

## A Study of Financial Exclusion of Cycle-Rickshaw Pullers in Purulia Town, West Bengal

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### Abstract

*This paper seeks to explore the nature and causes of financial exclusion of the cycle-rickshaw pullers of Purulia town in West Bengal. The cycle-rickshaw puller having no (at least one) active bank account is considered as financially excluded (included). In order to examine the factors affecting the probability of financial exclusion for the cycle-rickshaw pullers a binary logit regression has been formulated. This empirical study is based on a set of primary data of one hundred rickshaw pullers who earn livelihood mainly from rickshaw pulling. During field survey we have observed that majority of the cycle-rickshaw pullers in Purulia town do not have own rickshaw. This study explores that a large section of the cycle-rickshaw pullers has no bank account at all. The incidence of financial exclusion is more serious in respect of the access to formal credit, insurance policy regarding their life and wealth. Almost all the rickshaw pullers have no information regarding the schemes for financial inclusion. Low daily income, low level worker population ratio, high marginal propensity to consume, other informal occupation are significant causes of financial exclusion of the rickshaw pullers in Purulia town.*

**Keywords:** Financial exclusion, Logit model, Rickshaw puller.

### 1. Introduction

The financial exclusion refers to the situation where people, in general, have no access to basic formal financial services. A person is said to be financial excluded if the person has no easy access to formal financial services like savings, credit, insurance, remittance facility and pension facility. In recent times, India has emphasized on financial inclusion of the marginalised section of population to accelerate the inclusive development. The Government of India has launched several projects like Jan Dhan Yojana, Pradhan Mantri Suraskha Bima Yojana, and Atal Pension Yojana for financial inclusion of the marginalised section of people. Among

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them Pradhan Mantri Jan Dhan Yojana, started on 15 August 2014, is the primary project for financial inclusion of all. The main aim of this program is to bring the unbanked population under the purview of formal financial institutions. Several reports and studies have revealed that financial exclusion is severe among the marginal section of population in our country. The community of rickshaw puller is no doubt a marginal section of population in our country. Majority of them earn daily and spend daily to maintain livelihood. This paper seeks to examine the nature and causes of financial exclusion of the rickshaw puller community in Purulia town of West Bengal.

## **2. Relevance and Objectives**

Cycle Rickshaws play a vital role in local transportation of towns and semi-towns in India. They are environmental-friendly and play an important role in today's chaotic transportation system in every Indian towns. Purulia is the head quarter of Purulia district in the state of West Bengal. It is a small town where fifteen thousand populations live permanently. This town is connected with the cities of Kolkata, Kharagpur, Asansol, Jamshedpur and Ranchi by rail and bus. A large number of people go and fro Purulia daily for business or services. Local public transport system is not so developed in this town, even; there is no city bus or bus route passing through railway station. Rickshaw is the common transport system which connects different important places like the railway station, the bus stand, market, hospital, government office, court, colleges and University and the door steps of the inhabitants in Purulia town.

In Purulia town more or less 600 rickshaw pullers work in a common day. The rickshaw pullers in Purulia town have union but there is no any fare chart for rickshaw riding. In Purulia district 57 percent of households do not have access to banking services. (Census, 2011). In Purulia -1 block 55.6 percent households have no access to formal financial services. No doubt this figure will be more disappointing if one considers the poor households, particularly, the households of cycle-rickshaw puller in Purulia town. Access to formal financial services includes the affordable access to formal savings, credit, insurance, payment, remittance facilities. A few relevant studies are cited here.

