Research Paper Management

Lower Income Group and Their Preferences for Shopping Clothes: A Study in The City of Mumbai.

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ABSTRACT

This research is a comprehensive study on Financial Inclusion – Consumption across Mumbai. It covers a study of the consumption pattern of the lower income group. Data from a structured questionnaire were analyzed. It was found that there is a huge demand for quality products in the lower income group. Also, they have a considerable purchasing power. As such there is an opportunity for both financial institutions and marketers to tap this enormous market. This study was conducted in a phased manner and the research paper reveals the lower income group and their children's school education. This also reveals an interesting relationship of their income and the school they prefer for their children.

KEYWORDS

Introduction

"Financial Inclusion is a key determinant of sustainable and inclusive growth, which in turn is essential for building an equitable society."

- Pranab Mukherjee, President of India

The population of India has grown rapidly over the decades since independence. There has been significant economic development in these over 60 years of independence. However, most of this development is confined to the urban areas and the rural areas lacked basic infrastructure facilities. This led to migration of rural population to urban areas in search of employment opportunities. Thus, there exists a divide between the income, savings, consumption and standard of living of the people in urban areas

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as the weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by institutional players.

Financial institutions, insurance companies and manufacturers of FMCG products and consumer durables have always focused on the middle and upper income segments while framing their policies and strategies. However, they have neglected a large portion of the population which comprises of people belonging to lower income segments considering their income and savings to be insignificant.

This research seeks to study the income and consumption patterns of people belonging to lower income categories and drawing conclusions and recommendations which could be helpful to financial institutions, insurance companies and manufacturers of FMCG products, consumer durables and education in schools and colleges in making appropriate policies and strategies which could benefit the people belonging to the lower income groups.

The school authorities will also benefit by tapping hitherto into this untapped segment of consumers by bringing financial inclusion at the lower income segments into the mainstream financial system

Literature Riview

Asli Demirgüç- Kunt and Leora Klapper (2012) studied the African financial sector landscape. They characterized adults in Africa that use formal and informal financial services and identify the barriers to formal account ownership. The authors find that less than a quarter of adults in Africa have an account with a formal financial institution and that many adults in Africa use informal methods to save and borrow. The majority of small and medium enterprises in Africa are unbanked and access to finance is a major obstacle.

Vicki White, Simon Roberts and Ian Preston (2010) studied the energy consumption patterns of low income households. The research targeted low income high consumers. This report has applied an income-based approach in exploring the energy consumption patterns of poor households in Great Britain.

Md. Motaher Hussain (2010) in his paper " Changing consumption patterns in rural Bangladesh", explored the consumption scenario of rural Bangladesh. Being a poor low-income country, Bangladesh's main challenge is to eradicate poverty by increasing equitable income. The Gross Domestic Product of Bangladesh is growing steadily and the country also outperformed many low-income countries in many social indicators. The findings in the study suggested that the consumption patterns of rural Bangladeshis are changing over time along woth economic and social development.

ML Ngullie and S.K. Mishra (2009) in their paper " Structural relations among the components of household income and expenditures in Kohima, Nagaland" investigated into the relationship between income and expenditure on different item groups. Income elasticity's of consumption expenditures have also been computed. Increase in income brings structural changes in consumption expenditure.

Frost and Sullivan (2009) examined the critical success factors and challenges that exist in the delivery financial inclusion in India. The size of the unbanked and underserved population is too large and spread across too vast of geographies to be properly served by conventional channels alone. They suggested that Self-Service technology solutions are essential to address the scalability and sustainability challenges facing financial inclusion.

Research Methodology

The research methodology commenced with problem identification. Then, it went through the phases of questionnaire formation, data collection, followed by data analysis and inter-

pretation, conclusion and forming recommendations for marketers and financial institutions.

This research is based largely on primary data. However, secondary data was also used for reference. Secondary data were assembled from different research reports published on the Internet. Primary data was collected from people belonging to different professional categories and income groups. They were approached with a structured questionnaire and were requested to participate in the study. Stratified Sampling method was used to select the sample. Precisely, 105 people were covered including house-help, security guards, office boys, gardeners, cleaners (car and housekeeping), labourers, drivers and others across Mumbai. These data was then analyzed using Microsoft Excel. Inferences and conclusions from the data analysis were drawn. Based on this, certain recommendations have been listed.

The report is an introductory research with wide scope for further investigation. For the given time frame, a small sample size was covered involving only a few sections of the lower income group. Further analytical work can be conducted and recommended likewise.

Data Analysis and Interpretation

Collected data were of quantitative nature only. These data were subjected to statistical analysis, graphical analysis, Chi square tests and Friedman's Rank analysis. Findings and inferences were noted from the analysis. Following are the data analysis based on a survey of 105 people.

