A Study of Financial Inclusion of Household Workers in Jaipur

– Dr. Mamta Jain*
– Ms. Awantika Rajauria**
– Dr. T. N. Mathur***

Abstract

Urban India is construed as the frontrunner in terms of basic financial services in the country with presence of branches of invariably all forms of banking and other financial service providers. But, the question arises as to the extent such services are being actually, actively and beneficially utilized by the urban poor.

The study analyzes the level of awareness of the available financial services options among the household workers in the city of Jaipur; and measures the relationship between literacy levels and the usage of organized financial services. It also tries to unearth the demand side requirements of the target population with respect to their financial needs and to find out whether the financial services are reaching the low income groups and thereby impacting their saving habits, and standard of living.

It is based on both primary as well as secondary data. In order to come upon a concrete conclusion various analysis tools like percentage, cross-tabulation as well as Carl Pearson’s correlation analysis has been done.

At the end it has been concluded that the dream of complete financial inclusion cannot be fulfilled until and unless a mass awareness drive is launched to educate the target masses about the availability and usage of such services. The banks also need to provide tailor-made/need-based product offerings in order to bring the unbanked population in the urban areas.

Keywords: Financial inclusion, financial exclusion, financial services and products, usage

Conceptual Framework of Financial Inclusion

The Indian planning aimed at growth with equity since its inception. A number of initiatives have been taken by the Government as well as the Reserve Bank of India to address the issue of inclusive growth. Despite the rigorous combined and concerted efforts, a vast majority of population in the country, in both rural and urban areas, still encounter difficulties in getting access to formal financial services. Inclusive finance, including safe savings, appropriately designed loans for poor and low-
income households and for micro, small and medium-sized enterprises, and appropriate insurance and payments services can help people to enhance incomes, acquire capital, manage risk, and come out of poverty (United Nations, 2006b).

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy (Jain, Mathur, Bohra, 2012).

Giving a concrete definition to the concept of financial inclusion is very crucial for developing a conceptual framework as well as for identifying the factors that lead to low level of access to the financial system. According to RBI, financial inclusion can be defined as, '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 mainstream institutional players.'

Individual indicators, viz., number of bank accounts and number of bank branches that are generally used as measures of financial inclusion, can provide only partial information on the level of financial inclusion in an economy. Financial services or products rendered by banks, postal savings banks, credit unions, finance companies, micro-finance institutions (MFIs), and other formal and quasi-formal non-bank institutions generally form the basis for measuring the financial inclusion (RBI, 2013).

Review of Literature

Dr. Namita Rajput and Ms Shelly Rajput, (2014), in their paper titled, 'Reaching the Unreached: Financial Inclusion in India - A Study', tried to analyze the status of financial inclusion in India, with reference to initiatives taken up by the Government, RBI, and banks for the purpose. They used CrisillInclusix Index to analyze state orientation towards the concept of financial inclusion, and attempted to present a comprehensive means to measure state-specific financial inclusion initiatives. Through the study, they proposed various measures to contradict the challenges of financial inclusion in India.

K. HemaDivya, (2013), in her research paper titled, 'A study on impact of financial inclusion with reference to daily wage earners', discussed the impact of financial inclusion on daily wage earners in Autonagar, Tenali. The main aim of the study was to review the status of availability of financial services to the low income-group people of the area.

Sigma Ainul, Md. Irfan Hossain, Sajeda Amin and Ubaidur Rob, (2013), in their research titled, 'Financial Inclusion of Female Garment Workers' attempted to find out ways of increasing financial capabilities of young, inexperienced wage earners through a planned program of financial education. Through the study, they aimed to analyze the current financial services options available to readymade
garments workers living in Dhaka Metropolitan Area and gauge the typical saving and spending habits of such workers in order to identify apt saving options for them. The study majorly focused on the garment workers in two slums areas of Dhaka City, viz., Korail Slum (Mohakhali) and Rupnagar tin shed (Duaripara, Mirpur).

