

**Financial Inclusion Policies and Scheduled Tribes in the Nilgiris
District, Tamil Nadu**

S. Saravanan

Ph.D Full Time Research Scholar

Department of Commerce

PSG College of Arts and Science

Coimbatore -641014

Mail id: saranseeker@gmail.com

Dr. K. Poorna

Assistant Professor (Aided)

Department of Commerce

PSG College of Arts and Science

Coimbatore-641014

Mail id: poornakannan@gmail.com

Abstract

The state policies in opening bank branches in tribal areas and lending to priority sectors are most welcome. The facilities to be offered in these tribal areas include opening Basic Savings Bank Deposit Account (BSBDA), no frills balance accounts with easy know your customer requirements and so on. The Self Help Group Bank Linkage programme is yet another policy to increase the income of poor households by enabling financial services through formal institutions. An analysis of macro level data revealed that a high level of financial inclusion has been achieved in states like Chhattisgarh, Jharkhand, Rajasthan, Madhya Pradesh, Andhra Pradesh, Maharashtra, Odisha, Gujarat, TamilNadu and Karnataka. At the same time, it was low in the states of Bihar, Harayana, Assam, Kerala, Punjab, West Bengal, and Uttar Pradesh. In the selected villages of Nilgiris the government schemes like MGNREG Programme, Micro credit facility, PMJDY, old age pension, SHG –bank linkage and Kisan Credit cards found influenced the economic status of tribals to a large extent. Majority of the selected tribal households have bank accounts and the remuneration under schemes is paid through the individual bank account of the beneficiaries of the respective schemes. A progressive adoption of state as well as Banking programmes will go a long way in the successful inclusion of tribal people.

Introduction

The low growth rate of agriculture sector affected the creation of employment opportunities in tribal areas. Majority of the poor in tribal areas of the country largely depends on the wages earned through unskilled labour. In the context of poverty and unemployment, welfare programmes are considered as most important interventions. Pilot projects in the form of Rural Manpower (RMP), Crash Scheme for Rural Employment

(CRSE), Intensive Rural Employment Programme (IREP) and the redesigned and renamed scheme as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) aim at enhancing livelihood security of households in tribal areas. Opening bank branches in tribal areas, lending to priority sectors, Basic Savings Bank Deposit Account (BSBDA), no frills balance accounts with know your customer requirements are the efforts towards financial inclusion. The introduced Pradhan Mantri Jan Dhan Yojana (PMJDY), one of the schemes in financial inclusion was launched at August 2014. This scheme the government aims to achieve universal financial inclusion as well as to use it as a vehicle for delivering welfare benefits for tribal area. The latest data available on the PMJDY showed that 31 crore banks accounts have been opened under this schemes as on February 2018 with deposits worth around Rs.71000 crore and over 1.25 lakh Bank Mitras have been deployed and **World Bank's Financial Inclusion Insights (FII)**¹ announced that the percentage of adults having an account increased from 35% in 2011 to 53% in 2014. A recent survey by FII showed that the proportion of account holders among the adult population has increased to 62%. This survey further finds that only 40% of Indian bank account holders are “active” account. Further, the PMJDY account holders get a RuPay debit card with inbuilt accident insurance cover of Rs.1 lakh, an overdraft facility up to Rs.5, 000, and a life insurance cover of Rs.30, 000 insurance-based social security schemes such as the Atal Pension Yojana as well as DBTs are also implemented.

The Reserve Bank of India has advised commercial banks to facilitate banking services directly to the Self Help Groups. Registered or unregistered SHGs which are engaged in promoting savings habits among the group members are eligible to open savings accounts in the banks. The main focus of Self Help Group Bank Linkage programme was to increase the income of tribal households by enabling financial services through formal financial institutions. The term Financial Inclusion taken by the government to support low income group people through enabling them getting an access over banking services. Indian Government has developed different models for assisting low income groups. All Self Help Group Programmes are considered to be most successful, profitable and extensively accepted model among the tribal people in India. Some financial institutions help to promote financial products to ensure greater financial inclusion and increase the outreach of the banking sector.

