
FINANCIAL INCLUSION OF THE IDENTIFIED SLUM DWELLERS IN ASSAM

Nilanjan Bhattacharjee

Research Scholar, Gauhati University , Assistant Professor, Icon Commerce College, Guwahati.

Abstract:

India being a rural based country, most of the government schemes are targeted on the inhabitants of rural and financially backward societies as they belong to the base of population in general. Surprisingly, a good number of population in urban slum dwellers are also deprived of basic financial services that are available under the ambit of financial inclusion schemes. Time and time again, different economic uplifting programmes are launched by the concerning Ministry of Finance and Reserve Bank of India for inclusive development. But unfortunately no sustainable efforts are being noticed for uplift of the economy of the slum dwellers residing in cities and towns. This paper is an academic exercise to make an attempt to study the nature of deprivation from the various schemes of financial inclusion on the identified slum dwellers in Assam. The present research works bears quite a significant bearing and impact factors for the society. The present research inference would definitely draw the attention of the policy makers to give second thought on various financial planning for addressing issues relating to financially excluded people in the slum dwellers of Assam. For the brevity of the present research study and for the time constraint, as a whole the state level data are collected from the secondary sources. The present research work is the outcome of the same.

Key words: Financial inclusion, identified slums dwellers.

INTRODUCTION :

In India, most of the studies on poverty, centred on the rural poor and urban poor has received least attention of the policy makers. It is a significant point to mention that even a good number of population in urban areas are still deprived of various financial services, those are available under different government schemes. Government has launched time and again, different economic uplifting programmes. But unfortunately, almost nothing has been done to uplift the economy of the identified slum dwellers residing in cities and towns. On the contrary, these slum dwellers play a significant role on the infrastructural development of the society, especially with their physical labour. Moreover, they play a unique role in intra-city transportation too, with their hard physical labour by pulling rickshaw, handcart and other slow moving vehicles. But they still are being deprived of the ambit of financial inclusionary measures taken by the department of financial services under the Ministry of Finance and Reserve Bank of India. The irony of the fact is that, a good numbers of population are still not

covered by such financial schemes to upbringing their economic status of the society and hence, those sectors of population identified under financial exclusion category.

“Financial Exclusion is the lack of access by certain consumer to appropriate, low cost, fair and safe financial products and services from mainstream players”

Financial inclusion is emerging as a global hot topic, since finance is the lifeblood of all economic activities, so the access to finance by the poor and vulnerable groups is an important strategic measure for poverty alleviation. Financial inclusion usually refers to the delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups (V.Leeladhar 2005). A slightly broader definition refers to it as provision of financial services, viz, access to payment and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded (Usha Thorat,2006). The committee on Financial Inclusion, still give a wider definition, Which defines financial inclusion as the process of access to financial services, and timely and adequate credit needed by vulnerable groups such as weaker section of the society (C. Rangarajan, 2008) . Deputy Governor of Reserve Bank of India Dr K.C. Chakrabarty, (2011) gives another wide definition, Which defines financial inclusion is 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.

The objective of financial inclusion is to extend the scope of activities of organized financial system to include within its ambit, people with low incomes. The process of financial inclusion acts as an intermediary between surpluses and deficit, savings and investment and thus, plays an important role in the economic development of the country. But surprisingly the extent of financial exclusion is very high in the North Eastern Region (NER) as par economic survey. The regional average is only 37.3 percent of the population which come under the ambit of financial inclusion that is distinctly lower than the national average of 59.2 percent. Thus, 62.7 percent of North Eastern population is identified as people under financial exclusion (Economic Survey,2011- 2012).

Assam is the commercial backbone of the NER of India; this is one of the fast growing urban centres of India. Due to rapid growth of population, transportation network, trade and commerce and industrial activities, the flow of the labour group to the city is increasing tremendously. These unorganized class of people are creating hazardous unauthorized settlements as slums. “A slum is a compact settlement of at least 20 households with a collection of poorly built treatments, mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic conditions.” (Census of India,2011). “A compact area of at least 300 populations or about 60-70 households of poorly built congested tenements, in unhygienic environment usually within adequate infrastructure and lacking in proper sanitary and drinking water facilities. Such areas should be identified personally by the Charge Officer and also inspected by an officer nominated by the D.C.O. This fact must be duly recorded in the charge register. Such areas may be considered as Identified slums” (Census of India,2011). Unfortunately, Many of the identified slum dwellers still have no access to the formal financial products and services like Savings, credit, remittance and insurance but still they significantly depend on usurious informal sources to meet their personal, health and livelihood related needs, knowing fully well that a good number of formal financial service providers available around the identified slum population. Hence, the distance of the formal financial system from the slum cannot be a factor of financial exclusion. It has been observed that the

