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Financial Engagement of Coastal Communities in Using Fundamental Banking Facilities.

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Abstract

Financial inclusion is recognized as a critical enabler for achieving several Sustainable Development Goals (SDGs), especially for marginalized communities. This study explores the financial engagement of coastal communities in Ernakulam district, Kerala, focusing on the extent of usage and access to basic banking facilities across gender and locality both urban and rural. With a stratified sample of 360 respondents, the research employs chi-square tests to assess associations between demographic variables and financial behaviour. Findings reveal that 98.33% of the coastal population surveyed holds a bank account, largely influenced by government-initiated direct benefit transfers and social security schemes. No significant difference is observed in account ownership across locality or gender. Both urban and rural respondents regularly use banking services, primarily on a monthly basis, for receiving pensions, benefit transfers, and loan transactions. In terms of emergency funding, respondents tend to rely on informal sources like friends and relatives, although urban residents show greater inclination toward formal banking and NBFCs. The study underscores the degree of financial inclusion in coastal Kerala highlighting their social and behavioural influences on financial decision-making.

Keywords: Financial inclusion, FI-Index, PMSBY, PMJDY, MSY, APY, KCC, Unified Payments Interface, banking access, digital finance, gender disparity, emergency funding, self-help groups, Kudumbasree

Introduction

Financial inclusion has been steadily advancing across the country since decades, gaining traction in both rural and urban areas. The movement toward broader financial access is becoming increasingly widespread, with particular emphasis placed on financial empowering all citizens—especially those from vulnerable communities—through targeted policies and strategic frameworks. It is regarded as a vital route toward attaining Sustainable Development goals. The 2030 Agenda for Sustainable Development, adopted by all United Nations member states, identifies financial inclusion as a key enabler for 7 out of the 17 Sustainable Development Goals (SDGs).

India has made significant strides in advancing financial inclusion, as reflected in the latest data from the Reserve Bank of India. The Financial Inclusion Index (FI-Index) for the year ending March 2025 stands at 67.0, marking an improvement from 64.2 in March 2024.[1] It highlights growth for everyone.

Thus, financial inclusion empowers individuals and communities by providing access to affordable and quality financial services, which in turn supports economic flexibility, social equity, and sustainable

[1] https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154980&ModuleId=3

development. It plays a transformative role in lifting people out of poverty, enabling entrepreneurship, and fostering inclusive growth.

In the wake of these achievements this paper tries to identify the financial behaviour of the coastal community in availing banking services in urban and rural localities and the factors that help in choosing a formal banking institution in both these regions. An empirical study is carried out among 360 respondents residing in the coastal belt of Ernakulam district is carried out using stratified sampling method. The sample represents people in terms of age and gender. Chi-square tests for association between demographic variables and service utilization are considered.

Objectives

1. To identifying the percentage of coastal population having a bank account in terms of locality and gender.
2. To understand the frequency of banking services used in terms of locality and gender.
3. To identify the source of emergency funding of coastal population in terms of locality and gender.

Diversification of Financial Inclusion in India

Committee on Financial Inclusion Chaired by Dr C Rangarajan defined Financial inclusion as the process of ensuring access to financial services, timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost. (RBI, 2008).

To realize the goal of universal banking access and harness its multiplier effect on economic growth, poverty reduction, and income equality, the government has implemented various strategies targeting both supply and demand-side infrastructure, along with initiatives to enhance financial literacy.

The Indian banking sector has undergone a significant transformation, evolving from its conventional role of mobilizing deposits and channelling funds into productive avenues to becoming a multi-layered financial service provider. Contemporary banking institutions now offer a wide spectrum of services, including active participation in money markets, merchant banking, private placements, digital banking platforms, financial advisory services, underwriting, international banking operations, project financing, and dematerialized account services.

In pursuit of comprehensive financial inclusion, a series of strategic initiatives have been introduced. These include the implementation of Basic Savings Bank Deposit Accounts (BSBD), relaxation of Know Your Customer (KYC) norms, e-KYC, mandatory submission of Financial Inclusion Plans (FIPs), expansion of branch networks, appointment of Business Correspondents (BCs) and Business Facilitators (BFs), and the establishment of Financial Literacy Centres (FLCs). These measures aim to extend banking services to underserved and unbanked segments of the population.