¹ Financial Inclusion Insights Survey (2014). Retrieved from <https://microdata.worldbank.org>

Banks have been allowed to use the services of NGOs, self help groups, MFIs and civil society organizations as intermediaries in providing financial and banking services through the use of business facilitator and correspondent models. Provisions for this kind of financial intermediation have opened new and diverse avenues to address the issue of financial inclusion by financial institution easily achieve of the financial products of tribal areas.

Literature Review

Sundara and Lakshmana (2010) examined the occupational and employment pattern, level of income, expenditure and indebtedness together with socio economic characteristics of Kondh, Porja, Bagata and Konda Dora tribes with different relational aspects in the tribal areas of Paderu and Chintapalle mandals in the Visakhapatnam district. The factors influencing inter PTGs tribe variations relating to the determinants of the relative socio-economic backwardness of the selected PTGs were compared with plain tribes. From each type 120 (240) households were selected. 240 households the socio economic status was influenced by their low level of annual income (80%), consumption expenditure (52%) family size (57%), and lower size of operational holdings (59%). Work participation rate of PTGs was not influenced their relative economic status when compared to the selected households of the plain tribes. Finally, it was concluded that intra tribe variations are prevalent within the selected PTGs as well as among the selected plain tribes relating to socio economic conditions in the study area. Hence, the PTGs households living in the tribal areas need much intensive development policy package for their fast socioeconomic transmission.

A study by **Lokhande (2008)** conducted in Marathwada region Aurangabad, Beed, Hin goli, Jalna, Latur, Nanded, Osmanabad, Parbhani districts of Maharashtra state covered 242 SHGs. A performance appraisal revealed that the SHGs are functioning in an effective manner. At the same time entrepreneurial training and skills up gradation facilities should be promoted to provide adequate, regular micro credit to the needy entrepreneurs. Micro finance programme is the most promising strategic weapon for attacking poverty by way of providing development funds to so far neglected target groups like the tribals.

Anjugam (2011) assessed and found that the SHG-Bank linkage program has increased the flow of institutional credit to landless and marginal farm households; and has discouraged non-institutional borrowings in TamilNadu. A better understanding of financial

services and availing of life insurance for the entire family among the beneficiaries was found. The currently un-reached segments of members require motivation to take up more productive activities to enhance the income of the households.

A study by **Das and Nath (2011)** covered 400 ST workers who had completed more than 100 days of work under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in the financial year 2009-10/2010-11. in the districts of Ranchi and Simdega of Jharkhand state more than 84 percent of accounts (84.25) were found having very less amount (i.e. <Rs.100) of deposit and only the remaining accounts were found having more than Rs.200 at the time. The perceptions of Programme Officers of block, PRI members and Panchayat Secretary of Gram Panchayat, Gram Rozgar Sewak (GRS) of village, bank officers and post masters of the area towards the financial inclusion of ST wage seekers were found as negative. The proactive participation of financial institutions to facilitate the process of extending different financial services to the weaker, poor and vulnerable sections of the society to achieve inclusive growth through financial inclusion has been suggested.

Srinivasa and Muthaiyan (2013) examined the extent to which the intended programme has reached the tribals people in terms of employment generation, asset creation and wage accruals through involving MGNREGA works for the last five years of the programme at Parvathipuram village Integrated Tribal Development Agency (ITDA) in Vizianagaram district, Andhra Pradesh. Highest the selected village has high tribal work participation rate under the MGNREGA covering 262 households out of 272 households. The study covers the tribal households only and excluded the 10 non-tribal households to understand employment generation, asset creation and wage accruals in the community by participating in the programme at gross-root level. For analyzed that Simple averages, ratios, and percentages analysis were used. It was found that no household in tribal of the village completed 100 days employment in first three years of the programme, above 50 % employment sharing by the tribal women in every year in this village. Employment guarantee scheme like MGNREGA is perceived as a part of the inclusive growth strategy which aims at reducing social and economic inequalities by providing gainful employment opportunities at the local level.

