Financial inclusion of marginalised key populations in southern India

Parimi Prabhakar¹, Sangram Kishor Patel¹2, Niranjan Saggurti³

¹Director, Regional Office, India HIV/AIDS Alliance, Sarovar Center, Secretariat Road, Hyderabad, Pin: 500063, India
²³HIV and AIDS Program, Population Council, 142, Golf Links, New Delhi, Pin: 110003, India
parimiprabhakar@gmail.com¹, skpatel@popcouncil.org², niranjan.saggurti@gmail.com³

Abstract

Background: Financial inclusions of marginalized key populations (e.g. female sex workers & men who have sex with men) have not been given appropriate attention in the government’s programs in India. This study explores the financial inclusions status and main hindrances for accessing the financial services among key populations in undivided Andhra Pradesh.

Data and Methods: Data from a cross-sectional survey - the Behavioural Tracking Survey (BTS) –2014 conducted with key populations (e.g. FSWs (N=2400) and MSM (N=1200)), in undivided Andhra Pradesh state in India was used here. Frequency and bivariate statistical techniques were used here for the analysis.

Results: In Andhra Pradesh, just over one-thirds of FSWs and more than half the MSM do not have a bank account. The main reason for not having a bank account is lack of money or having too little money among key populations. A very few had managed to invest in microfinance institutions, global benefits groups/groups saving schemes and health/life insurance policies. Informal institutions are the preferred source for loans among key populations.

Conclusion: This study advocates for more support from government, NGOs, international agencies and financial institutions to enhance key populations’ financial sustainability and a comprehensive financial inclusion among key populations.

Keywords: Financial inclusion, Key populations, FSWs, MSM, South India.

1. Introduction

For any country, an improved financial inclusion of different population groups is crucial for a well-functioning and sustainable financial system. Across the world financial inclusion has been defined in a different ways. The Alliance for Financial Inclusion (AFI) defines financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. The inclusive financial system serves a vital purpose, as they offer variety of savings, credit, and risk management products to meet a wide range of needs. It also allows access to financial services without price or non-price barriers are especially likely to benefit the poor and other marginalized groups [1]. Banerjee and Newman (1993) have noted that access to finance is an important factor that enables people to exit poverty [2]. Binswanger and Khandker (1995) have reported that the Indian rural expansion programme significantly reduced rural poverty and increased non-agricultural employment [3]. Bell and Rousseau (2001) have also established that financial intermediaries have influenced India’s economic performance [4]. Beck et al. (2009) observed that a well-developed financial system, which is accessible to all, reduces information and transaction costs, enhances savings rates, encourages investment, promotes technological innovations and long-term growth [5]. Globally, the importance of financial inclusion for national economies is evident from the support extended by governments and international bodies [6]. According to the World Bank’s Global Findex Database (2013) report, worldwide, 50% of adults report having an individual or joint account in a formal financial institution (a bank, credit union, cooperative, post office or microfinance institution). But while account penetration is almost universal in high-income countries, with 89% of adults reporting that they have an account in a formal financial institution, the corresponding figure for developing countries’ is only 41% [7]. Globally, more than 2.5 billion adults, mainly in developing economies, do not have a formal account. The differences in account ownership by gender are particularly large in developing countries: while 46% of men have a formal account, only 37% of women do.
Over the years the issue of financial inclusion has caught the attention of many governments, economists, policy makers, programmers and academics. The prime minister, Shri Narendra Modi’s first Independence Day speech on 15 August 2014 also provided a vision for comprehensive financial inclusion across all groups in India through Pradhan Mantri Jan-DhanYojana scheme. The scheme was formally launched on 28 August 2014 with a target to provide ‘universal access to banking facilities’ starting with basic banking accounts with overdraft facility of Rs.5000 after six months and RuPay debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPayKisan card & in next phase, micro insurance & pension etc. will also be added [8]. In India, while financial inclusion of the general population has been widely documented [7-10], focused on marginalized groups such as key populations (female sex workers (FSWs)&men who have sex with men (MSM))have not been given proper attention. These marginalised groups have the least access to prevention, care and treatment services as well as social and financial inclusion services because their behaviours are often stigmatised, and even criminalised [11]. Given the lack of evidence and research, this study attempts to reduce the knowledge gap on financial inclusion among marginalised groups in India. This study assesses the ownership of bank account and barriers of ownership of having a bank account among FSWs and MSM in Andhra Pradesh. It also examines the types of saving and investment made by FSWs and MSM with their sources of formal and informal loans taken.

2. Data and methods

This study mainly uses data from a cross-sectional survey- the Behavioural Tracking Survey (BTS) - conducted in April-May, 2014 among key populations (e.g. FSWs and MSM), in undivided Andhra Pradesh. The survey monitors key components of the Avahan program, including community mobilization, safe sex behaviour, STI treatment-seeking behaviour, financial and social inclusions. This survey was conducted in the six districts (Khammam, Warangal, Nalgonda, Karim Nagar, Chittor and Ananthapur) of Andhra Pradesh for FSWs population (N=2400), while it covered only three districts (Warangal, Karim Nagar and Nalgonda) for MSM population (N=1200).A stratified simple random sampling method was used to select the FSWs and MSM for the survey. Frequency and bivariate statistical techniques were used here for the analysis.

