Plight of the Hundred Percent Financially Included State: An Empirical Study on the Financial Inclusiveness of the Fisherfolk in Alappuzha District in Kerala

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ABSTRACT: *Safe guarding judicious, equitable and transparent delivery and accessibility of financial products and services to all segments of the population is the declared objective of financial inclusion programmes initiated in India. Two such ambitious initiatives are the National Rural Financial Inclusion Plan (NRFIP) recommended by the Committee on Financial Inclusion constituted in 2006 and PradhanMantri Jan DhanYojana (PMJDY) initiated by the Government of India in 2014. Kerala became the first state in the country to achieve total financial inclusion of the citizen families; i.e., atleast one member from each family now has a bank account. Palakkad became the first district in Kerala to be declared totally financially included. The then Union minister of State for Finance, Mr.Pawan Kumar Bansal formally announced the achievement of Kerala at a meeting of SLBC on 25th December 2009. The present study is an attempt to make an assessment of the status of financial inclusion of the fishermen community in Alappuzha district , a part of Kerala state, which claims to be a "totally financially included" state.*

Key Words: *Financial inclusion, Financial exclusion,Committee on Financial Inclusion, PradhanMantri Jan DhanYojana, No frill accounts*

Introduction

The performance of the Indian economy over the past few years clearly indicates the signs of a new phase of higher growth. But the limited access and affordability regarding financial products and services by the vast majority of the population in the rural areas and unorganized sector acts as a major constraint to the growth impetus. One amongst such prominent financial inclusion strategy adopted by RBI was, initiated in 2006. It was Launched IN 2006 with a clear target to provide access to comprehensive financial services, including credit, to atleast 50% of financially excluded households, say 55.77 million within initial six year,the National Rural Financial Inclusion Plan(NRFIP)claim to have achieved 100% financial inclusion in one third of the country's 623 districts in 18 states and 6 union territories by the year 2009. Kerala became the first state in the country to achieve total financial inclusion of the citizen families; i.e., atleast one member from each family now has a bank account. The present study tries to assess the effectiveness of the implementation of this financial inclusion drive among the fishermen community members in the coastal areas of Alappuzha district of Kerala.

Review of Literature

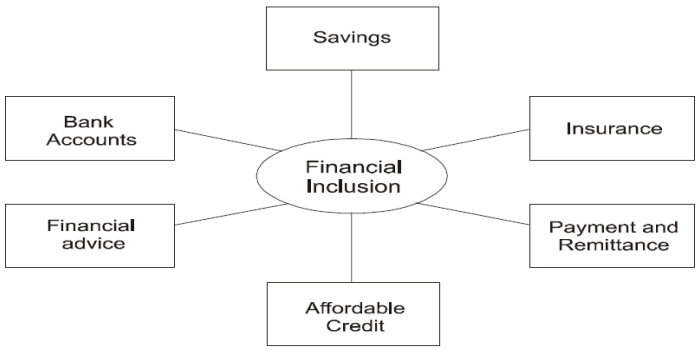
The deep economic relationship between the twin concepts of financial development and financial access towards the comprehensive processes of economic growth and development of a country is well established by **Bhavani T.A and Bhanumurthy N.R, (2012).** Better financial access is very crucial, especially to the poor and vulnerable sections of the society, who otherwise have only very limited self-financing capacity. It helps the households to reduce income inequality, tap their potential and also exploit the opportunities for growth. Financial access or inclusion essentially means that financial services needed to be availed when and where desired, product needs to be tailored for specific needs at affordable prices. **(World Bank, 2008)**

Khan R Harun (2013), figures out the different dimensions of the initiative of financial inclusion namely, policies, partnerships, processes and products. Special significance of financial inclusion is clearly mentioned by citing its multiplier effect on the economy including pooling out of more savings from the hitherto untapped areas, increased participation of economic agents, enhancing non- inflationary growth etc.

Conceptual Framework of Financial Inclusion

C.Rangarajan Committee Report (2008) defines financial inclusion as "the process of 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". Whereas the **RaghuramCommittee Report** looks at financial inclusion more from the savings angle by stating, "the most important financial services for the poor are vulnerability reducing instruments. These include savings, remittances, insurance and pension needs".

Figure 1: Model of Financial Inclusion



Nature and Extent of Financial Exclusion in India

Leyshon and Thrift, 1995 defines financial exclusion as the processes that prevent poor and disadvantaged social groups from gaining access to the financial system.Despite being one amongst the fastest growing economies of the world, many parts of rural India has been financially excluded for many years in spite of the innumerous plan efforts. Broadly defined, financial exclusion signifies the lack of access by certain segments of the society to appropriate, low cost, air and safe financial products and services from mainstream providers.

