

Recommendations of the Sub-committee on Financial Inclusion of the Assamese Indigenous Muslim Community

Commissioned by the Government of Assam

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FINANCIAL INCLUSION OF THE
ASSAMESE INDIGENOUS MUSLIM COMMUNITY

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EXECUTIVE SUMMARY

Financial Inclusion is the process by which financial services and products provided by the formal financial system are made available to those who remain outside its purview. Thus, the conventional concept of financial inclusion is conceived on the superstructure of three basic criteria consisting of *availability*, *accessibility* and *usage* of the services and products of the formal financial system.

The Assamese Muslim or the *Axomia Mussalman*, over the years has totally assimilated into the greater Assamese society, blending into the local culture and way of life. Though their total integration into the Assamese mainstream has been a boon for the indigenous Muslims, this had partially curtailed the issues that affect them politically, socially and economically. Besides other socio-cultural and economic dimensions, the state of financial inclusion is adverse among a large section of the Assamese indigenous Muslim community. Under the circumstances it is only fair that steps are taken to ensure that they get their rightful share of the resources and prosperity, as is enjoyed by their brethren in the greater Assamese society. This includes, besides other measures, an affirmative strategy to enhance the level of financial inclusion, so that they are capacitated to contribute in a more meaningful manner to their community in particular, and to their state in general.

RECOMMENDATIONS:

Incorporation Of Financially Excluded into the Ambit of the Formal Banking System

- Regular account opening/clientele drives and empathetic customer support facilities in area dominated by indigenous Assamese Muslims.
- DBT of government schemes and banking linked life and health insurance policies can be used to motivate these people to open bank accounts and also actively operate them.
- Establishment of *Customer Service Points* (CSP) to bring individuals from unbanked areas within the fold of the formal banking institutions.
- The effort can be supplemented by empowered members of the target community as part of their social responsibility to the community.

Promotion of Saving Among Low-Income Households in Formal Banking Institutions

- The institution of Micro-Finance and Self-Help Groups has a critical role in filling the existing lacuna. In this context, MFIs should be encouraged to come up with programmes that exclusively target women.
- Banks, Non-Banking Financial Intermediaries and the MFIs operating in areas dominated by indigenous Assamese Muslims should be assigned saving account targets and also incentivized for meeting them. Similar targets and incentives can be designed to extend viable credit.
- To make saving in banks more attractive, Savings Accounts with built-in facilities for *Recurring Deposits* and *Fixed Deposits* with higher returns and without penalty on premature closures should be provided. All banking service charges should be waived as a special concession for the target community members.

- A scheme may be instituted in the line of *Assam Cha Bagicha Dhon Puraskar Scheme* to promote the habit of banking through regular savings.

Intervention to Enhance Flow of Credit

- Lending activity targeting the indigenous Assamese Muslim community must be focused on short term agricultural and business loans, skill upgradation loans, housing loans and consumption loans. These loans focused on enhancing earning and productivity of the community must be brought under priority sector lending norms by the Government.
- To prevent over indebtedness of vulnerable households, great care must be taken to evaluate the credit worthiness and repayment capability of the potential loanee/borrower if credit is sought for consumption.
- In case of credit for productive purpose/investment, project proposal should be assessed and credit must be extended only if the proposals are found to be viable.
- While caution is recommended to ensure over-indebtedness among the indigenous Assamese Muslims, this should in no way be interpreted or used as a basis to restrict credit to eligible applicant, irrespective of the purpose of the loan.
- Bright boys and girls in the community should be able to benefit from a pro-active strategy of identifying potential candidates for scholarships and educational loans.
- All credit initiative must be protected by insurance coverage to obviate the risk of adverse events resulting in financial distress.

ROLE OF GOVERNMENT WELFARE SCHEMES

- It is imperative to earmark a part of the benefits/resources of existing government welfare schemes for the indigenous Assamese Muslims.
- Operational transparency and scope for redressal will prevent appropriation of benefits by the creamy layer of the community and dramatically enhance the efficacy and performance of all welfare schemes.
- To ensure an efficient penetration of bank transfers and subsidies-in-kind, bank accounts should be mandatorily opened and put on government records, while *Ration Cards* should be made compulsory for the community members.

