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FINANCIAL INCLUSION- A STUDY ON MIGRANT LABOURERS

Dr. K. Majini Jes Bella[1], Dr. S. Edmund Christopher[2]
[1]Assistant Professor and Research Supervisor, Department of Commerce, VISTAS, Chennai – 600117
[2]Professor, City University, Ajman, UAE
[1]Corresponding Author Email: florence.bella@gmail.com

ABSTRACT

FI has emerged as a key driver of equitable economic growth, especially in developing countries like India. Migrant labourers, who form a significant part of the unorganized workforce, often face challenges in accessing formal financial services due to factors such as lack of documentation, limited financial literacy, and geographic mobility. This study explores the extent of financial inclusion among migrant labourers and investigates the barriers they face in utilizing banking and digital financial platforms. Through a mixed-method approach involving surveys and interviews with migrant workers across urban centers, the research identifies gaps in awareness, usage patterns, and trust in financial systems, (Ghosh, and Ghosh, 2014). The findings highlight the urgent need for targeted policy interventions, inclusive banking practices, and financial education programs tailored to the unique needs of migrant communities. This study contributes to the broader discourse on inclusive development by emphasizing the role of financial access in improving the socio-economic conditions of migrant labourers.

Keywords: *financial systems, FI, migrant labourers and financial access.*

INTRODUCTION

Financial inclusion is a global initiative aimed at ensuring that individuals and companies, regardless of their economic status or geographical location, have access to affordable and appropriate financial services, (Jafar, 2020; Karim, and Talukder, 2020). These services encompass a range of offerings, including banking, credit, insurance and investment options, (Koker, and Jentzsch, 2013; Gupta, Pattillo, and Wagh, 2009). The goal is to empower people to manage their finances, save, invest, and protect themselves against financial risks, (Lenka, and Barik, 2018). Financial inclusion is a global imperative that seeks to provide people, regardless of their socio-economic status, with access to essential financial services, (Chuc and Taghizadeh-Hesary, 2019). These services include banking, credit, insurance and investment opportunities, aiming to empower people to better manage their finances, build assets, and participate actively in the formal economy, (Hafeez, and Ullah, 2022). While strides have been made in the financial sector, a significant portion of the world's population still lacks access to these fundamental services, limiting their economic potential and perpetuating cycles of poverty, (Li L, 2018).

a. Banking Services

Providing individuals with access to basic bank accounts facilitates secure storage of money and enables simple transactions, (Abdulmumin et al., 2019). Access to payment services, including electronic fund transfers and digital transactions, reduces dependence on cash and enhances efficiency, (Aduda, and Kalunda, 2012). The initiatives such as mobile banking services and local banks' migrant-friendly schemes tailored to non-resident labourers have potential to enrich financial efficiency, (Adedokun, and Aga, 2021; Gupta, Pattillo, and Wagh, 2009).

b. Credit Services

Offering small loans to entrepreneurs, especially in underserved communities, improve entrepreneurship and economic development, (Afolabi, 2020; Majeed et al., 2021). Developing fair and inclusive credit scoring mechanisms enables individuals with limited credit history to access loans, (Ajefu, and Ogebe, 2019). Financial inclusion enhances socio-economic well-being of migrant laborers by providing access to credit facilities, and digital payment systems, (Akinrinola, and Folorunso, 2022).

c. Insurance Services

The insurance products help the individuals to protect against unforeseen events, such as illness, accidents, or natural disasters, (Akobeng, 2016; Gupta, Pattillo, and Wagh, 2009). Particularly relevant for migrant labourers, this type of insurance provides coverage based on weather conditions, (Allen, Cull, and Valenzuela, (2014). Life insurance is an important financial tool for migrant labourers, providing security and stability to their families in the face of unexpected events, such as debt repayment or children's education, (Anwar, and Amiruddin, 2017). Many life insurance policies include investment or savings components, supporting policyholders to build wealth while being protected, (Anzoategui, and Peria, 2014). These dual benefits make life insurance a mainly valuable asset for migrant labourers looking for security and future financial growth, (Bunyamin, Rorimpandey, and Istutik, 2024).

d. Investment Opportunities

Encouraging savings and providing investment options, such as mutual funds promote long-term financial growth, (Asuming, and Mohammed, 2018). The mobile technology provide banking services and facilitates financial inclusion, especially in remote areas. A constant financial system guarantees the efficient allocation of resources, enables investment, and reduces the risk of economic shocks, such as market volatility or banking crises, which can hinder long-term growth.

e. Digital Wallets

E-wallets and digital payment platforms provide convenient and secure ways to transact without the need for traditional bank accounts. Digital wallets and mobile money services can make it easier for migrant labourers to manage their finances and access services, (Bashir, Qureshi, and Ilyas, 2024).

