



## Role of Human Development Factors in The Financial Inclusion of Fisher Households

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### ABSTRACT

A country's economic development is usually indicated by an increase in citizens' quality of life. 'Quality of life' is often measured using the Human Development Index, which considers intrinsic personal factors such as literacy rates, life expectancy and poverty rates. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Without an inclusive financial system, poor individuals and small enterprises have to rely on their own limited savings and earnings to invest in their economic and educational activities and to take the advantage of growth opportunities. In this direction this paper is an attempt to consolidate the data on the role of Human Development Factors in financial inclusion and economic development of fisher households.

### KEYWORDS

Financial Inclusion, Human Development, Economic Development

### Introduction:

A country's economic development is usually indicated by an increase in citizens' quality of life. 'Quality of life' is often measured using the Human Development Index, which considers intrinsic personal factors such as literacy rates, life expectancy and poverty rates. The International Economic Development Council defines economic development as an "activity that seeks to improve the economic well-being and quality of life for a community, by creating and/or retaining jobs..."

While economic growth often leads to economic development, it's important to note that a country's GDP doesn't include intrinsic development factors, such as leisure time, environmental quality or freedom from oppression. Using the Human Development Index, factors like literacy rates and life expectancy generally imply a higher per capita income and therefore indicate economic development.

Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. This can be achieved through state driven intervention or through voluntary effort by the banking community to bring within the ambit of the banking sector the large strata of society. When it takes place the large strata of society which comes into the folds of banking sector is benefited in many ways.

It promotes thrift among the disadvantaged and low income groups,

It relieves them from the clutches of money lenders,

It helps the people in remote dwellings to take advantage of retail banking services and

It improves their standard of living.

Therefore, the purpose of financial inclusion in India is that genuine claimants for credit and financial services from disadvantaged and low income groups are made bankable or credit worthy to promote economic development. This extends the scope of activities of the organized financial system to include within its ambit people with low income groups. This is an attempt to lift the poor from one level to another so that they come out of poverty. But in ground reality large number of poor households including fisher households who desire the

use of financial services, but are denied access to the same due to various reasons like inaccessibility, distances and lack of proper infrastructure caused by problems such as unemployment, discrimination, poor skills, low incomes and poor housing. Even after this policy push in India towards financial inclusion, formal banking services have not penetrated into the vast segments of households and the poor and marginal sections of the fisher households do not have access to any financial services. This has resulted in the biggest hurdle for the government efforts of 'mainstreaming the marginalized' sections. The necessity to study this problem in order to minimize financial exclusion among the marginalized sections and to have an effective pro-poor financial sector policy promoting economic development of fisher households is the background of this paper.

### Importance of Financial Inclusion among Vulnerable Sections

The very purpose of financial inclusion in India is firstly to create an environment which is suitable for inculcating the habit of savings among the vulnerable sections and lower income category, strengthening capital formation. Secondly, to provide formal credit avenues to the vulnerable sections, in order to boost the entrepreneurial ability, the output and the prosperity of the economy. Thirdly, to plug the gaps and leaks in public subsidies and welfare programmes, to provide relief only to the real beneficiaries through direct cash transfer, using Electronic Benefit Transfer (EBT) facilities. Forth, to reduce the cost of banking operations using technology and the network of business correspondents thereby formal banking services are within the reach of vulnerable sections leading to inclusive growth of the economy empowering people belonging to the vulnerable sections to contribute more actively to economic development.

### Role of Finance in Economic Development

In the literature on the role of finance in economic development, it is pointed out that, financial development creates pro-growth conditions in an economy. Walter Bagehot (1873) and John Hicks (1969) argued that, access to banking services played a determining role in industrialization of England. In the year 1952, Joan Robinson opined that, there is a mutual relationship between 'economic development' and 'demand for financial services'. Simon Kuznets (1955, 1963) and Kaldor (1966) pointed out a trade-off between growth and social justice in the early stages of development, until the benefits of

growth spread throughout the economy. A group of social scientists (Aghion & Bolton, 1997; Aghion, Caroli & Garcia-Penalosa, 1999; Banerjee & Newman, 1993; Galor & Zeria 1993; Rajan & Zingales, 2003), argued that, given the capital market imperfection, vulnerable section households who have high marginal productivity, will have little money to invest in their education and their occupational options are limited. King and Levine (1993) pointed out that, a welldeveloped financial system paves the way to faster and equitable growth. Gine and Townsend (2004), in their study between 1976 and 1996 on Thai households reveal that, flexibility in financial access explains the quick growth in per capita GDP in the economy. Kempson, (2006) pointed out the literature highlighting a positive correlation between the Index of Financial Inclusion and the ranks of United Nations Development Programme(UNDP) Human Development Index (HDI). World Bank research report on access to finance (2008) states that, financial access can have direct and indirect benefits on small firms and poor households makes them more capable to take advantage of investment opportunities and insures them against risks. Therefore, without an inclusive financial system, poor individuals and small enterprises have to rely on their own limited savings and earnings to invest in their economic and educational activities and to take the advantage of growth opportunities. In this direction present paper is an attempt to consolidate the data on the role of Human Development Factors in financial inclusion and economic development of fisher households with the following objectives.