Nandhi (2010 & 2011) has conducted an empirical study of money management of 176 rickshaw pullers in the state of Delhi. The study has found that most of the sample rickshaw pullers are migrated from Bihar, Uttar Pradesh and Madhya Pradesh. They are mostly illiterate and asset poor. Most of the sample rickshaw pullers save a portion of their earnings. But only 1% of cycle-rickshaw pullers have a savings bank account. Many rickshaw pullers borrow from informal commercial sources like private lenders and moneylenders, as well as non-commercial sources like interest-free loans from friends, relatives and other pullers. No one borrow from bank. Only 16% of the sample pullers use formal remittance channels like bank accounts of own or friends or relatives, or through the post offices. Most of the rickshaw pullers prefer to remit money personally. Because awareness of the rickshaw pullers regarding formal remittance mechanisms like bank draft and

electronic money transfers is at very low level. However, half of the sample pullers know about post office remittance system. Thus, the financial inclusion of cycle rickshaw pullers of Delhi state is not at a satisfactory level. Bose (2014) in a project of UNDP has assessed the necessity of financial inclusion of the rickshaw pullers for livelihood promotion. Based on primary data collected from the states of Assam, Rajasthan and Jharkhand, Bose (2014) concludes that most of the cycle rickshaw pullers are single earner in the family and they have hardly access to formal financial services like formal savings, credit and insurance and remittance are poor. A large section of rickshaw pullers are migrant poor. This project report recommend that first and foremost the rickshaw pullers need to have access to financial services, have improved asset base, employment of their women, facilities of food security for livelihood promotion. In literature we find several factors affecting the access to formal financial services. These are; lack of awareness, lack of identity due to migration, low level income, illiteracy. The participation in SHG ensures the access to formal savings and credit for the rural poor women (Varman, 2005; Meher, 2007; Adhikary and Bagli, 2010; 2012; Bagli and Adhikary, 2015). Datta (2003) revealed that operational land holding, involvement in local level organisation, familiarity with important personalities and income from trade and business are favourable for getting access to formal credit.

However, the study of financial inclusion/exclusion and its determinant for rickshaw pullers in West Bengal is rare in literature. In order to study the nature and causes of financial exclusion of the rickshaw pullers in Purulia town the study has following objectives.

First, this study explores the socio-economic and demographic status of the cycle-rickshaw pullers in Purulia town.

Second, we examine the nature of incidence of financial exclusion of the cycle-rickshaw pullers.

Third, an attempt has been taken to assess the factors affecting the incidence of financial exclusion of the cycle-rickshaw pullers.

### **3. Methodology and Data**

There is no specific measure of financial inclusion/exclusion in literature, at aggregate level as well as at individual level. At aggregate level, the common measure of financial inclusion refers to the percentage of adult population having savings bank account or number of bank branches functioning per thousand populations. Financial inclusion is usually measured, at the individual level, by the fact whether or not the individual has savings bank account, or number of bank accounts held by the individual. The information 'whether the rickshaw puller has a bank account or not' has been taken as a measure of financial exclusion. If the rickshaw puller has no bank account he is considered as a financially excluded. The rickshaw puller is financially included if he has at least an active bank. Value '1' has been attached if the cycle-rickshaw puller is financially excluded '0' otherwise.

Therefore, financial exclusion (FIEX) of the cycle-rickshaw puller is a binary variable indicating values 1 and 0. As financial exclusion is a binary variable binary logit model is suitable to investigate the responsible factors affecting the probability of financial exclusion for the rickshaw pullers of Purulia town.

The literature of financial inclusion in India and abroad explores different socio-economic factors which affect the banking habit of a person. This study has considered some individual and household level characteristics of the rickshaw puller as determinant of financial exclusion. These are; education level (LIT), daily income (DINC), worker population ratio of the family (WPR), secondary occupation of the rickshaw puller (SOC), marginal propensity to consume (MPC), working experience (EXP), age (AGE) and caste (CAST) of rickshaw puller. The specified logit regression model has been shown in following equation.

$$FIEX_i = \beta_0 + \beta_1 LIT + \beta_2 DINC + \beta_3 WPR + \beta_4 SOC + \beta_5 MPC + \beta_6 EXP + \beta_7 AGE + \beta_8 CAST + U_i \quad (1)$$

where,  $FIEX = 1$ , when the cycle-rickshaw puller does not have bank account  
 $= 0$  when the cycle-rickshaw puller has at least one bank account

$LIT$  captures the information whether the rickshaw-puller is literate or not. Thus it is a binary variable such that

$LIT = 1$ , if the cycle-rickshaw puller is literate  
 $= 0$ , if the cycle-rickshaw puller is illiterate

$DINC$  stands for average daily income of the cycle-rickshaw puller measured in rupee.

