

A STUDY OF FINANCIAL INCLUSION OF SLUM DWELLERS IN THE CITY OF NAGPUR, MAHARASHTRA STATE

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Abstract

The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. The study financial inclusion of slum dwellers in Nagpur city has an international significance. The importance of financial inclusion of poor people is being increasingly recognized. Much research have been carried out on the financial inclusion of poor people but not particularly slum dwellers. This kind of research will highlight awareness of slum dwellers regarding financial inclusion. The policy makers now have started giving importance to financial inclusion of poor people in India. In this study an attempt will be made to analyze the financial position of the slum dwellers in the city of Nagpur. As a result awareness of the slum dwellers about financial inclusion play a very significant role here. This research study aims at understanding the importance of delivery of financial services at affordable costs to the disadvantaged and low – income segments of the society.

Key Words: Financial Inclusion, slums, Slum Dwellers, No-Frills

INTRODUCTION

The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. The Reserve Bank of India (RBI) set up the Khan Commission in 2004 to look into financial inclusion and the recommendations of the commission were incorporated into the mid-term review of the policy (2005–06). In the report RBI exhorted the banks with a view to achieving greater financial inclusion to make available a basic "no-frills" banking account. In India, financial inclusion first featured in 2005, when it was introduced by K.C. Chakraborty, the chairman of Indian Bank. Mangalam became the first village in India where all households were provided banking facilities. Norms were relaxed for people intending to open accounts with annual deposits of less than Rs. 50,000. General credit cards (GCCs) were issued to the poor and the disadvantaged with a view to help them access easy credit.

In January 2006, the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions, and other civil society organizations as intermediaries for providing financial and banking services. These intermediaries could be used as business facilitators or business correspondents by commercial banks. The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Pondicherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a roadblock to financial inclusion in many states and there is inadequate legal and financial structure.

The government of India recently announced "Pradhan Mantri Jan DhanYojna," a national financial inclusion mission which aims to provide bank accounts to at least 75 million people by January 26, 2015.

RATIONALE OF THE STUDY

The researcher has found financial inclusion of slum dwellers as a burning issue in the society. Maid servants working in our home hail from the slum of Nagpur City. They face acute problem regarding safety of their micro cash savings i.e. their hard earned money. Therefore they are keeping their money with their householder where they work so that their husbands will not misuse the money for bad habits. But this result in their money lying idle and not earning any interest. This motivated the researcher to study and find out concrete solution or source to keep their money safe with them.

Since 2000 financial inclusions for poor people have been given a serious thought. But slum dwellers are not aware of this scheme. Economic growth of the nation depends upon the upliftment of the poor people. Financial inclusion of poor people will definitely help in the economic growth of the nation.

This research study is being conducted to know the awareness of financial inclusion among slum dwellers. And also to encourage & motivate them to participate in the schemes of financial inclusion by convincing them about its benefits.

MEANING AND DEFINITION OF FINANCIAL INCLUSION

Financial inclusion or inclusive financing is the delivery of financial services viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system at affordable costs to sections of disadvantaged and low-income segments of society who tend to be excluded. It is argued that as banking services are in the nature of public good, the availability of banking and payment services to the entire population without discrimination is the prime objective of financial inclusion public policy.

It is important to recognize that in the policy framework for development of the formal financial system in India, the need for financial inclusion and covering more and more of the excluded population by the formal financial system has always been consciously emphasized

Financial services actively contribute to the human & economic development of the society. These serve as a social safety net & protect the people from economic shocks. Hence, each & every individual should be provided with affordable institutional financial products/services popularly called 'Financial Inclusion'.

Financial inclusion may be defined as the process of ensuring access to financial services along with timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.

Financial products & services are identified as basic banking services like deposits accounts, institutional loans, access to payment, remittance facilities & also life & non-life insurance services.

SLUMS : A CONCEPTUAL DISCUSSION

A slum is a heavily populated urban informal settlement characterized by substandard housing and squalor. A slum is generally seen as a blighted area, with deteriorated physical and social conditions of people and increasing tendency for culturally unwanted activities. A slum is a persistent feature of a developing city where the basic amenities of life are characteristically lacking or in short supply. (Singh 1972)

While slums differ in size and other characteristics from country to country, most lack reliable sanitation services, supply of clean water, reliable electricity, timely law enforcement and other basic services. Slum residences vary from shanty houses to professionally-built dwellings that because of poor-quality design or construction have deteriorated into slums.

