



Financial Inclusion And Its Effect On Financial Efficiency And Economic Empowerment – With Reference To Migrant Labourers In Kerala

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ABSTRACT

This article suggest that increased access to financial services encourages savings, investments, entrepreneurship, and develops the productivity. The analysis explores the positive correlation between poverty reduction and financial inclusion, highlighting how inclusive financial systems contribute to social development and income equality. Though, disparities and challenges in the implementation of financial inclusion strategies are addressed. The study examines issues related to infrastructure, financial literacy, and cultural factors that may hinder the effectiveness of these initiatives, particularly in rural and underserved areas. The aim of the country is bringing companies and individuals into the formal financial fold, stimulate entrepreneurship, unlock latent economic potential, and promote financial flexibility among its people. The effects on financial inclusion becomes essential for financial institutions, policymakers, and stakeholders.

Keywords: financial inclusion, economic growth, innovations and strategies

INTRODUCTION

The FI and its impacts on India's economic growth have become the most important research areas. Levin (2005), in the early 21st century economic research didn't highlight the role of access to finance, poverty and economic growth. Levine and Beck (2018) indicated that importance of financial inclusion, Schumacher (1973), Shaw (1973) and Goldsmith (1969) pointed out access to financial products and well-developed financial institutions are essential for economic growth. (Bhattacharya and Ghosh, 2019; De Matteis, 2015; Corrado, 2015) highlighted the importance of financial inclusion and industry-level analyses (Parkinson and Edgett, 1994; Klumpes, 2004; Lievens *et al.*, 1999; Bilan *et al.*, 2019) examined the financial access. A strong financial system will reduce the credit restrictions that smother the sector-level development, hence it assists in enhancing capital allocation within the economy.

This brief overview sets the context for an exploration into how microfinance directs the challenges associated with financial inclusion, unlocking pathways for socio-economic development at the grassroots level. The impact of transition on financial inclusion remains a critical aspect. Understanding the degrees of this intersection is essential for planning effective strategies that influence microfinance to adoptive comprehensive and sustainable development. Adoptive collaboration between private and public sectors to influence the strengths of both in promoting the financial inclusion. The private and public- partnerships can enhance service delivery, drive innovation, and contribute to the sustainable economic growth. Establish the healthy evaluation mechanisms and monitoring to assess the impact of financial inclusion initiatives on economic growth. The regular assessments can update policymakers of the efficiency of mediations and guide future strategies.

MIGRANT LABOURERS IN KERALA

Migrant labourers are individuals typically leave their place of origin due to various factors such as lack of employment opportunities, conflict, poverty, or natural disasters. These individuals often work in industries such as agriculture, manufacturing, construction, or services. Migrant labourers face unique challenges such

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as exploitation, discrimination, and lack of access to basic rights and social services. They play a crucial role in the economies of both their host and home countries, contributing to various sectors and often sending remittances back to their families.

In Kerala, marginalized migrants often include individuals from other Indian states, such as West Bengal, Assam, Bihar, Odisha and Uttar Pradesh as well as from countries like Bangladesh and Nepal. These migrants typically work in sectors such as agriculture, construction, domestic work, and hospitality. One important group among marginalized migrants in Kerala is construction workers. Many come to Kerala seeking employment opportunities in the booming construction industry. They often face challenges such as low wages, lack of access to healthcare, poor working conditions, and education for their families, and sometimes exploitation by contractors. Another group comprises migrant workers engaged in agriculture, especially in the plantations of crops like tea and rubber. They often work under harsh conditions and may face issues related to land ownership, wage disparities, and limited access to social welfare schemes.

Domestic workers, predominantly women, form another segment of marginalized migrants in Kerala. They often work in households as maids or caregivers and face challenges such as low wages, lack of job security, long working hours, and sometimes even physical or verbal abuse. Migrants from marginalized communities also encounter social discrimination and cultural challenges in Kerala. Language barriers, cultural differences, and lack of familiarity with local customs can further marginalize these individuals. Despite these challenges, marginalized migrants in Kerala play a crucial role in the state's economy, contributing significantly to various sectors. Efforts are being made by government agencies, NGOs, and civil society groups to address the needs and rights of these migrants, legal assistance, education, including providing access to healthcare, and social support programs.

REVIEW OF LITERATURE

Chetan DUDHE (2021), stated that providing affordable financial services to the society in all segments is most important for the growth of Indian economy. The government and the other financial institutions need to take FI initiatives for under banked and unbanked individuals. This effort supports to attain the comprehensive economic development, where the financial services benefits are extended to the most downgraded communities.

