ISSUES IN FINANCIAL INCLUSION OF THE URBAN LOW INCOME GROUPS WITH SPECIAL REFERENCE TO THE CITY OF GUWAHATI - AN EXPLORATORY STUDY.

A Thesis
Submitted to the Krishna Kanta Handiqui State Open University
for the Degree of Doctor of Philosophy (Ph. D.) in Economics

By -

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Declaration by the Candidate

I, Shri Devajit Khound, Research Scholar, Department of Economics, Surya Kumar Bhuyan School of Social Sciences, Krishna Kanta Handiqui State Open University solemnly declare that I have fulfilled all the requirements laid down in the Regulation for Doctor of Philosophy (Ph.D.), 2009, Krishna Kanta Handiqui State Open University. This thesis is my own original investigation, work and understanding except where due acknowledgements have been made. To the best of my knowledge, no part of this thesis titled ***"Issues in Financial Inclusion of the Urban Low Income Groups with special reference to the city of Guwahati- An Exploratory Study"*** has been previously submitted to this University or any other University or institution for any degree or diploma.

Devajit Khound

Dated: 4.9.2019

(DEVAJIT KHOUND)

Place : Guwahati

Certificate from Guide

This is to certify that Shri Devajit Khound, Research Scholar in the Department of Economics, Surya Kumar Bhuyan School of Social Sciences, Krishna Kanta Handiqui State Open University has carried out his research work ***"Issues in Financial Inclusion of the Urban Low Income Groups with special reference to the city of Guwahati- An Exploratory Study"*** for the degree of Doctor of Philosophy (Ph.D) in Economics, Surya Kumar Bhuyan School of Social Sciences, Krishna Kanta Handiqui State Open University under my guidance and supervision.

I hereby certify that the candidate has fulfilled the conditions of the Regulation for Doctor of Philosophy (Ph.D. 2009 of Krisna Kanta Handiqui State Open University) and that the candidate is qualified to submit this thesis in application for that degree.

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Date : 4.9.2019

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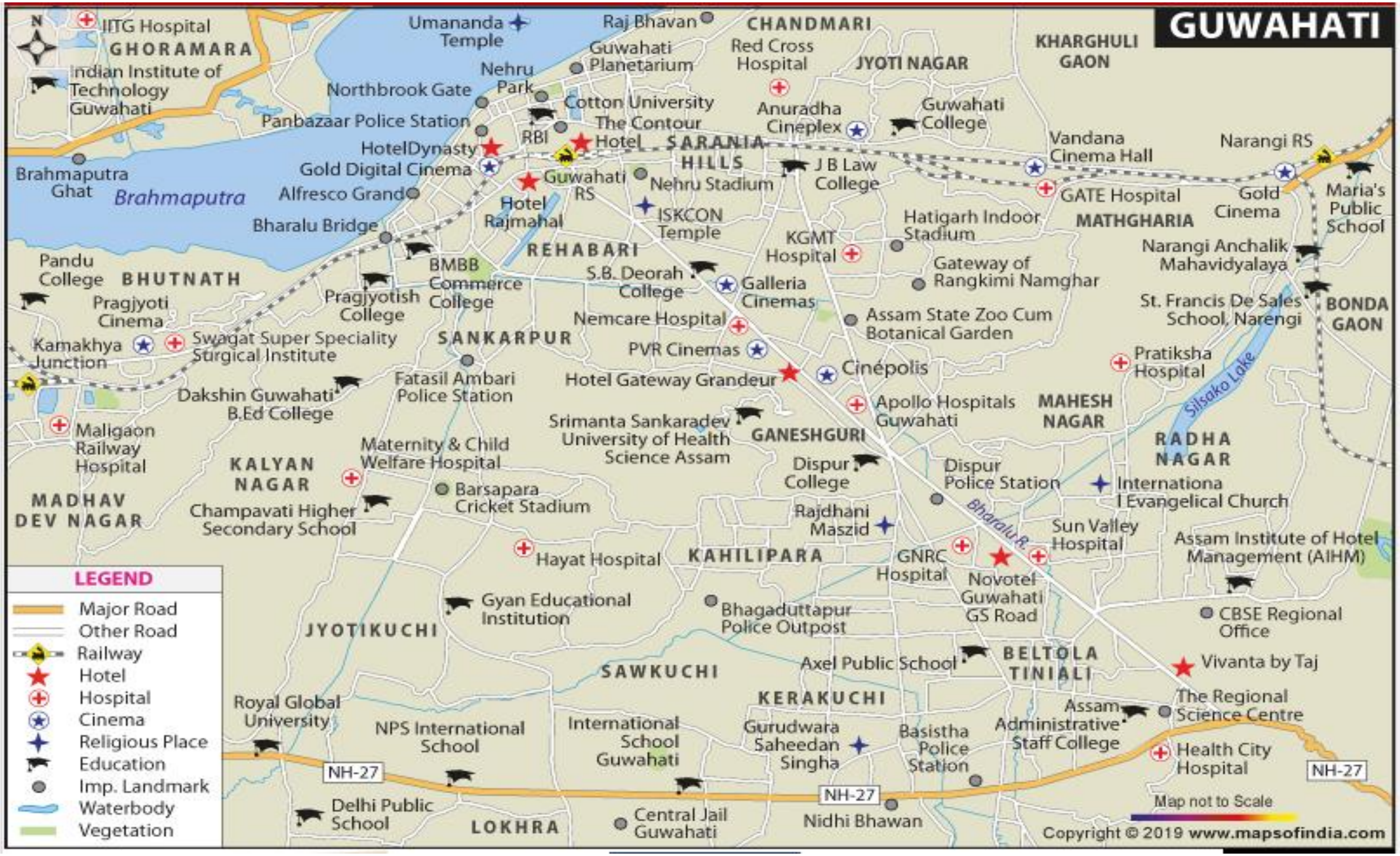

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ACRONYMS

BC	Banking Correspondent
CASA	Current Account & Savings Account
CEPT	Centre for Environmental Planning & Technology
CGAP	Consortium Group to Assist the Poor
G-20	Group of Twenty Countries
GCC	General Credit Card
ICT	Information & Communications Technology
IIBM	Indian Institute of Bank Management
JDY	Jan Dhan Yojana
MFI	Micro Finance Institution
NCT	National Capital Territory
NeDFi	North Eastern Development Finance Corporation Ltd.
NEC	North Eastern Council
NER	North Eastern Region
OECD	Organisation for Economic Cooperation & Development
OTC	Over The Counter
PoI	Proof of Identity
PoA	Proof of Address
RBI	Reserve Bank of India
ROSCA	Rotating Savings and Credit Association
SHG	Self Help Group
SLBC	State Level Bankers Committee
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNO	United Nations Organisation

CHAPTER-I

INTRODUCTION

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." --------- *Franklin D. Roosevelt.*

1.1 Background of the Study

Finance plays a very important part in people's day to day life. In fact finance could be called the lifeblood of modern economy. The positive role played by financial systems in economic growth has been well emphasized in economic literature. Theoretical reasoning and empirical evidence indicate positive relationship between financial development and economic growth. Macro level studies suggest that the degree of financial intermediation has a 'cause and effect' relationship with economic growth (Levine,2005, Pasali 2013). Body of evidence also suggests that financial services do have a positive impact on a variety of microeconomic indicators including self employment business activities, household consumption, etc. (Bauchet *et al*,2011, Cull *et al*,2014). Well functioning financial systems offer savings, payment, credit, remittance and risk management/insurance services as per needs of the people. There is also a conceptual link between development of finance sector and poverty reduction (Rajan and Zingales, 1998). Financial system is not a passive spectator to economic growth (Levine 1997).

Banks are at the core of the formal financial system. Well functioning banking system provides cost effective and safe saving, credit and remittance facilities to its customers. Banking system identifies and funds the best entrepreneurs who in turn successfully implement innovative projects and production processes. Banking system has impact on the growth of national income via the identification and funding of productive investments through efficient allocation of funds. It facilitates trading and hedging of risks. Risk mitigation reduces uncertainty and enables resources to flow towards most profitable projects. If the allocation of credit is judicious and socially equitable, it can achieve growth with social justice. However to have socially inclusive economic growth, the banking system itself has to be inclusive in the sense that all sections of the society, be rich or poor, should be able to access the services of the banking system fruitfully.

More inclusive financial systems are likely to benefit poor and other disadvantaged groups (Demurguc-Kunt, and Klapper, 2013). But the question is how inclusive the financial systems across the countries and whether economically and socially weaker and vulnerable section of the population in the world are part of the modern financial system or not. Unfortunately, real world financial systems are far from inclusive. Many of the world's poor have not been able to benefit from financial services due to market failures or policy inadequacies (Global Financial Development Report, 2014). Financial exclusion is invariably experienced by the poorer member of the society more (Molyneux , 2007).

Financial inclusion envisages coverage of the hitherto excluded population under the ambit of formal financial system. Financial inclusion, nowadays, is treated as policy compulsion across the countries in the world including India. Financial Inclusion is essential for achieving a broad based sustainable growth, enveloping all sections of the society including the poor and the disadvantaged.

1.2. Conceptual Framework

In India, the phrase 'Financial inclusion' is of a recent coinage and it has gained large scale usage during the last 15 years or so. Economists and various reports of the central Banks like RBI and Committees constituted by Government of India have defined financial inclusion succinctly. Selected well coined definitions of financial inclusion are as follows:

"Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at

*an affordable cost in a fair and transparent manner by regulated mainstream institutional players" (**RBI,2013a**).*

*"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" (**RBI, 2006, Thorat Committee Report**).*

"*Financial inclusion is the access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (**Ministry of Finance, 2008 Rangarajan Committee Report**)*

The essence of these definitions is that the poor, vulnerable and disadvantaged sections of the society should get their desired financial services at affordable prices at minimum inconvenience from the reliable institutions regulated by the law of the land. The key points could be broken down as below-

(i) The poor and the disadvantaged section of the society should have fair and equal access to the financial systems particularly the banking system in the same way as may be available to their counterparts i.e. the rich and socio economically dominant section of the society.

(ii) There should not be any discrimination on the part of the formal financial systems resulting in denial of access to the poor and the disadvantaged.

(iii) Financial systems regulated by the Governments and the Central Banks should take proactive steps for bringing the hitherto excluded section of the society under the ambit of formal financial system so that their dependence on the informal, unregulated sources of finance is minimized.

The thrust of the definitions and current emphasis on Financial Inclusion in India is on access rather than actual use of the financial products. World Bank group of institutions have gone one step ahead in this regard and have defined financial inclusion as the proportion of individuals that use financial services

(World Bank, 2014a). As per the World Bank, the focus should be on use and merely having access to financial services is not enough. The essence is that lack of use does not always mean lack of access. Some of the non use may be because of lack of demand. Again lack of demand may be due to several factors which eventually the authorities will have to further enquire into. One prominent factor affecting demand may be lack of awareness for which a member of the disadvantaged section of the society may not be enlightened and confident enough to approach modern financial systems like banks. Other real factors affecting demand may arise from barriers such as high cost of the financial services, inconvenient travel distance to the institutions, amount of paperwork required for accessing services, lack of trust in the institutions, religious reasons or other market failures, etc. On the other hand, many may simply choose not to use financial services despite having access at affordable prices. Nevertheless, there is growing recognition that most of the barriers that limit access to services can be overcome by better policies.

From macro economic point of view, financial inclusion causes a multiplier effect on the economy via the higher savings pooled into the formal financial system and its redistribution in productive avenues. Due to positive correlation with economic growth and the role in reduction of poverty, many countries in the world including India, in recent years, have put enhanced emphasis on financial inclusion initiatives.

Economically weaker sections of the people are normally found to be excluded from the formal financial sector leading to denial of opportunity for them to grow and prosper. Recent developments in banking technology have transformed banking from the exclusive brick and mortar manifestation to a technology driven channels like ATMs, credit/debit cards, Internet banking, online money transfer, etc. Usually, access to such technology is restricted to a certain segment of the society leading to a growing divide between the economically richer and enlightened section of the society with an increased range of personal financial options and a large section without the basic banking service.

Every economically active individual of the society should have access to basic mainstream financial services which include a proper bank account, credit, remittance and payment services, financial advisory services and insurance facilities, etc.

Owning a basic bank account is usually the first step towards financial inclusion. As per the Global Financial Development Report -2014 (World Bank, 2014a) nearly half of the world's adult population lacks a bank account. However, opening bank accounts that lay dormant make little sense. Additional dimension to financial exclusion is that the 'under banked individuals' who while not unbanked use their account very little (Anderloni and Carlucio, 2007). Banks are the pivots of the financial system offering a range of financial services. Banks as mobilisers of savings and providers of credit have to play a major part in creating an inclusive financial system. Expansion of banking services improves local economic activity. Burges and Pandey (2005) , by using state level panel data in India found that opening new bank branches in rural unbanked locations led to significant reduction in rural poverty. So, for a developing country like India, financial inclusion should get centre stage in the policy discourse.

In the current study, financial inclusion is primarily defined by possession of a bank account and usage of the same for the day to day financial needs by the low income groups of people in the urban context of Guwahati. Depth of financial inclusion is also studied by comparing financial transactions done through formal banking channel and similar transactions done through various informal, unregulated channels. The financial inclusion in the study is examined from the demand side i.e, from the perspective of the users of financial services and their actual experience. The low income groups have been defined by putting a ceiling on monthly family income. Those residents of Guwahati having monthly income below the ceiling are taken as belonging to low income groups.

It may be mentioned that the initiatives taken by RBI and Government of India are basically the supply side initiatives for financial inclusion and the results of these initiatives could be gauged through some statistical figures given in the following paragraphs-

As per census 2011 figures, out of 24.67 crore households in the country, 14.48 crore (58.7%) had access to banking services. Out of the 16.78 crore rural households, 9.14 crore(54.46%) were availing banking services. In respect of the urban areas, out of the 7.89 crore urban households, 5.34 crore (67.68%) were availing banking services.

As per RBI reports, on March 2011, only 51.6% of the population of the country was maintaining any savings bank account. The percentage for Assam is around 38.8%. If we talk about the urban area, 63.9% of the populations (All India) have a savings bank account. Corresponding figure for urban areas of Assam is 47.1%.

As on March 31, 2014, India had 1,15,082 number of bank branches. Of these 43962 (38.2%) were in rural areas (N.Mani, 2015). If we see the comparative figure for Assam, it is found that, during the corresponding period, Assam had 2109 bank branches , of which 973 (46.1%) were in rural areas (NER data bank , NeDFi).

As on March, 2010, 1.69% of the total bank branches of the country were located in the State. They accounted for 1.06% of the country's total bank deposits and a mere 0.54% of the bank credit (Sarkar & Phatowali, 2012). The average population per bank branch during the period was 21,000 for Assam against the all India average of 14,000. To put the statistical comparison between the state of Assam and the country in proper perspective, it is stated that Assam has 2.57% of the country's population and occupies 2.38% of its geographical area.

1.3: Rationale of the Study

The success of financial inclusion efforts lies in the actual usage of financial services by all sections of the society. To measure success, user side data is essential. But very few in depth studies have been conducted to analyze the actual experience of the users of the financial services. This study intends to cover such a gap area. The study is exploratory in nature. The rationale behind taking up a study of financial inclusion related issues of the low income groups of people in an urban context is explained in the following paragraphs-

There exists a rich-poor divide in ownership of bank accounts and usage of financial services across the world. World Bank Global Financial Inclusion (Findex) data base (World Bank, 2014b) indicates sharp disparities in the use of financial services between high income countries and developing countries. Among adults in the poorest 40 percent of households in developing economies more than half (54%) remain unbanked as compared almost universal coverage in high income countries of the world. The conclusion is that around the world wealthier adults tend to make greater use of formal financial services. Even within developing countries as a group, the adults in the highest 20 percent of income earners are more than twice as likely to have an account as against those in the lowest 20 per cent (Demiurgic Kunt and Klapper, 2013). Planning Commission report (prepared by the committee headed by Raghuram Rajan) "A Hundred Steps: Report of the Committee on Financial Sector Reforms" (2008) has also emphasized that individual income level is a deciding factor for owning a bank account. The report also concluded that rich poor divide has replaced the conventional rural- urban divide in access to financial services, as measured by the distribution of savings bank accounts. Hence, it can be surmised that number of unbanked people is higher in the low income groups all over the world. So user side studies of the low income groups of people are required to understand the issues related to their financial inclusion or exclusion.

It is generally believed that the low income groups of people in the rural areas are excluded which is true to a larger extent and most of the financial inclusion literature deal with rural financial exclusion. But now it is seen that exclusion is not confined to just rural areas only, but many belonging to urban low income group are also excluded. This is largely because of the way the supply of these services are organised. The transaction costs of financial services to the poor are exceedingly large in comparison to their potential exposure. From the demand side too there is financial illiteracy and the consequent fear of approaching formal institutions (Gangopadhyaya, 2009).

Financial exclusion in the urban areas at the first glance seems to be a paradox. It is always assumed that urban areas do not have a problem of last mile due to the existence of large number of service providers and the pervasiveness of the delivery infrastructure. However the last mile in the urban context for the low income groups of people is often measured as time rather than distance since it directly impacts the incomes one can earn. There are other hassles like requirement of paper works, etc. Addressing the last mile problem in the urban context requires providing door step access to service through proven technologies. To give support to policy initiatives in this regard, user side data at the ground level is very much needed. The solution for last mile problem in rural areas as given through Banking Correspondents and Business Facilitators may not work due to peculiar social structure of the low income groups of people living in the urban areas.

One of the fundamental characteristic of the rural community is the availability of strong community networks. In the urban context there are no such established community structures. Even among residents in a physical location, the engagement is limited. This is accentuated in the case of migrant workers who are constantly on the move and do not integrate themselves with the community. This impedes financial inclusion in many ways. For example, the identity of an individual is ascertained through a set of pre defined documents, which workers often may not possess.

In a country like India, the peculiar social structure of the urban low income groups has arisen because of the rapid urbanization process of the country. India is a vast country with more than 1.2 billion people as per 2011 census. Although majority of the people still live in the rural areas, India is in the process of rapid urbanization and the urban population is increasing significantly in recent years. Population in urban areas is growing faster than in rural areas and at a much faster than overall population growth. For the first time since independence, absolute increase in population is more in urban areas than in rural areas as per 2011 Census. The level of urbanization has also increased from 27.81 % in 2001 census to 31.36% in 2011. Apart from the natural population growth, large scale migration of poor from rural areas to the cities in search of jobs and better living condition is a major contributing factor. Rapid urbanization is resulting in haphazard expansion of cities and also creation of new low income groups of people in the cities. Many of these urban low income groups may be out of the ambit of the formal banking systems although places where they stay may have several bank branches nearby. These financially excluded people are generally deprived of savings, credit, remittances and other financial services from the formal system. Most of them are engaged in non permanent jobs or are doing petty business as self employment avenue.

India's focus in financial inclusion is mostly in rural areas as many rural areas are still outside the formal banking network. In this scenario, normally there is a tendency to overlook urban poor and low income groups. Rural is always focus, in the belief that majority of poor people live in rural areas. Consequently, formal discourse on the matter is more often is rural centric. Less literature is available on the analysis of the issues of financial inclusion and strategy formulation for the urban low income groups. As the extent of exclusion is more widespread in rural areas the urban areas were largely ignored. C. Rangarajan Committee Constituted by Ministry of Finance (2008) also noted that there is no clear estimate of the number of people in urban areas without access to organized financial services.

So it is seen that the phenomena of urban financial inclusion is normally neglected and not many studies have been done in this area. But for the sake of inclusive and rapid economic growth, there is an urgent need for bringing the low income groups living in the cities into the formal banking system. Banks cannot afford to ignore the low income groups of the population. Studies show that the low income groups in developing countries are good savers and tend to be more, or as, credit worthy as their higher income compatriots (Solo, 2008).

So it has been established that there is a gap in availability of empirical studies in the issues of urban financial inclusion. Against this background, the study is proposed in Guwahati city, to study the urban financial inclusion issues among the low income groups of people. Guwahati is the gateway to the North East India and is the largest urban area of the Region. Guwahati is also one of the fastest growing city in India. The major Economic activities of the city are Trade and Commerce, Industry, Transportation and Services. It is a wholesale distribution centre, marketing hub and also retail hub of the Region. The rapid population growth of the city indicates rapid expansion of the city. 1971 population of the city was only 2 lakhs, it increased to 5 lakhs in 1991 and to 8.08 lakhs in 2001. The current population of the city will be over 10 lakhs. Apart from the natural population growth, one of the major factors of growth of population is large migration from rural areas in search of jobs and better living conditions and many of them become part of the low income groups in the city. So it is expected that a sizeable section of target group population could be found in the city to draw samples. It is also assumed that if financial exclusion happens in the most developed city of the state i.e. in Guwahati, it is bound to happen in other cities of the state or in the entire NE Region and in a way will provide policy inputs for other cities of the region also.

The study will be exploratory in nature as stated earlier.

1.4: Objectives of the Study

The study has the following 6 objectives

- To analyze the socio economic profile of the low income groups of people in Guwahati.
- To examine the extent of financial Inclusion of the sample population.
- To enquire about the extent of financial exclusion among the low income group of people and specifically about their dependence on the informal sector for financial needs.
- To understand the extent of usage and benefits accrued to the people who have come under the formal financial sector.
- To examine the constraints of Financial Inclusion and more specifically to examine the factors affecting the demand side of financial inclusion.
- To derive policy implications and recommendations.

1.5. Research Questions

3 Research Questions are being proposed for the study:

(i) Whether a relatively large section of Urban low Income Groups have been excluded from the Formal Financial Sector?

(ii) What is the extent and penetration of Financial Inclusion and whether it has a significant impact on the economic life of the Low income Groups of people in Guwahati?

(iii) How the socio economic status of low income groups of people is affecting their financial inclusion?

1.6 Methodology of the Study

This section basically describes methods and techniques used in the study. It deals with the following subheads

1.6.1. Research Design

The 'Expost facto Research Design' has been selected for the study. It is a systematic empirical study where all events and facts have occurred already i.e the researcher has no control over the independent variables (Kerlinger,1996).

1.6.2. Data Source

The study is based on primary data. Further, relevant information are also collected, from various research works, study related works, books, journals, etc. For collection of primary data, one detailed respondent schedule was framed for obtaining information from the target group of population residing in the study area.

1.6.3. Study Area

The city of Guwahati, Assam has been selected for the study of urban financial inclusion/exclusion related issues. Guwahati being the fastest growing city of the region and receiving lot of migrant population in recent years has a sizeable population belonging to the low income group. It is expected that the study of the city of Guwahati will be representative enough to be able to throw light on the issues of urban financial exclusion and user responses to financial inclusion efforts of the Govt. of India and the RBI. Areas under Guwahati Municipal Corporation will be the study area.

1.6.4. Sampling Procedure

The first challenge was to put a ceiling on the income level to define a low income group of population. Finally, the working definition of low income groups of people was taken from the income limit indicated by National Housing Bank and adopted by the Union Ministry of Housing and Urban Poverty Alleviation (Ministry Annual Report 2012-13, Desai, 2014) with slight modification in case of Guwahati. As per the Ministry definition, the households having family annual income below 2 lakhs have been categorized as low income groups. Normally monthly income figure is more relatable in case of field survey participants, so if one converts the ceiling of 2 lakhs per annum into monthly figure it comes out to be Rs 16,666. For convenience of the present study, Rs 15,000 monthly family income has been kept as ceiling income to define low income group of population. This ceiling is quite reasonable for the city of Guwahati.

To determine the target group of population, census 2011 figures for Guwahati city was taken help of and the target group was determined indirectly. Family income wise list of such population are not readily available. By taking into account the Census data along with NSSO reports the likely size of the low income group of population in the city has been arrived at. As per 2011 census, the population of Guwahati is 9,63,429 or roughly around 10 lakhs. As per the District Census Hand Book for the Kamrup Metropolitan District, Census of India 2011, the total workforce participation rate of the city is around 39.1% (Male 58.4% and Female 18.3%) and the total number of workers were 3,76,042 (Male 77.44% and Female 22.56%). The status of employment as per the NSSO 61st round Survey report (NSSO 2006) reveals that among the workforce in the city 29.0% are self employed and 11.4% are casual workers. The rest 59.6% are regularly employed. Among the male workers, 36.8% were self employed, 12.6% were casual labourers and 50.4% are regularly employed. The corresponding figures for Female workers are 2%, 6.5% and 91.5% respectively. The majority of self employed and casual workers in the city are forming the economically disadvantaged and vulnerable section of the population and constitute the low income groups in the city. With this calculation around 40.4% of the workers in the city are in the low income groups. In absolute terms, it will be 1,51,920 number of persons of which roughly 5% will be female.

For determining the size of the sample, online sample size calculator Rao soft Inc. was used. For our study considering the confidence level at 95% and confidence interval of 5% the Minimum sample size came out to be 384 or roughly 400 of which at least 5% should be female. The sample actually taken for the study is 520; out of which 85 number are female respondents. The sample size is considered to be sufficient to draw inference.

After calculating the sample size, upper ceiling of monthly income and having an idea about the target group as explained in the preceding paragraphs, the samples were drawn purposively. Since this target group mostly falls into the unorganized category their exact numbers, location, etc. cannot be predetermined. Mainly self employed and casual worker category was targeted in a purposive manner. To make the sample properly representative of the city the areas and localities targeted are Hengerabari, Narengi, Hatigaon, Garchuk, Maligaon, Adabari, Paltanbazar, Japorigog, Ganeshguri, Jalukbari, Noonmati and Kahilipara, etc. The primary earning member of the families whose reported monthly income was Rs 15,000 or below were approached. All of the persons approached were not willing to participate in the study hence the information was collected from those who were willing to participate in the study.

1.6.5. Analytical Framework

To fulfill the different objectives of the study, primary data are analyzed objective wise. The target group have their stated monthly income below 15000 Rupees. For analytical purpose, this group has been further subdivided into 3 sub categories based on their monthly income i.e. (a) Lowest Income sub category having monthly income up to Rs 5000, (b) Middle Income sub category having monthly income between Rs 5000 to Rs 10000 and (c) Highest Income sub category having monthly income above Rs 10000 and upto Rs 15000. Objective wise analytical frame works are as follows-

Objective 1: The first objective was to analyse the socio economic profile of the respondents. This profile gives an idea into the background and current economic activities of the respondent. This profile has close association with a person's various economic decisions taken by him or her in day to day life. This profile will also help in drawing inference from the findings of the study in relation to their role in the financial system. The characteristics added in the profile include Age, Educational Attainment, Occupation, Place of Birth, Ownership of land/House, Ownership of mobile phones, Family Size and Earning Status in the Family.

Objective 2 : To examine the extent of Financial Inclusion of the Low Income Groups of people, first parameter identified for study is the possession of a basic bank account by the respondents To fulfil this objective the data collected include Ownership of bank account, nature of bank account, location of bank branches where the respondent have account, accessibility of the banks, motivation for opening account, Participation in remittance activities and Possession of Insurance Policies.

Objective 3: In this regard data being collected include Other modes of savings of the respondents, Advantages and disadvantages of other modes of saving, Percentage of income kept in other modes of saving, Encounters with bogus financial institutions, Preparedness for unforseen requirement of money in life, Taking loans/credit from Informal sector, Advantages and disadvantages of taking loans from informal sector, Continued dependence on informal sector in spite of having bank accounts .

Objective 4: The respondents who had bank accounts are further questioned about the extent of usage of their bank accounts, benefits derived or difficulties faced in operation of their bank accounts. In this regard the aspects covered include Vintage of accounts, Facilities available with Bank Accounts, Frequency of Use of accounts, Percentage of earning kept in the bank account, Knowledge about the banking procedures, Difficulties faced in operating bank accounts and Taking loans from banks.