#### Objectives:

- To explore the background characteristics of the fisher households accessing financial services
- To study the factors facilitating the financial inclusion of fisher households.
- To examine the role of Human Development factors in the financial inclusion of fisher households

#### Hypothesis:

Access to human development programmes influences the financial inclusion of the fisher households.

#### Research methodology:

In this study the background characteristics of the fisher households accessing financial services and the factors facilitating financial inclusion of fisher households have been studied by looking at the type of credit, savings, insurance, remittances and other services, accessed by the fisher households in the pilot study area. The role of Human Development factors in the financial inclusion of fisher households has been examined by analyzing the influence of Human Development factors in financial inclusion of fisher households.

#### Sources of Data:

Primary data on the background characteristics of the fisher households accessing financial services and the various factors facilitating financial inclusion among the fisher households was gathered from the sample area by using survey method after the introduction of Jhan Dhan Yojana in August 2014.

The information on financial inclusion at macro level was gathered from various secondary sources like economic report of the concerned states, directorate of economics and statistics, Sources of RBI, NABARD, banking network, and the various institutions involved in the process of financial inclusion. Earlier studies conducted, research articles published in various journals and magazines, internet articles were also considered for the purpose of secondary data.

#### Observations on the role of Human Development in the Financial Inclusion of fisher households

Primary data was collected from Mangalore Taluk in Dakshina District of Karnataka by administering questionnaire schedule. This was followed by coding in order to facilitate the transference of data to SPSS code sheet. Data was edited after it was entered into the data file.

#### Demographics Data

To study the background characteristics of the fisher households accessing formal financial services 50 fisher households were selected from Mangalore Taluk out of which 42 (86 per cent) belong to Below Poverty Line category. Therefore while analyzing the baseline characteristics of the units of the total sample size n=50

Among the 50 fisher households selected for the pilot study in 42 per cent households the total number of family members less than 4 and nearly 52 per cent households had 5 to 8 family members. In 6 per cent of the households there were above 8 family members (Table 1).

**Table 1: Distribution of Households based on number of members**

Category	Total Members	Percentage
4 & Below	21	42
5-8	26	52
Above 8	3	6
Total	50	100.0

Source: Survey Data

Regarding the occupational distribution among the households other than fisheries nearly 52 percent households were also dependent on agricultural activity for livelihood, about 36 percent dependent on construction activity, approximately 12 percent households members were in manufacturing sector (Table 2).

**Table 2: Occupational Distribution of Households**

Category of Employment	Number of Respondents	Percentage
Agri. Labourer	26	52
Cons. Worker	18	36
M.S. Employment	6	12
S.S. Employment	0	0
Govt. Employment	0	0
Other	0	0
Total	50	100.0

Source: Survey Data

to the distance to avail the basic and formal banking services nearly 12 percent of the households had the distance of less than 5 kilometer, about 62 percentage households had to cover 5 to 10 kilometers distance, approximately 26 percentage households were at the distance of 10 and above 10 kilometers from the points of availing the basic facilities and formal banking services (Table 3).

**Table 3: Distance to Avail Basic Facilities**

Distance	Number of Households	Percentage
<5 K.M	6	12
Between 5 & 10 K.M	31	62
10 & Above 10 K.M	13	26
Total	50	100.0

Source: Survey Data

Out of 50 fisher households, all had ration cards, nearly 50 per cent possessed pan card and about 86 per cent had received Adhar Identity number. Almost 98 per cent had either land line telephone bills as their address proof and 94 per cent households had documents of their land ownership. Nearly 56 per cent household members had driving license and almost 94 per cent of the households had voter's identity. About 92 percent households had bank accounts (Table 4).

**Table 4: Type of Identity Proof Possessed by the Fisher Households**

Type of Documentary Proof	Number of Respondents	Percentage
Ration Card	49	98
PAN Card	25	50
UID(Adhar)	43	86
Phone Bill	49	98
Electricity bill	49	98
Driving License	28	56
Bank Account	46	92
Land Records	47	94
Voters ID	47	94

Source: Survey Data

With reference to the distribution of households on monthly income, meager 12 per cent of the households were in the monthly income category of less than Rs 10000. Nearly 50 per cent households had the monthly income of Rs 10 and 20 thousand and about 38 per cent had the income above Rs 20000.

