

FINANCIAL INCLUSION AMONG THE TEA GARDEN WORKERS IN ASSAM

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Abstract:

Using data from a sample survey conducted in six districts of Assam, this study empirically examines the behaviour of tea garden workers of Assam towards the use of basic financial services. The study investigates the use of financial services namely deposit, credit and insurance among the tea garden workers by employing simple arithmetic tools. Our results reveal that, a considerable number of tea garden workers in the state have access to bank accounts; however, most of them seldom visit banks and use banking facilities. In addition, use of alternate banking channels is also very low among the tea garden workers. The idea of self-help groups is also not very popular among them. The tea garden workers hardly have any access to formal credit. Almost half of the sample is ignorant about insurance. Moreover, awareness about government sponsored financial scheme is also found to be low among the tea garden workers.

Keywords: Financial Inclusion; Tea Garden Worker; Assam

1. INTRODUCTION

The tea industry occupies an important place in the economy of Assam. Assam is the largest contributor of total tea production of India and has a sizeable concentration of tea garden workers. But, despite being an industry of considerable economic importance, the working class in this industry are most vulnerable and deprived in most of the socio-economic aspects. Low wage, poor housing and lack of avenues for social mobility have been a recurring theme since its inception of tea industry in the early 19th century (Behal, 1985).

The Plantation Labour Act 1951 regulates the condition of workers on plantation and makes provision of welfare schemes including basic amenities of life. But till date no rule or act has been passed which makes provision for basic financial facilities. The vital role that can be played by the availability of basic financial services in improving the economic conditions of labourers is being ignored. Tea garden labourers are heavily dependent on informal credit sources due to lack of formal credit. Eighty per cent of the tea labour families spend whatever they earn in meeting the basic needs of their day to day life and only a small group of them has resorted to the habit of regular saving with some saving organisation (Kar 1993; 2009).

Access to affordable financial services especially credit and insurance enlarges livelihood opportunities and empowers the poor to take charge of their life and aids social and political stability (Throat, 2008). Considering the importance of financial services in attaining equitable growth, Government of India has been making constant effort with various policy initiatives beginning from nationalisation of commercial banks in 1960s to Pradhan Mantri Jan Dhan Yojana in 2014 with the aim to permeate the benefits of formal financial system to those sections of population who are so far denied these services. Although progress is being made, it has been observed that the inclusion is not been adequately spread through a vast segment of the society (Reserve Bank of India, 2015).

Against this backdrop, the paper attempts to look into the behaviour of the tea garden workers towards availing and using financial services. The study is carried out using data from a primary sample survey. The findings of the paper suggest that a large section of tea garden workers have access to bank account, however, only a handful use the account for basic banking services. There is hardly any formal credit source available for them. Awareness about many financial services such as insurance schemes is also very low.

2. REVIEW OF LITERATURE

The tea industry is among the oldest of the organised manufacturing sectors in India and has retained its position as the single largest employer in this sector because of its labour-intensive character (Sarkar, 2008). Unlike most other industries, technological advancement has not been able to reduce the importance of labour in tea industry (Sarma, 2009). In the state of Assam the tea labour population (both tea and ex-tea

garden labours) constitutes a sizeable portion of the total population of Assam.¹ Another important characteristic of this sector is the presence of large women work force. However, despite their large number and significant importance in the state as well as well in the national economy, they constitute one of the most socio-economically deprived communities. The industry is characterized by an enclave estate economy with a resident labour force comprising mainly of the socially excluded and marginalised communities who remain to be relegated even today in independent India (CEC working paper, 2007). Many studies such as Harlalka (1975), Kar (2009) and Dhar (2015) documented their socio-political backwardness, subsistence income and exclusion from the formal financial net.

Various studies found that easy and affordable access to financial services can help to improve the socio economic status of especially of the deprived section of the society. Access to finance empowers people and gives them the opportunity to have an account, to save and invest, to insure their homes or to take a loan and in many cases to break the chain of poverty (Noose, 2006). According to Annan (2006), a small loan, a savings account or an insurance policy can make a great difference to a low-income family. Financial facilities such as deposit, credit and insurance facilitates the low income families to invest in better nutrition, housing, health and education for their children. Better financial facilities also help the poor and low-income families coping with the difficult times. Thorat (2007) points out that, access to affordable financial services especially credit and insurance enlarges livelihood opportunities and empowers the poor to take charge of their life. Such empowerment aids social and political stability.

On the basis of the above literature it can be commented that proper use of financial services can help the tea garden workers to improve their economic conditions. Therefore, the proposed study examines the extent of use of financial services by the tea garden labourers of Assam.

3. OBJECTIVES

The specific objectives of the study are as follow

- (i) To examine the pattern in use of basic banking services
- (ii) To examine their behaviour in credit and insurance

4. DATA SOURCE AND METHODOLOGY

4.1 DATA

The present study is based on primary data. The data for the present purpose are collected through a field investigation that was carried during July to December 2017. In the first stage of sample selection, six districts namely Tinsukia, Sivsagar, Jorhat, Golaghat, Sonitpur and Cachar have been selected. This selection is based on the coverage of large land area under tea garden.²

In the second stage, two tea gardens from each of the districts are selected. In the next stage, sample respondents for the purpose are randomly selected with a consideration that our total sample has a good representation of both male and female worker. Finally, a carefully designed structured questionnaire is administered to gather the necessary information.