Furthermore, the financial inclusion agenda is supported by a robust institutional framework, jointly driven by the Reserve Bank of India (RBI) and the Government of India. Key programs such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), microfinance institutions, Direct Benefit Transfers (DBTs), and the Swabhimaan initiative have been instrumental in promoting access to formal financial services. These efforts collectively seek to integrate marginalized communities into the mainstream financial ecosystem, thereby fostering inclusive economic growth.

The National Strategy for Financial Inclusion (NSFI) 2019–2024 and the National Strategy for Financial Education (NSFE) 2020–2025 became comprehensive frameworks that outline a unified and strategic approach to advancing financial inclusion, enhancing financial literacy, and safeguarding consumer interests.

The government's overarching vision is to ensure the provision of financial services to both underserved and unserved segments of the population. In pursuit of broader people engagement in the financial system, a range of initiatives have been introduced across various sectors and demographic groups.

It is further expanded to ventures like Pradhan Mantri Jan-Dhan Yojana (PMJDY), a National Mission on Financial Inclusion adopted for a unified strategy to ensure that every household across the country gains full access to financial services.

Table 1
Beneficiaries as on 30/07/2025 (in Crore)

Number of Beneficiaries at rural/semi-urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to beneficiaries
37.4	18.64	31.24	56.04	260858.5	38.59

Source- https://www.pmjdy.gov.in/account

Another prominent drive is Pradhan Mantri Suraksha Bima Yojana (PMSBY), a one-year Personal Accident Insurance Scheme provides coverage against accidental death or disability, with the option to renew annually for continued protection. It has proven highly effective in delivering accident insurance nationwide. By March 19, 2025, the scheme had enrolled a total of 50.54 crore people, reflecting its widespread impact[2].

Atal Pension Yojna (APY), offers a monthly pension to help individuals maintain a dignified standard of living in their old age, specifically targeting workers in the unorganised sector who typically lack access to formal pension schemes. Eligibility requires individuals to be between 18 and 40 years old and to hold a savings bank account. Depending on the subscriber's contributions, a guaranteed minimum pension of ₹1,000, ₹2,000, ₹3,000, ₹4,000, or ₹5,000 per month is provided starting at age 60. As of April 2025, the scheme has enrolled over 7.65 crore subscribers, amassed a total corpus of ₹45,974.67 crore, and seen a notable rise in female participation, with women accounting for approximately 48% of all subscribers.

Introduced in 2016 by the National Payments Corporation of India (NPCI), the Unified Payments Interface (UPI) has transformed India's digital payment landscape by allowing users to link multiple bank accounts through a single mobile app. It facilitates effortless fund transfers, merchant transactions, and peer-to-peer payments, with added convenience through scheduled payment options. In June 2025 alone, UPI processed over ₹24.03 lakh crore across 18.39 billion transactions. Representing 85% of India's digital

[2] https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=154980&ModuleId=3

payments, UPI also contributes to nearly half of global real-time digital transactions. Its speed, accessibility, and reach have made it a cornerstone of financial inclusion.

The Kisan Credit Card (KCC) a financial tool designed to offer farmers timely and low-cost credit for a range of agricultural needs, including input purchases, short-term loans, post-harvest expenses, marketing of produce, household consumption, farm maintenance, and investment in agriculture and allied sectors also constitute a vital drive towards financial inclusion. The total amount disbursed through active KCC accounts has surged from ₹4.26 lakh crore in March 2014 to ₹10.05 lakh crore by December 2024, benefiting 7.72 crore farmers. This growth highlights a substantial rise in accessible working capital for agricultural activities, reflecting deeper credit penetration in the sector and a decline in reliance on informal lending sources.