Objective 5: To examine the factors affecting financial inclusion from the demand side, the basic indicator to measure whether a person is financially included or not, is identified as whether the person is having a bank account or not. Demand for a bank account for doing financial transactions in the formal world may be shaped by the person's back ground, education, financial literacy etc. So separate cross tabulations of the identified factors with bank account status (Yes or No) are proposed for calculation of Chi square statistics and p value for significance test. Binary logistic regressions are also proposed to identify the relative influence of the selected factors. The factors which are identified to have influence on a person having a bank account include Age, Educational Attainment, Occupation, Mobile Phones, ownership of Immovable property, Family Size and Extent of financial literacy. Besides the phenomenon of people voluntarily staying away from banks and the reasons cited by respondents not being able to open a bank account in spite of having desire to have one are also separately studied.

Objective 6 : For drawing policy implications on the issues of financial inclusion based on User experience data, the conclusions and inferences arrived at after analysing and collating the data are put forward lucidly so that the Govt authorities promoting financial inclusion and the banks as commercial entities get help.

After collection of data from 520 respondents from the low income groups of people in Guwahati, the responses were coded and analysed in SPSS version 16.0. For analysis, extensive use has been made of cross tabulations and other standard statistical tools to arrive at meaningful results.

Besides, to fulfil the objectives and for solving the research questions, different statistical tools and econometric methods like cross tabulation, Chi square statistics, p value and also binary logistic regression techniques are used. Financial Inclusiveness Index has been used for measuring financial inclusion of target group. Garret ranking Technique is used to analyse the benefits obtained and problems faced in respect of the banking system. All these methods and techniques are explained in the respective chapters.

1.6.6. Instruments for data collection

Interview method is used for data collection from the respondents. Data collection was done during the calendar year 2016. An appropriate schedule was prepared which had 3 parts. The first part is for collection of socio economic status of all respondents. Second part is also for all respondents for collecting information regarding their bank account status, perceptions of the banking system, dependence on informal sector, etc. The third part is only for the respondents who already have a bank account and this part is basically to enquire about the benefits and problems associated with the operation of their bank accounts.

1.7. Policy Implications

Financial Inclusion for all is the avowed policy objective of Govt. of India and the RBI. The findings from the study regarding the extent of financial inclusion among the low income groups of people living in cities like Guwahati would be useful for the Govt. in better targeting financial inclusion efforts. The user side experience of the sizeable yet often neglected segment of the population and throwing of light into the financial decisions taken by them in their day to day life will give important insights. The results could be used for developing new financial products specially aimed at the target group by the banking institutions operating in close proximity to the residing area of the low income groups. Low income groups of people can also give good business to the banks. With rapid urbanization, population is increasing in the cities like Guwahati very rapidly and the target group of population is very visible in the cities in terms of their being engaged in unorganised sector activities. This section of population cannot remain unattended in terms of their financial services needs. The recommendations of the study, it is expected, will go a long way in helping the Government of the day to devise appropriate policy responses.

1.8. Chapter Scheme

The study consists of the following chapters:

Chapter 1: Introduction. It includes Background, Conceptual Framework, Methodology, Objectives and Research Questions of the Study.

Chapter 2 : Review of Literature : Almost all literature related to financial inclusion is thematically included in this chapter.

Chapter 3 : Analysis of Socio Economic Profile. Since the study is exploratory in nature socio economic profile of the respondents are analyzed in detail to get leads for the financial decisions taken in life by the target group.

Chapter 4 : Extent of Financial Inclusion and Exclusion. This chapter is again in two parts. Financial Inclusion part include coverage of bank accounts, perceptions of banking services, participation in remittance activities, insurance cover, etc. Financial exclusion part deals with dependence on informal sources of finance, experience with unregulated financial players, etc.

Chapter 5 : Extent of usage of Banking Services. Usage and benefits accrued to the users from the formal financial systems more specifically banks have been included.

Chapter 6: Constraints and Factors affecting Financial Inclusion. The constraints in increasing demand for formal financial services from the excluded group and the prominent factors affecting demand side of financial inclusion have been identified from the empirical study.

Chapter 7 : Summary of Findings and Conclusion.

1.9. Limitations of the Study

The study is a personal investigation for academic purpose. Therefore it has certain limitations like limitation of time, resources, etc.

Again it is based entirely on the opinion of the respondents whose awareness and general literacy level is low. They do not maintain accounts of personal financial transactions. Over and above the personal limitations of the researcher in terms of time and financial resources, unwillingness on the part of many respondents to give time for interview, limited the scope of the study.

Besides, the study is examining financial inclusion from the demand side and basically from the point of view of using or not using a bank account. Nowadays due to almost universal penetration of mobile phones, financial transactions using mobile phones and mobile based apps are increasing rapidly particularly in urban areas. This may be a future scope for further investigation. Moreover, the supply side responses from the bankers and providers of formal financial products in respect of dealing with low income groups could be another study.

CHAPTER - II

REVIEW OF LITERATURE

2.1: Introduction

Keeping the objectives of the study in mind and also to have a deep understanding of all relevant aspects of financial inclusion, literature survey was conducted. Review of Literature has been presented in several sub themes as given below:-

2.1.1: Relationship between Financial Inclusion and Economic Growth

Body of research from around the world shows that well developed and inclusive financial systems are associated with faster growth and better income distribution. Levine (2005) found that an exogenous increase in financial depth in India by about 5 % towards the sample mean of the developing countries would accelerate economic growth by an additional 0.6% point annually. Similar rate predicted for Mexico is 0.4%.

Dangi, Vandana (2012) while writing on the saga of the Indian Financial System comments that earlier finance was not recognized as a factor for growth and development, but of late it has been considered as the brain of an economic system and most economies strive to make their financial systems more efficient.

Basu, Priya (2005) while advocating for a financial system for India's poor writes that finance helps the poor catch up with the rest of the economy as it grows. Finance also helps extend the range of individuals and households that can get a foothold in the modern economy. It reduces the damaging concentration of economic power. Due to microfinance there is now growing appreciation of empowerment dimension of finance.

Solo, Maria Tova (2008) while examining financial inclusion in Latin America writes that underdeveloped financial sector would lead to a lack of financial services at the household level and could limit economic growth and poverty alleviation by increasing costs of families who already tend to be in the lower income brackets. He was analyzing data from Mexico and Columbia. The data also showed that that unbanked pay more to be paid, to make payments, to save and to borrow than their counterparts who have bank accounts. Financial exclusion makes it harder to break out of urban poverty. To sum up it is expensive not to have bank accounts- he writes.

Solo, Maria Tova (2008) also writes that Commercial Banks cannot afford to ignore 65-80% of the population. His study in 3 urban areas of Mexico ,Columbia and Bogota show that low income groups in developing countries are still good savers and tend to be more or less as creditworthy as their higher income compatriots. Concentration of bank's customers only in higher income groups is risky for the banks themselves. Financial exclusion represents higher macroeconomic costs for the economy as a whole. Increased concentration of banking services and limited access of a sizeable section of the population from the financial institutions may lead to a fall in aggregate savings for the economy

Basu, Priya (2005) while quoting Beck, Demirguc-Kunt and Levine (2004) writes that well developed and inclusive financial systems are associated with faster growth and better income distribution.

Rajan and Zingales (1998) writes that theoretically it is believed that financial development creates enabling conditions for supply led growth. This growth in turn generates demand for financial products and leads to industrial growth

2.1.2: Financial inclusion: Some Definitions

Mor and Ananth (2007) has defined financial inclusion beautifully as the ability of every individual to access basic financial services, which includes savings, loans and insurance in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that the savings are safe and insurance claims will be paid with certainty. The emphasis is here is more on safety and security of financial wealth of the individuals.

Claessens (2006) has defied financial inclusion as the availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and non pecuniary costs.

Planning Commission (2008) in their report called “Hundred steps” has included insurance, pension, financial literacy and remittance also in financial inclusion besides banking sector.

Global Financial Development report -2014 (World Bank,2014a) mentions that financial exclusion deserves policy action if it is driven by barriers that restrict access by individuals for whom the marginal benefit of using financial services would otherwise be greater than the marginal cost of providing the services.

2.1.3: Financial Inclusion : Some Exclusion Aspects/Definitions

Mahadeva, M(2008) while examining financial growth in India commented that some authors while arguing for financial inclusion, made more elaboration of the financial exclusion and its manifestations.

Mohan, Rakesh(2006) has defined financial exclusion as the lack of access by certain segments of the population of the society to appropriate low cost, fair and safe financial products and services from mainstream providers

Sinclair (2001) has given a succinct definition of financial exclusion as the inability to access necessary financial services in an appropriate form.

Molyneux (2007) commented that Financial Exclusion is invariably experienced by the poorer member of the society more.

Leeladhar, S(2006) argued that financial exclusion may result in difficulties in gaining access to credit, a general decline in investment, increased unemployment, social exclusion, getting credit from informal sources at exorbitant rates, increased travel requirements, higher incidence of crime and so on.

Thorat, U (2007) commented that financially excluded population comprises marginal farmers, landless labourers, oral lesses, self employed and unorganized sector enterprises, urban slum dwellers, migrants, ethnic minorities, senior citizens and woman

It is seen that countries with the highest level of income inequality and people with history of bad debts have the highest level of banking exclusion (Kempson, E 2006)

Anderloni and Carluccio (2007) mentioned that financial exclusion has deep impact on a major part of an individual's life relating to his very subsistence, security and participation in the economic and social life. They have identified the most important reason for being concerned with financial exclusion that it often leads to social exclusion. So for social uplifting of the underprivileged section of the society, financial inclusion is very important.

Dasgupta, Rajaram(2009) while quoting Anderloni et al(2007) noted 6 causes of financial exclusion. They are:-

(a) Geographical:- Non existence of branches in an area.
(b) Access Exclusion:- Restricted access because of bank's risk assessment process
(c) Condition exclusion:-The conditions related to the products failing to meet needs.
(d) Price exclusion:- Charges associated with the service or product are very high.
(e) Marketing Exclusion:- Strategic exclusion of certain markets.
(f) Self exclusion:- Some section of the population refuse to approach banks believing that any request would be turned down

United Nations (2006) identified various hindrances that adversely impact the financial inclusion such as lack of confidence in financial institutions, unsuitable products, gender bias, financial illiteracy etc.

2.1.4 : Financial Inclusion : Historical Perspective

It would be pertinent to briefly dwell on the build up to the recent enhanced emphasis on financial inclusion in the world today. Standard literature on the subject from the authors like Mani, N (2015), Karmakar ,Bannerji, Mohapatra (2011) and Moodithaya,MS (2012) have given accounts of events leading to build up on financial inclusion efforts worldwide. This historical perspective is summarized in the following sub segments.

2.1.4.1: Worldwide Enhanced Emphasis on Financial Inclusion

The current emphasis on financial inclusion for the excluded population originated in the initiatives taken by the United Nations Capital Development Fund (UNCDF). UNCDF is affiliated with UNDP and it is a capital investment agency for world's 48 least developed countries. It creates new opportunities for poor people by increasing access to micro finance and investment capital. Focusing mainly on Africa and poorest countries of Asia, it provides seed capital – grants & loans and technical support to Micro Finance Institutions. UNCDF in the year 2006 started a worldwide initiative named "Building Inclusive Financial Sectors for Development".

UNCDF underlined the broad framework and parameters 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.

Giving a boost to the efforts of financial inclusion, UN General Assembly designated the year 2005 as the International Year of Micro Credit. This was aimed at building Inclusive Financial sectors to achieve Millennium Development Goals.

G-20 countries with their Toronto summit declaration (June 26-27 , 2010) outlined the "Principles for Innovative Financial Inclusion". This is a guide for policy and regulatory approaches for innovative, adequate, low cost financial delivery models, conditions for fair competition and incentive for banks and insurance.

The World Bank Group of Institutions is also working relentlessly for financial inclusion. The World Bank Group now conducts financial inclusion projects in more than 70 countries through such vehicles as the IFC's network of financial institutions and funds, the new Financial Inclusion Support Framework, the Global Financial Consumer Protection and Financial Literacy Programme. Most importantly in collaboration with Bill and Melinda Gates Foundation, World Bank has created the global Open datasets viz. Global Financial Inclusion Database (Findex). Besides in 1995, World Bank established a consortium of high level public and private funding organizations named CGAP (Consortium Group to Assist the Poor) and its purpose was to support the growth of microfinance. It established norms, metrics, and best practices for the industry.

It may be mentioned that leaving aside developing and poor countries of the world, even developed countries are also affected by Financial Exclusion. Type and degree differ from developing countries. Empowerment of disadvantaged group is needed in developed countries also. Countries like UK. USA, Canada, France have acts to prohibit discrimination in providing financial services to the less privileged section of the society. Community development groups in USA frequently identify the need for a local bank presence as a priority for economic improvement. Government led neighbourhood development programmes in the United States offer incentives to banks that establishes branches in low income neighbourhoods and those give loans for community development projects. In Sweden and France, banks are legally bound to open an account for anybody who approaches them. Canadian law requires banks to provide accounts without minimum balance requirement to everybody regardless of employment and credit history. In US, the community Reinvestment Act (1977) is intended depository institutions to help meet the credit need of the communities in which they operate. Among the neighbouring countries, Bangladesh has been the pioneer in the world in extending credit to marginal sections of the society through the Grameen Bank Experiment.

2.1.4.2: Financial Inclusion Efforts in India

In India till the late sixties the role of banks in economic growth, was largely ignored. From 1960s, India enters financial activism from financial neutrality. In 1969, 14 commercial banks natilonalised. In 1980, 6 more banks nationalised. However , prior to 1991, banks functioned in an environment of highly regulated administered rate structure, quantitative restrictions on credit flows, fairly high reserve requirements and pre-emption of lendable resources to priority and government sector

The connection between economic growth and financial development was well recognized in India particularly after economic reforms in 1990s. A wide as well as focused approach was in effect followed from 2005, when RBI decided to implement policies towards achieving financial inclusion. Major policy initiative taken during the year 2005 included board approved Financial Inclusion Policy by banks keeping a balance between financial inclusion and the soundness and stability of financial system. Since then the efforts made by the RBI and the Indian banks for financial inclusion could be glanced through the following points:

(a) Vide midterm review of Annual Policy Statement for 2005-06, RBI advised banks to align their policies with the objective of Financial Inclusion . 'No Frills account' for the economically disadvantaged section of the population was introduced. 'No frills account' refers to an account with 'Nil' or very little amount of 'minimum balance requirement'. All private and foreign banks operating in India were also advised to introduce "No frills account".

(b) The banks were advised by RBI in Dec 2005 to introduce General Credit Cards (GCC) with credit limit upto Rs 25000. Based on assessment of income and cash flows of the household this credit is to be extended without insistence on security or end use of credit

(c) In Jan 2006, banks were permitted to utilize services of NGOs (SHGs, micro finance institutions and other civil society organizations) as intermediary in providing financial and banking services through the use of Banking Correspondent(BC) model. BC allows 'cash in cash out' at the location of BC and it promotes branchless banking particularly in the unbanked rural areas.

(d) RBI advised the banks in Oct 2006 to invariably offer the passbook facility to all savings bank account holders and not levy any charge on the customers. Non issuance of passbooks could indirectly lead to their financial exclusion.

(e) Emphasis was put on extensive use of ICT to simplify banking for the benefit of customers.

(f) In Dec 2009, branch authorization process was simplified. Domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centres with a population of less than 50,000 under general permission, subject to reporting.

(g) In the year 2009, Banks were advised to draw up a road map to provide banking in every unbanked village having a population over 2000 by the year 2012 either through brick and mortar model or through ICT. 73000 such villages were identified and allotted to various banks through SLBC.

(h) Gradually 'Know your Customer' (KYC) requirements have also been simplified for easing out the process of financial inclusion

2.1.5: Financial Inclusion : Its Importance

Demirguc-Kunt et al(2014), while examining global Findex database-2014, writes that financial Inclusion has been broadly recognized all over the world as critical in reducing poverty and achieving inclusive economic growth. Financial Inclusion is actually not an end in itself but a means to an end. When people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and absorb financial shock. Access to bank accounts & payment mechanisms increases household savings , empowers women, and boosts productive investment and consumption. The benefits go beyond individuals. Greater access to financial services for both individuals and firms may help reduce income inequality and accelerate economic growth.

Global Financial Development Report 2014 (World Bank, 2014a) observes that financial Inclusion at the most basic level starts with getting a bank account, but it should not stop there because with regular use only do people benefit from having an account. Digitisation of payments by moving away from cash based payments can play an important part in giving desired benefits of financial inclusion. There are lot of possibilities in digitizing wage payments, Government transfers, payment of school fees and utility bills etc.

Digitisation of payments can enhance security of payments and thus reduce the incidence of crime associated with them (Wright and others 2014). It can also increase the transparency of payments and thus reduce the likelihood of leakage between the sender and receiver. (Muralidharan, Niehaus, and Sukhtankar 2014).

Shifting to digital payments mode in respect of Government transfer payments could open the first entry gate into the formal financial system for the poor and the needy. This in turn can lead to significant increase in savings and substitution of formal for informal savings. (Aportela, 1999; Prina 2012; & Batista and Vincent, 2013)

Global Financial Development Report 2014 (World Bank,2014a) recognizes that a well functioning financial system serve a vital purpose by offering savings, payment mechanism, credit and risk management services to the individuals and firms. A financial system will be called inclusive when it is used by a high share of individuals and firms. Without inclusiveness in financial systems, people will have to rely on their own savings to invest in education or becoming entrepreneurs. This can lead to persistent economic inequality or slow economic growth.

Financial exclusion or lack of access to finance may lead to poverty traps and inequality (Aghion and Bolton 1997, Galor and Zeira 1993). The authors showed that due to lack of access to financial markets poor people cannot invest in their education, despite their high marginal productivity of investments. Banerjee and Newman (1993) showed that the occupational choices of the individuals (whether become an entrepreneur or remaining a wage earner) are limited by their endowments like education and access to finance etc. These occupational choices have long run implication for growth and income distribution.

2.1.6: Financial Inclusion: User Level Data Studies

Global Financial Development Report 2014 (World Bank, 2014a) mentioned that until the publication of Findex Data Base by the World Bank, the measurement of financial inclusion across the countries had focused on density indicators such as number of bank branches or ATMs per capita etc. Data of these types are compiled by surveying financial service providers and the country wise data on these parameters are available in the Financial Access Survey database of International Monetary Fund for 187 jurisdictions from 2001 to 2011. Beck, Demirguc Kunt and Martinez Peria (2007), Kendall, Mylenko, and Ponce (2010). had used these data for measurement of Financial inclusion. But these are not user side data. Data collected through the financial diaries methodology used by Collins et al (2009) provided important insights into sheer number of financial transactions undertaken by the poor. However a comprehensive user side data across the income groups of various countries were still awaited.

The gap in data about the global reach of financial sector from the view point of actual users has been covered by Findex dataset covering aspects like account ownership, payments, savings and borrowings.

The Global Financial Inclusion database (Global Findex) prepared under the aegis of World Bank is the first user side data set of indicators that measure how adults in 148 countries (including India) save, borrow, make payments and manage risk. Database was built by World bank in cooperation with Bill and Melinda Gates Foundation and Gallup, Inc(World Poll Survey) They provide systematic indicators on the use of different financial services , measuring how adults in these countries manage their day to day finances and plan for the future. The indicators are constructed using survey data from interviews with more than 150,000 representative and randomly selected adults over the 2011 calendar year. 40 indicators are there related to account ownership, payments, savings, borrowing, and risk management. The second dataset in this series was published in 2014. In this series another sample survey was conducted in 2017 but the detailed analysis of the same are not available, so analysis of 2011 and 2014 data are included here.

Demirguc-Kunt and Klapper (2013) has made an analysis of the first set of Findex Data. The data show 50% of the adults worldwide are banked i.e. have an account at formal financial institution, but the account penetration varies across countries by level of economic development and across income groups within the countries. Barriers reported by the unbanked include cost, distance, documentation requirements etc.

At the country level, the Findex 2011 data show sharp disparities in the use of financial services between high income and developing countries, confirming the finding of previous studies done in developing countries such as Beck, Kunt, and Peria(2007), and Cull, Kunt and Morduch (2013). As per Findex 2011, the share of adults in high income countries who are banked ie having an account at a formal financial institution is more than twice that in developing countries

At the individual level, the Findex 2011 data also show significant variation in financial inclusion across individual characteristics such as income. The inference is that across the world, wealthier adults tend to make greater use of formal financial services. For instance, in developing countries as a group , adults in the highest 20 % of income earners are more likely to have an account as those in the lowest 20%.

Demirguc-Kunt, Klapper, Singer, and Oudheusden in their 2014 paper (Demirguc-Kunt et al ,2014) have analyzed the findings of Findex 2014 which reveal that 62% of adults worldwide have an account at a bank or another type of financial institution or with a mobile money provider(In 2011 it was 51%.) Between 2011 and 2014 700 million adults became account holders while the number of those without an account dropped by 20 per cent to 2 billion. This growth of 13 percentage points in account penetration mainly occurred in the developing countries and this has happened basically due to innovations in technology. However the extents of account ownership still vary widely around the world. In high income OECD countries account ownership is almost universal 94% of adults reported having an account. In developing economies only 54 % did. There are enormous disparities among developing economies, where account penetration ranges from 14 per cent in the Middle East to 69 % in East Asia and the Pacific Region. Data also show that challenges still remain to increase financial inclusion especially among the poor and women. Government and the private sector can play a positive role in this respect by shifting the payment of wages and transfers from cash payment to directly transferring into accounts. Gradually it may be expanded to using of bank accounts to pay utility bills, school fees etc.

The Global Findex database defines account ownership as having an account either at a financial institution or through a mobile money provider. The 2011 database defined account ownership as having an account at a financial institution only. The 2014 definition was changed to reflect changes in the financial sector. Even so comparisons can be made very easily because except for Sub Saharan Africa, the mobile money accounts are insignificant on an average. Financial Institution includes bank, credit union, cooperative or micro finance institution. The definition of mobile money account is limited to services that can be used without an account in a financial institution. Adults using a mobile account linked to their financial institution are considered to have an account at a financial institution.

Findex 2014 show great progress, but large gaps remain. Many especially poorer adults and women do not possess accounts. Among adults in the poorest 40 per cent of the households within individual developing countries, the share without an account fell by 17 percentage points on average between 2011 and 2014. Yet more than 54% remain unbanked.

The gender gap in account ownership is not narrowing. In 2011, 47 percent of women had an account compared to 54.5 percent for men. In 2014, 58% of women have an account, and 65% of men do. This reflects a persistent gap of 7% points globally. In developing countries the gender gap remains a steady 9 percentage of points. (Demirguc-Kunt et al, 2014))

2.1.7: Income level as the Determining Factor for Financial Inclusion

Global Financial Development Report 2014 (World Bank, 2014a) points out that the share of adults with a bank account in developed economies is more than twice the corresponding share in developing ones. If one compares actual usage, disparity is even larger. Worldwide 40% of adults regularly use a bank account. In case of the bottom 40% of income earners in developing countries, only 23 % regularly use account which is about the half the participation rate among the rest of the population in those countries. The corresponding participation rate for the developed countries is 81% and 88% respectively.

Demirguc-Kunt and Klapper(2012) found that Country level income, approximated by GDP per capita seems to account for much of the massive variation in bank account penetration worldwide. In most countries with GDP per capita above $15000, account penetration is essentially universal (exception Italy and USA with account penetration at 71% and 88% respectively). Using regression method, they found that national income explains 73% of the variation around the world in the country level performance. Account ownership goes hand in hand with income equality .They show that within country inequality in the use of formal accounts is correlated with the country's income inequality. They found a relatively high correlation between account penetration and the Gini Coefficient as a proxy for income inequality. As income inequality rises, account penetration tends to fall. This association seems to hold even if one controls for national income and other variables. However, in depth analysis suggest that other factors such as quality of institutions in an economy also play an important account penetration as well as income level and inequality- they added.

They also commented that a disparity in financial inclusion is larger in among different population segments. People who are poor, young and unemployed, out of work force, or less well educated, or who live in rural areas are much less likely to have an account.

Global Financial Development Report- 2014 also mentions that account ownership goes hand in hand with income equality; the more even the distribution of income within a country, the higher the country's account penetration. What help in the matter are lower banking cost, proximity to finance providers, fewer documentation required etc.

Global Financial Development Report- 2014 also points out that within individual countries, use of financial services is rather uneven. Densely populated urban areas show a much higher density in retail access points and greater use of financial services than in rural areas. Despite the growth in mobile money and other technologies, being near to the retail access point is still important for use of financial services by individuals. It is especially true for the poor who are less mobile and have less access to technologies. But service providers and policy makers have issues here in providing retail outlets nearer to everybody.

2.1.8: Cross Country Differences in Usage of Accounts

Data on frequency and methods of use of the accounts shed light on some stark differences between high income and developing countries. Demirguc-Kunt and Klapper(2013) write that in developing countries , 10 % of account holders (more than 150 million people worldwide) maintain what can be considered as inactive account; they make neither withdrawals from nor deposits into their account in a typical month. (although they may be maintaining a positive balance). In contrast 2% of the account holders in the high income countries have inactive accounts. Majority of adults with a formal account in developing countries make deposits or withdrawals only once or twice in a typical month. In high income countries, by contrast, more than half of account holders withdraw money from their accounts six or more times in a typical month. ATMs and electronic payments systems facilitate access to accounts. Adults with formal account in high income countries report most commonly using ATMs for withdrawals. Those in developing countries report most commonly making withdrawals over the counter, in a branch of their bank or at other financial institutions.

Regarding various reasons for maintaining an account, Demirguc-Kunt and Klapper(2013) write that using a formal account to receive wages is most common in high income countries, where 50% of adults report using an account for this purpose , compared with 14% in developing countries. Relying on an account to receive payments from the government is most common in high income countries, where 47% of all account holders report having used their account for this type of transaction, compared with 6% of adults in the developing countries. Accounts are also used to send money or to receive money from relatives by 21% of account holders in developing countries.

Solo, Maria Tova (2008) while studying the urban areas in Latin America has identified the characteristics of those who are unbanked and the range of reasons for their exclusion. The author looked at financial inclusion in terms of having a formal basic deposit service. His Studies in Mexico city, Bogota in

Columbia and in several Brazilian cities suggest that in these countries somewhere between 65 to 85% of households do not have any kind of deposit account in any formal sector financial institutions. This is dramatically different from the advanced countries like USA or Germany. His study also reveal that the unbanked show other characteristics of marginality like lower average incomes and lower educational levels than the population at large. The unbanked had higher representation among minority, migrant population and people living in informal settlements. The author further writes that the unbanked are more likely to be self employed which is euphemism for informal sector workers. That informal or irregular workers tend to be unbanked could also be a function of bank's preference for clients with steady employment reflected in the requirement for references and proof of income. It was found that fewer than one quarter of the families in the lowest 40% of the income distribution (those earning less than half of minimum wage) are banked. 72% of the self employed are unbanked, as are 81.5% of domestic workers and 78% of unpaid workers in family business. Bank prefers clients with steady employment, author writes. Another notable observation is that the unbanked have lower incomes and lower levels of educational attainment than those having bank accounts.

According to Solo, Maria Tova (2008), in Columbia and Mexico, the primary reasons given for not using bank or formal sector institutions are insufficient resources, high charges and mistrust/discomfort with banking institutions. Only 3% reported bank location is a barrier. It is further mentioned that negative reactions towards banks were a function of the fact that they were anticipating rejection from the bank before approaching.

The same author also quoted a study in Bogota city done by Solo and Manroth (2006) linking banking scenario with income deciles. It was found that in the first decile , nearly 80% of people are unbanked while at the highest 10th decile only 22% people are unbanked. The same study also found that among the occupation groups, in terms of percentage, domestic workers had maximum around 78% of people unbanked which is higher than even students but in case of the people having regular employment the percentage is around 50%.

Solo, Maria Tova (2008) concluded that the basic reasons for high financial exclusion are high initial deposits, minimum balance and documentation requirements of the banks. There is also psychological barrier as the poor also rarely feel welcome in bank branches.

2.1.9: Aspects of Financial Inclusion in India

The IIMS survey 2007 as quoted in Raghuram Rajan Committee report (Planning Commission,2008) says that only 14% agricultural wage labourer had bank accounts vis a vis 95% of businessman. Similarly, only 34% of the lowest income quartile had cash savings vis a vis 92% in the highest income quartile . Among the cash savers, 86% in the highest quartile had access to banks compared to only 50% in the lowest quartile. With regard to credit, it was found that 30% in the lowest quartile had taken a loan vis a vis 16% in the highest quartile. But in the lowest quartile out of the loans taken, only 10% were bank loans against 50% in the highest quartile. In terms of insurance cover, 14% of the lowest quartile had such covers against 69% in the highest quartile.

