To Study Banking Habits With Reference to the Informal Sector in Navi Mumbai

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ABSTRACT

The research focuses on the banking habits among the informal sector in urban centre like Navi Mumbai. Every year, a large number of people migrate from villages to cities in search of better life for themselves and their families. They take up jobs of vendors, hawkers, construction workers, domestic workers and watchman etc. The accessibility to formal banking sector among the urban poor is quite low even though Reserve Bank of India has taken an active role in promoting financial inclusion initiatives in India through the banking sector. The main objective of the study to study the level of awareness about the banking services among informal sector in Navi Mumbai. The study also focuses on the various bank based financial services that are available in Navi Mumbai for financial inclusion. In order to achieve the stated research objectives and validate the stated hypothesis, a research plan was drawn. The sample was selected among maid servants, Navi Mumbai Municipal Corporation (NMMC) Workers, drivers, watchmen, cleaners, daily wage earners. Simple random sampling method was followed while selecting the respondents for the purpose of conducting the field survey. The sample selected was 50. The study undertaken and the subsequent analysis illustrate conclusively the low levels of banking habits and the need for taking steps to enhance it for promoting financial inclusion.

*Keywords: Banking Habits, Financial Inclusion, Informal Sector*

1. INTRODUCTION

Contrary to popular concepts of a predominantly rural India, an increasing percentage of Indian population lives in the urban areas. Over the last seventy years, while the country's population has grown by 2.5 times, in the urban areas it has grown by five times. High incidence of marginal employment and urban poverty as reflected in Planning Commission report revealed that 13.7% urban people live below the poverty line. Every year, a large number of people migrate from villages to cities in search of better life for themselves and their families. They take up jobs of vendors, hawkers, construction workers, domestic workers and watchman etc. The accessibility to formal banking sector among the urban poor is quite low. Many of the urban poor do not have access to formal financial products and services like savings, credit, insurance forcing them to depend on usurious sources to meet their personal, health and livelihood related needs. In this context, banks need to provide financial services which have to include savings, credit, insurance, money transfer, etc. In this context, the research focuses on the banking habits among the informal sector in urban centre like Navi Mumbai.

The Report of the Committee on Financial Inclusion (Rangarajan Committee), 2008 defined Financial Inclusion (F.I) as "The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."The essence of financial inclusion is in trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access these services". Reserve Bank of India has taken an active role in promoting financial inclusion initiatives in India through the banking sector. In its pursuit of the goal of financial inclusion for sustainable and inclusive growth, the RBI since 2010 has encouraged banks to adopt a structured and planned approach (RBI, 2018).

2. LITERATURE REVIEW

Some of the important work done in India is cited here. Bhanot (2012) identified that level of financial inclusion is influenced by income, financial information, distance to financial institution, awareness about services and education. Nandru and Byram (2014) explored the factors that determine the financial inclusion in Andhra Pradesh. It was found that population size, gender ratio, branch
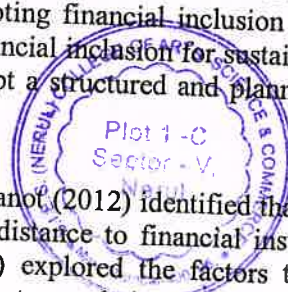
penetration, literacy rate and deposit to credit penetration ratio show significant impact on financial inclusion in Andhra Pradesh.

Chandran (2010) highlighted the challenges for India in moving toward financial inclusion. The study concludes that there are different schemes for enhancing financial inclusion outreach in India. In another study, Kumar (2013) examined the status of financial inclusion and provides the evidence of its determinants. It was found that a region's socio-economic and environmental association has a significant impact in shaping banking practices of masses in India.

Nandru, Anand and Rentala (2015) investigate the factors that affect the usage of banking services in increasing financial inclusion in Pondicherry region. The results of the analysis shows that easiness in accessing bank products and purpose of opening bank account have significant influence on usage frequency of banking services.

Singh (2017) lays out some of the basic concepts surrounding financial inclusion including access to banking, digital payments and financial literacy. The important conclusion that this paper highlights is the role of social and economic factors, the interaction of different dimensions of financial inclusion and the importance of details of policy design.

Rajasekaran (2018) outlines the various barriers that impede FI in India. The study shows that the initiatives taken by RBI and GOI have reached the majority of financially excluded people in India. Lack of financial literacy and low and irregular income affects the growth rate of financial inclusion in India.

3. RESEARCH METHODOLOGY
Research objectives
The objective of the study is

o   To study the level of awareness about the banking services among informal sector in Navi Mumbai.

o   To find out the various bank based financial services that are available in Navi Mumbai for financial inclusion.

o   To understand the barriers of financial inclusion on the access and usage of banking services.

Stated Hypotheses
o   The level of awareness about banking services as financial inclusion program is low.

o   There is a need for intermediation for enhancing the financial inclusion programmes.