3. Results

3.1 Penetration of formal account: Results from Table 1 show that 67% of FSWs compared to less than half of MSM (48%) have an individual account in a formal financial institution (e.g. bank).Account penetration differs by the background characteristics of key populations. Having a bank account is higher among FSWs who are currently in financial debt, currently married, divorced/separated/deserted/widowed and more than 30 years of age as compared to their other counter parts. Similarly, ownership of a bank account was higher among MSM who are literate, never married/currently married and those under financial debt with reference to others.

3.2 Barriers to ownership: The most common reason reported by FSWs (78%) and MSM (67%) for not having a bank account is the lack of money or having too little money (Figure 1). Nearly one-fifth of MSM compared to 6% of FSW did not think it was important to have a bank account. Other reasons cited for not having a bank account are that benefits are received only in cash so far, there are too many charges for opening an account, there is no bank/post-office in the nearby area, that they had tried to open an account but were refused, or because of the lengthy processes.

![Figure 1. Barriers to opening a bank account as reported by non-account holders among FSWs and MSM, Andhra Pradesh, 2014](source: Behavioural Tracking Survey - 2014; Note: Multiple responses were permitted.)
3.3 Saving and investments: Overall, almost two-fifths (37%) of FSWs as compared to a little over one-fifth (23%) of MSM reported saving money for their future or emergencies in the past one year (Figure 2). Key populations have saved or invested money in other institutions such as microfinance institutions (16% FSWs vs. 10% MSM), global benefits groups/groups saving schemes (16% vs. 5%), health/life insurance policy (15% vs. 13%), fixed deposits/bonds (5% vs. 7%) and National Savings Certificates / Public Provident Fund (3% vs. 5%).

3.4 Source of formal and informal loans: Nearly three quarter of FSWs reported taking a loan from either a formal (21%) or informal institution (52%) while almost three-fifths of MSM reported so (formal: 10% vs. informal: 48%) (Figure 3). Results show that the preferred source of informal loans is moneylenders (FSWs 36% vs. MSM 26%) and friends/relative/family (30% vs. 37%). For formal loans, the favoured sources are self-help groups (37% vs. 19%), banks (33% vs. 23%), post-office (6% vs. 14%) and microfinance institutions (9% vs. 10%).
4. Discussion and conclusion

Andhra Pradesh remains a long way from achieving universal financial inclusion for marginalised key populations – just over one-third of FSWs and more than half the MSM do not have a bank account. According to Global Findex Database (2013), about half the adults in Andhra Pradesh have a formal account compared to only 35% of adults in India [7]. Account penetration among key populations (particularly FSWs) is well as compared to the general adult population in the state. This may be due to intensive program intervention efforts and advocacy for key populations’ rights and entitlements by various NGOs and international agencies. The main reason reported by key populations for not having a bank account is lack of money or having too little money. The World Bank’s Global Findex Database (2013) also supported the report’s findings that lack of money is the main reason for not having an account among adults in India [7]. The findings suggest that the savings and investment sat formal financial institutions by FSWs and MSM are not encouraging. The money saved for future emergencies are also very marginal among key populations. A very few had managed to invest in microfinance institutions, global benefits groups/groups saving schemes and health/life insurance policies. Informal institutions are the preferred source for loans asover formal institutions. Moneylenders and friends/relatives/family are the main source of informal loans while self-help groups and banks are the main source of fomal loans. In India key populations are marginalised groups who have been largely neglected in terms of access to basic rights and entitlements, including financial inclusion. This study urges for more support from government, NGOs, international agencies and financial institutions to enhance key populations’ financial sustainability, so that a comprehensive financial inclusion among key population can be possible.

This study demonstrates for the first time the level and pattern of financial inclusion of key populations in India, and fills a gap in the financial inclusion data landscape. This Behavioural Tracking Survey data set can be used to track the effects of financial inclusion policies in Andhra Pradesh and elsewhere so as to develop a deeper and more nuanced understanding of how key populations in India save, borrow, make payments and manage financial risk. By enabling policy makers to identify segments of the population (including key populations) excluded from the formal financial sector, this study can help them prioritize reforms to achieve Pradhan Mantri Jan-Dhan Yojana scheme of comprehensive financial inclusion.

<table>
<thead>
<tr>
<th>Background Characteristics</th>
<th>Have an individual bank account, % (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FSWs</strong></td>
<td><strong>MSM</strong></td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>&lt; 30 years</td>
<td>63.0 (655)</td>
</tr>
<tr>
<td>&gt;= 30 years</td>
<td>70.7 (961)</td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Illiterate</td>
<td>65.0 (876)</td>
</tr>
<tr>
<td>Literate</td>
<td>70.5 (740)</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
</tr>
<tr>
<td>Never married</td>
<td>54.6 (65)</td>
</tr>
<tr>
<td>Currently married</td>
<td>67.4 (1076)</td>
</tr>
<tr>
<td>Divorced/separated/deserted/widowed</td>
<td></td>
</tr>
<tr>
<td>Under financial debt</td>
<td>69.3 (475)</td>
</tr>
<tr>
<td>No</td>
<td>54.5 (444)</td>
</tr>
<tr>
<td>Yes</td>
<td>74.0 (1172)</td>
</tr>
<tr>
<td>Total</td>
<td>67.3 (1616)</td>
</tr>
</tbody>
</table>

Source: Behavioural Tracking Survey - 2014
5. Acknowledgements

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6. References


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