

## Financial Inclusion with Reference to Food & Grocery Shop Owners in Aizawl

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### ABSTRACT

*The research have been undertaken to study the depth of financial inclusion among food & grocery shop owners in Aizawl, which is the capital of Mizoram, one of the eight states in the north east India. The objectives of the research is to analyze the financial inclusion of food & grocery shop owners and identify the problems faced by them as well as giving suggestions on how to improve financial inclusion among them. The study found that 97.33% of the respondents were financially included. The main problems faced by food & grocery shop owners in availing/accessing banking services are preference of doing transactions in cash, low income and assets, lack of financial knowledge, branches attitude of bank officials, limited number of banks in local area and cumbersome banking procedures. Though most of the owners of food & grocery shops in Aizawl are financially included, the penetration of financial inclusion is unsatisfactory. There are still many aspects where the situation needs to be improved.*

**Keywords:** financial inclusion, food & grocery, retailing, retail sector.

### INTRODUCTION:

The global food market is worth an estimated US \$ 6.5 trillion and has grown at a Compound Annual Growth Rate of about 5% over the last few years. The market is expected to grow at about 6% per annum over the next five years, which is driven primarily by increase in population and growing food demand in developing nations (Naqvi, 2015). Indian Retail Industry is the 5<sup>th</sup> largest in the world and accounts for 14-15% of the country's GDP. Retail Industry in India accounts for about 8% of employment and is the fastest growing areas over the last few years (Gowda, 2014).

Food & Grocery forms the backbone of the Indian retail sector and accounts for about 57% of the total retail market. The number of food & grocery stores in India is estimated to be 8-9 million and the sector supports millions of other Small and Medium Enterprises (SME's) and Micro, Small and Medium Enterprises (MSME's) who cater to the demand (Naqvi, 2015). The Indian food & grocery market is the world's 6<sup>th</sup> largest, with retailing contributing 70% of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US \$ 915 billion) by 2020 (IBEF, 2017).

Retailing in Mizoram is predominated by the unorganised retail stores which are mostly run by family members. The organised retail sector operates in the state mostly by franchising and small outlets. When it comes to food & grocery retailing, there was no organised retail store until Vishal Mega Mart was opened recently on 25<sup>th</sup> March, 2017 in Aizawl with much protest. Therefore, food & grocery shops play an important role in supplying the basic day-to-day needs. However, with low productivity in agriculture and food processing, most of the food & grocery requirements are supplied from outside the state. With the absence of railway connectivity in Mizoram, the state depends mostly on road transportation for the supply of goods from neighbouring states. The road transport is also not well developed due to steep slopes of the hills. The problem of transportation is even critical during monsoon due to frequent landslides.

## **FINANCIAL INCLUSION:**

Kunt and Klapper, (2015) have described financial inclusion as a financial framework which allows broad access to financial services without price or non-price barriers to their use, especially to the poor and disadvantaged group of the society. Bihari (2011) defines financial inclusion as delivery of banking services to the mass majority of the disadvantaged and low income groups at affordable cost. Kelkar (2010) has stated financial inclusion as delivery of financial services, including banking services and credit, at an affordable cost to the vast sections of the disadvantaged and low income groups who tend to be excluded. The Report of the Committee on Financial Inclusion (2008) terms financial inclusion 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 Reserve Bank of India Bulletin (2006) defines financial inclusion as availability of banking and payment services to the entire population without discrimination of any type.

Financial inclusion plays a great role in financing of enterprises. Well developed and widely spread financial system extends credit facility to those who do not have adequate finance themselves but have business ideas and zeal to carry entrepreneurial activities resulting in acceleration of growth (Abhay, 2014). In an increasingly connected world, the ability for businesses to innovate, grow and sustain themselves in entrepreneurial environments, is largely dependent on financial services readily available to them (Hirani, 2016). Studies show that when people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and absorb financial shocks (Kunt, 2015).

## **FINANCIAL INCLUSION GLOBALLY:**

The Global Findex database shows that between 2014 and 2017, 515 million adults worldwide opened an account at a financial institution or through a mobile money provider. This means that 69 percent of adults now have an account while it was 62 percent in 2014 and 51 percent in 2011. In high-income countries, 94 percent of adults have an account while in developing countries, 63 percent of adults have an account. In 2011, the first Global Findex survey was completed, followed by a second round in 2014 and the latest one in 2017. Over those intervals, the share of adults with an account rose from 51 percent to 62 percent and then to 69 percent globally (Kunt, 2017).

