

## **Financial Inclusion and Economic Growth – A Study on Migrant Labourers in Mangalore**

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### **ABSTRACT**

*“Simplicity and reliability of financial inclusion in India, though not a cure for all, can be a way of liberating the poor from dependence on differently delivered public services and from venal politicians” said Dr. Raghuram Rajan, Former RBI Governor. Sri Y. Venugopal Reddy is the person who used the term financial inclusion was first time, then Governor of RBI in the annual policy statement in 2005. Since then it has created a buzz during the budget sessions or otherwise in the years to come. The wheel of responsibility was assigned to the banks especially those in the public sector to carry out the campaign on a pilot basis. However, the low literacy rate and low economic income continue to be a roadblock to financial inclusion. Further, the mindset of banks about ‘No Frill Account’ being not cost effective was another hurdle. To overcome this challenge, the Government introduced the Pradhanmantri Jan Dhan Yojana (PMJDY) in 2014 which provided the necessary administrative push to open the accounts coupled with making Aadhar Card the single document as proof of identity/ address.*

*It is to be noted that the earlier financial scheme called Sawbhiman, targeted to open bank accounts only for the citizens residing in the rural regions of the country and did not completely achieve its mission. The Pradhan Mantri Jan Dhan Yojana swirled to achieve the mission of including every citizen in the financial system irrespective of them being a rural or urban citizen. According to the data issues by the Finance Ministry, 40 million (4 crores) bank accounts were opened under the Pradhan Mantri Jan Dhan Yojana after its launch in 2014.*

*Though the accounts were opened successfully, they remain zero- balance accounts, resulting in higher costs for the banks and limited benefits to the account holders. Thus, account holders cannot be actually treated as financially included. Migrant workers constitute a major part of the unorganized sector of economy. The idea of financial inclusion to reach the last and the least constitutes such laborers in the unorganized sector who sustain their day-to-day requirements on the basis of daily wages or weekly wages. The schemes and policies of the Government, though planned for them have so far not made an impact on their lives in a broad way. Thus, this paper focuses on analyzing how far the policy of Financial Inclusion has travelled to benefit daily wage migrant laborers in the developing city of Mangaluru.*

*Keywords: Financial Inclusion, Migrant workers,*

### **INTRODUCTION**

The Indian ethos has always aimed to secure inclusive development for all people and to share responsibilities equally. The measure of inclusiveness and economic growth has been attributed by multiple factors.

The Human Development Index measures the literacy rate and life expectancy which affect the productivity and thus leading to economic growth. Economic growth is a narrow and normative concept than economic development. Increasing the quality and quantity of resources, improving the infrastructure, utilization of latest technology to bring out the best rate of GDP without compromising on environmental factors and preserving the resources for the future benefit of coming generations has been the objective of Sustainable Development. Thus economic growth is necessary but not sufficient factor for economic development.

### **The United Nations defines the goals of financial inclusion as follows**

- access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;

- sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- Competition to ensure choice and affordability for clients.

Financial exclusion is correlated to poverty. ‘Sabka Saath, Sabka Vikas’ has been a slogan of our present Prime Minister, Sri Narendra Modi, The concept of financial inclusion was in the limelight with the Prime Minister announcing the launch of Pradhan Mantri Jan Dhan Yojana from the ramparts of Red Fort in the year 2014. Several financial inclusion schemes were launched prior to the Jan Dhan Yojana but they were not affective as the current scheme. However, the claim to have opened 40 million accounts since the launch of Pradhan Mantri Jan Dhan Yojana can be called a success if each account holder will be served as per the defined terms of the United Nation stated above. This paper makes an effort to study the financial inclusion of Migrant workers in the city of Mangaluru and examine how far we have travelled to accomplish the mission.

Migrant workers for the study comprised of workers who have migrated from various districts of Karnataka namely Haveri, Koppal, Bijapur, Bagalkot, Gulbarga, Davangere seeking employment in the city. The main factors that lead to immigration are due to illiteracy, joblessness, inability to sustain in the agricultural sector. The unorganized sector is the class that needs to be focused for financial inclusion.

### **OBJECTIVES**

1. To determine the extent of financial inclusion among migrant workers.
2. To study the banking facility accessed by the migrant workers.
3. To study awareness level on PMJDY, other schemes and its benefits among the workers.
4. To analyze savings pattern of migrant workers.
5. To ascertain the major problems faced by migrant workers that hinders their economic growth.