Frequency distribution of the households based on the asset value revealed that, nearly 2 per cent of households belonged to the asset value category of less than Rs 1 lakh, about 40 per cent had asset value between Rs 1 lakh to 5 lakh and nearly 58 per cent of households were in the category of Rs 5 lakh and above 5 lakhs. Among 76 per cent of households consumption expenditure was between 1 to 5 thousand per month and nearly 20 per cent households had above 5 thousand consumption expenditure (Table 5).

**Table 5: Income, Asset and Consumption Expenditure Level of Households**

Household	Category(Rs)	No of Respondents	Percentage
Income	< 10000	6	12
	Between 10 & 20 thousand	25	50
	>20000	19	38
Total		50	100
Assets	< 1 Lakh	1	2
	Between 1 & 5 Lakhs	20	40
	>5 Lakhs	29	58
Total		50	100
Consumption Expenditure	<1000	2	4
	Between 1 & 5 thousand	38	76
	> 5000	10	20
Total		50	100

Source: Survey Data

Analysis of the ownership of land and titling revealed that around 96 per cent of the surveyed fisher households had the documentation of ownership of land and titling (Table 6) and nearly 92 per cent of the households had access to financial institutions (Table 7).

**Table 6: Ownership of Land and Titling**

Ownership of Land & Titling	Number of Respondents	Percentage
No	2	4
Yes	48	96
Total	50	100.0

Source: Survey Data

**Table 7: Access to Financial Services**

Access to Financial Services	Number of Respondents	Percentage
No	4	8
Yes	46	92
Total	50	100.0

Source: Survey Data

Among the fisher households which accessed financial services nearly 80 per cent of the households availed it from the formal financial institutions (Table 8). Around 62 per cent households were accessing these financial services from 5 years and above. Approximately 24 per cent accessing from 3 to 5 years and nearly 12 per cent households were accessing from 1 and to 3 years (Table 9).

**Table 8: Access to Formal Financial Services**

Access to Formal Financial Services	Number of Respondents	Percentage
No	10	20
Yes	40	80
Total	50	100.0

Source: Survey Data

**Table 9: Number of Years of Access**

Number of Years	Number of Respondents	Percentage
Less than One	1	2
Between 1 to 3	6	12
3 to 5	12	24
5 & above	31	62
Total	50	100.0

Source: Survey Data

As far as the financial services availed by the fisher households nearly 58 per cent of the households accessed deposit services, around 98 per cent accessed financial institutions for the purpose of availing loans, approximately 70 per cent households availed insurance services, nearly 52 per cent used banking remittance services and about 16 per cent of the households sought financial advice (Table: 10).

**Table 10: Type of Financial Services Accessed**

Type of Financial Services	Number of Respondents	Percentage
Deposits	29	58
Loans	49	98
Insurance	35	70
Remittance	26	52
Financial Advice	8	16

Source: Survey Data

### Role of Human Development Programmes in Accessing Financial Services

One of the objectives of this paper is to examine the role of Human Development Programmes which empowers the members of the fisher households to avail the banking services. In this regard various Human Development Programmes introduced by the State and Central governments like Primary Health, Primary Education, Vocational Training Programmes, Employment Guarantee Schemes, NSDC Programme, free computer education, productivity Enhancement Packages and Vulnerability Reducing Packages was probed collecting the snap shot of the data at a single point of time. The analysis

revealed the following details.

As far as the access to Human Development Programmes nearly 98 per cent of the households availed programmes like Primary Health facilities, Primary Education etc. About 26.5 per cent of the households availed Vocational Training Programmes (Table 11).

Overall, the impact of availing Human Development Programmes on households accessing banking services was high. This is confirmed with the fact that, majority of the households agreed on the changes taken place after availing Primary Health, Primary Education, Vocational Training Programmes indicated by high value of Mean ( $M \pm S.D$  4.08  $\pm$  .44).

**Table 11: Human Development Programmes Accessed by the Fisher Households**

Beneficiary HDP Programme	Beneficiary Respondents	Percentage
HDP	49	98
Primary Health	49	98
Primary Education	49	98
Vocational Training	13	26.5
Any Other	3	6.1

Source: Survey Data

**Table 12: Impact of Human Development Programmes in Accessing Financial Services**

Category of Impact	Number of Respondents	Percentage	Mean	Standard Deviation
Disagree	1	2	4.08	.44
Agree	43	86		
Strongly Agree	6	12		
Total	50	100		

Source: Survey Data

Households also availed Human Development Programmes like Employment Guarantee Schemes introduced by the government like road construction, irrigational canal work, and access to work in government employment schemes, water harvesting programmes etc. Nearly 50 per cent of the households accessed employment in employment guarantee scheme of the government, about 24 per cent under road construction projects and approximately 34 per cent in other projects (Table 13).

