SUITABILITY OF BUSINESS CORRESPONDENT MODEL FOR FINANCIAL INCLUSION IN SLUMS IN MUMBAI

by
Dr. (Mrs.) Shobana Vasudevan
R. A. Podar College of Commerce & Economics
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INTRODUCTION

1.0 INTRODUCTION

Financial inclusion (FI) means and includes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups in a given society. Access to finance by the poor and vulnerable groups is a prerequisite for achieving inclusive growth in any given economic system. Economies world over try varied methods and mechanism to achieve this end. Their experiences are so different from each other that they provide valuable reference points and help as practical examples. However, they also point out the need for country specific studies, as FI depends on the social and economic conditions which varies from country to country. The need for working towards complete financial inclusion (FI) is more pronounced that it has become rather a compulsion than a choice in emerging economies like India. FI basically measures the efficacy in which financial resources are pooled and bartered. Simply stated, it covers the financial literacy level of the population, their banking habits and the coverage of the entire financial system. Although there has been no universally accepted measure for computing and comparing the level of FI across nations, ICRIER sponsored study conducted by Mandira Sharma(2008)[1] culminated in developing an index for financial inclusion. As per its findings, India ranks way below the other comparable economies. Reference to the available data on the number of savings bank accounts on an all India basis - only 59 per cent of adult population in the country have bank accounts – in other words 41 per cent of the population is unbanked. In rural areas the coverage is 39 per cent against 60 per cent in urban areas[2]. According to the quarterly report on currency and finance 2006-08[3,] the number of borrowers from non-institutional sources is twice more than the number who borrowed from institutional sources. These figures illustrate the level of the FE in India. Interestingly, there have been several research studies since 2004 for enhancing FI in India. Majority of them concentrated on rural poor. The urban poor have been left out despite rural urban migration on a large scale. Efforts for complete FI would remain incomplete until the problems of urban financial exclusion are adequately addressed. Presenting the level of FE amongst urban poor with special reference to slum dwellers and suggesting few measures for enhancing FI are the points to be deliberated in this report.

After quoting few accepted definitions of FI in paragraph 1.1, 1.2 paragraph brings out the need and importance of FI with special reference to India. 1.3 paragraph examines the nature of FI in India. Emphasis is given about the need for attending to the FI by considering the geographic and demographic parameters.

1.1 DEFINITIONS OF FI

Dawn of 20th century seem to have brought in the discussion on FI into the forefront although FI as an important determinant of inclusive growth was discussed in financial conferences around the world since past several years. Since the concept is attracting the attention of experts all over the world and the global financial sector is undergoing paradigm shift alongside, it is found that the time has still not arrived to spell out an universally accepted definition of FI OR FE. Perhaps it may remain as elusive in future also as it is found that the definition need to be altered as per the changes in the socio economic conditions of the country.

FE is strongly related to or the outcome of social exclusion, which clearly indicate that the scope and definition of FI with reference to a country would keep getting revised as the social reforms start generating benefits. Following are few definitions on financial inclusion and exclusion. Existing financial literature was consulted for the purpose.

"Access to banking is a fundamental aspect of financial inclusion and can act as a gateway to further products and services. Inability to access a basic bank account can have significant impact on both individuals and economies. However, simply having a bank account is not in itself sufficient. The ultimate goal is to provide the account holder with access to the facilities that bank accounts can offer, such as storing money safely, receiving electronic payment of wages (which increases employment opportunities), the ability to cash cheques without paying fees to intermediaries, accessing the savings that can be made by paying for services directly, and by purchasing goods online."[4]

"FI means providing access for individuals to appropriate financial products and services. This includes people having the skills, knowledge and understanding to make best use of those products and services. Financial exclusion is often a symptom of poverty as well as a cause."[5]

"The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector.

Together, we can and must build **inclusive financial sectors that help people improve their lives."[6]**

"Financial inclusion has generally been defined in terms of exclusion from the financial system. Broadly, financial exclusion is construed as the inability to access necessary financial services in an appropriate form due to problems associated with access, conditions, prices, marketing or self-exclusion. The working or operational definitions of financial exclusion generally focus on ownership or access to particular financial products and services. There is no single comprehensive measure that can be used to indicate the extent of financial inclusion across economies. Specific indicators such as number of bank accounts, number of bank branches, that are generally used as measures of financial inclusion, can provide only partial information on the level of financial inclusion in an economy."[7]

Financial inclusion could be defined "as a process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy."[8]

The Government of India's 'Committee on Financial Inclusion in India' begins its report by defining Financial inclusion "as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost"[9]

"Financial exclusion is the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers. Financial exclusion becomes of more concern in the community when it applies to lower income consumers and/or those in financial hardship. Financial exclusion is observable at individual, family, or household level, but can also be heavily concentrated in suburbs or regions, and sometimes among ethnic minorities in a suburb or region."[10]

All of the definitions mentioned above primarily advocate the need for covering the poor and vulnerable group in to the credit delivery system. However time has arrived that they be brought in to the gamut of larger financial system covering all kinds of financial services. Simply put FI is not just about people having 'access' per se to a basic bank account, or being provided with the opportunity to open an account. Public can only be properly '**included'** if they **have** *access to fair, affordable products and services* (financial) **that meet their needs, they are** *treated fairly, ethically, and with integrity by the financial institutions* **that provide those products and services and there is** *evidence that they use those products and services effectively.* A narrow definition of inclusion can have the effect of disguising the scale of financial exclusion and exaggerate the success of initiatives undertaken.

Any economy can claim of complete FI only when financial services like insurance (life, health and property) are availed of by larger sections of the society. They must be comfortable while using banking services with the help of latest technology. Financial literacy about availability of credit, methods of repayment, new financial products and their availability, etc., must be on the higher side. By bringing the vulnerable group into the peripheral of the existing system growth can be achieved with social justice.

1.2 INCLUSIVE GROWTH AND IMPORTANCE OF FI

The approach paper of eleventh plan brought into foray the concept of 'inclusive growth' in India.[11] The role of FI in fostering inclusive growth could never be over emphasized. The fact that the level of FI is very high in developed countries in comparison with emerging economies is a sufficient condition for working towards FI. Apparently, finance is the life blood of any human or economic activity. Finance gives the much needed motivation and functions as a lubricant to make the wheel of any economy to rotate. Any objective of inclusive growth could be made possible only when sufficient attention is given to the level of FI. The following table gives an overview of the position of India vis-à-vis

comparable economies with reference to the index of financial inclusion (IFI).

Table 1.2.1 Index of Financial Inclusion (IFI) (Three Dimension)

Name of the country	IFI Rank	Name of the country	IFI Rank
Spain (0.737)	1	Czech Republic	16
Austria	2	Jordon	17
Belgium	3	Iran	18
Denmark	4	Chile	19
Switzerland	5	Bulgaria	20
Malta	6	Turkey	21
France	7	Brazil	22
Greece	8	Trinidad & Tobago	23
Italy	9	Russia	24
Malaysia	10	Guyana	25
Mauritius	11	Guyana	25
Singapore	12	West Bank Gaza	26
Norway	13	Namibia	27
Thailand	14	Romania	28
Lebanon	15	India	29

Note : Dimensions used in the Survey are Banking Penetration, Availability of Banking Facility, and usage of Banking.

Source : Adapted from working paper # 215 by Mandira Sharma, IICEIR.

Table 1.2.2 Index of Financial Inclusion (IFI) (Two Dimension) (Availability and usage)

Name of the country	IFI Rank	Name of the country	IFI Rank
Spain(0.792)	1	Finland	33
Canada	2	Hungary	34
Portugal	3	Bahrain	35
Germany	4	Belize	36
Austria	5	Morroco	37
Switzerland	6	Kuwait	38
Belgium	7	Chile	39
Netherlands	8	Kenya	40
Denmark	9	Egypt	41
Malta	10	West Bank Gaza	42
France	11	South Africa	43
Italy	12	Brazil	44
Iceland	13	Guyana	45
Newzealand	14	Czech Republic	46
Lebanon	15	Estonia	47
Australia	16	Bulgaria	48
United Kingdom	17	Slovenia Republic	49
Greece	18	**India (0.170)**	**50**

Sweden	19	Namibia	51
Malaysia	20	Costa Rica	52
United	21	Philippians	53
State Japan	22	Slovenia	54
Jordan	23	Saudi Arabia	55
Israel	24	Uruguayan	56
Mauritius	25	Guatemala	57
Norway	26	Guatemala	57
Singapore	27	Trinidad & Tobago	58
Panama	28	EL Salvador	59
Croatia	29	Indonesia	60
Thailand	30	Turkey	61
Korea	31	Iran	62
China	32	Srilanka (0.134)	63

Note: The two dimensions covered by the table availability of Banking Services and usage of Banking

Source: Part of the table adapted from working paper #215, Mandira Sharma, IICEIR

Spain is leading the list with higher levels of FI under both the heads. India has been pushed down in the ranking well below Malaysia, China, Thailand, Japan and Korea. The size and the spread of the countries do matter in order to have comparisons of the like. However, as the parameters were based on per capita, the comparisons need to be addressed with required level of seriousness. India, tipped to become super power in South East Asia and the whole of Asia should find out ways and means to improve its performance. A score of 0.5 and above should be aimed by the policy makers. An assessment about the position in India on the three factors namely, BP - Banking penetration (Number of bank accounts divided by total population), BS – Banking Services (Number of bank branches per thousand population), BU – Usage of banking system(volume of credit and deposit as a proportion of GDP) with the help the available data indicate the need for strengthening all the three. Reference to Table 1.2.3 reiterates the need for conscious efforts on the part of Indian Government and policy makers in order to move vertically above the present position that India holds. Developed countries also have problem of FE as no country could achieve the perfect score of 1 as per the study mentioned above. However, the level of exclusion appears to be not as severe as it is found in India. The current statistics about the various parameters used for the study would further emphasize the need for strengthening FI in India.

Table No. 1.2.3 Progress of Commercial Banks in India

IMPORTANT INDICATORS	June 1969	March 1999	March 2001	March 2002	March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009
	1	2	3	4	5	6	7	81	9	10	11
†											
Banks-Branches	8262	64939	65919	66190	66535	67188	68355	69471	71839	74326	79056
Rural	1833	32857	32562	32380	32303	32121	32082	30579	30551	30732	31489
Semi Urban	3342	14168	14597	14747	14859	15091	15403	15556	16361	17212	18764
Urban	1584	9898	10293	10477	10693	11000	11500	12032	12970	13944	15325
Metroplitan	1503	8016	8467	8586	8680	8976	9370	11304	11957	12438	13478
Population per office (in thousands)	64	15	15	16	16	16	16	16	15	16	15*
Deposits of SCB (Rs.Cr.)	4646	714025	989141	1131187	1311761	1542284	1732858	21090491	2608309	3196940	3937336
Credit of SCB (Rs.Cr.)	3599	368837	529272	609053	746432	865594	1124300	1507077	1928913	2361913	2857525
Deposits of SCB (Rs.Lakh)	56	1100	1501	1709	1972	2295	2535	3036	3631	NA	N A
Credit of SCB (Rs.Lakh)	†44	568	694	920	1122	1288	1645	2169	2685	NA	N A
Per Capita Deposits SCB Rs	88	8498	9758	10994	12554	14550	16091	19276	23468	28610	N A
Per Capita Credit SCB Rs	†68	4531	5221	59191	7143	8166	10440	13774	17355	21218	NA
Bank Deposit of SCB as percentage of NI	†5.5	53.5	58.9	60.7	65.3	68.5	68.5	73.8	79.1	74.7	N A
Credit Deposit Ratio	77.5	53.3	53.5	53.8	56.9	56.1	64.9	71.5	74.0	74.6	72.6

Source: Adapted from various tables. RBI annual publications op banking statistics

NA – not available

*Projected mid year population from census office divided by no. of offices.

The banking statistics given above indicate the level of banking penetration. Branch per thousand people work out to be 15,000 at the end of March 2009. It is quite surprising that the figure seems to be around the same for several years earlier. The bank branches has increased to 79056, at the end of March 2009. The deposit ratio and the credit ratio seem to move positively but appears to be largely inadequate considering the requirements. There is a definite need for improvement for moving ahead in the IFI rankings. Systematic and disciplined **banking habit** is one sure way for enhancing FI.

The IFI study has identified and considered only the banking habit of people for measuring FI. On the contrary FE/FI needs to be examined with a broader perspective. Twentieth century has ushered in a variety of new financial products and programmes designed and developed for optimizing the use of financial resources. These new products must reach the masses. Innovative financial products enter the market with the primary intention of maximum reach. These products have several unique features that they may help in the betterment of the social and economic life of the users. By making the potential users aware of the benefits of these innovative products, the very purpose of financial innovation can be achieved.

Following may be the direct outcome of complete financial inclusion.

- Uniform growth in all sectors of the economy
- Equal opportunities for all the segments in society
- Stability of the financial system
- Smooth mobility of factors of production within the country
- Eradication of poverty and improvement in the standard living of the individuals
- Overall improvement in the quality of life
- Better distribution of wealth (prevents concentration of wealth in few hands)
- Discourage, and in the long run prevents the growth of parallel economy
- Better image for the country
- Better utilization of the resources
- More employment opportunities
- Empowerment of vulnerable group in the society

Efforts, therefore, must be in place for spreading awareness about the new developments in the field of banking and finance in terms of products and processes such that the desired benefit is achieved at the national level. Currently the reach is rather restricted to a small segment of the population who voluntarily takes interest in knowing and

understanding the developments in these areas. What is required is a large-scale **financial literacy** initiative so that the inclusive growth can be achieved by the end of the eleventh plan period, i.e. year 2012.

Complete financial inclusion may not be a sufficient condition for the economic development of a country but definitely it is a necessary condition.

1.2 NATURE OF FE IN INDIA

Financial inclusion or exclusion is a subject of interest for all those who are interested in finance. The concept could be discussed at different levels, viz., district, city, state, national as well as international. However, a focused study will give adequate analytical support ,thereby the interpretation of the results give proper direction. The study proposes to concentrate on the FI or FE in India with special reference to the vulnerable group in the urban areas. It is imperative to point out that the level of FE in urban India is as comparable as in the case of rural India. As rural urban migration is on the rise, FE gets spread to urban centres also.

Migrants from rural areas migrate to urban centres in search of jobs and employment. The mismatch between the skills they possess and what is required by the potential employers leave them with very few alternatives to survive. Some of them start business of their own. Majority of them become helpers, drivers, servants, cleaners, launderer and the like. Some indulge in setting up tea stalls, farsan shops, etc. Those who are good in certain artwork or craft, make pieces of art and market them. Irrespective of the occupation or vocation, their income levels are low. It is just sufficient to sustain with the basic necessities. Major problem faced by these migrants is affordable housing, as housing is highly expensive in urban areas especially metropolitan cities (migration is found to be maximum in metropolitan areas),[12] they choose to settle down in slum areas. Annexure 1.I gives an idea about the rate of urbanization all over the world with special reference to India.

A detailed study on the nature and the characteristic features of urban agglomeration reveals certain pattern world over. As per the report, urbanization rate is showing an upward trend. Alarmingly, the growth rate of population in urban areas is greater than the population growth rate. (Annexure I.1 for statistical details of the urban agglomeration.) The study also made a reference to the growth of slums. As per the available statistics, if the growth rate of slum population continue to remain the same, fifty percent of the world urban population will stay in slum areas. Details about the slum settlements and the rate at which they proliferate are visible from the data given. Proliferation of slums is a matter of serious concern for the civic bodies.

They (slum settlers) start setting up their tenements by encroaching on the unused tracks of land. This denies them access to civic amenities like water, sanitation and electricity. However, with the passage of time they regularize their tenements with the help of political or social pressure and establish their position. Once settled, they have option to enhance their occupational skills to become financially better off. (Slums in Mumbai, Dharavi – Annexure – 3.I and 3.III). Besides these slum dwellers, there are pavement dwellers, construction workers and contract labourers who constitute the group identified as urban poor. They are vulnerable not because they have low income but because of their fear and anxiety about the financial activities which are organized. If proper measures are worked out to alleviate their fear and anxiety, they would willingly join the mainstream and contribute positively towards **'inclusive growth'**

NOTES AND REFERENCES

Mandira Sharma,2008, *"Index of Financial Inclusion"*, ICRIER working paper 215.

Usha Thorat *"Financial Inclusion and Information Technology"*, RBI bulletin, October 2008, p.1643

RBI Quarterly Report on currency and Finance 2006-08 Vol II Chapter VII.

United Kingdom was one of the first countries to realize the importance of Financial Inclusion. A task force was set up to deliberate on the issue continuously. Launched in Feb 2005, the members meet to discuss issues on FI. This definition is an extract from the proceedings. (Extracted from official website.)