### **METHODOLOGY**

A structured standardized questionnaire was administered to 50 migrant workers in the city of Mangaluru through an interview. The study is composed of migrant workers from Haveri , Koppal, Bijapur, Bagalkot, Gulbarga, Davangere districts of Karnataka and from Rajasthan and Jharkhand.

### **LIMITATIONS**

- Some of the respondents were influenced by their group members.
- Time constraint.

### **RESULTS AND INTERPRETATION**

**Table-1: Table showing the age group of respondent**

Age	20-30	30-40	Above 40
Respondents	22	19	9

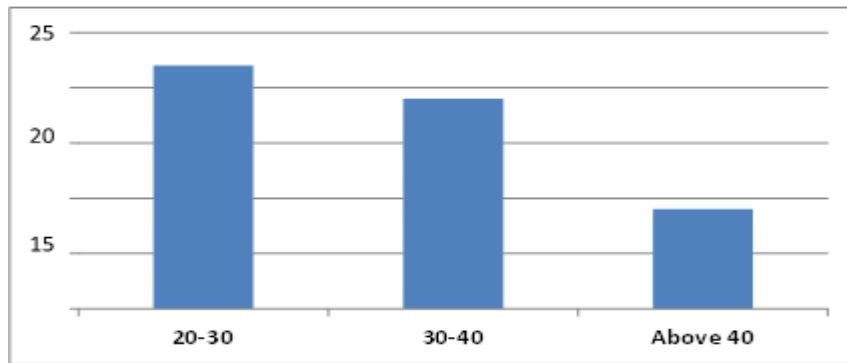


Figure-1: Figure showing age group of respondents

Majority of our respondents belonged to the age group of 20-40 (i.e. 20-30: 22, 30-40: 19 respondents)

Table-2: Table showing gender group of respondents

Gender	Male	Female
Respondents	30	20

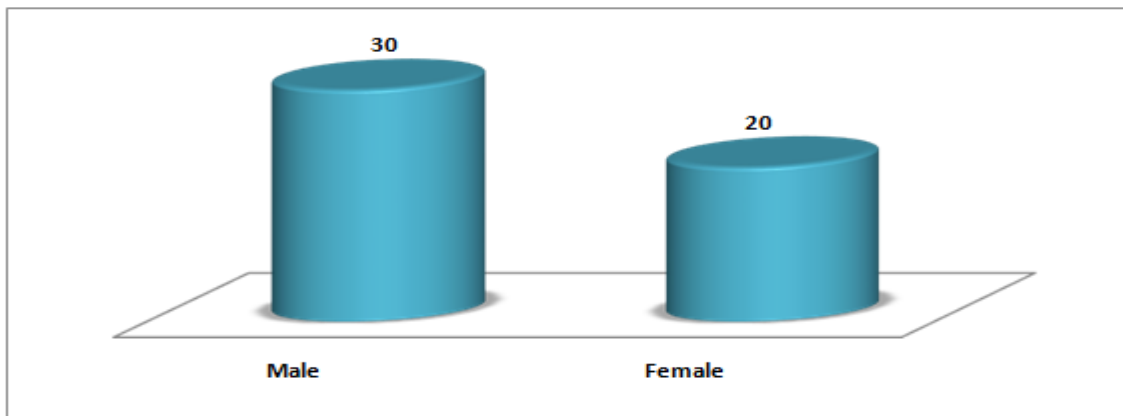
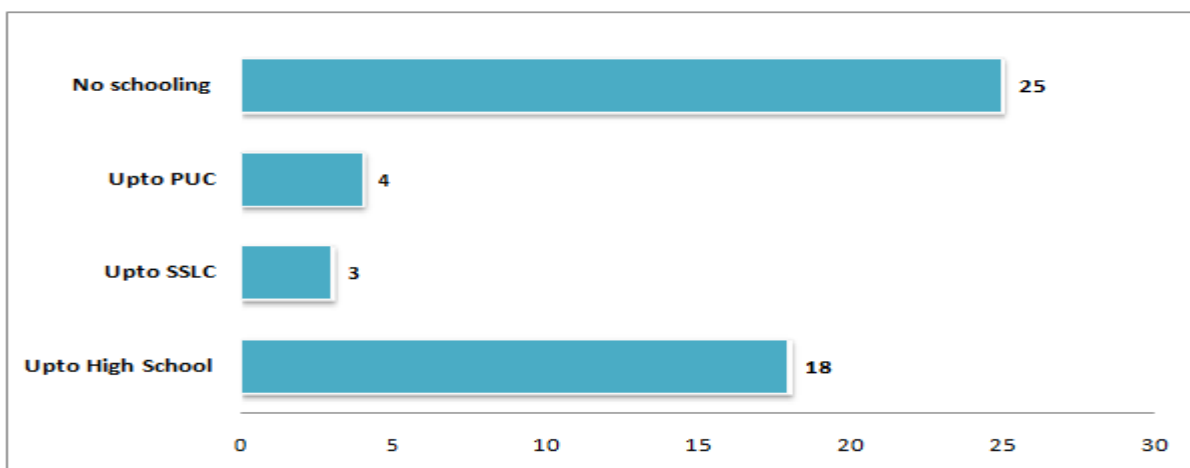