Chinnamuthu and Gabriel (2015) conducted a study to determine the factors affecting people to access formal financial products and services. A survey questionnaire designed and distributed to find out the factors affecting people to access formal financial products and services in Kancheepuram district. A sample 400 respondents have taken part in this research study and 372 samples are considered for the study. It was suggested that Government should operate the system to provide enough knowledge and awareness to people regarding the schemes functioning to create financial inclusion. Financial counselling is very essential for the people to get rid of all the problems to access the formal financial source for their needs and necessities. The financial inclusion schemes and programmes are being constructed and formulated to meet global standards which envision better socio-economic growth and development.

Objectives

1. To study the occupational status of tribal households in the selected tribal villages.
2. To analyse the financial inclusion policies and its impact on the tribal households.

Hypothesis

Ho: There is no relationship between occupational status of the selected tribal households and the extent of financial inclusion.

Research Issue

It has been observed that the Indian financial sector has shown a tremendous growth in volume and complexity during the last few decades. However, despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that the financial institutions have not been able to include vast segments of the population, especially the underprivileged sections of the society, into the fold of basic financial services. Reserve Bank of India and Central Government are making efforts to study the causes of financial exclusion and designing strategies to ensure the financial inclusion of poor and the disadvantaged. The reasons may vary from country to country or region to region and hence, the strategy could also vary so that the efforts can be made to the uplift the poor. The government provides many financial inclusion policies like Self Help Group – bank program, Pradhan Mantri Jan Dhan Yojana, MGNREG – bank program, Kisan Credit

cards (KCCs), and National Old Age Pension Scheme (NOAPS) but the financial literacy level was very low in the tribal areas. In this context a micro level examine status of study to financial inclusion and the level of financial literacy among the tribal people, a most disadvantaged group in India.

Research Design

At first the Nilgiris district of TamilNadu state was selected as the study area as it has the highest tribal population. After that 75 tribal households were selected from two villages, one in Gudalur block and another one in Pandalur block randomly. The sample consisted of 29 Marginal farmers (38.7%), 24 Small farmers (32%), 14 Medium farmers (18.7%) and 8 large farmers (10.6%) when classified further, the selected farmers were not found as a homogeneous group. There were 21 fulltime cultivators, 11 share croppers, 16 lease holders and the remaining 27 employed as labourers. The primary data and information were collected through a field survey with the help of an interview schedule and secondary data collected from Indian Statistical Association data and Reserve Bank of India Report. Average wage Rates, Analysis of Variance (ANOVA) was used to examine the data.

Average Wage Rates

Agricultural Labour is low income and employment irregular. They possess no skill or training they have no alternative employment opportunities seek better living and working condition and include workers who are engaged in other agri-based occupation such as dairy farming, horticulture, poultry, and animal husbandry. Landless Labour are different group classified permanent labour, temporary labour, cultivators, share croppers and lease holders. Non agricultural labour are worked different groups daily workers, construction worker, industrial worker and private employee are primarily described by the type of work they performed and receives regular remuneration in wages, salary, commission , non government / private include individuals establishments that operate other than under the government category.

Table 1 Average Wage Income (in Rs per day)

Nature of work	Range	Average
Agricultural Labour	303 – 333	318
Cultivator	205 – 365	363
Share cropper	200 – 355	328
Daily worker	307 – 364	359
Construction worker	523 – 610	600
Industrial worker	350 – 470	465
Private employee	342 – 570	566

Source: Primary data

On an average an agricultural labour earned Rs.318 per day; a worker in the cultivator Rs 363; share cropper Rs. 328; daily worker Rs 359; construction worker Rs 600; an industrial worker Rs 465; private employee Rs 566. This clearly establishes the relationship between formation of tribal work and occupational status of the tribal households.