However, the growth in number of account since 2011 has not benefitted all groups equally. The global findex database shows that women still are less likely than men to have an account. Globally, 72 percent of men and 65 percent of women have an account, a gender gap of 7 percentage points. The gender gap is similar in developing economies, with 67 percent of men but only 59 percent of women having an account. Indeed, most developing economies have a gender gap in account ownership, though the size varies. In Bangladesh, Pakistan, and Turkey, for example, the gender gap is nearly 30 percentage points. Other developing economies with a double-digit gap include Morocco, Mozambique, Peru, Rwanda, and Zambia. Smaller gaps are found in such economies as Brazil and India (Kunt, 2017).

## **FINANCIAL INCLUSION IN INDIA:**

The well-developed Indian banking system plays an important role in economic development of our country. The nationalization of banks, establishing of new banks with better reforms and policies and introduction of the numerous facilities and amenities of the Indian banks are significant features of the banking services of India. Technology and financial inclusion are the popular coinage in banking parlance in the country. Financial inclusion is a major agenda for the RBI. Without financial inclusion, banks cannot reach the unbanked. It is also a major step towards increasing savings and achieving balanced growth (Roy, 2012)

According to World Bank, 80 percent of adults in India now have an account. Between 2014 and 2017, account ownership in India rose by more than 30 percentage among women as well as among adults in the poorest 40 percent of households. The ownership of accounts increased by 20 percentage among men and among the wealthiest 60 percent of households. The increase in account ownership was mostly driven by a government policy launched in 2014 called "Pradhan Mantri Jan Dhan Yojana" to boost account ownership among unbanked adults through biometric identification cards. This policy benefitted traditionally excluded groups and helped ensure inclusive growth in account ownership (Kunt, 2017).

## **FINANCIAL INCLUSION IN MIZORAM:**

The location of bank branches in Mizoram has been skewed in cities and urban centres. There are still many

villages devoid of banking services even with a radius of 80-100 kms. The main reason is setting up of scattered village with small number of households which makes branch banking unviable. As on September 2013, there were 2,27,812 Basic Saving Bank Deposit Accounts (BSBDAs) in Mizoram (Mohanty, 2013). According to Mizoram Economic Survey, there are 201 bank branches in Mizoram as on 31.3.2017 with an increase of 8.65 % from 31.3.2016 when there was 185 bank branches. The population per bank branch in Mizoram comes to 5459.

The Credit Deposit Ratio (CDR) generally gives an idea about the extent to which deposit resources have been locally deployed to propel the economy. The RBI press release revealed that the Credit Deposit Ratio of all SCBs at all India level declined to 70.6 percent in December 2016 as against 74.5 percent a quarter ago. The deposits, advances and CDR of Commercial Banks, Mizoram Rural Bank, Mizoram Cooperative Apex Bank, and MUCO Bank in the state are shown in Table 1.

The RBI's Roadmap for providing banking facilities to villages having population above 2000 is not yet fully achieved as per 2011 census. As on March 2017 there are 18 villages where bank branch is yet to be opened. A special drive is observed by banks throughout the State to enable account holders for digital payments and seeding of Aadhar and mobile number in all operative, individual savings bank accounts on voluntary basis. The state ranked at No. 12 on mobile seeding with 86.60% while it is ranked 29<sup>th</sup> in Aadhar seeding with 60.30% as on 26.05.2017 (Mizoram Economic Survey 2017-2018)

## REVIEW OF LITERATURE:

Tiken Das and Pradyut Guha (2015) studied the differences in banking parameters between pre and post-financial inclusion periods in India and found that although financial inclusion period showed some improvement among different banking parameters, the North East Region of India is lagging behind compared to other regions of India. Among the north eastern states, Mizoram recorded highest growth in both financial inclusion period as well as the overall study period.