The term 'slum' is thus a typical outcome of the wider modern processes of industrialization and urbanization

SLUM DWELLERS

Slum dwellers are people living in badly built and dirty crowded houses with deteriorated physical conditions, extremely poor living standards and morals, poverty, unemployment, broken home picture and prevalence of chronic vices and notorious character.

NO-FRILLS ACCOUNTS:

Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts.

STATEMENT OF THE PROBLEM

Financial Inclusion of Slum Dwellers of Nagpur City in Maharashtra State. This research study aims at understanding the importance of delivery of financial services at affordable costs to the disadvantaged and low – income segments of the society.

LITERATURE REVIEW

Rangarajan Committee, 2008 on financial inclusion observed that financial inclusion of hitherto excluded segments of the population is critical to sustain and accelerate growth momentum. For achievement of the same, the committee has put forward multi-pronged strategies including establishment of National Mission on Financial Inclusion, revitalizing the RRBs and Cooperatives, introducing MFI model (SHG- bank linkage) and Business Facilitator and Business Correspondent Model.

Subbarao, 2009, Financial inclusion is important because it is considered as an important condition for sustaining growth. Such access is especially powerful for the poor as it provides them opportunity to build savings, make investments and avail credit. Access to financial services also helps the poor to insure themselves against income shocks and equips them to meet emergencies such as illness, death in the family or loss of employment. It helps them to get away from the clutches of usurious money lenders.

Dr. Supravat Bagli, 2012, A study of financial inclusion in India. This study has constructed a composite index of financial inclusion for each state using a wide range of indicators. The computed values of CIFI (Composite Index of Financial Inclusion) demonstrate that till date in financial inclusion the plight of the states in India is not commendable. It would be helpful to the governments or financial regulators or other bodies of policy-makers in near future to enhance financial inclusion.

In our society generally the marginalized groups of population are financially excluded. In most of the cases their livelihoods are not monetized and they are deprived of the financial inclusion. Besides, they are not well aware of the available banking services; on the other hand, banking officials are not also well aware of the needs and capacity of the people under this section. As a result banks cannot

bring them under the umbrella of financial inclusion. Therefore, the mass financial literacy and awareness among the marginalized sections of people are absolutely necessary to achieve financial inclusion. Juxtaposed with this, financial institutions will have to be socially responsible as well as approachable to achieve complete financial inclusion.

Srikanth .R, 2013 A Study on - Financial Inclusion - Role of Indian Banks in Reaching Out to the Unbanked and Backward Areas. This study concluded that Financial inclusion has, in reality, far reaching positive consequences which can help resource poor people to access the formal financial services in order to pull themselves out of abject poverty. The focus on the common man is particularly imperative in India as he is the more often ignored one in the process of economic development. Indeed, with the process of financial inclusion, the attempt should be to lift the resource poor from poverty through coordinated action amongst the banks, the government and other related institutions in order to facilitate access to bank accounts and other related services.

K. Hema Divya, 2013, A Study On Impact Of Financial Inclusion With Reference To Daily Wage Earners. From the above study, it is concluded that there is more need to educate and create some new instruments for daily wage earners and also make them a part of financial inclusion.

Nilanjan Bhattacharjee, 2014, financial inclusion of the identified slum dwellers in Assam: Many slum dwellers are still not aware of various financial products and they are reluctant to take the advantages of formal financial sector. These people are usually go for borrowing a heavy amount of loans from the informal sectors for meeting their requirements.

They habitually park their investable surplus funds to the unorganized sectors with the expectation to earn more profit within a shorter period, but it is very unfortunate to mention here that most of these unorganized sectors usually manipulate them and try to grab their investible surplus by providing various ponzi schemes. Therefore, financial literacy and financial awareness among these groups of people are very important and distance from the formal financial sectors is not a major factor of financial exclusion in urban areas. To create awareness and improve financial literacy level in the identified slum dwellers, Government of India and RBI should come forward to frame some effective policies and implement it through appropriate governance so that universal banking services can be extended to the un-served.

