Abstract

Title of the Thesis : A study on Financial Inclusion in urban areas of Assam

Researcher : Ajanta Phatowali

Principal Supervisor : Dr. Subhrangshu Sekhar Sarkar, Professor, Department of Business Administration, Tezpur University, Tezpur, Assam

Periodicity of the Research : Periodicity of the secondary data is 21 years during the period 1990-2011. The primary data was collected during the financial year 2010-11.

Introduction :

Financial Inclusion is gaining importance globally in recent times among national policy makers, multilateral institutions and others in the development field. As ‘Inclusive Growth’ is gaining trust globally as a sustainable growth strategy, financial inclusion is a topic of contemporary significance and relevance. Although the financial sector has made commendable progress in recent years, there are concerns that the banks have not been able to include vast segment of population especially underprivileged sections of the society into the field of basic banking services. In most developing countries financial services are availed by only a minority of population. Such limited use of financial services in developing countries has become an international policy concern. Adopting the goal of building inclusive financial systems, the United Nations designated 2005 as the ‘International Year of Micro Credit’. It had given the required fillip in the global platform for financial inclusion.

It is observed that studies on Financial Inclusion globally are mostly general in nature or gives emphasis to the rural areas. There is also a tendency of treating urban exclusion as an extension of rural exclusion. In reality, the factors affecting financial exclusion in urban areas might be very different from those in rural areas.
In India, population in urban areas is growing faster than in rural areas and at a much faster growth than the overall population growth. The contribution of urban sector to national economy is also increasing rapidly. In Assam, growth rate of urban population has been consistently above the national level since 1901. Due to the importance of urban sector, various policy initiatives are being taken for development of urban areas. For making the urban growth an inclusive and sustainable one, financial inclusion of urban population is of immense importance. Financial exclusion in urban areas is more likely to lead to social exclusion as for the financially excluded people; it becomes extremely difficult to integrate with the social systems being driven by intensive use of financial services by majority of population.

From the review of literature, it is observed that no detail study on Financial Inclusion in the state of Assam has been conducted yet. Scope of study of Goyal in 2008 and Rabha in 2012 was very limited. Further, there exists gap in research of Financial Inclusion in the urban areas of the state. This research with a detail analysis of secondary as well as primary data collected from both ‘excluded’ and the ‘providers’ is expected to bridge the gap. By bringing insights into the factors affecting financial inclusion, it will be helpful in designing possible solution to meet the unmet needs of the ‘excluded’.

Objectives of the Research:

The objectives of the research are –

i) To study the status of Financial Inclusion in Assam with specific reference to urban areas.

ii) To identify demand and supply side factors limiting Financial Inclusion.

iii) To study the usage of non-banking financial services by unbanked.

Research Methodology:

The study involves analysis of both primary and secondary data. For this purpose appropriate statistical tools have been applied. The methodologies followed to fulfil each objective is discussed in brief below -
Objective #(i)

- To study the status of financial inclusion, secondary data is collected and analysed based on a series of alternative measurements. Index of Financial Inclusion developed by Chakravarty and Pal\(^1\) is calculated encompassing various dimensions of inclusion.
- Trend is studied for the possible explanations to observed patterns.

Objective #(ii)

This requires identification of factors hindering financial inclusion. Both demand and supply side factors are studied from primary data collected through sample surveys in the study area with help of questionnaires designed for the purpose. Two separate surveys were conducted among the unbanked urban adults and bank branch managers. A mixture of judgmental and convenience sampling is undertaken. Together with common descriptive analysis, both qualitative and quantitative analysis is made to analyse the primary data. Logistic Regression analysis, specifically Binary Logistic Regression with categorical variables is used to a great extent in the analysis of demand side data. Due to the ordered response nature of questions, for analysis of supply side data non-parametric statistical tools are used viz., Kruskal-Wallis test.

Objective #(ii)

From the primary data collected from surveys as mentioned above, usage of non banking services among urban unbanked adults is studied. Along with common descriptive analysis, binary logistic regression analysis is carried out to identify the factors influencing the choice of a particular saving mode or source of credit.

Objective #(iii)

From the primary data collected from surveys as mentioned above, usage of non banking services (or alternate financial services) among urban unbanked adults is studied. Along with common descriptive analysis, binary logistic regression

analysis is carried out to identify the factors influencing the choice of a particular saving mode or source of credit.

Scope
The study covers the State of Assam and the urban banking centres of the State viz. Dibrugarh, Guwahati, Nagaon, Silchar and Tinsukia. For comparison purpose, all India scenarios have also been analysed.

Limitations
i) As banks are the gateway to the most basic form of financial services, banking inclusion/exclusion are most often used as analogous to financial inclusion/exclusion. The study primarily takes into consideration banking inclusion/exclusion as financial inclusion/exclusion.

ii) The study covers individuals only and does not cover households and firms.

iii) The study covers secondary data pertaining to the Scheduled Commercial Banks.

iv) The branch manager or the head of a bank branch has been considered as representative of the branch.

v) The study suffers from dearth of published information on urban Financial Inclusion

vi) The study is subject to common limitations of sample survey.

Findings and Recommendations:
The Study encompasses a very detail analysis of available secondary data for a period of more than two decades. The Study also entails collection and analysis of a wide range of primary data. Primary data is collected from a representative sample of ‘unbaked urban adults’ as well as ‘bank managers’. This results in drawing very significant findings about Financial Inclusion in Assam. Based on the study and its findings, the researcher attempts to provide some recommendations for improvement of Financial Inclusion in the urban areas of Assam.