

# FINANCIAL INCLUSION OF INFORMAL SECTOR; A CASE STUDY OF FISHERMEN IN NEENDAKARA, KOLLAM, KERALA

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**Abstract:** The informal sector or grey economy that is neither taxed nor monitored by any form of Government. In fisheries sector there are several schemes are implemented for the welfare of fishermen. This study is focus on financial inclusion of fisher households. It was seen that fisher household was away from banks expect for accessing credit services. Another factor that limits the savings is perpetual indebtedness. Only 20% of households enjoy the services of commercial banks. They mainly depend on money lenders. In order to uplift the social life conditions of fisherman there should be a support from the part of the govt.

**Key words:** *Informal sector, financial inclusion, micro savings, financial services*

## INTRODUCTION

The informal sector or grey economy that is neither taxed nor monitored by any form of government. Activity of the informal economy is not included in a country's GDP and GNP. The informal sector can be described as a grey market in labour. Production from island sector in 4.22 million tones, the production from the marine sector stands at 2.91 million tones. Generally, in the sea, there is much greater stock of smaller fish than larger fish and smaller fish have tendency to live in water closer to the shore. Hence marine fisheries are taken for study. Development activities in the fisheries sector comprise mainly three areas namely actual fishing process, industry based on fishing and aqua culture. In fact in Kerala context, by utilizing water resources, many innovative projects could be implemented. In the fisheries sector there are several schemes for the welfare and development of the traditional fisher folks in Kerala. The agencies implementing such schemes are Department of fisheries, government of Kerala matsyafed and The Kerala fishermen welfare fund. The various schemes implemented by the Department of fisheries, Government of Kerala in the 8<sup>th</sup> five year plan are mostly for the socio economic upliftment of the traditional fisher community. The government undertakes four types of schemes for the traditional fisher community. It includes,

- a) The better production
- b) The improvement of fundamental basic facilities
- c) Welfare activities
- d) Implementation of marine regulations related to fishing

Neendakara is a famous fishing port, located 9 km north of Kollam district in Kerala. It is one of the biggest major sea port in the region, with the capacity to contain over 5000 fishing boats at a time. The place is also famous for its tourism related activities.

In Kerala, mechanized fishing was introduced in 1950, at Neendakara under the institute of Norwegian government technical economic aid project, in two fishing villages, Sakhikulangara and Neendakara in Kollam district.

## OBJECTIVES

The main objectives of the study are as follows:

- To analyse the financial assistance provided by government to informal sector, Kollam Kerala.
- To estimate the status of financial inclusion among fisher households in Kollam.

## METHODOLOGY OF STUDY

The data for this study have been collected from two main sources namely primary and secondary. Primary data have been collected from structural questionnaire which contain data of socio-economic conditions of sample respondents. Secondary data have been collected from published and unpublished sources like book, journals etc. Kollam district of Kerala is selected for the study. The present study is conducted in Neendakara village where most of the families are related to fisheries field. For this study the selected area is puttanthura, around 500 fishing families are living there. In this region 50 households were selected for the study. The family members were interviewed and information given by them was recorded. Analysis is made by using, diagrams and graphs were given wherever necessary. For this analysis tables and percentage methods have been used. The study on deluge of debt and financial needs of the poor households in the coastal settlements of Kerala (Suram and Narayana 2009) analyzing the income and expenditure and borrowing patterns of selected 13 families in Neendakara fishing village in Kollam district in Kerala also reports similar findings. The study found that more than 50% of the poor householders in the socially excluded hamlet are not yet connected with the formal institutionalized system for their needs.

## LAYOUT OF HARBOR

The main functions of fishing harbor are provide adequate accommodation for fishing vessels for unloading, out fitting, berthing, repairs etc. Good discharge conditions, well placed action and packing halls, easy access from the sea for all types of fishing crafts catered for in all stages of tides and weather, sufficient land area clear to the quays for the development of share based facilities such as supply stores, deposit sheds, net and heavy gear making plant, packing shed, auction halls, cold storage, freezing and ice making plants fish meals and oil plants, administrative buildings social service buildings etc. repair facilities such as slip – ways, workshop sets and services such as supplies of water electricity, ice and banking facilities.