Table 2 Financial Inclusion Index of Differences States in India

State	D ₁ (Availability index)	D ₂ (Access index)	D ₃ (Usage index)	FII	Level of financial inclusion
Kerala	1.000	0.562	0.351	0.548	High
TamilNadu	0.466	0.744	0.426	0.524	High
Karnataka	0.453	0.565	0.504	0.505	High
Maharashtra	0.270	0.574	0.737	0.489	High
Andhra Pradesh	0.320	0.734	0.476	0.481	High
Punjab	0.789	0.392	0.213	0.413	High
Uttarkhand	0.493	0.419	0.181	0.351	High
Odisha	0.198	0.350	0.428	0.319	High
West Bengal	0.349	0.229	0.331	0.301	High
Haryana	0.527	0.335	0.082	0.291	Low
Gujarat	0.279	0.235	0.123	0.210	Low
Uttar Pradesh	0.232	0.194	0.180	0.202	Low
Assam	0.084	0.209	0.286	0.189	Low
Rajasthan	0.132	0.165	0.144	0.147	Low

Jharkhand	0.156	0.125	0.143	0.141	Low
Madhya Pradesh	0.123	0.124	0.177	0.141	Low
Chhattisgarh	0.067	0.117	0.136	0.106	Low
Bihar	0.166	0.013	0.127	0.099	Low

Source: Reserve Bank of India Report

It was revealed that a high level of financial inclusion has been achieved in states like Kerala, Taminadu, Karnataka, Maharashtra, Andhra Pradesh, Punjab, Uttarkhand, Odisha and West Bengal. At the same time, it was low in the states of Haryana, Gujarat, Uttar Pradesh, Assam, Rajasthan, Jharkhand, Madhya Pradesh, Chhattisgarh and Bihar.

Table 3

Progress of Commercial Banks (Including RRBs) in Financial Inclusion Plan in India (As on March, 2010, 2014 to 2017)

Particulars	2010	2014	2015	2016	2017	Change 2016 -17
Banking Outlets in Villages- Branches	33378	46126	49571	51830	50860	970
Banking Outlets in Villages- Branchless Mode	34316	337678	504142	534477	547233	12756
Banking Outlets in Villages - Total	67694	383804	553713	586307	598093	11786
Urban Locations Covered Through BCs	447	60730	96847	102552	102865	313
BSBDAs Through Branches (No. in Million)	60.2	126	210.3	238	254	16.2
BSBDAs Through Branches (Amt. Rs. in Billion)	44.3	273.3	365.0	474	691	217.4
BSBDAs Through BCs (No. in Million)	13.3	116.9	187.8	231	280	49.0
BSBDAs Through BCs (Amt. Rs. in Billion)	10.7	39	74.6	164	285	121.7

BSBDAs Total (No. in Million)	73.5	243	398.1	469	533	64.1
BSBDAs Total (Amt. Rs. in Billion)	55	312.3	439.5	638	977	339.2
OD Facility Aailed in BSBDA s (No. in Million)	0.2	5.9	7.6	9	9	0.7
OD Facility Aailed in BSBDA s (Amt. Rs. in Billion)	0.1	16.0	19.9	29	17	12.1
KCCs (No. in Million)	24.3	39.9	42.5	47	46	1.3
KCCs (Amt. Rs. in Billion)	1240.1	3684.5	4382.3	5131	5805	674
GCCs (No. in Million)	1.4	7.4	9.2	11	13	2.0
GCCs (Amt. Rs. in Billion)	35.1	1096.9	1301.6	1493	2117	624.4
ICT A/Cs BC Transaction (No. in Million)	26.5	328.6	477.0	827	1159	332
ICT A/Cs BC Transactions (Rs. in Billion)	6.9	524.4	859.8	1687	2652	965.4

Source: Reserve Bank of India Report

The number of banking outlets were 11,786 opened during the period of 2016 -2017 which has been increased up the total number of outlets nearly 5980993. It is demonstrated by table 3 which the number of BCs outlets opened in urban areas has increased upto 102865 in the year of 2017 out of which 313 outlets opened during the year 2016 – 2017. It is a significant increment in number of BCs outlets. During the year 2016 – 2017 the number of Basic Savings Bank Deposit Accounts (BSBDAs) opened were 64.1 million and total number of BSBDAs reached upto 533 million.