Pallavi Gupta and Bharti Singh, (2013), in their paper titled, 'Role of Literacy Level in Financial Inclusion in India: Empirical Evidence', tried to assess the Usage Dimension of Financial Inclusion Index and literacy level in India with the help of statistical tool of Karl Pearson coefficient of correlation. Their research portrayed a large variation in the extent of correlation among the different states of the country, while a very low correlation at the national level. They suggested the use of ICT models like biometric ATMs and tele-centres to achieve high levels of financial inclusion in the country.

Manik L. Bose, Pradip Kumar Sarmah and Sachin Kumar, (2013), in their report titled, 'Financial Inclusion and Livelihood Promotion of Rickshaw Pullers in India'(as submitted to UNDP India), attempted to identify and examine the financial needs of safe savings (mandatory and voluntary), credit, micro-leasing, insurance (life, health and general insurance) and transfer of money/remittance and payments services required by the rickshaw pullers in the three focused States of UN-India, viz., Assam, Jharkhand and Rajasthan.

K.C. Chakrabarty, (2013), in his speech delivered at the National Seminar organized by American India Foundation, on 'Financial Inclusion of Urban Poor in India', highlighted the problem of widespread financial exclusion in urban areas, especially, for the disadvantaged and low-income groups, despite a vast network of bank branches in these areas. He emphasized on the issue of financial exclusion of migrant workers, rickshaw pullers. He applauded the efforts taken up under Joint Liability Group (JLG) model for delivery of rickshaw loans, like that of the Punjab National Bank's "Janimtra Rickshaw Financing Scheme". He also attempted to analyze the effectiveness of Rickshaw Sangh Programme in providing credit for purchase of rickshaw, together with making provisions for municipal permit, insurance (both on the asset and on the life), bank account, photo ID and a uniform. In his speech he emphasized on the provisions of need-based financial services for different segments like household workers, construction workers, weavers, hawkers, rickshaw pullers, auto drivers, etc.

Mayumi Ozaki, (2012), in the paper titled, 'Worker Migration and Remittances in South Asia' (as submitted for The ADB South Asia Working Paper Series), threw light on the enormous volume of remittance inflow to South Asian countries through informal routes by South Asian migrant workers. The paper emphasized on a rigorous and combined efforts on the part of the governments, regulators and financial sectors for addressing legal and policy constraints, improving formal financial systems, and enhancing customer education to significantly expand formal remittance markets and achieve financial inclusion.

Dr. Anurag B. Singh and Priyanka Tandon (2011) in their paper titled, 'Financial Inclusion in India: An Analysis', highlighted the various factors, like gender, age, literacy levels, legal identity, place
of living, etc. affecting access to financial services to various sections of the society. It aimed to analyze the role played by micro finance initiatives in bridging the disparity between people with respect to unequal recourse to financial services, and its role in economic development of the country.

**Need for the Research**

A comprehensive review of literature highlights the fact that the issue of financial inclusion of urban poor has always been on the back stage due to the obvious assumption of higher penetration of banking services in the urban areas due to availability of a large number of bank branches in such areas. Financing needs of urban unorganized workers are all the more ignored, although they constitute a huge proportion of the urban poor population.

Household workers, which form a large portion of the urban unorganized workers population, have been the backbone of the urban society since long.

These workers constitute a large segment of the unorganized working class in the urban areas. A vast majority of them being rural-urban migrants, who live in poor housing conditions and unhygienic environment with their family and children. Often this section of the population has been the major sufferer of neglect in terms of provision of basic financial services and social protection. Their accesses to various financial and non-financial products and services are very limited due to lack of permanent settlement, permanent identity, assets, resources, and knowledge and financial incapacity.

Urban India is construed as the frontrunner in terms of basic financial services in the country with presence of branches of invariably all forms of banking and other financial service providers. But, the question arises as to the extentsuch services are being actually, actively and beneficially utilized by the urban poor.

The study analyzes their financial inclusion needs of safe savings, credit, insurance (life, health and general), transfer of money / remittances and payments services, and other social security, required by the target population group in the city of Jaipur.