Nasir Zamir and Zubair Ahmad Sofi, the FI and its impact on economic growth of India is a dynamic aspect of country's development. Access to financial services has become a cornerstone in developing an inclusive and healthy economy. The technological innovators and the financial institutions need to take steps in order to empower the segments of the population in financial access.

Ibrahim, Asuming and Osei-agyei, (2018), they explore the recent trends in financial inclusion and its impacts of the country's economic growth. Across the countries FI is a unique challenge for every financial institutions. The growth of digital technologies, policy interventions and the efforts of financial institutions has redesigned the financial inclusion.

Sami and Iqbal, (2017) this study revealed that the role of banks in developing the FI is a critical component of India's economic development. In India, banks play an important role in FI, it is serving as a vital agent in extending the financial amenities to diverse population segments. Indian government and financial institutions direct the challenge of bringing unbanked into proper financial fold. The banks become an instrumental in implementing the inclusive policies and strategies.

Bayero and Abdullahi M. (2015), this study reveals the effects of economic policies on financial inclusion and the relationship between these two dynamics. The economy represents the significant policy trend in the nations, and it is important for transparency, increased efficiency and financial inclusion. The financial institutions and governments are embracing the electronic transactions and digital payment systems to reduce the reliance on physical currency.

Simbanegavi W, Beck T and Senbet L (2015) they examined, innovation and financial technology can shape and expand the financial inclusion. The innovation and financial inclusion has become an important concept to create more accessible and comprehensive financial ecosystems. Recently, the technological advancements have become an important approach to banking and financial services to reduce the barriers.

Ghosh J. (2013) they found, the role of microfinance is most important in overcoming the barriers to financial inclusion, it also contributes widely to the developmental activities. It is an important tool in addressing the challenge of promoting economic development, particularly in traditional banking services. The aim of microfinance institution is provide small-scale financial facilities like micro savings and microloans to persons, entrepreneurs, excluded from mainstream banking.

Kuriakose F, Gounasegaran C and Iyer D. K. (2013) they stated that advancing in financial inclusion is most important in finance and banking sectors. The financial institutions, Governments and organizations need to take more efforts to broaden access to economic services and recognizing the role of inclusive finance in economic development. The present state of affairs in FI is crucial for directing the challenges and maximizing the opportunities to promote inclusive financial practices.

OBJECTIVES OF THE STUDY

1. To investigate the impact of financial inclusion on financial efficiency and economic empowerment among migrant labourers.

- To determine the effects of financial inclusion on the economic empowerment of migrant labourers, focusing on economic independence.

HYPOTHESIS OF THE STUDY

- Financial inclusion positively impacts the financial sustainability and economic empowerment of migrant labourers.
- Access to digital financial services, significantly enhances the economic empowerment of migrant labourers by providing more secure, accessible, and efficient financial management options.

RESULTS & DISCUSSIONS

✓ Exploratory factor analysis

The KMO value stands at 0.817, which surpasses the 0.5 threshold. Consequently, it is categorized as an excellent level of adequacy.

✓ Communalities

Table 1:1

Communalities		
	Initial	Extraction
The continual evolution of regulatory frameworks will foster innovation.	1.000	.492
Barriers to Financial Inclusion Negatively Affect Economic Growth of migrant labourers.	1.000	.384
Streamlining identification processes can enhance inclusion.	1.000	.365
The rise of digital platforms and mobile banking has been a game-changer in enhancing financial inclusion.	1.000	.528
Cultural attitudes towards banking and finance can influence the financial services.	1.000	.479
The digital financial services contribute to improved financial inclusion.	1.000	.528
Economic empowerment	1.000	.415
Extraction Method: PCA.		

A Maximum Likelihood with Varimax rotation has been conducted to investigate the distinctions among data obtained from the questionnaire.

✓ Total Variance Explained

Table 1:2

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.191	45.588	45.588	3.191	45.588	45.588
2	.927	13.243	58.831			
3	.820	11.710	70.541			
4	.649	9.275	79.816			
5	.555	7.928	87.744			
6	.442	6.317	94.061			
7	.416	5.939	100.000			
Extraction Method: PCA.						

It indicates, 1 construct, comprising 7 items that are extracted cumulatively explains 45.588 percent of the total variance.