Vanlalmuana (2015) studied the depth of financial inclusion among private school teachers in Aizawl, Mizoram. The study analysed the extent of financial services adopted by private school teachers and identify the problems faced by them. The study concluded that, even though school teachers are considered to be literate people and well suited with the financial facilities, they did not go beyond basic savings account. Even 15% of them do not have basic saving account. Even though Government and RBI have taken an immense step for financial inclusion, it was not enough without proper response from the target public. Therefore, the study concluded that financial inclusion requires efforts on the parts of three parties-RBI, all the banks and also the general public for its better progress.

Gupta (2015) in his paper entitled, 'Pradhan Mantri Jan-Dhan Yojana, an effort towards financial inclusion' examined the progress in financial inclusion plans over the last five years, analyses the progress made by PMJDY from August 15, 2014 to January 26, 2015; and studied the impact of PMJDY towards the achievement of financial inclusion objectives. The study observed that during the last five years, the total number of banking outlets has been increased to 3,83,804 indicating 467% change. The contribution of Business correspondents (BCs) has increased to 135 times in the last five years. Additional Rs. 257.28 billion have been collected through 169.55 million accounts. Further, Rs. 2,444.43 billion and Rs. 1,061.79 billion of additional money has been disbursed via 15.59 and 6.01 million of KCCs and General Credit Cards (GCCs) respectively.

Qureshi and Trehan (2014) in their study of the role of financial inclusion in restraining entrepreneurial breakdown In India stated that the correlation and regression analysis, done with the help IBM SPSS 19, clearly indicate an extremely positive relationship between GDP of the region and the financial deepening (indicated by All India percentage share of bank branches) where R<sup>2</sup> is 98.9%, which is significantly high and describes that higher financial inclusion facilitates higher growth of GDP of the concerned region.

Archana (2013) aimed at understanding the importance of financial inclusion for Inclusive growth. It also analysed the role of various institutions like MFIs, SHGs, RRBs in achieving Financial Inclusion. The study showed that the performance of RRBs in India improved in the post- merger period. Among a variety of programmes to alleviate poverty and empower rural people, SHG have done well in the country. The Plan provides a new vision of inclusive MFIs and Commercial Banks have played a pivotal and are the possible combinations of formal and non-formal institutions that are involved in channelling funds for loans to poor families.

Gupta and Singh (2013) assessed the correlation between the Usage Dimension of Financial Inclusion Index and literacy level in India. Correlation has been statistically tested by using Karl Pearson coefficient of correlation. The results depict a large variation in extent of correlation among the different states of the country with a very low correlation at the national level. The study concluded that the Government should promote the use of Information Communication Technology models like biometric ATM, telecentres to achieve Financial

Inclusion in India as these models do not compulsorily require high literacy levels.

Sarma and Pais (2008) examined the cross country empirical analysis of the relationship between financial inclusion and development. Index of financial inclusion developed by Mandira Sarma is used to identify the associated factors with financial inclusion. It was found out that per capita GDP, income inequality, adult literacy and urbanization are important determinants of financial inclusion, physical and electronic connectivity and information availability also enhance financial inclusion while non-performing assets are inversely associated with financial inclusion. It was also found that capital asset ratio is negatively associated with financial inclusion and foreign ownership in the banking sector negatively affects financial inclusion, while government ownership has no significant effects.

### **OBJECTIVES OF THE STUDY:**

- 1) To identify the level of financial inclusion of food & grocery shop owners in Aizawl, Mizoram.
- 2) To identify the problems faced by food & grocery shop owners in Aizawl, Mizoram in accessing financial products/services.
- 3) To give suggestions on how to improve the financial inclusion among food & grocery shop owners in Aizawl, Mizoram.

### **RESEARCH METHODOLOGY:**

#### **Data Collection:**

For collection of primary data, questionnaire method is adopted. A well-structured questionnaire with open ended and closed ended questions was framed for collection of primary data from grocery shop owners.

#### **Sampling:**

The study is confined to Aizawl City, the capital of Mizoram. A total of 75 respondents were selected as samples using purposive sampling method. Food & Grocery Shops with minimum annual turnover of Rs. 10 lakhs and which have been in existence for 5 years and above are selected as samples.

