



# Borrowing Behaviour of Urban Women: An Evidence from Ahmedabad District

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**Abstract:** One of the utmost active practices is to adopt an inclusive growth policy to achieve economic growth. An inclusive growth means include the excluded population into all benefits. Financial inclusion is a financial upliftment process, to help poor, slum, backward and women to come out from the poverty trap. Financial Inclusion means inclusion of excluded population to access formal financial services like savings, borrowings, insurance and pension from formal financial institutions. For constructing strong financial system, it is very necessary to know first that whether sources of financial services are actually reaching to the unreached people; the awareness among people for the formal financial services i.e. financial literacy and inclusion of the excluded population by providing banking services. Among socio- economic problems in India, Gender inequality is one of the major affecting problems. A noteworthy access gap has taken place between male and female regardless of significant development in broadening access to formal financial products in the country. The main objectives of this research are to examine nature and extent of accessing borrowing services including borrowing details, sources of borrowing, purpose of borrowing, and difficulties in borrowing to urban women. Primary data collection method is used through semi-structured questionnaire. Major finding of this study is that poor urban women prefer to borrow funds from informal sources rather than going to bank for it.

**Index Terms - Financial inclusion, Urban Area, Urban Women, Borrowings pattern, Borrowing Source, Borrowing Difficulties.**

## I. INTRODUCTION

Spontaneous and long term growth process is an essential to the country. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income redistribution, as a means of increasing incomes for excluded groups (Lanchovichina & Lundstrom, 2009). Considering inclusive growth, financial inclusion is adopted as the most effective footpath for sustainable development in many countries like India. The former British Prime Minister William Gladstone expressed the importance of finance for the economy in 1858 as follows: "Finance is, as it were, the stomach of the country." Financial Inclusion means inclusion of excluded population to access formal financial services like savings, borrowings, insurance and pension from formal financial institutions (Kumar, 2011:1). For constructing strong financial system, it is very necessary to know first that whether sources of financial services are actually reaching to the unreached people; the awareness among people for the formal financial services i.e. financial literacy and inclusion of the excluded population by providing banking services. Until now, various governmental and private initiatives had been working for increasing the use of formal financial

services in the rural areas; while, backward urban areas are being unnoticed to some of extent for accessing formal banking services. Still, the majority of populations in backward urban areas are not aware or apathetic about various banking services. Among socio- economic problems in India, Gender inequality is one of the major affecting problem. A noteworthy access gap has taken place between male and female regardless of significant development in broadening access to formal financial products in the country.

Thus, the main objective of this study is to examine nature and extent of accessing borrowing services, which includes borrowing details, sources of borrowing, and reasons for adopting the source, purpose of borrowing, difficulties in borrowing to urban women.

## II. REVIEW OF LITERATURE & RESEARCH GAP

Women have usually narrow bridge of opportunities for learning, employment, and wealth ownership and managing independently their own finance in over-all. Regardless of significant development in broadening access to formal financial products in the country, a noteworthy access gap has taken place between male and female (United Nations, 2015). Globally, this gender gap is even more pronounced between men and women in developing markets, with the largest gap, 18 percentage points, observed in South Asia (Demirguc-Kunt & et.al, 2015). The poor women are desperately in need of financial literacy programme that enable them to make informed financial decision (Mukhopadhyay & Kumar, 2013). Financially excluded women face several barriers to access and make use of financial products globally (Robino, 2019). They have lower literacy rate and employment rate and access rate to formal financial services in backward and outskirts areas in India (Nayak, 2014). Rapid growth of urbanization shows the increasing needs of formal financial services among women in the urban informal/unorganized sectors of Ahmedabad and Gujarat state. there is a need to give attention for providing financial services to meet the savings, credit, remittance and other financial requirements of the urban poor (Kundu & Sarangi, 2005; Sato, 2006; Kannan, 2007; Rupambara & Khan, 2007). The Reserve Bank of India has taken several measures since Independence to improve access to affordable financial services through financial education, leveraging technology, and generating awareness (Kumar, 2014J).

**Research Gap:** In the above literature, the researcher has been found that in urban area, formal financing channels are not being accessed by population of many unrecognized and backwards areas; public-private partnership were unlikely to challenge the ways in which the everyday subordination of women is reproduced by traditional and modern institutional pyramid, which act as a primary constraint to building common, gender based collective identities; rural women are getting benefits from such financial inclusion schemes effectively but, urban women are not; urban females are being excluded from various benefits, and formal financial service is one of them. Under formal financial services, borrowing is one of the important components to focus on. In most of the situations, the excluded poor urban women needs to borrow money before saving it. However, the researcher could not found any census statistical data regarding accessibility of banking facilities under financial inclusion of urban women for Ahmedabad district particularly.