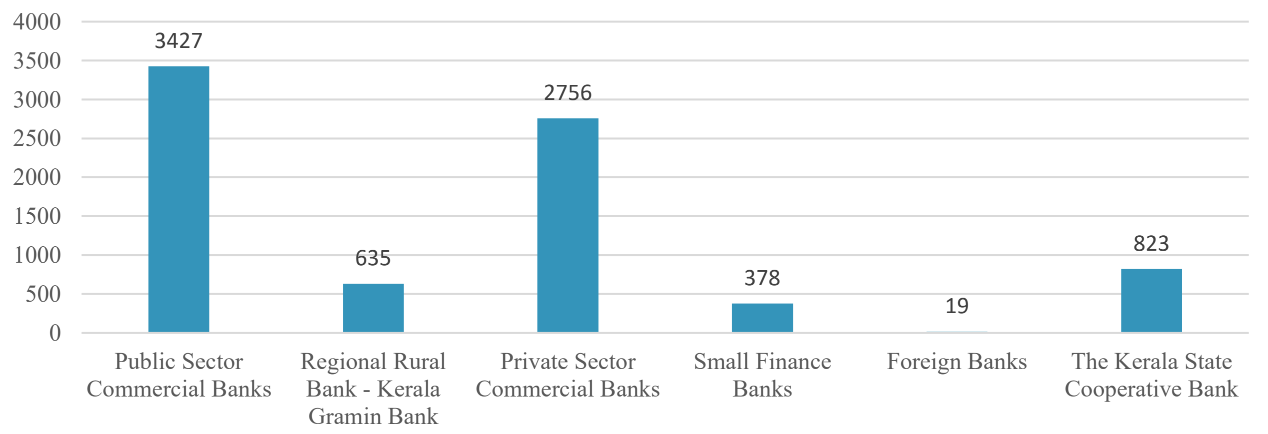
Pradhan Mantri Jeevan Bima Yojana, The Pradhan Mantri Mudra Yojana (PMMY), **Stand up India Scheme**, Mahila Sammriddhi Yojana (MSY) consistently served as key flagship initiatives, playing a vital role in advancing financial inclusion efforts across India.

Financial Inclusion and Kerala

Kerala has gained global recognition for its distinctive development approach, which successfully blends modest income levels with remarkable progress in human and social indicators. This model is reflected in the state's low poverty rates and notable accomplishments in education and healthcare. In Kerala financial institutions and banks play a crucial role in driving economic growth and development by providing capital and financial services that support both businesses and individuals. They enable key financial activities such as transactions, lending, investment, and risk management. By serving as a bridge between savers and borrowers, these financial institutions mobilize savings and direct them towards productive investments, promoting economic progress and financial stability. Banks also serve as key tools for financial inclusion, ensuring that banking services are accessible to all segments of society—both privileged and underprivileged—at affordable rates.

Kerala holds the distinction of having the highest number of bank branches in semi-urban areas. As of March 2024, the overall number of bank branches in the state saw a growth of 2.9 percent[3].