The number of small farm sector credits recorded a growth of 46 million in 2016 -17 out of these, 1.3 million KCCs recorded during the year 2016 -2017. Along with that the number of small non –farm sector credit cards were 2.0 million during 2016 -17 and total number was 13 million over the whole period of Financial Inclusion Plan (FIP). Furthermore,

revealed that the 1159 million transactions were carried out in BC-ICT accounts at the end of March 2017 and recorded a growth of 332 million transactions in 2016 -2017.

Table 4 One way ANOVA

Financial Inclusion Policies	Agricultural Farmers				F Value	Sig
	Marginal Farmers	Small Farmers	Medium Farmers	Large Farmers		
Passbook	2.87 (1.36)	3.21 (1.47)	3.10 (1.39)	2.50 (1.41)	9.794	0.001**
Micro credit facility	3.43 (1.59)	3.28 (1.38)	2.93 (1.53)	3.50 (1.09)	11.164	0.002*
Safety locker facility	3.12 (1.40)	2.78 (1.52)	2.58 (1.35)	3.06 (1.48)	8.702	0.001**
Debit card / Biometric ATM	2.43 (1.63)	2.50 (1.22)	3.13 (1.43)	2.81 (1.27)	15.095	0.003*
Direct Benefit Transfer	3.06 (1.61)	2.14 (1.40)	3.06 (1.57)	2.50 (1.36)	18.590	0.005*
National Old Age Pension Scheme	2.81 (1.37)	2.71 (1.13)	2.97 (1.34)	3.13 (1.50)	12.753	0.002*
No Frill Account	3.56 (1.26)	2.92 (1.49)	2.65 (1.44)	3.37 (1.40)	14.710	0.001**
SHG Bank Linkage	3.00 (1.46)	2.92 (1.68)	3.17 (1.31)	3.93 (1.18)	19.996	0.001**
MGNERG –Bank Linkage	2.56 (1.20)	2.50 (1.22)	3.00 (1.51)	3.31 (1.53)	10.010	0.001**
Kisan Credit Cards	2.81 (1.72)	3.00 (1.51)	2.72 (1.41)	2.93 (1.61)	12.907	0.001**

Source: Primary data ** - 1% level of Significance * - 5% level of Significance

It was found from the Anova results, there is a relationship between occupation of tribal farmers and financial inclusion, in the case of passbook, safety locker facility, no frill account, SHG bank linkage, MGNERG bank linkage and Kisan credit cards were since at 1% level of significance (i.e P <0.01).and also find that micro credit facility, biometric ATM,

Direct Benefit Transfer and old age pension scheme were significant at 5% level of significance (i.e $P < 0.05$). Hence, the null hypothesis, there is no relationship between occupation and financial inclusion was rejected and alternative, there is relationship between occupation and financial inclusion. It can be concluded that there is a significant relationship between occupation and financial inclusion.

Conclusion

The present study reveals that some government schemes like MGNREG Programme, Micro credit facility, PMJDY, old age pension, SHG –bank linkage, Kisan Credit cards influenced tribal people to a large extent. Majority of the tribal people have bank account due to the reason that the remuneration under schemes is paid through the individual bank account of the beneficiaries. The governmental agencies have to re-design the financial literacy programme in such a manner that will reach the tribal areas. The schemes have high potential to remove the poverty in tribal areas besides creating long term natural assets for sustainable development.

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