Figure-2: Figure showing gender group of respondents

Out of 50 respondents, 30 respondents are men and 20 respondents are women.

Table-3: Table showing education qualification of respondents

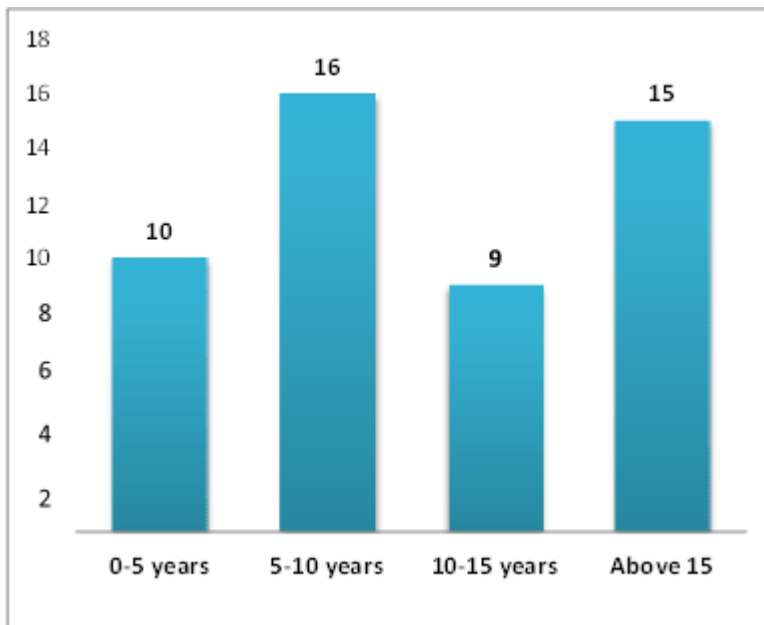
Education	Upto High School	Upto SSLC	Upto PUC	No schooling
Respondents	18	3	4	25



In the survey, 50% of the respondents have had no schooling, 36% have attained their schooling upto the high school level, and only 6% and 8% have continued their schooling till SSLC and PUC respectively.

**Table-4: Table showing duration of migration**

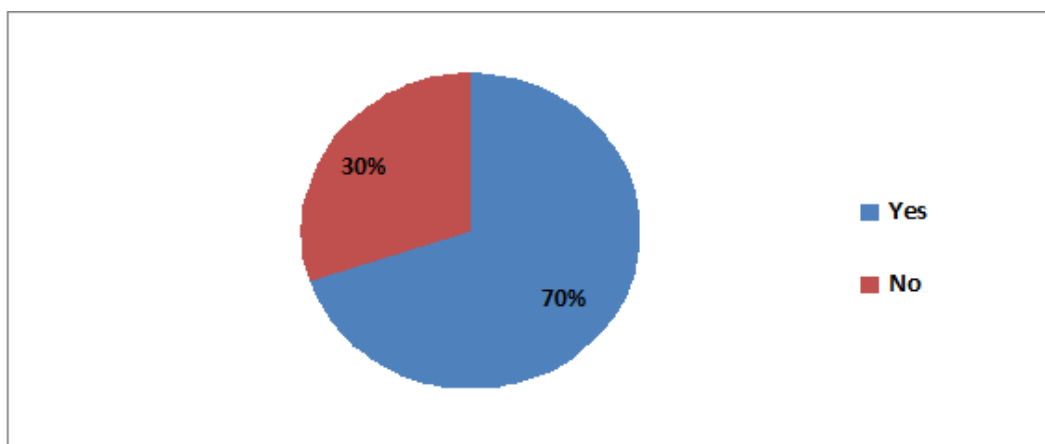
	Migration period
0-5 years	10
5-10 years	16
10-15 years	9
Above 15 years	15



Out of the total of 50 respondents, 16 respondents have migrated over a period of 5-10 years. 15 respondents have been migrated from their origin to another city for above 15 years, 10 respondents have been migrated for less than 5 years and 9 respondents have been migrated for above 10 years but less than 15 years.