The nature and extent of financial exclusion in India is so alarming that it is becoming a key policy concern to the authorities.The NSSO 55th round data reveals the fact that 51.4% of the total farmer households are financially excluded from both the formal and informal sources of credit. And of the total farmer households, only 27% access formal sources of credit. This high degree of financial exclusion remains as one of the major cause for the existence of mass poverty in rural India even in this twenty first century. The financially excluded sections largely comprises of marginal farmers, landless labourers, self-employed and unorganized sector enterprises, urban slum dwellers, migrates, ethnic minorities and socially excluded groups, senior citizens and women. While there are pockets of large excluded population in all parts of the country, the North East region and Central regions contain most of the financially excluded population.

Financial Inclusion Campaign in Kerala

The causality between economic growth, financial deepening and financial inclusionhas been well recognized in India's development strategy. The eleventh five year plan (2007-2012) of Government of India has further emphasized the initiatives on financial inclusion with its greater focus on "inclusive growth".One among such innovative initiative of RBI regarding financial inclusion is the National Rural financial Inclusion Plan, recommended by the Committee on Financial Inclusion which was constituted in 2006.As the part of a national level pilot project the plan was implemented in identified districts across India.As per the news reportedin Economic Times November 25, 2009,a third of the country's 623 districts in 18 states and 6 union territories claim to have achieved 100% financial inclusion. Every district in Haryana,Himachal Pradesh,Karnataka,Kerala,Uttarakhand, and Goa has reported complete financial inclusion. Kerala has become the first state in the country to achieve total financial inclusion of the citizen families; i.e., atleast one member from each family now has a bank account.Palakkad became the first district in Kerala to be declared totally financially included. The then Union minister of State for Finance, Mr.Pawan Kumar Bansal formally announced the achievement of Kerala at a meeting of SLBC on 25th December 2009.The banks newly opened 12,70,331 savings bank account across the state after their decision to go for total financial inclusion.

The present study focuses on the assessment of the reachability of the financial inclusion drive and usage of banking services by the members of the fishermen community in Alappuzha district , a part of Kerala state, which claims to be a "totally financially included" state. Alappuzha which is the smallest district in Kerala is

renowned for its vast coastal belt and it has the highest population of fishermen community in Kerala. The study is meant to check whether the implementation of the financial inclusion programmes has actually improved the access and usage of financial products and services among the common fishermen out there.

Objectives of the study

- To check the socio-economic and demographic profile of the respondents.
- To identify the extent and nature of financial inclusion among the respondents.
- To check the degree of awareness of respondents regarding various financial products and services.

Hypotheses of the study

- Ho: There is no functional relationship between occupational distribution of individuals and their accessibility to financial services and products
- $H_{1:}$ There is a functional relationship between the occupational distribution of individuals and there accessibility to financial services and products.

Research Methodology

The study is both descriptive and evaluative in the sense that it makes an attempt to understand the effectiveness of the various financial inclusion programmes initiated by Reserve Bank of India.The total number of fishermen community in Alappuzha district in Kerala forms the universe of the study. Multi stage sampling was used to collect primary data from 100 fishing community members from different wards of six coastal blocks and one municipality, namely Muthukulam, Haripad, Ambalappuzha, Aryad, Kanjikuzhy, Pattanakad, and Alappuzha(Municipality) through self- made interview schedule. Secondary data from various sources like RBI publications, Planning Commission documents, Ministry of Finance's website, various banking journals etc. were also used for the research. Various tools of descriptive statistics and SPSS package was used for data analysis.

Major Findings of the Study

Table 1: Socio-economic and demographic profile of the respondents

Age group		Occupational Distribution		Family size		Educational qualification	
Categories	%	Categories	%	Categories	%	Categories	%
Below 25	10	Fishing	30	< 2 members	4	Primary school	10
25-35	9	Government employees	20	2-5 members	79	Secondary school	37
35-55	66	Business	20	< 5 members	17	Higher secondary	8
Above 55	15	Pensioners	15	Total	100	Graduation	29
Total	100	Students	15			PG & above	16
		Total	100			Total	100