Total area under aquaculture (Acre)	461 Hert
Total fisher folk population	128076
Total number of active fisherman	33309
Fisheries dispensaries / Hospitals	1
Fisheries school	5
Matsya Bhavans	10
Fisheries Roads (No)	26
Panchayat Ponds (No)	586
Matsya Booth	16
Fishing harbour	2
Ornamental fish trade unit	38
Fresh (Private) water forms (No)	1015
Brackish (Private) Water forms (No)	5
Length of coastal line (Kilometre)	37

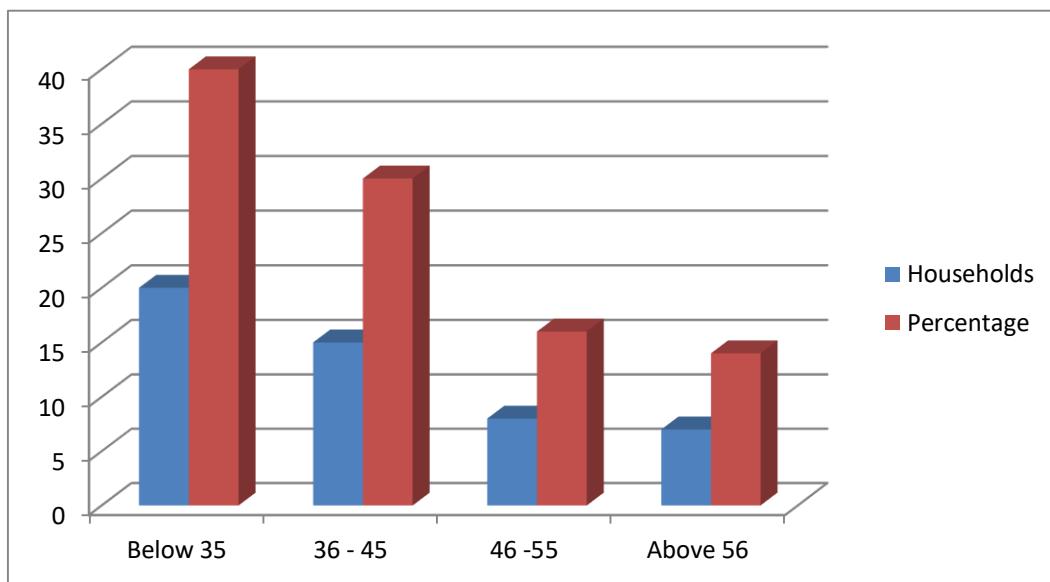
#### FINACIAL INCLUSION OF FISHER HOUSEHOLDS

Level of financial inclusion has been seen with strategic importance by the planners and policy makers and macro level country studies to estimate financial inclusion index as an indicator for financial inclusion has been attempted by authors including Sharma 2008, Arora 2010. The level of access to finance from the formal sources and other financial services measured using primary data sources has been sparingly attempted by researchers except a few notable studies like that of Sharma Mandira [2008], Shyam S Salem[ 2017].

**Table-2 Age Wise Distribution Of The Households**

Age group	No of households	Percentage
Below 35	20	40%
36 – 45	15	30%
46 – 55	8	16%
Above 56	7	14%
Total	50	100%