OBJECTIVES OF THE STUDY

- 1.To find out the awareness of slum dwellers regarding the various facilities of Financial Inclusions.
- 2.To find out the various sources of income of the slum dwellers.

Methodology/Research Design

The proposed project is based on the financial inclusion of slum dwellers in the Nagpur city of Maharashtra State. The study in general involves an analytical approach and thus focuses on both quantitative and qualitative analysis of data pertaining to different variables and factors in relation to phenomenon of financial inclusion of the poor people. The proposed research will be an empirical study and the research tool will be a structured interview schedule . The sample will be purposive random sample.

Sampling Design

For the purpose of this study, the researcher has selected purposive Sampling Method.The universe of the study is very broad and comprising a large number of slums spread far and wide with large number of people living in the different zones of the Nagpur city. Comprising about 446slums till 2011 as per statistics of Municipal Corporation (Slum Department) Nagpur. Out of total 446 Slums pocketsresearcher has selected 2 Slum pockets for this study.The sample size of this study is 75 slum dwellers.

For the collection of primary data a structured schedule is prepared containing approximately 10 questionsrelated with the research study. Apart from questionnaire, the primary data also collected through face to face interaction with bank officers & the Slum dwellers.

LIMITATIONS

1. The study is limited to sample size of 75 respondents.
2. The universe of the topic is large in size and thus detailed study would not be possible.

ANALYSIS AND INTERPRETATION OF DATA

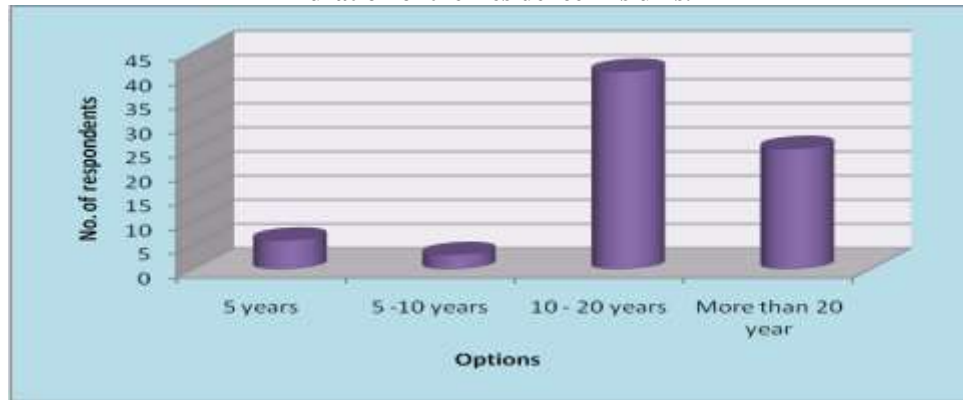
Researcher has collected the primary data with help of structured schedule and prepared statistical tables. With interpretation and analysis of the tables following finding has been made.

Table No. 1
Duration of the Residence in slums.

Sr. no.	Options	No. of Responses	Percentage
1	5 years	6	8
2	5 -10 years	3	4
3	10 - 20 years	41	55
4	More than 20 year	25	33
	Total	75	100

(Source: Primary Data)

Graph no. 1
Duration of the Residence in slums.



From the above table no.1 and graph it is inferred that maximum 41 i.e. 55% respondents are the resident of slum since last 10-20 years. It is followed by 25 i.e.33% respondents are living in slum since more than 20 years.

From the above interpretation it is concluded that maximum no. of respondent living in slums since last 3 decades.

Table no. 2

Education of the Slum Dwellers

Sr. No.	Class	No. of Respondents	Percentage
1	1-4	8	10
2	5-10	14	19
3	11-12	36	48
4	U.G.	15	20
5	P.G.	2	3
	Total	75	100

(Source: Primary Data)

Graph No.2



Education of the Slum Dwellers

From the above Table no. 2& Graph no. 2 it is found that maximum 36 respondents i.e. 48% of slum dwellers are educated up to 12 class. 2 respondents i.e. 3% of slum dwellers are highly educated with post-graduation degree.

From the above interpretation it can be concluded that maximum slum dwellers are not well educated because of the environment and circumstances they give the less importance to the education.