USAGE OF DIGITAL FINANCIAL SERVICES

- Assamese Muslim population must be informed, encouraged and induced to actively access financial products and services like debit card, credit card, net banking, electronic money transfer, bank account integrated life insurance and health insurance products etc.
- Subscribing to account-integrated life and health insurance products will offer respite from the uncertainty of ill-health and untimely demise and prove great solace if such unfortunate events do occur.

Enhancing the Potential of Employment and Livelihood in the Fast-Expanding Financial System

- A well-planned perspective manpower plan would have to take cognizance of the potential that the financial system offers to the prospective jobseekers from the Assamese Muslim community.
- College curriculum catering to the community must have add-on skill / vocational courses on Financial Operations & Management that have to be mandatorily taken up. This will enable the emerging generation of Assamese Muslims to take advantage of the fullest benefit that the financial system offers.
- Special coaching for competitive examinations can be organized targeting the young aspirants from the community.



1. INTRODUCTION:

Financial Inclusion is the process by which financial services and products provided by the formal financial system are made available to those who remain outside its purview. Besides access to financial services, a wider interpretation of financial inclusion would entail the dimensions of financial competence and financial literacy though operationally the concept is perceived mostly from the perspective of the former. Thus, the conventional concept of financial inclusion is conceived on the superstructure of three basic criteria consisting of *availability*, *accessibility* and *usage* of the services and products of the formal financial system.

Given the enormous challenges a country like India confronts, the strategy of enhancing financial inclusion has been initially confined to the provision of a basic no-frills account for those who are financially excluded. In subsequent stages, it is envisaged that besides the rudimentary saving and withdrawal facilities, a financially empowered individual must have access to modern financial services which include various forms of credit, electronic transfers, online payments, ATMs, debit cards and credit cards. In fact, complete financial inclusion will ensue when other advanced financial products such as general, life and health insurance are available and accessible, along with the option of investing in the highly rewarding capital market.

In India, any strategy on financial inclusion must initially recognize the immense constraint the country confronts in this regard. Although financial literacy has increased among the masses, a significant part of the population is unable to participate in a meaningful manner in the financial system. As with other dimensions of socio-cultural and economic exclusion, the state of financial exclusion is adverse among various disadvantaged groups, including a large section of the indigenous Assamese Muslim community.

The Assamese Muslim or the *Axomia Mussalman*, over the years has totally assimilated into the greater Assamese society, blending into the local culture and

way of life. Living in heterogenous neighborhoods they have never sought to organize themselves into blocs with distinct identity and defined self-interest. It has been observed that they had been rather shy of articulating their problem or seeking redressal for them. Though their total assimilation into the Assamese mainstream has been a boon for the indigenous Muslims, this had partially curtained the issues that affect them politically, socially and economically. The fallout alas, has been a gradual marginalization of the community in their own land. Under the circumstances, it is only just that the existing marginalization of the community is reversed and steps taken to ensure that they get their rightful share of the resources and prosperity, as is enjoyed by their brethren in the greater Assamese society.

The sub-committee on financial inclusion acknowledges the following ground realities as it makes its recommendations.

1.1 The *Assamese indigenous Muslim* community is not explicitly defined nor does any verifiable data exist on its size, geographical distribution and its socio-economic status.

1.2 All assessments on the community are based on informed approximations and generally accepted perception. This is especially true with regards to the ethnic groups constituting the community, their geographical distribution and socio-economic status.

1.3 The status of the financial inclusion of the *Assamese Indigenous Muslims* has been approximated on the basis of focus group discussions with various sections of the society including representatives of the financial system, members of the civil service, elected political representatives, NGOs, grassroot social workers and most importantly, actual members of the target community. The conclusions drawn from such discussions are found to be consistent with the findings of various national and state-level reports which establish that Muslims as a socio-religious group is disadvantaged both socially, economically and politically.