### III. DATA AND METHODOLOGY

#### Population and Sample

In this study, researcher has made an endeavor to study an accessibility of borrowing pattern of the urban women of Ahmedabad district especially of Gujarat as Ahmedabad is considered as Mega city of the fastest growing Gujarat state (Ahmedabad is having highest urban population in comparison to other districts of Gujarat and due to problem of gender inequality. – As per GOI (2011) and Ahmedabad district have many opportunities for the growth of women, the researcher has emphasizing on women.). In the present study, the researcher is following descriptive research design for analyzing accessibility of borrowing facilities by urban women of Ahmedabad district.

#### Data and Sources of Data

Under this study, Primary data is collected from five major urban women populated tahsils of Ahmedabad district, where Secondary data is collected from Gujarat Urban Cooperative Banks Federation of Gujarat. In this research, a place where employment is generated through non-agriculture or basic operations (Census of India, 2011; RBI, 2011; State of Slums in India- A Statistical Compendium,2013) is known as urban place and women residing in such area are known as Urban Women. Here, the researcher has divided the urban women into two category in accordance of their access to formal financial services i.e. beneficiary women and non-beneficiary women<sup>1</sup> and then both category of women are sub-divided into three annual income groups: Middle (Rs.2,00,000- 5,00,000), Low (Rs.1,00,000- 2,00,000) and Poor (Less than Rs.1,00,000)<sup>2</sup>. The primary data is collected through a household survey method with a semi- structured questionnaire containing relevant information through discussions and personal interactions with urban women of the Ahmedabad district in Gujarat. The collection of samples of urban women from the Ahmedabad district under this study is presented in table 1:

**Table 1: Collection of Samples of Urban Women from Ahmedabad District**

Sr.No.	Major Urban Populated Talukas	Total Females	Beneficiary Females	Non-beneficiary females
1	Ahmadabad City	150	100	50
2	Sub total of 4 talukas	150	100	50
3	Daskroi		37	18
4	Sanand		26	13
5	Dholka		22	11
6	Viramgam		15	8
7	Ahmadabad district	300	200	100

Source: Field Survey

<sup>1</sup> Urban Beneficiary women, who are accessing formal financial services like bank account, savings, borrowings, pension and insurance from banks and other formal financial institutions. And, Non- Beneficiary women are opposite of beneficiary women. This is derived through the financial inclusion definition given by CRISIL (2013).

<sup>2</sup> According to Interest Subsidy for Housing the Urban Poor Scheme (ISUP, 2012), Rajiv Rinn Yojana (RRY, 2013), MHRD (2016), the same income category is followed for urban area.

Thus, 300 sample urban women households (HHs) are taken under the study. From the GOI (GOI, 2011) statistical data provided through Census of India (2011), we can observe that Ahmedabad city has highest female population and after that it is followed by Daskroi, Sanand, Dholka and Viramgam (having second highest female population in urban area). As the Ahmedabad city is having highest urban female population, the 50% of samples are collected from Ahmedabad city and other 50% of samples of females are collected from urban areas of other tahsils (second highest female population after Ahmedabad City- Daskroi, Sanand, Dholka and Viramgam), to make study unbiased. The 200 samples are collected from beneficiary women and other 100 samples are collected from non-beneficiaries women for the reference period 2016-17. The purposive method is selected in this research.

#### IV. ACCESSING THE BORROWING BEHAVIOR OF URBAN WOMEN

From the various definitions of financial inclusion, the main crux of it has been found that providing different financial services (credit, saving accounts, insurance and remittance products) to poor or low income groups at an affordable cost. On basis of definitions, the nature and extent of borrowing services by sample urban women of Ahmedabad district has been accessed. Though, before accessing borrowing behaviour, the socio-economic status of sample urban women has been needed to know, which is as follows:

##### Socio-Economic Profile of Urban Women

In modern era, women are trying to grow similar to men in urban areas. Women have usually narrow bridge of opportunities for learning, employment, and wealth ownership and managing independently their own finance in over-all. From the Table 4, the socio-economic profile of women respondents can be observed, where the highest percentage of education level achievement by BW and NBW is at HSC (Higher Secondary School) except middle BW, which ultimately gives impact on awareness and accessing level of formal financial services; The average income and savings of BW is not significantly higher than that of NBW.