✓ Multiple Linear Regression Analysis

Table 1:3

Model Summary ^b					
Model	R	R ²	Adj R ²	Std. Error of the Estimate	Durbin-Watson
1	.560 ^a	.314	.293	.697	2.090

a. Predictors: (Constant), Cultural attitudes towards banking and finance can influence the financial services, Barriers to Financial Inclusion Negatively Affect Economic Growth of migrant labourers, Streamlining identification processes can enhance inclusion, The continual evolution of regulatory frameworks will foster innovation, The rise of digital platforms and mobile banking has been a game-changer in enhancing financial inclusion
b. Dependent Variable: Economic Empowerment

The above table indicated that $R^2 = .314$, adjusted $R^2 = .293$, the factors create 31.4% variance on Economic Empowerment. The Durbin-Watson statistics = 2.090 it shows that there is no auto correction.

Table 1. 4

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.714	5	7.343	15.101	.000 ^b
	Residual	80.233	165	.486		
	Total	116.947	170			
a. Dependent Variable: Economic Empowerment						
b. Predictors: (Constant), Cultural attitudes towards banking and finance can influence the financial services, Barriers to Financial Inclusion Negatively Affect Economic Growth of migrant labourers, Streamlining identification processes can enhance inclusion, The continual evolution of regulatory frameworks will foster innovation, The rise of digital platforms and mobile banking has been a game-changer in enhancing financial inclusion						

The value of $F = 15.101$, $P = .000$, significant @1%. It shows that there is a relationship between independent variables and the dependent variable Economic Empowerment.

Testing of hypothesis

H1: Financial inclusion positively impacts the financial sustainability and Economic Empowerment of migrant labourers.

H2: Access to digital financial services, significantly enhances the economic empowerment of migrant labourers by providing more secure, accessible, and efficient financial management options.

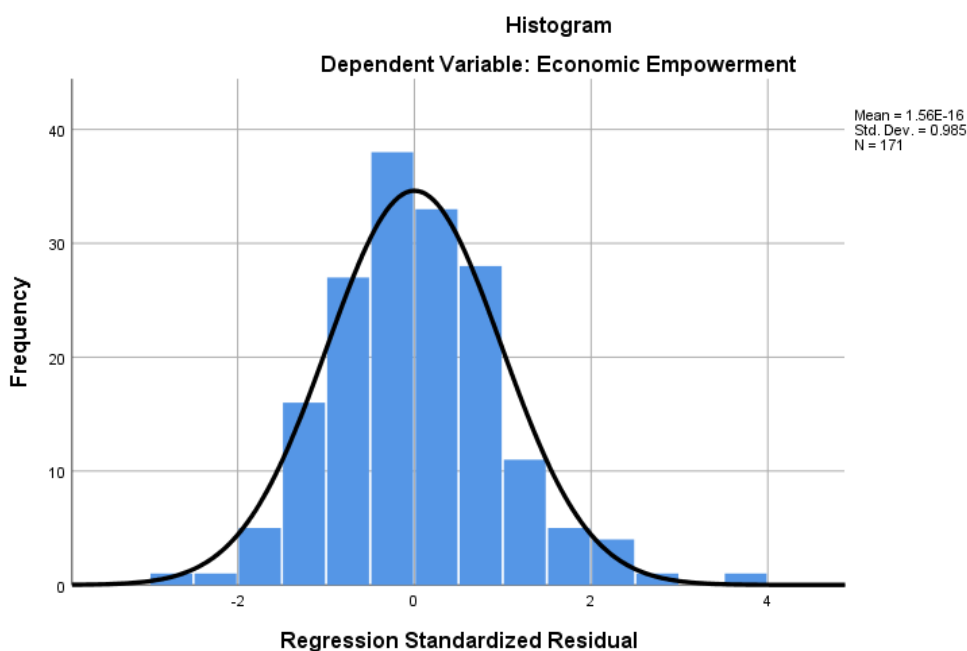
Table 1. 5

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.562	.185		3.044	.003
	The continual evolution of regulatory frameworks will foster innovation	.233	.069	.257	3.362	.001
	Barriers to Financial Inclusion Negatively Affect Economic Growth of migrant labourers.	.031	.073	.032	.421	.674
	Streamlining identification processes can enhance inclusion	.089	.065	.098	1.376	.171
	The rise of digital platforms and mobile banking has been a game-changer in enhancing financial inclusion	.031	.077	.032	.406	.685
	Cultural attitudes towards banking and finance can influence the financial services	.320	.072	.331	4.440	.000
a. Dependent Variable: Economic Empowerment						

The above table indicates that the continual evolution of regulatory frameworks will foster innovation ($\beta = .257$, $t = 3.362$, $P = .001$) and Cultural attitudes towards banking and finance can influence the financial services ($\beta = .331$, $t = 4.440$, $P = .000$). The P value of the above variables are less than 0.05. Hence, it was found that there is an association between the Cultural attitudes towards banking and finance can influence the financial services and India's economic growth and Barriers to Financial Inclusion Negatively Affects Economic Growth of migrant labourers.