**Table-5: Table showing categorization of respondents with and with-out bank accounts**

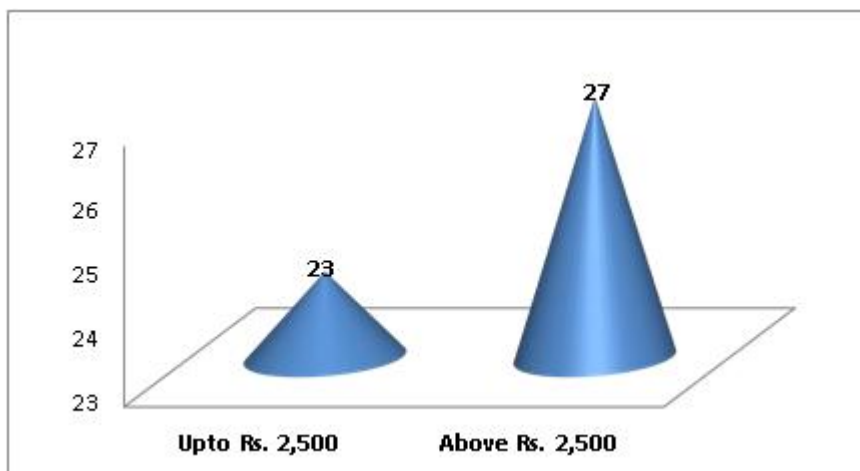
Possession of Bank Account	Yes	No
Respondents	35	15



In the total of 50 respondents majority of the respondents have bank accounts (i.e. 35 respondents) and 30% (i.e. 15 respondents) are without bank accounts.

**Table-6: Table showing income level per week**

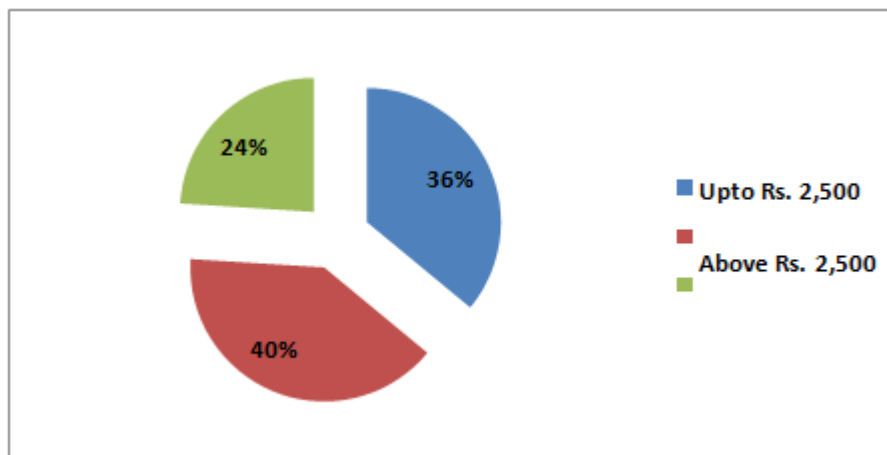
Income Per Week	Respondents
Upto Rs. 2,500	23
Above Rs. 2,500	27



54% respondents earn above Rs. 2,500 per week and 46% earn less than Rs. 2,500 per week.

**Table-7: Table showing level of savings per week**

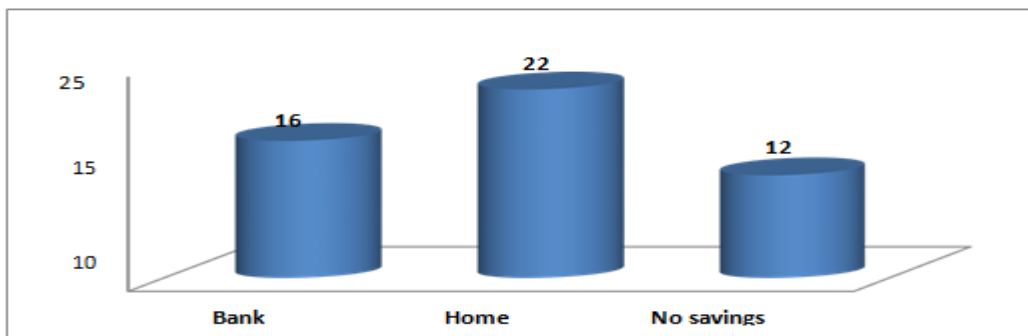
Savings Per Week	Upto Rs. 2,500	Above Rs. 2,500	No savings
Respondents	18	20	12