Samples are selected from 4 areas/zones of Aizawl city namely Aizawl North Zone, Aizawl East Zone, Aizawl West Zone and Aizawl South Zone, which is based on the classification of zonal areas by the Department of Taxation, Mizoram.

### **FINDINGS:**

- 1) Most of the respondents i.e., 97.33% of the respondents have a bank a/c with a bank whereas only 2.67% of the respondents does not have any bank a/c.
- 2) Among the respondents having a bank a/c, savings bank a/c was most common where 98.63% of the respondents have a savings bank a/c.
- 3) Only 15.07% of the respondents have a current a/c.
- 4) A mere 8.22% of the respondents have a fixed a/c with a bank.
- 5) A majority of the respondents who own a bank a/c deposit into their bank a/c as and when they can.
- 6) The average monthly savings for 64.4% of the respondents having a bank a/c is less than Rs 10,000/-
- 7) 37% of the respondents having a bank a/c visit a bank branch once a month followed by 28.8% of the respondents who visit a bank branch three to five times a month.
- 8) 11% of the respondents having a bank a/c stated that they never visit any bank branch.
- 9) 52.1% of the respondents who have a bank a/c are aware of the minimum amount of balance required to be maintained in a bank a/c for a designated period.
- 10) 32.9% of the respondents having a bank a/c are not aware of the minimum amount of balance required to be maintained in a bank a/c for any designated period.
- 11) 100% of the respondents are aware of 'depositing/withdrawing cash' while 94.67% have availed the service.
- 12) 97.33% of the respondents are aware of 'passbook' while 86.67% have availed the product/service.
- 13) 94.67% of the respondents are aware of 'cheque book' while 64% have availed the service/product.
- 14) 94.67% of the respondents are aware of 'debit cards/ATM cards' while 62.67% have availed the service.
- 15) 86.67% of the respondents are aware of 'loans' while 13.33% have availed the service.
- 16) 56% of the respondents are aware of 'internet banking/mobile banking' while 20% have availed the service.
- 17) 40% of the respondents are aware of 'credit cards' while 9.33% have availed the service.
- 18) 18.67% of the respondents are aware of 'overdraft facility' while none have availed the service.

- 19) The main problems faced by the respondents in availing/accessing banking services are preference of doing transactions in cash, low income and assets, lack of financial knowledge, limited number of bank branches in local area, cumbersome banking procedures and attitude of bank officials.

### **SUGGESTIONS & CONCLUSION:**

- 1) The study found that the respondents do not go beyond basic products such as savings bank ac, withdrawing & depositing cash, passbook, cheque book, ATM cards. To increase awareness of financial services and products, the study suggests initiatives through advertisement in local language-on television, print media, posters, radio etc. using local celebrities/artists as brand ambassadors of the campaign.
- 2) It is also suggested that financial awareness campaign to be organised to increase awareness on the importance of financial literacy, savings, financial management, insurance policies, etc.
- 3) Despite advancement in technology and the effort of the government in cashless economy, the awareness and usage of mobile banking and internet banking is significantly low. It is suggested that internet banking and mobile banking apps should be developed in local language for better customer base. It is also suggested that effort to be put in by bank officials to promote the same. The same method can be applied in case of ATMs.
- 4) The negligence of customers by bank officials cause problems for customers in availing products & services offered by banks. Therefore, workshops/training/seminars on customer relationship management should be conducted every now and then for bank officials to improve customer relationship.
- 5) A separate counter/help desk should be set up in every bank with trained personnel to help ignorant customers regarding banking procedures and financial matters according to the needs of the customers and ensure they help them at the fullest.
- 6) Due to the differences in the nature of occupations and difference in the flow of finance in different occupations, a diverse financial products/services is in need. When it comes food & grocery shops where the profit margin low, where there are many transactions during a day and where the owners have limited time to visit banks, making financial products/services that will render to distinct needs of these target group is necessary.

Financial inclusion is the key to inclusive growth. Therefore the government have taken many initiatives towards achieving the goal of financial inclusion. However, the efforts are not showing expected results even though there have been tremendous growth. Though most of the owners of food & grocery shops in Aizawl are financially included, the penetration of financial inclusion is unsatisfactory. There are still many aspects where the situation needs to be improved.