Dangi, Vandana (2012) while examining the saga of the Indian Financial Inclusion Programme mentions that commercial banks, cooperative banks, regional rural banks and micro finance programmes have been playing a vital role in removing financial exclusion in India.

Kamath, Rajalaxmi (2007) while comparing earlier social banking regime of the country with the current emphasis on financial inclusion, commented that the Banking sector in India is making concerted efforts to increase the degree of financial inclusion in the system. However she cautioned that India has to make a conscious departure from the directed and scheme based lending of the social banking regime to more demand driven lending, if the country is to achieve proper financial inclusion. The formal credit sector has to be sensitised to the financial needs of the potential borrowers like marginal and small farmers, wage labourers , informal traders, and rural non farm enterprises, among others . For such BPL and near BPL borrowers, credit will be needed for income and consumption smoothening, health and other emergencies, financial life cycle events (birth, marriage, death etc.), purchase of small productive assets like livestock, working capital loan etc. Lines of credit will have to be small because of their low risk bearing capacity she writes.

Chakravarty (RBI,2013a) mentions that only the mainstream regulated financial players like scheduled commercial banks are capable of bringing about meaningful financial inclusion as they have the ability to make the necessary investment in the building phase and also cross subsidize the services in the initial stages till they became self sustaining. The focus is mainly on the banks as the principal vehicle for financial inclusion because only the banks can offer the entire range of products to facilitate meaningful financial inclusion. Over the years the banks have simplified their processes to make their services accessible to common people.

While examining the phenomena of urban financial exclusion of low income groups former RBI Deputy Governor KC Chakravarty(RBI,2013a) mentions that their low and irregular earnings, bigger family size with single earning member, inability to produce adequate documentation and financial illiteracy are the main hampering factors. They are also deterred by problems in understanding language, inconveniences related to travelling, waiting time and other conditions come with formal financial system. As a result, even those who have money continue to keep these savings either at home or prefer to participate in informal saving schemes like chit fund.

Ananth and Sabri (2013)'s study in Andhra Pradesh indicate that the poor in the rural areas by virtue of being members of various SHGs get normally linked to various banks through SHG banking linkage programme, thereby forming a "quasi formal" sector. But around 25% to 65% of rural poor people migrate to a city in search of employment and once they move to a city, they are forced into a large informal economy and become unable to access to any of the formal structures such as government welfare and SHG network mainly because of lack of legal documents such as identity cards and the manner in which government welfare programmes are structured.

With reference to the rural formal financial institutions, Kaladhar(1996) had examined the developments and attempted to develop an operational framework for implementation in the Indian context. He mentions that the requirement of financial services for rural poor households are mainly consumption smoothening, human capital formation, production and investment credit, insurance in addition to savings facilities. While informal sector provides most of these services, the formal rural financial institutions have inappropriate tools and perspectives in delivery of services. Unless institutions retool themselves focusing on a rural household economy rather than limiting them to activity linked lending, they cannot be successful.

In a study conducted for World Bank, the nature and demand for financial services by rural poor in India was assessed through a client survey by Mahajan and Gupta (1995). It was found that in terms of current usage, the priority across different types of financial services among rural poor was consumption credit, savings, production credit and insurance. Consumption constitutes two thirds of credit usage, the rest being for production credit. Consumption included illness, household expenses during lean season etc. The usage of financial savings is low by the rural poor with themselves assessing a large gap between their current savings and potential savings. In all, savings accounted for 5% of the income. The usage of insurance service was very low.

As per Report of the Committee on Financial Inclusion (Ministry of Finance, 2008) , 112 million rural households of both cultivators(57.91%) and non cultivators(41.61%) are not availing any services from organized financial system in India.

Mahadeva (2009) did a study of extent of financial inclusion/exclusion in Sindhuvalli Grama Panchayat(GP) in Mysore district in Karnataka situated around 15 km away from Mysore. The GP area did not have any branch of scheduled commercial bank or Regional/Rural Bank. Respondents include marginal farmers, landless labourers, self employed, unorganized enterprises, oral lesses, migrants, minorities, scheduled tribes, woman headed households, senior citizens. These category of people are generally expected to be excluded from financial services of the financial institution of the country (Thorat, 2007, Mohan 2006). His study reveal that informal sources are the means of credit and only few families who got compensation cheques received from Government for land acquisition had opened bank accounts in the nearby town.

Kamath, Rajalaxmi (2007) writes that for proper financial inclusion of the excluded households, emphasis will have to be on providing small saving products, micro insurance and remittance payment services. Packaging of credit with minute variations in its attributes like magnitude, form of disbursement and recovery, duration and support service making it more flexible and suited to individual requirement of borrowers would be very effective. It was emphasized that viability of a loan depend not only on credit but also on complementary activities like financial counseling, insurance, savings and other extension activities There is a need for change in the mindset of the formal sector agencies. They have to learn to look at the poor and vulnerable as creditworthy.

Bhatia,N and Chatterjee,A(2010) conducted a study in 4 slums in Mumbai. It was found that in these areas which are amidst the financial capital of India, only 1/3 rd of the respondents had bank accounts. Another interesting point that despite the presence of many private sector banks in the vicinity all respondents had accounts in public sector banks or urban co-operative banks only. Usage of the bank accounts were also found to be minimum as only 1% of the respondents took loans from banks and that too mainly for consumption. But around 10% of the respondents have been taking loans from informal sector. Out of the 72 respondents who did not have bank accounts, only 8% stated that they had ever tried for opening account. So the respondents could not perhaps repose full faith in the banking system. Among the persons who did not have bank accounts, 4/5th of them do not do any savings nor do have any desire to save. So there is a huge scope for doing financial literacy campaign on the virtues of savings and benefits of being linked to formal banking system. It was also found that Mobile penetration is higher than the banking penetration and significant convergence was evident between two parameters so there is enormous possibility of mobile banking in urban areas.

Another study conducted by Rupambara (2007) in a slum area of Delhi shows that nearly 58% of the families in the sample do not have an account either in bank or in post offices despite being surrounded by 13 bank branches.

Sarkar and Phatowali (2012) while studying financial inclusion in Assam, found that in Assam, as on March, 2010 there were 1477 no of bank branches and out of these 322 are located in urban areas. 1.69% of the total bank branches of the country are located in the State. They account for 1.06% of the country's total bank deposits and a mere 0.54% of the bank credit. On an average 38.8% of population in the state maintains any savings account against the national average of 51.6% as on March 31, 2011. Per capita amount in saving amount in the state is Rs. 7,819/- against the All India average of Rs. 12,115.

As for the situation in rural Assam, a study conducted by Centre for Micro Finance Research, IIBM, Guwahati (2010) in lower Assam has listed some non-institutional sources upon which the households are depending for financial needs like - Landlords, Agricultural Money Lenders, Professional Money Lenders, Traders, Relatives, Friends, Professionals like Doctors, Lawyers etc. Most importantly in the Nalbari, Kamrup and Barpeta districts, ASCAs (Accumulated Savings & Credit Associations) traditionally called 'Xonchois' are playing a significant role in catering to the financial services needs in the rural areas of these 3 districts. Their study also found that in Assam, the average loan size is very small as compared to all India average. This extremely small size of the loans are normally not catered to by formal banking sector. This is also one of the reason for which people approach informal sources. Since the need for frequent but small loans is high, people take membership of several 'Xonchois'.

Sharma, Abhijit (2009) of Indian Institute of Bank Management did a study of rural financial markets in Assam. He found that the role of formal sector in the rural financial markets of Assam has been low; it has in fact been reducing since 1991, after the onset of Banking Reforms in the country. The banks suffer from perception of high risk in dealing with the market which has been borne by the poor repayment record. This has made them shun the rural financial markets and deal mostly with the urban markets which they find easier to understand and physically close. Low literacy rate has also been one of the prime factors for the poor penetration of the formal sector into the rural financial market of the state. The financial landscape in the state is however, dominated by informal sector which provide variety of financial products and services.

Rabha, Reema (2012) in her study of financial inclusion in Udalguri District found bank penetration to be very low. Only Assam Grameen Vikash Bank, Assam Cooperative Apex Bank, United Commercial Bank and State Bank of India have some presence through few branches in the district.

Talukdar, Umesh (2003) of Nalbari College did a study in the pattern of Rural Savings and investment of the Nalbari district in Assam. Some of his findings are-

(a) High income group of general caste people tend to save and invest more than the high income groups of SC/ST population.

(b)Savings and investment of lower income groups of SC people are almost nil as they lack foresightedness. Most of them are illiterate and consume whatever they earn. They have irregular income depending on gain from agriculture and fishing activities.

(c) For the rural people, saving is not invested for increasing their return. There is a gap of saving and investment. However, as soon as the household income increases the gap between saving and investment decreases.

(d) For the higher income groups banks occupy first place for putting deposits followed by LICI and Post Offices.

(e) Lower income groups prefer to save in other heads like Development of Land, Livestock and Agricultural Equipments, etc. They do not have sufficient income to save in financial institutions.

(f) It is also revealed in field survey that a large numbers of Mutual Funds are operated by Govt. servants, farmers, housewives, youths in almost majority of the villages in the district. They have collected huge amount as weekly, monthly contribution. Their accumulated contributions are used to lend out to the needy people at a different rate of interest. In turn, the Mutual Funds help to increas**e** the earnings of the contributors.

2.1.10 : Perceptions of Banks by the Poor

Ananth and Sabri(2013) writes that the participation of the poor in the informal sector give rise to pervading and powerful stereotypes such as that they do not have any assets and savings and that though they need credit, they require no other financial services. Actually the banking system has not been able to meet the demand for saving products that meet the requirement of the poor.

In matters of the delivery of financial services, the borrowers had opined in another study of Rajasekhar and Vyasulu (1991) that the attitude of the bank officials was indifferent to them. In addition, it was interestingly noted that the time taken to get a loan sanctioned was inversely related to the size of the land holding. Many in the low income groups felt that it was better to obtain a loan from a moneylender than to go through ordeal of bank procedure (Gupta and Shroff (1990).

Ranjani, KS and Bapat, Varadraj (2015) conducted a study across 550 respondents in Maharastra who belonged to the poor and marginalized section of society and who were borrowers of microfinance institutions . The aim of the study was to ascertain whether they had bank accounts and also about their perceptions about bank accounts. The study concludes that merely having an account with a bank did not result in the borrowers using the bank services and they preferred to deal with institutions that offered more flexible services than banks. To be able to achieve financial inclusion, it is not enough if bank accounts are opened. Banks must also look at flexibility and timelines in services to be able to give a complete package to this segment of the population.

Ranjani and Bapat (2015) while commenting on the depth of financial inclusion mentions that efforts have been concentrated to increase outreach, but the depth of inclusion can be measured only by the increase in banking habits of the target beneficiaries. While banking penetration has been increasing steadily, the same cannot be said about the banking habits of the people as several bank accounts remain dormant giving a pointer that outreach alone cannot be sufficient.

Baydas et al (1997) commented that financial services for the poor have come to be regarded at the corporate level as a second class activity within an unsupportive organizational culture due to the social distance between bank staff and poor customers.

Everett and Savera (1991) wrote that bank staff resist visits to Indian slum areas, have difficulties gaining information about clients and experience ambiguities in bank goals. While addressing specific challenges faced by banks in financial inclusion, Kumar and Mohanty (2011) concluded that banks needed partnership with likeminded players till sufficient experience was gathered and successful models evolved.

While commenting on the attitude of banks Ranjani and Bapat(2015) also write that the banks have succeeded in reaching several people at the lower economic strata , yet the account holders are not comfortable in approaching banks for their credit needs . There are perception issues leading to borrower's reluctance. Banks seem out of their league for a vast section of poor people and products are relatively complex. The fear of rejection on the part of the poor people is very strong as well as their inability to communicate their requirements to the bank. Stringent documentation also makes several borrowers ineligible. Time taken to sanction a loan also a factor. Quantum of loan requirement is also not very high and borrowers are reluctant to approach banks for small denomination loans.

Chakravarty (RBI, 2013 a) also attributes limited success of the financial inclusion to the less than positive attitude and mindset of the service providers.

Ranjani and Bapat (2015) also commented on the success and failures of the "No frills account" promotion by RBI. In order to increase the banking services by the poor, RBI advised banks to open no frills account (NFAs). NFA is a basic bank account. Such account requires either "nil" minimum balance or very low minimum balance. Charges applicable to such accounts are limited. On the success side, at the end of March 2008, 1.58 crore NFAs had been opened in the country as per RBI data. On the constraint side they quoted a study done by Thyagarajan and Venkatesan(2008) which revealed that in the Cuddalore district in Tamil Nadu the bulk of accounts opened (85 to 90%) remained inoperative even one year after the accounts were opened.

2.1.11: Index of Financial Inclusion of Indian States-

Measurement of financial inclusion through some comparable indices is necessary to study the impact of various initiatives by stake holders and to decide on the future course of action. Until recently, the various indices developed took into account only banking related initiatives. But the recent focus on financial inclusion has also included other financial services like insurance, pension, financial literacy and remittances in its fold. By taking a comprehensive list of parameters Dilip Amberkhane and Others (2016) have calculated some relevant and comparable indices for the Indian states. They have developed measures based on three dimensions namely demand, supply and infrastructure. The index also takes into account the impact of negative factors termed as drag factors on financial inclusion. The index for 21 major Indian states and rankings are done. One can see that in Comprehensive Financial inclusion Index, Assam's position is 14 among 21 states while Kerala and Goa are taking top 2 positions. In terms of demand Index, Assam's rank is 10, in Supply side Index Assam's rank is 16 and in case of infrastructure index Assam's rank is again 16.

CRISIL had developed an index called INCLUSIX in 2013. The index intends to measure the country's progress on financial inclusion by measuring 3 parameters namely branch penetration, credit penetration and deposit penetration. The findings mention Kerala, Andhra Pradesh, Tamil Nadu (large states), Goa and Himachal Pradesh (small states) as the top scoring states. Bihar, West Bengal and Assam (large states) and Chattisgarh(small state) were the lowest scoring states in the list.

Bihari (2011) commented that in the country, financial inclusion has been extensively studied by taking into account three important dimensions namely banking penetration, availability of banking services and usage of bank accounts.

Sarkar and Phatowali (2012) have used available supply side secondary data to analyse the trend and measure the extent of financial inclusion in the country as well as the state of Assam . Based on the time series (1991-2010) data on selected parameters they have calculated a composite index of financial inclusion. The authors by using conceptual framework of Charkravarty & Pal (2013) have developed indices of financial inclusion for Assam for the period 1991-2010. The parameters used were —

(a) Number of bank branches per lakh population as parameter for availability of banking services.

(b) Number of accounts per 1000 population as parameter for banking penetration.

(c) Per capita credit and per capita deposit as parameter for usage of banking system. Further CDR is considered separately as a measure of usage dimension to multiply the effect of higher per capita deposit in comparison low per capita credit.

Sarkar and Phatowali showed that financial inclusion in Assam has been lower than that of India consistently during the period of study. Further the difference between the statuses of inclusion between the State and the country is widening over the period. State lags behind in respect of per capita deposit and per capita credit figures in comparison to the country. Financial Inclusion in urban Assam has been worse than national level throughout the period of study.

2.1.12: Role of Micro Finance in Financial Inclusion

Economic Literature have put lot of importance to Micro Finance as a means to alleviate poverty and increasing financial inclusion. The movement of microfinance started from Bangladesh Grameen Bank Experiment and in India the states like Andhra Pradesh took the lead. But the crisis occurred in Andhra Pradesh in 2011 -12 and subsequent forced intervention from the regulators brought a bad name to the movement. Prior to the crisis, Andhra Pradesh (AP) had created a commoditized microfinance market, presumably to address the financial needs of the poor.

Ananth and Sabri(2013) has written about the Andhra Pradesh (AP) experience in Micro finance. The AP experiment was fairly unregulated microfinance led by the private sector and supported by RBI imposed priority sector lending requirements for banks. Dependence on private equity is the limitation of the model in terms of expanding financial inclusion which is essentially a government directed programme. The potential of this model for creating moral hazards and larger systematic problems were underestimated, at least until there was trouble.

According to Ananth and Sabri (2013), banks lent money to MFIs to fill the vacuum that was created by their refusal to lend to the poor. The challenges to Financial inclusion in AP include a combination of structural economic peculiarities (the natures of informal economy, internal migration and financial illiteracy) and issues to do with banking bottlenecks (the limited network of banks, lack of relevant products and lack of will among banks).

In spite of extolled as tool for poverty eradication, the microfinance loans were high cost ones which could be accessed by anybody able to form a group either as SHG or a joint liability group . According to Ananth and Sabri(2013) , ever increasing credit and multiple loans became the bane of the microfinance movement.

Increased lending by MFIs did not lead to any growth in incomes of borrowers because only a small componrnt of debt was channelized into income generating activities. The survey results from Ananth (2011) shows that most of the loans were essentially to meet daily consumption needs , to pay for old loans , medical care , house repairs and education.

At the international level, Duflos and Glisovic-Mezieres (2008) discuss national microfinance strategies in some 30 countries, mostly in Africa, pointing out that usually the strategies have been initiated at the request of the donors. They find little evidence that the strategies have influenced access to finance in the countries where they have been adopted. They identify some challenges, such as weak diagnostics, inadequate government leadership, unrealistic action plans etc.

Dwit Haase (2012) writes that the Grameen Bank's claims to alleviate poverty in Bangladesh are difficult to verify and are frequently exaggerated because Grameen tends to lend to people who already had favourable prospects for upward mobility before they began borrowing – not because of it . Many women had given part of their loan to their husbands which essentially mean the end user of credit is different.

Robin Isserles (2003) has questioned the logic of drawing the poor directly into an economic system that exploits them.

Haase(2012) also challenges the notion that microfinance could empower women without first changing broader structure of oppression in the society. Andhra Pradesh microfinance experience tells us that a sincere discussion is needed about proper role of finance in our daily lives not solely as a tool for economic growth but also as a way to empower people to lead better more fulfilling lives. Rather than depending on investors, microfinance providers could also return their ownership of their institutions to their borrowers, a fundamental invention of Grameen Bank. This would entail lower growth but would be preferable than the melt down observed in Andhra Pradesh.

2.1.13: Importance of Savings in Financial Inclusion

Studies done by Levine (1997), Rajan& Zingales (1998), Kempson and Whyley (1999), Mohan (2006) reveal that the financial institutions promote thrift, motivate individual/household for saving, and thereby increases access to financial services. The field data in Mysore district in Mahadeva (2009) 's study confirms this argument to a large extent ,though only limited success in gaining access to financial services was found to have been achieved due to absence of any public financial institution and motivation for thrift promotion/saving within the study area in rural Karnataka. Majority of the people opened accounts in the nearest town of Mysore to deposit the account payee cheques received as compensation for surrendering land for canal irrigation. Account holders maintain that they had conceded to the pressure of the bank manager to keep deposits. This only emphasize that the scheduled commercial banks have not achieved financial inclusion by their own efforts, but peoples initiative only. Situation is worrisome if this be the case of the rural areas attached to urban centers, the situation in the hinterland must be far worse still , he writes.

Sarkar and Phatowali (2013) while commenting on various saving modes adopted by unbanked adults in urban Assam mentioned that safety of deposits and banks providing saving avenues are the prominent reasons for the respondents to feel the need for a bank account. These reasons score much higher than loans or convenience. So people are now aware of the importance of saving in one's life. As regards factors affecting saving instruments choice of the respondents, they mentioned that safety is the most influential factor for the respondents on deciding a particular instrument for saving. It is followed by convenience, returns and transaction costs. It was also found that multiple number of socio economic factors, individual characteristics, awareness levels and financial factors like availability of loans, expected returns, convenience of transactions etc influence choice of various saving instruments.

Karmakar, Bannerjee and Mahapatra(2011) while commenting about role of savings write that if there is only a single product which all people who are not financially included opt for as a part of financial inclusion initiatives, it will be safe deposits in a bank. For the depositors, savings account enables easy access to money, interest earnings and financial relationship with the bank. For the bank, savings bank deposits, even if a no frill account, create the opening to build up relations, enabling sale of various products of banks and build up low cost CASA deposits. A good bank will try to secure at least 60 to 70% of funds through CASA deposits which are low cost and ensure full liquidity.

Qualitative evidence from the field demonstrates that poor people juggle complex financial transactions everyday and use sophisticated techniques to manage their finances, irrespective of whether they use formal financial instruments (Collins and others 2009). Evidence from field experiments highlights that people with access to savings accounts or simple informal savings technologies are more likely to increase consumption ,productivity and income, and investment in preventive health, and to have reduced vulnerability to illness and other unexpected events (Dupas and Robinson, 2011; Ashraf and others 2010).

Demirguc-Kunt and Klapper (2013) writes that the propensity to save differ across and within countries as well as the mode and purpose of saving also. As per Global Findex 2011, globally 36% of adults report having saved (in the sense of deliberately setting aside money) in the past 1 year, although this ranged from 30 percent in low income countries to 58% in high income countries. There are also marked differences in how people save. A proportion of adults do so using a formal account but many others, including some who own a formal account, turn to alternative methods of saving. Worldwide, about one fourth of adults report having saved at a bank, credit union or microfinance institution. Figure ranges from 45% in higher income countries to 24% in upper middle income countries, to 11 % in lower middle income and low income countries.

2.1.14: Importance of Credit in Financial Inclusion

Karlan and Zinman (2010) commented that access to credit has positive effects not only on consumption, employment and income status but also on mental health and overall outlook towards life of a person

Credit needs of the poor have been extensively studied by MYRADA. Their study in 1992 indicates that the poor require small but regular and urgent loans for consumption whereas their options are restricted to IRDP or similar activity based programmes designed and approved by the government which are very rigid in nature. Kaladhar(1996) writes that small loans from moneylenders were readily available but at an exorbitant rate. On the other hand, banks were not willing to lend small amounts nor would entertain loan for consumption, even though the largest number of loans were taken for this purpose.

Mahadeva (2009) in his study in Mysore district reveal that most of the self employed persons require credit to meet the capital requirement of their small ventures.

Rajalaxmi Kamath(2007) writes that viability and success of a loan taken by a borrower depends not only on credit availability but also on complementary activities like financial counseling, insurance, savings and other extension activities provided to the borrower. Financial inclusion therefore has to go beyond the provision of credit and related services to the vulnerable section. Credit should be at a viable rate of interest bundled with insurance and saving in a convenient and user friendly way. There is a need for a change in mindset among the formal sector agencies lending to the poor. They have to learn to look at the poor and vulnerable as creditworthy.

On the attractiveness of informal sources of finance vis-a-vis the formal banking sector Chakravarty (RBI, 2013 a) writes that informal services are attractive and pervasive in cities due to speed and ease and multiplicity of services offered by them. People even prefer borrow at high interest rates (5 to 6% per month) from the informal sector.

A study was conducted by World Bank in Mexico (World Bank, 2005) on the credit sources of the lowest 75% of income holders vis a vis the highest 25% of income holders. In case of both the group the major source is commercial store (hire purchase schemes) with 43% for lower income groups and 33% for high income groups. While in case of banks, 30% of the higher income groups took loans from banks compared to around only 8% for lower income groups.

Karmakar, Bannerji and Mahapatra (2011) writes that currently financial products are not designed from a total experience point of view. A vivid example was given in this regard. If a housewife borrows Rs 300 for buying food and repays 100 on day 7, 50 on day 15, 100 on day 32 and balance on day 45, the interest she pays is approximately Rs 15 at 60% per annum. If she takes a one year loan at 25% rate of interest from a recognized MFI on reducing balance basis and repays over one year, her interest cost will be Rs 40. In addition she has to attend monthly group meetings and make 12 monthly repayments This is cumbersome and because of this , she chooses the moneylender at 60 % per annum than the formal system at 25%. Thus the challenge for the financial system is to design products and services which are better than those provided by the informal system and provide a path to financial independence for the common man. As per the authors, the informal system works well in a feudal society where the aspirations of the common man are controlled. If society wants inclusive growth, then all the citizens need to be part of the formal system so that they have the opportunity to go as far as their abilities and hard work can carry them. For the country, the multiplier effects of all people being part of the formal system are huge. However, the resistance from the informal sector cannot be underestimated, they cautioned.

Demirguc-Kunt and Klapper (2013) while analyzing Global Findex 2011 database writes that overall rate of new loans from formal or informal sources is fairly uniform across country income groups and individual characteristics. On average, almost one third of adults in both high income and developing countries report having borrowed money in the preceding year.

2.1.15: Importance of Financial Literacy in Financial Inclusion

Consumers of financial services have to be financially literate and capable. The global financial crisis in 2008 has led to insertion of financial literacy and capability onto the global policy agenda of financial regulators. World Bank and other donors are also funding financial literacy programmes currently.

Global Financial Development Report (2014) has used a broader term ‘Financial capability’ which encompasses both financial knowledge (knowledge of financial products and institutions) and financial skills (for example , ability to calculate interest payments etc) . Financial capability more generally is defined as the ability to use financial services to one’s own advantage. Financial knowledge always does not translate into financial capability.

The same report also mentions that apparently from the policymakers perspective, non users of financial services is not an issue because their nonuse is driven by lack of demand. But the report points out that financial literacy can improve awareness and hence generate genuine demand for financial products. However there is a flip side also. Lack of financial literacy may also result in excessive use of financial services. Examples cited like -people may buy insurance policies or take credit which they do not actually need.

Finding from Maria Tova Solo (2008)’s studies in South America indicate that as education level increases the percentage of unbanked persons falls and percentage of banked person rises. The author found that approximately 15% and 25% respectively of those with less than an elementary school education and those with only an elementary school education do have bank accounts in formal sector institutions.

Solo and Manroth (2006) found through their study in Columbia that education has higher correlation with availing formal banking system. Among the group who had not completed their primary education, around 85% are unbanked. This percentage is gradually going down as education increased and for those who completed higher than secondary level studies; the percentage of unbanked is only around 20%.

There is growing evidence that certain type of financial literacy programme can improve financial knowledge and affect behaviour. Global Financial Development Report (2014) has thrown light on the effectiveness of financial education programmes. Debate on financial inclusion had often focussed on supply side issues such as creation of financial services that are appropriate for low income consumers. Less attention has been paid to demand side and to understand why attractive services, such as affordable basic bank accounts have generated only limited take up. Using experimental evidence on Indonesia, Cole, Sampson, and Zia (2011) have evaluated the impact of a financial literacy intervention and monetary incentives on the decision to open a bank account. When households surveyed for the research were asked if they would open an account if there were no fees, 58% responded they would. Additional evaluations indicated that financial literacy is a significant indicator of the use of the bank accounts, but less important than other factors such as household wealth.

2.1.16: Government Policies for Financial Inclusion

Global Financial Development report (2014) emphasizes that the key role for the Government in financial inclusion would be to tackle (i) ‘asymmetric information’ in the formal financial market (leading to adverse selection and moral hazard issues) and (ii) high transaction costs. Asymmetric information and high transaction costs can generate first mover dilemmas and coordination problems that prevent the expansion of financial services to certain segment of the population (De la Torre, Gozzi, and Schmukler, 2007). In this regard, one example is given - a bank investing in a technology or business model that can reach underserved customers has to bear all the risks and initial costs if the experiment fails, but again if the experiment succeeds the bank can quickly lose market share if others follow its lead. Problems of this sort can promote under investment in effective innovations that can mitigate asymmetric information and high transaction costs.

Dwelling extensively on the role of the Governments, Global Financial Development Report (2014) indicates 3 areas for urgent attention (1) Development of legal and regulatory framework, (2) Supporting information sharing environment, and (3) subsidizing access or undertake other policies to expand financial inclusion.

The efficiency of the legal system matters hugely. Using databank level survey data for over 20 transition economies, Haselmann and Wachtel (2010) find that, if bankers have positive perceptions of the legal environment, they tend to lend more to the opaque borrowers such as households and small and medium enterprises.