**Table 2: Socio- Economic Profile of Women Respondents**

Sr. No	Particulars		BW			NBW		
			Middle	Low	Poor	Middle	Low	Poor
1	No. of women Households (HH)		50	50	100	25	25	50
2	Age group of women respondents	15-30 (%)	36	28	36	32	60	52
		(Avg.)	26	26	24	25	24	25
		31-60(%)	56	68	62	64	36	44
		(Avg.)	40	43	42	40	39	44
		> 60(%)	8	4	2	4	4	4
		(Avg.)	67	62	70	71	64	62
3		Illiterate	2	10	16	4	8	46

	Educational level of respondents (%)	Below SSC	6	24	39	16	40	30
		SSC	18	34	23	36	24	16
		HSC	18	12	5	24	16	0
		Graduation	44	18	14	16	12	0
		PG & above	12	2	3	4	0	10
4	Average annual household family Income (Rs)	4,02,933	1,93,565	94,104	3,36,480	1,55,088	93,240	
5	Average annual household family Savings (Rs)	67,200	18,887	10,242	23,088	12,288	5436	

Note: (1) Figures in parenthesis are % of respective total women respondents.(2) BW stands for Beneficiary Women; NBW stands for Non- Beneficiary Women; HH stands for Household;

Source: Field survey data.

### **Borrowing Behavior of Urban Women:**

Now, the borrowing behavior of the sample urban women has been explored. In this section, the borrowing details, sources of borrowing, responsible reasons behind the selection of particular borrowing source, purpose of loan, rate of interest on loan, duration of borrowings, difficulties in taking loan, mortgage against loan have been discussed.

### **Borrowing Details of Women Respondents:**

The borrowing details of women respondents in the selected urban area have been presented in Table 3. It may be seen that the low income group BW and Poor BWs have maximum percentage (same) and middle BW have less percentage of borrowing in comparison to other income groups. In case of NBW, the maximum percentage of borrowing is by Poor NBW, then Low and lastly Middle NBW. This scenario presents that the need of borrowing money is at more to poor NBW due to socio-economic hurdles. Even the percentage of borrowers, the total average borrowing amount and average outstanding amount of borrowings of NBW are more than BW. From the average year of borrowing, it can be observed that, the sample beneficiary women under various income groups such as Middle, Low and Poor- BW have taken loans for the last 4, 2 and 2 years, respectively; while Middle, Low and Poor NBWs have taken loans for the last 1, 4 and 3 years respectively. It may be seen that the beneficiary women have mainly taken loans from commercial and cooperative banks. On the other hand, the non-beneficiary women have taken loans mainly from business people, money lenders and religious groups.

**Table 3.: Borrowing Details of Women Respondents**

Sr. No.	Borrowing details	BW			NBW		
		Middle	Low	Poor	Middle	Low	Poor
1	Percentage of women, who have taken loan	16	28	28	40	64	70
2	Average borrowing amount (Rs/HH.)	20,222	19,196	10,340	29,200	28,800	19,880
3	Average outstanding amount of borrowings at the time of survey (Rs.)	10,333	10,870	5,670	23,360	22,160	18,040
4	Average year of loan taken	4	2	2	1	4	3
<b>5</b>	<b>Sources of borrowing *</b>						
5.1	Commercial banks	50	36	18	0	0	0
5.2	Cooperative bank	25	14	11	0	0	0
5.3	Land development bank	0	0	0	0	0	0
5.4	SHG/JLG/NGO	0	0	11	0	0	0
5.5	Friends /Relatives	25	14	43	30	31	11
5.6	Landlord/ employer	0	7	0	0	0	0
5.7	Any Govt. Scheme	0	0	0	0	0	0
5.8	Trade/ Money lenders	0	29	11	30	56	29
5.9	Religious institute	0	0	0	0	0	9
5.10.	Broker/Business People	0	0	0	40	13	51
5.11	Other	0	0	7	0	0	0

Note: \* Percentage of total borrower women, have taken loan from which particular source.

Source: Field Survey

Looking at the borrowing details, it has been observed that the Middle BW mostly prefer to take loan from the commercial banks as they are most comfortable to use formal financial services. Low BW prefer to borrow from co-operative banks (as some of them dependent on mostly banks), but the next preferable source for them was trader/money lender, being a source of easy availability of credit. Poor BW prefer to take loan from friends/relatives, SHG/JLG/NGO and trade/money lender because of low rate of interest and easy availability. While observing urban sample NBW's preference; Middle NBW prefer to take loan from landlord; Low NBW prefer to borrow from friends/ relatives and trade/ money lender; Poor NBW prefer to take loan from friends/ relatives, trader/ money lender and from religious institutes; that means all NBW borrow from informal sector only.