$WPR$  denotes the worker population ratio in the family expressed as percentage.

$SOC$  is used to gauge the information regarding secondary occupation of the rickshaw puller. It is a dummy variable taking value '1' if the cycle-rickshaw puller has secondary occupation and '0' otherwise.

$MPC$  indicates marginal propensity to consume of food. It is calculated in 100 rupees of daily income of the rickshaw pullers. Thus marginal propensity to consume of food for the rickshaw puller is a quantitative variable expressed as percentage.

$EXP$  denotes the experience or how many years the person does the rickshaw pulling job. It is a continuous variable counted in years.

$AGE$  stands for physical age of the cycle-rickshaw puller measured in years

$CAST$  stands for caste of rickshaw puller; this study has considered only one dummy for caste, because very few numbers of rickshaw pullers are belonging to general caste, and ST communities.

$CAST = 1$ , if the rickshaw puller is belonging to scheduled castes  
 $= 0$ , if the rickshaw puller is belonging to other castes

$U_i$  stands for random disturbance term in model-1.  $\beta_i$  is the coefficient of  $i^{th}$  independent variable and  $\beta_0$  is intercept term in model-1.

In view of the above objectives and methodology a field survey on cycle-rickshaw pullers in Purulia town has been conducted with a structured questionnaire during the month of April in 2015. The study considers a random sample of one hundred cycle-rickshaw pullers who reside in Purulia town or nearby villages during the year

2014-15. The primary survey has covered the cycle-rickshaw pullers of four points of Purulia town, namely, railway station, city bus stand, Chakbazar and Goshala more. The data have been collected through personal interview method from each selected cycle-rickshaw puller.

#### 4. Results and Discussion

Basic socio-economic status of the sample cycle-rickshaw pullers have been reported in Table 1. The literacy rate is 58 percent among the sample rickshaw pullers in Purulia town. Moreover, most of the literates have below primary level education. Only a handful of the sample rickshaw pullers passed eighth class. No one has passed secondary level examination. In sample 87 percent rickshaw pullers belong to Hindu religion. Thus, as compared to the people of religion like Muslim, Christian, the people of Hindu religion are more likely to pull rickshaw in Purulia. It is noted that 73 percent (19 percent) are belonging to scheduled caste (OBC) community. A very few cycle-rickshaw pullers have come from tribal community. Majority of the rickshaw pullers in Purulia live at village areas and all of the respondent rickshaw pullers live in kutchra house. We find that 22% of the sample rickshaw pullers, who are migrated from remote villages of Purulia and Jharkhand state, live at slum area of Purulia town. This study reveals that a very few of the cycle-rickshaw pullers in Purulia town have licence for driving rickshaw. Majority of the rickshaw pullers do not have own rickshaw. They pull rickshaw on daily rent basis from the owners who are rich businessmen and reside in Purulia town. More than half of the sample rickshaw pullers have secondary occupations which are of sometimes higher in status as compared to rickshaw pulling. However, 89 percent sample rickshaw pullers like to quit this occupation if they have an alternative occupation. Thus most of the rickshaw pullers are compelled to remain in this occupation.