Table 1: Analysis of Monthly Expenses

Item	Mean	Median	Mode	Min	Max
Cylinders	8.465116279	9	10	4	10
Pipe Gas (Rupees)	268.1818182	250	250	250	300
Rent (Rupees)	2785.714	2000	2000	1000	8000
Trips	1.75	2	1	1	4
Groceries (Rupees)	2884	2500	2000	1000	8000
Electricity (Rupees)	453.1	400	500	200	2000
Water (Rupees)	139.1011236	60	60	50	900
Mobile (Rupees)	309.8958333	275	200	50	1500
TV (Rupees)	236.2686567	200	200	150	400
Clothes (Rupees)	322.7957	300	400	100	900
Medical (Rupees)	318.0435	200	200	100	2000
Education (Rupees)	997.4359	500	500	200	5000
Travel (Rupees)	836.9863	300	300	200	5000

Inference

The above table indicates the data pertaining to the monthly expenses of the respondents belonging to the lower income categories. The expenditure and consumption pattern indicates the standard of living of the respondents. It is directly related to the monthly household income and number of members in the respondent's family. For example, the minimum gas cylinder consumption is 4 cylinders per year and maximum being 10. This difference arises due to the difference in the number of family members. More members in the family, more will be the requirement for gas cylinders every year. The same holds true for groceries. The expenses on electricity, water and rent have differences in minimum and maximum amounts due to differences in locations of the respondents and the rates applicable in their respective localities. Respondents living in hutments or small dwellings with less appliances have less expenditure on electricity in comparison to those living in housing societies and having appliances at home. The expenditure pattern is a clear indicator of the standard of living of the respondents and is in direct relation to their income and number of members in their family.

Chi Square Tests and Friedman's Ranks Tests

Hypothesis :

H_0: There is no significant relationship between the income category which people belong to and the type of shops they buy clothes from.

H_1: There is a significant relationship between the income category which people belong to and the type of shops they buy clothes from.

Table 3: Income Group * Types of Shops Crosstab

			Type of Shops			Total
			Roadside Vendors	Malls	Retail outlets	
Income Group	5000-10000	Count	36	5	7	48
		% of Total	34.3%	4.8%	6.7%	45.7%
	10000-15000	Count	23	0	8	31
		% of Total	21.9%	.0%	7.6%	29.5%
	15000-20000	Count	5	5	5	15
		% of Total	4.8%	4.8%	4.8%	14.3%
	20000 and	Count	3	0	8	11
		% of Total	2.9%	.0%	7.6%	10.5%
Total		Count	67	10	28	105
	% of Total	63.8%	9.5%	26.7%	100.0%	

Table 4: Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.557[a]	6	.000
Likelihood Ratio	29.710	6	.000
Linear-by-Linear Association	14.876	1	.000
N of Valid Cases	105		

Data Interpretation:

From the above analysis, it has been found that the Chi value stands at 30.557 and its p-value is 0.00 which is less than 0.05 at 95% confidentiality levels. Thus, we reject the null hypothesis and accept the alternate hypothesis. 64% of the people gauged buy clothes from vendors along the roads. This fact is prevalently noticed in the Rs. 5,000 – 10,000 income category where 34% of the people surveyed affirm the same in comparison to the 22% in the Rs. 10,000-15,000 income category and about 8% in the relatively higher income category. 27% of the people shop from retail outlets and about 10% of the people go to malls like Big Bazaar, D-Mart, etc. to buy clothes. Roadside vendors provide a greater variety with quality for the lower income category. Also, these vendors are more flexible in prices than the retail outlets and malls. Therefore, we accept the alternate hypothesis that there is a significant relationship between the income category which people belong to and the type of shops they buy clothes from.

Recommendation

Based on the above analysis and conclusions, certain recommendations and suggestions have been listed below.

- Financial institutions like commercial banks and co-operative banks should develop savings and investment schemes for lower income groups, which have been neglected so far, from the plans and policies of financial institutions.
- Saving schemes by financial institutions must be developed with minimum balance requirements like Rs. 100 to Rs. 500 and favorable rates of returns to attract and benefit customers from lower income groups.
- FMCG manufacturers must develop products keeping the consumption patterns of lower income groups in mind. The products must be priced accordingly. For example, detergent manufacturers could come up with smaller packets of detergents at lower prices, offer washing

soaps free along with a large packet of detergent powder or offer toothbrush free with a tooth paste. The lower income segment of consumers is very price sensitive and the above strategy could help boost sales and revenues.

- Insurance companies can develop schemes for the benefit of customers from lower income categories. Such schemes must involve lower rates of premium and generate favorable returns post maturity. For example, a life insurance scheme with a monthly premium of Rs 100 and maturity period of 25-30 years could be developed which generates returns post maturity which benefit the customers from lower income groups.
- Government should improve their commodity distribution networks and encourage the lower income group to buy products from there. This will reduce the costs of buying groceries for the lower income group and increase their savings.
- Private educational institutions should provide education to children from lower income group at subsidized fees. Government institutions, on the other hand, should improve the quality of education provided. This will increase the literacy rate and boost the overall economy.

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