Journal of Information Systems Engineering and Management
2025, 10(9s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

The Role of Financial Inclusion in Reducing Migrant Workers Financial Strain

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ARTICLE INFO

Received: 01 Nov 2024

Revised: 20 Dec 2024

Accepted: 02 Jan 2025

ABSTRACT

Financial inclusion has an important part in alleviating financial stress skilled by migrant workers by providing them with affordable, accessible, and reliable financial services, (Bonnefond, 2014). Migrant workers face challenges like lack of savings mechanisms, high remittance fees, and limited access to credit and insurance, (Wellalage, and Locke, 2020). Financial inclusion initiatives, such as microfinance, mobile banking, and tailored financial products, empower workers to manage their earnings more effectively, send remittances securely, and plan for their futures, (Dahiya, 2020). High remittance costs, and insufficient economic literacy leave migrant workers vulnerable to economic instability, (Nsiah, and Tweneboah, 2023). Initiatives such as mobile money platforms, inclusive banking policies and microfinance programs have shown promising results in reducing financial strain. Strengthening these efforts can lead to greater economic stability and social equity for migrant workers globally. Correlation analysis and mediation analysis adopted for this study to find the results. The findings of this study reveals access to formal banking facilities will help to reducing migrant labourer's financial strain.

Keywords: financial strain, inclusion, migrant workers, and banking policies

1.1 INTRODUCTION

The role of FI in mitigating financial challenges met by migrant workers, indicates actionable strategies to improve their financial security, (Ahmad, Khan, 2021). Migrant workers form a crucial part of the worldwide workforce, contributing to economic development in both their home and host countries (Kling, Pesque-Cela, and Luo, 2022). Despite their contributions, they frequently face financial hardships due to systemic barriers such as high remittance fees, (Sarkar, 2022), difficulties in formal banking systems, and limited financial knowledge, (Bonnefond, 2014). These challenges affect migrant worker's quality of life and hinder their ability to achieve financial stability, (Cera, and Brabenec, 2021). FI has emerged as a powerful tool to address these issues, (Makina and Walle, 2019). The process of ensuring financial services for all individuals is important for the development of migrant labourers (Dahiya; Kumar, 2020). The migrant workers frequently encounter barriers to financial stability, (Wellalage, and Locke, 2020), including high remittance fees, and insufficient economic literacy, (Nsiah, and Tweneboah, 2023).

1.2 REVIEW OF LITERATURE

Kling, (2022), examined that most of the migrant labourers are unaware of savings, investment options, or credit, leaving them vulnerable to poor financial decisions and exploitation. Additionally, language barriers and unfamiliarity with local financial systems can deter them from seeking formal financial services.

Milana and Ashta (2020), analysed that microfinance may reduce poverty by fostering social and financial inclusion. Microfinance was developed and provided financial services to underprivileged communities improved their social and economic standing. The microfinance organizations had been successful in providing microcredit, but often failed to raise the living conditions of their consumers.

Ozili (2022), shows thorough examination of new idea with the goal of re-examining digital FI as a crucial part of global growth. The use of technological platforms and tools to offer financial services to disadvantaged communities. All facets of digital FI, provided thorough grasp, how it supports economic empowerment.

Ratnawati (2020), indicates capital access and financial intermediation play as mediators in the association among FI and the performance of small, micro, and medium-sized companies. Migrant workers often lack access to safety nets such as insurance or emergency funds. Without these resources, they are more vulnerable to financial shocks caused by job loss, medical emergencies, or other unforeseen events. Addressing these challenges is crucial for improving their financial resilience and their quality of life.

Sarkar (2022), investigated that lack of control group of non-migrant workers hinder the ability to compare and isolate the unique influence of financial inclusion on migrant labourers'. The lack of access can hinder migrant labourers' ability to save, insure against risks, and borrow eventually affecting their financial efficiency and long-term sustainability.