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URBANISATION – A GLANCE

	Urbanization rate					Urban population growth rate				Slum population	
	% of total population					Per cent per annum				% of urban population	
	1990	1995	2000	2005	2007	90-95	95-00	00-05	2007	1990	2005
East and North-East Asia	33.0	36.6	40.4	44.5	46.1	3.1	2.9	2.6	2.3	46.0	33.2
China	274	314	358	404	422	39	36	32	28	436	32.9
DPR Korea	584	591	602	616	623	1 8	1 5	1 0	0 9	–	−1
Hong Kong, China	995	1000	1000	100o	1000	1 8	14	1 2	1 0	†–	−1
Japan	631	646	652	658	662	0.8	0.4	0.3	0 3	†–	−1
Macao, China	998	999	1000	loo o	1000	2.1	1.4	1.4	0.8	†–	−1
Mongolia	570	568	566	567	569	1.4	0.6	0.9	12	685	57.9
Republic of Korea	738	782	796	808	81.3	2.2	1.1	0.8	0.6	68.5	1
South-East Asia	**31.6**	**35.3**	**39.7**	**44.0**	**45.7**	**4.0**	**4.0**	**3.5**	**3.2**	**39.4**	**34.1**
Brunei Darussalam	65.8	68.6	71.1	73.5	74.4	3.7	3.2	3.0	2.7	†	1
Cambodia	12.6	14.2	16.9	19.7	20.9	5.7	6.0	5.0	4.8	71.7	78.9
Indonesia	30.6	35.6	42.0	48.1	50.4	4.6	4.8	4.1	3.5	32.2	26.3
Lao PDR	15.4	17.2	18.9	20.6	21.4	5.1	4.1	3.5	3.6	66.1	79.3
Malaysia	49.8	55.6	61.8	67.3	69.3	4.9	4.7	3.7	3.2	†	1
Myanmar	24.9	26.1	28.0	30.6	31.9	2.4	2.7	2.7	3.0	31.1	45.6
Philippines	48.8	54.0	58.5	62.7	64.2	4.4	3.8	3.5	3.2	54.9	43.7
Singapore	100.0	100.0	100.0	100.0	100.0	2.9	2.9	1.5	1.2	†	1
Thailand	29.4	30.3	31.1	32.3	32.9	1.7	1.6	1.5	1.7	195	26.0
Timor-Leste	20.8	22.7	24.5	26.5	27.3	4.5	0.8	7.1	5.3	†	1
Vietnam	20.3	22.2	24.3	26.4	27.3	4.0	3.4	3.2	3.1	60.5	41.3
South and South-West Asia	**28.0**	**29.2**	**30.5**	**31.8**	**32.4**	**3.1**	**2.8**	**2.5**	**2.5**	**59.9**	**37.3**
Afghanistan	183	197	213	229	236	9.2	4.1	5.4	5.7	985	1
Bangladesh	19.8	21.5	23.2	25.1	25.9	4.0	3.6	3.5	3.4	87.3	70.8
Bhutan	7.2	8.3	9.6	11.1	11.8	1.4	5.0	5.7	4.4	70.0	1
India	25.5	26.6	27.7	28.7	29.2	2.9	2.7	2.4	2.4	60.8	34.8
Iran (Islamic Rep. of)	56.3	60.2	64.2	66.9	68.0	3.3	2.5	1.8	21.5	1.9	30.3
Maldives	25.8	25.6	27.5	29.6	30.5	2.7	3.4	3.1	3.4	†	1
Nepal	8.9	10.9	13.4	15.8	16.7	6.9	6.8	5.4	5.0	96.9	60.7
Pakistan	30.6	31.8	33.1	34.9	35.7	3.3	3.3	2.9	3.0	78.7	47.5
Sri Lanka	17.2	16.4	15.7	15.1	15.1	0.2	-0.2	-0.3	0.3	24.8	1
Turkey	59.2	62.1	64.7	67.3	68.2	2.8	2.5	2.2	2.0	23.3	15.5
Asia and the Pacific	33.3	35.5	37.9	**40.4**	**41.4**	2.8	2.7	2.4	2.3	50.9	35.0
LLDC	34.8	33.3	32.8	33.0	33.2	1.4	1.1	1.9	2.3	88.0	79.1
LDC	19.2	20.7	22.5	24.5	25.4	4.1	3.7	3.7	3.7	72.9	67.5
ASEAN	31.6	35.3	39.7	44.0	45.7	4.0	4.0	3.5	3.2	39.4	34.1
ECO	43.4	44.4	45.8	47.1	47.7	2.7	2.4	2.2	2.4	52.5	34.2
SAARC	25.0	26.1	27.3	28.5	29.1	3.1	2.8	2.6	2.6	65.2	40.6
Central Asia	47.7	45.8	44.4	44.1	44.2	0.0	-0.1	0.7	1.1	−†	−1
Pacific island dev. econ.	21.5	21.7	21.7	21.9	22.1	2.6	2.3	2.3	2.3	−†	−1
Low-income	25.4	26.6	28.0	29.6	30.4	−†	−†	−†	3 0	733	55.8
Middle-income	31.9	34.5	37.3	40.1	41.3	−†	−†	−†	2.4	−†	−1
High-income	69.4	71.7	72.7	73.6	74.1	−†	−†	−†	0.6	68.5	37.0
Other world regions Africa	32.0	34.2	36.3	38.4	39.2	4.0	3.7	3.5	3.4	62.8	51.9
Europe	70.2	71.0	71.6	72.4	72.7	0.5	0.2	0.4	0.4	−†	−1
Latin America & Carib.	70.9	73.2	75.4	77.4	78.1	2.4	2.2	1.8	1.7	37.0	25.4
North America	75.4	77.3	79.1	80.7	81.3	1.6	1.5	1.4	1.3	−†	−1
Other countries/areas	63.1	63.8	64.2	64.6	64.8	3.4	3.0	2.7	2.5	37.0	35.7
World	**43.0**	**44.7**	**46.6**	**48.6**	**49.4**	**2.4**	**2.2**	**2.1**	**2.0**	**49.2**	**36.0**

Source: Statistical year book for Asia and the Pacific 2007

2

FINANCIAL EXCLUSION – CAUSES, CONSEQUENCES AND CORRECTIVE MEASURES

2.0 INTRODUCTION

Financial inclusion and financial exclusion are complimentary to each other. FE, in fact is a hurdle in improving FI in any country. It is apt to point out here that the best way to achieve Financial inclusion is by removing those factors that contribute towards Financial exclusion. One of the early definitions by Leyshon and Thrift (1993)[1] defined FE as referring to those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system. Inability to access necessary financial services in an appropriate form brings about FE according to Sinclair (2001).[2] Few other experts opine that exclusion from financial system is many times self motivated. Access problems, prices, lack of awareness are few other things that contribute towards FE. Efforts were made to find out the major causes of FE. Available literature was consulted for the purpose. Causational factors of FE in general are covered in 2.1 paragraph in this chapter. The impact of such exclusion and its manifestation is given in paragraph 2.2. 2.3 paragraph outline the measures undertaken by the GOI. The measures adopted by various other agencies under the guidance of GOI and RBI is also mentioned. An overview of the BUSINESS CORRESPONDENT MODELS that are currently followed in India are given in paragraph 2.4. It also explains the need for examining the suitability of BC for FI in urban slum areas.

2.1 FINANCIAL EXCLUSION – CAUSES

Financial exclusion is a generic term. It covers the group of population who are excluded from the mainstream of formal financial system. As referred earlier the causes of FE is multiple and diverse. It may differ according to gender, age group and occupation. Reasons for FE, therefore, require to be studied and analysed by evaluating the group under study.

An attempt was however made with the help of the available literature for isolating the causes for FE. The committee on FI[3] has done pioneering work with reference to the above. Along with their findings, the recommendations of other committees such as khan committee[4], and Raghuram Rajan committee[5] were consulted. The outcome is presented below.

2.1.1 Demand Side Factors

FE many a time is found to be the choice of an individual. For variety of reasons individuals would like to exclude, themselves from the formal financial system. In the present study also when question was asked (Q.10th Annexure 3.VI) about the reason for not opening a bank account the respondents answered by saying 'I don't like banks', I am afraid of banks' etc. Thus, self motivated exclusion is a major factor. In addition the following also prevent people from participating in the regular and systematic financial setup.

- Low disposable income.
- Locational aspects (lack of permanent address etc.)
- Wrong perception of financial products.
- Possibility of transparency thereby a kind of suspicion.
- Proximity to money lenders.
- Complicated procedure and formalities
- Lack of awareness about financial products and services
- Shyness and embarrassment.
- Illiteracy(financial) and misunderstanding about financial products.
- Lack of timely assistance (delay)
- Superstitious thinking about insurance products.
- Expensive. (High transaction cost).

It appears that people opt out of financial system due to their own limitations. In any market, 'demand pull' is a necessary condition for adequate coverage.

Market for financial services seems to be lagging behind in this aspect.

2.1.2 Supply Side Factors

This comprises of all those agencies and institutions that are responsible for designing, developing and marketing financial products and services. These products and services are marketed as per their marketing plan. "It can be said that these supply side agencies seem to have missed a great opportunity of tapping the urban poor." the then managing director of Indian bank (2007)[6] made an observation to this effect at the time of inaugurating the first bank branch at Dharavi. Banks, financial institutions, NBFCs have been concentrating on enhancing the FI of the farmers and artisans of the rural segment .They have been turned myopic as far as urban groups are concerned. However, with respect to rural coverage these agencies have done a commendable job. They have successfully created suitable channels for credit distribution. Alongside, they have developed new insurance products also. However, reports of various committees and the current situation exemplify the inability of the efforts in achieving the complete financial inclusion. There seems to be more scope for concerted action in these pockets also. Following are the supply side related factors which hinder the process of FI in India.

- Standardised financial products which are beyond the comprehension of the poor and the downtrodden.
- Complicated procedure and multiple formalities.
- Unfriendly attitude of the service providers.
- Use of foreign language other than the ones which the customers are familiar and comfortable with.
- Highly priced financial products beyond the reach of people below poverty line.
- Stringent rules which act as a barrier.
- Lack of connectivity with the community.
- Absence of awareness programme and proper advertisements.

Few of the factors listed above have already been addressed by the RBI and other banks. KYC norms has been simplified. Credit cards are made available at an affordable price. Similarly, the community – bank linkage programme also has been initiated. However, in order to bring the economy completely out of FE, more thought process and brainstorming is required.

2.1.3 Strong Unorganised Sector

One of the interesting factor which keeps the poor and vulnerable group out of the formal financial system is the powerful informal system which has penetrated deep in the Indian Society. This group popularly known as money lenders and pawn brokers wield enormous power on the poor and vulnerable group. While conducting this research the researcher came across a social worker who narrated the growth of pawn brokers in Dharavi area. (See Box.2.1)

Box 2.1

A particular pawn broking family took a place on rent by giving a deposit of RS10,000 for a 3x3 shop in Dharavi with great difficulty in 1989. Today that family owns 12 shops in Dharavi each valued at a price not less than 60 lakhs which are large enough to accommodate 3 shops of the original size they started with. They provide loan virtually on anything that is being pledged by the poor and needy.

These moneylenders have the tendency of luring the customers by simplifying the procedure for borrowing. Since the pawn brokers can give money any time, the poor and needy approach them. Quite unfortunately, it is found that these moneylenders guide the poor towards wrong habits because of their vested interest and make them remain indebted to them permanently. Cash transactions always have an edge over cheque based transactions. As dealings are in cash, this informal system thrives. What the borrowers fail to understand is that the transactions in the formal set up will be much cheaper and easier.

2.1.4 Existence of Other Systems

Habit to save is Indian Culture. This is found among the poor and vulnerable too. Culturally, Indians have the tendency to keep some money for lean time. It is found that they have their own system of fund management. 'Pat Pedhi' is one such system where in a group brings in money every month and is withdrawn by a needy member. Interest is computed and distributed. 'Chit Funds, Bhisi, Mahila Milan'[7] are few of such arrangements which keep a section of the population away from the formal system of finance.

2.1.5 Financial Illiteracy

This point has been referred indirectly in paragraph 2.1.1. Owing to the need of the hour, this point is given due weightage in this part of the report. Financial illiteracy seems to be a major cause of FE in both rural and urban areas. Financial Literacy[8] is to be given utmost priority in the efforts towards FI. Financial literacy does not mean computational skill. Simple arithmetic is not the point referred here. By literacy, it is expected that everyone is given the required
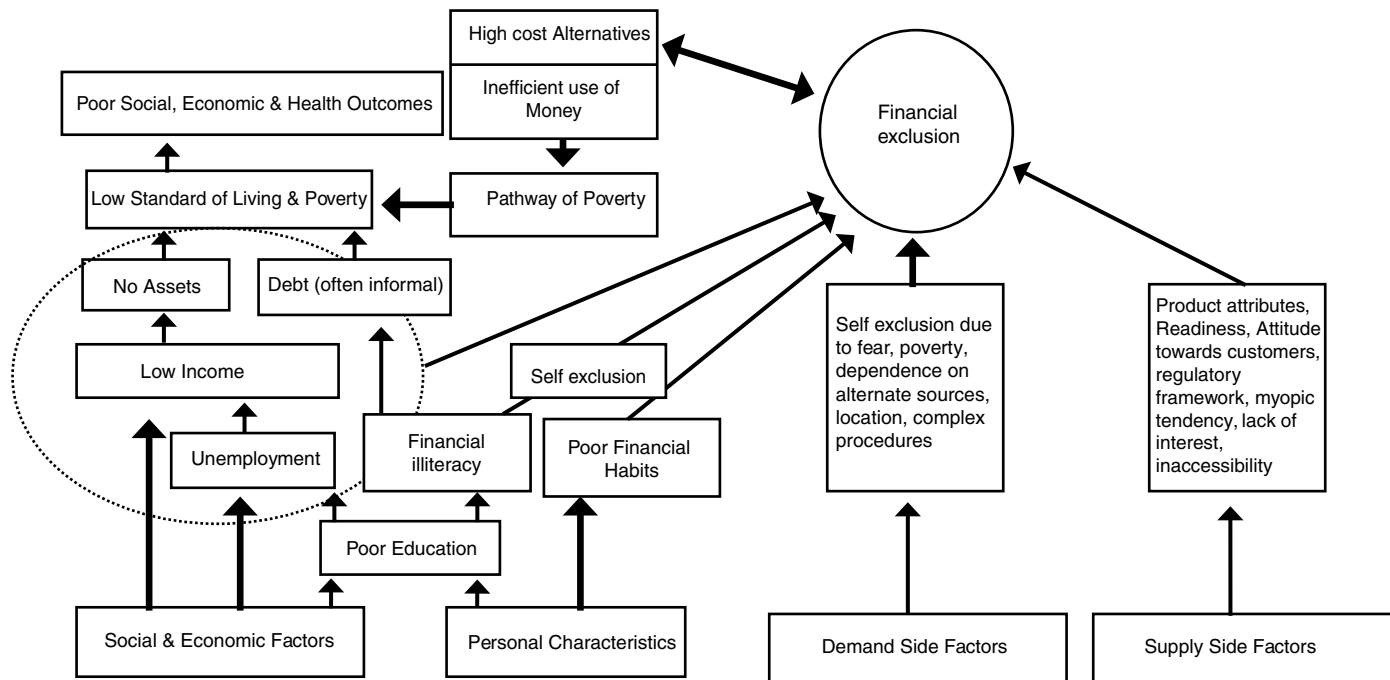
Fig. 2.1

knowledge of the financial world in India. It is not expected that the entire population get the skill to deal in foreign exchange. But the basic idea about interest rate, lending rate, types of loans, benefits of calculated credit, EMI, housing loan, health insurance, life insurance, fund management, budgeting etc. are required to be imparted so that they become financially literate.

Figure 2.1 gives a bird's eye view of the various causational factors responsible for financial exclusion in India. The two way arrows describe the cause and effect relationship between financial exclusion and poverty.

2.2 CONSEQUENCES OF FE

Financial exclusion at macro level indeed is quite harmful to the economic development of any economy. Growth parameters will automatically get affected with the gap in the financial system. These gaps allow the resources to leak and get lost. Growth of parallel economy due to heavy cash transactions not only harms the economy but also affect the cultural heritage of our country. Secondly, the developmental programmes and the budgetary allocation for the same designed by the Government of India to make India a force to reckon, may not reach the target group due to FE. The time and energy spent on strengthening the financial system by all the constituent members of the system would be wasted if it does not achieve the objective of complete FI.