**Objectives of the Research**

- To gauge the level of awareness of the target group about the available financial services options; and measure the relationship between literacy levels and the usage of organized financial services.
- To unearth the demand side requirements of the target population with respect to their financial needs and to find out whether the financial services are reaching the low income groups.
- To measure the frequency of their financial transactions through organized as well as unorganized financial options, in order to find out the extent of dormancy prevalent in such accounts.
- To find out the impact of financial inclusion on the saving habits, and standard of living of the target group
Research Hypothesis

• There is no significant difference between the awareness and usage of public financial assistance schemes among the respondents.
• There is no relationship between literacy level and usage of public financial assistance schemes among the respondents.

Scope of the Study

The study is undertaken in the city of Jaipur, Rajasthan. The scope of data collection is restricted to household workers (comprising of household maids, drivers, and guards), and includes both, the migrant and the original inhabitants of the city.

Research Design:

The current research is a mix of descriptive and exploratory research type. It aims to extract information on the extent of financial inclusion of household workers in the city of Jaipur. The study would be based upon the survey data collected from the sample respondents.

Sampling

A sample size of 200 household workers, equally representing the migrant and permanent inhabitants of the city has been taken. The method of stratified random sampling is being used for the purpose of the study so as to ensure equal representation to migrant and permanent inhabitants of the city.

Data Analysis and Interpretation

Survey Outcome: A stratified random sample survey was conducted on 200 household workers in the city of Jaipur. The results of the survey are summarized as below:

Gender-wise break-up of Respondents

![Gender-wise break-up of Respondents](image.png)

Equal representation has been given to male and female respondents, in order to gauge the level of gender disparities with respect to the financial services availability and usage among the respondents. Therefore the survey was conducted on 100 male and 100 female respondents.
Marital Status of the Respondents

Out of the total 200 respondents, approximately 82% were married, followed by 13% unmarried, 3% widowed and 2% divorced.

Respondents' Occupation

The respondents comprised of 47% household workers, followed by 35% watchmen, 13% drivers and 5% caretakers.

Respondents' Education Level
58% of the survey respondents were illiterate, followed by 33% who had received primary education. Only 9% respondents were educated beyond 6th standard.

**Respondents' Residential Status**

68% of the survey respondents were migrant workers, who have moved to the city from the near-by villages and towns in search of employment, and the rest were the permanent residents of the city of Jaipur.

**Monthly Income Status of Respondents**

Out of the total sample 43% had their individual monthly income in the range of Rs.7001-INR10000, followed by 31% falling under individual monthly income range of INR5001-INR7000. Approx 20.5% were in the category range of below INR5000. Only 5% belonged to the income range of more than INR 10001.

**Monthly Family Income Status of Respondents**

Approx 84% of the sample fell under the monthly family income range of INR 7001-INR15000. Only 12.5% respondents had monthly family income range of more than INR15000.
Ownership of Accounts with Financial Institution

It is very disheartening to find that 62% of the survey respondents did not have an account with any formal financial institution. Out of the remaining, approx 74% had an account with a commercial bank, followed by 21% owning a post office savings account, and only 5% having account with any cooperative bank or credit union. In absolute terms, out of the 76 respondents having account with any financial institutions, only 27 were females and the rest were males.

Comparing literacy levels of the account holders, 42 respondents were absolutely illiterate, followed by 14 who received primary level education till 5th standard. Only 2 respondents were graduates.

In terms of marital status, a majority of the sample, representing 66 respondents were married. Only 5 unmarried respondents had an account, comprising 50 accounts in commercial banks, 14 post office accounts and only 2 accounts in cooperative bank or credit union.

Having a formal account is a major occurrence with the migrants as compared to the permanent residents. As per the survey, total account holdings of migrants stood at 54 respondents, as against 22 accounts of permanent residents of the city of Jaipur.

Major Hurdles in Account Opening with Banks or other Financial Institutions:

As per the survey respondents, complexity of procedure was regarded as the major hurdle (accounting for 32.9% times of responses) in opening accounts with banks and other financial institutions.
institutions. Inflexibility (28.5%), followed by lack of documentation (26.3%) were the other major hurdles cited by the respondents.