Source : Primary Data



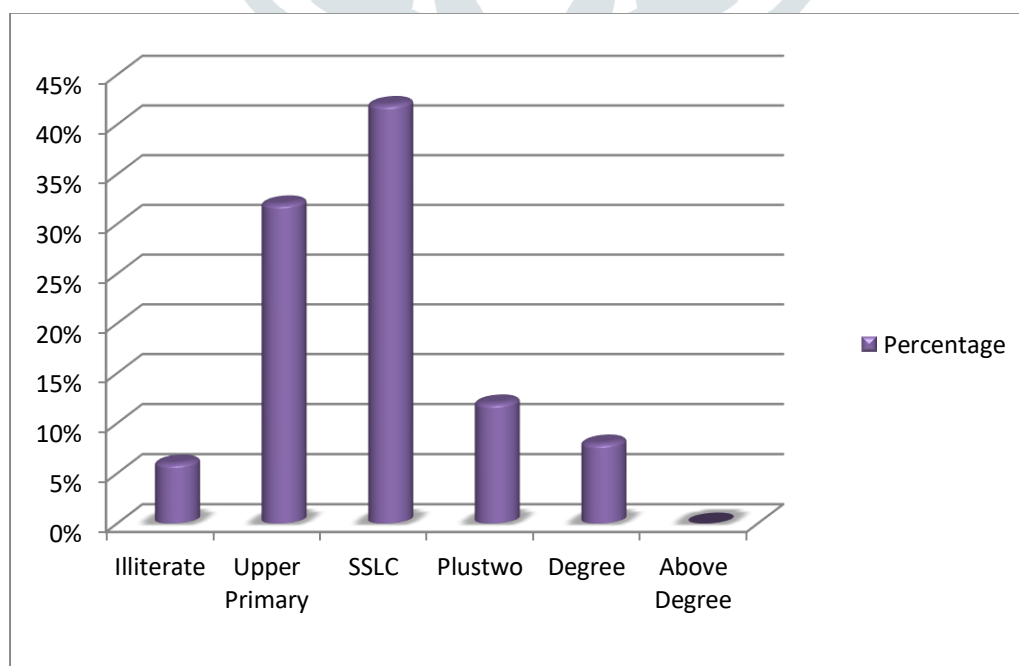
The table shows that the Age wise distribution of the households. And 40% of the respondents' users below the age 35.30% of them are belongs to 36 – 45, the remaining 15 among them are above 46.

**Table-3 Education Level of Fisher Households**

Educational level	No of households	Percentage
Illiterate	3	6 %
Upper primary	16	32%
SSLC	21	42%
Plus Two	6	12%
Degree	4	8%
Above Degree	0	0
Total	50	100%

Source : Primary Data

From the table we can infer that most of the households in this village are educated up to SSLC 42.0%. and no one are educated at higher level.



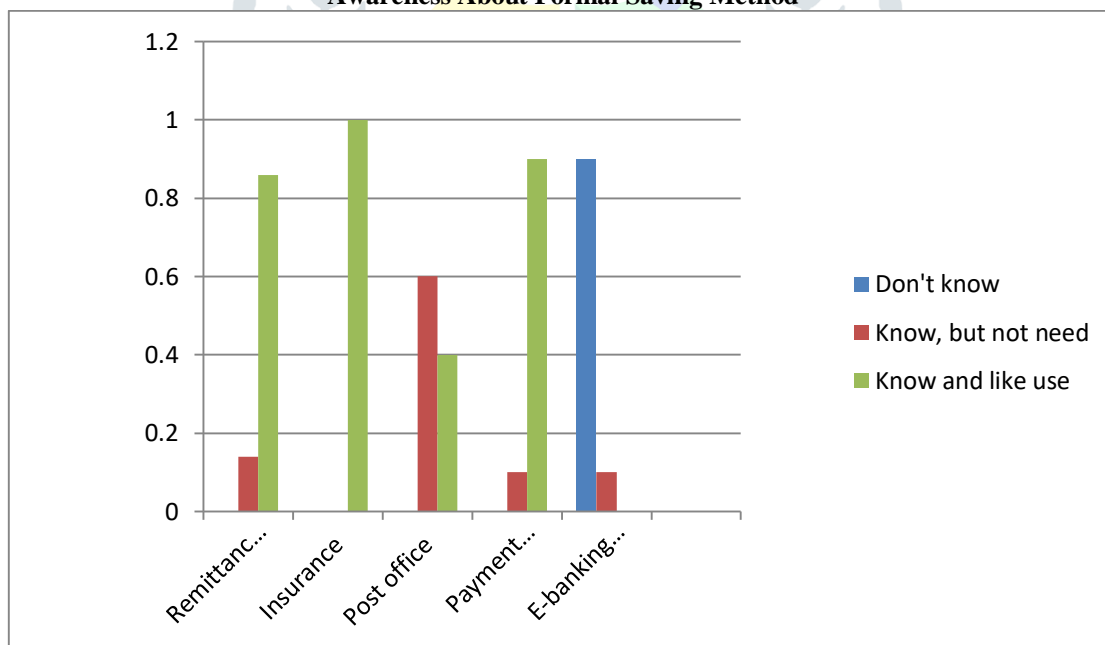
**Table-4 Usage Of Transaction Banking**