In the survey 20 respondents said they save per week an amount more than Rs. 2,500. 18 respondents said they try saving upto Rs. 2,500 per week. 12 respondents out of the total 50 respondents said they have no savings at all.

**Table-8: Table showing mode of savings**

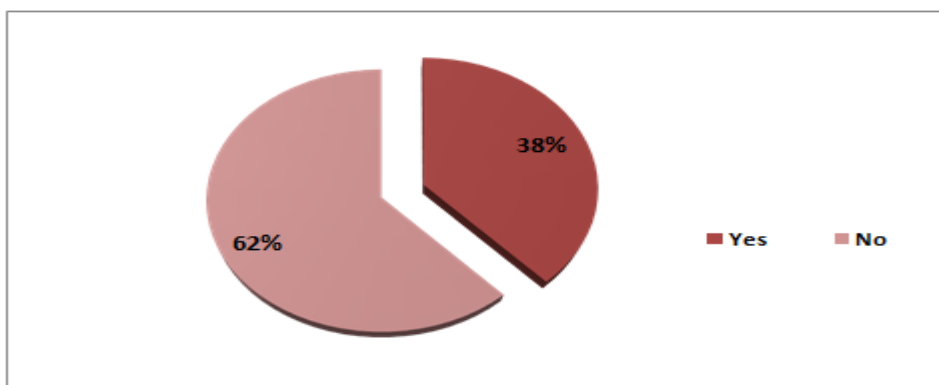
Amount saved at	Respondents
Bank	16
Home	22
No savings	12



Majority of the respondents (i.e. 22 respondents) said their mode of savings was keeping the money at home and 16 respondents said they would keep the money in banks. 12 respondents with no savings did not require any mode of savings.

**Table-09: Table showing respondent’s awareness to PMJDY**

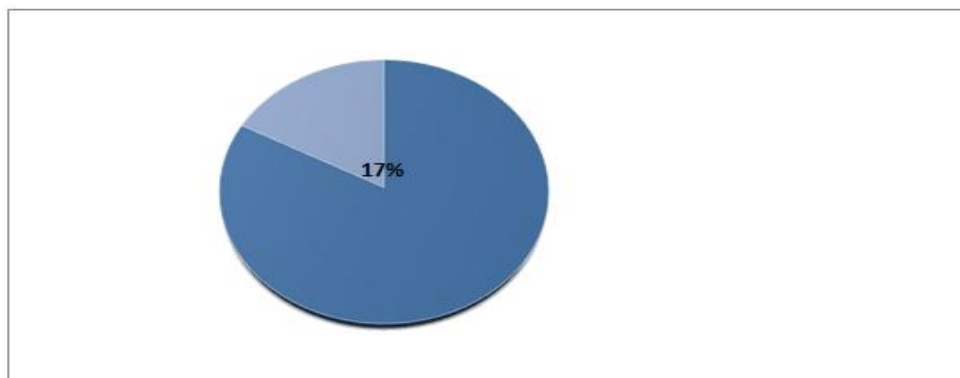
Awareness about PMJDY	Yes	No
Respondents	19	31



62% of the respondents said were not aware of the Pradhan Mantri Jan Dhan Yojana whereas 38% said they were aware of the same and have taken benefits of it.