1.3 FINANCIAL INCLUSION HELPS TO REDUCE FINANCIAL STRAIN

1.3.1 Access to Formal Banking Services

This can safeguard their money and facilitates investments and savings, (Ozili, 2020). It is a foundation of FI for migrant labourers, (Kakde, and Shastri, (2023). By opening bank accounts, workers can be reducing the risks associated with carrying cash and safely store their earnings, (Ratnawati, 2020). Formal banking systems enable workers (Sarkar, 2022) to make use necessary financial services like savings accounts, credit, payment facilities, (Sarkar, 2022). This access stimulates better financial planning and management, (Bonnefond, 2014). One of the important barriers to accessing formal banking services is the lack of required documentation, such as proof of address and identification, (Makina and Walle, 2019). Financial institutions need to address this issue by implementing simplified Know Your Customer procedures, (Makina and Walle, 2019), and creating products tailored to the unique needs of migrant workers, (Kling, Pesque-Cela, and Tian, 2022). Moreover, partnerships with non-governmental and local governments organizations can help to streamline the on-boarding process for these workers, (Wellalage, and Locke, 2020). Digital platforms and mobile banking also emerged as game-changers in improving access to formal financial services, (Shibinu, 2024). These technologies eliminate the need for physical bank branches, help the workers in underserved; remote zones to manage finances, (Wellalage, and Locke, 2020).

1.3.2 Lowering Remittance Costs

Fintech innovations and digital financial services have transformed remittance systems, (Sarkar, 2022). The platforms like online banking and mobile money enable migrant workers ensuring their families receive more of their hard-earned income and send money home at lower fees, (Makina and Walle, 2019). Lowering remittance costs is a crucial aspect of financial inclusion that directly benefit to migrant workers and their families, (Makina, Walle, 2019). High remittance fees, frequently charged by traditional money transfer operators, reduce the amount of money received by beneficiaries, (Bonnefond, 2014). These fees can represent a substantial portion of a worker’s earnings, exacerbating their financial strain, (Nsiah, and Tweneboah, 2023). The innovations empower migrant workers to send money to home affordably and quickly, maximizing the financial support, (Wellalage, and Locke, 2020). Governments and international organizations also play a key role in lowering remittance costs, (Makina and Walle, 2019).

1.3.3 Improving Financial Literacy

The aim of the educational programs is teaching migrant workers about savings, budgeting, and investments enable the migrant labourers to take better decisions, (Wellalage; Locke, 2020). Financial literacy reduces their reliance on predatory lending practices, (Ozili, 2020). Improving financial literacy is a essential component of FI that enables migrant workers to make decisions about their finances, (Sarkar, 2022). Financial literacy programs equip workers with essential knowledge and skills related to saving, investing, budgeting, and managing credit, (Sarkar, 2022). These programs will help migrant workers to reduce unnecessary expenses, maximize their earnings, and build financial security, (Makina and Walle, 2019). The recruitment agencies and employers play a role by offering ongoing financial literacy workshops and resources, (Ratnawati, 2020). Improving financial literacy is benefits to individual workers also it strengthens the economic resilience of migrant communities, (Bonnefond, 2014). Financially literate workers are better prepared to handle emergencies, avoid predatory lending practices, and achieve long-term financial goals, (Cera, and Brabenec, 2021). These outcomes contribute to inclusive and rightful financial situation, (Sarkar, 2022).

1.3.4 Access to Credit and Insurance

FI initiatives offer access to affordable credit, insurance products tailored to the needs of migrant workers, (Nsiah, and Tweneboah, 2023). Microloans, can help workers cover unexpected expenses, while insurance products protect against health or income shocks, (Wellalage, and Locke, 2020). Access to credit and insurance is a significant aspect of FI that can improve financial resilience of migrant workers, (Makina and Walle, 2019). Credit facilities empower workers to invest in opportunities for income generation, meet short-term financial needs, and handle emergencies without relying on high-interest informal lenders, (Sarkar, 2022). Community-based lending programs and microfinance institutions have been instrumental in providing accessible credit options tailored to the unique needs of migrant workers, (Cera, and Brabenec, 2021). Insurance products, serve as a safety net, protecting workers and their families from economic resistance due to accidents, sickness, or job loss, (Bonnefond, 2014). Income protection policies, life insurance, and health insurance are valuable for migrant workers, who lack access to employer-sponsored benefits, (Sarkar, 2022).