1.4 The recommendations on financial inclusion have been thematically presented for greater clarity.

2. RECOMMENDATIONS

2.1 INCORPORATION OF UNBANKED MEMBERS OF THE INDIGENOUS MUSLIM COMMUNITY INTO THE AMBIT OF THE FORMAL BANKING SYSTEM

2.1.1 It is perceived that the level of financially excluded indigenous Muslims in urban areas is relatively low. While the upper and middle income households are within the ambit of the formal banking system, the low-income households are increasingly coming forward to open bank accounts to avail government *Direct Benefit Transfers* (DBT). However, the rural areas present an entirely different story with huge numbers of households having no access to banks and other financial intermediaries.

2.1.2 Vast numbers in the target group in the rural sector (and some in the urban areas) are semi-illiterate and illiterate. This stops them from accessing financial services and products, even when available. Regular account opening/clientele drives and empathetic customer support facilities in area dominated by indigenous Assamese Muslims can bring these people into the fold of the formal banking sector. Financial literacy camps *and loan mela* utilising publicity aids like pamphlets, posters, detailed demo videos on YouTube, Facebook and other mass-media will also help the target community in achieving financial literacy and promote banking habits. DBT of government schemes and banking linked life and health insurance policies can be used to motivate these people to open bankaccounts and also actively operate them.

2.1.3 Some districts with substantial population of indigenous Assamese Muslims are relatively backward in most economic and social parameters. Besides other dimensions, there is a marked shortage of formal bank branches which needs to be corrected. There also exists a huge population of indigenous Assamese Muslims in remote area that are highly inaccessible. It becomes unviable for both state owned as well as private banks branches to serve households scantily scattered over

remote and inaccessible terrain. In such cases *Customer Service Points (CSP)* can be an efficient strategy to bring such individuals from unbanked areas within the fold of the formal banking institutions. Once inducted into the system, efficient ATM service can keep them in connected to the core banking operations.

2.1.4 The above-mentioned interventions initiated by the state government and the concerned financial institutions can be supervised by National Bank for Agriculture & Rural Development (NABARD) and State Level Bankers Committee (SLBC). Moreover, the effort can be supplemented by empowered members of the target community as part of their social responsibility to the community. In this regard, students in the community can play a big part by volunteering on rotation to help in filling up official documents like account opening form, KYC forms etc. Such social services can be incorporated into the work-experience curriculum of schools.

2.1.5 There are some households, (especially in small towns and semi urban areas), who have lost confidence in the banking system after being defrauded by unscrupulous Ponzi schemes. They have a genuine need for financial services with income surplus for deposits and credit requirements for productive investments. The government along with the formal financial institutions needs to initiate various confidence building measures and extend concessions to induce them to return to banks and other financial institutions.

2.2 PROMOTION OF SAVING AMONG LOW-INCOME HOUSEHOLDS IN FORMAL BANKING INSTITUTIONS

2.2.1 Usually, the households that are financially excluded have low disposable income and even lesser surplus for saving. Thus, in the long run, any meaningful financial inclusion would require a marked increase in their surplus income. In this context, only a structural shift in the local economy would ensure an expansion of productive activities. Perceived as a long term objective, such a transformation will

increase income of the common people thus resulting in more bank accounts and induce investment generating the demand for credit.

2.2.2 In the present scenario, most indigenous Assamese households, scattered across semi-urban and rural areas, are engaged in low-income activities. This makes it impossible for conventional banks to carry out viable operation. Under the circumstances the institutions of Micro-Finance and Self-Help Groups have a critical role in filling the lacuna. In the focus group discussions with various stakeholders there had been mixed opinions regarding the success of MFIs. While some have expressed concerns regarding the aggressive operations of MFIs and resulting over-indebtedness of the poor households, who had fallen prey to indiscriminate loan advances. There were others who had expressed great optimism on the MFIs, especially the ones limited to female clients:

In this context, saving drives can be carried out targeting women. Banks and their CSPs can be especially sensitized on educating and inducing woman to open bank accounts and save in small amounts. Similarly, MFIs should be encouraged to come up with programmes that exclusively target women.

2.2.3 Savings within the target group can be substantially increased if both the banks, non-banking financial intermediaries and the MFIs operating in areas dominated by indigenous Assamese Muslims are given saving account targets and also incentivized for meeting them. Similar targets and incentives can be designed to extend viable credit.