IMPACT OF FINANCIAL INCLUSION

- **Poverty Alleviation:** Financial inclusion is an important factor in lifting individuals and communities out of poverty by providing them with the tools to build assets and generate income.
- **Economic Growth:** A financially inclusive population contributes to economic growth by increasing participation in formal financial systems, raising entrepreneurship and stimulating investment.
- **Reduced Inequality:** Bridging the gap between financially included and excluded helps to reduce economic disparities, promoting more inclusive and equitable society.
- **Resilience to Shocks:** Access to insurance and savings allows individuals to better cope with financial shocks, such as illness or natural disasters, preventing them from falling into deeper poverty, (Baulch, and Le TH, 2018).
- **Empowerment of Vulnerable Groups:** Financial inclusion particularly critical for empowering women, rural populations and other marginalized groups, enabling them to participate more actively in economic activities.

THE SIGNIFICANCE OF FINANCIAL INCLUSION

The importance of financial inclusion extends beyond the territory of banking, it is complexly tied to wider socio-economic goals, such as reduced income inequality, poverty alleviation and economic growth, (Etudiaye-Muhtar, and Sakariyahu, 2019). When individuals and the communities are excluded from the prescribed financial systems, they may face challenges in obtaining loans for business ventures, accessing avenues for long-term savings, safeguarding against financial risks and investment, (Adedokun, and Aga, 2021).

The financial inclusion acts as an important aspect for empowering vulnerable and marginalized groups, including women, rural populations, migrant labourers and those in developing economies, (Bayar, and Gavriletea, 2018). Through breaking down barriers to financial services, peoples can unlock the latent potential within these communities, develop entrepreneurship, encouraging savings and building flexibility against economic shocks.

CHALLENGES TO FINANCIAL INCLUSION

Achieving financial inclusion is not without challenges, particularly in rural and remote areas, limit the reach of financial services, (Aduda and Kalunda, 2012). Moreover, high transaction costs, regulatory barriers and lack of financial literacy is a challenging obstacles for the individuals those who are seeking to engage with financial institutions. The social and cultural factors play an important role, influencing attitudes toward financial and banking products, (Bekele, 2023; Ahmad Sohaib, and Shehzad, 2021). A concerted effort requires to overcoming these challenges, from financial institutions, other stakeholders and governments to develop accessible technologies, implement inclusive policies and promote financial education, (Afolabi, 2020).

- **Lack of Infrastructure:** Inadequate banking infrastructure, especially in rural areas, hinders access to financial services, (Benmamoun, and Lehnert, 2013). Long-term solutions require investment in urban planning and infrastructure that contains provisions for migrant labourer's housing, with considerations for their transient lifestyles.

- **Limited Financial Literacy:** A lack of understanding about financial products and services can impede individuals from fully utilizing available resources, (Afolabi, 2020; Majeed, Sohaib and Shehzad, 2021). Educated individuals are better equipped to access digital banking, direct financial systems, and interpret financial literacy programs, leading to improved financial efficiency.
- **Regulatory Barriers:** Stringent regulations may limit the ability of financial institutions to reach underserved populations. The lack of access to formal banking systems, unfamiliarity with financial technologies and language barriers are exacerbate their challenges, (Ajefu, and Ogebe, 2019). Efforts to enrich financial literacy, such as simplified banking processes, community workshops, and mobile-based financial education tools, can empower migrant labourers to plan for the future, better manage their earnings, and break the cycle of economic vulnerability, (Benmamoun, and Lehnert, 2013).
- **High Costs:** Transaction costs and fees associated with financial services can be prohibitive for low-income individuals. Migrant workers frequently send remittances to their families in their home countries, (Akinrinola, and Folorunso, 2022). When they have access to formal banking channels, they can send money more securely, quickly, and at a lower cost. This reduces the dependence on informal remittance channels that charge excessive fees, (Akobeng, 2016).
- **Social and Cultural Factors:** Societal norms and cultural beliefs may discourage certain groups, particularly migrants labourers, from engaging with formal financial institutions, (Allen, Carletti, and Valenzuela, 2014). Addressing the challenges faced by migrants labourers can stand-in harmonious relationships between them and local communities, reducing social tensions, (Beck, Demirguc-Kunt and Levine, (2009).

