

A Study on Financial Inclusion for Informal Sector in Selected Areas of Rajkot District

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Abstract:

Financial inclusion is the process of ensuring access to proper financial products and services needed by all sections of the society in general and vulnerable growth such as weaker sections and low-income groups in exacting at an affordable cost in a fair and clear manner by conventional institutional players. According to few researchers', financial inclusion means making financial services accessible to the poor, giving them credit facilities that suit their needs and generate self-employment opportunities for them. This study used Questionnaire research tool for data collection. The sample size was between 25 to 30 respondents due to pilot study only. The researcher got randomly respondents for providing information under a form of face-to-face questionnaire survey. Objective of the study is to understand the meaning, importance and different types of schemes under Financial Inclusion (FI), rolled out by Government for informal sector. Limitation of the study it is a small-scale study that tries to answer questions such larger trial is feasible or not. Therefore, pilot studies play an essential role in the planning of larger size hypothesis testing trials. In spite of the value of a pilot study, it has its own limitations, particularly its small sample size. Thus, it can only be considered as preliminary work. Whether Chai wala, Pan wala, Fruits wala and vegetables wala are numerous in district. Therefore, you cannot reach to everyone. In addition, their business is seasonal specially fruits and vegetables vendor. They are not that much educated, that they can get so much information about various schemes, which are provided by government to them. Many street vendors are using bank accounts and various schemes provided by government. The public of district uses still only 30% of the capacity of bank account. With a vision to attain inclusive growth, the Government, RBI and the implementing agencies need to take integrated efforts to develop methods and measures to take forward financial inclusion

Key Words: Finance, Financial Inclusion, Chai, Pan, Street Vendors (Vegetables & Fruits vendors)

Introduction

The concept of financial inclusion in Rajkot is highly getting success; various current innovated activities are being helped the increasing level of the upcoming of financial services, with banking institutions, cooperatives, microfinance, and mobile money facilities.

Why Financial Inclusion

Financial inclusion has been defined as a state of matters where ‘unbanked’ people and businesses have admission to useful and inexpensive financial services that meet their needs transactions, payments, savings, credit and insurance deliver in the accountable and sustainable way (Hannig and Jansen 2010: 1). While financial elimination is a procedure that stops underprivileged and poor community groups from gaining right of entry to the proper financial schemes (Conroy 2005 cited in Sarma and Pais 2011: 614). Financial inclusion is a key to support economic development and social progress, especially in developing countries. Development strategy around the world is mainly focused on improvement of welfare by dropping poverty and hunger, through the achievement of ‘Millennium Development Goals’ (MDGs) (Bhowmik and Saha 2013: 1). ‘The United Nation Millennium Assembly’ (UNMA) has also engaged up to the task of decreasing by half the number of people still living in extreme poverty by 2015 from its 1990 level (Anker et al. 2003 cited in Bhowmik and Saha 2013: 1).

Counting people in improvement procedure and making them a part of the method must not be a gift based; it is their right to contribute in the process. Financial inclusion has been measured as one of the way by which societies’ aptitude can be improved, having admittance to finance is a vital macroeconomic stipulation for economic growth as it leads to developed investment and revenue allow families and free them from poverty rounds (Solo 2008 cited in Bhowmik and Saha 2013: 1).

MEANING OF FINANCIAL INCLUSION

Financial inclusion is the process of ensuring access to proper financial products and services needed by all sections of the society in general and vulnerable growth such as weaker sections and low-income groups in exacting at an affordable cost in a fair and clear manner by conventional institutional players.

DEFINITIONS

Financial inclusion defined as the process of ensuring access to financial services, timely, and adequate credit where needed by vulnerable groups such as weaker sections and low income groups such as at an affordable cost (The committee on financial inclusion C. Rangarajan)