Indicators	Status	Frequency	Percent
Usage of cheques	Non Users	42	84
	Users	8	16
	Total	50	100
Social security payment through bank accounts	Non Users	45	90
	Users	5	10
	Total	50	100
ATM Usage	Non Users	40	80
	Users	10	20
	Total	50	100

**FINANCIAL ACCESS DIAMENSIONS**

There is a wide presumption among the poor that financial institutions are agencies solely catering to credit needs of the poor. This view has been reiterated by the findings of the study. It has been observed that indicators of transaction banking like usage of Cheque/DD for financial transactions , granting social security payments through banks , usage of ATMs for withdrawal of the money or using it as debt card for payments purposes could not make any effect on the fisher folk. Cheques or demand draft [DDs] or any other mode of money transmissions used by 16% of the households. Need for using cheque /DD can be attributed to young generation’s needs of education and other requirements. Otherwise it was seen that fishermen households was away from banks except for accessing credit supply. Prime factors behind such occurrence can be traced out of irregular income pattern from fishing and financial illiteracy. The irregular income limits the propensity to save. Another factor that limits savings in perpetual indebtedness where income is often used for high cost debt servicing. Financial transactions through banks are less preferred due to lesser distribution of service outlets in rural areas. Only 20 percent of the households used this ATM facility, where there are earning members in public/ private sector. Further, poor banking habit prevail in the fishing villages similar to other rural transects where cash remains the preferred mode of payment. Financial institutions are still perceived as glass houses where common man restricts his passage.

**Awareness About Formal Saving Method**



**Awareness And Usage Of Financial Services**

Financial inclusion envisages access to usage of other financial services in addition to credit and deposit services. This includes usages of financial services facilitating transaction banking like usage of cheques, demand draft , mail transfer ,ATM, debit/credit cards , bill payment etc. . Further this can also include post office savings account/recurring deposit account, share investments and mutual fund investments.

Financial literacy level also tends to affect the savings pattern of fisher households. Thus the knowledge level of respondents regarding investment avenues is presented in table. majority of the households were found to be conversant with ordinary financial services like remittance and savings facilities with bank , insurance and post office while their preference for usage of new financial services increasing day by day and in the case of post office deposits are decreasing . While the new financial services like credit card , payment of bills through banks ,e-banking ,m-banking and new financial instruments like shares ,

mutual funds etc. where, increasing but not at all preferred by the house holds due to the lack of knowledge of such products coupled with apprehensions of using technology enabled devices for financial transactions.

There is a possibility that the respondents are aware of the services and are still not able to use it due to varied reasons .Financial literacy drives have enabled the respondents to know about different services ,however the accessibility have been restricted . Such situation facilitates both voluntary exclusion arises out of the attitude of the respondents' restricting access to financial transactions from service provides.

**Table-5 Economic Status of the Respondents**

Economic status	Number of respondents	percentage
AAY	2	4%
BPL	32	64%
APL	16	32%
TOTAL	50	100%

Source : Primary Data

The economic status of fisher households in Puttanthura village in Neendakara Kollam shows that 64% of BPL households and 32% of APL households. And this table concludes that the economic status of the households was low.

