

## Need To Improve Emergency Funding In India

*How is India placed on these parameters? The World Bank Global Findex Database can provide with some answers*



During a period of emergency, such the coronavirus pandemic, the public needs immediate assistance. Governments need the necessary infrastructure of last mile and last person connectivity to provide such an assistance, and the universal access to bank accounts and digital payments can go a long way in making such immediate assistance possible. How is India placed on these parameters? The World Bank Global Findex Database can provide with some answers.

The number of individuals with a bank account in a financial institution has significantly gone up in India in the 2010s (from 35% in 2011 to 80% in 2017) as per the World Bank Global Findex survey, with a larger fraction having debit cards (33%), and making/receiving digital payments (29%). Among those who still don't have a bank account, the key reasons cited are a lack of sufficient funds (54%) and a family member already having a bank account (52%). Other factors leaving many unbanked are issues related to accessibility - financial services being too expensive (27%), too far away (23%), lack of necessary documentation (22%) and a lack of

trust in financial institutions (20%). This creates a complication - the poorest and the most vulnerable are likely to not have sufficient funds and documents and can find financial services to be too expensive. But at the same time, they are also the ones who are in imminent need for bank accounts so that necessary public assistance and welfare support can reach them on time, especially during the period of emergency.

During the times of emergency, more than half of the respondents in India said that they were not able to raise emergency funds within a month (52%). For those who were able to raise emergency funds (45%), the chief source of such funds was family or friends (48%), followed by money from working (25%) and savings (23%). Compared to developed countries like Norway, Japan, UK and the USA, an alarmingly larger number of respondents are unable to raise emergency funds in India and are dependent on family or friends for support. Government payments can become a salient form of funding for Indians in times of emergency and can be an important policy goal especially given that the majority of Indians are unable to raise any such funds.

Government payments of social benefits has not significantly increased (14%) over time in India, but the mode of these payments has become more cashless (cash payments are down from 49% in 2014 to 20% in 2017), with a large fraction of such payments reaching the beneficiaries directly in their accounts (59%). Among those accounts that receive government payments, a large fraction were opened for the first time to receive government payments (57%). Compared to other developed countries government payments still reaches a small fraction of Indians. While there is a thrust on digital penetration and cashless payments in India, digital payments are still low (29%). In developed countries, while digital payments are ubiquitous (>90%), government payments in hard cash are minimal (<5%).

In conclusion, based on the data it appears while India has significantly improved its capabilities in banking and digital penetration, yet the most vulnerable are still to be reached. Especially, the most important fact that policy makers should address is this: a majority of Indian respondents in the survey say that it is not possible for them to raise emergency funds within a month's time, and if they can then they rely primarily on their social networks - family and friends. In times of a crisis like the coronavirus pandemic, such a precarious support system leaves the most vulnerable at risk. With government payments reaching a meagre 14% of the population in India, there is a lot of scope for improvement so that every Indian can be reached out and helped in times of crisis. The infrastructure is ready; now is the time for making the last mile and last person connections.

Variable (2017)	Norway	Japan	UK	USA	China	India
Financial institution account	100%	98%	96%	93%	80%	80%
Saved any money in the past year	90%	78%	74%	79%	51%	34%
Coming up with emergency funds						
possible	93%	79%	79%	72%	58%	45%
not possible	7%	19%	18%	26%	37%	52%
Main source of emergency funds						
savings (% able to raise funds)	64%	86%	61%	57%	39%	23%
family or friends (% able to raise funds)	10%	5%	13%	9%	13%	48%
money from working (% able to raise funds)	8%	5%	13%	20%	45%	25%
loan from a bank, employer, or private lender (% able to raise funds)	16%	2%	9%	7%	1%	2%
sale of assets (% able to raise funds)	1%	0%	1%	3%	0%	1%
other (% able to raise funds)	1%	1%	2%	2%	1%	0%
Received government payments in the past year	74%	50%	46%	47%	17%	14%
into a financial institution account (% payment recipients)	90%	86%	88%	74%	74%	57%
in cash only (% payment recipients)	0%	1%	4%	1%	12%	20%
Made or received digital payments in the past year	99%	95%	96%	91%	68%	29%

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Note: All respondents aged 15+. An emergency fund is 1/20 of gross national income (GNI) per capita in local currency within the next month. Government payment includes payments for educational or medical expenses, unemployment benefits, subsidy payments, or any kind of social benefits, pension payments from the government, military, or public sector as well as wages from employment in the government, military, or public sector.

Source: World Bank Global Findex Database

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