Table no.3
Occupation and Nature of Employment

Sr. no.	Options	No. of Respondents	Percentage
1	Services	22	29
2	Business	6	8

3	Profession	1	1
4	Any other	46	62
	Total	75	100

(Source: Primary Data)

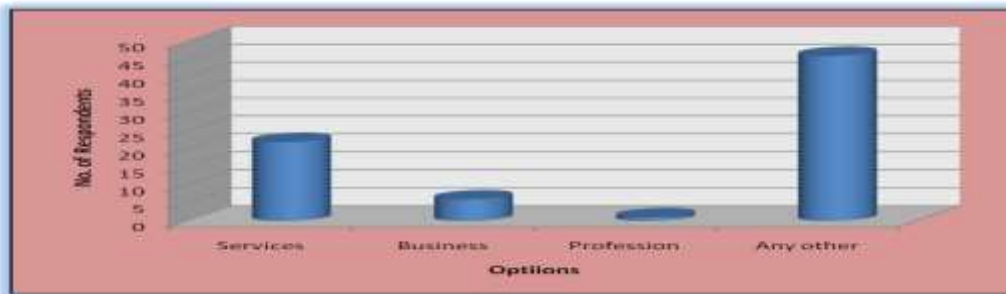


Figure .3 Occupation and nature of Employment

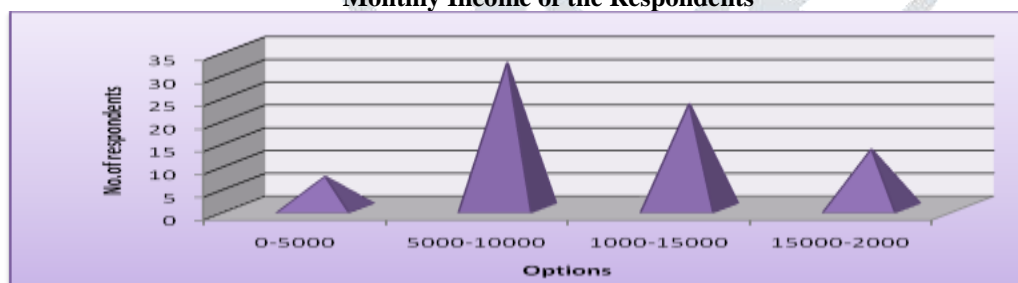
Above table and graph no.3 shows that maximum no. of respondents are living in slum. They are engaged in other category other than above, which includes auto rickshaw drivers, hawkers, vegetable vendors, daily wage workers, maid servants, etc. Because most of the slum dwellers are not literate enough to do skilled work which is paid high.

**Table No.4
Monthly Income of the Respondents**

Sr. no.	Options	No. of Respondents	Percentage
1	0-5000	7	9
2	5000-10000	32	43
3	10000-15000	23	31
4	15000-20000	13	17
	Total	75	100

(Source: Primary Data)

**Graph No. 4
Monthly Income of the Respondents**



The above table and graph no.4 shows that maximum 32 i.e. 43% of slum dwellers are earning income between Rs. 5000-10000 income group. It is followed by income group of Rs. 10,000 -15,000. And income group of Rs. 0-5000 include minimum 7 i.e. 9 % respondents.

Most of the slum dwellers earning up to Rs. 10000 because they don't require any sort of skill to earn up to this limit. Thus it can be concluded that some dwellers are not financially sound to maintain their stand of living.

**Table no. 5
Awareness of Financial Inclusion**

Sr. no.	Options	No. of Respondents	Percentage
1	Yes	41	55

2	No	34	45
	Total	75	100

(Source: Primary Data)

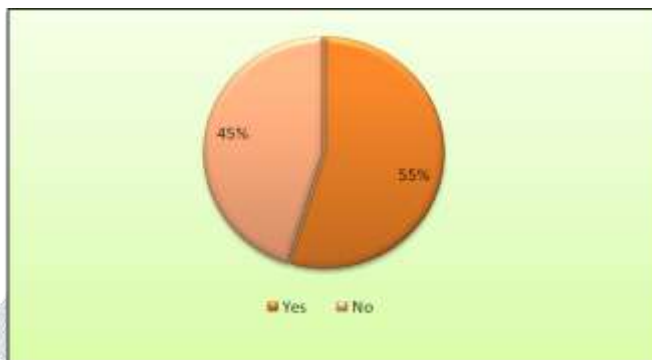


Fig. 5 Awareness about Financial Inclusion

From the above table no. 5& Graph shows that the out of 75 respondent, 41 respondents i.e. 55% are aware about the term financial inclusion and rest of the respondents 34 i.e. 45% of the respondents are not aware about the term financial inclusion.