**Table-6 Micro Finance Loans Of The Respondents.**

Micro finance	Number of respondents	Percentage
Using	23	46%
Not using	27	54%
Total	50	100%

Source: Primary Data

**Table-7 Savings Of Households With Different Institutional Agencies**

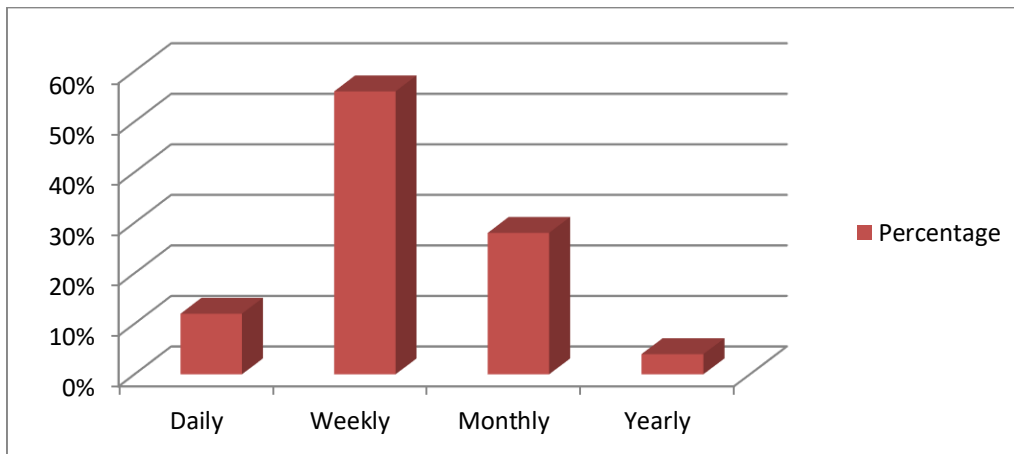
Accounts	Percent of user households
Saving bank/current deposits with commercial /cooperatives /RRBs	50%
Fixed deposits and / recurring deposits with commercial bank/ cooperatives/RRBs	10%
Deposit with SHGs group with or without bank linkage	40%
Total	100%

Source : Primary Data

## MICRO SAVINGS AND FINANCIAL INCLUSION

The purview of microfinance covers broader aspects than micro credit including micro savings which benefits the population with regular pattern of savings. It can be observed that data of saving accounts of individuals that actually reflect the motivation to save. Savings account of fisher households are actually opened either as loan facility account. This is reflected in the FD/RD accounts by households which indicate their actual motivation to save. Some of their earnings are routed to investment in gold with often serves as collateral for borrowing money for essentials.

The facility offered by SHGs groups offers compulsory savings. The savings by groups were usually Rs 20 per week which is not a burden for the members. The reasons for preference of savings schemes include maintaining accounts at their door steps, small regular savings which is not possible in any formal institution and creation of emergency fund to protect against it. [Arunachalam 2008] found that financial services such as mutual fund, small savings schemes [postal, recurring or fixed deposits] were not popular among the fishers. While there is need and potential to tap savings among the coastal community, the capacity and willingness to save appears to depend on the specific product and distribution mechanism, which must appeal to the fishers and be channeled through appropriate intermediaries.



From the table it is inferred that 56% of the fisher households save their income weekly in self-helping groups and others. Only 4% of households save year

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**Table 8: Comparison Between Fisher Households And Government Employers**

Government employers	Number Of respondents	percentage
Army	1	2%
survey	4	8%
From fishing	45	90%
<b>Total</b>	<b>50</b>	<b>100%</b>

Source : Primary Data

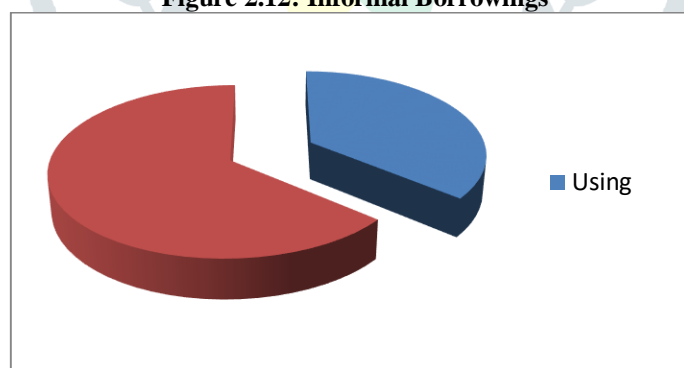
The table represents that 10% are in government service and rest of them are working in fishing sector. Table shows that the very low percentage of respondents are government employees. It shows that the educational level of fisher households is very low.