Information asymmetries between people who demand and people who supply financial services can lead to adverse selection and moral hazard (Global Financial Development Report, 2014). In credit markets, adverse selection arises when information about borrower's characteristics is unknown to the lender. Moral hazard refers to a situation whereby the lender's inability to observe a borrower's actions might lead to opportunistic behaviour on the part of the borrower. In both cases, asymmetric information leads to rationing (situation where supply falls short of demand). Theoretical models suggest that information sharing can reduce adverse selection in markets in which borrowers approach different lenders sequentially. (Pagano and Jappelli, 1993). Moreover, information sharing can also have a strong disciplining effect on borrowers (Padilla and Pagano 2000).

2.1.17 : Constraints of Financial Inclusion in India

Thorat (2007) affirms that there are supply as well as demand side reasons for financial exclusion in India. Apart from lack of physical access to financial institutions, lack of awareness, low income/assets, social exclusion and illiteracy have been the demand side constraints. Distance, unsuitable financial products, indifferent attitude and unmotivated bank staff, unsuitable business hours have been supply side constraints.

Examining constraints of financial inclusion of the marginal classes of the people, S. M. Dev, (2006) mentions that low productivity and vulnerability of small & marginal farmers, low skill and poor market linkages for rural nonfarm and urban workers, vulnerability to risk for rural landless and urban poor, inadequate awareness and low financial literacy are the main factors hindering financial inclusion. Regarding useful suggestions for attracting the unbanked sections of the population he opines that financial instruments have to be developed by the institutions in such a way that they promote economically viable activities. The financial institutions have to educate the poor and vulnerable by giving wide publicity to their financial instruments.

Along with Financial inclusion programme, Government of India is also promoting digital payments. Digitising payments and shifting cash payments into accounts have challenges like making upfront investments in payments infrastructure and educating the new account owners about the basic interactions involved in a digital payments system. Using and remembering personal identification numbers (PINs) ,understanding how to deposit and withdraw money, and knowing what to do when something goes wrong are very important touch points for success of financial inclusion as well as digital payments programme. Demirguc-Kunt et al (2014) mention that the benefits of moving cash payments into accounts are realized only if sending or receiving payments electronically is at least as easy, affordable , convenient, proximate and secure as doing so in cash.

CHAPTER - 3

SOCIO ECONOMIC PROFILE OF THE URBAN LOW INCOME GROUPS

3.1: Introduction

Guwahati is the capital of Assam, the largest state in terms of population among the North Eastern States of India. The North Eastern part of India is a landlocked mass which has over 5000 kilometers of International border with Bhutan, China, Myanmar and Bangladesh. It is also by and large isolated from the rest of India as it is linked with the mainland through a very narrow corridor of around 20 kilometers called 'chicken neck'. The region has 8% of the country's geographical area and 3.1% of the country's population as per 2011 census. Assam is the largest state of the NER in terms of population and around 69% of the populations of the region live in Assam. The density of population in Assam is 398 as per 2011 census which is higher than the national average of 382.

As per 2011 census the population of Assam was 31,205,576 and total area 78,438 square km. The state has 33 districts, 219 development blocks, 26,395 villages and 88 municipal towns. Guwahati is the largest city and the only city with a municipal corporation.

14.1% of population in Assam live in urban areas compared to 31.36% of all India average (2011 Census report). Percentage of people living in urban areas in Assam was 12.9% in 2001 and 11.1% in 1991. The rate of urbanization in for Assam during the period 1991-2001 was 3.3% per annum which was higher than that of India (2.8% p.a.) . But during the decade 2001-11, the urbanization rate slowed down to 2.5% p.a. which is lower than that of India (2.8%p.a.) . While there is marginal increase in the urbanization rate for India post 2001, coinciding with high economic growth of India, that of Assam has slowed down indicating low level of economic growth in the state.

Per capita net state domestic product of Assam in 2013-14 at current prices was Rs 44263 (2004-05 series) compared to all India at Rs 74,380. So per capita income of the population of Assam is roughly 60% of the country's average per capita income. On this count alone Assam could be considered as a poor state in India.

Literacy rate of Assam as per 2011 census was 72.19% which is slightly lower than the all India average of 74.09%.

Planning Commission by using Tendulkar Committee Methodology estimated urban poverty in 2011-12. Urban poverty in Assam is 20.49% which is higher than All India Urban Poverty level of 13.70%.

3.2 : Overview of the Low Income Group People in Guwahati

Guwahati is the largest city of Assam and also the largest city among all the North Eastern States. Around 22% of urban populations of Assam live in Guwahati. As per 2011 census Guwahati municipal area has a population of 963,429 with geographical area of 216.79 square kilometer. Guwahati Metropolitan Development Authority has a slightly bigger area with 262 sq kilometer, but for the current study Guwahati municipal corporation area has been considered. Guwahati has a mix of plain area, low lying marshy lands and hills with the Brahmaputra River running across the length of the city in the north. These geo hydrological features have impacted the growth of the city.

As per CEPT University study in Guwahati (2014), the urban poor and low income groups in the city mostly belong to the workforce in the informal service sector. Majority of them are likely to be petty shopkeepers, vegetable sellers, small shop assistants, mechanics, cleaners, domestic help, cooks, waiters in food joints, construction workers, rickshaw pullers, auto rickshaw drivers, labourers working in wholesale and retail market etc. A sample survey of 1036 persons across the city done for the study found that 78.4% of the urban low income groups are either self employed or work in the private sector.

With the above background, socio economic profiles of the respondents have been analysed. The factors which affect financial inclusion are included.

3.2.1: Age Profile of the Respondents

Age influence economic behaviour of a person. A young person's perspective for life and his asset size, risk taking ability etc will differ from an old person. The respondents as per their stated age have been subdivided into 3 categories (i) less than 30 years (ii) Between 30 years to 50 years and (iii) More than 50 years.

The Age Profile of the respondents has been presented in Table 3.1. Majority of the respondents (57.9%) are in the age group between 30 to 50 years. This is true across all 3 income sub categories. Only 13.3% of respondents are in the group of above 50 years. Among the low income sub category (less than 5000 Rs) , relatively high percentage of people are in the below 30 years group(36.7%) compared to other two higher income sub categories (27.9% and 20.9% respectively)

Table – 3.1: Age Profile of the Respondents by their Income Level

(Percentages indicate corresponding row percentages)

Income Level(Rs per month)	Age						Total	
	Less than 30 years		Between 30 to 50 years		More than 50 years			
	Number	percentage	Number	percentage	number	percentage	number	percentage
Upto Rs 5000	40	36.7	57	52.3	12	11.0	109	100
Rs 5000 to Rs 10000	96	27.9	200	58.1	48	14.0	344	100
Above Rs 10000	14	20.9	44	65.7	9	13.4	67	100
Total	150	28.8	301	57.9	69	13.3	520	100

Source: Calculated from Field Data

3.2.2: Educational Profile of the Respondents

Education has a major bearing on one's economic well being. Education enhances enlightenment of the mind, fuels ambition and hence involvement in various economic pursuits. Educational achievement till the primary level. middle school level, high school level or college level will give different perspectives. For analytical purpose, the respondents have been sub divided into five categories (i) Not gone to school, (ii) Studied up to class V, (iii) Studied beyond class V and upto VIII, (iv) Studied beyond class VIII and upto class X, (v) Studied beyond class X or having higher education in the higher secondary or college level etc.

Educational attainment of the respondents vis a vis their income levels have been presented in the Table 3.2. As per the table the percentage of people not gone to school or illiterate is highest (18.3%) in the lowest income subgroup i.e. Up to Rs 5000 category. As the income level rises this percentage has gone down and it is 13.4% in case of the highest income sub category i.e. Rs 10000 and above. The reverse is happening in case of persons who have studied beyond class 10 and higher. The percentage is lowest in the lowest income sub category at 10.1%. Maximum percentages of respondents studied between class VIII to class X is in the highest income sub category as evident from the table. Maximum percentage of people who studied above class X are in the middle income sub category.

Table – 3.2: Educational Profile of the respondents by their Income Level

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	Educational Level					Total
	Not gone to school	Upto class V	Class V to VIII	Class VIII to X	Above Class X	
Upto Rs 5000	20 (18.3%)	32 (29.4%)	34 (31.2%)	12 (11.0%)	11 (10.1%)	109 (100)
5000 to 10000	48 (14.0%)	67 (19.5%)	80 (23.3%)	62 (18.0%)	87 (25.3%)	344 (100)
Rs 10000 and above	9 (13.4%)	9 (13.4%)	16 (23.9%)	18 (26.9%)	15 (22.4%)	67 (100)
Total	77 (14.8%)	108 (20.8%)	130 (25.0%)	92 (17.7%)	113 (21.7%)	520 (100)

Source: Calculated from Field Data

3.2.3: Occupational Pattern of the Respondents

Occupation influences financial decisions taken by a person in life. Based on major economic activities engaged in , the target group have been divided into 4 occupational categories (i) Wage Earners, (ii) Skilled Professionals, (iii) Having salaried job (iv) Engaged in Petty business.

The occupational pattern of the respondents have been presented income sub group wise in Table 3.3. It is seen that among all three income subcategories, maximum percentage of people are engaged in petty business which is a self employment measure. The next important category is wage earner. Very few people are engaged in regular salaried job.

Table –3.3: Occupational pattern of the respondents by their Income Level

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	Occupation				Total
	Wage Earner	Skilled Professional	Salaried Job	Petty Business	
Upto Rs 5000	33 (30.3%)	6 (5.5%)	2 (1.8%)	68 (62.4%)	109 (100)
5000 to 10000	42 (12.2%)	60 (17.4%)	38 (11.0%)	204 (59.3%)	344 (100)
Above Rs 10000	0	21 (31.3%)	7 (10.4%)	39 (58.2%)	67 (100)
Total	75 (14.4%)	87 (16.7%)	47 (9.0%)	311 (59.8%)	520 (100)

Source: Calculated from Field Data

3.2.4: Place of Birth of the Respondents

Place of birth is important in an important city like Guwahati as migration to the city from different parts of the country is taking place regularly. The respondents have been divided into 2 groups depending on whether their reported birth place is Guwahati or outside Guwahati.

The respondents were asked about their place of birth. This also indicate whether they have migrated to the city recently and also about their linkage with the family members or kins left behind in their place of birth. This aspect has some influence in their current economic behavior and economic base. The income sub categorywise place of birth is shown in Table 3.4. It is seen that overwhelming majority (80.8%) have reported their place of birth other than Guwahati. This percentage is almost uniform across the three income subcategories.

Table – 3.4: Place of Birth of the Respondents by their Income Level

Income Level (Rs per month	**Place of Birth**				**Total**	
	In Guwahati		Outside Guwahati			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	20	18.3	89	81.7	109	100
5000 to 10000	66	19.2	278	80.8	344	100
Above 10000	14	20.9	53	79.1	67	100
Total	100	19.2	420	80.8	520	100

Source: Calculated from Field Data

3.2.5: Accomodation Status of the Respondents

Having own accommodation in the city contribute to the economic well being and stability of a person and may influence financial decisions in life. The respondents have been divided into 2 groups - one having own accomodation or land in the city and those who do not have such asset and may be living in rented houses

Own house or land in a city like Guwahati is a huge asset which itself can generate wealth and become a starting block for economic upliftment. The respondents were asked about their accommodation pattern and as depicted in Table 3.5, the majority (74.6%) are not having their own accommodation and they are staying in rented houses only. This is highest among the lowest income sub category but for the highest income sub category also the percentage is still substantial at 62.7%.

Table – 3.5: Accommodation status of the respondents by their Income Level

Income Level (Rs per month	Accommodation Status				Total	
	Own Accommodation		Rented House			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	23	21.1	86	78.9	109	100
Rs 5000 to 10000	84	24.4	260	75.6	344	100
Above Rs 10000	25	37.3	42	62.7	67	100
Total	132	25.4	388	74.6	520	100

Source: Calculated from Field Data

3.2.6: Ownership of Mobile Phones among the Respondents

Mobile phones are becoming ubiquitous and almost becoming part and parcel of life. One can do lot of financial transactions through mobile phones now. The target group has been sub divided into two sub categories i.e. those having mobile phones and those who do not.

Mobile phones have become almost essential for everybody in today's world. In terms of mobile ownership, overwhelming 80.8 % of people are having mobiles sets (Ref Table 3.6). The ownership is highest (91%) in case of the highest income subcategory and 67.9% in lowest income subcategory.

Table – 3.6: Mobile phone ownership of the Respondents by their Income Level

Income Level (Rs per month	Ownership of mobile phone				Total	
	Have Mobile phone		Do not have mobile phone			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	74	67.9	35	32.1	109	100
5000 to 10000	285	82.8	59	17.2	344	100
Above 10000	61	91.0	6	9.0	67	100
Total	420	80.8	100	19.2	520	100

Source: Calculated from Field Data

3.2.7: Family Size of the Respondents

Size of one's family in terms of number of persons have also bearing on the economic decisions and efforts made by man. The target group has been subdivided into 3 categories depending on the family size. (i) Upto 3 members (Very Small family), (ii) Either 4 or 5 members (average family) and (iii) 6 and more members (Large family)

The family size in our present study has been defined basically as the number of persons who are fully or partially dependent on an economically active earning adult person. In this regard the family members left behind in the place of birth but who are fully or partially dependent on the respondent are included besides the members staying in Guwahati. The family size has been categorized into 3 groups i.e. upto 3 members (indicating very small family), between 4 to 5 members (normal family) and above 6 members (large family). The cross tabulation is in Table 3.7. It was found that 53.5% adults have normal family size. 34.8% have small size of family and 11.7% are having larger families. Lowest income subgroup have relatively higher share of larger families at 17.4%. The percentage is goes down in case of middle income sub category (11.0%) and further down to 6.0% for the highest income sub category.

Table – 3.7: Family Size of the Respondents by their Income Level

Income Level (Rs per month)	Family Size						Total	
	Upto 3 Members		Either 4 or 5 Members		6 or above Members			
	Number	percentage	Number	percentage	number	percentage	number	percentage
Upto Rs 5000	43	39.4	47	43.1	19	17.4	109	100
Rs 5000 to 10000	111	32.3	195	56.7	38	11.0	344	100
Above Rs 10000	27	40.3	36	53.7	4	6.0	67	100
Total	181	34.8	278	53.5	61	11.7	520	100

Source: Calculated from Field Data

3.2.8: Earning Status of the Respondents

Whether a person is the only bread earner of the family or he has a helping hand in increasing the family kitty hugely influences ones economic and financial decisions. The respondents have been divided into two categories again (i) Only earning member of the family and (ii) Not the only earning member of the family.

The respondents have been categorized as per their answers whether they are the sole earning member of the family or their dependency burden of the family are shared with other family members. Being the sole bread earner of the family has lot of influence on the economic decisions taken by the persons. The economic decisions may differ in case the person is not the only bread earner for the family. The cross tabulation with the income sub categories have been presented in Table 3.8. It was found that 67.7% of the respondents are the only earning member of the family. The percentage is highest at 80.60% in case of the highest income sub category and low at 64.2% in case of the lowest income sub category.

Table – 3.8: Earning Status of the respondents by their Income Level

Income Level (Rs per month	Status of earning in the family				Total	
	Not the only earning member		Only earning member			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	39	35.8	70	64.2	109	100
Rs 5000 to Rs 10000	116	33.7	228	66.3	344	100
Above 10000	13	19.4	54	80.6	67	100
Total	168	32.3	352	67.7	520	100

Source: Calculated from Field Data

3.3 : Summary of the Socio Economic Profile of the Respondents

For quick comparison the distribution of the respondents as per their socio economic profile are summarized in a single table in Table 3.9. This table gives an overview of the number of respondents in each sub category as well as their level of income subdivided into 3 income subcategories.

Table – 3.9: Distribution of the number of respondents as per their socio economic status vis-à-vis their Income Level (Summary)

Socio Economic Factors	Income Level			Total
	Upto Rs 5000	Between Rs 5000 and Rs 10000	Above Rs 10,000	
AGE				
Less than 30 years	40	96	14	150
Between 30 to 50 years	57	200	44	301
More than 50 years	12	48	9	69
EDUCATIONAL LEVEL				Total = 520
Not gone to School	20	48	9	77
Upto class V	32	67	9	108
Class V to class VIII	34	80	16	130
Class VIII to X	12	62	18	92
Above class X	11	87	15	113
OCCUPATION				Total = 520
Wage Earner	33	42	0	75
Skilled Professional	6	60	21	87
Salaried Job	2	38	7	47
Petty Business	68	204	39	311
PLACE OF BIRTH				Total = 520
In Guwahati	20	66	14	100
Outside Guwahati	89	278	53	420
ACCOMODATION STATUS				Total = 520
Own accomodation	23	84	25	132
Rented House	86	260	42	388
OWNERSHIP OF MOBILE PHONES				Total = 520
Have Mobile Phones	74	285	61	420
Not having Mobile Phones	35	59	6	100
FAMILY SIZE				Total = 520
Upto 3 members	43	111	27	181
Either 4 or 5 members	47	195	36	278
6 or more members	19	38	4	61
EARNING STATUS				Total = 520
Not the only earning member	39	116	13	168
Only earning member	70	228	54	352
				Total = 520

3.4: Conclusion :

The socio economic profile of the respondents as described in this chapter will be utilized in analysis of economic decisions taken by them and more specifically in examining the relative effects of these factors in financial inclusion of the targeted low income groups of people.

CHAPTER - 4

Extent of Financial Inclusion and Exclusion

4.1: Extent of Financial Inclusion

The analysis of the extent of financial inclusion in the study area is clubbed under the following sub heads:

(1) Bank Account Status
(2) Type of Bank Accounts
(3) Accessibility to the Banks
(4) Place of the Bank Account
(5) Motivator for opening account
(6) Remittance activities
(7) Coverage through Insurance

4.1.1: Bank Account status

Owning a bank account may be considered as the first step into the formal mainstream regulated financial system and could be the foremost measurable outcome of the measures taken to financially include the excluded section. Our analysis is also based basically on the bank account status of the sample group.

Bank account status of the adult low income group of persons are presented in Table 4.1 below. It is seen that around 38.7% of the respondents do not have bank account. For analytical convenience the low income group of people has been subdivided into 3 sub categories. (a) The lowest income sub category is having monthly income upto Rs 5000, (b) middle income sub category having monthly income between Rs 5000 and Rs 10,000 and (c) highest income sub category having monthly income of Rs 10000 and above. If we examine income sub categories, 59.6% of the lowest income sub category reported not to have bank accounts. The percentage is 36.0 % and 17.9% respectively for the middle income and highest income sub categories. Conversely 82.1% of the respondents belonging to highest income sub category have bank accounts as compared to 40.4% of the lowest income sub category. This indicates that even within low income groups, as the income rises people tend to get financially included.

Table – 4.1: Distribution of respondents by Income Level and Bank Account Status

Income Level (Rs per month	Bank Account Status				Total	
	Have Bank Account		Do not have Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	44	40.4	65	59.6	109	100
5000 to 10000	220	64.0	124	36.0	344	100
Above 10000	55	82.1	12	17.9	67	100
Total	319	61.3	201	38.7	520	100

Source : Calculated from field data

Considering the results from similar studies done worldwide, the account penetration of 61.3% of the respondent group is not surprising and the trend is in expected lines among the 3 income subgroups also. Similar results could be seen in Demirguc-Kunt et al (2014), Demirguc-Kunt and Klapper (2013) Solo, Tova Maria (2008), Rupambara (2007) Bhatia,N and Chatterjee,A (2010) Sarkar and Phatowali (2012) and Solo and Manroth (2006)

4.1.2: Type of Bank Accounts

The second criterion to assess financial inclusion is the type of accounts of the respondents. The respondents who had bank accounts were asked about the type of accounts maintained by them. The question was to basically distinguish between fully fledged savings account and the Jan Dhan Yojana(JDY) Accounts opened recently. The results could be seen in Table 4.2. It was found that 80.21% accounts are savings bank account and the rest 19.79% are JDY accounts. Expectedly maximum percentages of the JDY accounts are in the lowest income sub category and around 22.73% of the persons in this category are having JDY accounts. This percentage goes down in case of other 2 higher income sub categories and stand at 13.78% and 9.09% respectively. Conversely in case of full fledged savings bank accounts ,90.91% of the persons in the highest income sub category have such accounts.

Table – 4.2: Distribution of respondents by Income Level and type of accounts maintained by them

Income Level (Rs per month	**Type of accounts**				**Total**	
	Savings Bank Accounts		**Jan Dhan Yojana Accounts**			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	34	77.27	10	22.73	44	100
5000 to 10000	191	86.82	29	13.18	220	100
Above 10000	50	90.91	5	9.09	55	100
Total	275	80.21	44	19.79	319	100

Source : Calculated from field data

4.1.3 : Accessibility to the Banks

The third criteria to assess financial inclusion is the level of accessibility to the bank branches. In the city area , the number of bank branches available to the residents and the distance to the bank branches are not issues. The issue is whether the respondent groups are able to access the branches available . This aspect has been examined by the nature of banks where the respondents got access for opening accounts. The choices of banks available for an adult respondent are:

(i) Public sector banks
(ii) Private sector banks
(iii) Co-operative banks
(iv) Regional rural banks

The summary of the findings on this aspect are presented in Table 4.3. It was found that the overwhelming majority of the persons (91.85%) have their accounts in the public sector banks only. Next type of banks in percentage terms is

Regional Rural banks (5.64%). There is small presence of cooperative banks at 1.57% and only 0.94% of their accounts are in private sector banks.

Table – 4.3: Distribution of respondents by Income Level and Nature of the their bank
(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	Nature of bank				Total
	Public Sector Bank	Private Sector Bank	Cooperative Bank	Regional Rural Bank	
Upto Rs 5000	40 (90.91)	0 (0.0)	1 (2.27)	3 (6.82)	44 (100)
5000 to 10000	200 (90.91)	3 (1.36)	3 (1.36)	14 (6.37)	220 (100)
Above Rs 10000	53 (96.36)	0 (0.00)	1 (1.82)	1 (1.82)	55 (100)
Total	293 (91.85)	3 (0.94)	5 (1.57)	18 (5.64)	319 (100)

Source : Calculated from field data

Dependence on the public sector banks on the part of the low income groups of people could be explained taking clue from Financial Inclusion efforts of Govt. of India, the most prominent being the Prime Minister’s Jan Dhan Yojana (PMJDY) started in August, 2014. Similar results were obtained in other field level studies done elsewhere like study done in slums of Mumbai by Bhatia, N and Chatterjee,A (2010).

4.1.4: Place of the Bank Accounts

Depending on the location of the bank where the respondent has a bank account, the respondents have been divided into two groups (i) Group having their bank account inside Guwahati and (ii) Those having their bank account outside Guwahati. Normally those who have accounts outside Guwahati are having accounts at their birth place where their close relatives stay. This also indicate their possession of Identity and Address proof documents belonging to that place where they feel more welcome to open an account. Those who have their accounts in Guwahati are having papers and the confidence to approach a bank in an unfamiliar environment. The results could be seen Table 4.4. It is seen that 73.4% of respondents are having bank account inside Guwahati and the 26.6% are having their bank accounts outside Guwahati. The percentage of bank accounts outside Guwahati is highest (43.2%) in respect of lowest income sub category and is lowest (10.9%) in case of the highest income sub category.

Table – 4.4: Distribution of respondents by Income Level and Place of their Bank Account

Income Level (Rs per month	Place of their Bank Account				Total	
	Inside Guwahati		Outside Guwahati			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	25	56.8	19	43.2	44	100
5000 to 10000	160	72.7	60	27.3	220	100
Above 10000	49	89.1	6	10.9	55	100
Total	234	73.4	85	26.6	319	100

Source : Calculated from field data

4.1.5 : Motivator for Opening Account

The respondents are asked about how they got motivated or whether they were advised by somebody to open a bank account. This also reflects the success of financial inclusion efforts. In case they are not being advised/motivated by somebody then the response was recorded as motivated by self. The options given to the respondents are (i) Self, (ii) Relative and Family member (iii) Friends, (iv) Bank Personnel, (v) Employer etc.

The summary of responses is presented in a Table 4.5. 63.01 % of the respondents mentioned that they on their own had gone to the bank for opening an account. 19.12% of the respondents mentioned that they were motivated by their relatives/family members, 11.92% mentioned that they were motivated by their friends. Around 5.64% of the respondents mentioned that they were motivated by the bank personnel. Very negligible percentages of people were motivated by their employer or LPG dealers etc. The responses are almost similar across all 3 income sub categories. Number of persons motivated by bank personnels were higher in case of the highest income sub category at 9.09% compared to 4.54% and 5.0% in case of the other 2 income sub categories. In case of number of persons motivated by relatives/family members it is seen that the percentage is quite high at 27.27% in respect of the lowest income sub category compared to 19.55% and 11.91% in respect of the other 2 income sub categories

Table – 4.5 : Respondents and their motivation in opening their bank accounts
(Figures in the parenthesis indicate row percentages)

Income Level(Rs per month)	**Motivator/facilitator for bank accounts**						**Total**
	Self	Relatives	Friends	Bank Personnel	Employer	LPG Agency	
Upto Rs 5000	24 (54.55)	12 (27.27)	6 (13.64)	2 (4.54)	0 (0.0)	0 (0.0)	44 (100)
5000 to 10000	141 (64.09)	43 (19.55)	24 (10.90)	11 (5.0)	1 (0.46)	0 ()	220 (100)
Above Rs 10000	36 (65.45)	6 (10.91)	6 (10.91)	5 (9.09)	0 (0.0)	2 (3.64)	55 (100)
Total	201 (63.01)	61 (19.12)	36 (11.29)	18 (5.64)	1 (0.31)	2 (0.63)	319 (100)

Source : Calculated from field data

4.1.6: Remittance Activities of the Respondents

4.1.6.1 : Persons actively involved in remittance activities

Participation in remittance Activities through formal channel also indicates financial inclusion. If they are using banks or post offices for their domestic remittance requirements they may be called financially included. Those who are sending or receiving money from outside are asked about their mode of remittance. The options for remittance are:

(i) Through Banks

(ii) Through Post Offices

(iii)Through Friends/Relatives.

The respondents were first asked about their participation in remittance activities in either sending or receiving payments. The summary of results could be seen in the table 4.6. It was revealed that around 32.5% of respondents are either receiving or sending money recently. This percentage is almost similar across all 3 income sub categories. 34.9% of respondents in the lowest income sub category are associated with remittance of money. The corresponding percentages for the middle and highest income sub categories are 32% and 31.3% respectively.

Table – 4.6: Distribution of respondents by Income Level and Remittance Activity

Income Level (Rs per month	Status of sending/receiving money				Total	
	Sending or receiving money		Neither sending nor receiving money			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	38	34.9	71	65.1	109	100
5000 to 10000	110	32.0	234	68.0	344	100
Above 10000	21	31.3	46	68.7	67	100
Total	169	32.5	351	67.5	520	100

Source : Calculated from field data

4.1.6.2: Mode of remittance activities of the respondents

The respondents who were either sending or receiving money through remittances were further asked about their mode of remittance. The summary of results are given in table 4.7. It was revealed that 73.38% of persons were sending or receiving money through relatives and friends only. 18.34% of the persons were using bank accounts for sending or receiving money and 4.14% are dependent on money orders. Further 4.14 % of the respondents are using both bank channel and relative/friends for remittance . Maximum percentage of people using bank account channel are in the highest income sub category (52.38%). It is ‘Nil’ in case of the lowest income sub category. The most commonly used channel for the lowest income sub category is through friend/relative at 92.11%. The percentage use of friends and relatives for remittance purpose is going down with the increase in income level.

Table – 4.7: Distribution of respondents by Income Level and their mode of remittance (sending or receiving money)

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	Mode of Remittance				Total
	Through Bank	Through Money Order	Through Friends/Relatives	Through both banks and Friends/relatives	
Upto Rs 5000	0 (0.0)	3 (7.89)	35 (92.11)	0 (0.0)	38 (100)
5000 to 10000	20 (18.19)	2 (1.81)	81 (73.64)	7 (6.36)	110 (100)
Above Rs 10000	11 (52.38)	2 (9.52)	8 (38.10)	0 (0.0)	21 (100)
Total	31 (18.34)	7 (4.14)	124 (73.38)	7 (4.14)	169 (100)

Source : Calculated from field data.