In order to achieve the stated research objectives and validate the stated hypothesis, a research plan was drawn. Available literature was consulted to understand the socio and economic factors of the banking habits in Navi Mumbai area. The data required in order to achieve the objectives and validate the stated hypothesis was collected from the respondents in different nodes of Navi Mumbai

Sample selection
The target population for the research was the residents who were part of informal sector of the population. The sample was selected among maid servants, Navi Mumbai Municipal Corporation (NMMC) Workers, drivers, watchmen, cleaners, daily wage earners. Simple random sampling method was followed while selecting the respondents for the purpose of conducting the field survey. The sample selected was 50. Secondary data was collected from RBI annual reports, Census reports; reports based on CIDCO survey .

Data interpretation and analysis
The first part of the analysis is based on the basic information related to age, educational and income of the respondents. The second part of the analysis is based on the banking habits of the respondents.

Table 1. Age of the respondents

Age	No of Respondents	Percent
less than 30 years	13	26%
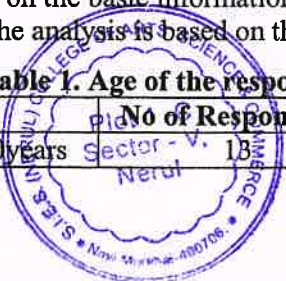
Our Heritage

31-40 years	18	36%
41-50years	06	12%
51-60 years	12	24%
61years and above	01	2%
Total	50	100%

The age group covered in the analysis is such that they can respond to questions based on financial inclusion. This allows the analysis to be used for meaningful interpretation.

Table 2. Educational Qualification of respondents

Educational Qualification	No of Respondents	Per cent
Illiterate	10	20
Below SSC	20	40
SSC	8	16
HSC	5	10
Graduate	7	14
Total	50	100%

Understanding the level of educational qualification is necessary for the analysis of the research. As the data clearly indicates, 60% of the respondents are either illiterate or school dropouts. This clearly shows that the level of financial literacy will be low among this set of respondents.

Table 3 Income level of the respondents

Income Level(₹)	No of Respondents	Per cent
<5000	1	2%
6000-10,000	28	56%
11,000-15,000	11	22%
>16,000	8	16%
No Income	2	4%
Total	50	100%

The data shows that 56% of the respondents have income between ₹6000 to ₹10,000. 22% have income between ₹11,000 to ₹15,000. 16% of the respondents have income above ₹16,000. This is due to the fact that the respondents consists of people belonging to informal sector like maid servants, drivers, watchmen, cleaners who may have low and irregular income.

Possession of bank account is the primary factor in financial inclusion. Therefore, question based on bank account is key for the entire research activity. It will help us to understand whether the respondents are maintaining bank accounts and how often they operate their account.

Figure 1 Percent of respondents owning bank account

The results show that 86% of the respondents are having bank account while 14% of them do not have bank accounts. Financial Inclusion related studies have been emphasising on the banking habits of the

people of a country. The F.I programme is based on banking penetration, banking services and the usage of the banking system. The first question on banking habits is based on how long the respondents own bank account.

Table 4 Duration of ownership of bank account

Years	No of Respondents	Per cent
Less than 1 year	03	6.98%
1-5 years	29	67.44%
6-10 years	06	13.95%
11 years and above	05	11.63%
Total	43	100%

The results show that out of 43 respondents who answered this question, 6.98% of them owned bank account for less than 1 year. 67.44% of them owned for 1 to 5 years. 13.95% for 6 to 10 years, 11.63% for more than 11 years. The next question dealt with the frequency of operating bank account.

Table 5 Frequency of operating bank account

Frequency of operating bank account	No of Respondents	Per cent
Once a week	13	30.23%
Once a fortnight	04	9.30%
Once a month	12	27.91
Once in 3 months	14	32.56
Total	43	100%

Here 43 respondents gave their answer. While answering the question on frequency of operating bank accounts, 30.23% said once a week, 9.30% answered once a fortnight, 27.91% said once a month and 32.56% said once in three months. More than 50% of the respondents operated their bank either once in 1 month or once in 3 months which reflects low banking habit among respondents.

Figure 6 Possession of cheque book facility
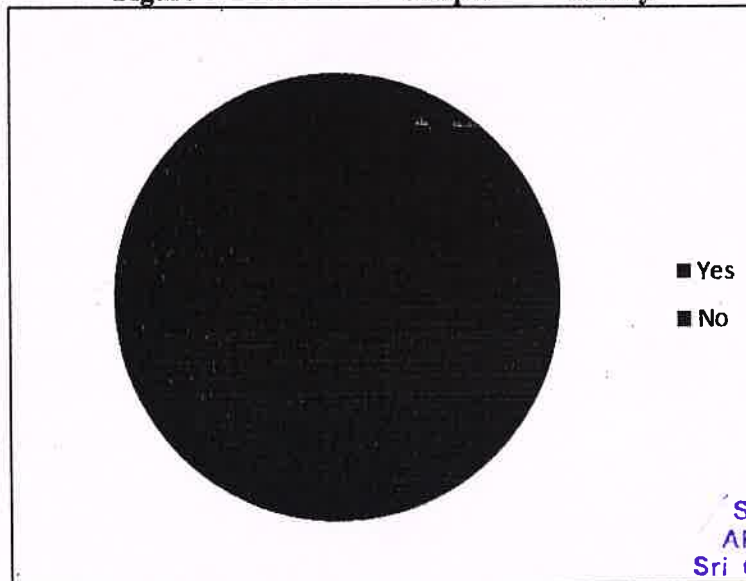
As far as cheque book is concerned, 50% of the account holders have taken cheque book facility, while others have not. This could be related to the fact that most of the respondents are not frequent users of bank.