Figure 1- Banking Group-wise Branch Network in Kerala, 2025



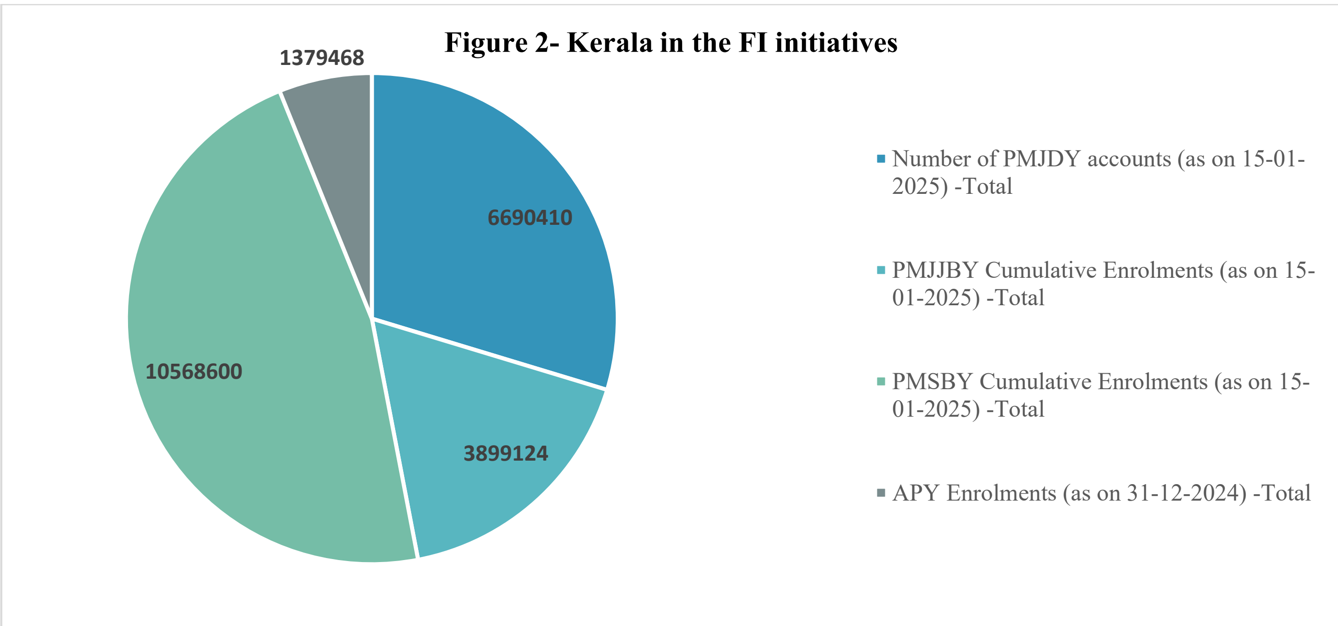
Sources: RBI and Kerala Bank

[3] Economic Review 2024, Kerala State Planning Board.

Huge state share was diverted to areas like health, education to develop a better standard of living among the masses. These measures had a great impact on the common masses in Kerala. Agrarian reforms taken up in the state, better literacy rate, health conditions, less mortality rate and a favourable living conditions of the people, large scale migration and subsequent remittances from abroad provided a suitable ground for the people of Kerala to involve in financial activities in a much better way. The socio-economic platform created by the development model help to a great extent, better banking habits among the common man.

These favourable atmospheres made the people to actively engage and utilise financial facilities including saving, remittances, insurance, investments, borrowing etc. Another great influence was found in the status of women and their active participation in the economic activities. Their collective efforts through Kudumbasree gained much acceptance and recognition. All these enabled them to easily adapt to the financial inclusion strategies taken up by the government and banks from time to time. New avenues of utilising financial resources like core banking programme etc were accepted by the Keralites.

The ground created by the state for the people made them to secure a better place in the financial inclusion map of India.



Source: RBI

Coastal Areas of Kerala

The coastal zone of Kerala stretches along 560 km of shoreline, forming a low-lying strip of land less than 8 meters above mean sea level. This region accounts for roughly 15% of the state's total area of 38,863 sq.km. The marine fisheries sector in Kerala has long been a foundation of the state's coastal economy, providing sustenance and employment to nearly 800,000 individuals across 222 fishing villages. Spread across nine districts—Thiruvananthapuram, Kollam, Alappuzha, Ernakulam, Thrissur, Malappuram, Kozhikode, Kannur, and Kasaragod—these communities rely heavily on capture fishing and allied activities for their livelihoods. The sector adds to food security and export earnings along with embodying the cultural heritage and resilience of Kerala's coastal population.

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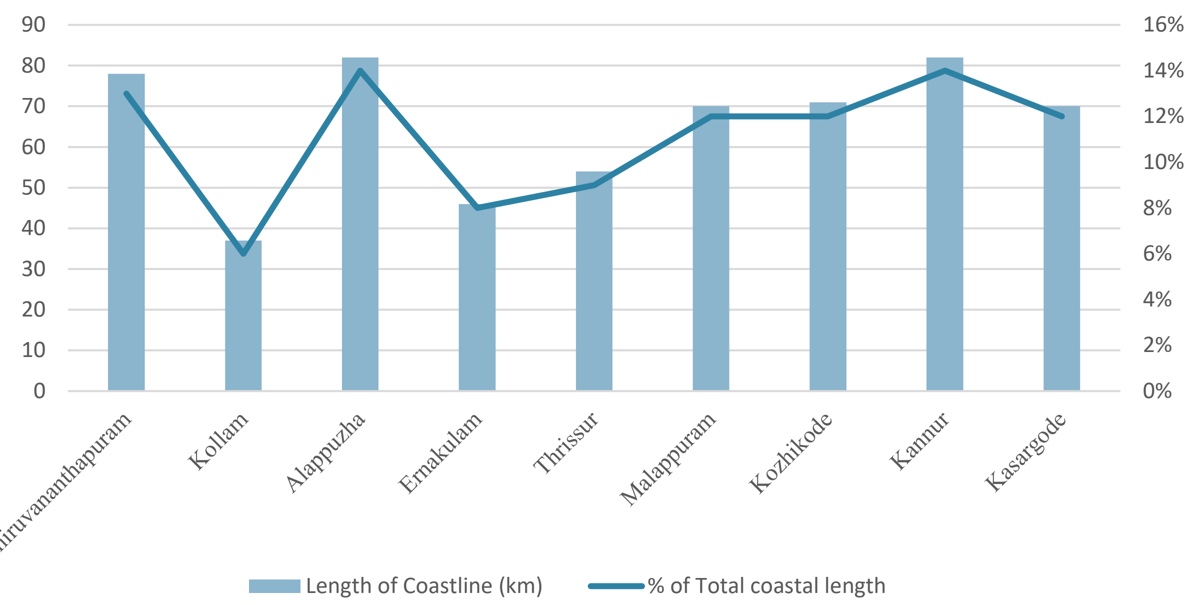
Figure 3- Coastline of Kerala