income of the identified slum population may also be higher than rural areas, which would leave the people with surplus to save. Therefore, it is an imperative need to study the nature of financial exclusion in the identified slum dwellers. This paper is attempted to study the nature of financial inclusions in the context of Assam, wherein large population is still deprived of the financial services which are very much essential for overall economic and sustainable growth.

REVIEW OF LITERATURE

While conducting the research work the researcher has come across a few literatures on the same field. Some of these are highlighted as follows:

Amidzic Goran, Massara Alexander and Mialou Andre (2014, February) observed that there is general recognition among policy makers that financial inclusion play a significant role in sustaining employment, economic growth and financial stability.

Chakroborty. K.C (2013, February) indicated that a number of measures have and being taken across the country, given the enormity of the task, a lot of ground still need to covered. Apart from the government regulatory bodies, there is a need for involving the civil society and all other stakeholders need to spread financial literacy.

Pai D. T (2012, November) said that Financial literacy refers to Knowledge required for managing personal finance. It is an integral part of the financial inclusion. It is not just about imparting the financial knowledge and information. It is also about changing the behavior in the financial pattern and activities of individuals. The ultimate goal of the financial literacy is the empowerment of people to take action by them that are in their self interest. When the people know about the financial products available and when they are able to evaluate the merits and demerits of each product for their specific needs they are in a better position to decide what they want and feel empowered in meaningful way.

Tiwari Kumari Reshma and Das Debabrata (2011, June) found that the population per bank branch statistic is gloomy in Assam. Mobile banking initiatives have still not take place and the financial literacy which is the need of the hour is still in its budding stage.

Bhatia Navin and Chettarjee Arnab (2010, October) found that financial inclusion has become the buzzword in present day financial circles, there are miles to go before it becomes a reality in the urban population.

Das Prasun Kumar (2010, June), said that the objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low income and the unreachable through the formal financial system to make them partner of economic growth of the country.

Bhole and Mahakud , (2009) write in their book, that Financial inclusion as delivery of financial services at an affordable cost to the vast section of disadvantaged and low income groups. The approach to financial inclusion in developing countries such as India is thus somewhat different. Financial inclusion can be thought of in two ways. One is exclusion from the payment system i.e., not having access to a bank account. The second type of exclusion is from formal credit markets, requiring the excluded to approach informal and exploitive market. One common measure of financial inclusion is the percentage of adult population having bank account. In India 59% of adult population in the country have bank account - in other words 41% of the population is unbanked. The unbanked population is higher in the north eastern regions. The extend of exclusion from credit markets is much more, as number of loan accounts

constituted only 14% of adult population. In rural areas the coverage is 9.5% against 14% in urban areas.

It is discernable from the aforesaid review of literature that all these authors had more or less studied on several dimensions of financial inclusion in India. These literatures basically, confined to rural areas and do not cater the need of financial inclusion in urban areas. These reviews broadly focus on particular groups of community like farmers, artisans and people below the poverty lines in rural areas, but the urban poor like slum dwellers and migrant laborers do not receive any special attention and these literatures mainly focus on the supply side of the financial inclusion and the demand side were not at all taken into account and hence, the literature gap persist. The present academic exercise is an attempt to fill in the gap of the existing literature and thereby to create a new dimension on financial inclusion in the urban areas.

OBJECTIVES OF THE STUDY

The present study is based on the following objectives:

1. To study the nature of financial inclusion on the identified slum dwellers in Assam.
2. To know the Importance of Financial Literacy in Assam.

RESEARCH METHODOLOGY

The study is based on secondary data aimed at the objective cited above. For the brevity of the present study and for the time constrain as a whole the state level data has been collected. Secondary sources of data were collected from Assam Statistics Handbook, Economic survey, RBI bulletins and from the various soft archives. The present work is the outcome of the same. Data were represented through tabulation and diagram and analyzed through percentage method.