At the micro level the community and society gets affected both directly and indirectly. The reports about suicide of farmers in various parts of the country can be attributed to the condition of FE of those individuals and communities. The often quoted reason for this suicide rampage is the permanent indebtedness of the individual at the hands of informal group of lenders. Had they remained in the safe net of formal financial system, they would have been adequately taken care of.

Financial exclusion in urban areas bring out yet another social problem. It directly affects the law and order situation as the nexus between borrowers and lenders take the shape of bonded labour. Slums in urban centres have the typical lending community who controls several borrowers due to their permanent indebtedness. It is said that there is a powerful lobby in the established slums in India, particularly in Mumbai that impacts the attitudinal aspect of the slum dwellers. Although there is no documented empirical study linking the crime rate in slums and the financial exclusion ,conventional wisdom provides scope for such kind of linkage.

(Also see importance of FI in (Chap.1, 1.2)

2.3 CORRECTIVE MEASURES

The Indian financial system which is effectively controlled by the GOI and RBI has been reacting positively in order to solve the problem of FE. As observed in paragraph 2.1 many committees have been appointed in order to study the reasons for FE. They have come out with detailed study of this aspect and have suggested various steps to be taken as recommendations. These recommendations got manifested

in the form of steps taken by both GOI and RBI. Branch expansion programme was given the necessary thrust. Incentives were given for those who willingly managed the rural branches. Innovative ideas were introduced. They include Self Help Group (SHG)-Bank linkage programme, support to Micro Finance Institutions (MFI), establishing kiosks in rural locations, kisan credit card, GCC amongst others. SBI has been very active in introducing tiny cards and other related benefits.

Government of India, as a member of international bodies deputed experts to participate in conferences and conventions in order to keep track over the global developments in the field. This enabled to be proactive as far as FI measures are concerned. These programmes definitely enhanced knowledge transfer from developed countries. Initiatives undertaken by the Government and RBI are given in chronological order in Annexure 2.I. By acknowledging and recognizing the role of business correspondents and business facilitators in fostering financial inclusion , the RBI gave a boost to the drive for complete FI in India. Initially introduced by RBI, the concept was quickly accepted by many practicing banks including Indian Bank, HDFC Bank, Canara Bank and Union Bank of India. The model suggested by RBI has been suitably modified by the respective banks as per the location and area covered by them. Except Indian Bank which has adapted the model by orienting the requirement of rural and urban , other banks catered to the requirements for rural financial inclusion. ICICI bank has designed a model which can be applied to both rural and urban population.

2.3.1 Models for Financial Inclusion

The most popular model for financial inclusion in rural India is MFI-SHG-Bank linkage model. As the concept of SHG has picked up in the rural part of India as a convenient method of forming a group and leveraging the benefits, it has been successfully adopted in many states in India. The model is presented below.
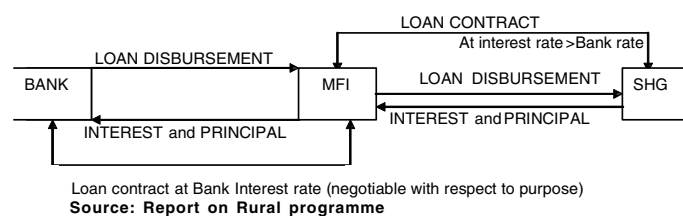

Loan contract at Bank Interest rate (negotiable with respect to purpose)
Source: Report on Rural programme

Fig. 2.2 MFI – SHG – Bank Linkage Model

Loan contract at Bank Interest rate (negotiable

With respect to purpose) **source: Report on Rural programme**

This model has been working successfully in the rural districts of Andhra Pradesh, Tamil Nadu, Karnataka, Orissa and other north-eastern States.

There have been many success stories of SHG-BANK-LINKAGE Model. The model given in Fig. 2.2 is a structural framework describing the process.[9] In practice there are several activities which must preceed and succeed the actual implementation. The experience of the Indian Bank in achieving FI in a Village called 'Mangalam' in Puducherry is worth to be mentioned here. The procedure clearly underlines the choice of right people as BC in order to achieve FI.

BOX 2.2

Rural Financial Inclusion – Mangalam Model.

Objectives : *(i) Open no frills /zero balance Savings bank account*

(ii) Deliver Pass book at door step

(iii) Simple procedure for KYC Target Population : 744 households- 45 SHGs.

People involved : Bank Officials/SHG members/Student /Volunteers

Methodology : 1 *Collection of basic details by field survey*

2 *Verification of ration card/ Voter identity cards*

3 *Photograph taken on the spot*

4 *Account opening Forms filled on the spot with the help of BCs*

5 *Open account*

6 *Deliver Pass book, GCC*

7 *Delivery of low cost health and life insurance policy. Result: 100 % FI*

Source: CAB calling sep 2007

Indian Bank, after completing this pilot project has successfully extended it to the other sectors of the union territory of Puducherry. UT Puducherry has the distinction of being first State/UT in the entire country where all the households are provided with a bank a/c. By providing low cost life and health insurance,

Indian Bank has definitely enlarged the scope of FI. In all 1,41,245[10] no frills accounts were opened through Mangalam model.

The experience of MYRADA also reaffirms the SHG-BANK Linkage as a successful model in bringing FI in rural areas. MYRADA is of the opinion that CMRC and CBO alongwith SAG has been able to bring in as many as 1,53,490 members across six States in India since 1985. SAGs under the guidance of MYRADA has common funds worth Rs.1525 million out which Rs.727 million is their savings. Cumulatively, they have extended 1.03 million loans worth Rs.3934 million. Around 98,457 people have taken life insurance at the end of 2008.[11]

It is , therefore ,obvious that intermediaries either in the form of SHG, NGO or individuals are of great help in bringing the financial system close to the people who need it. Experience indicate that the formation of groups like SHG and SAG is possible only in the rural environment. This may be due to the commonality of the geographic region to which they belong to along with the long term relationship of being together. This model if is applied in urban centres, perhaps its results may not be as exciting as mentioned above. The question did not arise as none of the banks including NABARD made an attempt to think of urban poor as a target group for FI except Indian Bank.

2.3.2 Business Correspondent Model

This model proposed by RBI (as quoted in the report)[9] also appear to concentrate only on the credit disbursement function of the banks. One has to include few more parameters such as all other regular functions of banks like accepting deposits, remittances, money transfers etc. This would help in spreading the awareness of financial products also. 'BC' should not remain a loan facilitator only, but should be made to perform the role of an 'advisor', 'counsellor' as well as a professional guide.
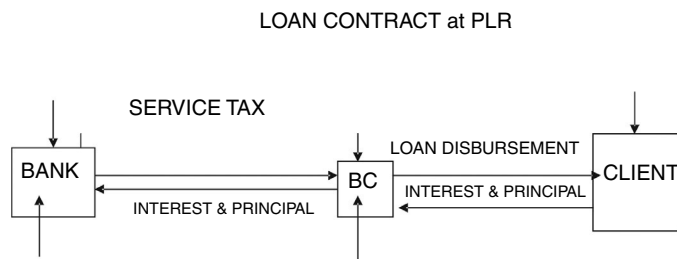
LOAN CONTRACT at PLR

Fig. 2.3 Business Correspondent Model

Source: DUFLON AND IVANCHURY, 2005 as quoted in the report on Rural Programme

HDFC bank chairman Mr. Aditya Puri claimed success as far as FI is concerned by following the RBI model and related guidelines. They embarked on this venture since 2006 and could succeed in mobilizing savings and spreading awarness about insurance. The bank has successfully trained their BCs so that they go beyond banking function by providing financial advice to the local population.

According to HDFC model, BCs perform certain social oriented function by advising the members/clients about social problems such as Child Labour, Solid Waste Management etc. The 'Branch Hub and Spoke' model[12] advocated by HDFC appear to be more suitable for urban FI. Under this, branch 'Hub' will be stationed at a particular location and 'Spoke' will be the location from where BC would operate. This model seem to have been successful as the bank has 19 hubs and 46 spokes spread over Maharashtra, Gujrat, Andhra Pradesh and Tamilnadu within a short period of time.

The review of existing finance literature to find a suitable model for urban poor and vulnerable group led the researcher to one and only model proposed by Indian Bank. The literature related to rural areas and the methodology for bringing FI is rich in the Indian context. However, there appears to be a visible gap in the literature related to urban financial inclusion. The committee on FI in para 7.56[13] has made an obvious remark about how the urban poor were left out of focus by the studies undertaken in the past.

The urban model tried by Indian Bank at Dharavi was initiated by Indian Bank officials by conducting door-to-door campaign about the bank. Unlike mangalam model, Indian Bank at Dharavi directly approached the migrant workers and labourers without the help of any intermediaries. In other words the bank officials performed the role of facilitators and correspondents. The bank branch opened with core banking solution as they identified 'remittances' as the major area of concern for the migrant population. The Bank in association with FINO introduced smart card based banking.

2.4 SLUMS – BUSINESS CORRESPONDENT – FINANCIAL INCLUSION

The experience of Indian Bank by opening core banking branch at Dharavi in 2007 has encouraged few more players to join hand. DCB, Union Bank of India, are the other two banks operating in this area. The SBI branch started in 1975 has its office near Mahim. There seems to be an unsettled argument about who came first to Dharavi ? SBI or IB. Irrespective of the answer, one should feel satisfied that the time has come to understand the economic potential of slums in Mumbai. Dharavi can not be brushed as a place of poor people, living in conditions which do not suit the modern life style. It is infact a hub of active industrial activity. People

living there are highly enterprising that it is aptly described as 'mini Japan'. Given the number of households at Dharavi and the size of population residing ,more pronounced measures are required to be taken. The existing four branches of different banks may not be sufficient to achieve complete FI in this vast land mass.

The branches may be in a position to outreach the entire population by trying BC / BF model .There is an urgent need to design a suitable slum centric BC model to suit the requirement of Dharavi population.

Business correspondents for the purpose of this study means and include those individuals and institutions (intermediaries) who willlingly or voluntarily share the responsibility of the banking and financial system byapproaching the vulnerable groups of the society with the sole aim of motivating them to become a part of the formal system.

The research aims to collect primary data across the section of this slum popularly described as Asia's largest slum and analyse the readiness or willingness on their part for having an intermediary to enable them to join the formal financial system in India. By mustering and analysing opinions from the branch managers operating in and around Dharavi ,the suitability of BC model for financial inclusion of slums in Mumbai can be studied.

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While inaugurating the first branch at the heart of ' Dharavi', this observation was made. As reported by the press.

Pat pethi, Bhisi are the common terms used in groups of urban population in the city of Mumbai. They are typically informal funds created and set up for the convenience of the members. Ideally 'pat pethi' emerges amongst friendly group of people working in the same place. It is absolutely voluntary. Anybody who prefers to join is free to join with the consent of other members. There are many advantages in such a set up .Since the members pull their resources and extend financial help to colleagues at the time of their need a kind of personal bondage develops. This eliminates the possibility of default or delay in repaying money borrowed. This system is very popular in Mumbai. Many co-operative banks willingly become an active partner and deposit holder for the fund. 'Mahila Milan' originally started by few women in Byculla, Mumbai in order to assist pavement dwellers for getting decent housing. The collective power of women could be well understood if one could read through the growth of this co-operative group'. They extended their scope of operations to cover credit related requirements of the underprivileged. Under 'Mahila Milan Credit Crisis Scheme', they have been promoting savings on much similar lines like 'pat pethi'. However the rules are different and their reach is not restricted. With the help of SPARC, they are filling the credit disbursement gap in the slums in Mumbai. For more interesting reading on the operational aspects of Mahila Milan visit their official website.

"Financial Literacy can broadly be defined as providing the familiarity with and understanding of financial market products, especially, rewards and risks, in order to make informed choices. It empowers individuals so that personal financial management including savings, credit, investments, customer protection etc. are effectively handled. Financial literacy is very important and indispensable for better financial discipline.

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STEPS TAKEN BY GOVENMENT OF INDIAAND RBI FOR FI

The Government of India and the RBI were keen on introducing and supporting financial inclusion programmes in India . Policy measures were announced from time to time in order to keep the momentum. Besides the normal supportive role, both the GOI and the RBI were showing their readiness in incorporating changes in the existing rules and regulations. Introduction of "No Frills Accounts" is one such step.By simplifying KYC norms, the apex bank has shown the direction to the banking community in reaching out to the poor and the underprivileged.

Following is an indicative list of the various steps taken by the GOI and the RBI.

Initiatives by the Government of India

1969-1993	Branch expansion through nationalisation- average population covered per branch reduced from 64000 to 15,000 (approximate)
1993-2004	– Constant efforts to outreach by regular campaign
	– Encouragement and incentives for rural branches.
	– Compulsory posting in rural branches before promotion
	– Encouragement to SHGs,MFIs for participating in financial inclusion measures.
July 2006	Launch of Financial Information Network and Operations (FINO.) – Encouragement and incentives for rural branches.
2007-2008	During the budget speech 2007-08 FM announced creation of two funds :
	i. Financial inclusion fund – Developmental/ promotional
	ii Financial inclusion technology fund- Technology adoption/innovation
	This was to give financial support to mission FI.
2008-09	Declared as a year of financial inclusion.

Appointment of Rangarajan committee on financial inclusion Appointment of Raghuram Rajan committee on financial sector Reforms.

Initiatives by RBI

1969-2004	Branch expansion through nationalization- More thrust to RRB, and LABs.
2004-2005	Banks were encouraged to provide banking services to all segment of population.
	Appointment of a committee on Rural Credit and Micro finance popularly known as Khan committee
	RBI annual policy spelt the need for FI. .
Nov. 2005	Banks advised to provide basic banking "no-frills acount" KYC principles simplified to open accounts.
	General Purpose Credit (GCC) facility up to Rs. 25000 at rural and urban branches.
	OTS – One Time Settlement was introduced.
January 2006	Banks allowed to use services of NGOs, SHGs, MFI, civil service organizations as Business Facilitators and
	Business Correspondents Business corres-pondent allowed to do "cash-in-cash-out" transactions at BC locations and branchless banking.
April 2006	One district in each state identified by SLBC for 100% FI.
October 2006	A status report was tabled out of study undertaken jointly by Micro Credit Innovation Department,NABARD and
	Rural Finance Programme on 'Challenges and potential for Indian Banks to implementBusiness facilitator and Business correspondent models.'
June 2007	Multilingual web-site in 13 languages launched by RBI.

Source:Compiled from government announcements,press reorts,RBI bulletin, various issues.

3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

Multiple activities were undertaken in order to achieve the stated research objectives of the project. Primary data as well as secondary data were collected and analysed for the purpose. Paragraph 3.1begins by highlighting the rationale behind the research activity and then introduces the broad research objectives. Testable hypotheses are stated. The sources and the methodology adopted for accessing them are given in paragraph 3.2.The history with respect to the growth of slums in terms of number and size across the country in general and Mumbai in particular was required, as it would give the necessary focus to the study undertaken. This is covered in paragraph 3.3. Dharavi emerged as the target slum for the purpose of study. An introduction to the Asia's largest slum is given in paragraph 3.4. Various dimensional aspects of Dharavi are given so that the results generated may find their application elsewhere also. Paragraph 3.5 outlines the research plan which covers computation of sample size, sample design, design of questionnaire, editing, coding, tabulating and analysis. Socio-economic oriented Study of this kind which centres around human population suffer from few obvious limitations. They are covered in paragraph 3.6.It is pertinent to mention here that adequate efforts were undertaken to keep them to the minimum possible extent. Paragraph 3.6 also gives a brief commentary about the problems faced while conducting the survey. The proformas used in the conduct of research are annexed to the chapter.

3.1 GENESIS OF THE RESEARCH

Review of literature about the level of FE in India will leave any serious student of finance wonder about the obvious bias towards rural financial inclusion. Well documented studies undertaken by the GOI and the apex banks in fostering complete FI missed out in identifying the urban poor which

is equally vulnerable if not worse. In order to achieve the objective of 100% inclusion, this group need to be adequately attended to by addressing their problems. It is but obvious that the measures undertaken for financial inclusion in rural areas need to be altered to suit the requirement of the urban poor. Urban poverty has different connotations and may be so severe that people may not get a roof to spend a night safely though not comfortably. At the same time opportunities to earn are more, which encourage people migrate from rural to urban centres. Migrant labourers find it convenient to settle in slum pockets if they could find one or make sure that another slum emerges. In the process, slums multiply and they remain out of the mainstream of the economic agenda of the respective state. These slum dwellers have got their own system of managing their resources including financial resources. By empowering them and encouraging them to be a part of the mainstream economics, the Government and the group identified, will be placed in win-win situation. An attempt is made by accomplishing the following objectives.