**Table-9 Informal Borrowings**

Money Lenders	Numbers of respondents	Percentage
Using	18	36%
Not using	32	64%
<b>Total</b>	<b>50</b>	<b>100%</b>

Source : Primary Data

**Figure 2.12: Informal Borrowings**



Since more than 15% are non users of informal borrowings, that shows to a great extent they are financially included.

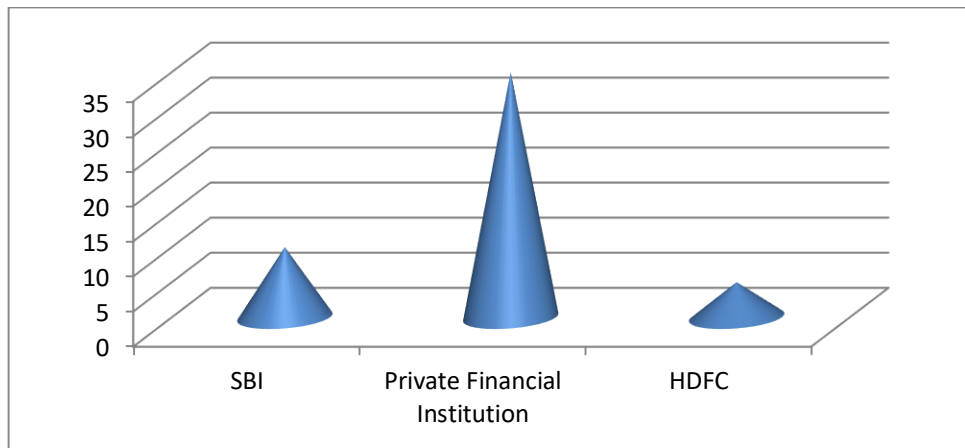
**Table 10 : Borrowings From Different Banks**

Bank	Number of respondents	Percentage
SBI	10	20%
Private Bank	35	70%
HDFC	5	10%
<b>Total</b>	<b>50</b>	<b>100%</b>

Source; primary data

**Borrowings From Different Banks**





This table shows that 20 percent of fisher households were taking loans from SBI bank and 10 percent of them are from HDFC Bank. 70% of them are taking loans from private bank. It shows that most of them are taking loans from the private institutions.

#### CONCLUSION

While assessing the status of financial inclusion, it was found that one third of the households in marine fisheries sector are still marginalized with limited access to basic financial services including that the micro finance .Micro finance has played an important role in financial inclusion of fisher households in coastal Kerala, with higher level of financial inclusion being associated with SHG membership. Informal borrowings were found to be lower with increasing level of financial inclusion and with having access to micro finance. Socio economic variables including occupational pattern, social cohesion, asset base, expenditure and education were found to have influence on financial inclusion. It was observed that assets possession remains an important criterion in determining the level of financial inclusion of households in casa of non-members. While informal borrowings continue to exist, it was found to be influenced by the membership in SHGs.

#### SUGGESIONS

- 1) There should be more control measures from the part of government to protect the fish resources
- 2) The government should take necessary measures to conduct a timely bared awareness programmes to the fisherman community.
- 3) The government should take measures to provide financial assistance to fisher community for purchasing of costly fishing equipments.
- 4) There should not be provide financial assistance quickly from bank, there for it could be regulating money lenders.

In order to uplift the social life conditions of marine fisherman, there should be a support from the part of govt.

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