4.1.7 : Coverage through Insurance of the Respondents

The respondents were asked about their possession of Insurance Policies in their name or spouse or children's name. If the policy is from regulated mainstream Insurers (public sector or Private sector), the person could be called financially inclusive .

The details could be seen at Table 4.8. It was found that around 33.7% of persons have insurance policies. The percentage is highest among the highest income sub category at 53.7%. The corresponding figure for the middle income sub category and the lowest income sub category are 34.6% and 18.3% respectively. The results are comparable to the findings of Planning Commission report (2008) wherein it was found that the 14% of the lowest income quartile had insurance cover as compared to 69% of the highest income quartile.

Table – 4.8: Distribution of respondents by Income Level and their having personal Insurance policies

Income Level (Rs per month	Status of having Insurance policy				Total	
	Having Insurance Policy		Not having Insurance Policy			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	20	18.3	89	81.7	109	100
5000 to 10000	119	34.6	225	65.4	344	100
Above 10000	36	53.7	31	46.3	67	100
Total	175	33.7	345	66.3	520	100

Source : Calculated from field data.

It was thought interesting to compare the bank account status of the persons who have taken insurance policies also. The summaries of results are presented in Table 4.9 below.

It is seen that majority of persons who have taken insurance policies are also having bank accounts as compared to the persons who have not taken any insurance policy. It is to be seen from Table 4.9 that 86.3% of persons having insurance policies are also having bank accounts. The corresponding percentage in case of persons not having insurance policies is only 48.7%. Conversely only 13.7% of the insurance policy holders do not have a bank account as against 51.3% among the persons who do not have any insurance policy.

Table – 4.9: Distribution of respondents by their having personal insurance policy and Bank Account Status

Status of Insurance Policy	Bank Account Status				Total	
	Not having Bank Account		**Having Bank Account**			
	Number	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Having Insurance Policy	24	13.7	151	86.3	175	100
Not having Insurance Policy	177	51.3	168	48.7	345	100
Total	201	38.7	319	61.3	520	100

Source : Calculated from field data.

4.2: Extent of Financial Exclusion and Dependence on Informal Sector

All over the world, people in spite of financially included and joined with the formal financial sector, still are using informal channels for financial needs. People in the low income category or socially disadvantaged section are no exceptions and in fact they may be more familiar and involved with informal sectors. In this regard, the respondent's dependence on informal sources of finance and related consequences on their economic life are taken as reflection of their financial exclusion. The analyses have been clubbed under the following heads:

(1) Other Modes of Saving
(2) Experience with dubious financial organisations
(3) Excessive dependence on informal sector on financial exigency
(4) Taking loans/credit from informal sector.

4.2.1: Other Modes of Saving

Saving avenues other than the bank accounts have been captured here. The options explored are:

(i) At Home in Cash
(ii) Self Help Group/NGOs
(iii)Neighbourhood Associations(ROSCAs)
(iv)Non Banking Financial Companies/Chit Funds

In addition, data regarding Post Office savings are also collected which do not fall into the informal sector but collected for comparison purpose.

The respondents were asked about their preferred other methods of saving. This question was asked to all respondents irrespective of their bank account status. The results can be seen in Table 4.10. Overwhelming majority (74.62%) replied 'At home in cash'. This may or may not be termed as deliberate or conscious effort for saving. Mostly, it is actually the remaining amount as cash in hand after making day to day expenses. The amount may not be high and it may not increase thriftiness. This is almost same across all the income subcategories ranging from 72.99% to 79.82%. Interestingly, around 10.09% of the respondents in the lowest income sub category and 5.82% in the middle income sub category did not report any savings on their part. Next important avenue for saving (at 12.12% overall) is in neighborhood associations or ROSCAs. Rotating Savings and Credit Association (ROSCA) is a form of combined peer to peer banking and peer to peer lending forum and it is usually a group of individuals who agree to be together for a defined period in order to save and borrow together. It was found to be very popular among middle income sub category and higher income sub category of respondents with 13.95% and 13.43% respectively having associated with such organizations. Few respondents reported savings in post offices (4.62%). Savings in NBFCs or in NGOs etc are negligible.

Table – 4.10 : Distribution of respondents by Income Level and other modes of saving
(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month	Other Modes of Saving						Total
	At home in cash	SHG/NGO	Post Office	Neighbour-hood savings Associations	NBFC/Chit Fund	No savings reported	
Upto Rs 5000	87 (79.82)	1 (0.92)	4 (3.67)	6 (5.50)	0 (0.0)	11 (10.09)	109 (100)
5000 to 10000	251 (72.97)	7 (2.03)	16 (4.65)	48 (13.95)	2 (0.58)	20 (5.82)	344 (100)
Above Rs 10000	50 (74.63)	1 (1.49)	4 (5.97)	9 (13.43)	3 (4.48)	0 (0.0)	67 (100)
Total	388 (74.62)	9 (1.73)	24 (4.62)	63 (12.12)	5 (0.96)	31 (3.68)	520

Source : Calculated from field data.

To understand why people opt for modes of saving other than bank account, the respondents were also questioned about the advantages of their preferred mode of saving (other than bank account). The responses emerged are as follows:-

(i) Safety of deposits

(ii) Convenience for withdrawal/deposit

(iii) Give good returns

(iv) Combinations of (i), (ii) and (iii)

The results presented Table 4.11. Overwhelming majority (82.62%) indicated 'convenience for withdrawal/deposit' as the major advantage for other modes of saving. This is almost same across the all the income subgroups. 'Safety of deposits' (at 2.62%) and 'Returns on deposits' (3.27%) score low in this regard.

Table – 4.11: Distribution of respondents by Income Level and advantages of other modes of saving (those who have other modes of saving)

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month	**Advantages of other modes of savings**					**Total**
	Safety of Deposit	Convenient for withdrawal/deposit	Give good Returns	Both safety and good returns	Both convenience and good returns	
Upto Rs 5000	3 (3.06)	88 (89.80)	0 (0.0)	7 (7.14)	0 (0.0)	98 (100)
5000 to 10000	10 (3.09)	261 (80.56)	12 (3.70)	27 (8.33)	14 (4.32)	324 (100)
Above Rs 10000	0 (0.0)	55 (82.09)	4 (5.97)	4 (5.97)	4 (5.97)	67 (100)
Total	13 (2.66)	404 (82.62)	16 (3.27)	38 (7.77)	18 (3.68)	489

Source : Calculated from field data.

To attract people to formal financial sector, one has to identify the disadvantages also of other modes of saving. The respondents were further quarried about their perceived disadvantages of the other modes of savings adopted by them. The responses were as follows-

(i) No security of deposits

(ii) Cannot keep higher or desired amount

(iii) Cannot withdraw as and when required

(iv) Combination of (i), (ii) and (iii)

(v) No disadvantage at all.

The results are presented in Table 4.12. Majority (79.96%) mentioned about 'No security of deposits'. This is true across all the income sub categories with lowest income sub category topping at 88.78%. The second prominent reason is that they cannot keep higher/desired amount of saving through these instruments (10.43%).

Table – 4.12: Distribution of respondents by Income Level and Disadvantages of other modes of saving

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month	**Disadvantages of other modes of savings**					**Total**
	.No security of deposits	Cannot keep higher/desired amount	Cannot withdraw as & when required	Cannot keep higher amount & cannot withdraw as required	No disadvantage reported	
Upto Rs 5000	87 (88.78)	3 (3.06)	5 (5.10)	2 (2.04)	1 (1.02)	98 (100)
5000 to 10000	255 (78.70)	39 (12.04)	19 (5.86)	6 (1.85)	5 (1.55)	324 (100)
Above Rs 10000	49 (73.14)	9 (13.43)	7 (10.45)	1 (1.49)	1 (1.49)	67 (100)
Total	391 (79.96)	51 (10.43)	31 (6.34)	9 (1.84)	7 (1.43)	489

Source : Calculated from field data.

Percentage of income kept in a saving instrument reflect the importance given by the person and also amount of perceived benefits out of that instrument. The respondents were asked about the percentage of monthly income kept in other modes of saving avenues indicated in the earlier responses. Options given as below:

(i) Less than 10% of Income
(ii) Between 10 to 20% of Income
(iii) More than 20% of Income

The results could be seen in the Table 4.13. Overwhelming majority (88.14%) stated that they could save only less than 10% of their monthly income, which is a very low rate of saving. This is true across the income sub categories ranging from 79.10% for the highest income sub category to 95.92% for the lowest income sub category. Only 1.43% of the respondents mentioned that they could save more than 20% of their income through these saving avenues, while 10.43% reported to save between 10% to 20%.

Table – 4.13: Distribution of respondents by Income Level and percentage of monthly income kept in other modes of savings

Income Level(Rs per month)	**Percentage of monthly income kept in other modes of saving**						**Total**	
	Less than 10%		Between 10 to 20%		More than 20%			
	Number	percentage	Number	percentage	number	percentage	number	percentage
Upto Rs 5000	94	95.92	3	3.06	1	1.02	98	100
5000 to 10000	284	87.65	35	10.80	5	1.55	324	100
Above Rs 10000	53	79.10	13	19.40	1	1.50	67	100
Total	431	88.14	51	10.43	7	1.43	489	100

Source : Calculated from field data.

To have a clearer picture of how other modes of saving are preferred even by those respondents who had bank accounts of their own a cross tabulation has been done between the bank account status of a person and their preferred other modes of saving . The results could be seen in Table 4.14. It is found that 60.57% of persons who reported primary saving mode as ‘At home in cash’ are also having bank accounts. Among those who prefer ‘Neighbourhood Associations’

(ROSCAs), 80.95% are having bank accounts. Similarly in case of post offices also, majority (83.33%) are having bank accounts. So having bank account does not seem to have influence in people preferring for other modes of saving.

Table – 4.14: Distribution of respondents by their other modes of saving and Bank Account Status

Other modes of saving	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
At home in cash	153	39.43	235	60.57	388	100
SHG/NGO	4	44.44	5	55.56	9	100
Post Office	4	16.67	20	83.33	24	100
Neighbourhood Associations	12	19.05	51	80.95	63	100
NBFC/Chit Fund	1	20.00	4	80.00	5	100
Total	201	38.7	319	61.3	520	100

Source : Calculated from field data.

4.2.2: Experiences of the Respondents with Dubious Financial Organisations

Over the years and more recently also, particularly in the North Eastern Region, there are large scale incidents reported about cheating, altogether disappearing of various bogus, illegal companies taking deposits from gullible masses promising unrealistic returns. Many innocent people mainly belonging to the economically weaker section of the population have fallen victim to these type of organizations. So this aspect is worth enquiring. The respondents were asked whether they were cheated by any unauthorized financial companies in the recent past. The answer is recorded either yes or no. In case, the answer is yes then they are to be further queried about how they were affected. The responses emerged are as follows:

(i) Organisation closed down suddenly

(ii) Person collecting money disappeared

(iii) Lost all or part of savings

(iv) Combination of (i), (ii) and (iii).

The respondents were first enquired about their encounter with dubious finance companies which are reportedly very active in this part of the country. Specific queries were asked about meeting persons offering financial services with attractive returns and subsequently being cheated out of their hard earned money. Unsurprisingly many of them admitted meeting such organisations and persons and in fact around 24.81% of the respondents got cheated or short circuited by these type of organisations. The details are given in Table 4.15. This is true across all the income sub categories. Surprisingly the highest percentage of persons (at 29.85%) being cheated belong to the highest income sub category. The percentage is 27.03% for the middle income sub category and 14.68% for the lowest income sub category.

Table – 4.15: Distribution of respondents by Income Level and being cheated by some organizations

Income Level (Rs per month	**Cheated by some Organisation -status**				**Total**	
	Cheated		Not being cheated			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	16	14.68	93	85.32	109	100
5000 to 10000	93	27.03	251	72.97	344	100
Above 10000	20	29.85	47	70.15	67	100
Total	129	24.81	391	75.19	520	100

Source : Calculated from field data

Secondly, the persons who were being cheated by some organization or other (129 in number) were further questioned about how they were financially or otherwise affected by these unscrupulous organizations . The summary of results could be seen at Table 4.16. Around 48.06% of the respondents revealed that they had lost all or a part of their savings and also the organization reportedly closed down. Person collecting money also disappearing is also another issue and 6.98% of the respondents reported the same. Around 21.70% reported that they were affected by organization being closed down unexpectedly although they may not lose financially.

Table – 4.16 : Victims of Financial Fraudulency by Income Group

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	**Effects of being cheated by some organisation**						**Total**
	Organisation closed down	.Person collecting money disappear	.Lost all or part of savings	Both organization closed and person disappered	Both person disappeared and lost savings	Organisation closed, Person disappeared and lost savings	
Upto Rs 5000	2 (12.5)	2 (12.5)	1 (6.25)	9 (56.25)	1 (6.25)	1 (6.25)	16 (100)
5000 to 10000	25 (26.88)	5 (5.38)	5 (5.38)	41 (44.09)	6 (6.45)	11 (11.82)	93 (100)
Above Rs 10000	1 (5.0)	2 (10.0)	2 (10.0)	12 (60.0)	2 (10.0)	1 (5.0)	20 (100)
Total	**28**	**9**	**8**	**62**	**9**	**13**	**129**

Source : Calculated from field data.

4.2.3 : Excessive Dependence on Informal Sector on Matters of Financial exigency

On matters of any financial exigency, if a person can depend on his own savings or formal sources of finance, he could be called financially included, but if a person is perennially dependent on informal sources of finance for any financial exigency he could be termed as financially excluded. In this regard, the respondents were quarried about any recent episode requiring a large sum of money and how they coped with and also about their fall back option in case of such exigency arising in near future. The responses overwhelmingly indicate towards heavy dependence on informal sector of financing and also lack of own savings or resources. The responses could be clubbed under the following subheads:

(i) Approach Friends and Relatives

(ii) Approach local Money Lender

(iii) Depend on own savings

(iv) Depend on own properties

(v) Nothing to fall back

(vi) Combination of (i), (ii), (iii) & (iv)

The summary of responses is given in Table 4.17. The most popular source for meeting financial exigency is ‘Money lenders’ or ‘Friends & relatives’. Around 54.8% respondents mention that they have both ‘Friends & relatives’ and ‘Moneylenders’ to approach in case of exigency. 17.9% say they depend only on ‘friends & relatives’ and 21.5% mention that they depend only on ‘Moneylenders’. So it is seen that around 94.2% of the respondents are dependent either on ‘friends & relatives’ or ‘money lenders’ in case of financial exigency. Only 1.5% say that they have their own savings and mere 0.8% say they can depend on their properties or assets. Interestingly the need to approach ‘money lenders’ is high among the two higher income sub categories (at 22.7% and 31.3%) compared to the respondents in the lowest income sub category (at 11.9%). Conversely it is seen that the lowest income sub category of people at 23.9% depend more on ‘friends & relatives’ as compared to other two relatively higher income sub categories at 16.6% and 14.9% respectively.

Table – 4.17: Respondents and their dependence on Informal sector in times of financial exigency

(Figures in the parenthesis indicate row percentages)

Income Level(Rs per month)	Dependency on the time of Financial exigency								Total
	Friends and relatives	Local money-lender	Own savings	Own Properties	Both friends /relative & Money lenders	Both Money lenders & own properties	Both Friends /relative and own properties	Have nothing to fall back	
Upto Rs 5000	26 (23.9%)	13 (11.9%)	1 (0.9)	1 (0.9)	66 (60.6)	2 (1.8)	0 (0.0)	0 (0.0)	109 (100)
5000 to 10000	57 (16.6%)	78 (22.7)	5 (1.5%)	2 (0.6)	190 (55.2)	5 (1.5)	5 (1.5)	2 (0.6)	344 (100)
Above Rs 10000	10 (14.9%)	21 (31.3)	2 (3.0)	1 (1.5)	29 (43.3)	4 (6.0)	0 (0.0)	0 (0.0)	67 (100)
Total	93 (17.9%)	112 (21.5)	8 (1.5)	4 (0.8)	285 (54.8)	11 (2.1)	5 (1.0)	2 (0.4)	520 (100)

Source : Calculated from field data.

4.2.4: Taking Loans/Credit from Informal Sources

To tide over various life cycle needs, the low income groups of people need loans or credit. More often than not, they have to approach various informal sources. On many occasions these loans are taken at most unfavourable terms like usurious rates of interest, heavy collateral or mortgage and may also be accompanied by mental, physical harassment on non payment. Over dependence on informal sector loans may lead to debt trap and economic ruin. Taking loans from informal sources, hence regarded as financial exclusion.

The respondents are asked about whether they have taken any loans from informal sector in recent past (about last 3 years) for their life cycle needs. If the answer is yes they are asked to reveal the sources of their loans. The various sources of informal sector loans are as follows :

(i) Friends/Relatives
(ii) Money lenders
(iii) NGO/Minor Financial Institutions
(iv) Neighbourhood Associations (ROSCAs)
(v) Employer

The respondents irrespective of their having bank account or not were first asked whether they had taken any loan or borrowed money from informal sources (other than regulated financial institutions) in recent past. The results are presented in Table 4.18. It was found that around 30% of the respondents have taken loan from informal sector. Interestingly the percentage is highest in the highest income sub category at 41.8%. The percentage is going down to 30.8% in respect of middle income sub category and further down to 20.2% in respect of lowest income sub category.

Table – 4.18: Respondents taking loans from Informal sector

Income Level (Rs per month	Status of Loans from Informal Sector				Total	
	Taken Loan		Not taken Loan			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	22	20.2	87	79.8	109	100
5000 to 10000	106	30.8	238	69.2	344	100
Above 10000	28	41,8	39	58.2	67	100
Total	156	30.0	364	70.0	520	100

Source : Calculated from field data.

Secondly, the persons who had taken loan from informal sector recently were further asked to reveal their source of loans. The summary of results could be seen at Table 4.19. Majority (35.36%) have taken loan from ‘friends and relatives’ followed by ‘money lenders’ (30.13%). 14.7% of persons mentioned that they had taken loan from some minor finance institutions and 3.2% have taken loan from neighbourhood associations or ROSCAs. Negligible percentages of people have taken loans from Employers or from NGOs. It is seen that 57.14% of the persons in the lowest income sub category have taken loans from 'friends and relatives'. The corresponding figures from other 2 sub categories are 30.84% and 35.71% respectively. Similar trend was noticed in case of loans/borrowings from money lenders also among the three income sub categories. It is also seen that a significant portion i.e. 14.10% have taken loans from both money lenders and friends & relatives.

Table – 4.19 : Distribution of respondents by Income Level and sources of loans from informal sector

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	**Informal sector Loan sources**								**TOTAL**
	From Friends ,Relatives	From Employer	Money Lender	From NGO	Minor Finance Institution	Neigh-Bourhood savings Association	Both money lender & neighbourhood association	Both Friends & money lenders	
Upto Rs 5000	12 (57.14)	0 (0.0)	8 (38.10)	0 (0.0)	1 (4.76)	0 (0.0)	0 (0.0)	0 (0.0)	21
5000 to 10000	33 (30.84)	1 (0.93)	32 (29.91)	1 (0.93)	18 (16.82)	4 (3.74)	1 (0.93)	17 (15.90)	107
Above Rs 10000	10 (35.71)	0 (0.0)	7 (25.00)	0 (0.0)	4 (14.29)	1 (3.57)	1 (3.57)	5 (17.86)	28
Total	55 (35.26)	1 (0.64)	47 (30.13)	1 (0.64)	23 (14.74)	5 (3.21)	2 (1.28)	22 (14.10)	156

Source : Calculated from field data.

4.2.4.1: Perceived Advantages of Informal Sector loans

To understand why informal sources of loans are attractive to the low income groups of people, the respondents were asked about the perceived advantages of such loans. The responses can be clubbed as follows:

(i) Convenient to get easily

(ii) Very small amount of loans also available

(iii) No reasons asked

(iv) Repayment schedule convenient

(v) Any combination of (i), (ii), (iii) and (iv)

The details are presented in Table 4.20. The prominent single reason cited as advantage of the informal sector is about the availability of small size of loans. Around 31.41% of the respondents mention 'Very small size of loans available' as the single most important advantage. It is followed by 'Convenient to get easily' as the second most important single reason at 10.90%. Large percentages i.e. 34.62% have cited both the reasons/advantages as equally attractive in regard to taking loans from informal sector. Convenient repayment schedule is single most important advantage cited by 4.49% of the respondents. 12.8% of the respondents cited 'No reasons asked for loans's prominent advantage of the loans from informal sector. The relative percentage position is almost similar across all three income sub categories. The only exception is 'convenient repayment schedule' which is cited by 13.64% of the respondents in the lowest income sub category compared to 3.77% of the middle income sub category and 'NIL' in case of highest income sub category.

Table- 4.20 : Distribution of respondents by Income Level and advantages indicated for informal source of loans

(Figures in the parenthesis indicate row percentages)

Income Level(Rs per month)	**Advantages indicated for informal sources of loans**							**Total**
	Convenient, Can get easily	Very small loans available	No reasons asked	Repayment schedule is convenient	Both convenient and small size loans	Both convenient to get & easy repayment	Both small loans and no reason asked	
Upto Rs 5000	3 (13.64)	6 (27.28)	0 (0.0)	3 (13.64)	10 (45.44)	0 (0.0)	0 (0.0)	22 (100)
5000 to 10000	10 (9.43)	35 (33.02)	2 (1.89)	4 (3.77)	34 (32.08)	21 (19.81)	0 (0.00)	106 (100)
Above Rs 10000	4 (14.29)	8 (28.57)	0 (0.0)	0 (0.0)	10 (35.71)	5 (17.86)	1 (3.57)	28 (100)
Total	17 (10.90)	49 (31.41)	2 (1.28)	7 (4.49)	54 (34.62)	26 (16.66)	1 (0.64)	156 (100)

Source : Calculated from field data.

4.2.4.2: Perceived disadvantages of Informal sector loans

To devise a strategy for weaning away people from informal sector credit to formal sector it is important to analyse the disadvantages of the informal sector credit. Respondents who took loans from informal sector also asked about the perceived disadvantages of such credit. The responses emerged are clubbed in the following heads:

(i) Very high rate of interest
(ii) Strict repayment schedule
(iii) Harassment for non payment
(iv) Combination of (i),(ii) and (iii)
(v) No disadvantage

The details are in Table 4.21. It is interesting that around 10.26% of the respondents mentioned that there is no disadvantage in taking loans from informal sector. Two prominent disadvantages cited are 'High rate of interest' and 'Harassment for nonpayment. 30.77% of persons have cited high rate of interest and equally same percentage of persons have cited 'harassment for nonpayment' as single most important disadvantage of taking loans from informal sector. 8.97% of persons have mentioned 'strict repayment schedule' as single most important disadvantage of taking credit from informal sector. Around 6.41% of people have indicated 'high rate of interest' and 'harassment for nonpayment as equally important two disadvantages. Around 12.82% of the respondents have cited all three reasons as equally important disadvantage in taking loans from informal sector. For the two lower income sub categories of people ' harassment in case of non repayment (at 31.82% and 30.19%) are the single most prominent disadvantage for loans, whereas in case of the highest income sub category 'very high rate of interest' at 42.86% is the single most important disadvantage in case of credit from informal sector.

Table – 4.21 : Distribution of respondents by Income Level and disadvantages indicated for informal source of loans

(Figures in the parenthesis indicate row percentages)

Income Level(Rs per month)	Disadvantages indicated for informal sources of loans						Total
	Very high rate of interest	Strict repayment schedule	Harassment for non payment	Both high interest & strict repayment	High interest, strict repayment & harassment	No disadvantage	
Upto Rs 5000	6 (27.27)	1 (4.55)	7 (31.82)	1 (4.55)	3 (13.63)	4 (18.18)	22 (100)
5000 to 10000	30 (28.30)	11 (10.38)	32 (30.19)	8 (7.55)	14 (13.20)	11 (10.38)	106 (100)
Above Rs 10000	12 (42.86)	2 (7.14)	9 (32.14)	1 (3.57)	3 (10.72)	1 (3.57)	28 (100)
Total	48 (30.77)	14 (8.97)	48 (30.77)	10 (6.41)	20 (12.82)	16 (10.26)	156 (100)

Source : Calculated from field data.

4.3: Conclusion

From the above discussion it has been seen that although a section of the low income groups of people are financially included in terms of having a bank account, their dependence on informal sector for various financial needs have not come down. In the process often they are losing their hard earned money also. To give a quantitative measure to their level of financial inclusion, a financial inclusiveness index has been constructed in a subsequent chapter. Before that, in next chapter financial deepening is examined in terms of actual usage of bank accounts.

CHAPTER - 5

USAGE AND BENEFITS FROM BANK ACCOUNTS

5.1 : Introduction

In this chapter the extent of usage and benefits accrued to the people who have bank accounts have been examined and analyzed. As mentioned earlier 61.3% of the respondents have bank accounts. Questions were asked about the vintage, frequency of the use of their accounts and other benefits accrued to them and difficulties faced in operation of their accounts etc. Besides a Financial Inclusiveness Index has also been developed to give a numerical measure to the extent of financial inclusion i.e. assimilation of the low income groups of people with the formal financial systems.

5.2: Analysis of Usage and Benefits

The analysis of usage and benefits of the bank accounts have been clubbed into the following subheads :

(1) Vintage of accounts
(2) Facilities available with the bank accounts
(3) Frequency of the use of accounts
(4) Earnings kept in the bank accounts
(5) Knowledge about the banking procedures
(6) Availing loans from banks
(7) Purpose of loans availed
(8) Perceived benefits and disadvantages of the banking system

5.2.1: Vintage of Accounts

The duration of the use of the bank account since opening reflects the level of familiarity with the formal financial sector in respect of the respondents. If the account is just recently opened then the person may not be familiar with the procedures and associated services available with the bank account. The options for vintage of accounts are:

(i) Less than one year

(ii) Between one to three years

(iii) More than three year old

The summary of results could be seen in Table 5.1. The vintage is fairly evenly spread. It was found that around half (49.53% precisely) of the accounts are more than 3 years old at the time of data collection. 28.53% of accounts are between 1 to 3 years old and 21.34% of accounts are less than one year old. The lowest income sub category has the maximum number of 'less than one year old' accounts and 'between 1 to 3 years old' accounts (both at 34.09%). The highest income sub categories have maximum percentage of bank accounts who are more than 3 years old (58.18%). The relative percentage of people having bank accounts opened recently is going down as we go up from lower income sub categories to higher income categories. The converse is true in case of persons having bank accounts which are more than 3 years old.

Table – 5.1: Respondents and the vintage of their accounts

Income Level(Rs per month)	**Vintage of the accounts**						**Total**	
	Less than 1 year		Between 1 to 3years		More than 3 years			
	Number	percentage	Number	percentage	number	percentage	number	percentage
Upto Rs 5000	15	34.09	15	34.09	14	31.82	44	100
5000 to 10000	44	20.0	64	29.09	112	50.91	220	100
Above Rs 10000	11	20.0	12	21.82	32	58.18	55	100
Total	70	21.94	91	28.53	158	49.53	319	100

Source : Calculated from field data.

5.2.2: Facilities Available with the Bank Account

The facilities available and subsequently availed by the respondent reflect depth of financial inclusion. The options given to the respondents are fairly basic banking facilities open to all account holders. They are as follows:

(i) Availability of pass book
(ii) Availability of Cheque book
(iii) Availability of ATM/Debit cards
(iv) A combination of (i), (ii) and (iii)

The summary of results is given in Table 5.2. Almost everybody had a passbook. 44.83% of the respondents mentioned that they had been given only passbook and no other facilities. Around 43.26% of the respondents said they had both passbooks and ATM cards. Around 9.41% of respondents had all 3 i.e. Passbook, Cheque book and ATM cards. Cheque books seem to be less popular among the three, only 2.5% of the respondents claim to have cheque books. In case of ATM cards, it was seen that 22.73% of the persons in the lowest income group have ATM cards. The number rose to 57.28% in case of the middle income subgroup and further increased to 58.18% in case of the highest income sub category. So it is seen that ATM cards have not become universal like the passbooks. Out of all these facilities available through banks recently the ATM cards are becoming most popular and offering greater convenience to the people in operating a bank account as compared to costly and time consuming visits to the bank branches.