3.1.1 Research Objectives

- To analyze the social environment of slums in Mumbai.
- To measure the degree of **financial exclusiveness** in slums in Mumbai.
- To identify the reasons for such exclusiveness.
- To understand the efforts of the formal banking system in **fostering financial inclusiveness** in urban slums.
- To review the business models used by banks in achieving financial inclusiveness in these areas.
- To compare the potential and the performance as far as financial inclusiveness is concerned in the chosen areas.
- To propose methods for enhancing the level of financial inclusiveness in urban slums.

Stated Hypotheses

- The level of financial inclusion is low in slum areas.
- Financial inclusion is low largely due to financial illiteracy.
- There is a need for intermediation for enhancing financial inclusion in slums.

In order to achieve the stated research objectives and validate the stated hypotheses, a research plan was drawn. Available literature was consulted to understand the social and economic environment of slums in Mumbai. Published research work hitherto undertaken, helped the researcher to draw a conclusion about the evolution of slums in India and the kind of slum proliferation in the city of Mumbai. The focus of the study is to examine the nature of FE in slums and to find the suitability of BC model for finanacial inclusion in slums in Mumbai. The schematic events which form part of the research methodology are narrated in the following paragraphs.

3.2 SCOPE OF RESEARCH

The research objectives mentioned in paragraph 3.1. ideally call for collection and compilation of data from the slum pockets, spread over the length and breadth of the country. However , the rate of growth in slum areas in India deterred any attempt of the kind.

According to the provisional results of the 2001 Census of India the population of India has passed the one billion mark. The urban population constitutes 27.8 per cent of the total, with a decadal growth rate of 31.2 per cent. **The level of urbanisation is 2.1 per cent higher than what it was in 1991.** The density of population has increased steadily from 117 persons per km^2 in 1951 to 324 persons per km^2 in 2001.Urban agglomerations or cities with a population of more than one million have increased from **22 in 1991 to 35 in 2001** with **Greater Mumbai being the largest at 16.4 million**. The Mumbai Metropolitan Region is the largest urban agglomeration in the country. The total slum population in the country is 40.3 million comprising 22.6 percent of the total urban population of the towns which reported slums. The largest slum population was registered in the State of Maharashtra. Around 6 per cent of Maharashtra's population lives in the slums of the state capital, Greater Mumbai. The rural urban migration which is the major Cause   for slum proliferation, is maximum towards Maharashtra.

Fig. 3.1 shows the pattern of migration in India. With maximum number arrows pointing towards Maharashtra,it becomes quite evident that the population of Maharashtra largely consist of migrants. It must be pointed out here that the thickness of the arrows indicate the number of the migrants.
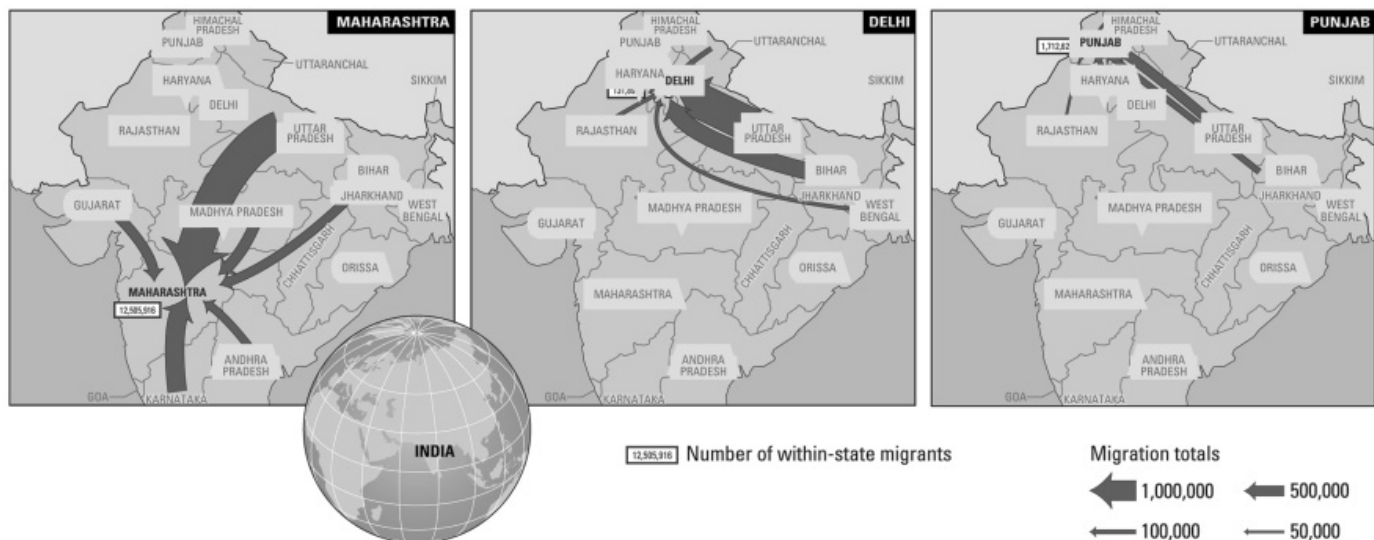

Fig. 3.1

Source: world development report,world bank,2009.

Mumbai, Maharashtra emerged as the geographic region for the purpose of study for obvious reasons. A detailed reading about the evolution of slums in Mumbai has been quite an eye opener for the researcher. (Annexure 3-I for details of slums in Mumbai) .A map showing the spread of slums in Mumbai is also annexed to this chapter.(Annexure 3-II) The map referred follow the municipal wards and drawn on the basis of municipal boundaries. A quick reference to the map indicates heavy concentration of slums in G north ward. Mumbai 'G' north ward has the privilege of housing Asia's largest slum. It is popularly known as DHARAVI.

Dharavi with its diversity and the size has the distinction of being chosen as the representative slum for the purposes of academic research by both Indian and foreign students. A note on the nature characteristic features of this slum pocket (Appendix 3-III) illustrates how the findings would adequately represent any slum pocket in India.

BOX 3.1

According to leading social researcher at Tata Institute of Social Sciences, minimum 300 families migrate to Mumbai everyday. By force or by choice they get attracted to Dharavi. Once the migrants become a resident of Dharavi, they become permanent resident of the area. Since they could manage their livelihood by involving themselves in petty activities they earn their living and continue to remain there.

3.3 RESEARCH PLAN

In all three sets of data was required in order to achieve the ojectives and validate the stated hypotheses. Data from the residents of the identified slum area formed data set I. This was required mainly to find out the socio economic conditions vis- a vis the banking habit of the slum dwellers. Data pertaining to the knowledge of the innovative financial products also formed part of this data set.

The opinion of the branch managers of various bank branches around Dharavi area was required to assess the sensitivity on the part of bankers in fostering FI in slum areas. The data collected through opinion survey formed data set II.

The four bank branches currently operating at Dharavi deal with the customers from the area on day to day basis. Documenting their experience was found to be necessary. The lessons learnt by them through their actual experience would be a definite contribution to the study of this kind. Data based on observation made data set III.

A plan was made to set the premise for the collection of three sets of data mentioned. It covered sample size, sample selection, method of enumeration, designing   the required tools for data collection, tabulation, collection of data, method of analysis and method of presentation. The following paragraphs give an insight into the planning process.

3.3.1 Sample Selection

The target population for each of the data sets mentioned above was different given the nature, kind and purpose of data. Data set I required collection of data from the residents of the identified slum area i.e. Dharavi. With an estimated population of 7,00,000 it was not possible to have a census study.

It was decided to choose a representative sample. SPARC and NSDF were consulted for the purpose. These NGOs conduct field surveys on an ongoing basis for various purposes. The researcher with the help of the research design followed by them could arrive at the appropriate sampling method and sample size for the purpose of data collection.

The sector wise population of Dharavi which was made available by MASHAL was consulted for the purpose. From each of the sector, the notified areas as per BMC classification was identified and a list was prepared. The sectoral distribution and the areas covered by the respective sectors are given in Annexure 3.IV.

It was decided to combine the divisional parameters used by various studies (see Box.3.2) so that the randomness of the sample could be maintained. Random sampling is the accepted representative sampling method in statistical estimations. Simple random sampling based on clusters was the method followed while selecting the respondents for the purpose of conducting the field survey.

BOX 3.2

Different classification of sectors was followed by different agencies to suit the purpose of their research. At any given point of time some agency or the other seem to be collecting data of Dharavi, observed one social worker from the area. With the enhanced interest amongst the developers (The value of land in Dharavi has escalated in recent times due to its location. see Annexure 3.I) from India and abroad, some survey or data enumeration is undertaken by them on a continuous basis, he added.

Keeping pace with the trend and after due discussions with the social workers who were helping, 22 areas were identified by the researcher. (Annexure 3.V) The areas nearby the existing bank branches and those which are interior formed

the cluster for the purpose of data collection. Occupational and social aspects were also given due consideration, as the main objective of the study was to find the relational aspect of the financial inclusion. In the same way, the sample size also was determined.

The number of respondents (sample size) also was determined in the same way as the figures quoted by different agencies were different. On the basis of the approximate estimation of the population (7,00,000) the number of respondents to be contacted was 1456. The actual number of respondents contacted after giving scope for non co-operation and non availability was 1520. However after cleaning the data the number stood at 1490.The data analysis was done by considering N = 1490.

Data set II comprised of the opinions collected from the bank branch managers about the urban financial inclusion in general and the suitability of Business correspondent model in particular. Proximity of the bank branch to Dharavi was the determining factor for choosing the bank. Around 41 banks were chosen mainly on the basis of convenience and connectivity. The list of banks approached is annexed to the chapter. (Annexure 3.VI)

Data set III technically does not contain any data. However on the basis of unstructured interviews conducted by the researcher, it was used to understand the experience of the bankers while dealing with Dharavi customers. The branches of scheduled commercial bank branches were contacted for the purpose.

3.3.2 Collection of Data

The three types of data required for the research purpose led to the next logical step of preparing the required tool. Descriptive primary research was found to be the suitable method for collecting the data from all the three primary sources identified. Field survey was required to be conducted. Selection of field investigators was done simultaneously while designing the questionnaire.

3.3.2.1 Designing the Questionnaire

Two sets of structured questionnaire and one unstructured were prepared. Format of the structured questionnaire is appended. {Annexure 3. VII (A) (B)}

While designing the questionnaire for collecting the data from the respondents from the slum area identified, sufficient care was taken to keep the questions simple and easy to understand. The questionnaire was to be administered by the field investigators personally. However attempt was made to use

simple language. During the pilot study, efforts were made to find out the need for preparing multi lingual questionnaire. The composition of the population at Dharavi posed difficulties in segregating groups with linguistic preference. Further the social workers advised not to give preference to language as it may lead to rifts when the field investigation gets done. English language was used for collecting data.

3.3.2.2 Pretesting the Questionnaire

The questionnaire was duly pre tested with select group of people. The non- teaching staff of R.A. Podar College volunteered for the purpose. Pre testing was also done on field. Valuable feedback obtained was incorporated in the questionnaire by modifying the questions.

In all, there were 17 questions {Annexure 3. VII (A)}. Closed ended multiple choice questions were the type of questions preferred while drafting the questionnaire. However questions which were asked to find out the awareness about the innovative financial products gave option for the respondents to give free responses. Identification related questions were kept to the minimum. On the whole, questionnaire gave a fair chance to the respondents to choose between the alternatives and also to express their view point freely.

The questionnaire meant for collecting opinion based data was also prepared with due diligence and care. Questions focused on the level of financial inclusion, reasons there of and about the BC model.

An indicative list of questions which was used while conducting the unstructured interview is also appended along with.

3.3.3 Training the Field Investigators

The field investigators were given the required orientation before the actual survey started. They were briefed about the meaning of the various terms used in the questionnaire. There was an interactive session where the team exchanged views and opinions about the research, about the target population and about financial inclusion, etc.

The field investigators were assisted by the social workers of the area. As students of graduate and post graduate courses performed the role of field investigators, necessary guidance steps in contacting the respondents were taken.

3.3.4 Coding, Editing and Cleaning of Data

The collected data was then was coded and entered. SPSS PC + was the recommended computer package for entering

and analysing the data on social oriented research activity like this. Technical assistance for data entry and analysis was extended by TISS, Deonar, Mumbai.

3.3.5 Choice of Tools for Data Analysis

Frequency tables and chi-square tests were the analytical tools used for the research. 'P' values were calculated and were duly interpreted. Thus statistical validation of the data helped in proper interpretation. Suitable conclusions were drawn on the basis of the interpretation.

3.4 LIMITATIONS OF THE STUDY

The findings of the study are limited to the objectives stated and the scope defined. However adequate steps were taken in order to preserve the objective analysis of the research and its out put. It must be pointed out here that the results emanating out of any study which involves the sociology and psychology of individuals gets altered with changes in the social set up and social reforms. The existence of parallel system of banking can not be denied in any financial system.

The impact of such a system requires a detailed study on how the members of the society depend on alternate sources. The study, instead concentrated on the formal system of banking and finance. It is generally believed that any such parallel system needs to be discouraged so that the formal system becomes stronger. Hence the impact is not factored in the study. Besides the researcher felt that the responses about alternate sources of finance may not generate required level of accurate responses.

The presence/absence of other forms of financial arrangements like 'Patpethi' 'Bhisi' and ' Mahila Milan' was not covered in detail. Efforts were however made to assess the familiarity and association of the respondents to the arrangements mentioned above. The responses were just enumerated and not analysed.

Descriptive study of this kind also suffers from non co-operation and indifference on the part of the respondents. Although adequate care was taken by training the field investigators, yet variety of problems related to reluctance in answering certain questions were faced. Efforts were, however, taken while editing and cleaning the data. The level of accuracy and reliability was maintained.

Note: Slum related details alongwith statistical information were drawn mainly from the following reports.

1. Poverty Estimates for 2004-5, Govenment of India: Report of the eleventh plan working group on Povery Alleviation, 2006.
2. Human Development Report 2007/2008, United Nation Development Programme, 2007.

SLUMS IN MUMBAI

Housing options for poor in Mumbai are Chawls and Patra Chawls Zopadpattis and Pavement dwellings. Although pavement dwellings and chawls have conditions like in slums, these do not fall under the legal definition of 'slum'.

Slum settlements began in Mumbai even before independence. The first official census of slums, however, was carried out in 1976 by the Government of Maharashtra. In that census 9,02,015 huts and 2335 slum pockets were identified. A more detailed profile on slums was taken by census survey of 2001. This survey gives the latest information on slums in Mumbai. This survey identified 1959 slum settlements with a total population of 6.25 million. This is about 54% of the total population, of Mumbai. The island city area houses about 17% of the slum population whereas western suburbs had 58% and the rest were housed in eastern suburbs.

Average household size in slums is 4.5 to 6. 13% of households are women headed. 27% of slums have semi-permanent structures.