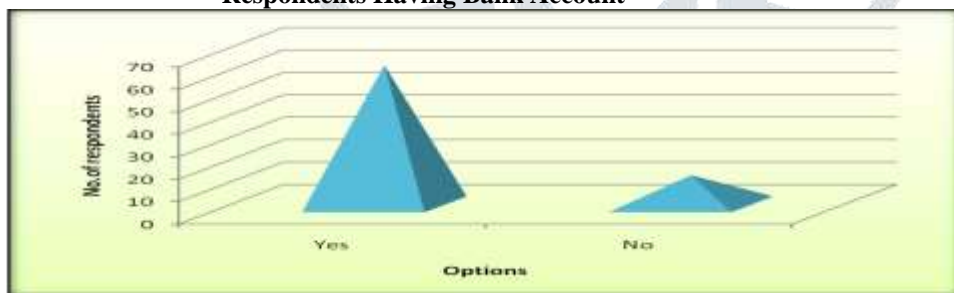
From the above interpretation it is found that maximum slum dwellers are aware about the term financial inclusion. It means they have clear understanding about the various schemes and facilities provided by the Government.

Table no. 6 Respondents Having Bank Account

Sr. no.	Options	No. of Respondent	Percentage
1	Yes	62	83
2	No	13	17
	Total	75	100

(Source: Primary Data)

**Graph no. 6
Respondents Having Bank Account**



From the above table and graph no.6 it can be inferred that maximum 62 respondent i.e. 83% have bank account and rest of the 13 i.e. 17% don't have bank account

From the above interpretation are can say that maximum respondent save their money in bank to get various benefits.

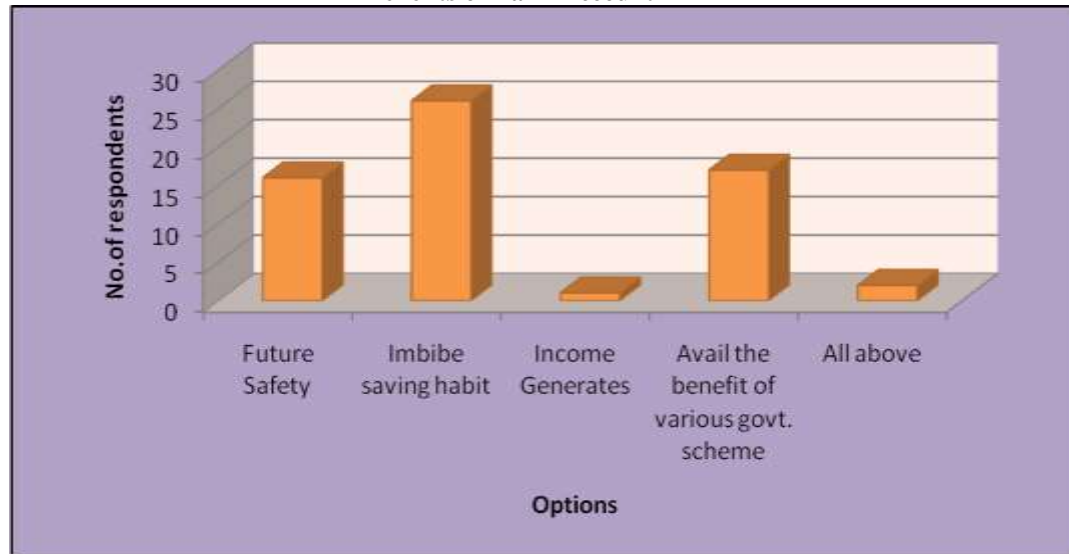
**Table no. 7
Benefits of Bank Account**

Sr. no.	Options	No. of respondents	Percentage
1	Future Safety	16	26
2	Imbibe saving habit	26	42

3	Income Generates	1	2
4	Avail the benefit of various govt. scheme	17	27
5	All above	2	3
Total		62	100

(Source: Primary Data)

Graph no. 7
Benefits of Bank Account



From the above table and graph no. 7 it is found that the maximum no. 26% respondents have bank account to get the benefit for the imbibe saving habit. And 2% are use the bank account for income generates and rest of the respondent use the bank account to encourage the saving habit.