**Table 1: Socio-economic Status of the Sample Cycle-Rickshaw Pullers in Purulia (N=100)**

Status	Percentage
Literate	58
Belonging to Religion	87
Scheduled caste	73
Scheduled Tribe	6
OBC	19
General caste	2
Residence (Town)	22
Poor housing condition	100
Have a secondary occupation	55
Ownership of cycle-rickshaw	54
Prefer to quit Cycle Rickshaw Pulling job	89

Source: field survey, April 2015

**Table 2: Socio-Economic Profile of the Sample Cycle-Rickshaw Pullers**

Variable	Mean	Median	S. D	CV	Min	Max
Age ( Year)	39.57	40	8.53	21.54	19.00	65.00
Experience in rickshaw pulling ( year)	17.66	16	8.77	49.68	5.00	48.00
Family size (number)	6.20	6	2.11	34.08	12.00	3.00
Daily income ( Rs )	126.40	120	32.98	26.09	60.00	200.00
Expenditure for food (Rs per day per hundred rupees income)	82.5	85	9.54	11.56	90	65
Expenditure for drug or smoking (Rs)	33.33	35	9.54	28.65	50	10
Worker Population Ratio (WPR)	29.59	28.57	10.78	36.44	12.50	66.67
Rent for Rickshaw ( Rs ) (N=56)	24.9	20	2.47	0.09	30.00	20.00
Years of having bank account (N=41)	4.34	2	2.13	49.24	1.00	10.00

Source: field survey, April 2015

Table 2 depicts the descriptions of the socio-economic-demographic status of the rickshaw pullers. Age of the sample rickshaw pullers varies from 19 years to 65 years. The average of rickshaw pulling experience of the rickshaw pullers is 17 years ranges from 5 to 48 years. Average family size of the sample rickshaw pullers is high as compared to Purulia or West Bengal as a whole (Census, 2011). Average daily income of the rickshaw puller is Rs 126 which varies from Rs 60 to Rs 200. So, there is a low mean and high fluctuation in daily income of the sample rickshaw pullers. In other words, daily income of the rickshaw puller has huge uncertainty. Not only that the majority of the rickshaw pullers spend Rs. 35 per day for drug or smoking. It is a vital drainage of their income. In average worker population ratio in their family is only 29.59 percent. It has been already mentioned that 54 per cent rickshaw pullers hire rickshaw from their masters. The daily rent for rickshaw varies from Rs 20/- to Rs30/- per day depending on condition of the rickshaw.

**Table 3: Percentage Distribution of Categorical Variables**

Attributes towards financial Inclusion	% of Rickshaw puller having the attributes
Having bank account	41
Access to formal credit	0
No loan at the time of survey	24
Borrow from moneylender	38
Borrow from relatives or friends	38
Have a Life insurance policy	0
Awareness about JDY	16
Enrolled in JDY	1
Enrolled in RSBY	0

Source: field survey, April 2015

Table 3 depicts that 59% of cycle-rickshaw pullers have no bank account. It indicates that major portion of the rickshaw pullers is not financially included. No one rickshaw puller in sample has access to formal credit. Thus problem is worst if the access to formal credit is considered as measure of financial inclusion. It is reported that 38 per cent of the sample rickshaw pullers borrow from relatives or friends or from masters during the time of crisis. Other 38 per cent of the sample rickshaw pullers take loan from moneylenders and from the relatives or friends or from the masters. However, one fourth of the sample members have reported that they have no loan anywhere. A few number of rickshaw pullers did not want to disclose the fact regarding their loan statements. No one of the rickshaw pullers have life insurance policy. It is interesting to note that only 16% of the sample rickshaw pullers have information about Jan Dan Yojana and only 1% is enrolled under Jan Dan Yojana. No one sample rickshaw puller in Purulia town is enrolled in Rastriya Shasta Bima Yojana.

Therefore, incidence of financial exclusion is rampant among the rickshaw pullers in Purulia town. In order to examine the factors causing financial exclusion of the rickshaw pullers in Purulia town the specified logit model has been estimated and the results have been depicted in table IV.