1.3.5 Promoting Digital Payments

Digital payment solutions provide a convenient and secure way for migrant workers to manage their finances, (Sarkar, 2022). Payment apps and mobile wallets reducing the risk of theft, eliminate the need to carry cash, and enabling better financial management, (Wellalage, and Locke, 2020). Encouraging digital payments is a vital strategy for enhancing FI, (Walle, 2019). These systems provide safe, efficient alternate to traditional cash-based transactions, which are burdensome and prone to fraud, (Shibinu, 2024). The digital payments can reduce reliance on informal channels, facilitate timely and secure remittances, and provide a way to build a financial history that open doors to future financial services, (Sarkar, 2022). The promotion of digital payments fostering financial sustainability, efficiency, and economic participation, particularly in emerging economies, (Wellalage, and Locke, 2020).

1.4 METHODOLOGY

This study adopts a qualitative and quantitative methods to discover the role of financial inclusion in reducing financial strain experienced by migrant workers, (Makina and Walle, 2019). The KMO value = 0.661 and cronbach's value = 0.746.

1.5 OBJECTIVES

- ✓ To identify the primary financial difficulties faced by migrant workers.
- ✓ To analyse the role of financial services in reducing financial strain.

1.6 HYPOTHESIS

- ✓ The factors of financial inclusion positively impact reducing financial strain.
- ✓ Positive impact on access to formal banking services and lowering remittance costs.

1.7 ANALYSIS AND INTERPRETATION

1.7.1 Correlation

Table 1.1: Correlation

	Access to formal banking services	Lowering remittance costs	Improving financial literacy	Access to credit and insurance	Promoting Digital Payments
Access to formal banking services	1	.543**	.428**	.222*	.398**
Lowering remittance costs		1	.504**	0.102*	0.138*

Improving financial literacy			1	.446**	.436**
Access to credit and insurance				1	.492**
Promoting Digital Payments					1
**. @ 0.01 level.					
*. @ 0.05 level.					

H$_1$: The factors of financial inclusion positively impact reducing financial strain.

Table 1.1 revealed that the factors of financial inclusion were significantly correlated with each other @ 1% and 5% level, there is an association between access to formal banking services, lowering remittance costs, improving financial literacy, access to credit and insurance, and promoting digital payments.

Correlation coefficient among “access to formal banking services” and “lowering remittance costs” is .543**, which shows 54.3 percent positive relationship among “access to formal banking services” and “lowering remittance costs” at 1% level. Correlation coefficient among “access to formal banking services” and “improving financial literacy” is .428**, which shows 42.8 percent positive relationship among “access to formal banking services” and “improving financial literacy” at 1% level. Correlation coefficient among “access to formal banking services” and “access to credit and insurance” is .222*, which shows 22.2 percent positive relationship among “access to formal banking services” and “access to credit and insurance” at 5% level. Correlation coefficient among “access to formal banking services” and “promoting digital payments” is .398**, which shows 39.8 percent positive relationship among “access to formal banking services” and “promoting digital payments” at 1% level.

Correlation coefficient among “lowering remittance costs” and “improving financial literacy” is .504**, which shows 50.4 percent positive relationship among “lowering remittance costs” and “improving financial literacy” at 1% level. Correlation coefficient among “lowering remittance costs” and “access to credit and insurance” is .102*, which shows 10.2 percent positive relationship among “lowering remittance costs” and “access to credit and insurance” at 5% level. Correlation coefficient among “lowering remittance costs” and “promoting digital payments” is .138*, which shows 13.8 percent positive relationship among “lowering remittance costs” and “promoting digital payments” at 5% level.

Correlation coefficient among “improving financial literacy” and “access to credit and insurance” is .446**, which shows 44.6 percent positive relationship among “improving financial literacy” and “access to credit and insurance” at 1% level. Correlation coefficient among “improving financial literacy” and “promoting digital payments” is .436**, which shows 43.6 percent positive relationship among “improving financial literacy” and “promoting digital payments” at 1% level.

Correlation coefficient among “access to credit and insurance” and “promoting digital payments” is .492**, which shows 49.2 percent positive relationship among “access to credit and insurance” and “promoting digital payments” at 1% level.