ANALYSIS

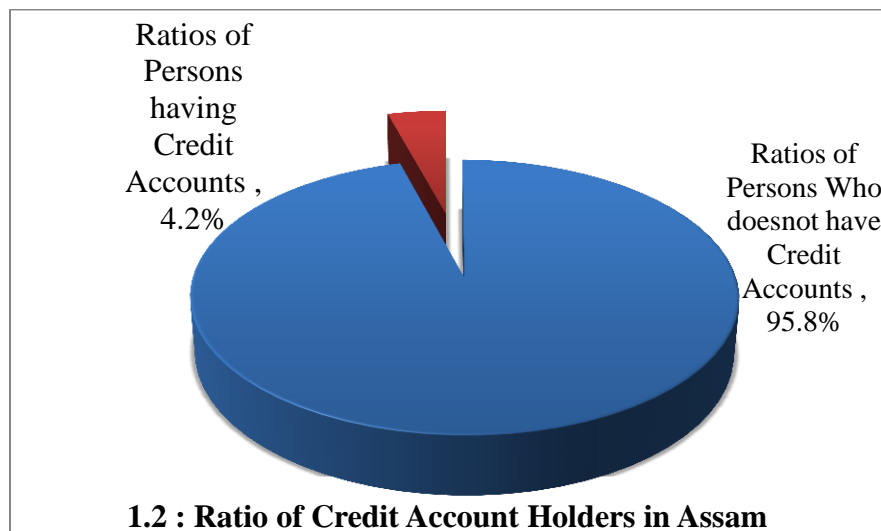
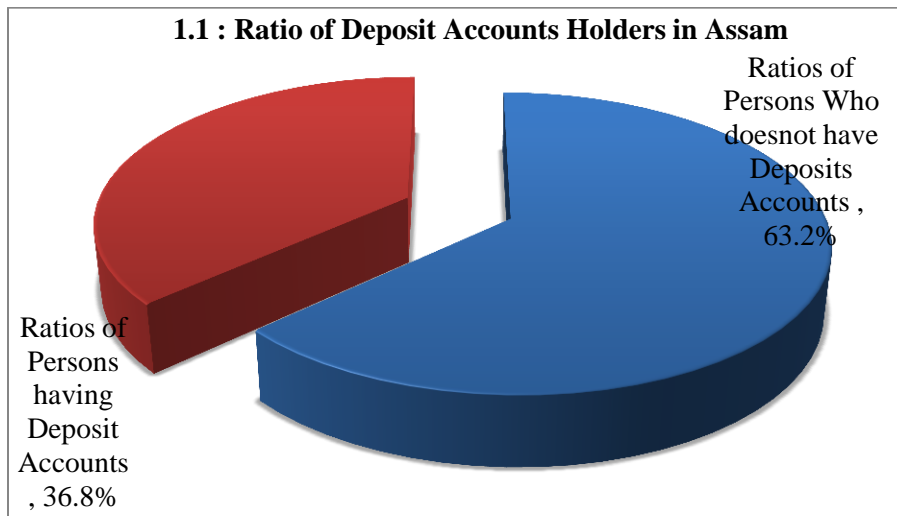
Nature of financial inclusion in Assam

Table: 1 Financial Exclusion in Assam - Major Indicators.

States	Bank Branches (Numbers)		Population per Branch (Numbers)	Bank Branches per 1000 sq. km.	C-D Ratio	Ratios of Deposits and Credit Accounts to population 2009-2010		Per Capita Deposits and Credit (Amount in Rupees)	
	Total	Rural				Deposit	Credit	Deposit	Credit
Assam	1,477	791	21,103	19	36	36.8	4.2	15590	5892
NER	2,342	1256	19,465	9	35	39.8	4.9	16879	6255

All- India	86,960	32,627	13,916	26	73	60.7	9.8	37688	27642
------------	--------	--------	--------	----	----	------	-----	-------	-------

Source: Economic Survey 2011-2012



It is discernable from the above facts that :

- 21,103 Population per bank branch in Assam.
- Ratios of Deposits and Credit Accounts is very low in Assam with 36.8 (Deposits) and 4.2 (Credit).
- C-D ratio is only 36, Which is distinctly lower than national average of 73.