The level of education affects the occupational status of slum families. A limited survey of families conducted under the MUTP showed that about one third are working. Home based economic activities are common. Of the working class, about 30% were self-employed, 40% worked in private establishment, and about 17% worked as casual laborers. Most women worked as housemaids. Average monthly household income was reported to be about Rs.3,000 and about **40% were considered below poverty line**.
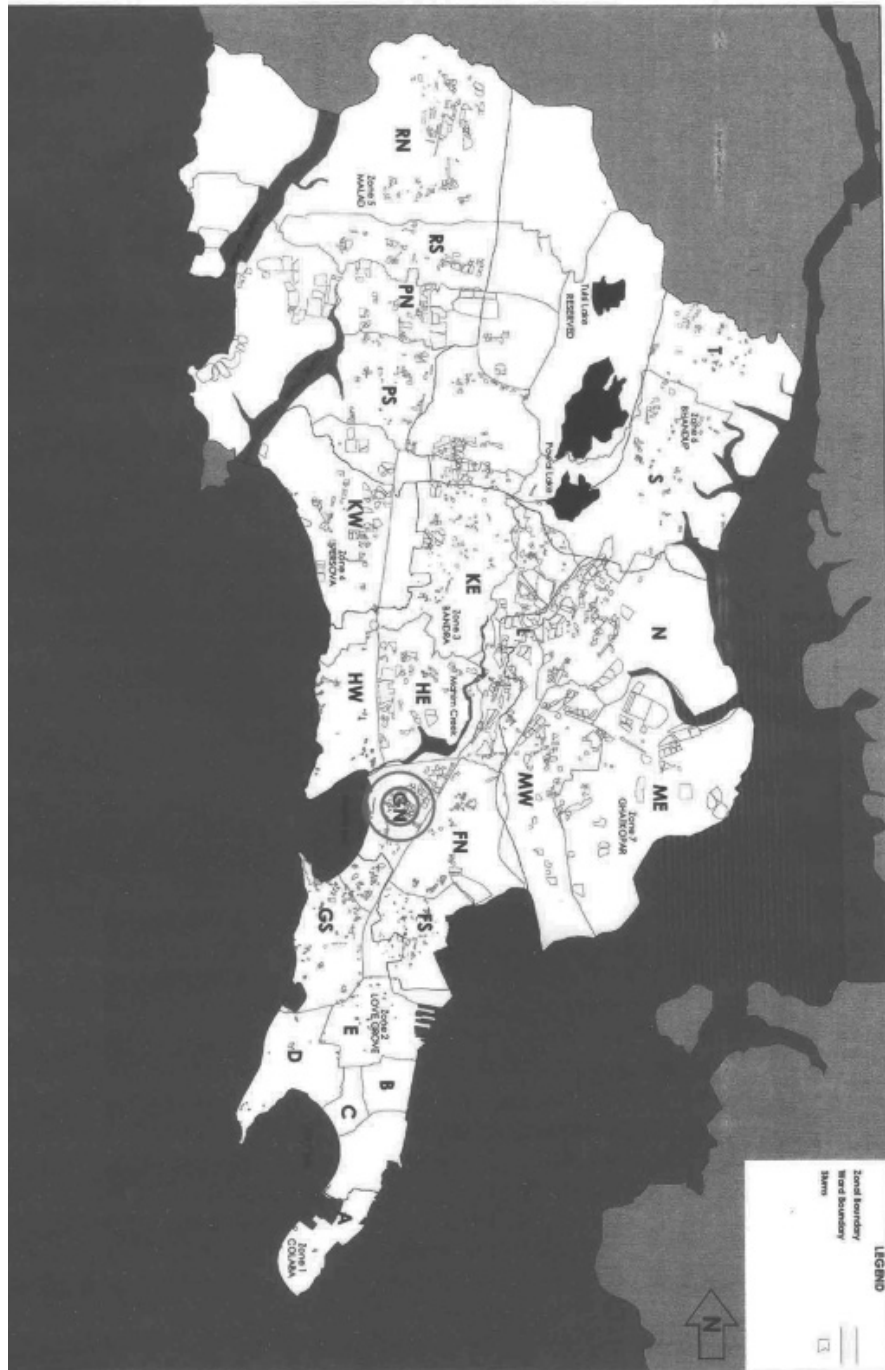
Source : Compiled from UNDP reports, Neelima Risbud, understanding slums : Case studies for the global report on Human Settlements 2003 and Mumbai development plan 2005-2025.

NATURE AND CHARACTERISTICS OF DHARAVI

Dharavi is located between the Western line and the central line, in what could be called the heart of greater Mumbai. It is situated at G North ward of BMC.

It is located between Bandra and Kurla on the North, Sion on the East, Mahim on the West, and Matunga and Dadar on the South. It cover a total area of 223 hectares and has an estimated population of 700,000 people, however ,no recent and reliable data is available for the population. A recent survey established that in a central neighborhood of Dharavi, Chambda Baazar has the density of 336,643 people per square kilometer! If we take the 700,000 population figure, the population density of Dharavi would be around 314,887/km². This compares with a density of 29,500/km² for Mumbai as a whole (the most densely populated city in the world), 55,077/km² for Kwun Tong, the densest area of Hong Kong and 25,845.7/km² for Manhattan in New York and 16,710/km² for Shinjuku, Tokyo. Dharavi is more than 6 times denser that daytime Manhattan (which is about 50,000 people/km²).

Virtually all the regions of India are represented in Dharavi. Its largest communities are Tamils and Marathi. Dozens of languages are spoken in Dharavi. The native population represents about a third of the total population.

The following basic facts about Dharavi strengthens the researcher's idea of identifying Dharavi for the purpose of conducted this study.

1. Dharavi is first an industrial estate and then a residential slum,
2. Dharavi is enterprise personified-it forces people to survive, due to lack of a safety net.
3. 80% residents of Dharavi work in Dharavi itself.
4. Majority residents of Dharavi are dalits.
5. Dharavi is a reserved constituency.
6. Dharavi has 11 mosques,28 temples,6churches.
7. It has six (municipal corporation)wards each with a voters numbering 30,000 to 45,000.

Dharavi's businesses include leather tanneries, heavy metal work, wood work, manufactured goods such as cloth, shoes, luggage, jewelry, and so on. Many products are directly targeted to the global markets and are directly shipped from Dharavi to cities around the world.

These industries account for a large share of employment in Dharavi but smaller businesses producing for the local market might account for an even largest share. Interestingly, many high-end goods produced in Dharavi are the result of a decentralized production process relying on a vast network of small home production units.

The United Nation estimates that the city will reach 25.97 million residents by year 2020, up from 13.5 in 2006. The relative scarcity of developable land makes Dharavi a very attractive location despite the fact that it is already overcrowded .

Source: compiled from various reports.

DHARAVI – SECTORS AND AREAS
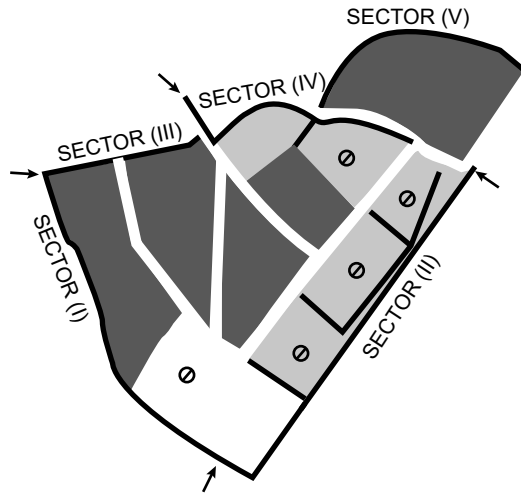
SECTOR: 1 (5900) + (800) = 6700

Samata Nagar, Bhim Nagar, Milind Nagar, Ramabai Nagar, Siddharth Nagar, Tata Power Line, Valmiki Nagar, Anand Nagar, Azad Nagar, Nityanand Nagar, Annamalai Nagar, Gitanjali Nagar, Ambedkar Nagar, Kamala Nagar, Lala Nagar, Shahu Nagar, Jumman Compound, Banwari Compound, Rahmat Compound", Zakir Compound, JalH Compound, Sanaulla Compound, Navrang Compound.

Sector (II) (13600) + (1500) = 151 00

Kumbharwada, Bharat Nagar, Walkcet Chawl, Shahid Bhagat Singh Nagar, Kamala Nehru Nagar, Chandrakant Niwas, Holkar Chawl, V.O.C., Bldg, Lal Chawl, Transit Camp, Vijay Nagar,Social Nagar, Tata Power, Laxmi Baug, Saibaba Nagar

Sector (Ill) 17250 + (2000) = 19250

Indira Nagr, A.K.G. Nagar, KUllchi Koor Nagar, Muslim Nagar, P.K. KUllte Nagar, Anna

Nagar, Kalyall Wadi

Sector (IV) (4700) + (3000) = 7700

M.P. Nagar, Balaji Nagar, Mukund Nagar, Subhash Nagar, Shastri Nagar, Kannadi Chawl, Fatima Chawl, Rajabali Chawl, Ramarwadi, v.K. Wadi, Dharavi Koliwada

Sector (V) 17300 + 2000 = 19300

Shatabdi Nagar, Naik Nagar, Ashok Mill Compound, Angm Nagar, Kala Killa, Parsi Chawl

Navrallg Chawl, Kamaraj Nagar, Rajiv Gandhi Nagar, Prem Nagar.

Total = (68050) Household Approx

Source : MASHAL

IDENTIFIED AREAS FOR DATA COLLECTION

For the purpose of collecting data the sector base map of dharavi was consulted. Out of the five sectors individual areas were identified so that the representation from all strata of the identified area could be achieved. In all, 22 areas were identified. Efforts were made to maintain balance in terms of gender, age group and income group. Following paragraphs provide a short description about the areas chosen for collecting data. The sectors were as per the identification of B.M.C.

1. Balaji Nagar- Redeveloped
2. Kala Kille- Leather industries worker/ owners
3. Mukund Nagar- Combination of workers leather, dealers, fish sellers
4. Transit Camp- Salaried, Businessmen, Small scale shop owners, snacks sellers, zari workers, Government dealers.
5. K.N. Nagar- Grocery shop- migrant entrepreneurs
6. Rajiv Nagar – Labourers, migrant workers, low income
7. VOC building – Redeveloped- Salaried.
8. Thevar Nagar- Service.
9. 60 feet road- Mostly service
10. Nityanand Chawl- Service and selfemployed.
11. Dharavi Koliwada, Chamda Bazar, Mostly self employed, laundry, etc.
12. 13th compound- Plastic recycling, waste recycling, wood recycling, scrap dealers
13. P.E. Chawal Service.
14. Kamladevi Road Mostly Middle class, shop owners
15. Sahu Nagar- Shop owners and Laboureres.lower class
16. Social Nagar- Low level income, servant, house maid, driver, loaders and cleaners.
17. Mukund Nagar service
18. 90 feet Road selfemployed, plumbers, electrician, technician.
19. Shree Ganesh service
20. Labour Camp self employed and services
21. Rajabhai Chawl self employed
22. Dharavi (dhobi ghat) Drivers, helpers and other services

LIST OF BANK BRANCHES

Sr.No.	Name of the Bank	Location
1	HDFC Bank	Matunga (W)
2	Corporation Bank	L.J. Road,Shivaji Park
3	Central Bank of India	Gadkari Chauk branch,Dadar (W)
4	Bank of Baroda	Mahim
5	Bank of Maharashtra	Gadkari Chauk branch, Dadar (W)
6	State Bank of India	Dadar, Naigaon
7	Bank of India	Mahim
8	Punjab National Bank	Mahim
9	Vijaya bank	Mahim
10	Apna Sahakari Bank	Naigaon
11	ING Vyasya Bank	Bandra (W)
12	HDFC Bank	Maheshwari Udyan , Matunga (E)
13	ICICI Bank	Matunga
14	Indian bank	Bandra (W)
15	Bank of India	Maheshwari Udyan, Matunga (E)
16	HDFC	Matunga (E)
17	The Kapol Co-operative Bank Ltd.	Maheshwari Udyan, Matunga (E)
18	Bank of Baroda	Matunga (E)
19	Bank of Maharashtra	Telang Road, Matunga
20	Punjab National Bank	Matunga Branch
21	Bank of India	ì
22	Central Bank of India	Sion
23	Tamilnad Merchantile Bank	Sion
24	Punjab National Bank Ltd.	Sion
25	Janakalyan Sahakari Ltd.	Sion
26	Bank of Maharashtra	Sion
27	Progressive Co-op Bank Ltd.	Sion
28	HDFC Bank	Sion
29	Dena Bank	Sion
30	Allahabad Bank	Sion
31	Indian Bank	Matunga (E)
32	Canara Bank	Matunga (E)
33	Union Bank of India	Dadar
34	Dena Bank	Dadar (W)
35	Central Bank of India	Khodad Circle, Dadar TT
36	HDFC Bank	Dadar (E)
37	State Bank of India	Dadar
38	Federal bank	Dadar (E)
39	The Saraswat Co-operative Bank	Dadar (W)
40	Punjab National Bank	Dadar (W)
41	IDBI Bank	Dadar (W)

QUESTIONNAIRE – FIELD SURVEY

1. Name of the respondent:
2. Age (in completed number of years)   18-25

    26-35

    36-45

    46-55

    55 above.

3. Address/Area:
4. Gender:
5. Employed/not employed/self employed:

    (a)   If employed :

    Nature of work : Contract/Temporary/Permanent:

    Type of Work : helper/ skilled/semi-skilled/factory/ service

    (b)   If not employed : occupation:

    (c)   If selfemployed : Type of work :

6. Education: School dropout/ Finished School/College education/Post graduation / No formal schooling :
7. Income – monthly: (approximate) : Rs.
8. Do you save regularly: Yes/No
9. If Yes, how much: 1%   5%   10%
10. Do you have a bank a/c

    If yes

    (l0a)   Since when?

    (l0b)   How do you operate?

    (10c)   How frequently you operate?

    (l0d)   Do you have a cheque book?

    (l0e)   Are you aware of the facilities given by banks?

    (If Yes) Name any two

If no

(l0f)   Have you heard of banks?

(l0g)   Do you remember any name of a bank?

(10h)   Why you did not open a bank a/c?

   (i)   There is no bank branch nearby.

   (ii)   I am afraid to open and operate.

   (iii)   I don't think I need one.

   (iv)   I don't think I have that much money to open.

   (v)   I don't like banks.

(10i)   If somebody helps you, will you open an account with bank ? Yes/No

11. Do you know anything about insurance. Yes/No
    If Yes- What do you know, Tell us something about what you know.!:
12. By showing a sample credit card.
    (a) Do you know what this is ? Yes/No
    If yes(i) Tell us more about this
13. Do you know what is an ATM : Yes/No
    If Yes, have you used.
14. Do you have a mobile phone : Yes/No
    If yes - Prepaid /Post paid:
    If post paid how do you pay? (i) Cash (ii) Cheque
15. Would you find it useful if somebody advises you about bank, insurance and other facilities on a regular basis, say once in 15 days (i) useful (ii) may be (iii) waste of time
16. If somebody is ready to help you (free of cost) to know more about banks and help you to plan and invest your money! will you take their help. Yes/No
    If No - Why?
17. Do you keep your Savings in patpethi, Bhisi or Mahila Milan?

QUESTIONNAIRE – OPINION SURVEY

1. What do you think about the financial inclusion policy adopted by R.B.I. ?
    Need of the hour, requires encouragement, irrelevant, untimely.
    ....
    ....
    ....

2. There is a feeling that financial exclusion is high in urban slums. Which out of the following must have been the reason for such financial exclusion.

    (a) Opening branch in slum area is difficult.
    (b) Banks do not prefer to open branches in slum area.
    (c) There is no savings in slum area. Hence opening a branch is wasteful expenditure.
    (d) Poor and banking can not go hand in hand.
    (e) It is easier to conduct banking operation in non-slum area.
    (f) All of the above.
    (g) Anythingelse.
    ....

3. B.C. model B.F. model recommended by R.B.I. may be more useful in Urban Slums.
    agree/partially agree/disagree
    ....

4. Residents of urban slums may be more receptive to communicate to BC & BFs in comparison with rural people.
    agree/partially agree/disagree
    ....

5. Financial system when becomes more inclusive, may help in better distribution of wealth.
    agree/partially agree/disagree
    ....

6. Nationalised Banks will be in a position to help R.B.I. in achieving higher levels of FI.
    agree/partially agree/disagree
    ....

7. For this, branch managers will have to be given more freedom to design and develop new financial products to suit the type of customers and their financial background. If Yes, what kind of freedom is desirable ?
    ....

8. New type of loans including housing loans education loans need to be developed. agree/disagree
    ....

9. Who, in your opinion, may function as efficient BC/BF

    (i)   SHGs
    (ii) Students
    (iii) NGOs
    (iv) Bank employees (v) Anyone else

10. More campaign for spreading awareness about financial products including insurance, credit card etc. are required in Urban Slums. Yes/No. If Yes - Give four point suggestions.
    ....
    ....
    ....

Identification Details

1. Name of the bank : ....
2. Branch : ....
3. Size of the branch : ....
4. Name of the manager : ....
5. Address of the bank: ....

The informal interview with the branch managers of scheduled commercial banks having branches at Dharavi was conducted to get first hand information about their experience in handling customers from the slum area. Besides, the research team also wanted to assess the growth pattern in terms of deposits and credit oftake.

The information was collected through informal conversation.

Details on the following lines were collected during the course of conversation in order to obtain the opinion of the managers.

- The classification of Bank
- Year of establishment.
- Nature of staff, staff strength etc.
- Nature of the customers
- Any special problems faced.
- Facilities offered.
- Future plans
- Their assessment about the the growth of banking in Dharavi
- Their opinion about the BC model

RESEARCH IMPLICATIONS – I

4.0 INTRODUCTION

The collected data was treated for its accuracy and validity. In all, there were about 1520 respondents interviewed in the chosen slum. However, after cleaning and editing the valid number became 1490.Keeping N=1490*, the computations and calculations were done. Banking habits and the level of financial literacy were required to be tested and validated with the available data. The readiness of the respondents in accepting the BC for financial advice and help was also required to be studied. SPSS PC+ was the package used for analytical purposes and statistical validation. Besides measuring simple frequency of the basic information related to age, gender, income, employment and the area of residence , meaningful interpretation out of cross tabulation was made. Results of the chi- square test of the cross tabulation gave a clear picture about the three dimensional aspect considered by the study . Para 4.1 gives a cursory view of the demographic details about the nature and type of the respondents covered by the survey. Para 4.2 engages on the banking habits of the respondents. Para 4.3 deliberates on the 'financial literacy' aspect of the study. The perception of respondents towards the BC model is given in para 4.4.