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**Table 1: Credit Deposit Ratio of Banks in Mizoram (Rs in crore)**

Agency	2015-16 (as on 31.03.2016)			2016-17 (as on 31.03.2017)		
	Deposits	Advances	CD Ratio	Deposits	Advances	CD Ratio
Commercial Banks	4270.58	1543.51	36.14	5303.43	1741.34	32.83
Mizoram Rural Bank	1517.12	865.36	57.04	1824.44	954.43	52.31
MCAB Ltd.	59.20	400.39	67.63	724.06	423.08	58.43
MUCO Bank Ltd.	43.46	29.35	67.54	50.51	32.28	63.9
<b>Total</b>	<b>6423.18</b>	<b>2838.61</b>	<b>44.19</b>	<b>7902.44</b>	<b>3151.13</b>	<b>39.88</b>

Source: Mizoram Economic Survey 2017-2018

**Table 2: Owning of Bank a/c**

Particulars	No. of respondents	Percentage
Respondents having bank a/c	73	97.33
Respondents not having bank a/c	2	2.67
<b>Total</b>	<b>75</b>	<b>100</b>

Source: Field Survey

**Table 3: Type of Bank a/c**

Particulars	Percentage
Savings Bank a/c.	98.63
Current a/c.	15.07
Fixed deposit a/c.	8.22

Source: Field Survey

**Table 4: Frequency of deposit in a bank a/c**

Particulars	No. of respondents	Percentage
Don't save/Never	3	4.1
At least once a month	9	12.3
Less than once a month	2	2.7
I put in money as and when I can	52	71.2
Any other	7	9.6
<b>Total</b>	<b>73</b>	<b>100</b>

Source: Field Survey

**Table 5: Average monthly savings in a bank a/c**

Particulars(in Rs)	No. of respondents	Percentage
Less than 10,000	47	64.4
10,000 to 50,000/-	19	26
50,001 to 1,00,000/-	1	1.4
Above 1,00,000	3	4.1
Never	3	4.1
<b>Total</b>	<b>73</b>	<b>100</b>

Source: Field Survey

**Table 6: Average monthly visit to a bank branch**

Particulars	No. of respondents	Percentage
Once	27	37
Twice	13	17.8
3 to 5 times	21	28.8
More than 5 times	4	5.5
Never	8	11
<b>Total</b>	<b>73</b>	<b>100</b>

Source: Field Survey

**Table 7: Awareness of minimum balance required to maintain in a bank a/c for any designated period**

Particulars	No. of respondents	Percentage
Aware	38	52.1
Not aware	24	32.9
Don't remember	11	15.1
<b>Total</b>	<b>73</b>	<b>100</b>

Source: Field Survey

**Table 8: Awareness & access of banking services**

Services	Number of respondents who are aware	Number of respondents who have availed
Depositing/Withdrawing cash.	100 %	94.67 %
Passbook	97.33 %	86.67 %
Cheque Book	94.67 %	64 %
Loans	86.67 %	13.33 %
Overdraft	18.67 %	-
Credit card	40 %	9.33 %
ATM card	94.67 %	62.67 %
Internet Banking/Mobile banking.	56 %	20 %

Source: Field Survey

**Table 9: Problems in accessing/availing banking services**

Particulars	Number of respondents			Weighted score	Weighted rank
	Rank 1	Rank 2	Rank 3		
Lack of financial knowledge	-	2.7 %	13.3 %	15	7
Low income and assets	16 %	20 %	5.3 %	77	2
Illiteracy/Language	-	1.3 %	1.3 %	3	11
Branch timings	1.3 %	1.3 %	1.3 %	6	10
Banking procedure are cumbersome	1.3 %	6.7 %	6.7 %	18	5
Unsuitable banking products/schemes	8 %	1.3 %	1.3 %	21	4
Transaction costs/Banking charges	1.3 %	2.7 %	2.7 %	9	9
Attitude of bank officials	1.3 %	4 %	9.3 %	16	6
Limited no. of banks in local area	4 %	8 %	5.3 %	25	3
Limited no. of ATM in local area	5.3 %	4 %	4 %	21	4
Prefer to do transaction in cash	36 %	18.7 %	4 %	125	1
Any other	9.3 %	-	1.3 %	12	8

Source: Field Survey

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