Informal sector

The original use of the term 'informal sector' is attributed to the economic development model put forward in 1955 by W. Arthur Lewis, used to describe employment or livelihood generation primarily within the developing world. It was used to describe a type of employment that was viewed as falling outside of the modern industrial sector. An alternative definition from 2007 uses job security as the measure of formality, defining participants in the informal economy as those "who do not have employment security, work security and social security". While both of these definitions imply a lack of choice or agency in involvement with the informal economy, participation may also be driven by a wish to avoid regulation or taxation. This may manifest as unreported employment, hidden from the state for tax, social security or labor law purposes, but legal in all other aspects. In 2016 Edgar L. Feige proposed a taxonomy for describing unobserved economies including the informal economy as being characterized by some form of "non-compliant behavior with an institutional set of rules". He argues that circumvention of labor market regulations specifying minimum wages, working conditions, social security, and Unemployment and disability benefits gives rise to an informal economy, which deprives some workers of deserved benefits while conveying undeserved benefits to others. The term is also useful in describing and accounting forms of shelter or living arrangements that are similarly unlawful, unregulated, or not afforded protection of the

state. 'Informal economy' is increasingly replacing 'informal sector' as the preferred descriptor for this activity.

Talking about the business in the informal sector, the recent situation in Rajkot put stress on the street vendors who are always in disagreement with the government. This is because street vending prohibited in the street of city. Another observation about informal trade doer in the street of city is that most of them are women and young people. However, Zin and Weill (2016) observed, “all individual characteristics have a considerable relation to financial inclusion. Being a woman significantly reduces the probability of having a formal account or a formal saving, while no important result is observed concerning official credit” (Zins and Weill 2016: 51).

Most of the small business owner especially in the informal sector is overwhelmed with unsatisfactory funds and accessibility of financial means to run a meaningful production. “Private sector development has an essential role to play in poverty reduction. Together with small enterprises, the private sector creates and sustains the jobs necessary for poor people to work and earn the income needed to purchase goods and services” (Vandenberg and Creation 2006: vii). Private sector sometimes becomes module of the informal sector. The informal sector is comprised of businesses done by people who do not pay taxes, have no trading approval and are not involved in social welfare or management insurance systems (Haan, Coad, & Lardinois, (1998) cited in Wilson et al. 2006: 798).

Empirical confirmation approves that countries with a considerable number of their people left out from the prescribed financial proposal also illustrate higher poverty and advanced inequality (Thorat 2008 cited in Bhowmik and Saha 2013: 3). Although the measures have been assumed to assess the growth of financial inclusion in Rwanda, there is a lack of information with reference to the side of financial service receivers. Therefore, this investigation paper is intended to understand the factors behind financial inclusion and exclusion in Rajkot especially in the middle of the small businesses in the comfortable sector (street vendors).

Literature Review

Doing a review of literature is a crucial part to create depth understanding of the undertaken research and it is used to build a foundation based on main ideas. This chapter presents different concepts to give comprehensive understanding financial inclusion in the informal sector.

According to Bhowmik and Saha financial inclusion means making financial services accessible to the poor, giving them credit facilities that suit their needs and generate self-employment opportunities for them (Bhowmik and Saha 2013: 3). There are assorted reasons that make financial inclusion to be important, “It is important simply because it is a necessary condition for sustaining equitable growth” (Subbarao 2009: 3).

Monetary consideration is subsequently fundamental to guarantee that financial improvement execution is complete and proceeded, monetary incorporation implies all creativities that make formal monetary offices 'reasonable, open and accessible' to all areas of individuals. This needs explicit thoughtfulness regarding exact segments of individuals that have abandoned from formal monetary administrations because of a few reasons, for example, orientation, area, pay level and shakiness, monetary education and kind of movement. Notwithstanding, in so embraced there is a crucial for tie the unexploited capability of those people and business by and by barred from the formal monetary foundation or underserved and permit them to develop their ability, support their human and actual limit. Include in pay making exercises and achieve gambles related with their livings, monetary consideration goes past admission to reserve funds and chance mitigation items, a well-working monetary framework that empowers individuals and firms to include all the more progressively in the economy (Triki and Faye 2013s). In Rajkot and elsewhere, little had perceived about the impact of the monetary area. Nonetheless, customary marks of the utilization of different monetary administrations have been absent for most economies (Demirgüç-Kunt and Klapper 2012).

Research Methodology

This presents the methodology that has been used during the study. It contains the research blue print, the selection of respondents, the study area, sampling techniques, research tools and

data gathering methods, procedure of data collection and data analysis techniques, dependability, Risks, and limitation.