Table 4.1.1 Frequency Table-agewise

S.No	AGE	No. of respondents	PERCENT
1	18-25	361	24.2
2	26-35	526	35.3
3	36-45	379	25.4
4	46-55	175	11.7
5	55 and above	49	3.3
	Total	1490	100
Source: Reports generated out of data set 1			

*In few tables the total figure may not add to 1490as there was missing data. (see 3.4) In such events the number of available responses was taken for the purpose of computation.

Out of the total number of respondents, 35.3% belonged to the age group 26-35.The age group which requires to be brought into the FI net is the age group 26-45.By approaching 61% of the adult population, the research study can be used for meaningful interpretation.

Table 4.1.2 Frequency Table-incomewise

S. No	Income Level	No.of Respondents	Percent
1	<5000	319	27.9
2	5000-8000	447	39.1
3	>8000	335	29.3
4	CANíT SAY	41	3.6
	Total	1142	100
Source: Reports generated out of data set 1			

From the table ,it is clear that as many as 348 respondents refused to give details about their income (N=1490). This may be due to the irregularity in their income. Chances that they were unemployed are also quite high. Amongst the respondents, there were housewives and unemployed people who may not be having any regular income to disclose.

Table 4.1.3 Frequency Table-educational Background

S.No	Education Level	No.of Respondents	Percent
1	School Drop out	424	28.5%
2	Finished School	525	35.3%
3	College Educated	352	23.7%
4	Post Graduate	71	4.8%
5	No formal Schooling	54	3.6%
6	Donít want to say	62	4.2%
Source: Reports generated out of data set 1			

Understanding the level of financial literacy was required for analysis of the research. However, the literacy level of the normal kind is also a matter of concern. There may be

chances that respondents who have undergone college education, may be receptive to ideas related to FI. Simply stated, such an input is absolutely necessary in order to find out the methodology for enhancing the levels of FI in slums.

Table 4.1.4(a) Frequency Table-employment

S.No	Employment	No.of Respondents	Percent
1	Employed	723	48.5
2	Un employed	348	23.4
3	Self employed	419	28.1
	Total	1490	100
Source: Reports generated out of data set 1			

48.5% of the group were employed. Others were either self employed or unemployed. The financial dependence or independence is determined by the employment and the nature of employment of individuals. By virtue of certain occupation, people sometimes become more aware of the financial products and services. Employment and employability has a definite role to play in moulding the mind set of people towards FI. Table 4.1.4(A) and 4.1.4(B) throw more light on this criterion.

Table 4.1.4(b) Frequency Table-employment

S.No.	Type of Employment	No.of Respondents	Percent
1	Helper	131	15.2
2	Skilled	160	18.5
3	Semiskilled	39	4.5
4	Factory	54	6.3
5	Service	479	55.5
	Total	863	100.0
Source: Reports generated out of data set 1			

Out of the 1142 employed respondents (employed and self employed), only 863 responded to the question on the type of work they do. 55.5% of them were in service. Attempt was made to collect data on the type the of service that they provided. However, the variation in respect of the service provided discouraged from analyzing the data.

4.2 BANKING HABITS

Possession of a Bank account is the primary factor in financial inclusion, therefore, it (Q.10) is the key for the entire research activity. The responses to this question was treated with responses to other questions. The responses were put in to chi square test with the help of cross tabulation. Factors such as Age, Income Level, Gender, Area, Employment Status and Education are evaluated.

Table 4.2.1 Frquency Table : Bank Account Holders

Sr.No.	Possession of bank	No.of account	Percent respondents	Valid percent	Cumulative percent
1	Yes	816	54.8	54.8	54.8
2	No.	674	45.2	45.2	100.0
	Total	1490	100.0	100.0	
Source: Reports generated out of data set 1					

FI related studies have been emphasizing on the banking habits of the people of a country. The computation of FI , relied heavily on the banking penetration, banking services and the usage of banking system (Chapter 1). The banking habits as interpreted by the research team formed the basis of question no.10 of the questionnaire. Question 10 had the option of 'Yes' or 'No'. i.e. the respondents were expected to have a bank account or not . Once the option chosen is 'Yes', then probing questions were asked. Q.10a to 10e tried to collect data on the frequency of banking operations, duration of owning an account and the awareness about the facilities. The findings of the same as compared with the demographic profile of the respondents are presented in the form of tables.

Table 4.2.2 Bank Account Holders at different Age Range

Age (Q2)		Q.10.Bank Account		
		Yes	No	Total
1 18-28 years	Count	130	231	361
	% within q2 Age	36.0%	64.0%	100.0%
	% within q10	15.9%	34.3%	24.2%
2 26-35 years	Count	302	224	526
	% within q2 Age	57.4%	42.6%	100.0%
	% within q10	37.0%	33.2%	35.3%
3 36-45 years	Count	247	132	379
	% within q2 Age	65.2%	34.8%	100.0%
	% within q10	30.3%	19.6%	25.4%
4 46-55 years	Count	106	69	175
	% within q2 Age	60.6%	39.4%	100.0%
	% within q10	13.0%	10.2%	11.7%
5 55 above years	Count	31	18	49
	% within q2 Age	63.3%	36.7%	100.0%
	% within q10	3.8%	2.7%	3.3%
Total	Count	816	674	1490
	% within q2 Age	54.8%	45.2%	100.0%
	% within q10	100.0%	100.0%	100.0%
Source: Reports generated out of data set 1				

Out of the total 1490 respondents 54.8% were bank account holders. In absolute terms, maximum respondents in the 26 – 35 years age range had a bank account. Approximately 60% to 65% of all respondents who belong to the range 36-45

possessed a bank account. Out of the total number of bank account holders (816) barely 3.8% are above 55 years of age. It is quite surprising that 40% in the age group of 46-55 do not have bank account. With higher levels of significance, the statistical validation of this parameter is significant at 0.00 level. Following graph illustrates the variation in the banking habits of the target population in terms of age.
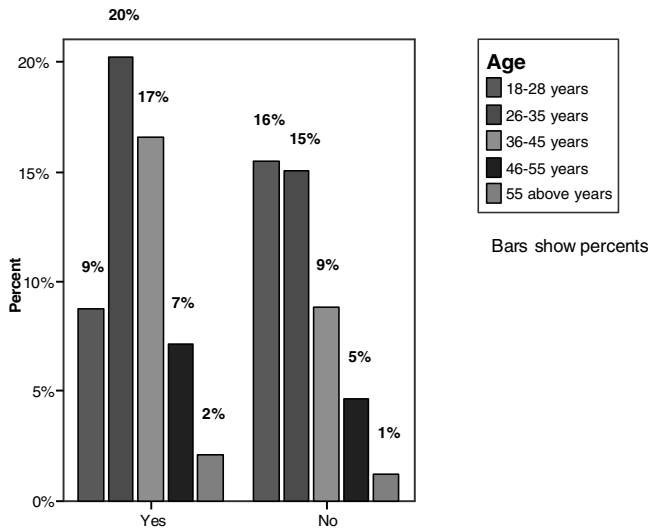

Table 4.2.3 Bank Account Holders at different Income Levels

Income Range Q7		Q.10. Bank Account		
		Yes	No	Total
1 < 5000	Count	81	238	319
	% within rq7	25.4%	74.6%	100.0%
	% within q10	12.0%	50.9%	27.9%
2 5000-8000	Count	284	163	447
	% within rq7	63.5%	36.5%	100.0%
	% within q10	42.1%	34.8%	39.1%
3 >8000	Count	298	37	335
	% within rq7	89.0%	11.0%	100.0%
	% within q10	44.2%	7.9%	29.3%
4 Can't say	Count	11	30	41
	% within rq7	26.8%	73.2%	100.0%
	% within q10	1.6%	6.4%	3.6%
Total	Count	674	468	1142
	% within rq7	59.0%	41.0%	100.0%
	% within q10	100.0%	100.0%	100.0%
Source: Reports generated out of data set 1				

At rising income levels, not only does the number of bank account holders increase but there is also an increase in proportion of Bank account holders in each income level. 89% of the respondents earning greater that Rs. 8000 p.m. possessed a bank account. With P values showing high levels of significance, the variation observed is a matter of concern. The purpose of the FI drive is to enlarge the circle of FI in order to encompass the poor and people with low income. Table 4.2.3 is quite an indicator which highlights the urgency

for working towards urban FI. The chances were bright that few of the respondents were unemployed at the time of interview. This group must have answered can't say' as response.

Table 4.2.4 Education level of Bank account Holders

Level of Education		Bank Account		
		Yes	No	Total
1 School dropout	Count	182	242	424
	% within q6	42.9%	57.1%	100.0%
	% within q10	22.3%	36.0%	28.5%
2 Finish School	Count	315	210	525
	% within q6	60.0%	40.0%	100.0%
	% within q10	38.6%	31.3%	35.3%
3 College education	Count	215	137	352
	% within q6	61.1%	38.9%	100.0%
	% within q10	26.3%	20.4%	23.7%
4 Post graduation	Count	57	14	71
	% within q6	80.3%	19.7%	100.0%
	% within q10	7.0%	2.1%	4.8%
5 No formal schooling	Count	16	38	54
	% within q6	29.6%	70.4%	100.0%
	% within q10	2.0%	5.7%	3.6%
6 Donít want to say	Count	31	31	62
	% within q6	50.0%	50.0%	100.0%
	% within q10	3.8%	4.6%	4.2%
Total	Count	816	672	1488
	% within q6	54.8%	45.2%	100.0%
	% within q10	100.0%	100.0%	100.0%
Source: Reports generated out of data set 1				

22.3% of bank accounts holders were school dropouts. Maximum penetration was seen with those respondents who had finished school. As per the Chi-Square test the P values were highly significant at 0.00 level.
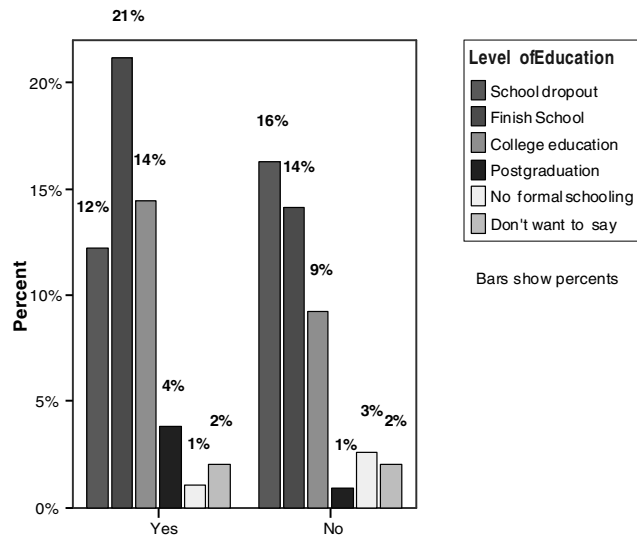

Fig 4.2

Table 4.2.5 Bank Account Holding Genderwise

Income Range Q7		Q.10. Bank Account		Total
		Yes	No	
q4 1 Male	Count	688	495	1183
	% within q4	58.2%	41.8%	100.0%
	% within q10	84.3%	73.4%	79.4%
2 Female	Count	128	179	307
	% within q4	41.7%	58.3%	100.0%
	% within q10	15.7%	26.6%	20.6%
Total	Count	816	674	1490
	% within q4	54.8%	45.2%	100.0%
	% within q10	100.0%	100.0%	100.0%
Source: Reports generated out of data set 1				

Out of the 1183 males who were surveyed, 58.2% had bank account . Out of the 179 females surveyed, 58.3% did not possess bank account . As per the Chi-Square test the P values were highly significant at 0.00 level. Possession of bank accounts by the male members of the society is not peculiar to Indian conditions. But with the rural experience where most of the SHGs were organized and conducted by women group, the urban womanhood need to be revitalized. The mumbai urban initiative of ' Mahila Milan'(see Chapter 2) clearly brings to the forefront the power of women. They will have to be given adequate support and inducement to understand newer financial products. If a woman is educated (financially), then the entire family gets educated.

Table 4.2.6 Savingattitude

Sr. No.	Saving Habit	No. of Respondents	Percent
1	Yes	692	46.4
2	No	500	33.6
3	Total	1192	80.0
4	No Response	298	20.0
	TOTAL	1490	100.0
Source: Reports generated out of data set 1			

Table 4.2.7 Pattern Of Savings

Sr.No.	Rate of Saving	No. of Respondents	Percent
1	1%	182(26.3%)	12.2
2	5%	237(34.2%)	15.9
3	10%	155(22.3%)	10.4
4	Can't say as it changes	118(7.2%)	7.9
	Total	692(100%)	46.4
	No Response	798	53.6
	TOTAL	1490	100.0
Source: Reports generated out of data set 1			
Note: Prcentage within brackets is out of those who save regularly. (692)			

Comparison of the information in Table 4.2.6 and 4.2.7 indicates the casual attitude towards savings. Only 46.4% of the respondents could recall as to how much they save. As many as 798 respondents i.e more than fifty percent did not respond to the question. Even those who regularly save, could not provide convincing responses to questions related to saving pattern.

Table 4.2.8 Usage of Bank Account

Frequency of Bank Account Usage		No.of Account Holders	Percent
1	Once in month	417	51.1%
2	Twice in a month	29	3.6%
3	Regulary	202	24.8%
4	Twice in a year	13	1.6%
5	Rarely	93	11.4%
6	No response	62	7.6%
TOTAL		816	100
Source: Reports generated out of data set 1			

Barely fifty percent of all bank holders accessed their account once a month. 11.4% accessed their account rarely, while 7.6% were unable to accurately say the frequency at which they accessed their bank account. Innovative banking products, special seasonal announcements about certain incentives etc., are generally publicized through notices displayed in bank branches. When bank account holders visit banks once in six months, the possibility of their becoming aware of these announcements is almost nil. This further aggravates the problem of financial exclusion.

Table 4.2.9 Holders of Bank Account-area Wise

S. No.	Area	No. of People Having a Bank Account	Percentage of The Total Number Having Bank Account(816)
1	Balaji Nagar	11	1.3
2	Kala Killa *	37	4.5
3	Mukund Nagar (IV)*	121	14.8
4	Transit camp*	110	13.5
5	K.N. Nagar (II)	19	2.3
6	Rajiv Nagar	-	-
7	Voc Building II*	38	4.7
8	Thevar Nagar	29	3.6
9	S.B. Chawl*	04	0.5
10	60 Feet road*	02	0.2

11	Nithyanand Chawl	22	2.7
12	Dharavi Koliwada	44	5.4
13	13th compound P.E.	02	0.2
14	Chawl Kambadevi	11	1.3
15	Road (III) Sahee Nagar	35	4.3
16	Social Nagar	82	10.0
17	Mukund Nagar (IV)	87	10.7
18	90 Feet Road	15	1.8
19.	Shree Ganesh*	82	10.0
20	Labour camp	19S	1.23
21	Rajabhai Chawl	40	4.9
22	Vijay Nagar	06	0.7
Source: Reports generated out of data set 1			
*Areas nearby the existing bank branches.			

From the table given above, a kind of pattern in banking habit may be derived. Out of the total number of bank account holders reported, 14.8% belonged to one particular area. This area along with other areas marked* are situated nearby the existing bank branches. Conversely the bank branches must have been opened in nearby areas after estimating the potential by conducting survey. (see urban financial inclusion model of Indian Bank,Ch.2).After two years of the commencement of the Indian bank branch this area seems to have more number of people with bank account.

Penetration of banks and banking habits are related to each other. The absence of banking network must have been the primary reason for inadequate banking habits in most of the other areas identified under this study. A kind of private banking which is operational in the Kamala Nehru Nagar (K.N.Nagar) and Anna Nagar areas of Dharavi is worth to be considered as a case study. (see Annexure 4.I)

4.3 FINANCIAL LITERACY

Questions which were asked to assess the financial literacy of the target population generated expected responses. The responses were given by both kind of respondents i.e. respondents having bank account and those who did not. As many as 992 respondents (66.6%) of the total number did not know about insurance. The 33% respondents who had heard of insurance, appeared confused between banking and insurance. The responses to the probe question generated such kind of responses that tabulation was quite difficult. Only one out of the total number of respondents was already insured. 0.00037% is the insurance coverage in the target population. Few taxi drivers owning taxis responded by making reference to the vehicle insurance. However, they were quick in adding that the agents take care of these things.