Source- Department of Fisheries, Government of Kerala

Empowering the marginalised communities, foster entrepreneurship, and contribute to poverty alleviation are viewed with much significance for the overall development of the State. Various schemes and programmes have been designed and executed under the guidance of Local Self Governments (LSGs) and state departments such as those for SC Development, ST Development, and Fisheries, among others, with the aim of addressing deprivation and extreme poverty faced by marginalized communities.

The fishery-related livelihoods are complex, dynamic and adaptive. The fisherfolk population is estimated to be around 10.65 lakh which is around 3.03 per cent of the total population of Kerala. The total fisherfolk population includes 8.20 lakh belonging to the marine sector and 2.45 lakh belonging to the inland sector. They reside in 222 marine fishing villages and 113 inland fishing villages of the State[4].

In the wake of diverse initiatives including social security, livelihood support schemes for housing, insurance and pension etc, this paper tries to identify the financial behaviour of the coastal population of the district Ernakulam.

Coastal population having a bank account

Out of 360 respondents, 98.33 hold a bank account. either in a public sector or a private sector or even in a cooperative bank in the coastal area. The direct benefit transfers especially the transfer of the social security pensions encouraged the coastal population to own an account of their own. Others are involved with informal agents and depend on their family members for financial matters.

In terms of locality, 97.77 percent of residing in urban coastal belt and 98.88 percent in the rural coastal belt own a bank account.

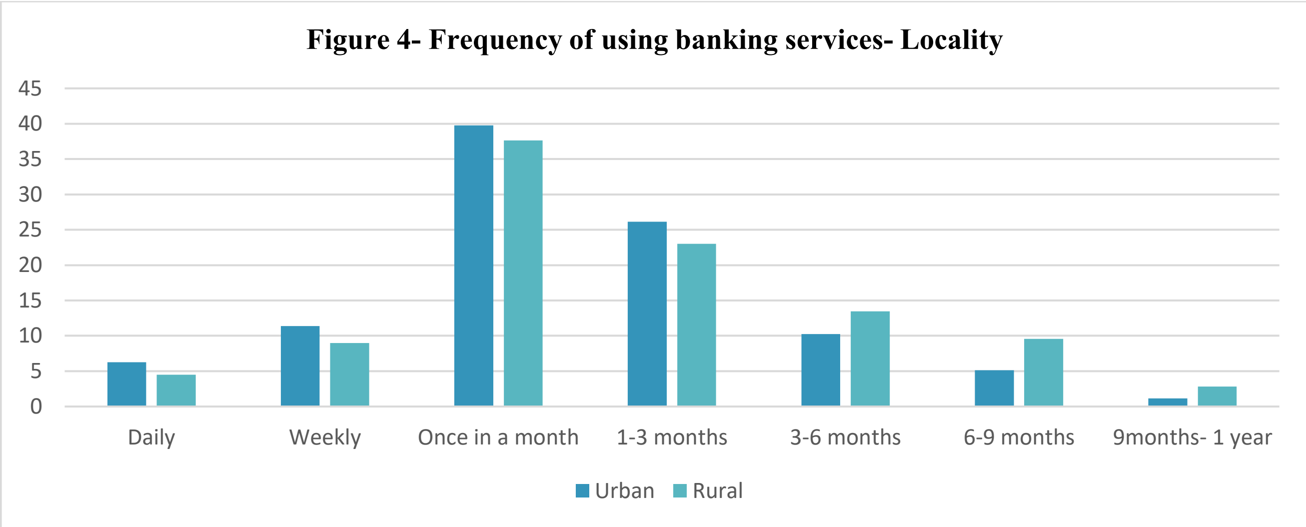
Chi-square statistic: 0.678, p-value: 0.410288, Significance level (α): 0.05

The p-value (0.41) is much greater than the threshold of 0.05, which means

[4] https://spb.kerala.gov.in/sites/default/files/2025-02/ER_2024EngVol%201.pdf_0.pdf

The result is *not* significant at $p < .05$.
There is no strong evidence to support a difference between the groups being compared.
In terms of gender, 98.88 percent males and 97.77 percent females own bank account. Active Self-Help Group networks Kerala especially through Kudumbasree frequently required to open and manage bank accounts for group activities, loans, and savings.