The purpose of taking loan has been analyzed and stated in Table 4. Most of the Middle BW borrowed for housing and business purposes, while Middle NBW borrowed mostly for health expenses and purchase of vehicle. In case of low income group women, BW borrowed for housing, health expenses and for buying

household items, while NBW borrowed for training/ education and for health expenses. Here, it has been observed that Middle and Low BW borrowed for investing in real capital, while NBW borrowed for making expenditure on health issues, for buying household items and vehicle. Coming to Poor income group women, BW borrowed mostly for business, household items and for spending on social ceremony, where NBW borrowed mostly for household items and then on vehicle, on health issues as well as housing lastly. Under this study, it has been observed that poor women mostly needed money for buying household items and for spending on health issues.

**Table 4: Purpose of borrowing by Urban Women (%)\***

Sr. No.	Purpose of borrowing	BW			NBW		
		Middle	Low	Poor	Middle	Low	Poor
1	Housing	75	50	4	0	0	6
2	Business	25	7	36	20	25	17
3	Training/ Educational	0	0	0	0	0	0
4	Vehicle	0	7	7	10	13	17
5	Purchase of land	0	0	0	0	0	0
6	Household item	0	14	29	30	31	31
7	Social ceremonies	0	0	21	40	31	29
8	Computer	0	0	0	0	0	0
9	To pay off other debt	0	0	0	0	0	0
10	Other (health expenses)	0	21	4	0	0	0

Note:\* Percentage of total borrower women, have taken loan for respective purpose.

Source: Field Survey

The mostly important criterion of borrowing is the rate of interest and duration of taking loan, which can be observed from Table 5. Maximum BW borrow money between 1 to 10 percent of interest rate except low BW as they have high percentage from 11 to 20 percent of interest rate. While, NBW borrow at highest percentage from 10 to 20 percent of interest rate, and NBW borrow at second highest level from 21 to 30 percent of interest rate. This fact shows that NBW are borrowing maximum from informal sector (Table 3) that's why they have to pay more interest rate in comparison to BW.

**Table 5: Rate of Interest and duration of Borrowings of women respondents\***

Sr.No.	Rate of interest and Duration of Borrowings	BW			NBW		
		Middle	Low	Poor	Middle	Low	Poor
1	<b>Rate of Interest (%per annum)</b>						
1.1	Zero percent	0	21	7	0	0	0
1.2	1- 10 percent	100	36	68	0	6	14
1.3	11-20 percent	0	43	21	70	88	66
1.4	21-30 percent	0	0	4	30	6	20
1.5	>30 percent	0	0	0	0	0	0

Note: Figures in parenthesis are percentage of respective total borrower women respondents.

Source: Field Survey

### **Difficulties in taking Loan and Mortgage details of Women Respondents:**

The difficulties in taking loan and mortgage requirements for taking loans by the women respondents have been presented in Table 7. Most of the BW found difficulty in documentation process (as it is very lengthy); geographical (as banks are not conveniently located); financial problem (due to more borrowing than income and family size is large and family expenditure is very high). But, middle and low BW found more difficulty in documentation process, where as poor BW found more difficulties in documentation, geographical and financial as well. Talking about NBW, they mostly faces financial problem, while doing borrowings. Financial means, at the time of borrowing, borrower need to show regular income, savings trend or any back up financial security given to the lenders. While taking loan, Few Poor NBW face other difficulties such as compulsion for giving any mortgage of land or house records and also lack of guarantor person, without that the poor NBW have to face difficulties.

**Table 6: Difficulties in taking loan details of women respondents (%)\***

Sr. No.	Particulars	BW			NBW		
		Middle	Low	Poor	Middle	Low	Poor
1	<b>Difficulties in taking loan (%)</b>						
1.1	Documentation	38	57	29	0	0	0
1.2	Geographical	0	0	18	0	0	0
1.3	Financial	0	7	18	60	88	60
1.4	Others (social rigid background)	0	0	0	0	0	20
1.5	None	63	36	36	40	13	20

Note: \*Figures in parenthesis are percentage of respective total borrower women respondents.

Source: Field Survey

## V. CONCLUSION

An extent of accessing financial inclusion services has direct relation with the level of financial literacy among the urban women. Under this study, it has been found that BW have higher level of financial literacy than NBW. Under the Borrowing pattern, NBW are having more number of borrowers, average borrowing amount and average outstanding borrowing amount, at higher interest rate in comparison to BW; while, BW are preferring to take loan from banks, friends, relatives, trade or money lenders (due to easy availability) and NBW are preferring to take loan from friends, relatives, trade or money lenders, broker (due to easy availability). The responsible reasons behind this are that lack of awareness and money, not feeling any necessity of having insurance.

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