Table – 5.2: Respondents having access to different bank facilities
(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month	**Facilities given in their bank accounts**					**Total**
	Only Passbook	Only cheque book	Both passbook and cheque book	Both passbook and ATM card	Passbook, chequebook and ATM card all three	
Upto Rs 5000	34 (77.27)	0 (0.0)	0 (0.0)	9 (20.45)	1 (2.28)	44 (100)
5000 to 10000	93 (42.27)	0 (0.0)	1 (0.45)	106 (48.18)	20 (9.10)	220 (100)
Above Rs 10000	16 (20.09)	1 (1.82)	6 (10.91)	23 (41.82)	9 (16.36)	55 (100)
Total	143 (44.83)	1 (0.31)	7 (2.19)	138 (43.26)	30 (9.41)	319 (100)

Source : Calculated from field data.

5.2.3: Frequency of Use of Accounts

Financial Inclusion could not just be equated with mere provision of a bank account to the excluded section of the population. Frequency of actual use of the bank account indicates the effectiveness of financial inclusion. Transactions make bank accounts active, dormant account nullifies the financial inclusion efforts. The options given for the respondents for getting information on frequency of usage are:

(i) Less than two times a year
(ii) Two to five times a year
(iii) Five to twelve times a year
(iv) More than twelve times a year

The results are presented in the table 5.3. It is seen that nearly 18 % of the respondents are using their bank accounts less than 2 times a year which indicates more or less a dormant account. Majority of them (55.18%) are using their accounts between 2 to 5 times a year which may not indicate dormancy but not a desired level of usage. Only 5.32% of respondents are using accounts more than 12 % a year. None of the respondents in the lowest income sub category are using accounts more than 12 times a year; the corresponding figure for the highest income sub category is 9.09%.

Table – 5.3: Respondents according to Frequency of use of their bank accounts

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month)	**Frequency of use of bank accounts**				**Total**
	Less than 2 times a year	2 to 5 times a year	5 to 12 times a year	More than 12 times a year	
Upto Rs 5000	14 (31.82)	27 (61.36)	3 (6.82)	0 (0.0)	44 (100)
5000 to 10000	38 (17.27)	120 (54.55)	50 (22.73)	12 (5.45)	220 (100)
Above Rs 10000	5 (9.09)	29 (52.73)	16 (29.09)	5 (9.09)	55 (100)
Total	57 (17.87)	176 (55.18)	69 (21.63)	17 (5.32)	319 (100)

Source : Calculated from field data

5.2.4: Earnings Kept in the Bank Account

Along with opening a bank account it would be interesting to know whether bank accounts have led to increased saving or whether a habit of saving has been formed or not. Approximate percentage of monthly income saved in bank accounts could be a good indication of saving habits. This measure reflects formation of saving habits among the low income groups of people and also their faith in the banking system. The options given to the respondents in terms of percentage of their monthly earnings are: (i) Less than 10%, (ii) Between 10 to 20% and (iii) More than 20%.

The results are indicated in Table 5.4. Overwhelming majority (80.56%) reported to have saved less than 10 % of their monthly income. This figure indicate very low or no saving at all. However there are variations among income sub categories. For the lowest income sub category, the figure stands at 93.18% and it is 83.64% for the middle income sub category and 58.18% in the highest income sub category. Altogether 1.26% of the respondents said that they could save more than 20% of their monthly income in their bank accounts. The number is Zero for the lowest income sub category and 5.46% in the highest income sub category. Similarly 18.18% of the total respondents reported to have saved between 10% and 20% of their monthly income in their bank accounts with the highest income sub category topping at 36.36%.. If we ignore those reporting less than 10% of monthly income, then we can safely conclude that 19.44% of those who has bank account are real savers. This figure is comparable across the world estimates found from country level studies.

Table – 5.4: Respondents and the percentage of earning kept in their bank accounts

Income Level (Rs per month)	**Percentage of earning kept**						**Total**	
	Less than 10 %		Between 10 to 20%		More than 20%			
	Number	percentage	Number	percentage	number	percentage	number	percentage
Upto Rs 5000	41	93.18	3	6.82	0	0.0	44	100
5000 to 10000	184	83.64	35	15.91	1	0.45	220	100
Above Rs 10000	32	58.18	20	36.36	3	5.46	55	100
Total	257	80.56	58	18.18	4	1.26	319	100

Source : Calculated from Field Data

5.2.5: Knowledge about Banking Procedures

Some basic questions were framed to know about the awareness level about the banking procedures in respect of persons having bank accounts. The respondents were asked one by one about these and if they have minimum knowledge about them the reply is noted as Yes or otherwise it is noted as No. The Questions are related to the following:

(i) Knowledge about minimum balance
(ii) Knowledge about various rates of interest
(iii) Knowledge about money transfer facility
(iv) Knowledge about any other financial products offered by bank

The summary of results is given in Table 5.5. It is interesting that around 20.37% of the respondents do not have any knowledge about any of these simple banking products/procedures. Among the lowest income sub category, around 31.81 % do not have knowledge about the simple banking products. Surprisingly 21.83% of the higher income sub category of people also does not have much knowledge about the products/procedures mentioned. It was found that the majority of the respondents (42.27%) know about 2 of the products together i.e. minimum balance to be kept and money transfer facility besides 10.34% knowing only about minimum balance and 6.58% knowing only about money transfer facility. Only very few persons (about 4.70%) of the respondents know about the rate of interest offered by the bank on deposits or charged by the bank on loans . The knowledge about the banking products is almost same and comparable across all the 3 income sub groups as revealed in the Table 5.5.

Table – 5.5: Distribution of respondents by Income Level and Their knowledge about banking procedures

(Figures in the parenthesis indicate row percentages)

Income Level(Rs per month)	**Knowledge about Banking Procedures**								Total
	1.Know about minimu balance	2.Know about rate of interest	3Know about money transfer	4.now about any other financial product	Know about 1,2 &3	Know about 1 & 3	Know about 2 & 3	No Knowledge about any of them	
Upto Rs 5000	7 (15.91)	2 (4.55)	0 (0.0)	1 (2.27)	1 (2.27)	17 (38.64)	2 (4.55)	14 (31.81)	44 (100)
5000 to 10000	23 (10.45)	8 (3.64)	12 (5.45)	3 (1.36)	16 (7.27)	102 (46.36)	17 (7.73)	39 (17.74)	220 (100)
Above Rs 10000	3 (5.45)	5 (9.09)	9 (16.36)	0 (0.0)	3 (5.45)	19 (34.55)	4 (7.27)	12 (21.83)	55 (100)
Total	33 (10.34)	15 (4.70)	21 (6.58)	4 (1.25)	20 (6.27)	138 (43.27)	23 (7.21)	65 (20.37)	319

Source : Calculated from field data.

5.2.6 : Taking Loans from Banks :

Banks are formal and regulated sources of finance for the people. Bank loans are available at a reasonable rate of interest and terms & conditions which are favourable to the poor and vulnerable section of the society. As against bank loans, the loans from informal sources like money lenders come with exploitative terms and conditions. Many from the economically weaker section of the society fall further into poverty after taking loans from informal sector. Hence availing credit from banks for economic needs can be termed as measure of economic upliftment for the low income groups of people. But, for taking loans from banks is not easy and lot of formalities are to be met. To get a loan from bank , the banker has to have full faith on the financial capability and reliability of the person applying for loan. Conversely, only a person who has complete faith on the banking system will go for a bank loan.

The respondents who have bank accounts were asked whether they had taken any loan from their bank during the last 3 years. It was found that the number of persons availing loans from the banks is low and only 7.21% of the people have availed any loan. The percentage is zero in case of the lowest income sub category . It is 7.73% for the middle income sub category and 10.91% for the highest income sub category. The results summary could be seen in Table 5.6.

Out of the persons who have taken loans from the bank (23 in number), 6 have taken loans from informal sector also which is more than 25% in percentage terms.

Table – 5.6: Respondents availing loans from bank

Income Level (Rs per month	Status of loans from banks				Total	
	Taken loan from banks		Not taken loan from banks			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	0	0.0	44	100	44	100
5000 to 10000	17	7.73	203	92.27	220	100
Above 10000	6	10.91	49	89.09	55	100
Total	23	7.21	296	92.79	319	100

Source : Calculated from field data

5.2.6.1 : Purpose of Loans availed

The persons who have taken loans were asked about the purpose of the loan also. The options given are :

(i) Investment purpose
(ii) Emergency personal loan
(iii) Loan for consumer durables
(iv) Working capital loan
(v) Loan for personal transport like 2 wheelers etc.

The highest 39.13% stated the purpose as consumer durables, 17.39% said for purchase of 2 wheelers, 21.71% mentioned about their investment needs.

13.04% mentioned about personal loans for emergency purpose . Negligible 8.70% mentioned about their business working capital need . The results could be seen in Table 5.7.

Table – 5.7: Respondents according to the Purpose of loan taken from Bank

(Figures in the parenthesis indicate row percentages)

Income Level (Rs per month	**Purpose of Loan**					**Total**
	Investment need	Emergency needs like illness(personal loan)	For consumer durables	Business working capital	Purchase of vehicle/2 wheeler	
Upto Rs 5000	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
5000 to 10000	3 (17.65)	2 (11.76)	7 (41.18)	2 (11.76)	3 (17.65)	17 (100)
Above Rs 10000	2 (33.33)	1 (16.67)	2 (33.33)	0 ()	1 (16.67)	6 (100)
Total	5 (21.74)	3 (13.04)	9 (39.13)	2 (8.70)	4 (17.39)	23 (100)

Source : Calculated from field data

5.2.7: Perceived Benefits and Disadvantages of the Banking Sector

Garret's ranking technique has been followed to find out (i) Perceived Benefits of having a bank account by the respondents and (ii) Disadvantages/Problems associated with their bank accounts. A list of probable benefits and disadvantages were given to the respondents (based on pilot survey) and they were asked to rank the benefits and disadvantages accordingly.

The ranks given by the respondents to each of the factors depicting perceived benefits are further converted to a single score by using Garret's Ranking Technique and the results are given in Table 5.8 and 5.9. Before analyzing the results, a small note on Garret's technique will be in order.

❖ A note on Henry Garrett's Ranking Technique -

Through this technique, the orders of merit given by the respondents are converted into a single rank by using a formula. To find out the most significant factor which influences the respondent, Garret's ranking technique is used. As per this formula, ranks given by the respondents to all factors are converted to score value named Percent Position with the help of the following formula:

Percent Position = 100(Rij-0.5)/Nj

Where Rij= Rank given for the i th variable by the j th respondent

Nj= Number of variables ranked by j th respondent.

After that, with the help of the Garret's table ,the percent position estimated is converted into scores. Then for each factor, the scores of each individual are added and the total value of scores and mean value of scores are calculated. The factors having higher mean value are considered to be more important (Dr Dhanavandan , S., 2016).

Table 5.8 : Conversion of ranks given by the respondents to the perceived benefits of having a bank account using Garret Value.

Serial No	Perceived Benefits of having Bank Account	Garret Value calculated	Overall Rank
1	Safety of Deposits	78.17	1st
2	Saving Avenue	59.18	2nd
3	Credit Facility	44.72	5th
4	Personal Convenience	53.42	3rd
5	Easy Transaction	36.05	6th
6	Status Improvement	28.77	7th
7	Feel Good Factor	51.80	4th

Source: Calculated from field data

From Table 5.8, it is seen that Safety of deposits is having the overall first rank based on the respondent's perception of benefits from having bank accounts.

Saving Avenue occupies the second position and Personal Convenience occupies the third position. Feel Good Factor of having a bank account ranks higher than the credit facility or ease of doing transaction in banks. Status Improvement in society occupies the last position.

Table 5.9: Conversion of ranks given by the respondents to the perceived disadvantages associated with their bank account by using Garret Value.

Serial No.	Perceived Disadvantage of Using bank Account	Garret Value calculated	Overall Rank
1	Interest rate Low	49.86	2nd
2	Time Consuming	55.10	1st
3	Difficult to get Loans	44.52	3rd
4	High Transaction Cost	40.53	4th

Source: Calculated from field data

From Table 5.9, it is seen that the Factor ‘Time Consuming’ is having the overall first rank based on the respondent’s perception of disadvantages in operating bank accounts. ‘Interest rate low in deposits’ occupies the second position and ‘Difficult to get loans’ occupies the third position. High Transaction Cost in operating a bank account occupies the last position.

5.3: Financial Inclusiveness Index

Index numbers can be used to depict the magnitude of a phenomena as compared to a standard. Here the index is sought to be expressed in percentage terms where 100% will represent the ideal. By means of a single number, one will be able to have a feel of the phenomena of financial inclusiveness of a population group at a given point of time. This number will be comparable across population subgroups and also over time.

Based on the principle given above, a person’s dealings in the financial sphere and attitude and knowledge about the financial system, his inclusiveness and assimilation with the formal financial system have been quantified with an index. Here financial inclusiveness is a dependent variable which depends on several independent variable such as owning a bank account, type of bank account, having insurance policies, taking part in remittance activities, usage of bank accounts, dependence on informal sources of finance etc. In our calculation of the index, 12 variables have been taken and the same will be clear in Table No 5.10. Some of the variables like dependence on informal sources of finance will impact the index value negatively. The categorization and scoring has been done by using the procedure adopted by Bhattacharyya (2015).

The financial inclusiveness index has been calculated by computing the index expressed in percentage terms as follows -

Financial Inclusiveness Index = (Score Obtained/ Maximum Score Obtainable)*100.

The index is sought to be calculated separately for three income sub categories taken for the study i.e (i) The group having monthly income upto Rs 5000, (ii) The group having mnthly income between Rs 5000 and Rs 10,000 and (iii) The group having monthly income more than Rs 10,000. In Table 5.15, the index calculation for the first group i.e. the group having monthly income upto Rs 5000 has been shown.

Table 5.10 : Financial Inclusiveness Index for the Income subgroup having monthly income up to Rs 5000.

Serial No.	Independent Variable	Category	Score	Frequency
1	Bank Account Status	Have Bank Account	1	44
		Not have bank Account	0	65
2	Type of Account	Savings Bank Account	2	34
		Jan Dhan Yojana Account	1	10
3	Place of Account	In Guwahati	2	25
		Outside Guwahati	1	19
4	Participation in remittance Activity	Through Formal Channel	1	3
		Through Informal Channel	0	35
5	Insurance Policy	Have Insurance Policy	1	20
		Not have Insurance Policy	0	89
6	Being cheated by some dubious Organisation	Being Cheated	1	16
		Not being Cheated	0	93
7	**Status of Taking Loans from Informal sector**	Taken Loan from Informal Sector	1	22
		Not taken loan from informal sector	0	87
8	**Vintage of Accounts**	Less than One Year	0	15
		Between 1 to 3 years	1	15
		More than 3 years	2	14
9	**Frequency of Use of Accounts**	Less than 2 times a year	0	14
		2 to 5 times a year	1	27
		5 to 12 times a year	2	3
		More than 12 times a year	3	0
10	**Percentage of Earning Kept in the bank**	Less than 10%	0	41
		Between 10 to 20%	1	3
		More than 20%	2	0
11	**Status of taking loans from Bank**	Taken loan from Bank	1	0
		Not taken loan from Bank	0	44
12	**Financial Literacy Level**	Low Financial literacy	1	81
		High Financial Literacy	2	28

Source: Calculated from field data

Based on the formula as enunciated earlier we have found the following-

Financial Inclusiveness Index = (Score Obtained/Maximum Score Obtainable)*100

= (392/1002)*100

= 39.12%.

So we have found that Financial Inclusiveness Index for the Sub group having Monthly Income up to Rs 5000 as 39.12%.

By doing similar calculations we have found that the Financial Inclusiveness Index for the middle income subcategory (group having monthly income between Rs 5000 and Rs 10000) as 49.93%. Similarly the index for the highest income sub category (group having monthly income more than Rs 10000) as 58.48%. This means that as individual income rises the financial inclusiveness of the person also increases. The calculations for the middle income sub category and highest income sub category have been shown in Tables 5.11 and 5.12 respectively.

Table 5.11 : Financial Inclusiveness Index for the Income subgroup having monthly income between Rs 5000 and Rs 10000

Serial No.	Independent Variable	Category	Score	Frequency
1	**Bank Account Status**	Have Bank Account	1	220
		Not have bank Account	0	124
2	**Type of Account**	Savings Bank Account	2	191
		Jan Dhan Yojana Account	1	29
3	**Place of Account**	In Guwahati	2	160
		Outside Guwahati	1	60
4	**Participation in remittance Activity**	Through Formal Channel	1	29
		Through Informal Channel	0	81
5	**Insurance Policy**	Have Insurance Policy	1	119
		Not have Insurance Policy	0	225
6	**Being cheated by some dubious Organisation**	Being Cheated	1	93
		Not being Cheated	0	251
7	**Status of Taking Loans from Informal sector**	Taken Loan from Informal Sector	1	106
		Not taken loan from informal sector	0	238
8	**Vintage of Accounts**	Less than One Year	0	44
		Between 1 to 3 years	1	64
		More than 3 years	2	112
9	**Frequency of Use of Accounts**	Less than 2 times a year	0	38
		2 to 5 times a year	1	120
		5 to 12 times a year	2	50
		More than 12 times a year	3	12
10	**Percentage of Earning Kept in the bank**	Less than 10%	0	184
		Between 10 to 20%	1	35
		More than 20%	2	1
11	**Status of taking loans from Bank**	Taken loan from Bank	1	17
		Not taken loan from Bank	0	203
12	**Financial Literacy Level**	Low Financial literacy	1	186
		High Financial Literacy	2	158

Source: Calculated from field data

Based on the formula as enunciated earlier we have found the following-

Financial Inclusiveness Index = (Score Obtained/Maximum Score Obtainable)*100

= (2060/4126)*100

= 49.93%.

Table 5.12 : Financial Inclusiveness Index for the Income subgroup having monthly income above Rs 10000

Serial No.	Independent Variable	Category	Score	Frequency
1	Bank Account Status	Have Bank Account	1	55
		Not have bank Account	0	12
2	Type of Account	Savings Bank Account	2	50
		Jan Dhan Yojana Account	1	5
3	Place of Account	In Guwahati	2	49
		Outside Guwahati	1	6
4	Participation in remittance Activity	Through Formal Channel	1	13
		Through Informal Channel	0	8
5	Insurance Policy	Have Insurance Policy	1	36
		Not have Insurance Policy	0	31
6	Being cheated by some dubious Organisation	Being Cheated	1	20
		Not being Cheated	0	47
7	Status of Taking Loans from Informal sector	Taken Loan from Informal Sector	1	28
		Not taken loan from informal sector	0	39
8	Vintage of Accounts	Less than One Year	0	11
		Between 1 to 3 years	1	12
		More than 3 years	2	32
9	Frequency of Use of Accounts	Less than 2 times a year	0	5
		2 to 5 times a year	1	29
		5 to 12 times a year	2	16
		More than 12 times a year	3	5
10	Percentage of Earning Kept in the bank	Less than 10%	0	32
		Between 10 to 20%	1	20
		More than 20%	2	3
11	Status of taking loans from Bank	Taken loan from Bank	1	6
		Not taken loan from Bank	0	49
12	Financial Literacy Level	Low Financial literacy	1	28
		High Financial Literacy	2	39

Source: Calculated from field data

Based on the formula as enunciated earlier we have found the following-

Financial Inclusiveness Index = (Score Obtained/Maximum Score Obtainable)*100

= (555/949)*100

= 58.48%.

5.4: Conclusion

It is seen that among the persons who have opened bank accounts the usage and benefits accrued to them are not to the desired extent. Many of them are the late entrants to the formal financial system as nearly 22% of the accounts are less than one year old at the time of the field enquiry. Frequency of use of bank accounts also indicate that around 18% of the accounts are accessed less than 2 times a year which practically indicate dormancy of accounts. As regards savings, only 20% of the account holders could be termed as real savers. It is also seen that nearly 7 % of the account holders have taken loans from the banks. Financial inclusiveness index also indicate that individual income plays a major part in financial inclusion. The highest income subgroup of people are more integrated with the formal financial system compared to the other subgroups within the low income groups of people.

CHAPTER - 6

CONSTRAINTS AND FACTORS AFFECTING DEMAND SIDE OF FINANCIAL INCLUSION

6.1: Introduction

In this part we want to examine the constraints and factors affecting financial inclusion particularly from the demand side i.e from the user's perspective. Here, we are calling a person financially included if he/she is having a basic bank account. Demand for a bank account for doing financial transactions in the formal world may be shaped by the person's socio economic back ground, education etc. Besides for owning and meaningfully operating a bank account, a person needs to be reasonably enlightened and motivated. So awareness level is also important. In the following paragraphs the factors which may have affected the financial decisions of the respondents have been analyzed to arrive at meaningful conclusion. So separate cross tabulations of the identified factors with bank account status (Yes or No) are done for calculation of Chi square statistics and p value for significance test. Binary Logistic Regression method is also being used to indicate the magnitude of influence on financial inclusion by some important factors like Educational level. Occupation and relative increase in Income level.

In the first part the factors affecting financial inclusion have been analyzed and in the second part some specific constraints are examined. Results of the Binary Logistic Regression have been presented in part three.

6.2: Factors affecting Financial Inclusion

Socio Economic factors mentioned in the Chapter Three have been taken up for analysis. In addition effects of financial literacy and effectiveness of outreach programmes of the Government have also been included.

6.2.1: Age of the Respondents and Bank Account Status

Since having a bank account is considered to be the first step in financial inclusion, it is tried to examine any relationship between the age of the person and his/her owning a bank account in the target group of low income group of the population. The resultant cross tabulation is given in Table 6.1. It was found that only 50.7% of the people who are less than 30 years of age have accounts. The percentage increased to 67.1% in case of the second age group between 30 to 50 years. It is the age group where people tend to be most productive the figure falls again to 61.3% in case of the older age groups of over 50 years. This indicates that there is some relationship between the age of the respondent and his having a bank account. The Pearson Chi square coefficient is 11.539 with 2 df. This value is higher than the tabulated value 5.99 at 5% level of significance, which indicate difference is significant. P value is .003.

Table – 6.1: Distribution of respondents by Age and their Bank Account Status

Age in Years	**Bank Account Status**				**Total**	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Less than 30 Years	74	49.3	76	50.7	150	100
Between 30 to 50 Years	99	32.9	202	67.1	301	100
More than 50 Years	201	38.7	319	61.3	319	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

6.2.2: Educational Attainment and Bank Account Status

General education of a person may have a huge influence on a person in having a bank account and becoming an active participant in the formal financial sector. It is tried to establish relationship between the educational attainment of the person and his owning a bank account in respect of the low income group of the population. The resultant cross tabulation is given in Table 6.2. Educational attainment has been subdivided into 5 categories as reflected in the table. It was seen that among the first 3 sub categories of educational attainment (i.e. up to those who studied upto class VIII), it ranges from 41.7% to 51.9%. But the percentage sharply increases from the 4th sub category i.e. for the persons who have studied higher than class VIII. It is 82.6% in respect of persons who studied between class VIII and Class X and the figure is 81.4% in case of the persons who studied class X and above. This indicates that there is some relationship between the educational attainment of the respondent and his having a bank account. The Pearson Chi square coefficient is 63.375 with 4 df. This value is higher than the tabulated value 9.49 at 5% level of significance, which indicates difference is significant. P value is .000.

Table – 6.2: Distribution of respondents by Educational Attainment and their Bank Account Status

Educational Attainment	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percent age	Number	Percenta ge	Number	Percent age
Not gone to School	37	48.1	40	51.9	77	100
Upto Class V	63	58.3	45	41.7	108	100
Between class V to VIII	64	49.2	66	50.8	130	100
Between Class VIII to X	16	17.4	76	82.6	92	100
Above Class X	21	18.6	92	81.4	113	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

6.2.3 : Occupation and Bank Account Status

It is tried to examine the relationship between the occupation of the person and his owning a bank account in respect of the low income group of the population. The resultant cross tabulation is given in Table 6.3. It was found that only 33.3% of the people who are wage earners have accounts. The percentage increased to 60.9% in case of the skilled professional and rose further to 64% in case of the people engaged in petty business. The highest percentage of 89.4% was found in case of persons holding salaried job. This indicate that there is some relationship between the occupation of the respondent and his having a bank account . The Pearson Chi square coefficient is 41.298 with 3 df. This value is higher than the tabulated value 7.81 at 5% level of significance, which indicate difference is significant. P value is .000.

Table – 6.3 : Distribution of respondents by Occupation and their Bank Account Status

Occupation	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Wage Earner	50	66.7	25	33.3	75	100
Skilled Professional	34	39.1	53	60.9	87	100
Salaried Job	5	10.6	42	89.4	47	100
Petty Business	112	36.0	199	64.0	311	100
Total	201	38.7	319	61.3	520	100

Source : Calculated from Field Data

6.2.4: Place of Birth and Bank Account Status

Place of birth indicates to the migration status of the person. Many respondents from the low income group of people are first generation migrants to the city mainly for economic reasons. The financial decisions taken by them are hugely influenced by their migration status as the values and societal structure in their place of birth may be at variance with their current inhabiting place. So it is sought to examine the influence of Place of birth of the respondent on their bank account status. The resultant cross tabulation has been given in Table 6.4

Table 6.4: Distribution of respondents by their Place of Birth and Bank Account Status

Place of Birth	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Outside Guwahati	177	40.7	249	59.3	420	100
In Guwahati	30	30.0	70	70.0	100	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

It is found that only 59.3 % of the persons who are born outside Guwahati are having bank accounts. In case of the persons born in Guwahati, the corresponding percentage of owning a bank account is 70.0%. This indicates that there is some relationship between the place of birth of the person and his having a bank account. The Pearson Chi square coefficient is 3.910 with 1 df. This value is higher than the corresponding tabulated value 3.84 at 5% level of significance, which indicates difference is significant. P value is 0.048.

6.2.5: Mobile Phones and Bank Account Status

Mobile phone penetration is huge in the society and making our day to day life much easier. As an easy communication medium, possessing a mobile phone may hugely influence in having a bank account and be financially inclusive.

The resultant cross tabulation are given in Table 6.5. It was found that only 34% of the people who do not have a mobile phone are having bank accounts. In case of the persons having mobile phones the corresponding percentage of owning a bank account is 67.9%. This indicate that there is some relationship between the person having a mobile phone and his having a bank account. The Pearson Chi square coefficient is 39.045 with 1 df. This value is higher than the tabulated value

3.84 at 5% level of significance, which indicate difference is significant. P value is .000.

One significant statistics worth noting is that in our sample 319 (61.3%) persons are having bank account whereas the number of persons possessing mobile phone is 420 (80.77%). This indicates future prospects in mobile banking. Bhatia and Chatterji (2010) while doing studies in slums of Delhi could found that among the slum dwellers mobile penetration is higher than the banking penetration and significant convergence was evident between two parameters so there is enormous possibility of mobile banking in urban areas.

Table –6.5 : Distribution of respondents by their having Mobile Phones and Bank Account Status

Mobile Phone Possession	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Not having Mobile Phones	66	66.0	34	34.0	100	100
Having Mobile Phones	135	32.1	285	67.9	420	100
Total	201	38.7	319	61.3	520	100

Source : Calculated from Field Data

6.2.6 : Having Own Property and Bank Account Status

Having land or other immovable properties like house in the city indicate economic strength and may influence in their participation in the formal financial sector in terms of having a bank account.

The resultant cross tabulation is given in Table no 6.6. It was found that only 55.2% of the people who do not have a house or property in the city and staying in a rented house are having bank accounts. In case of the persons having their own house property in the city the corresponding percentage of owning a bank account is 79.5%. This indicate that there is some relationship between the person having own house or property and his having a bank account. The Pearson Chi square coefficient is 24.710 with 1 df. This value is higher than the tabulated value 3.84 at 5% level of significance, which indicate difference is significant. P value is .000.