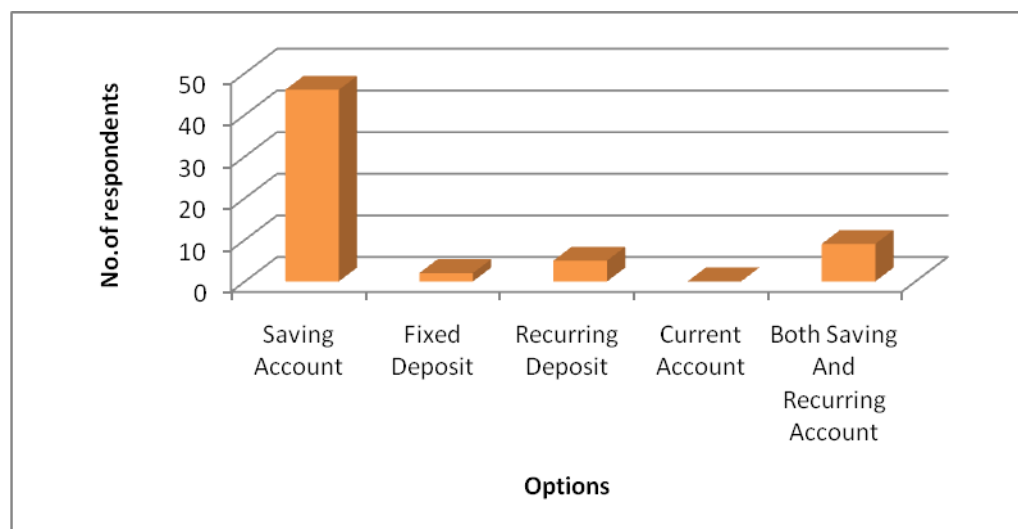
The conclusion is that maximum respondent use the bank account for imbibe their saving habit

Table No. 8
Types of Bank Account

Sr. no.	Options	No. of respondents	Percentage
1	Saving Account	46	74
2	Fixed Deposit	2	3
3	Recurring Deposit	5	8
4	Current Account	0	0
5	Both Saving And Recurring Account	9	15
Total		62	100

(Source: Primary Data)

Graph no. 8
Types of Bank Account



From the above table and graph no.8 it can be inferred that maximum 46 respondents i.e. 74% respondents have saving account, 15% have both saving and recurring account and 8% have recurring deposit account 3% have fixed deposit account.

From the above interpretation it can be concluded that having bank account, inculcate the habit of saving among the slum dwellers.

CONCLUSIONS & SUGGESTIONS

Financial inclusion of the slum dweller is vital for the economic growth of the nation. Around 98% of slum dwellers are residing in the slum areas for the last three decades. The study observed that the percentage of highly qualified respondents is very less that is only 3%. But the literacy percentage is quite good that is around 95% yet 45% respondents are not aware of the term financial inclusion. Most of the slum dwellers are in the income group of 5,000 to 10,000 per month. This income is not sufficient to fulfill their necessities. Hence, it affects their standard of living.

Around 83% of slum dwellers have their saving accounts in the public sector banks which helps them to avail the benefits of various Government Schemes and facilities. But the fact is that, they are still facing difficulties in availing the Government Facilities.

Pradhan Mantri Jan Dhan Yojana motivated the slum dwellers to open their account in the banks and thereby facilitating the financial inclusion of poor.

For the 100% financial inclusion of the poor and slum dweller Government has to take initiative by opening new banks/branches as per requirements at various remote and rural areas of the country.

At the same time the Government has to organize various awareness and training programs for the financial inclusion of poor and slum dwellers whereby slum dwellers are made aware of the facilities provided by the bank like how to use ATMs, i.e. to deposit and withdraw money, how to print passbook, how to deposit cheques in machines and so on. Overall financial inclusion of the poor certainly contributes to the upliftment of the nation.

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