**Table 13: Employment Guarantee Schemes Accessed by the Fisher Households**

Type of Employment Guarantee scheme	Beneficiary Respondents	Percentage
Bridge Construction	6	24
Irrigational Canal Work	2	8
Access to Work in EGP of Govt.	25	50
Water Harvesting	1	4
Any Other	17	34

Source: Survey Data

The impact of availing employment guarantee scheme on households capability to access banking services was confirmed with the fact that, majority of the households agreed

on the changes capability to access financial services after availing employment guarantee schemes indicated by high value of Mean ( $M \pm S.D$  4.10  $\pm$  .42) (Table 14).

**Table 14: Impact on Capability to Avail Banking Services after Accessing Employment Guarantee Schemes**

Category of Impact	Number of Respondents	Percentage	Mean	Standard Deviation
Not Sure	2	4	4.10	.42
Agree	41	82		
Strongly Agree	7	14		
Total	50	100		

Source: Survey Data

As far as Productivity Enhancement Programmes are concerned nearly 60 percent of the households availed the programmes (Table 15). The impact of availing productivity enhancement schemes on households capability to access banking services was confirmed with the fact that, majority of the households agreed on the changes capability to access financial services indicated by high value of Mean ( $M \pm S.D$  4.04  $\pm$  .53) (Table 16).

**Table 15: Productivity Enhancement Programmes Accessed by Fisher Households**

Type of Productivity Enhancement Programme (PEP)	Beneficiary Respondents	Percentage
PEP Accessed	30	60
Through Krishi Vigyan Kendra's	2	6.7
Through NGO's	1	3.3
Through Agri. Business Clinics	22	50
Through Govt. Est. Agencies	1	4
Any Other	17	34

Source: Survey Data

**Table 16: Impact of Productivity Enhancement Programmes on Households**

Category of Impact	Number of Respondents	Percentage	Mean	Standard Deviation
Disagree	1	2	4.04	.53
Not Sure	3	6		
Agree	39	78		
Strongly Agree	7	14		
Total	50	100		

Source: Survey Data

As a part of the Human Development Programmes nearly 94 per cent fisher households also accessed vulnerability reducing packages livestock management packages, mass vaccination etc (Table 17). The impact of availing vulnerability reducing packages on households capability to access banking services was confirmed with the fact that, majority of the households agreed on the changes capability to access financial services indicated by high value of Mean ( $M \pm S.D$  4.02  $\pm$  .59) (Table 18).

**Table 17: Vulnerability Reducing Packages Accessed by Fisher Households**

Type of Vulnerability Reducing Package (VRP)	Beneficiary Respondents	Percentage
VRP Accessed	47	94
Soil and Water Conservation	1	2.1
Water Shed Development	1	2.1
Livestock management	47	94
Mass Vaccination	39	83
Subsidy on crop	2	4.3

**Source: Survey Data**

**Table 18: Impact of Vulnerability Reducing Packages on Fisher Households**

Category of Impact	Number of Respondents	Percentage	Mean	Standard Deviation
Disagree	1	2	4.02	.59
Not Sure	2	4		
Agree	41	82		
Strongly Agree	6	12		
Total	50	100		

**Source: Survey Data**

As a result of access to Human Development programmes changes in the employment status of fisher households also confirmed after availing the banking services the with the high value of mean ( $M \pm S.D$  4.02  $\pm$  .59) (Table 18).

**Table 19: Change in Employment Status of Households after Financial Inclusion**

Category of Impact	Number of Respondents	Percentage	Mean	Standard Deviation
Disagree	1	2	4.02	.59
Not Sure	2	4		
Agree	41	82		
Strongly Agree	6	12		
Total	50	100		

**Source: Survey Data**

In order to confirm the role of human development programmes in the financial inclusion of fisher households following research hypothesis has been designed based on the literature survey and the input from the pilot study and it has been concluded that there is high significant change in status of access to banking services after availing Human Development Programmes with Mean  $4.08 \pm 0.444$  ( $p=0.000 < 0.01$ ). The test statistics score being 17.182.

#### Hypothesis:

**Table 20: Access to human development programmes influences the financial inclusion of the fisher households.**

	Mean	S.D	t	p
Financial inclusion due to access to HDP	4.08	.444	17.182	.000

**Test Value=3.**

**Source: Survey Data**

#### Conclusion:

A country's economic development is directly linked to individual's personal factors such as literacy rates, life expectancy and poverty rates. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of low income groups. Without an inclusive financial system, poor individuals and small enterprises have to rely on their own limited savings and earnings to invest in their economic and educational activities and to take the advantage of growth opportunities. An attempt in the form of pilot study in order to consolidate the data on the role of Human Development Factors in financial inclusion and economic development of fisher households revealed that there is a significant change in status of access to and availing of banking services after availing Human Development Programmes.

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