All these banking development indicator show the slow progress of banking and resultant higher level of financial exclusion in Assam. Thus, there is an imperative need for

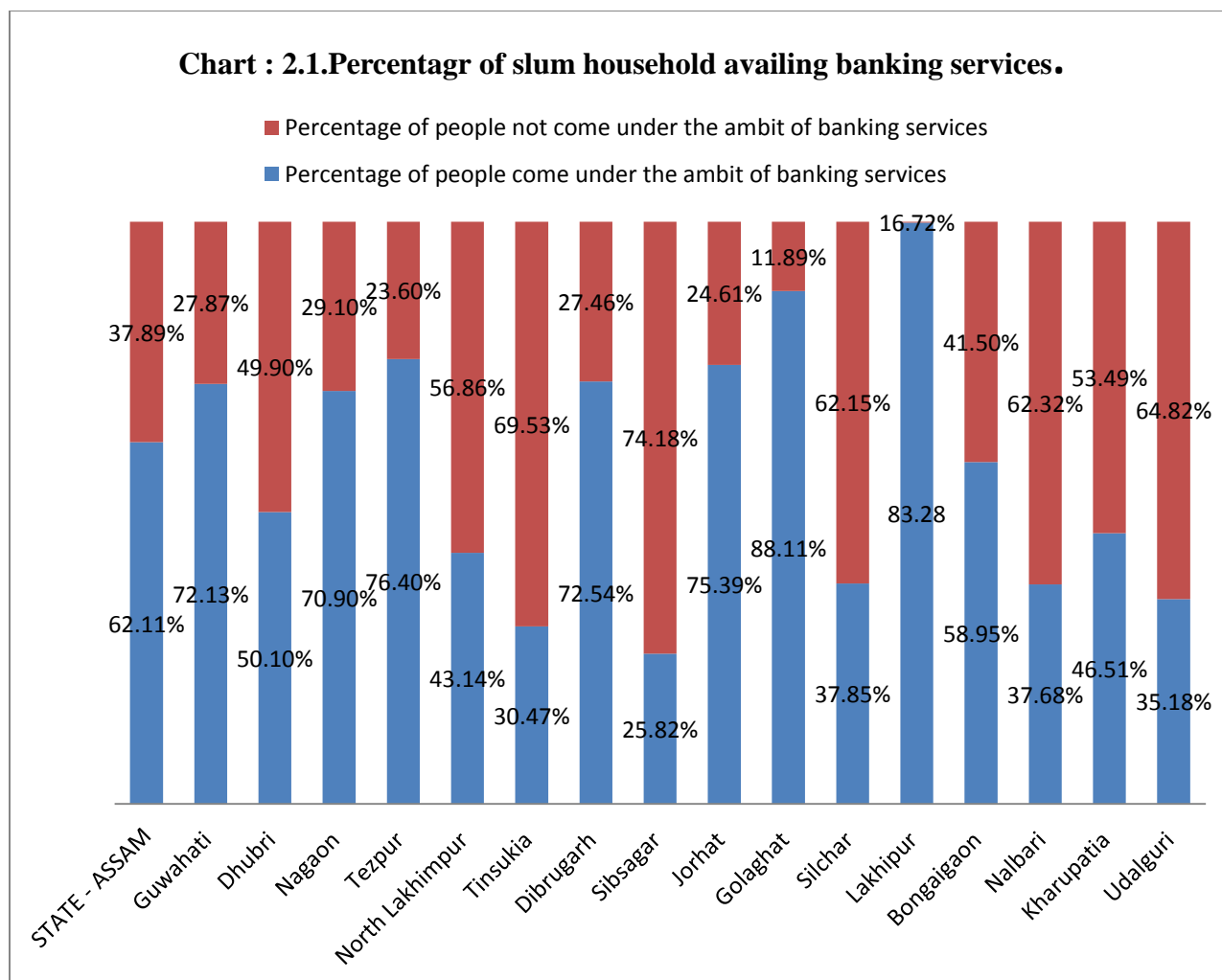
accelerating the spread of banking in this state to make it compatible with the rest of the country.