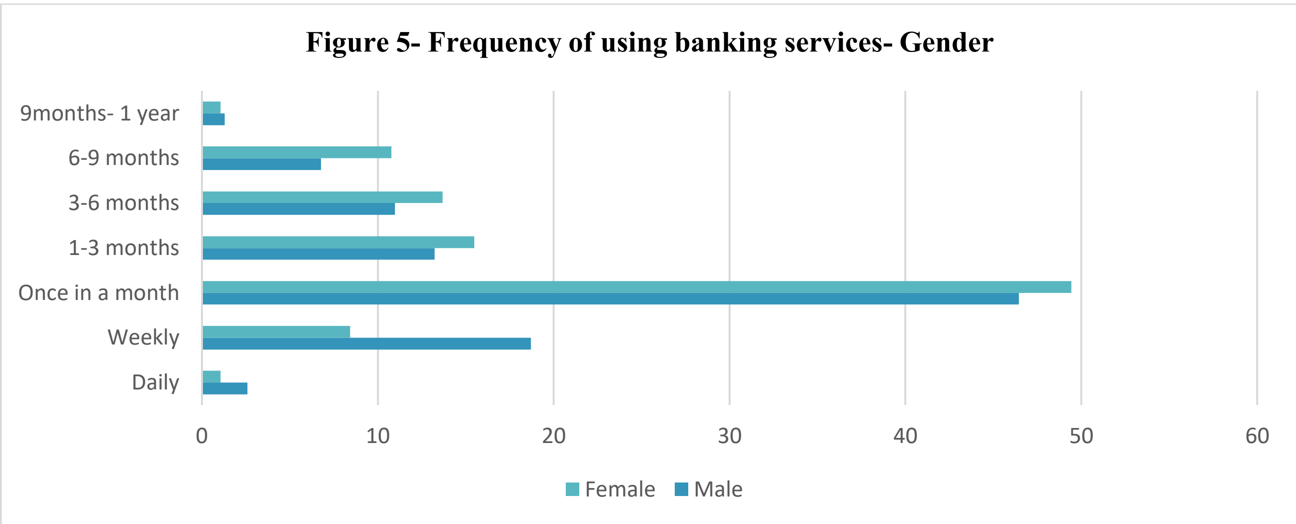
Frequency of using banking services- Locality



No accounts were found dormant in the rural and urban localities. Availing the basic facilities of banking like depositing money, lending loans, receive transfer payments were found frequent once in a month. For paying the interest on loans borrowed, to receive the transfer payments, the coastal population residing both in urban and rural areas avail a banking service.

Frequency of using banking services- Gender.

The monthly pension, other benefit transfers receive from the government prompted male and female to avail banking services.



Women are found actively participating in the banking activities. Women are the beneficiaries of direct benefit transfers, pensions, and subsidies. Women-led SHGs, encourage members to open and actively use bank accounts. These groups promote savings, microloans, and financial literacy, making banking a routine part of women's lives.