One of the important measures introduced by RBI to increase accessibility to banking services is to provide ATM facilities. This is considered as an important F.I measure by the RBI.

Figure 7 Usage of ATM facilities
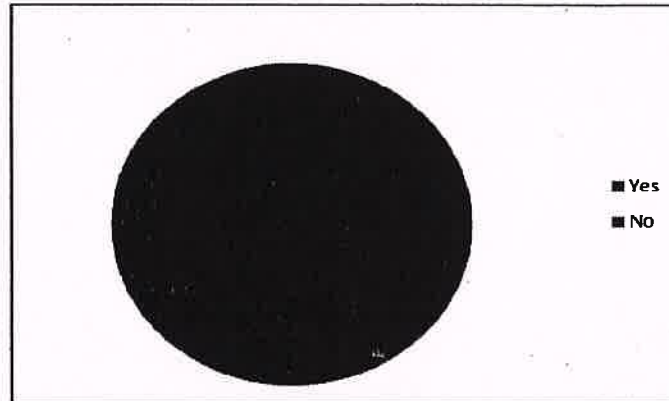
The percentage of respondents using ATM facilities is 64% reflecting higher usage of virtual banking facilities. As Navi Mumbai is an urban area, ATM facilities are available in adequate numbers. In fact, the studies show that percent of respondents using ATM facilities are more than cheque facility.

Figure 2 Awareness about banking facilities
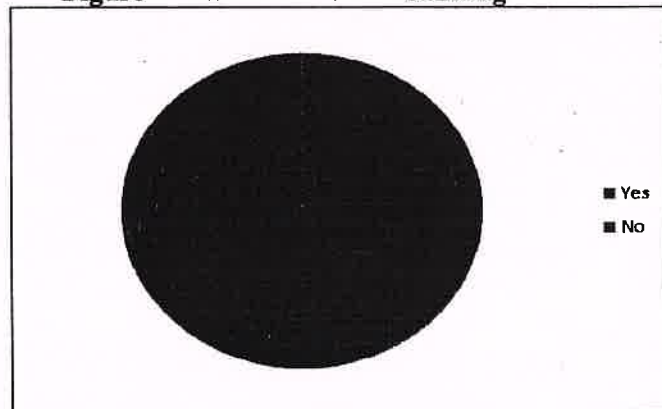
When the question was asked about awareness of facilities given by banks, 74% of the respondents replied negative while only 26% of the respondents gave positive reply. This lack of awareness may be because most of the respondents are using basic banking services of depositing money in accounts and withdrawal. This could be related to their income level and their saving habits. Since the account holders do not frequent the bank regularly, their awareness about bank announcement about their various facilities and schemes would also be low.

**Table 6 Reasons for low usage of banking facilities**

Reasons	No of Respondents	Per cent
Do not like dealing with a bank	02	5.40%%
The service charges are too high	13	35.14%
The minimum balance is too high	14	37.84%
Do not have enough money	06	16.22%
Do not want an account	02	5.40%
Total	37	100%

Another question dealt with what were the reasons respondents did not operate bank accounts. Various reasons were given like do not like dealing with banks to do not want an account. For this question, 37 respondents gave their reasons. 37.84% of them cited the minimum balance to be too high as their reasons. 35.14% responded that the service charges are very high. 16.22% gave the reason that they do not have enough money.

4. OBSERVATIONS AND CONCLUSIONS
The research activity involved data collection and the empirical analysis that followed led to certain definite observations. The focus of research was to understand the behavioural aspects of the residents
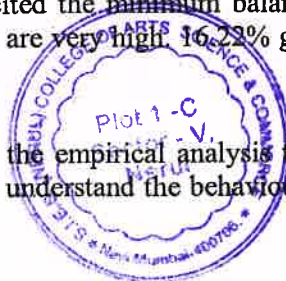
of Navi Mumbai with special reference to banking habits . The study undertaken and the subsequent analysis illustrate conclusively the low levels of banking habits and the need for taking steps to increase it. The following observations were made.

1) The socio-economic status of the group shows high levels of diversity.

2) The banking habits among the respondents in Navi Mumbai is low.

3) There is huge awareness gap about the financial inclusion programme offered by the government.

4) Better financial management as a method of poverty alleviation is not understood by the respondents.

5) There is a need for encouraging banking habits among the informal sector in Navi Mumbai.

6) Financial literacy programs need to be enhanced.

These observations lead to the conclusion that there is a need to strengthen the financial inclusion programmes. The results with reference to banking habits support the urgency to support F.I programmes in urban areas.

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