Extent of financial exclusion – Slum areas in Assam

Table : 2.1. Number of slum household availing banking services in Assam (Major Areas)

Area Name	Total number of households	Total number of households availing banking services	Percentage of people come under the ambit of banking services
STATE - ASSAM	48,122	29,891	62.11%
Guwahati	6959	5020	72.13%
Dhubri	4,263	2,136	50.10%
Nagaon	4,101	2,910	70.9%
Tezpur	1,874	1,432	76.4%
North Lakhimpur	197	85	43.14%
Tinsukia	210	64	30.47%
Dibrugarh	5,781	4,194	72.54%
Sibasagar	213	55	25.82%
Jorhat	2,439	1,839	75.39%
Golaghat	959	845	88.11%
Silchar	4,856	1,838	37.85%
Lakhipur	706	588	83.28
Bongaigaon	1,306	770	58.95%
Nalbari	1,149	433	37.68%
Kharupatia	645	300	46.51%
Udalguri	108	38	35.18%

Source: Census 2011



It is discernable from the above tables that, inspite of having a good number of bank branches in urban areas, still 37.89% of total slum households in Assam do not come under the ambit of any banking services. In some areas, like North Lakhimpur, Tinsukia, Sibsagar, Silchar, Nalbari, Kharupatia and Udalguri , more than 50% slum household not availing any banking services. Surprisingly, in Guwahati still 27.87% households not having bank accounts.

IMPORTANCE OF FINANCIAL LITERACY

Financial literacy is about understanding money and finances and being able to confidently apply that knowledge to make effective financial decisions. Financial literacy is mainly used in connection with personal finance matters. It is all about possession of knowledge and understanding of financial matters. From simple task like a household budget or balancing a cheque book, evaluating life insurance and selecting an investment vehicle etc., people have to learn about personal Finance in order to be successful of their income and assets. Management of own fund and utilization of the surplus Funds earned by an individual through formal financial system is the basic need for the sustainable development of the economy, for which financial literacy is vital. But, inspite of having good literacy rate in Assam (**76.13%**), still there is a huge number of population still far behind the basic knowledge of financial related matters. Therefore

to develop and improve the level of financial literacy in Assam, the existing Education System has to step forward to look after the said problem with a positive outcome.

Financial literacy often entail the knowledge of properly making decision pertaining to certain personal finance like banking, insurance, investing saving and retirement. It also involves intimate knowledge of financial concepts relating to day to day life of an individual. Currently, there is no standard system to provide financial literacy to the population in general. Surprisingly, most of the graduate people in Assam are still not aware of the basic financial services and products. This may be the major reason in developing country like India, huge number of Ponzi schemes and malpractices in financial services matters are in higher side.

Improving financial literacy can have significant benefits for everyone, no matter what their age or income. By developing confidence, knowledge and skills to manage financial products and services, individuals will be better able to overcome or avoid financial exclusion. Such exclusion impacts on the opportunities individuals can pursue their sense of security and their overall emotional and physical wellbeing. Improved financial literacy can increase economic participation and social inclusion, drive competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

CONCLUSION

The present research work has proved that there is an imperative need for accelerating the pace of financial inclusion in the identified slum dwellers in urban areas of 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. Though they borrow more or less in every year but they awfully fail to repay their loans regularly due to high rate of interest etc. Thus, they remain indebtedness as the debt passes from generation to generation. This will lead inherited indebtedness. 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.

REFERENCE

1. Bhole.L.M and Mahakud Jitendra, Financial Institution and Markets(Structure, Growth and Innovation), 2009, 5th Edition, Published by Tata McGraw Hill Education pvt. Ltd, New Delhi.
2. Pathak Bharti V , The Indian Financial System (Markets, Institution and services),2008, 2nd Edition, Pearson Education, New Delhi.
3. Armendariz Beatriz and Morduch Jonathan, The Economics of Microfinance,2011, 2nd Edition, PHI Learning Pvt. Ltd, New Delhi.

4. Dhar.P. K., Indian Business Environment, 2008, 6th Revised Edition ,Kalyani Publisher, Ludhiana.
5. Tyagi Dr B P, Agricultural Economics and Rural Development, 2005, Published by Jai Prakash Nath & Co, Merut.
6. Amidzic Goran, Massara Alexander and Mialou Andre (2014, February) “ Assessing countries’ Financial Inclusion – A New Composite Index” International Monetary Fund, Working Paper/14/36.
7. Tamilarasu. A. (2014, February), “ Role of Banking Sector on Financial inclusion Development in India – An Analysis” GALAXY International Interdisciplinary Research Journal, Volume. 2 (2), ISSN 2347-6915.
8. Das Prasun Kumar (2010, June), “ The Upscalling Technology to Build Inclusive Financial System In India” Journal of Education and Policy studies, Volume. 2(5).
9. Agarwal Amal (2008, March) “ The need for Financial Inclusion with an Indian Perspective” IDBI GILTS, Economic Research.

Websites

10. www.rbi.org.in
11. www.accedemicjournal.co.in