**Table-10: Table showing availability of Adhaar card**

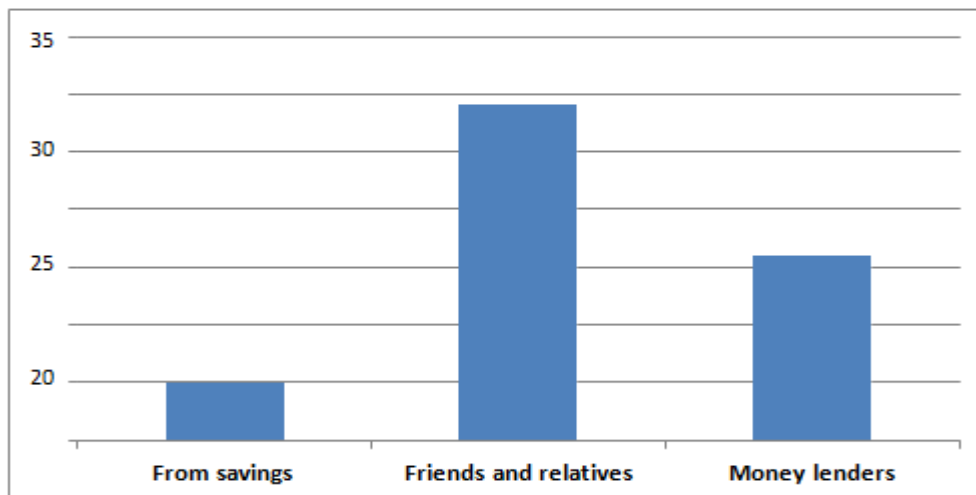
Adhaar card availability	Yes	No
Respondents	34	16



In the total of 50 respondents, 34 respondents possessed Adhaar card whereas 16 respondents did not possess the same.

**Table-11: Table showing mode of meeting urgent financial needs**

	From savings	Friends and relatives	Money lenders
Respondents	5	29	16



To meet urgent financial needs 58% of the respondents said they would approach friends and relatives. 32% of the respondents said they would approach money lenders and only 10% said they would depend on their own savings.

**FINDINGS**

- In the survey 50% of the respondents have had no schooling, 36% have attained their schooling upto the high school level, and only 6% and 8% have continued their schooling till SSLC and PUC respectively.
- In the total of 50 respondents majority of the respondents have bank accounts (i.e. 35 respondents) and 30% (i.e. 15 respondents) are without bank accounts. 30% of migrant workers who are not having any bank account as their savings go towards meeting their existing debt obligations.
- 54% respondents earn above Rs. 2,500 per week and 46% earn less than Rs. 2,500 per week. In the survey 20 respondents said they save per week an amount more than Rs. 2,500. 18 respondents said they try saving upto Rs. 2,500 per week. 12 respondents out of the total 50 respondents said they have no savings at all.

The low level of savings is mainly attributed to the low income generation on account of lack of employment throughout the week on account of lack of construction and other economic activities in which they are engaged.

- Majority of the respondents (i.e. 22 respondents) said their mode of savings was keeping the money at home and 16 respondents said they would keep the money in banks. 12 respondents with no savings did not require any mode of savings. Though majority of the respondents have Bank accounts, they do not operate their accounts frequently. This is due to lack of mindfulness of various banking services and its benefits.
- 62% of the respondents said were not aware of the Pradhan Mantri Jan Dhan Yojana whereas 38% said they were aware of the same and have taken benefits of it. Majority of the respondents (i.e. 96%) said they are not aware of the benefits offered by different schemes made available by the government. Only 4% said they are aware on the same.

The Government’s efforts to provide the financially excluded other schemes for their benefit is really not reaching them for want of financial literacy. Govt. need to find out ways and means to create awareness among them regarding these products.

- To meet urgent financial needs 58% of the respondents said they would approach friends and relatives. 32% of the respondents said they would approach money lenders and only 10% said they would depend on their own savings.

## SUGGESTIONS

Financial inclusion of every Indian citizen has been a mission for every government of the country. Though the Pradhan Mantri Dhan Jan Yojana was a great effort initiated by the Prime Minister, the mission would be complete only when each citizen is educated about the various basic banking facilities and benefits of other schemes launched by the Government is available to every one of them. Such steps would help them free from the clutches of moneylenders and enables them to be on the path of economic growth. Govt. need to find out ways and means to create awareness among them regarding these products.

## CONCLUSION

The study was conducted with the objective of studying the level of financial inclusion. This study gains its relevance as a lot has been discussed about the success of Pradhan Mantri Jan Dhan Yojana. Since the launch of the programme, the daily wage workers have a means to safe deposit their hard earned daily wages, which otherwise was handed over to shopkeepers at the locality who would then not return the money to the workers and thus be subject to loss of earnings due to lack of proof of deposit with the shopkeepers. The government and banks have a greater mission to actually claim the success of financial inclusion by literate the unorganized sector to actually claim the success of financial inclusion.

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