FINANCIAL EFFICIENCY

Financial inclusion can enhance the financial efficiency of migrant labourers by providing them with tools and services to manage their finances effectively, (Corrado, and Corrado, 2017). Traditional banking services, mobile banking and digital payment platforms can enable secure and convenient transactions, reducing the reliance on cash and mitigating the risks associated with carrying large sums of money. This can lead to increased transparency, reduced transaction costs and improved financial efficiency, (Anarfo, Amewu, and Dzeha, 2020). Moreover, access to formal financial services allows migrant labourers to build a financial identity, making it easier to access credit and other financial products. This can empower the migrant labourers to invest in income-generating activities, education and healthcare, ultimately contributing to their economic stability and well-being, (Anwar, and Amiruddin, 2017).

FINANCIAL SUSTAINABILITY

Financial sustainability among migrant labourers is closely linked to their ability to save and plan for the future. Inclusive financial services, such as savings accounts and insurance, provide avenues for them to safeguard their earnings and protect against unforeseen circumstances, (Anzoategui, and Peria, (2014). This resilience can help migrant labourers break the cycle of poverty and achieve a more sustainable and secure financial future. Financial inclusion can stand-in a sense of economic empowerment and inclusion in society, (Bonnefond, 2014). When migrant labourers have access to financial tools, they are more likely to participate in formal economic activities, leading to a sustainable economy. Addressing the financial inclusion needs of migrant labourers is necessary for enhancing their financial efficiency and sustainability, (Aduda, and Kalunda, 2012).

DISCUSSION

The study reveals that while various financial inclusion initiatives such as Jan Dhan Yojana, Aadhaar-linked banking, and mobile banking platforms have expanded the reach of financial services in India, migrant labourers continue to face significant barriers to access and effective utilization. A major issue identified is the lack of awareness and financial literacy among migrants, which limits their ability to engage with formal banking systems. Furthermore, the absence of permanent address proof, language barriers, and the transient nature of their employment create obstacles in opening and maintaining bank accounts. Although some migrant workers have adopted mobile wallets and digital payment systems, their usage remains limited to basic transactions due to low trust and limited understanding of digital security. The study also points to institutional challenges such as inadequate customer support, complicated procedures, and limited outreach of financial institutions in labour-dense areas. These findings suggest that financial inclusion efforts must go beyond infrastructure and accessibility by addressing socio-cultural and behavioral factors that influence financial behavior. Tailored financial literacy programs, simplified onboarding processes, and mobile-based banking solutions in regional languages can play a pivotal role in deepening financial inclusion for this vulnerable group.

IMPLICATIONS

The findings of this study carry important implications for policymakers, financial institutions, and development practitioners. First, there is a clear need for inclusive financial policies that specifically cater to the unique needs of migrant labourers, including flexible documentation requirements and portable banking services that accommodate their mobility. Second, financial institutions must develop targeted outreach strategies and user-friendly digital platforms in regional languages to build trust and encourage usage among migrant workers. Third, collaboration with NGOs, employers, and community organizations can enhance financial literacy and awareness at the grassroots level. Additionally, integrating financial services with welfare schemes, wage disbursement systems, and social security programs can further promote sustained engagement with formal financial systems. By addressing these implications, stakeholders can contribute to building a more equitable and inclusive financial ecosystem that empowers migrant labourers and supports their economic resilience.

CONCLUSION

The study underscores that despite significant progress in financial inclusion at the national level, migrant labourers remain a largely underserved and vulnerable segment. Challenges such as lack of awareness, limited documentation, language barriers, and mobility constraints hinder their full participation in formal financial systems. While government initiatives and digital platforms have opened new avenues, their impact on migrant communities remains uneven and limited. To ensure truly inclusive financial growth, there is a pressing need for targeted interventions that address the unique socio-economic realities of migrant workers. Strengthening financial literacy, simplifying access to banking services, promoting trust in digital financial tools, and designing mobile, flexible, and worker-friendly financial products are essential. The findings of this study call for a collaborative approach involving policymakers, financial institutions, and civil society to bridge the inclusion gap and empower migrant labourers economically and socially.

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