✓ Histogram

Chart 1: 1



FIT INDICES FOR THE SEM MODEL

Table 1: 6

S.NO	Measure	Recommended value	Observed Values	Interpretation
1	CFI	>0.90	0.946	Excellent
2	GFI	>0.90	0.976	Excellent
3	IFI	>0.90	0.949	Excellent
4	NFI	>0.90	0.945	Excellent
5	RMSEA	<0.08	0.060	Excellent
6	SRMR	<0.08	0.068	Excellent

✓ **Testing Significance of Dimensions of Financial inclusion will improve the economic growth of migrant labourers.**

Table 1.7

			Estimate	S.E.	C.R.	P
The digital financial services contribute to improved financial inclusion	<---	Barriers to Financial Inclusion Negatively Affect Economic Growth of migrant labourers.	.107	.077	1.386	.166
The digital financial services contribute to improved financial inclusion	<---	Streamlining identification processes can enhance inclusion	.330	.067	4.912	***
The digital financial services contribute to improved financial inclusion	<---	The rise of digital platforms and mobile banking has been a game changer in enhancing financial inclusion	.400	.080	5.025	***
The digital financial services contribute to improved financial inclusion	<---	Cultural attitudes towards banking and finance can influence the adoption	.140	.079	1.775	.076
Economic Empowerment	<---	The digital financial services contribute to improved financial inclusion	-.014	.071	-1.193	.847

			Estimate	S.E.	C.R.	P
Economic Empowerment	<---	Barriers to Financial Inclusion Negatively Affects Economic Growth of migrant labourers.	.096	.072	1.323	.186
Economic Empowerment	<---	Streamlining identification processes can enhance inclusion	.133	.067	1.996	.046
Economic Empowerment	<---	The rise of digital platforms and mobile banking has been a game-changer in enhancing financial inclusion	.100	.079	1.256	.209
Economic Empowerment	<---	Cultural attitudes towards banking and finance can influence the financial services	.341	.074	4.611	***

The above table indicated that Streamlining identification processes can enhance inclusion is having a significant effect over The digital financial services contribute to improved financial inclusion with $P = 0.000$, the rise of digital platforms and mobile banking has been a game changer in enhancing financial inclusion having a significant effect over The digital financial services contribute to improved financial inclusion with $P = 0.000$, streamlining identification processes can enhance inclusion having a significant effect over Economic empowerment with $P = 0.046$ and Cultural attitudes towards banking and finance can influence the financial services having a significant effect over Economic empowerment with $P = 0.000$.

RECOMMENDATIONS

1. Implement comprehensive digital literacy programs to develop people to leverage digital financial services effectively. This should include targeted initiatives in urban and rural areas to bridge the digital divide.
2. Financial institutions need to implement digital literacy programs to empower the individuals.
3. They need to focus on improving the digital infrastructure, mainly in remote areas.
4. Government needs to encourage the development of FinTech solutions to address the specific challenges in financial inclusion.
5. They should collaborate with FinTech companies to create a user-friendly and innovative platforms to satisfy the needs of the customers.
6. Need to implement better policies for women, low-income groups and rural communities.
7. Streamline the regulatory processes to facilitate individuals who lack in traditional identification documents.
8. To encourage financial institutions and banks to adopt the responsible banking practices.
9. The continual evolution of regulatory frameworks will help to develop the innovation and improve the economic growth of migrant labourers.
10. Cultural attitudes towards banking and finance can influence the financial services.

CONCLUSION

The policies related with FI and its dimensions of financial inclusion is essential factors of economic growth. They indicated that the factors such as continual evolution of regulatory frameworks will foster the innovation and Cultural attitudes towards banking and finance can influence the financial services help to improve the economic growth of migrant labourers. The barriers to financial inclusion negatively affects the country's economic growth. Improving financial literacy, developing access points, motivating financial agents, networks and expanding investment in financial infrastructures are crucial in ensuring the people to obtain finance.

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