Sources of emergency funding

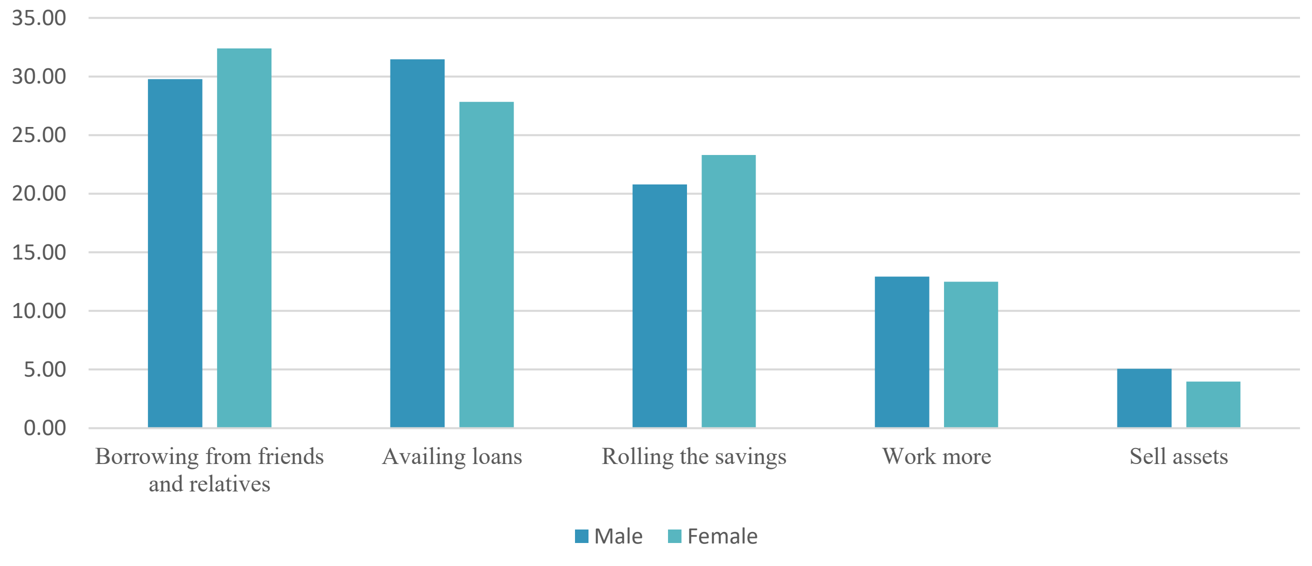
In the presence of uncertainties and vulnerabilities, coastal population is always in need of emergency fund. The main source of funding include borrowing from friends and relatives, approaching the banks for loans, take from the savings, availing work more option and sell their assets including gold. The majority of the respondents approach their friends and relatives for emergency funds. Financial assistance offered by NBFCs and other informal agents are also a preferred source for emergency funds.

In urban coastal belt with the presence of many banking and non-banking institutions, majority of the respondents preferred availing loans from them followed by rolling money from their savings. Work more as well as selling their assets are found to be their last options after reaching their friends and family. Liquidating their assets often led to a depreciation in their perceived value.

In the rural coastal areas, as more informal relation is maintained by the people, they prefer borrowing from them to all other options as their first choice. It is followed by taking from their saved amount and then availing loans from banks. Their least preferred option is found to be selling their assets including gold and property fearing the loss of its intrinsic value.

While analysing a gender-based performance on emergency borrowing, the trend is found as follows.

Figure 6- Source of emergency funding- Gender wise



While women prefer borrowing from friends and relatives during an emergency, men prefer availing loans from banking or non-banking institutions. Women are willing to roll from their saving to meet the emergency. The facility of selling assets to get money during an emergency was found the least preferred by men and women. They preserve their assets for long-term use and seek quick financial solutions in times of crisis. They prioritize asset retention over time and look for immediate liquidity when urgent financial needs arise.

Chi-square test based on the performance of gender on emergency funding is done and the result is - chi-square statistic is 1.0782. The p-value is .897714. The result is not significant at $p < .05$. There is no statistically significant association between gender and preference for emergency funding.

Conclusion

The study highlights a commendable level of financial inclusion among coastal communities in Ernakulam district, with nearly universal bank account ownership and active utilization of banking services, regardless of gender or locality. The success of government schemes like PMJDY, DBTs, pensions, and the role of SHGs such as Kudumbasree have played a pivotal role in integrating coastal populations into the formal financial system.

While account ownership and usage patterns show minimal disparity between urban and rural areas or between men and women, behavioural tendencies—especially in emergency funding—still reflect reliance on informal networks, particularly among rural residents and women. These findings point to the need for continued efforts to build trust and familiarity with formal financial institutions, improve financial literacy, and tailor products and services to meet the unique needs of coastal and vulnerable populations.

Going forward, policies must not only expand access but also encourage deeper engagement with financial services, ensuring resilience in the face of economic shocks. Focused awareness campaigns, customized micro-credit products, and strengthened digital literacy initiatives can support sustained financial empowerment in coastal regions.

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