Table –6.6 : Distribution of respondents by their Accommodation arrangement and Bank Account Status

Accommodation arrangement	**Bank Account Status**				**Total**	
	Not having Bank Account		**Having Bank Account**			
	Number	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Staying in Rented House	174	44.8	214	55.2	388	100
Having own house	27	20.5	105	79.5	132	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

6.2.7: Family Size and Bank Account Status

Size of one's family may influence economic decisions in life like having a formal bank account and be active in the formal financial sector.

The resultant cross tabulation is given in Table -6.7. The result is mixed. It was found that only 49.20% of the people who have family size 6 or above have bank accounts. The percentage increased to 61.5% in case of the persons who have family size either 4 or 5 persons and increases further to 65.2% in case of family members up to 3 persons.. The Pearson Chi square coefficient is 4.940 with 2 df. This value is lower than the tabulated value 5.99 at 5% level of significance. This indicates difference is insignificant. P value is 0.085.

Table – 6.7: Distribution of respondents by their Family Size and Bank Account Status.

Family Size	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto 3 members	63	34.8	118	65.2	181	100
Either 4 or 5 Members	107	38.5	171	61.5	278	100
6 or above members	31	50.8	30	49.2	61	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

6.2.8 : Earning Status in the Family and Bank Account Status

Whether a person is the only earning member of the family or not, may influence his or her important financial decisions like having a bank account.

The resultant cross tabulation is given in Table 6.8. The result is mixed. It was found that only 58.90% of the people who is not the only earning member of the family have bank accounts. The percentage increased to 62.5% in case of the persons who are the only earning member of the family. The Pearson Chi square coefficient is 0.612 with 1 df. This value is lower than the tabulated value 3.84 at 5% level of significance. This indicates difference is not significant. P value is 0.434

Table – 6.8 : Distribution of respondents by their Earning for the family and Bank Account Status

Earning for the family	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Not the only earning member	69	41.1	99	58.9	168	100
Only earning member	132	37.5	220	62.5	352	100
Total	201	38.7	319	61.3	520	100

Source: Calculated from Field Data

6.2.9: Financial Literacy Aspects and Bank Account Status

Financial Literacy influences the demand side of financial inclusion as opposed to supply side like bank branch expansion, developing special products for disadvantaged section etc. So it is important to have a small measure of financial literacy position of the respondents and their corresponding bank account status. Since our target group is basically economically disadvantaged group of society, their financial literacy level cannot be expected to be very high. A rudimentary measure of their financial literacy level is done by some indirect methods.

The respondents were introduced to some basic banking terms and asked whether they are familiar with these terms and can explain briefly. The 6 terms used were 'Savings bank Accounts', Jan Dhan Yojana Accounts, Fixed Deposit, Recurring Deposit, Current Account and 'Zero Balance Account'. The first two terms are very elementary but to elaborate on the next 4 terms one should have a deeper familiarity with the banking system. So those respondents who are familiar with none of the 6 terms or familiar with only the first two terms(either or both) but not familiar with any one of the last 4 terms are categorized as having less financial literacy level . Rest of the respondents who, besides the first 2 terms, are also familiar with any or all or combination of last 4 terms are classified as having higher level of financial literacy.

Distribution of the respondents as per these two sub categories are presented in Table 6.9. Obvious finding is that the percentage of people with higher knowledge about financial system is increasing steadily as the income level rising It is 25.69% for the lowest income sub category , increased to 38.82% and 58.21% respectively in case of middle and highest income sub categories .

Table – 6.9 : Distribution of respondents by Income Level and their Familiarity about basic banking terminologies.

Income Level (Rs per month	Familiarity about basic banking terminologies				Total	
	Know about only JDY or SB account		Having more higher familiarity			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	81	74.31	28	25.69	109	100
5000 to 10000	186	61.18	158	38.82	304	100
Above 10000	28	41.79	39	58.21	67	100
Total	295	56.73	225	43.27	520	100

Source : Calculated from field data

The next step was to see whether higher level of familiarity with banking terms has led to higher level of ownership of bank account or not. So the Financial Literacy level of the respondents and bank account status are analyzed and the resultant cross tabulation could be seen in Table 6.10

Table – 6.10: Distribution of respondents by their Financial Literacy level and Bank Account Status

Financial Literacy Level	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Having lower level Financial literacy	164	55.59	131	44.41	295	100
Having Higher level of Financial literacy	37	16.44	188	83.56	225	100
Total	201	38.65	319	61.35	520	100

Source : Calculated from field data

It is seen that among the respondents having higher financial literacy level, overwhelming majority i.e. 83.56% have bank accounts. On the other hand, among the respondents having lower financial literacy level, only 44.41% possess any bank account. So it is evident from the table, higher financial literacy level may have influenced the respondents to participate in the formal financial system in terms of possessing a basic bank account. The Pearson Chi square coefficient is 82.68 with 1 df. This value is higher than the tabulated value 3.84 at 5% level of significance, which indicates difference is significant. P value is .000.

6.2.10: Effectiveness of Government Outreach Programmes

The respondents were asked whether they have seen any hoarding, pamphlet, advertisement in newspaper or in TV or heard announcement in radio etc. for opening bank accounts.

The results of the quarry could be seen at Table 6.11. Only 18.8% of the respondents mentioned that they had seen any advertisement or Hoarding etc. for opening a bank account. The percentage is high (32.8%) in the highest income sub category and gradually going down to 17.2% in the middle income sub category and to 15.6% in the lowest income sub category.

Table – 6.11: Distribution of respondents by Income Level and having seen any advertisement/hoarding etc for opening account.

Income Level (Rs per month	Status of having seen advertisements etc				Total	
	Seen any advertisements etc		Not seen any advertisement etc			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	17	15.6	92	84.4	109	100
5000 to 10000	59	17.2	285	82.8	344	100
Above 10000	22	32.8	45	67.2	67	100
Total	98	18.8	422	81.2	520	100

Source : Calculated from field data

The bank account status of the persons who have who have seen hoardings / advertisements for opening bank accounts was also examined and the results are given in table 6.12.

77.6% of the persons who have seen advertisement etc are having bank accounts compared to 57.6% of the persons who have not seen any advertisement or hoarding etc. Conversely, the percentage of unbanked is higher at 42.4% among the group who have not seen any advertisement/hoarding compared to 22.4% of the other group who are relatively better informed through advertisement/hoarding etc. The Pearson Chi square coefficient is 13.373 with 1 df which is higher than the tabulated value of 3.84 at 5% level of significance. P value is 0.000. This indicates that there is significant difference in being banked in respect of persons who have seen any advertisement/hoarding etc and the group who are not exposed to such advertisement/hoarding etc. This indicates that if the outreach programmes of the Government are more effective, this may increase financial inclusion among the low income groups of people.

Table – 6.12 : Distribution of respondents by their having seen advertisement/hoarding etc and their Bank Account Status

Status of having seen hoarding/ Advt. etc	Bank Account Status				Total	
	Not having Bank Account		Having Bank Account			
	Number	Percentage	Number	Percentage	Number	Percentage
Seen Hoarding etc	22	22.4	76	77.6	98	100
Not seen Hoarding etc	179	42.4	243	57.6	422	100
Total	201	38.7	319	61.3	520	100

Source : Calculated from field data

6.2.11: Summary of the Factors Affecting Financial Inclusion

For quick understanding at a glance, the effects of the various socio economic factors along with their level of significance are summarized in a single table in Table 6.13

Table – 6.13: Summary of Factors affecting Financial Inclusion along with significance status.

Serial No.	Socio Economic Factors	Significant difference as per Chi Square Value
1	Age of the respondents	Significant
2	Educational attainment	Significant
3	Occupation	Significant
4	Place of birth	Significant
5	Having mobile phones	Significant
6	Having own house or landed property	Significant
7	Family Size	Insignificant
8	Earning Status in the family	Insignificant
9	Financial literacy	Significant
10.	Government Outreach Programmes	Significant

Source : Calculated from field data

6.3: Constraints on Financial Inclusion

Apart from the socio economic factors which affect financial inclusion there are other constrains which restrict financial inclusion. Some people, in spite of having knowledge about the banking sector, voluntarily keep themselves away from banking system. It may be because of psychological factors, sheer lethargy or misgivings about the banking system. There is another section that are willing to open bank accounts but due to some personal constraints, they have not been able to become a member of the formal financial system. Both these issues are discussed below:

6.3.1: Persons Voluntarily Staying Away from Formal Financial Sector

There are some respondents who do not have bank account, but, at the same time, they are immediately not interested in opening a bank account .

The respondents who do not have a bank account of their own, were asked further about whether they are willing to open a bank account immediately given a chance, many of them replied in the negative. So we got two categories of persons among the group who do not have any bank account of their own. In the first category are the persons who are not immediately willing to open bank account although they possess some knowledge about the banking system and associated benefits/problems thereof. This may be due to lack of proper exposure to the financial world, misinformation about the banking system or simple lethargy or they are not feeling any necessity for a bank account in their day to day economic life. Table 6.14 below show that around 45.3% of the persons not having any bank account are not immediately willing to go to a bank branch for opening an account. The percentage is almost similar for the lowest two income sub categories (at 49.2% and 44.4%) , but it is significantly lower in case of the highest income sub category (33.3%).

Table – 6.14: Distribution of respondents by Income Level and their willingness to open an account (among those who do not have any bank account)

Income Level (Rs per month	Willingness to open an account				Total	
	Not willing		Willing			
	Number	Percentage	Number	Percentage	Number	Percentage
Upto Rs 5000	32	49.2	33	50.8	65	100
5000 to 10000	55	44.4	69	55.6	124	100
Above 10000	4	33.3	8	66.6	12	100
Total	91	45.3	110	54.7	201	100

Source: Calculated from field data.

6.3.2 : Reasons Cited by Respondents not Having Bank Account but willing to Have an Account

Many respondents who do not have bank account but are willing to have an account given a chance, cited reasons or constraints for not possessing a bank account till then . These reasons cited by the respondents, on analysing, also throw light on constraints of financial inclusion.

The reasons/constraints stated by such respondents are presented in Table 6.15 below. Among the lowest income sub category of the people, the foremost reason is ‘hardly any savings to keep’ (96.67%). This indicate their low economic base and for them, as per their own perception, opening a bank account may be a botheration without any meaningful gains. For the middle income sub category, the highest cited reason is ‘cumbersome paperwork’s associated with opening and maintaining a bank account’ (43.48%). ‘No time to go to bank’ is also another prominent reason for this sub category (34.78%). For the highest income sub category, the topmost reason cited is again ‘No time to go to the bank’ (62.5%). Interestingly only one respondent cited as ‘No proof of Identity/Proof of residence document’. So lack of document is not at all an impediment for not opening a bank account.

Table – 6.15 : Distribution of respondents by Income Level and Reasons for not opening an account (among those who do not have an account but willing to open an account).

(Figures in the parenthesis indicate row percentage)

Income Level (Rs per month	**Reasons for not opening an account**				**Total**
	No time to go to Bank	Paperworks are intimidating	No PoI/PoA Documents	Hardly any savings to keep	
Upto Rs 5000	0 (0)	1 (3.03)	0 (0)	32 (96.97)	33 (100)
5000 to 10000	24 (34.78)	30 (43.48)	1 (1.45)	14 (20.29)	69 (100)
Rs 10000 and above	5 (62.5)	3 (37.5)	0 (0)	0 (0)	8 (100)
Total	29	34	1	46	110

Source: Calculated from field data

6.4: Logistic Regression Results

From our discussion above, we have seen that general education level and Occupational Status have huge influence in a person being financially included or not. This is apart from the overwhelming influence of Income level of the person which is almost universally accepted as the most important factor in determining whether the person have a operational bank account or not. So by taking whether a person having a bank account or not (yes or no) as the dependent variable and the income level, educational attainment and occupational status of a person as independent variables, one binary logistic regression was run through SPSS and the results are discussed below. In this regard for income level 3 income sub categories are included. Likewise for educational attainment 5 categories already identified vide Table 3.2 and 4 categories of occupation as indicated in Table 3.3 have been taken. All the independent variables are categorical variables. Before discussing the results a small note on binary logistic regression will be in order.

6.4.1: A note on Binary Logistic Regressions

Logistic regression analyzes the relationship between multiple independent variable and estimates the probability of occurrence of an event by fitting data to a logistic curve. Logistic regression is used to test models to predict categorical outcomes with two or more categories.

There can only be a single dependent variable with logistic regression. The dependent variable is usually dichotomous, that is, the dependent variable can take the value 1 with probability of success, or the value 0 with probability of failure. This type of variable is called binary variable. The independent variable could be either categorical or continuous, or a mix of both in one model. Since logistic regression calculates the probability of success over the probability of failure, the impact of the predictor variable is usually explained in terms of odd ratios. In this way, logistic regression estimates the odds of a certain event occurring compared to a reference category. Binary logistic regression by default predicts the higher of the two categories of the dependent variable (usually 1), using the lower (usually 0) as the reference category.

The binary logistic regression was run with bank account status as dependent variable and income, educational status and occupation as independent variables. All the 3 independent variables are categorical variables as they are categorized into different groups. The logistic regression results in summary and their interpretations are presented below.

A. <u>Test of Model Coefficients.</u>

The significant level of the model is explained through Chi square (χ^2) value.

In our model we have found the following –

χ^2(df=9,N=520) = 112.081. (p value =0.00 which is less than 005). This indicates that the model cannot be rejected and the model has merit.

B. <u>Goodness of fit as per modified R^2</u>

Cox & Snell R^2 = 0.194 and Nagelkerke R^2 = 0.263. This means between 19.4% and 26.3% of variance in the dependent variable is explained by the independent variables in the model. This is considered good for a model .

C. <u>Goodness of fit as per Hosmer and Lemeshow Test</u>

Hosmer and Lemeshow significance level is 0.352 which is greater than 0.05. This can be interpreted as insignificant and it is good for the model. This means there is no significant difference between values of dependent variable predicted by the model and the actual observations in the field.

D. Percentage of Correct Prediction

The percentage of Correct Prediction as per the model is 72.9% which is pretty good, this means that by using the model we can correctly predict whether a person belonging to the low income group of people will have a bank account or not in 72.9% of times. This is an improvement of 61.3% which we get simply by the observed percentage of people having bank account in the respondent group. So the prediction capability of the model could be called good.

E. Significance level of the variables and odds ratio.

The significance level of the variables in the model and the corresponding odds ratios are presented in the form of a table below (Table 6.16):

Table – 6.16 : Binary Logistic Regression Results (Significance Level and Odds ratio)

Serial No	Categorical Variable	Sub categories of Variables	Significance Level	Interpretation of Significance	Odds Ratio (Exp β)
1	INCOME LEVEL	Income up to Rs 5000	0.002	Significant	0
2		Income between Rs 5000 and Rs 10000.	0.022	Significant	1.768
3		Income above Rs 10000	0.001	Significant	4.100
4	EDUCATION LEVEL	Not Gone to School	0.000	Significant	0
5		Studied up to Class V	0.233	Significant	0.684
6		Class V and above and up to class VIII.	0.828	Insignificant	0.936
7		Class VIII and above and up to Class X	0.000	Significant	4.035
8		Class X and above	0.001	Significant	3.178
9	OCCUPATION	Wage Earner	0.000	Significant	0
10		Skilled Professional	0.083	Insignificant	1.901
11		Salaried Job	0.000	Significant	9.908
12		Petty Business	0.001	Significant	2.634

Source : Calculated from Field Data.

Interpretation of the Significance level : If the significance level of the variable is less than 0.05 then the variable is called significant or good in terms of its predictive ability. It is seen from Table 6.18 that in case of income level of the respondents all the three income sub categories is significant. This means that if we know the monthly income level of the respondent than that information will be very useful information to predict the outcome i.e. whether that person will be having a bank account or not. In case of educational attainment of the person we have seen that except in case of the middle sub category i.e. 'Class V and above and up to class VIII', all other sub categories have been shown to be significant and they are also powerful information in predicting the outcome. In case of the occupational level of the respondents it is seen that in only one sub category i.e. 'Skilled Professional' the variable has been shown to be insignificant. In case of other 3 sub categories we can state that whether a person falls into that sub category of occupation or not will be powerful information in terms of predicting the outcome. The outcome in this case is whether a person will be having a bank account or not.

Interpretation of Odds Ratio : Odds ratio actually represent the numerical value of how many more factors the likelihood of a successful outcome will increase if the respondent belong to a particular sub category in comparison to the first or base category. The base category is determined in the regression process done through SPSS. In the table, the base category will be represented with an odds ratio zero. As per table 6.18, we have seen that in case of income level the base category is the income subgroup of 'Income up to Rs 5000. It is also seen that as income level raises the odds ratio is also increasing. If a person belongs to middle income sub category he is 1.768 times more likely to have a bank account than someone belonging to the base category. Similarly if a person belongs to the highest income sub category, then he is 4.100 times more likely to have a bank account in comparison to someone belonging the lowest income sub category. In case of educational level, we have seen that the sub category of respondents who have not gone to school is the base category. It is seen from the table that if a person falls into either of the next two sub categories i.e. 'Studied up to Class V' and 'Class V and above and up to class VIII' , the odds of success i.e. that having a bank account do not increase as in both the cases the odds ratios are less than one. In contrast, if the person has studied between ‘Class VIII and above and up to Class X’, his odds increases significantly and he is 4.035 times more likely to have a bank account compared to a respondent who has not gone to school (base category). Similarly, a person is studying class X and above, he is 3.178 times more likely to have a bank account as compared to a person who has not gone to school. In case of the occupation of the respondents, the sub category ‘Wage earners ‘is the base category. If somebody is a ‘skilled professional, then he is 1.901 times more likely to have a bank account compared to a wage earner. Similarly if a person is having a salaried job, he is 9.908 times more likely to have a bank account compared to a wage earning person. If a person is engaged in petty business, he is 2.634 times more likely to have a bank account as compared to a wage earner.

6.5: Conclusion

From the discussion it is seen that the educational level of a person has huge influence in a person having a bank account or not. Simultaneously Financial Literacy level is also highly significant factor. Possession of mobile phone will also be very beneficial for expansion of financial inclusion. Among the occupations, it is found that having a regular income, however small, through a salaried job has maximum positive impact in financial inclusion. Wage earners are falling behind. However, the analysis shows that family size or earning status in the family are insignificant factors in influencing financial inclusion. The inputs from the discussions in this chapter would be very useful for firming up policy recommendations and suggestions.

CHAPTER - 7

SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY IMPLICATIONS

7.1: Introduction

The current study on financial inclusion of the low income group of people has 6 objectives and 3 research questions as elaborated in Chapter I. The objectives and the research questions are reproduced below as reference for summarizing and drawing conclusions:

- To analyze the socio economic profile of the low income groups of people in Guwahati.
- To examine the extent of financial Inclusion of the sample population.
- To enquire about the extent of financial exclusion among the low income group of people and specifically about their dependence on the informal sector for financial needs.
- To understand the extent of usage and benefits accrued to the people who have come under the formal financial sector.
- To examine the constraints of Financial Inclusion and more specifically to examine the factors affecting the demand side of financial inclusion.
- To derive policy implications and recommendations.

3 Research Questions were proposed for the study:

(I) Whether a relatively large section of urban low Income Groups have been excluded from the Formal Financial Sector?

(II) What is the extent and penetration of Financial Inclusion and whether it has a significant impact on the economic life of the Low income Groups of people in Guwahati?

(III) How the socio economic status of low income groups of people is affecting their financial inclusion?

Now, the major findings of the study have been subdivided into different segments according to the objectives of the study as well as to find answers to the research questions.

7.1.1: Socio Economic Profile of the Low Income Groups of People

The analysis of Socio economic profile of the low income groups of people in Guwahati in chapter 3 provide very useful insights in understanding their dealings in financial matters. The main findings are highlighted below:

- It is found that majority i.e. 59.8% are engaged in petty business as self employment activity. Only 9% have any regular salaried job. The percentage of wage earner and skilled professional are 14.4% and 16.7% respectively
- As regards educational attainment, maximum i.e. 25% have studied between class V to class VIII. Around 14.8% of the respondents have not gone to school while 21.7% have studied beyond class X.
- As per the place of birth of the respondents , 80.8% mentioned their place of birth as outside Guwahati. It can be surmised that majority of the respondents are first generation migrants to the city of Guwahati.
- As per the status of having immovable property or own houses in the city, it was found that 74.6% of the respondents are staying in rented house . Only 25.4% have their own houses in Guwahati.
- It was found that around 80.8% of the respondents possess mobile phones .
- As regards family size of the respondents, it was found that 53.5% of the respondents have family size of either 4 or 5 number of persons. 11.7 % have 6 or more members and 34.8% have less than or equal to 3 members.
- As per the earning status of the respondents, it was found that around 68% of the respondents are the sole earning member of their families.

- Age profile of the respondents reveal that majority of the respondents (57.9%) are in the age group between 30 to 50 years. Only 13.3% are more than 50 years old.

7.1.2. Extent of Financial Inclusion and Exclusion

It is seen that financial inclusion is not an issue confined to just rural areas only. Many people living in urban areas are also excluded. This exclusion is prominent among low income groups of people in an urban set up. Financial exclusion in the urban areas at the first glance seems to be a paradox due to the presence of numerous service providers and delivery infrastructure like bank branches etc. But urban financial exclusion is happening due to lack of last mile connectivity. However the last mile in the urban context for the low income groups of people may not be the physical distance to the bank branch but it may be lack of proper awareness, misconceptions about the formal financial system, lack of attractive financial products offered by the systems etc. There are other hassles like requirement of paperworks and time consuming nature of the procedures .

The main findings regarding financial inclusion and exclusion of the urban low income groups of people are:

- It is found that around 61.3% of the people belonging to the low income groups in the city of Guwahati are having a bank account. In that sense, around 38.7% of the persons could be called financially excluded.

- If we look at various income sub categories among the low income groups, it is found that 59.6% of the lowest income sub category does not have bank accounts. The corresponding percentage is 36.0 % and 17.9% respectively for the middle income and highest income sub categories

- Conversely 82.1% of the respondents belonging to highest income sub category have bank accounts as compared to 40.4% of the lowest income sub category. This indicates that even within low income groups, as the income rises people tend to get financially included.

- The account penetration of 61.3% of the respondent group is not surprising
- Participation in remittance activities through formal financial system also indicates financial inclusion. It was revealed in the study that 73.38% of persons who were doing remittance activities of either receiving money or sending money were doing so through relatives and friends only. Only 18.34% of the persons were using bank accounts for sending or receiving money and 4.14% are dependent on money orders. This is a low figure compared to persons using informal channel of remittance.
- Further 4.14 % of the respondents are using both bank channel and relative/friends for remittance. They are taking benefits from both formal and informal channel.

- The percentage of use of friends and relatives for remittance purpose is going down with the increase in income level within the low income groups of people.
- Having insurance cover from formal institutional players also indicate financial inclusion It was found that around 33.7% of people have insurance policies. The percentage is highest among the highest income sub category at 53.7%. The corresponding figure for the middle income sub category and the lowest income sub category are 34.6% and 18.3% respectively.
- Preferred mode of savings also indicates financial inclusion status of the people. People were questioned about their other modes of saving other than a bank account. Overwhelming majority (74.62%) replied ‘at home in cash’. This may or may not be termed as deliberate or conscious effort for saving.
- Saving option of ‘at home in cash’ is almost same across all the income subcategories ranging from 72.99% to 79.82%.
- Interestingly, around 10.09% of the respondents in the lowest income sub category and 5.82% in the middle income sub category did not report any savings on their part. This reflects serious financial exclusion.

- Next important avenue for saving (at 12.12% overall) is in neighborhood associations or ROSCAs. It was found to be very popular among middle income sub category and higher income sub category of respondents.
- Few respondents reported savings in post offices (4.62% overall). Savings in NBFCs or in NGOs, etc. are negligible.
- Contingency measures to meet unforeseen requirement of large sum of money is very important aspect of life.
- The most popular source for sudden requirement of fund is 'Money lenders' or 'Friends & relatives'. Around 54.8% respondents mention that they have both 'friends & relatives' and 'moneylenders' to fall back in case of emergency.
- Interestingly the tendency to approach 'money lenders' is high among the two higher income sub categories (at 22.7% and 31.3%) compared to the respondents in the lowest income sub category(at 11.9%).
- Indebtedness to informal sector also indicates financial exclusion. It was found that around 30% of the people have taken loan from informal sector during the reporting period. Interestingly the percentage is highest in the highest income sub category at 41.8%. The percentage falls to 30.8% in respect of middle income sub category and further down to 20.2% in respect of lowest income sub category.
- Majority (35.36%) have taken loan from 'friends and relatives' followed by 'money lenders' (30.13%). 14.7% of persons mentioned that they had taken loan from some minor finance institutions and 3.2% have taken loan from neighbourhood associations or ROSCAs.
- Financial Inclusiveness Index has been calculated by taking into account 12 parameters reflecting financial inclusion and exclusion. The index for the Sub group having Monthly Income up to Rs 5000 is 39.12%. This is a very low figure.
- Similar figure of Financial Inclusiveness Index for the middle income sub category is 49.93% and for the highest income sub category is 58.48%.

Thus, these findings of the study answer our first research question that a large section of Urban low Income groups have been excluded from Formal Financial sector.

7.1.3 :Penetration of Financial Inclusion

In this section to understand the depth of financial inclusion, specific quarries regarding usage and benefits of bank accounts were put to the respondents particularly those having bank accounts. The findings are summarized below:

- Type of accounts maintained by people were enquired. The purpose was to basically distinguish between full fledged savings account and the Jan Dhan Yojana(JDY) accounts which may not have all the features of the full fledged savings bank account. It was found that 80.21% accounts are savings bank account and the rest 19.79% are JDY accounts
- Expectedly maximum percentage of the JDY accounts are in the lowest income sub category and around 22.73% of the persons in this category are having JDY accounts

- Conversely in case of full fledged savings bank accounts, 90.91% of the persons in the highest income sub category have such accounts.
- Place of the bank branch where the person is having an account was also enquired. It is seen that 73.4% of respondents are having bank account inside Guwahati and the 26.6% are having their bank accounts outside Guwahati mainly in their place of birth. The percentage of bank accounts outside Guwahati is highest (43.2%) in respect of lowest income sub category and is lowest (10.9%) in case of the highest income sub category.
- The vintage i.e. the number of years past after opening of the bank account by the person was also enquired into, and found to be fairly evenly spread. If the person is using a bank account for a longer duration then it reflects more familiarity with the financial sector and depth of financial inclusion. It was found that around half (49.53% precisely) of the accounts are between 1 to 3 years old at the time of data collection. 28.53% of accounts

are between 1 to 3 years old and 21.34% of accounts are less than one year old.

- The lowest income sub categories have maximum number of 'less than one year old' accounts and 'between 1 to 3 years old' accounts (both at 34.09%). The highest income sub categories have maximum percentage of bank accounts that are more than 3 years old (58.18%).
- The banking facilities available and subsequently availed by the respondent reflect depth of financial inclusion.
- Around 43.26% of the respondents said they had both passbooks and ATM cards. Around 9.41% of respondents had all 3 i.e. Passbook, Cheque book and ATM cards.
- Cheque books seem to be less popular among the three, only 2.5% of the respondents claim to have chequebooks.
- In case of ATM cards, it was seen that 22.73% of the persons in the lowest income group have ATM cards. The number rose to 57.28% in case of the middle income subgroup and further increased to 58.18% in case of the highest income sub category the finding is that ATM cards have not become universal like the passbooks.
- Frequency of use of accounts for any transaction refers to integration with the modern financial sector and depth of financial inclusion. It is seen that nearly 18 % of the respondents are using their bank accounts less than 2 times a year which indicates more or less a dormant account.
- Majority of the people (55.18%) are using their accounts between 2 to 5 times a year which may not indicate dormancy but not a desired level of usage. Only 5.32% of respondents are using accounts more than 12 times a year. None of the respondents in the lowest income sub category are using accounts more than 12 times a year; the corresponding figure for the highest income sub category is 9.09%.
- Percentage of earning kept in the bank accounts indicate saving behavior of people. It was found that overwhelming majority (80.56%) are saving less than less than 10 % of their monthly income. This figure indicate very low or no saving at all.