2.2.4 To make saving in banks more attractive, *Savings Accounts* with built-in facilities for *Recurring Deposits* and *Fixed Deposits* with higher returns and without penalty on premature closures should be provided. All banking service charges should be waived as a special concession for the target community members.

2.2.5 A scheme may be instituted in the line of *Assam Cha Bagicha Dhon Puraskar Scheme* to promote the habit of banking through regular savings. The subsequent awareness will motivate the Assamese Muslims to link up with the financial system

in their daily transactions. In this context it is recommended that the financial assistance may be extended to the female head of the household.

2.3 STATE INTERVENTION TO ENHANCE FLOW OF CREDIT TO MEMBERS OF THE TARGET COMMUNITY

2.3.1 Financial inclusion with lending can succeed tremendously if it is supplemented with income generation. We must understand that the indigenous Muslim Community has a sizeable working age population. Their earnings come mainly from agriculture, small trade and businesses, skill-based services like catering, servicing and repair of household appliances, skilled and unskilled employments, small transport businesses etc. Special mention may be made of Bakery as an age-old income generating business among the target community in urban areas. These enterprises, although traditional, is subject to skill upgradation and enhanced mechanization requiring financial assistance.

2.3.2 Lending activity must be focused on short term agricultural and business loans, skill upgradation loans, housing loans and consumption loans. These loans focused on enhancing earning and productivity of the communities must be brought under priority sector lending norms by the Government.

2.3.3 While it is imperative that credit should be readily available to those who can absorb it, great care should be taken to ensure that indiscriminate credit does not result in misery and despair of en-masse over-indebtedness.

2.3.4 In this context, great care must be taken to evaluate the credit worthiness and repayment capability of the potential loanee/borrower if credit is sought for consumption.

2.3.5 In case of credit for productive purpose/investment, project proposal should be assessed and credit must be extended only if the proposals are found to be viable.

2.3.6 While caution is recommended to avoid over-indebtedness among the indigenous Assamese Muslims, this should in no way be interpreted or used as a basis to restrict credit to eligible applicant, irrespective of the purpose of the loan.

2.3.7 The young people in the Assamese Muslim community must be nurtured and provided the opportunity to realize their potential. Given the fact that a majority of households are low income, it is imperative that the bright boys and girls in the community get the opportunity to access quality educational institutions despite their disadvantaged background. This can be assured with a pro-active strategy of identifying potential candidates for scholarships and educational loans. Similar loans may be provided to young people to seek skill training within and outside the state.

2.3.8 All credit initiative must be protected by insurance coverage to obviate the risk of adverse events resulting in financial distress. For this purpose, Government of Assam can determine suitable policies and vendors based on the optimal mix of benefit, cost and of course, an established track record of claim settlement.

2.4 STRIKING A BALANCE BETWEEN *BANK TRANSFER* AND STATE *SUBSIDIES IN KIND* WHILE IMPLEMENTING GOVERNMENT WELFARE SCHEMES

2.4.1 The state government is appreciated for introducing an innovative combination of DBTs and subsidy-in-kind, in executing its welfare schemes. However, the participation of members of the indigenous Assamese Muslim communities in these programmes is relatively poor. Existing socio-economic and political factors ensures that the community is under-represented in welfare schemes that are in operation.

2.4.2 While there is no inherent discrimination against a particular section of the population in the existing schemes, a perception exists that large number of

eligible beneficiaries of the indigenous Assamese Muslim community get left out of the benefit due to ignorance, communication gap or sheer inability to undertake the necessary documentations/other formalities.

2.4.2 Under the circumstances it is imperative that the administration take cognizance of this shortcoming and earmark a part of the benefits/resources for the indigenous Assamese Muslims. Moreover, it is critically important to sensitize the implementing agencies to be more empathetic to this vulnerable segment of the population. Special drives /teams could be organized to carry out awareness programmes among such groups. Moreover, the civil society including high school and college students of the target group could also join the awareness programmes and assist with the necessary documentations/ other formalities.

2.4.3 There is a perception that the beneficiary list prepared at the grassroot level is often revised at the instance of people with vested interest. Such perception will cease if all beneficiary list is approved by the Deputy Commissioner at the district level and put out at the public domain. Operational transparency and scope for redressal will prevent appropriation of benefits by the creamy layer of the community and dramatically enhance the efficacy and performance of all welfare schemes pursued by the state.