The responses to the probe question was tabulated under three categories viz. recalling the name of any one insurance company, any one benefit of insurance and others. The results were tabulated in the following manner.

Table 4.3.1 Awareness About Insurance

S. No.	Nature of Response	No. of Respondents	Percent
1	Name of insurance company	203	40.9 (13.6)
2	Mention of any one benefit	135	27.2 (9.1)
3	Unclear response	158	31.9 (10.6)
Source: Reports generated out of data set 1			
Figures in brackets in column 4 is percent out of N = 1490			

326 Male respondents and 61 female respondents who possessed a Bank account, were aware of the concept of insurance. Awareness was lower among respondents who did NOT possess a bank account. As per the Chi-Square test, the P values were highly significant at 0.00 level.

Out of the total number of respondents, as many as 1205 could not recognize a credit card. This number works to be out 80.9% of the total. In other words close to 81% of the target population remain out of the credit card system which appears to have generated tremendous degree of acceptance elsewhere in the city of Mumbai. Those respondents who could recognize credit cards could mention few benefits which again generated difficulty for tabulation. Many appeared to have confused between ATM card and credit card. Out of 285 respondents who could recognise a card, 130 could not provide clear answers. The difficulty in recognizing the plastic money is quite evident. 8.7% of the target population felt that credit cards help in taking loans.

In contrast, awareness about ATM appears to be higher amongst the respondents.47.9% of the target were aware of the ATM facility. This definitely is an evidence to the claim made by SBI and Indian Bank that ATMs at Dharavi has maximum hits. Out of the 714 who responded by saying 'yes' to Q. no.13, 270 were using the ATM card regularly. 37.8% of the target population using the ATM card leads to the possibility of bringing the remaining 62.2% into the net. This eventually lead one to believe that technology based methods for fostering FI may have better acceptance (See Chapter 1, Ref. 2).

It is very interesting to note that as many as 1215 respondents (81.5%) possessed mobile phone. The figure is no surprise to anybody as the number of mobile phone users are increasing by leaps and bounds in India. India is being projected as a country which will have maximum number of mobile users across the globe.

BOX 4.1

"Mobile telephony has made significant impact in India, with India now adding 100 million mobile phones a year. The total number of mobile phones is likely to touch 500 million by 2010 or 2011. It is likely that most Indian families would atleast own one mobile phone."

Nachiket More and Bindu Ananth,. Inclusive Financial Systems, Economic and political weekly,March 31,2007, PP1121-1126

As observed by the authors (Box 4.1), mobile phones have brought in a new order in the field of communication. With the enhanced communication net work due to innovations in the field of technology, they may be put into better use. With the kind of ownership of mobile phones and the usage of the same amongst the respondents throws multiple opportunities to the promoters of financial inclusion. (see Chapter 1, Ref. 2)

The probing question about the mode of payment for the mobile phone generated anticipated replies. The premise that the target population relied more on cash transaction and thus remain out of the formal system of receipts and payments gained ground as 1053 respondents out of 1215 i.e. 85.7% had prepaid cards. 128 had post paid connections. Around 47 of them did not respond to the question. This may be due to the prevailing practice amongst few employers who provide facilities of mobile phones to maid servants, drivers and other helpers so that they remain in contact. Hardly 3.7% of the target population paid the bills through cheque.

4.4 SUITABILITY OF BC MODEL

The main thrust of the study was to explore the suitability of BC model for the FI in slums at the back drop of banking habits and financial literacy. The responses to the questions Q no. 15 and Q no.16 (see annexure 3.VI) convincingly brought the concept into the centre stage as a viable option to be considered. More than half of the respondents felt that they would find it very useful if somebody advises about banks insurance and other financial products on a regular basis. They felt that the '**advice**' in respect to budgeting, investment, savings of their money by an informed person would be quite useful to them.

Responses like 'May be', 'Don't know', express a sort of indecisiveness. Therefore those responses also could be considered as a receptive response by the respondents about the possibility of some 'informed person' advising them on their financial management.

Responses to Q. No.15 was examined with Q no.10 i.e. the reaction of respondents having bank account towards an intermediary. The results of the test of validation is also given along.

Table 4.4.1 Perception About BCs

S.No.	Nature of Response	No. of Respondents	Percent
1	Useful	773	51.9
2	Maybe	494	33.2
3	Waste	170	11.4
4	Don't Know	53	3.6
5	TOTAL	1490	100

Source: Reports generated out of data set 1

Note: The questionnaire did not mention the word 'BC'. It was referred indirectly as 'somebody'.

Table 4.4.1 (A) Perception About BC (Bank Account Holders)

S.No.	BC	No. of Respondents	Percent
1	Useful	485	59.4
2	Maybe	242	29.7
3	Waste	67	8.2
4	Don't Know	22	2.7
	TOTAL	816	100

Source: Reports generated out of data set 1

Note: The questionnaire did not mention the word 'BC'. It was referred indirectly   as 'somebody'.

Those who have bank account also require the help of a BC. It can be recalled that Q10e could   not generate enough responses, as the respondents could not remember any two of the wide range of financial services offered by banks. Many of them do not visit banks on a regular basis (Table 4.2.8). Out of 674 respondents who have bank accounts, hardly 29% operate by themselves. When close to 60% bank account holders showing interest in having somebody to advise them on financial matters, conclusively reflect on the interest of the respondents to enter the formal financial system. Table 4.4.1(B) gives details of the view point of respondents who did not have bank account with reference to BC. It is relevant to point out that the responses to the probe question (10i) was also consulted while interpreting the responses for Q. No. 15.

Table 4.4.1(B) gives further insight into the issue. 42.7% of the respondents felt that the services of an advisor would be much appreciated by them. Hardly 4% of the respondents were not in a position to give any concrete opinion. It is quite natural that the respondents who do not have bank account may not be in a position to express confidently their opinion about the possible help from an intermediary. However, around

288 respondents   expressed strong positive opinion about the role of an intermediary. This has to be noted and acted upon. The cross tabulation of the responses to Q.Nos.10 and Q.15 revealed that the chi square statistic is significant at 0.05 level. The results lead to meaningful conclusions and suggestions about the urgency of designing and developing a suitable system for intermediation for financial inclusion.

Table 4.4.1(b) Perception About Bc (Unbanked Respondents)

S.No.	BC	No. of Respondents	Percent
1	Useful	288	42.7
2	Maybe	252	37.4
3	Waste	103	15.3
4	Don't Know	31	4.6
	TOTAL	674	100

Source: Reports generated out of data set 1

Note: The questionnaire did not mention the word 'BC'. It was referred indirectly   as 'somebody'.

Respondents were further probed to find out their readiness to accept any '**help'** to handle their financial decision making. This   question also generated responses which confirmed the readiness of the respondents to allow an informed person to help them, in drafting their financial plan.

Negative responses from around 240 respondents (16%) were recorded. However, the respondents could not assign any specific reason for the same. Perhaps ignorance about the possible role of an intermediary would have cast some doubts in the mind set of these respondents.

In all 1073 respondents expressed their willingess. In fact they felt that such an arrangement would help them to plan their resources better with almost 77.7% of the total respondents surveyed expressing their willingness to allow an intermediary. A qualified and knowledgeable(intermediary) BC may bring the kind of changes that are required in the life style of the urban poor and under privileged.

Responses to Q. No.16 was cross tabulated with the responses to Q. No. 10 to establish whether the results were statistically significant. The tables given below explain the spread of the data. Pattern that emerges conclusively support the need of an informed source to help or intermediate the financial operations in a slum area.

As many as 100 respondents refrained from answering the question. There is a fundamental difference between *'taking advice'* and *'seeking help'*. There must have been some inherent fear amongst these respondents about seeking help from an unknown person. With 59% of the 1381 respondents showing readiness to accept help, the need for such an help gets underlined. Interestingly out of 816 respondents having bank accounts, 632 respondents felt the need for an external help. Thus it emerges very clearly that the banking habits is not a sufficient condition for evaluating the FI. People with bank accounts also require some kind of assistance in order to use the banking services better. Out of 674 respondents having no bank accounts also expressed the need for an intermediary. 59.4% of bank account holders stated that they would find bank advisory services useful while only 8.2% stated that it would be a waste of their time. 77.7% of all respondents felt that they would appreciate banking and investment assistance. These results were highly significant statistically at 0.00 level.

Table 4.4.2 Acceptance of BC as a Helper /Advisor

Sr.No.	BC	Banked	Unbanked	Total
1	Yes	632	441	1073
	Row N%	58.9%	41.1%	00%
	Column N%	82.6%	71.6%	77.7%
2	No	133	175	308
	Row N%	43.2%	56.8%	100%
	Column N%	17.4%	28.4%	22.3%
	Total	765	616	1381
	Row N%	55.4	44.6	100
	Column N%	100%	100%	100%

Source: Reports generated out of data set 1

Note: The questionnaire did not mention the word 'BC'. It was mentioned indirectly as 'somebody'.

It is pertinent to highlight that the chi square test with reference to Cross tabulations was statistically significant for the purpose of generalization.

Financial Exclusion in the identified area emerged stronger when as many as 71.7% of the target population was found to be out from any other informal institutional system identified. The literature review led to the idea that the urban poor many times organized themselves as members of pat-pethi ,Bhisi or like. Although the scope of the study did not permit a detailed investigation of the participation in the informal system, an attempt was made to figure out the probability of the semi-formal access to finance in the forms mentioned. The responses, i.e. 1068 respondents out of 1247 who chose to answer the question, is indicative enough about the FE in Dharavi.

4.5 FINANCIAL INCLUSION AT DHARAVI

The analysis based on the responses of the residents of Dharavi point towards the low levels of financial inclusion at

Dharavi. There also emerges a need for a serious thought process related to BUSINESS CORRESPONDENT (referred as an intermediary).With four branches catering to the seven lakh population of Dharavi clearly brings out the anamoly in the bank penetration parameter of financial inclusion (see IFI in Chapter 1, 1.2). An action plan may be chalked out for branch expansion, financial literacy programme or any other measure that deem fit. However, the concept of finance being specialised and sensitive, just a campaign for financial literacy will not serve the purpose. Branch expansion of the scale that is required, again may prove to be an impractical solution given the viability of the banking business operations. The better suited option may be to consider a **BC model**.

An attempt was made to explore the perceptions of the banking community about the suitability of the BC model.

CASE STUDY – PRIVATE BANKING AT DHARAVI

There is a group of capitalists!!!!! at the center of Dharavi who readily help the enterprising migrant population. Migrants who are capable of running small scale business activities are their clients. The modus operandi is narrated below:

The originator (Private Banker) is generally a shopkeeper (himself a migrant decades earlier). These people when approached by the migrant entrepreneurs conduct a feasibility study on the same lines of SCBs, but in a very short period of time. Once satisfied, they invest to the tune of Rs. 50,000/– (Amount varies from person to person and from business to business). The person remains attached to the shopkeeper for all his requirements. For example, an Idli Vyapari should purchase all the ingredients required from the shop on credit.

The initial investment by the originator (shopkeeper) is recorded and a sort of pass book is maintained by him.

After business hours, everyday the borrower remits a percentage of his day's income. Sometimes it may go to the extent of 90% of his income. This private banker calculate EDI (Equated daily Instalment). The calcuation of EDI (Not EMI) is worked out by considering the initial amount +interest+ and the value of materials supplied by the shop keeper everyday. During the annual visit to their native place the person is given a lump sum amount after adjusting the payment to be received. The transactions remain open for a continued period of time. Interestingly, the original seed money is adjusted over a period of time. If the originator and borrower belong to the same region, money remittances are made through certain contact persons commonly known to both.

5

RESEARCH IMPLICATIONS – II

5.0 INTRODUCTION

Primary data collected from the bankers operating in the nearby vicinity of the identified area helped in understanding another dimensional aspect of financial inclusion. The efforts made to contact the branch managers presently operating at Dharavi also helped in understanding the view point of the supply side of the financial services. Para 5.1 brings out the results of the analysis based on the data collected from the bank managers with the help of a structured questionnaire.

Para 5.2 gives the essence of four different unstructured interview conducted with the four branch managers of banks operating at Dharavi. The views expressed by these officials are absolutely personal. The researcher would like to place on record a deep sense of gratitude for the time they have given. Para 5.3. gives the customer profile of typical banking customer in a bank branch in the slum area on the basis of the observation made by the research team. The requirements of an ideal BC model as visualised by the researcher based on the inputs of the research work is presented in para 5.4.

5.1 FINANCIAL INCLUSION – BANKERS' VIEWPOINT I

As mentioned in para 2.2 (Chapter-2), one of the major contributory factor for FE is the supply side. This sector comprises of bankers and financial institutions. To keep in line with the research plan, the branch managers of the various banks situated in the 'G north' ward of BMC (which are located close to the target slum) were contacted by the research team. With the help of structured questionnaire, opinion from as many as forty branch managers (excluding the bank branches at Dharavi) was gathered. The bank branches were chosen primarily on the basis of their location. However as a matter of co-incidence (or may be due to the policy of branch expansion) the chosen banks included the variety of banks operating in India. The opinion from the

managers of public sector banks, foreign banks, urban co-operative banks, as well as private sector banks form the basis of the analysis given below. The names of the banks approached is annexed. (Annexure 3.VI)

5.1.1

There seems to be a complete union of thought about the FI policy of RBI. Excepting few, all were of the opinion that the FI policy requires to be given all the due importance. Few were of the opinion that the policy, would enable India to face the worldwide recession. Out of the four alternatives provided, most of them felt that a well orchestrated FI policy is the '***need of the hour'***.

5.1.2

When question about the reasons for high FE in slums was asked the managers were quick to point out the infrastructure or the lack of it. Few of them felt that the ***branches in slum area may not be commercially viable***. There has been a tendency to open branches in areas where conduct of banking operations may be simple and easy. In other words, conducting banking operations in slum areas require more time and efforts of the bank officials as they may be required to explain step by step the operational and procedural aspects.

5.1.3

More than 50% of the bank managers agreed that ***BC/BF model may be suitable for FI in slum areas***. There has been a clear co-relation between the opinion on the difficulty level of handling the customers and the possible role of a BC. Those who disagreed with the BC model, were of the opinion that the bank staff or officials must be encouraged to function as BC/BF. It is interesting to note that this opinion partially reflect on the readiness of the bank managers to take up

additional responsibility to function as BC. Perhaps this may reduce the cost involved in appointing and training people to function as BC.

5.1.4

General opinion about rural urban financial exclusion could not generate enthusiastic responses. Probably the technical and statistical information about FE in rural areas and urban centers was not sufficient to make a committed response. However, the responses were quite indicative of their concern towards urban financial inclusion. All of them were of the opinion that there exists a ***need for proper distribution of wealth generated by the economy. In their opinion enhancing the financial inclusion through proper intermediation would help in bringing balanced growth.***

5.1.5

There has been a ***general agreement about the role of nationalized banks in bringing out complete FI.*** It is imperative to point out here that the basic objective behind the nationalization way back in 1969 was to ensure complete FI through branch expansion in rural areas. However, forty years later the objective needs to be reviewed to cover the unbanked areas in the urban centre. Opening branches may not be a sufficient step to motivate the people of the 21st century. One of the managers very strongly felt that the branches managers of such branches operating in slum areas, may be granted some special status so that they have the discretion of deciding on certain matters which may not fit in the existing policy framework. Few of them opined that need may arise to ***customize the financial product to suit the requirement of the nature of customers.*** The type of loan required at the fisherman's colony will be completely different from the requirement of an ' Idli Vyapari' in Dharavi, they opined. The H.O. administration should provide them with decision making authority and also make them accountable. Certain products that are common to all the customers, also require frequent revision or review so that more features can be added. According to them, even a simple ***product like 'educational loan' can be packaged in multiple ways to suit the requirement of the different client segments.***

5.1.6

All the respondents felt the need for better publicity of the banking services not only in the urban slum but also as a general practice. A note worthy point emerged out of the opinion survey conducted, is the observation about high valued customers having banking habit spanning over a long period of time, but not aware of the new financial products and services. One of the managers remarked in a lighter way about this phenomenon which is quoted below, 'Look, you have a plasma TV. There are multiple functions that can be performed by operating the remote keys. Many a times we don't use the remote keys to the optimum extent as we are not aware of their functionalities. Financial services are similar. Many people who possess multiple bank accounts are not aware of the facilities introduced from time to time.' This brings into the foray the problem of spreading awareness about the financial products and services. Here they agreed that ***an intermediary would be of great help.*** Majority votes were mustered by SHG as a suitable BC. Few of them felt that both SHG and NGO may function successfully as BC. Some Managers felt that the job of intermediation may be better performed by the bankers (see 5.1.3).