- Altogether 1.26% of the respondents said that they could save more than 20% of their monthly income in their bank accounts. The number is Zero for the lowest income sub category and 5.46% in the highest income sub category.
- Similarly 18.18% of the total respondents reported to have saved between 10% and 20% of their monthly income in their bank accounts with the highest income sub category topping at 36.36%..
- If we ignore those reporting less than 10% of monthly income, then we can safely conclude that 19.44% of those who has bank account are real savers.
- Taking loans from banks reflect depth of financial inclusion. It was found that the number of persons availing loans from the banks is very low and only 7.21% of the people having bank accounts, have availed any loan. The percentage is zero in case of the lowest income sub category. It is 7.73% for the middle income sub category and 10.91% for the highest income sub category.

- Among the persons who have taken loans from the bank around 25% have taken loans from informal sector also.
- With regard to purpose of loan, the highest 39.13% stated the purpose as consumer durables, 17.39% said for purchase of 2 wheelers, 21.71% mentioned about their investment needs. 13.04% mentioned about personal loans for emergency purpose. Negligible 8.70% mentioned about their business working capital need.

- To understand the perception of banks and the perceived benefits of a bank account all the respondents were given a choice of options to rank them as per own personal experience and their own understanding about the working of the banks
- The ranks given by the respondents to each of the factors depicting perceived benefits are further converted to a single score by using Garret's Ranking Technique. As per the score arrived, the first overall rank goes to 'safety of deposits' followed by 'saving avenue'. 'Personal convenience'

occupies the third position. Interestingly 'feel good factor' occupies the 4th position. 'Credit facility' or 'ease of transaction', etc. are not attractive features of bank accounts.

- The persons who had bank accounts were also asked to rank the disadvantages of the banking system as per their perception. 4 options were given to the respondents to rank them and subsequently Garret values were calculated. As per overall rank the topmost disadvantage marked by the respondents is 'the time consuming nature of transactions'. Time is precious for low income groups of people engaged in unorganized sector activities. Second complaint is regarding 'low or negligible rate of interest' given in savings bank deposits. 'Difficulties in getting loans' or ' paper works needed', etc. are ranked low.

These findings give answers the second research question as to the extent and penetration of Financial Inclusion and whether it has a significant impact on the economic life of the low income groups of people.

7.1.4 Factors Affecting /Influencing Financial Inclusion

The low income groups of people live in the margins of the urban society and their life is a constant struggle on many counts. Their socio economic profile hugely influences the major financial decisions taken by them. Opening a bank account and hence taking the first major step into the formal financial sector is a very important forward step for the group. Analysis is giving lot of insights into the factors influencing financial inclusion in terms of opening a bank account and the same are given in bullet points below:

- Age of the person influence financial decisions taken by him/her in life. It was found that only 50.7% of the people who are less than 30 years of age have bank accounts. The percentage increased to 67.1% in case of the second age group between 30 to 50 years. It is the age group where people tend to be most productive The figure falls again to 61.3% in case of the older age groups of over 50 years . Chi square Value indicate difference is significant

- Formal education level has high influence on financial inclusion. It was seen that among the first 3 sub categories of educational attainment (from the persons not attending school up to those who studied upto class VIII), the percentage of persons having bank account ranges from 41.7% to 51.9%. But the percentage sharply increases from the 4 th sub category i.e. for the persons who have studied higher than class VIII. It is 82.6% in respect of persons who studied between class VIII and Class X and the figure is 81.4% in case of the persons who studied class X and above. Chi square value indicate difference is significant
- Occupation of a person also affects financial inclusion. It was found that only 33.3% of the people who are wage earners have accounts. The percentage increased to 60.9% in case of the skilled professional and rose further to 64% in case of the people engaged in petty business. The highest percentage of 89.4% was found in case of persons holding salaried job. Chi square value indicate difference is significant

- Mobile phones are becoming ubiquitous in urban life. Having a mobile phone is having positive correlation with financial inclusion. It was found that only 34% of the people who do not have a mobile phone are having bank accounts. In case of the persons having a mobile phones the corresponding percentage of owning a bank account is 67.9%. Chi square value indicate difference is significant

- Having own landed or household property in the city enhances one's financial standing and it is influencing financial inclusion. It was found that only 55.2% of the people who do not have a house or property in the city and staying in rented house are having bank accounts. In case of the persons having their own house property in the city the corresponding percentage of owning a bank account is 79.5%. Chi square value indicate difference is significant

- Family size also influences the financial decisions taken by an adult person. However a result from the field is mixed. It was found that only 49.20% of the people who have family size 6 or above have bank accounts. The percentage increased to 61.5% in case of the persons who have family size either 4 or 5 persons and increases further to 65.2% in case of family members up to 3 persons. Chi square value indicates difference is not significant.
- Earning status of a person in terms of whether he is the only earning member or not also influence financial decisions. However, the result found from the study is mixed. It was found that only 58.90% of the people who is not the only earning member of the family have bank accounts. The percentage increased to 62.5% in case of the persons who are the only earning member of the family. Chi square value indicates difference is not significant.
- Financial literacy level also influences financial inclusion. Among the respondents who have higher financial literacy level, 83.56% have bank accounts. The corresponding figure for the persons having lower financial literacy level is only 44.41%. Chi square value indicates the difference as significant.
- The influence of factors like income level, educational attainment and occupation in a person's having a bank account or not was studied through a binary logistic regression. The results are given below :
  - (a) Income level, educational attainment and occupation, all three, have significant influence on a person's having a bank account or not.
  - (b) In terms of odds ratio, a person belonging to the middle income sub category(Rs 5000 to Rs 10000 monthly income level) is 1.77 times more likely to have a bank account compared to the person belonging to the lowest income sub category. Similarly a person belonging to the highest income sub category (Rs. 10000 and above) is 4.1 times more likely to have an account compared to a person in lowest income sub category.

(c) In case of occupation, a skilled professional is 1.9 times more likely to have a bank account compared to a wage earner who is at the bottom in terms of financial exclusion. Similarly a person doing petty business is 2.63 times more likely to have a bank account in comparison to a wage earner. A salaried person is 9.9 times more likely to have a bank account rather than a wage earner.

(d) In case of education till a person studies up to class VIII or beyond his odds does not improve in comparison to a person who has not gone to school. In contrast, if the person has studied between 'class VIII and above and up to Class X', his odds increases significantly and he is 4.035 times more likely to have a bank account compared to a respondent who has not gone to school (base category). Similarly, a person is studying class X and above, he is 3.178 times more likely to have a bank account as compared to a person who has not gone to school.

Discussions given in the bullet points above answers the third research Question i.e. how the socio economic status of the low income groups of people is affecting their financial inclusion.

7.1.5 : Recommendations and Policy Implications

Financial inclusion of the every adult in the country is the avowed goal of Government of India. Various welfare benefits of the Government schemes are now made available through Direct Benefit Transfer method. So to receive the benefits the benefactor's i.e. the citizens need to have a basic operating bank account. So a very large number of urban low income group of people being away from the formal banking sector is totally unacceptable and they are to be brought under the formal financial system at the earliest.

India's financial inclusion strategy heavily relies on providing basic financial services through traditional bank branches and technology based correspondent banking. Both are led by country's public sector banks. The efforts of the Government always face last mile connectivity problem. In case of rural areas the last mile problem may be measured in terms of distance to the nearest bank branches but in urban areas the last mile problem may be due to lack of proper financial awareness, transaction costs in terms of amount of time required to be spent by a person belonging to low income group for availing mainstream financial products or simply may be lack of fine tuned financial products aimed at this group of people.

The user side data collected through the study will help in introducing innovative products and business approaches by throwing light on Individual preferences and habits of the low income groups of people who could be the most valuable customers of the financial institutions.

The recommendations and suggestions are grouped into the following sections

1. Technological
2. Introduction of new products
3. Change in terms of engagement with the low income group of people
4. Government efforts for facilitating financial inclusion
5. Financial literacy improvement.

7.1.5.1: Technological Solutions and Suggestions

As found out during the study that a large percentage of population belonging to the low income groups of people are away from the formal financial system due to last mile issues like large paperwork's and time consuming nature of procedures in the formal banking system. In this regard recent advancement of technology could be of use to bridge the last mile gap areas. The suggestions are given below:-

- The biggest help will come from mobile phone penetration. Overwhelming 80.8 % of the respondents are having mobiles sets (Ref Table 3.6). Percentage of people having mobile phones (80.8%) is much higher than the percentage of people having bank account (61.3%). This itself indicate for possible adoption of technology based banking among the low income groups. Mobile payment applications, mobile banking, internet banking, biometric identification through aadhar, etc. will lead to significant reduction in transaction costs and hence greater financial inclusion. Our study also show that possession of mobile phones have huge positive correlation with financial inclusion.

- Mobile phones could be utilized independently of the traditional banking sector for purposes like payments. One glorious example in this regard is Kenya's popular mobile payment service M-PESA. This is operated by a private telecommunication provider and has reached nationwide appeal independently of the traditional banking sector (World Bank, 2014a). Huge mobile penetration among low income group of people could help in this regard for financial inclusion.

- Recent technological advance have brought various Fin-tech companies into the market based on fast internet, mobile technology and biometric identification. This is a healthy trend. The competition among various such players will reduce the transaction cost and the companies will be interested to reach to the disadvantaged section of the population. This will be a win win situation for the public and the service providers . Just like mobile phone companies are earning profits by giving connectivity to the low income groups of people, these modern day finance companies can also make profits dealing with the low income groups of people. Govt. of India and the RBI need to facilitate competing financial service providers and enlighten the general public to take advantage of technological innovations and asking these platforms to be open to all. However in this regard the Regulator like RBI should see that the different electronic banking and payment platforms are interoperable so that the users can switch over from one mobile banking application to another without technological barriers and extra charges.

This will be huge fillip to the Public sector banks driven financial inclusion efforts of Government of India.

7.1.5.2: Introduction of product specific to the needs of the low income group

It is seen in the study that among the low income groups of people bank accounts are mostly seen as just a place to keep some money safely i.e. 'safety of deposits' is the most important aspect. Even taking benefits through various saving products offered by banks is also not priority number one. This is happening primarily due to lack of awareness and also due to lack of attractiveness of the financial products offered by the banks. In this context, based on experience it can be said that the need of the hour is to introduce new products customized to needs of the low income group of people. Some suggestions are given below:-

- It is seen that credit requirement of the low income groups of people is huge and for that reason they are approaching mainly informal sector. Around 30% of people have taken loans from informal sector compared to less than 5% from banks. As discussed earlier due to information asymmetry, formal lenders like banks may not be forthcoming to extend credit to the disadvantaged group of people in the society. In literature, one concept called 'tester loans' is found to have been used to prepare a credit market for the excluded population (Drugov and Macchiavello (2008) , Ghosh and Ray (2001)) Tester loans are essentially very small loans extended to a first time customer to know about the customer's financial behavior and his other information which will be useful for assessing the risk in subsequent loans
- During the study it was found that number of persons doing any conscious efforts for saving among the low income groups of people is very limited. To boost savings, some practical suggestions are found in

literature which could perhaps be used. Accounts with general automatic savings reminders may lead to higher savings. If some specific targets of savings are fixed for the account and reminders are sent accordingly, savings rate increases significantly. Reminders can influence the use of deposit accounts for savings. (Karlan et al -2010). Reminder based accounts will be really helpful in improving saving habits.

- Group lending could also be a solution to the banks to overcome information asymmetries in giving loans to the low income groups of people. Studies done by Ghatak (1999) show that Group lending helps in mitigating adverse selection and moral hazard issues which are currently putting hindrance for the banks in extending credit to the disadvantaged section of the society. Group lending also address moral hazard issues by providing incentives for clients to employ peer pressure to ensure that the funds are invested properly and effort exerted until the loans are paid. However there might be problem in giving group loans in case of urban scenario where many low income group people are migrants without much social cohesion. Studies done by Karlan (2007) show that groups with greater levels of social connection (ethnic ties and geographic proximity) have lower default of loans and higher savings rates. So to improve inclusiveness group formulation among the low income groups will have to be improved based on some common criteria or bonding.

7.1.5.3 : Government efforts for facilitating financial inclusion

Government of the day has a lot to do for promoting financial inclusion among the excluded section of the population. In this regard role of the Government and the Central Bank of the country are highlighted below:

- Global Financial Development report-2014 (World Bank, 2014a) suggest that regulatory environment in the country should support innovation. In India regulators like RBI are rightly concerned about financial stability and consumer protection, they should remain open to offer support to innovative products. Government can also support innovations in product design and delivery by collecting data on individual preferences and habits in financial products that financial institutions can use to tailor new products and business approaches.

- Financial inclusion opens up many windows for those who had previously been excluded. But the opportunities come with risks also. Currently, the emphasis has been put on responsible financial inclusion to balance opportunity in financial markets with safeguards to prevent abuse and to help consumers benefit from access , especially the most vulnerable sections of the society like low income groups. Legal and regulatory protection can extend across the product life cycle right from how products are designed and marketed to consumers , promoting the disclosure of fees and interest when products are purchased, and specifying mechanism for redress and appropriate collection procedures if problems arise. Consumer protection policies of Govt. of India will be very crucial as we have found during the study that many respondents fell victim to dubious financial organizations.

- The Government should also formulate effective policies aimed directly at financial inclusion like account penetration and payment facilitation. The Jan Dhan Yojana started by Government of India is a positive step in this direction.

- Global Financial Development Report-2014 (World Bank 2014a) noted that there are many important links between public sector and financial inclusion. So improvement in public governance can have positive impact on the use of and the access of financial services in an equitable way. Besides a strong legal system is also important . Legal institutions underpin the development of the financial sector. The protection of private property and the enforcement of the shareholders and creditors rights are the cornerstone of the developed financial sector (Levine

1998, 1999). The efficiency of the legal system also matter. Using databank level survey data for over 20 transition economies, Haselmann and Wachtel (2010) find that, if bankers have positive perceptions of the legal environment, they tend to lend more to the opaque borrowers such as households and small and medium enterprises.

7.1.5.4 : Financial Literacy Improvement

As found in our study that many from the low income group of people are away from the formal financial system like the banks voluntarily in spite of having bank branches to the close proximity of the places they reside. In this regard there is a big role of financial literacy programs aimed at enhancing financial capability of the target group. This Study also shows that people possessing relatively higher level of financial knowledge are better integrated to formal financial system. Besides it is clear from the regression analysis that enhancement of general education of the respondents in terms of number of years in formal education has very big positive effects in enhancing financial inclusion. In this regard, some suggestions are given below:

- Since higher level of general education including financial education have clear relationships with financial inclusion, for the adults without much of formal schooling, financial literacy training will have immediate significant effect. Financial literacy programmers could be integrated to school syllabus at least at the higher secondary or high school level.
- To see the effectiveness of the outreach programmes, in our study people were asked about seeing any Hoarding/Advt. on TV, newspaper, etc. for opening bank accounts and only 18% reported positively. The authorities should increase such outreach activities as, found from the study, such programmes have positive impact on financial inclusion

7.1.5.5: Change in Terms of engagement with Low Income Groups of People

Low income groups of people in the urban context live a difficult life struggling for eking out a living. They are often first generation migrants lacking much social contact with the fellow inhabitants in the city. In this situation they may not be in a comfortable position to deal with bank staff and even the mere ambience inside a bank branch could be alien to them . They may not feel at home or welcome in a bank branch situated in an urban centre. In this regard in our study we have found many people are voluntarily staying away from the banking system. We have also seen that many people are hardly using their accounts after once opening it. This is not healthy financial inclusion. In this regard some suggestions regarding enhancing positive experience of the low income groups of people in dealing with modern formal financial system , are given below in bullet points:-

- As we found out during the study that the proportion of people depending on informal sector is huge. Simplification of procedures in banks will go in a long way in weaning away people from informal sector and bringing to the ambit of formal financial institutions like banks.

- Micro Finance Institutions (MFIs) usually work closure to the ground and they rely on frequent personal interaction and group lending process catering to the needs of the low income groups of people. So it is suggested that the traditional banks should emulate the MFIs for working closer to the ground with personal contacts while serving the low income groups of people

- Some kind of special small finance bank where the low income groups of people themselves are stake holders and shareholders could be thought about by Government or RBI. Global Financial Development report-2014(World Bank, 2014a) have given example of such banks. The Grameen Bank in Bangladesh is such an example. Besides Equity Bank in Kenya is also widely discussed in this context and it was revealed that the Equity Bank's presence has had a positive and significant impact on the use by households of bank accounts, credit, especially among Kenyans with low income, no salaried job, lower educational attainment and who do not own their own homes. Recent RBI initiative in giving licence to Small Finance Banks is a right thing in this direction.

7. 2: Scope for Further Research on the Subject in the City of Guwahati

The present study is based on user experience in financial inclusion basically representing the demand side data.. The study fulfills an important gap in understanding the world of urban low income groups of people who are normally neglected in comparison to the focus and schemes devised for rural poor. However during the course of the study, it was felt that, some further research could be done on potential for banking business growth with the low income group of people. Some areas are indicated below:

- Recent researches indicate that technologies for improved borrower identification can substantially reduce information problem and moral hazards in credit market. Aadhar based customer verification could be potentially used by bankers in dealing with low income groups of people in cities like Guwahati. Unfortunately the penetration of aadhar in this part of the country is very limited. A Study analyzing aadhar based identification in enhancing financial inclusion could be conducted.
- Mobile phones have been adopted by the consumers at a very rapid speed and a mobile phone is well within the reach of many poor individuals across the world. In many low and middle income countries, the share of population that has access to mobile phone is considerably larger than the share of the population that has a formal bank account. As per Global Financial Development report -2014 (World Bank, 2014a), in 2011, there were 127 mobile phone subscriptions for every

100 inhabitants in South Africa, while only 54% population had bank account. There were 123 mobile phone subscriptions per 100 inhabitants in Brazil, while only 56% had a bank account. In India, in 2011, 72 out if every 100 adults had a mobile phone, while only 35% had a bank account. Possibility of doing mobile banking away from the formal brick and mortar banking in respect of the low income groups of people could be studied separately.

- World Bank Findex data (World Bank, 2014b) has given a picture of financial capability across the globe. Basic financial knowledge is lacking in both developed and developing countries. People tend to understand the concept of inflation better than the concept of compound interest. On average, only 55% individuals could demonstrate basic understanding of compound interest, 61% could answer a basic question on effect of inflation on savings and 49% responded correctly to a basic question on risk diversification. Low income countries are at the bottom of the performance ranking. India's are 59%, 25% and 31% with a sample size of 1496 (Cole, Sampson and Zia 2011). This research indicates that basic financial knowledge is weak. A full fledged study on financial capability of low income groups in Guwahati could be done.

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9.0 - ANNEXURE

Serial No.

Respondent Schedule

Study on Financial Inclusion of Urban Low Income Groups, Guwahati

PART – A General Information

Respondent Name :

Address :

Place of Birth :

Religion :

Mother Tongue :

1. Information on the Household/family:

Sl. No	Name	Sex	Age	Educational attainment level	Occupation	Monthly Income
1.						
2.						
3.						
4.						
5.						
6.						

2. Immovable and Movable Property details :

(a) Own Land : Yes/ No
(b) Own House : Yes/ No
(c) Mode of conveyance: Bicycle, Two Wheeler : Yes/ No
(d) Television : Yes/ No
(e) Mobile Phone : Yes/ No
(f) Radio/Tape Recorder/CD Player : Yes/ No

(g) Refrigerator : Yes/ No
(h) Computer : Yes/ No

3. Do you subscribe or read any newspaper, magazine etc.? : Yes/No.

4. If yes, nature of Newspaper/Magazine etc.
(a) Daily
(b) Weekly
(c) Fortnightly
(d) Monthly

PART B – Specific Information (Common to All)

5. Level of Financial Literacy/Awareness:

Have you heard about---

(a) Savings Bank Account : Yes/ No
(b) No Frill Account : Yes/ No
(c) Recurring Deposit : Yes/ No
(d) Fixed Deposit : Yes/ No
(e) Current Account : Yes/ No
(f) PM's JAN DHAN YOJANA : Yes/ No

6. Do you have a Bank Account? : Yes/ No

7. If No in 6 above, do you like to open a bank account? : Yes/ No

8. If No in 7 above can you give reason for it and rank them in terms of difficulties

(a) No time for going to the Bank.
(b) Paper works are intimidating.
(c) No proof of Identity/Proof of Address Documents
(d) No introducer/ facilitator to do the formalities.
(e) Hardly any savings to keep.
(f) Have other avenues for savings/loan requirements etc.
(g) Any other reason/specify.

9. Can you elaborate on the benefits of having a bank account
(a) Safety of Deposit
(b) Savings Avenue
(c) Loan Facility Available
(d) Personal Convenience

(e) Easy Transaction Facilities in Banks
(f) Status Improvement in the Society
(g) Feel Good Factor- Mental Satisfaction

10. Have you ever been approached by anybody for opening a bank account or explaining the benefits of having bank accounts?

    Yes/ No (If yes, some details)

11. Have you got to see any advertisement in newspaper/radio/hoarding or in TV elaborating about benefits of having a bank account?

    Yes/ No (If yes, some details)

12. PI indicate the distance to your nearest bank branch (in kilometres) in the area and also indicate how much time it will take for you to reach the bank through your preferred mode of transport (from home or workplace)

13. Have you ever approached a bank for opening account? (for those not having bank A/c)

    Yes/ No

14. If yes in 13 above, problems faced

    (a) Non-availability of proof of identity & Address

    (b) Non- availability of introducer

    (c) Cumbersome procedure

    (d) Any other (Specify)

15. If you have not yet approached any bank for opening of account, the reasons are-

    (a) Shy to approach bank
    (b) Communication Gap
    (c) Do not know the benefits of bank account
    (d) Intimidated by paper works
    (e) No time to go to the bank

(f) Never felt the necessity of having a Bank Account
(g) Any other (Pl. Specify)

16. Saving Modes of the respondent (Other than Bank Accounts)

(a) At home in cash
(b) Keeping with Self Help Groups
(c) Keeping with some NGO
(d) In kind (Jewellary, livestock, land)
(e) Post Office
(f) Chit Fund
(g) Others' Accounts
(h) Neighbourhood Associations(ROSCA)
(i) NBFCs
(j) Religious Organizations
(k) No surplus to save
(l) Any other mode other than above

17. What are the major advantages of keeping money in these kind of savings instruments given in 16 above?

(a) Safety of Deposits
(b) Convenient for taking out & Deposit
(c) Give good returns
(d) Minimum Transaction Cost
(e) Any other reasons (Pl. Specify)

18. What are the major disadvantages of keeping money in these kind of savings instruments given in 16 above?

(a) There is no security for deposits
(b) One cannot keep higher amounts
(c) One cannot withdraw as and when required
(d) Any other reasons (specify)

19. Approximate percentage of your monthly earning going into these kind of saving instruments given in 16 above.

20. Have you been approached by any representatives from any organizations for putting money in their organizations for saving and earning interest etc.

21. If yes in 20 above---- Pl specify.

22. Have you ever been cheated by any organization/ person after taking deposits from you? If yes, please elaborate how you were affected such as—

    (a) The organization closed down
    (b) The person collecting money disappeared
    (c) Lost all/part of my savings
    (d) Any other reasons (specify)

23. How do you propose to meet any sudden requirement of money by you or your family?

    (a) I have friends / relatives who will help me
    (b) I will approach local money lender
    (c) I have my savings kept with----------(Specify)
    (d) I have movable / immovable property to sell/mortgage.
    (e) I have nothing to fall back
    (f) Any other source (Specify)

24. What is the monthly requirement of cash for your family at present considering all factors like food, clothing, children education, and some saving for the future?

25. According to you, how much minimum amount of savings you should have to meet unforeseen circumstances like major illness, accident, social responsibility like daughter marriage etc.

26. Have you taken loan from informal sector other than banks during the last few years?

    Yes / No

27. If yes, source of loans : (a) Friend, Relatives
(b) Employer
(c) Money lender
(d) NGO
(e) Minor Finance Institutions
(f) Neighbourhood Associations
(g) Any other Source (Specify)

28. What are the major advantages of taking loans from these sources?
(a) Convenient—one can get it very quickly
(b) Very small loans are also available
(c) No reasons are asked for loans
(d) Repayment schedule is convenient
(e) Any other reasons (Specify)

29. What are the major disadvantages of taking loans from these sources?
(a) Very high rate of Interest
(b) Strict repayment schedule
(c) Harassment in case of non-payment
(d) Any other reasons (specify)

30. Do you have any proof of Identity :
(a) Ration Card
(b) Voter ID Card
(c) Identity Card given by Govt. Orgn/Office
(d) Identity Card given by Private Orgn/Office
(e) Any Other (Specify)

31. Do you have any proof ofAddress :
(a) Electricity Bills
(b) Ration Card
(c) Telephone / Mobile bills etc.
(d) Driving Licence
(e) Any other (Specify)

32. Need for **Remittance:**

(i)Do you send or receive money regularly from outside?

(ii) If yes, the mode of transfer : (a) Through Bank

(b) Through money order

(C) Through friends/relatives

(d) Any other source

33. Do you have **Insurance** policies for you or family members?

34. If yes, please indicate the mode: (a) Life insurance Corporation

(b) Postal Life Insurance

(c) Private Insurance Company

(d) Any other

35. Have you made any provision for old age -

a) No provision made

b) No scope for saving

PART - C
(Only for those having Bank Accounts)

36. If you have account, pl. indicates the type of accounts :

(a) Savings Bank A/c
(b) No Frills A/c
(c) Current Account
(d) JAN DHAN YOJANA ACCOUNTS
(e) Any other (Specify)

37. Nature of Bank Branch : (a) Public Sector Bank

(b) Private sector Bank

(C) Cooperative Bank

(d) Regional Rural Bank

(e) Foreign Bank

38. Name of the Bank and the Branch Address :

39. Since when you are having the account?
40. Distance to the bank Branch from House:

41. Facilities provided with your bank A/c :
    (a) Pass Book with Photo & Address
    Yes/ No
    (b) Cheque Book
    Yes/ No
    (c) ATM Card
    Yes/ No

42. Approximately how much percentage of your monthly earning you keep in the bank account?

43. What according to you is the main benefits of having a bank account
    (a) Bank is taking risk of safe keeping my money.
    (b) It is giving me easy liquidity, I can withdraw as I require.
    (c) It is easy for me to transfer fund to somebody.
    (d) Bank people explain to me about the various financial products of the bank.
    (e) Any Other (specify)

44. What are the disadvantages in operating bank accounts?
    (a) Interest rate is low in savings accounts
    (b) Not very easy to withdraw and deposit, time consuming
    (c) Not very easy to take loans for day to day use,
    (d) Transaction cost in terms of time and income foregone is high
    (e) Any other (Specify)

45. How frequently you are use Bank A/c in a year?

(a) Less than 2 times in a year
(b) 2 to 5 times
(c) 7 to 12 times
(d) Over 12 times
(e)

46. Who motivated/facilitated you to open Bank A/c?

(a) Self
(b) Relative
(c) Friend
(d) NGO worker
(e) Bank Personnel
(f) Employer
(g) Any other

47. Financial Knowledge.

(a) Do you know about the minimum Balance to be kept : Yes/ No

(b) Do you know the rate of interest?

(c) Do you know about money transfer facilities?

(d) Any knowledge about the other financial Products available in the Bank?

48. Have you availed any loan from your bank? Yes/ No

49. If yes, please state the purpose;

(a) Investment need
(b) To meet emergency need like illness (Personal loan)
(c) Buying consumer durables
(d) Any Other Purpose.

50. Amount of loan taken

(a) < 10,000
(b) > 10,000

51. If you have taken loan what collateral, you had given

(a) Land, Building
(b) Mortgage the consumer durables

52. Have the bank refused loan to you?

53. If yes, state reasons:

(a) Not enough balance
(b) No collateral
(c) No guarantor
(d) Any other.