**Table 4: Determinants of Financial Exclusion of Cycle-Rickshaw Pullers in Purulia**

Method :Logistic regression Sample size 100 Dependent variable: Financial exclusion of the rickshaw puller (1= financial exclusion and 0 = financial inclusion ) Mean of the dependent variable = 0.59				LR chi2(8) =30.23 Prob > chi2 =0.0002 Log likelihood = -52.568 Pseudo R2 =0.2233 Pr(Financial exclusion) (predict) = 0.628		
Independent Variables	Coefficient	Std. Err.	z	P>z	Marginal effects after logit*	Mean of the Variable
CONSTANT	4.512	2.537	1.78	0.075		
LIT	0.368	0.528	0.70	0.486	0.086	0.58
DINC	-0.025	0.008	-2.96	0.003	-0.006	126.4
WPR	-0.111	0.035	-3.11	0.002	-0.026	28.59
SOC	1.557	0.749	2.08	0.038	0.355	0.55
MPC	0.049	0.028	1.73	0.083	0.011	66.7
EXP	0.034	0.044	0.76	0.446	0.008	17.66
AGE	-0.040	0.051	-0.80	0.423	-0.009	39.57
CAST	-1.413	0.646	-2.19	0.029	-0.289	0.73

(\*)Marginal effects for discrete change of dummy variable from 0 to 1

Source: Authors’ estimation using STATA 9.2 based on primary data, 2015

The study reveals that illiteracy of the rickshaw pullers, experience in rickshaw pulling and age of the cycle-rickshaw puller are immaterial in the determination of the incidence of financial exclusion. It may happen due to low level education of the

literate rickshaw pullers. The coefficient of daily income is highly significant. The regression coefficient suggest that if daily income of the rickshaw puller becomes 10 rupees higher the probability of financial exclusion will reduce by 6 percentage points. Therefore, income is a primary condition for having a bank account. Low income of the rickshaw pullers causes financial exclusion. The worker population ratio is a significant cause of financial exclusion of the rickshaw pullers. One percent higher worker population ratio reduces the probability of financial exclusion by 26 per cent. Low level of worker population refers to the higher number of dependent persons for the rickshaw pullers' households. It increases consumption expenditure and reduces probability of banking habits. However, one interesting result is that if the rickshaw puller has secondary occupation the incidence of financial exclusion increases by 35 per cent. This finding is statistically significant. It is observed that the secondary occupations are usually casual labour, contract labour or other informal activities. In most of the cases the rickshaw pullers are compel to search a secondary occupation just to survive. These are not favourable for opening a bank account. Estimated impact of MPC on banking habits shows if MPC increases by one per cent the probability of financial exclusion increases by 1.1 percent. However, this result is statistically significant at 8 per cent level. Majority of the rickshaw pullers in Purulia town are belonging SC community. The logit regression estimation confirms that the rickshaw pullers belonging to SC community compared to other castes are more likely to have a bank account. The probability of financial exclusion is 29 percent lower for the rickshaw puller belonging to scheduled castes compared to rickshaw pullers belonging to other castes. It refers to the pangs of financial exclusion is low among the SC rickshaw pullers relative to OBC or ST rickshaw pullers.

## **5. Conclusion**

This study has made a close look of the nature and causes of financial inclusion of the rickshaw pullers in Purulia town. In spite of the introduction of several programs and policies regarding financial inclusion a major section of rickshaw pullers has no bank account at all. The incidence of financial exclusion is more serious in respect of the access to formal credit, insurance policy regarding their life and wealth. Despite the wide spread of advertisement and initiatives regarding Pradhan Mantri Jan Dhan Yojana (PMJDY) and Rastriya Shasta Bima Yojana almost all the rickshaw pullers have no information regarding these schemes. Finally, it is conclusive that low daily income, low level worker population ratio, high marginal propensity to consume, other informal occupation are significant causes of financial exclusion of the rickshaw pullers in Purulia town. Finally, lack of awareness regarding financial inclusion is a basic cause of financial exclusion for the rickshaw pullers in Purulia town. This study suggests that the government or appropriate authority have to take exclusive policy to inculcate awareness of financial inclusion for the rickshaw pullers in Purulia town. The government should recommend the banking sector to launch an affordable loan program for purchasing rickshaw.



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