Utilization of Account

With respect to account utilization, the number of respondents opting for the option of none of these stood at 135, which involved not only the respondents who did not had account ownership but also those who own accounts in either of the above mentioned financial institutions. This clearly indicates the level of dormancy in accounts opened by the household workers. Additionally, saving comes out to be the major reason for account holding and usage, followed by money remittance and utilization of governmental benefits.

Purpose of Seeking Financial Assistance
When enquired about the major reasons for the respondents for resorting to additional financial assistance, the major reason cited by them was sickness and medical emergencies (involving health issues as well as deaths in the family) accounting for approx 34% of the responses, followed by children education (23%), building and maintaining house (17%), marriage and functions (14%). Only 6% responded in favor of the 'none of these' option.

**More Accessible and Convenient Source of Credit**

Borrowing from employers was cited as the most accessible and convenient source of credit by the respondents favoring it with 34.7% times of the responses, followed by loans from money lenders (23.4% times), and borrowings from family and friends (22.6% times). It was rather disappointing to note that bank loans was cited as the last resort for availing credit during emergencies by the respondents, accounting for 19.3% times of the responses.

**Frequency of Account Operation**

A majority of respondents (14.5%) who owned accounts with one of the formal financial institutions operated their account once in 3 months, followed by 12.5% respondents operating their account once every month. The bare fact that only 5% of the respondents operated their accounts twice or more than twice a month indicates towards low frequency of account usage by the respondents. This is further strengthened by the fact that 6% of the respondents accepted that they rarely operated their accounts for any of the before cited reasons.
Monthly Savings in Bank Accounts

Approximately 25% of the respondents save some amount of money in their bank accounts, while the rest still do not have any savings yet. A majority of savers are in the monthly income group of Rs.7000 and above.

Awareness of Financial Assistance Schemes

Out of the various financial assistance schemes run by the Government, the respondents were majorly aware of only a handful of them. Basic Savings Bank Deposit Account, popularly known as No frill accounts, accounting for 19.3% times of responses, was the most popular of them. It was followed by SukanyaSamriddhiYojana (10.3%), Jan DhanYojana (10.3%), and Janani Suraksha Yojana (1.7%). However, a massive 58.4% of the respondents registered their lack of awareness about any of the financial assistance schemes.
Utilization of Financial Assistance Schemes

In terms of usage of the various financial assistance schemes, the percentage of non-users plummets to 90.6%. However, 'No Frills Accounts' and 'Sukanya Samriddhi Yojana' appeared to be the personal favorites among the scheme users.

Owning of Insurance Policy

It is also alarming to note that only 8.5% of the survey respondents hold insurance policy, despite the introduction of a number of social pension schemes by the government.

Awareness and Utilization of Public Insurance Schemes

The survey depicted a complete absence or lack of awareness as well as utilization of the various public insurance schemes of the government. This situation calls for an immediate attention.
Towards creating mass awareness about availability and usefulness of such schemes for the benefit of the poor sections of the urban masses.

**Banks Considered as Better Options for Savings**

Around 81% of the respondents agreed to the fact that banks are better saving options. They include even those respondents who did not have an account ownership. They expressed their desire of owning one such account, but are lagging behind due to the existence of one of the previously mentioned inherent hurdles.

**Improvements in Saving Habits**

Around 19% of the respondents have agreed to the fact that their saving habits have improved after their association with one of the formal financial institutions. On the contrary, 18.5% disagreed to the fact. However, a majority of such respondents belonged to the group that did not own a formal account.
Out of 66 respondents who admitted their awareness about the various public financial assistance schemes, 34 respondents clearly denied any positive impact of such schemes on their standard of living. Only 10 respondents admitted that these schemes have affected their income levels and living standards to a great extent. While, 7 accepted of some positive impact of such schemes on their living standards.

However, all of the 17 respondents who actually utilized such schemes have accepted that such schemes have positively impacted their income levels and living standards at least to some extent.

**Hypothesis Testing**

**Hypothesis 1:** There is no relationship between literacy level and awareness of public financial assistance schemes among the respondents.