Research design

“Research design ensures that the verification obtained enables us to answer the initial question as unmistakably as possible” (De Vaus 2001: 9). The undertaken research used two methods quantitative and qualitative which support the researcher in recounting and amplification the status of financial inclusion among street vendors.

Selection of study area

In Rajkot, the development process is getting immense success through various evident items in of infrastructure and even some new business that is being invested and the upcoming financial services deliverers including banking institutions, microfinance, and mobile money services. Among those initiated businesses there are small businesses operating in an informal way. The choice of the Rajkot district in this research study was based on the availability of many street vendors because it is in a every area or street or society where there are different activities and street vendors are finding the clients. Therefore, it is easy to get information from the vendors.

Research tools

This study used one type of research tool named Questionnaire. The questionnaire was used to get accurate information. The form contained two segments as follows: The first section contained demographic data such as age, sex, family members, child member of family and the estimated amount earned monthly.

The second section comprised of data describing status of financial inclusion in Rajkot city especially among the small business in the informal sector (street vendors like fruits and vegetable, chai and pan wala).The questionnaires were addressed to street vending one of the small business doers in the informal sector. The questionnaire was designed based on both types of questions (Open-ended and Closed questions). The sample size was between 25 to 30 respondents due to pilot study only. The researcher got randomly respondents for providing

information under a form of face-to-face questionnaire survey.

Objectives

- To understand the meaning, importance and different types of schemes under Financial Inclusion (FI), rolled out by Government for informal sector.
- To understand if the people in the informal sector are habituated to prepare a financial diary.
- To empirically check out the awareness and willingness to invest towards various financial inclusion schemes.
- To check out the awareness and uptake of selected micro-insurance schemes targeted towards informal sector.
- To suggest changes if any, for improving the reach and benefits of various investments and insurance schemes targeted towards informal sector.
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Limitation

A small-scale study that tries to answer questions such larger trial is feasible or not. Therefore, small study plays an essential role in the planning of larger size hypothesis testing trials. This study also addresses safety issues and management problems that can be encountered. In spite of the value of a study, it has its own limitations, particularly its small sample size. Thus, it can only be considered as preliminary work. Whether Chai wala, Pan wala, Fruits wala and vegetables wala are numerous in district. Therefore, you cannot reach to everyone. In addition, their business is seasonal specially fruits and vegetables vendor. They are not that much educated, that they can get so much information about various schemes, which is provided by government to them. Hence, due to the small sample sizes of study, rejection of hypothesis chance is extremely great, which could prevent conducting additional research in this area that would desperately be needed. In order to ensure that the main trial will also be adequately powered its power calculation should further be based on the upper confidence limit of the standard deviation of the study.

Conclusion

The focal point of this study is to comprehend the elements behind monetary incorporation and prohibition in Rajkot city particularly among the independent vendors in the casual area (road merchants). The various indicators of financial inclusion show that government is seriously thinking and acting on the inclusive financial growth. However, there are some issues related to financial inclusion, which need to be resolved some of them discussed below:

- Many street vendors are using bank accounts and various schemes provided by government. The public of district uses still only 30% of the capacity of bank account. Government need to spread more awareness about variety of the schemes, which are specially made for BPL cardholder public (vendors).
- Simply opening bank account is not the solution as majority of them are dormant.

There are many challenges for inclusive growth such as financial literacy, issues related to stake holders, use of digital money, Psychological and cultural barriers, infrastructure problem etc. which we need to overcome in future. Gradually Government is taking positive steps to overcome it such as ADHAR card linkage, one-step authentication up to Rs. 2,000, Digital India, Financial literacy program etc. Until today, the poor and weaker section of the society was excluded from basic financial needs. It is very unfortunate that after sixty-eight years of independence we have initiated steps towards inclusive financial growth. With a vision to attain inclusive growth, the Government, RBI and the implementing agencies need to take integrated efforts to develop methods and measures to take forward financial inclusion. Still, we are far behind the developed countries in financial inclusion and much work is remaining but care should be taken during development process for even sustainable growth by considering socio-economic environment of our country. Otherwise, “Financial Inclusion will be merely Financial Illusion”.

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