1.7.2 Mediation Analysis - Andrews Hayes Test

Model – 4

- ✓ Dependent variable (Y) = Improving financial literacy
- ✓ Independent variable (X) = Access to formal banking services
- ✓ Mediating variable (M) = Lowering remittance costs

Table 1.2 Hayes process direct effect of Access to formal banking services on Improving financial literacy

Variable	R	R –sq	MSE	F	df1	df2	P
	.5431	.2949	.7163	52.2903	1.00	125.00	.00
	coeff	Se	T	P	LLCI	ULCI	
constant	1.4392	.2275	6.3263	.0000	.9890	1.8895	
Access to formal banking services	.4918	.0680	7.2312	.0000	.3572	.6264	

Table 1.2 shows direct effect between access to formal banking services and improving financial literacy is statistically significant (coeff= 0. 4918, Se = .0680, P = 0.00).

Table 1.3 Mediating effect of lowering remittance costs towards access to formal banking services and improving financial literacy

Variable	R	R –sq	MSE	F	df1	df2	P
	.5368	.2882	.6831	25.1033	2.0000	124.0000	.0000
	coeff	Se	T	P	LLCI	ULCI	
Constant	1.2696	.2553	4.9736	.0000	.7643	1.7748	
Access to formal banking services	.1922	.0791	2.4295	.0166	.0356	.3487	
Lowering remittance costs	.3729	.0873	4.2696	.0000	.2000	.5458	

Table 1.3 concluded that mediating effect of lowering remittance costs between access to formal banking services and improving financial literacy is statistically significant (coeff = 0.1922, Se = 0.0791 and P=0.0166). The direct effect access to formal banking services to Lowering remittance costs is statistically significant (coeff = 0.3729, Se =. 0.0873 and P=0.000).

Testing of hypothesis 2

Positive impact on access to formal banking services and lowering remittance costs.

Table 1.4 Total effect, direct effect and indirect effect of access to formal banking services on improving financial literacy with mediating effect of Lowering remittance costs.

Variable	Total Effect of X on Y					
	Effect	Se	T	P	LLCI	ULCI
	.3756	.0708	5.3013	.0000	.2354	.5158
	Direct Effect of X on Y					
	.1922	.0791	2.4295	.0166	.0356	.3487
	Indirect Effect(s) of X on Y					
Lowering remittance costs	Effect	Se	LLCI		ULCI	
	.1834	.0524	.0877		.2943	

The table 1.4 identifies, Indirect effect (IE=0.1834 is statistically significant 95%, CI= (0.0877, 0.2943).

Hence, H_2: Positive impact on Access to formal banking services and Lowering remittance costs.

1.8 DISCUSSION AND CONCLUSION

Financial inclusion can alleviate the financial challenges that migrant workers face by addressing systemic barriers and enabling access to affordable financial services, (Sarkar, 2022). Digital financial platforms, such as net banking and mobile money, revolutionized the remittance process, making it faster and less expensive. Access to formal banking systems offers migrant workers with secure channels for managing money and saving, reducing their reliance on informal and exploitative financial networks, (Nsiah, and Tweneboah, 2023). Microfinance initiatives such as low-cost accounts and simplified documentation requirements, have been instrumental in integrating migrant workers into the formal financial system. Furthermore, financial literacy programs play a vital role in empowering migrant workers to make financial decisions. FL promotes individual financial stability and enhances the economic resilience of migrant communities. Many migrant workers continue to face language barriers, regulatory hurdles, and mistrust of formal financial institutions.

Financial inclusion is an influential substance for reducing the financial strain experienced by migrant workers. Strengthening these efforts will improve the financial well-being of migrant workers and provide to the wider goals of economic development and social equity. Collaborative action from financial institutions, policymakers, and development organizations is essential to build a more inclusive financial ecosystem that supports migrant labourers and their families. Financial inclusion has potential to transform the lives of migrant workers by reducing their financial strain and empowering them to achieve greater economic stability. In doing so, they can support migrant workers and contribute to societal equity and broader economic growth.

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