware of the Zero Balance of PMDJY schemes of the governments meant for people having irregular income like them.

**Table 8**

<b>Are you aware that banks are opening zero min. balance accounts/PMDJYfor everyone?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
YES	15.0%	6
NO	85.0%	34
<i>answered question</i>		<b>40</b>
<i>skipped question</i>		<b>0</b>

**Figure 7**

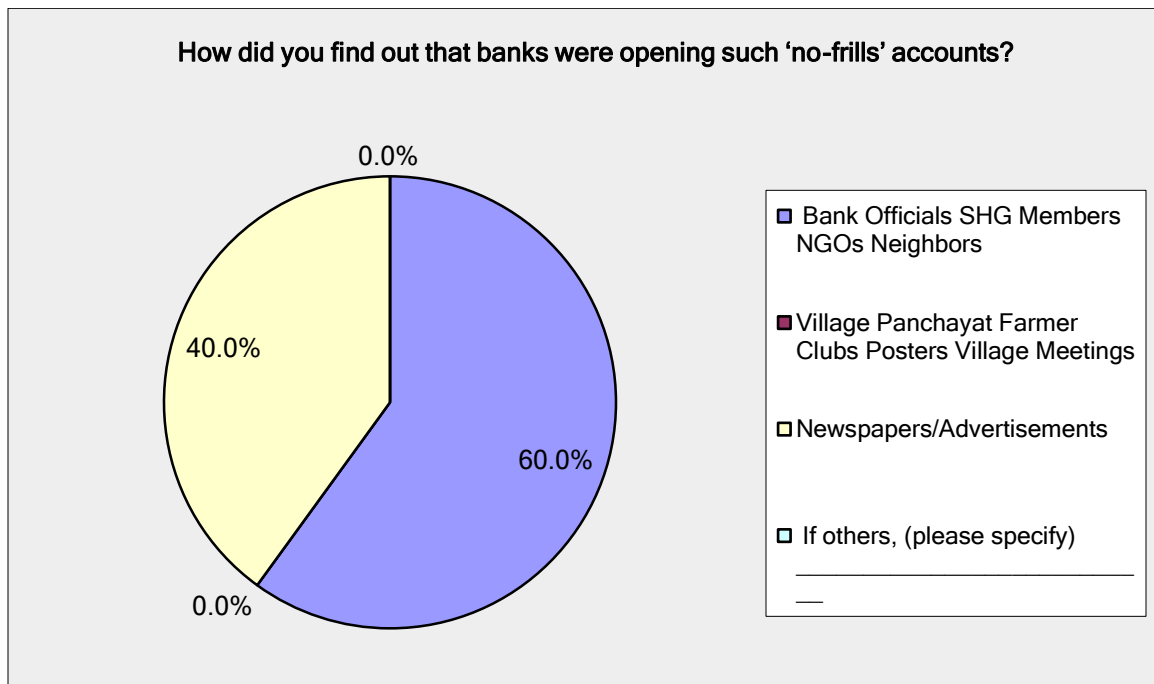


10. From Table 9 it is understood that those who were aware of no frills account came to know about it through their friends/relatives.

**Table 9**

<b>How did you find out that banks were opening such 'no-frills' accounts?</b>		
<b>Answer Options</b>	<b>Response Percent</b>	<b>Response Count</b>
Bank Officials SHG Members NGOs Neighbors	60.0%	3
Village Panchayat Farmer Clubs Posters Village Meetings	0.0%	0
Newspapers/Advertisements	40.0%	2
If others, (please specify)	0.0%	0
<b>answered question</b>		<b>5</b>
<b>skipped question</b>		<b>35</b>

**Figure 8**



## **Findings**

1. Majority of the respondents belonged to the working class earning irregular income.
2. Though they were residing in the area for more than five years, they opened the bank account very recently for availing Cooking Gas Subsidy.
3. The only type of account they had was the savings account.
4. The account was opened taking reference from neighbours and relatives. No campaign from any banks has been conducted here.
5. Almost all of the respondents were saving occasionally as when they had surplus. They were not habituated to regular savings.
6. Very few respondents were aware of PMDJY or any other no-frills scheme by the Government.

## **Recommendations**

1. Financial inclusion measures have long focused more on rural areas. But the fact remains that there are certain pockets even in urban areas which are elusive from the bank coverage even though they have banks located within 2 radiuses. More active campaigns need to be undertaken to bring them under the banking umbrella
2. Most of people under study have opened account taking reference from relatives neighbors, friends etc. This shows the lack of interest among bankers who have not undertaken any active campaign or awareness programmes in the area.
3. Financial inclusion is not just about opening a bank account. It is about maintaining that account by inculcating strong saving habits. More awareness on the same must be inculcated in the people who are yet to understand the importance of savings.
4. People open bank accounts to avail the various benefit transfers received from the government but fail to sustain them beyond that. Adequate measures need to be taken to ensure that such accounts are used and sustained further for savings purpose.
5. It is pretty amazing that despite so much of active advertising on the PMDJY many people are not aware of it. Reason may be that the whole campaign focused more on rural areas and areas where there was lack of access to banking facilities.
6. For the daily wage earners services, local banks should provide there service at their door step.
7. Banks should establish separate counters in the bank for No-Frills, PMDJY accounts.

## **Conclusion**

The findings of the study provide valuable insights and bust certain myths regarding financial inclusion, particularly among the urban slum-dwellers. Though financially included in the sense that they have an active bank account they do not have regular saving habits nor are they interested in continued relation with banks beyond availing direct benefit transfers. This aspect remains to be examined as it brings out a new dilemma in front of the policy makers - 'Further Inclusion of the Financially Included.'

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