Source: Primary Data

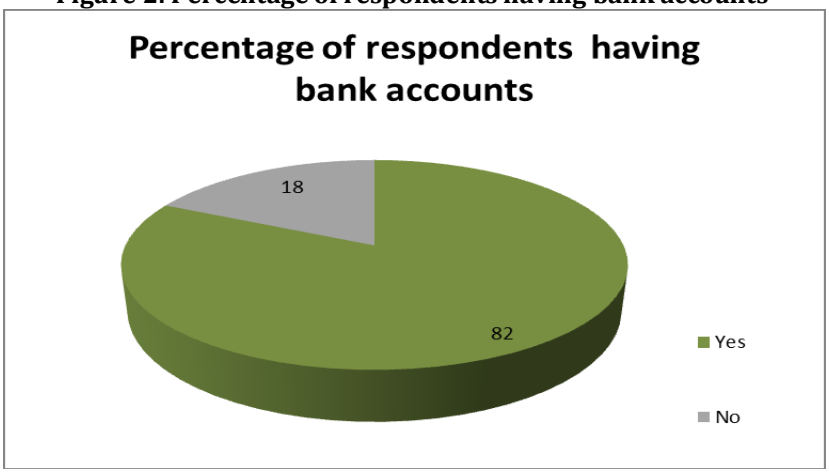
Table 2:Income status &Major saving destinations of the respondents

Monthly Income	Percentage	Saving Destinations	Percentage
Below 2000	42	Bank	74
2000-5000	14	Insurance	5
5000-15000	34	Cash at home	19
15000-25000	5	Post office	2
Above 25000	5	Total	100
Total	100		

Source: Primary data

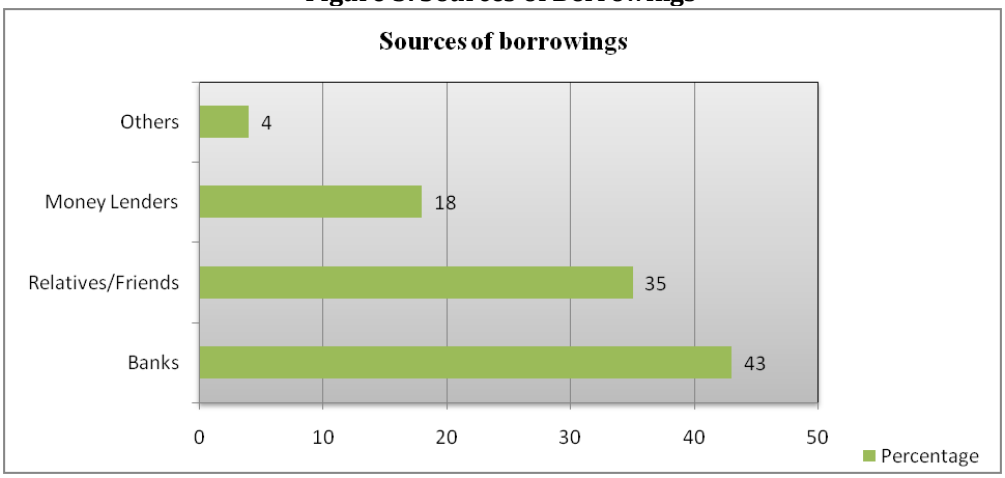
The table 1 summarizes the income status and major saving destinations preferred by the respondents. The comparatively low level of income reflects the poor economic status of people who mainly depends on fishing for their livelihood. It shows that 74% of the population keeps their savings in banks only which reveals the trends of positive banking culture in Kerala. But still there exist a 19% who keeps their savings idle at home which necessitates state intervention in the form of much stronger financial inclusion policies.

Figure 2: Percentage of respondents having bank accounts



82% of the respondents interviewed hold a bank account. Only 18% says they don't have a bank account. As per the definition of financial inclusion, in a 100% financially included state like Kerala, all the households are having at least one bank account. But merely opening a bank account doesn't lead to financial inclusion. It is a much wider concept including the accessibility to all financialservices and products. Payment, remittances, insurance coverage, credit counseling etc. form part of the financial inclusion programme.

Figure 3: Sources of Borrowings



Out of the 100 respondents 43% borrow money from banks; 35% from relatives or friends; 18% from local money lenders.The latter figure in a way reveals the inefficiency on the part of the banks to reach out to the needy sections of the society. Most of them opined that the negative attitude from the part of the bank officials in sanctioning loans and ignorance about the technicalities involved compel them to approach the local money lenders in times of emergency though they charge high interest rate.

Table 3:Awareness about Financial inclusion policy and No frill accounts

Awareness	Financial inclusion policy	No frill accounts
Yes	22	25
No	78	75
Total	100	100

Source : Primary data

Awareness of no frill accounts was limited to a meager 25% of the respondents surveyed.78% of the total respondents were completelyunaware of the financial inclusion plan initiated by RBI. This is the case of a state which is declared as 100% financially included.Though the state ranks tops in the rate of literacy, degree of financial literacy of the people need to be improved further.