5.1.7

The results of the opinion survey illustrate the concern of the bank officials towards FI. They showed keen interest in the objective of the study and were as concerned as (if not more) the members of the research team. The observation and conclusion about the need for finding a suitable solution for solving the problem of FE in urban slums was unanimous amongst the bankers approached by the research team.

5.2   FINANCIAL INCLUSION – BANKERS' VIEWPOINT II

Following Paragraph partially describe if not fully the experiences of the bank branch managers who have their offices at Dharavi. In all there are four bank branches that are operational in Dharavi area at the time of this research. They are Development Credit Bank, Indian Bank, State Bank of India and Union Bank of India.

The branches of these banks were established at Dharavi barely two years ago. (SBI's claim that they were the first one to start a branch a Dharavi is still under debate as the postal address of SBI branch is Mahim).

Indian Bank's branch is situated at the heart of Dharavi popularly known as 90 feet road. The bank established its branch under the financial inclusion policy of RBI. After the bank's success in fostering FI in rural area with the help of mangalam model (see Box 2.1 chapter 2), they made an entry in the urban slum through Dharavi. With the collaboration of FINO, they have started providing credit cards to the customers. Their ATM has 700 hits per day, which experts say is the highest by any standards. They have chalked out plans for enlarging their activities for enhancing FI in Dharavi. To quote Mr. Veeraraghavan the manager of the branch 'There are no beggars in Dharavi. The perception of the rest of the world is wrong that Dharavi is poor.'' Whatever you eat and

wear have lot of chances of being made at Dharavi. They sell things in their own brand names. They will never sell duplicate products.'

Currently, they (Indian Bank) are not using any BC for conducting business. However, Mr. Veeraraghavan says that the bank officials are highly motivated and perform the role of a BC. Within two years of operations they have procured 25,000 bank accounts. However, the awareness about insurance products and loan facilities is very poor which needs to be addressed, according to him. (Less than ten people have availed of the insurance facility offered so far.)

Branch manager Mr. Vyas (Union Bank of India) and the Manager of Development Credit Bank shares the similar view. All of them were unanimous in identifying the untapped potential of Dharavi. The discussion with the managers which was unstructured and informal helped the researcher in identifying the nature of the customers, the problems they face and the problems faced by the bankers.

5.3 SELECTIVE FEEDBACK

The inputs from the opinion survey alongwith the observations made on site by the research team helped in arriving at the following conclusion:

 The banker – customer interaction in the slum branches appears to be strange and unique. Bank officials are sometimes expected to help the customers even for filling in the forms. The nature of customers and the problems faced by them are presented in the following paragraphs:

5.3.1 Nature of Customers (with special reference to slum areas)

- They are basically illiterate barring very few exceptions.
- They belong to different communities.
- They speak different languages and are generally not comfortable with English language.
- Most of them are daily wage earners and have no regular income.
- Majority businessmen in informal sector do not follow any labour rules or regulations.
- Those customers who have bank account use ATM without any difficulty
- They are curious and are willing to learn new things if communicated properly.
- They by any standard, are good customers
- They would like to use the facility according to their convenience. In other words, they find it difficult to stuck to the fixed time of banking hours.
- Most of the customers are men.

The customer profile at Dharavi branches seem to explain the reason for FE in this vast slum area. Motivating illiterate people to get included in the banking system requires a lot of planning and execution. It is just not an action but a **mission.**

5.3.2 Problems of Customers

Those who have opened bank account at the bank branches referred in para 5.2 and have become regular customers, also have some problems and difficulties. An informal talk with few customers enabled the research team to identify their problems which inter-alia include the following:

- They are afraid to enter the bank after opening an account.
- This fear is not about people but about the procedure.
- They get confused about the system of withdrawing and depositing
- Adults and grown up customers are so self conscious that they are reluctant to ask for help.
- There is no one to attend to the queries especially on a day when the branch is crowded.
- They find it difficult sometimes to understand the entries made in the pass book.

Besides the behavioral problems, the customers are often intimidated by procedural difficulty and lack of knowledge about the procedure. There has been a general feeling that they are used for glorifying the performance of a bank and according to them there is no true spirit behind the banking service rendered. The major problem is that they consider 'bank' as a government department and they are ignorant about its organizational details.

5.3.3 Problems Faced by the Bankers

The problems faced by the bank branches are mainly organizational. There seems to a complete apathy on the part of the policy makers about the branches which operate in slum areas. The type of customers in slum areas are largely ignorant but inquisitive. Dealing with them requires a great deal of patience and perseverance. The *staff requires special training to handle different situations.* Rotating staff and inflexible rules dampen the spirit of the people working in slum branches. Few problems are mentioned below.

- The branches in slum areas are not treated as special branches.
- They are grossly understaffed.
- The managers are not given any freedom to modify the existing procedure.
- The staff is required to work beyond the stipulated office hours, but are not compensated enough.

- Lack of suitable training programmes
- Improper infrastructure

The staff at these branches often faces certain conflicting situations as they may have to address the emotional outburst of the customers. As seasoned bankers bound by the rules and regulations, they find the situations difficult to handle.

5.4 BUSINESS CORRESPONDENT MODEL – BASIC REQUIREMENTS

The experience of the bank managers and the results of the empirical study about the nature of the target population point towards the need for a powerful intermediary in order to enhance the FI in slum areas. An intermediary who can be identified as BC, may be in a position to influence and motivate the people in the slum areas to use the available banking and financial products. They will be in a position to supplement the bank staff by reducing their work related to the fulfillment of banking and insurance procedure.

The BC model, therefore, should possess the following features to address the identified problems:

- The BC may be an individual or a small group preferably with business outlook.
- They should possess complete knowledge about banking and insurance products.
- They must have willingness to give quality time.
- They must be given a designated place.
- They should be permanently identified with one bank.
- They will have to work independently
- They must possess sufficient knowledge in various Indian languages, especially the language which is widely spoken in the area of the operation.
- They must be given a budget which may be decided at the commencement of the financial year.

- The budget may include the remuneration that is payable to them
- They must be available to the customers at any time i.e. they must stay linked to their mobile phone.
- Along with the budget, they should spell out target about the number of new customers to be brought in to the FI framework.
- They must submit monthly returns to a designated authority to which they are attached.
- Must meet once in a quarter to discuss the progress.
- RBI and the concerned bank can prepare a list of people interested in becoming a BC*, and appoint them for the purpose.

*RBI can follow the ' Teach India model' followed by TOI so that *financial literacy can be brought by active participation of the learned members of the society.* Colleges and Universities also may be contacted for this purpose.

In short, a kind of institutional arrangement specially designed with the sole objective of urban financial inclusion is required. As institutions are established for enhancing the literacy level in the field of stock market, mutual fund etc., RBI may think of setting up an exclusive autonomous body with the singular agenda of working towards financial inclusion in the slum area.

The time has come to adopt serious thought process by the policy makers so that complete Financial Inclusion can be achieved.

Working towards Financial Inclusion in slum areas should not be simply put as an activity, but must be taken with zeal of achieving a **mission.**

6

CONCLUSIONS

6.0 INTRODUCTION

The conclusions in the form of recommendations and suggestions are given in this part. The research activity involved data collection and the empirical analysis that followed led to certain definite observations and generalizations. The literature review also gave the necessary input in finding out the modifications which could be tried in the BC model followed currently. Para 6.1 summarises the observations borne out of the study. It also brings out the contrasting issues which distinguishes the slum population in urban areas from the rural population. Recommendations in the form of suggestions are given in para 6.2 An attempt is made to present a viable BC model which, in the opinion of the researcher, may be adopted to take the '**MISSION FI'** a step further. FE in slum areas has remained out of the box for quite sometime. Slums that showcase the level of urban misery, requires a much closer observation. Concerted action on the part of GOI, RBI and other policy makers is required to eradicate urban poverty through proactive measures. By addressing the problems of the people at the BOP (Bottom of the Pyramid), national goals shall remain better achieved. Para 6.3 presents a few areas that give scope for further research . Para 6.4 covers concluding remarks.

6.1 FEW OBSERVATIONS

The descriptive research activity undertaken by the research team lends adequate support to the observation mentioned below. The focus of research was to understand the behavioural aspects of the slum population in Mumbai with special reference to financial products and services. The level of FI in slum areas and the possible steps to be taken to enhance its level was the basic premise of the research. The study undertaken and the subsequent analysis illustrate conclusively the low levels of FI and the need for enhancing

the level. Considering the objectives, the observations made are presented below:

- The socio- economic status of slum dwellers demonstrates high levels of diversity.
- The formal financial system made available to the slum dwellers is largely inadequate.
- There seems to be a tendency to shy away from the formal agencies of finance.
- After forty years of government's decisive role in banking system, these areas still remained neglected and without banking services.
- There is a huge awareness gap (leave alone knowledge) about the innovative financial products and services.
- FE in slum areas is visible and conclusive
- Better financial management as a method of poverty alleviation is not understood by slum dwellers.
- There is a tremendous scope for encouraging them to become part of the formal banking/financial system.
- The transition from informal system to formal system may be quicker and faster, as there seems to be readiness amongst the people for entering the formal system.
- Urban slum dwellers, unlike the rural poor, possess and retain their individuality. In other words community oriented consciousness appears to be less pronounced in slum areas.
- Due to the absence of strong community linkages, the steps for FI tried in rural India, may not help in achieving FI in urban slums.
- Newer and innovative mechanism, tailor made to suit the urban poor is the need of the hour.
- Such steps need to be taken with utmost levels of urgency if the goal of inclusive growth is to be achieved.

These observations lead one to the conclusion that the level of FE in slums is reaching a level which should be taken   as

a signal for immediate action. The results with reference to banking habits, financial literacy support the urgency to address these issues in slum areas. The fact that it is unviable to open or expand branches, initiates one to explore how banks can multiply in slum areas without facing organizational constraints. Adoption of the much discussed BC model appears to be the viable alternative.

6.2   AN URBAN-CENTRIC (SLUM-CENTRIC) BUSINESS CORRESPONDENT MODEL

Considering the nature of slums, profile of slum dwellers, policies related to banking in India and the past experience, the following BC model is suggested. The model is set on the following premise.

(i)   The model for fostering FI should result in **intermediation** and not **intimidation.**

(ii)   It should address the problems of **individuals** as urban slum dwellers. iii)   An 'apolitical model' is required.

(iv)   It should be simple and at the same time it **should have built in checks and controls.**

(v)   The model should give fair, equitable and balanced approach to address various issues.

(vi)   Spread awareness about products and processes on an ongoing basis.

An attempt is made for presenting a model for Financial Inclusion of slums. The model is a preliminary effort of the researcher which if required can be modified. The model suggests intermediation at two levels. Tier 1includes the policy makers and the participating bankers along with a Business Correspondent Leader (BCL). Tier 2 brings in a battery of Business correspondents who will be coordinating with the public and the BCL. They will be given freedom to workout means and methods without any prejudice for enhancing the FI designated to him/her. This area based approach would enable the BCL to collect valuable feed back which in turn may be communicated to the participants in Tier 1.The communication channels will remain open so that the flow of information remains simple and smooth.
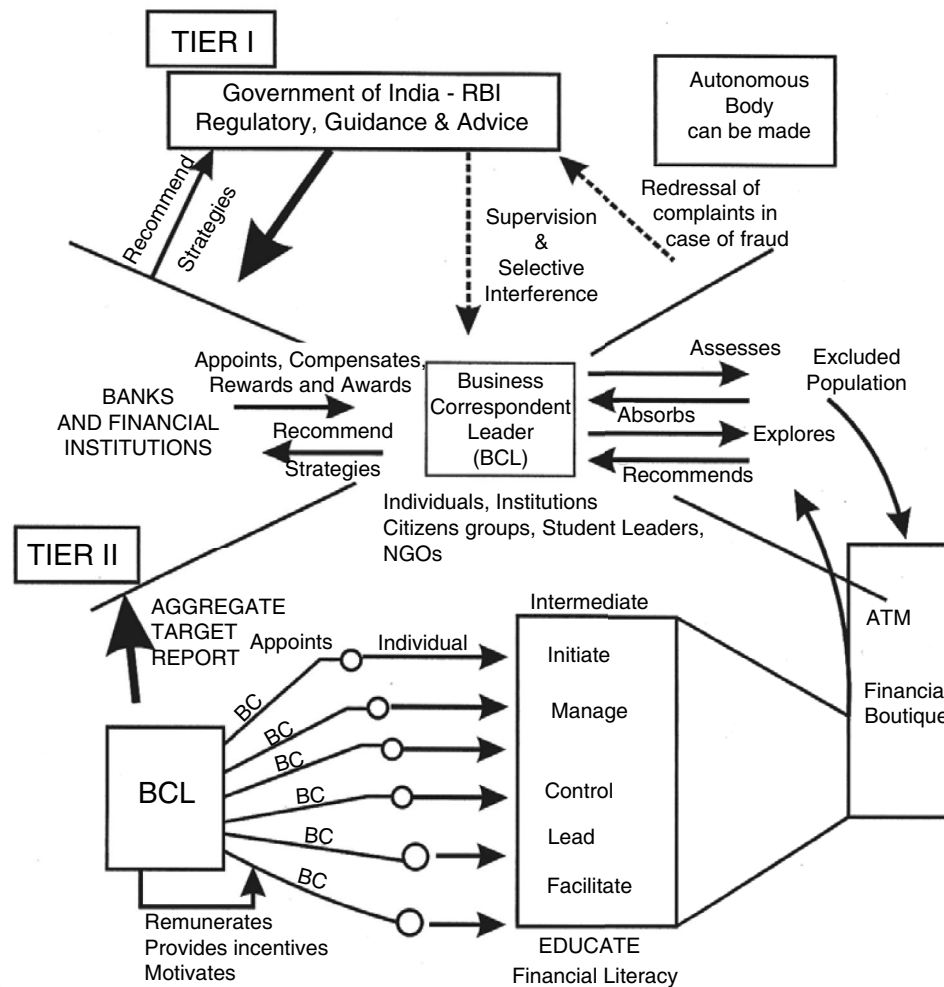

Fig. 6.1

Autonomous body can be established

The model is based on the basic fabric of the urban population. An urban centric model necessarily requires to be different from a rural oriented programme. The nature of employment and the exposure of the urban population is distinctly different from the rural counterparts. For example, with as many as

77% of the respondents covered by the study owning a mobile phone, mobile technology can be used to the maximum possible extent. The ease with which the ATM concept has been accepted by the group, opens up another avenue for reaching the masses. By utilising the space just outside (or inside as the case maybe) ATM centres and converting them into 'Financial Boutiques' the same will be modelled as 'one point solutions' or 'one point contacts', for promoting financial literacy. BCs may be given a designated location by giving them a place at ATM centres.

6.3 SCOPE FOR FURTHER RESEARCH.

The pathway in the process of the research undertaken, brought into limelight the milestones in achieving the 'Mission FI'. All along the study, one glaring reality felt by the research team was the insensitivity on the part of concerned authorities towards the problem chosen. Right from the availability of the data about the urban FE to the kind of steps taken for reducing FE in India the research team had to struggle .It is said and believed that this void can be effectively filled only by active academic research. Students of banking and finance, research institutions and Government departments need to pay sufficient attention to the addressed problem on a much larger scale. For example, the present study could break the myth about the most popular slum in Mumbai. Every metropolitan city suffer from similar kind of problem of varying nature. Studies focusing on specific community, or

occupational group may help the policy makers to formulate specific policies. For example FI amongst taxi drivers, FI amongst maid servants, FI amongst garbage pickers, FI amongst slum entrepreneurs etc. would help in providing various dimensional aspects of the FE amongst urban poor.

Besides these focused studies, research can be initiated at macro level also. There seems to be unconnected links such as measures of FI in different states in India. Methods for spreading awareness about financial literacy may be taken up so that the better, if not the best, may be recommended on all India basis. Research as to who may be performing as an effective BC, may also be examined.

Financial Inclusion/Financial Exclusion as a canvas for research has enormous scope.

6.4 CONCLUSION

Savings and credit are two basic elements in any developmental strategy.

'Mission FI' should address the impediments in achieving both. People irrespective of their position, should be encouraged to save and must be given safe and profitable options to save. Similarly they must be given sufficient and protected access to credit. By institutionalizing the savings and credit system the coverage and reach may expand so that the situation of complete FI can be achieved. Time is now ripe that the policy makers and practitioners swing into action so that they do not miss the opportunity. By addressing the problems in the present delivery system of various financial products and services through appropriate measures, the process of FI could be accelerated. 'Stitch in time saves nine' goes a popular proverb. The GOI, RBI and other responsible agencies need to work out an action plan for complete FI before it becomes too late.

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