The value of Carl Pearson's Correlation Coefficient between the two hypothesis variables i.e., level of education and awareness of public financial assistance schemes comes out to be 0.021, which is much below the ideal value of 1. So, it can be said that the two variables are not related and the null hypothesis is thus accepted, i.e., there is no relationship between literacy levels and awareness of public financial assistance schemes. This indicates that even an illiterate person can have knowledge about the availability of such schemes if due efforts are made.
Correlations

<table>
<thead>
<tr>
<th></th>
<th>What is the level of your education</th>
<th>Are u aware of any public financial assistance schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the level of your education</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Are u aware of any public financial assistance schemes</td>
<td>Pearson Correlation</td>
<td>.021</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.771</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

Hypothesis 2: There is no significant relationship between the awareness and usage of public financial assistance schemes among the respondents.

Correlations

<table>
<thead>
<tr>
<th></th>
<th>Are u aware of any public financial assistance schemes</th>
<th>Have you utilized any of the social financial assistance scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are u aware of any public financial assistance schemes</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
<tr>
<td>Have you utilized any of the social financial assistance scheme</td>
<td>Pearson Correlation</td>
<td>.434</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>200</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

From the above analysis it can be clearly state that there exist a moderate low level of correlation among the awareness and usage of financial assistance schemes among the respondents. So, the above hypothesis is rejected as there exists some relationship between the two variables, though it is significant at 0.01 levels. In other words, improving awareness about financial services, products and financial assistance schemes would play a determining role in their usage by the target masses.

Conclusion

To conclude with the above analysis, it can be said that despite of a widespread availability of banking services in the urban areas, the poor masses are still lagging behind in the usage of such services due to obvious reasons of lack of awareness and proper knowledge about the availability and utility of such services for their benefit. Creation of education/awareness of financial inclusion and
public insurance schemes are the key factors that can help in achievement of the goal of complete financial inclusion as envisioned by the present government. Through the above analysis it is clear that there is no direct relationship between literacy levels and their usage of financial services by the masses. This indicates that instead of creating a huge hue and cry about illiteracy among the masses as the main lacuna in reaching out to them. If proper provisioning of awareness drives and camps are done, the masses can be easily driven towards the usage of formal financial services, which are far better than those sources to which they usually resort in times of crisis. It is heartbreaking to note that in the current era of rapid inclusion, people still consider other financing options, other than banks, to be more suitable and convenient to address their needs. The bank and the policy makers need to proactively consider the hurdles faced by the poor urban masses to bring them closer to the usage of such services. The banks need to understand the financing needs of this section of the masses and create tailor made offerings to make them comfortable in their dealings with the banks and other financial service providers. They need to urgently consider the hiccups faced by them in converting their awareness into usage of financial services and public financial assistance schemes and address their needs to the best of their capacities. Failing which the dream of complete financial inclusion would remain unachieved. The Government also needs to redesign their policies to also address the issues faced by the household workers in the urban areas, who are considered as the backbone of the modern urban setup. It is also very disheartening to note that a huge segment of the urban population is still uninsured, despite the announcement and availability of numerous public insurance schemes by the Government. This phenomenon clearly indicates towards the urgent requirement of massive awareness creation drive, both on the part of the Government as well as the service providers. A lot has been done so far, but still the need to go that extra mile still exists in order to provide the very basic financial services to the urban poor and specifically the household workers.

References

Books

Articles


**Journals**


Newspapers

34. Mallik Jayanta, Abhishek, The Hindu Business Line, 'India's financial inclusion score improves in 2013: Crisil', Published on December 30, 2013.


Reports, Statistical abstracts


38. UNDP India Report, (2013), 'Financial Inclusion and Livelihood Promotion of Rickshaw Pullers in India'.


40. CII and BCG Report, (2011), 'Financial Inclusion from Obligation to Opportunity'.

41. Microsave Report, (2010), 'Exploring Dormancy in No Frills Savings Accounts in Rajasthan'.


45. World Bank Report, (June 2010), 'Enhancing Access to Finance for Indonesian Overseas Migrant Workers: Evidence from a Survey of Three Provinces.'