2.4.4 To ensure an efficient penetration of bank transfers and subsidies-in-kind in the target group, bank accounts should be mandatorily opened and put on government records, while *Ration Cards* should be made mandatory for the indigenous community members.

2.5 USAGE OF DIGITAL FINANCIAL SERVICES

2.5.1 A population would be truly financially included if besides undertaking the basic banking operations, they access financial services like debit card, credit card, net banking, electronic money transfer, bank account integrated life insurance and health insurance products etc.

2.5.2 It is acknowledged that in order to use digital products and services a fair degree of financial literacy must prevail. However, as a beginning, the existing financially included Assamese Muslim population must be informed, encouraged and induced to actively utilize such services, which would make them much more efficient in their economic and social transactions. Moreover, subscribing to account-integrated life and health insurance products will offer respite from the uncertainty of ill-health and untimely demise and prove great solace if such unfortunate events do occur.

2.6 ACCESS TO CAPITAL MARKET, ESPECIALLY IN ALTERNATE AVENUES OF INVESTMENT LIKE MUTUAL FUNDS, BONDS AND EQUITIES

2.6.1 For those outside the domain of the formal financial system, the first priority must be to bring them within its sphere. The immediate objective must be to ensure that they have operational bank accounts with active usage of basic banking services.

2.6.2 At the same time, households already maintaining operational bank accounts must be made aware of the existing add-on financial products like health insurance, accident insurance and life insurance which will remove the uncertainty of unforeseen adversities and manage the risk of financial crisis it entails.

2.6.3 The possibilities of wealth creation through active participation in the capital market are only viable for those in the community who have attained a high degree of financial literacy. For expanding the participation of the target population, outreach programmes like investor's meet conducted by SEBI and other capital market institutions may be also organized targeting those with the risk-return appetite for capital market investment within the community.

2.7 ENHANCING THE POTENTIAL OF THE YOUNG MEMBERS OF THE TARGET COMMUNITY IN FINDING EMPLOYMENT AND LIVELIHOOD IN THE FAST-EXPANDING FINANCIAL SYSTEM OF INDIA

2.7.1 The Financial sector is one of the most vibrant components of the Indian economy growing at an exponential pace. The sustained expansion in the sector over the years means that the sector generates massive number of white-collar jobs and absorbs the huge number of talented educated young people that graduates every year. The robust banking sector with its public sector and private banks have always been a preferred workplace for many of the young graduates. Now, they are being strongly supplemented by insurance and mutual fund companies that are entering the market with foreign partners. The booming capital market with its unique characteristics also offers great prospects to the professions who are so inclined.

2.7.2 A well-planned perspective manpower plan would have to take cognizance of the potential that the financial system offers to the prospective jobseekers from the Assamese Muslim community.

While the primary focus for the very young population is and should remain universal access to primary and secondary education, college curriculum catering to the community must have add-on skill / vocational courses on Financial Operations & Management that have to be mandatorily taken up. This will enable the emerging generation of Assamese Muslims to take advantage of the fullest benefit that the financial system offers.

2.7.3 Recruitment in many of the financial institutions is undertaken on the basis of competitive examinations. Special coaching classes can be organized in the evening after class, targeting the young aspirants from the community. This will

mitigate the existing dis-advantage and enable the Assamese Muslim boys and girls to compete on a level playing field with their other Assamese brethren.

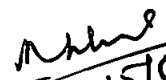
3. CONCLUSION

As stated in the beginning the committee had to work with a great deal of constraint in making its recommendation. While the primary limitation of the exercise was a precise definition of Assamese indigenous Muslim, the non-existent data pertaining to the social, cultural, and economic status also proved to be very restrictive. Within the confines of the existing constraints, an attempt has been made to offer practical and doable recommendations which are envisaged to make a difference to the status of financial inclusion of the community. Of course, a comprehensive strategy to take the Assamese indigenous community forward will require a multi-faceted approach which is likely to be facilitated by the collation and convergence of the recommendations of the other sub-committees working towards the same purpose.

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15/02/22

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