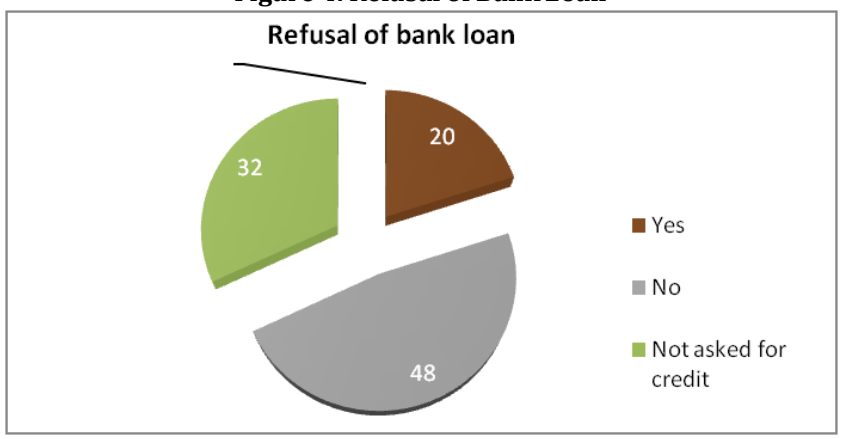
Table 4: Awareness about new banking technology

Usage/Awareness	ATM	Mobile/e-banking
Yes	54	37
No	46	63
Total	100	100

Source : Primary Data

Banking sector responds very vibrantly to the changes in the fieldof technology. The degree of financial literacy can be checked through the usage of these modern services like ATM facility, e-banking,mobile banking etc.The table shows that 46% of the population still lags behind regarding the usage of ATM facility and 63% are completely unaware about the mobile and e-banking technologies.

Figure 4: Refusal of Bank Loan



48% of the population are saying that they were never refused a loan by the banks.20% says they were refused bank loans.32% never asked for any type of credit from banks. It is observed from the responses that though authorities declare liberalized policies for loans, practically many banking officials stick on to stringent norms like credit worthiness and pledging of collateral securities for sanctioning of loans to the poor people belonging to the coastal areas.

Testing of Hypothesesusing Chi-square Analysis

Ho: There is no functional relationship between occupational distribution of individuals and their accessibility to financial services and products

H1: There is a functional relationship between the occupationaldistribution of individuals and there accessibility to financial services and products

Calculated value of Chi square	Degrees of freedom	Level of significance	Critical value of Chi square
22.19	12	.05%	21.02

As the calculated value is greater than the table value, we will reject H_0 and accept H_1.It means there exists a significant functional relationship between the occupational distribution of the individuals and their accessibility to the financial services and products in the economy. The persons belonging to low job profile (fishermen in this study) lags behind in the matter of financial literacy and usage of financial services and products like credit card, financial consultancy etc.

Recommendations

- More Bank-SHG linkage programmes.
- Programmes for increasing financial literacy.
- Widen use of technology in banking industry.
- Relaxation of complex banking norms.
- More entrepreneurial development schemes should be initiated under financial inclusion.
- Increasing professionalism among organizations like MFI's,NGO's, and SHG's.
- Every bank should be forced to establish a customer care /May I help you counter at every branch so that the new customer should be guided and relevant information is provided.

- To increase the awareness, there is a good scope of having financial literacy cell or credit counseling centres in each district so that it can take care of uneducated/illiterate individuals.
- Private sector should be involved in process of financial inclusion and they should be understood that it is not only a business opportunity for them but a corporate social responsibility too.
- Including financial education in school curriculum.

Conclusion

Financial inclusion has become the buzzword in the academic researches,public policy meetings and seminars nowadays.No doubt,it is an overt strategy for fostering faster economic growth in a more inclusive manner.But the thing which matters is the gap that exists between the Government declaration of 100% financial inclusion in many parts of the country and the actual ground level reality existing there.The present study came to the conclusion that the members of the fishermen community of Alappuzha district in Kerala have achieved more than 80% financial inclusion in terms of just opening up a bank account. Holding a bank account itself confers a sense of identity, status and empowerment and provides access to the national payment system.But most of these no-frill accounts are opened with the support of the effective SHG's in the locality and are remaining as "zero minimum balance account" itself.But the much wider objectives of financial inclusion like extending the insurance coverage,financial consultancy services,entrepreneurial credit schemes,e-banking and mobile banking services etc. are still lagging much behind. While financial inclusion, in the narrow sense, may be achieved to some extent by offering any one of these services, the objective of "comprehensive financial inclusion" would be to provide a holistic set of services encompassing all of the above.

Financial inclusion can be constructively used as an empowerment tool especially for the marginalized people by making them credit worthy through expanding sustained access to financial products and services. More significant role of the adjuvant agencies model i.e. small banks, MFI's,SHG's etc. and technological innovations for cost reduction and greater outreach is mandatory for the better outreach of financial inclusion initiatives to the destitute sections of the society.

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