4.2 METHODOLOGY

The analyses of the present study are done using simple arithmetic tools such as ratios and percentages. Data collected through field survey was tabulated and then analysed for the purpose with statistical software package STATA, 2013.

5. RESULTS AND DISCUSSION

The total numbers of samples collected for the study are 263. Out of the total sample, 51.71 per cent are female and 48.29 per cent are male. Around 40 per cent of the sample respondents are in the age group 26-35; 27 per cent are in the 26-45 and 17 per cent are in the 46-55 age group. While coming to dwelling type of the respondents, around 72 per cent sample live in houses provided by their employer. 46.39 per cent of

¹ According to Saikia (2008) tea garden labour community constitutes about 20% of total state population of Assam.

² These six districts constitute about 63 per cent of the total area under tea gardens of Assam. Moreover these districts cover Southern Brahmaputra, Northern Brahmaputra and Barak valley region providing a good geographical representation of the state.

the samples are illiterate. About 23 per cent of the samples have studied up to lower primary level, 17 per cent studied up to middle primary level and mere 14 per cent have studied above that level.³ This indicates very poor educational attainments of the tea garden labours. Percentages of women illiterates (64 per cent) are more than double the percentage of male illiterates which is around 28 per cent. The daily wage rate for the tea garden workers of Assam is Rs. 137 (in Barak Valley it is Rs. 115) which is even lower than the daily wage of the unorganised sector workers.⁴ The tea garden workers are not even paid for Sunday which is an unpaid holiday for them. However, tea garden workers are entitled to a certain amount of wage in kind (rice/wheat, firewood). Almost all the sample respondents are beneficiaries of state public distribution system available to the below poverty line card holders.

The study found that about 79 per cent of the sample workers have access to bank account. It is interesting to note that out of the total female workers, 83 per cent has access to bank account while only 76 per cent of the male workers has bank account. Higher inclusion or participation of female worker in the formal financial net is a good indication of overall financial inclusion of the community and in the sample area. The reason for such higher inclusion of female workers may be to avail various government schemes such as benefit from institutional delivery, public distributions system etc. To access the benefits of these schemes the female member of the household requires a bank account. Moreover, around 78 per cent of the accounts were opened during or after 2014, the year in which PMJDY came into force.

During the sample survey, it is found that 21 per cent of the samples do not have a bank account. Many of the workers who do not have access to bank account cite insufficient income as the main reason for not having account. The other reasons for not having a bank account are lack of necessary document, inconvenient working hour. Some of the workers also mention their ignorance about the process of account opening. The following diagram graphically presents the reasons for not having a bank account.

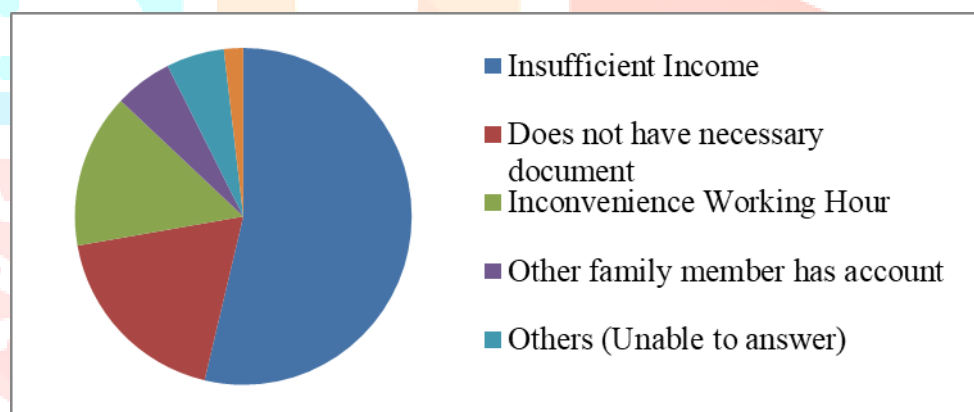


Figure 1: Reasons for not having Bank Account

Source: Field Survey

However, mere having a bank account does not indicate its use in accessing basic banking services such as savings and borrowings. Therefore, in the present study, information on the frequency of visit to the bank is also gathered to analyse whether or not those having bank account avails banking services. In order to capture the visit frequency, we defined three categories in documenting the response from the sample. The first category includes those respondents who do not visit at all or have not visited the bank since he or she opened the bank account. The second category is defined as not a regular visitor which includes those respondents who visits the bank sometime but not in a regular manner. In the third category, those respondents are included who carried out banking operation regularly.⁵

It is surprising to note that out of the 79 per cent sample who has bank account, only 23 per cent visits bank regularly. This indicates that only about 23 per cent of the workers who has bank account regularly use at least some of the banking services available to them. About 42 per cent of the workers use banking services not in a regular way and about 35 per cent does not use banking services at all. This reveal that although a great extent of tea garden workers have access to bank account, only a small section is actually availing the

³The lower primary is considered from class I to V and middle primary is considered from class VI to VIII.

⁴As reported by the workers during the sample survey.

⁵ While defining the visit frequency, we do not consider the actual number of visit rather focus at the regularity in visit. As penetration of other alternate banking facilities such as ATM, internet banking is very meagre or not present; it is intuitive that an account holder needs to visit the bank for availing the banking services.

benefits of banking services and there is a large scope for improvement. The following figure (figure 2) shows extent of visit frequency to bank according to the gender of the worker.

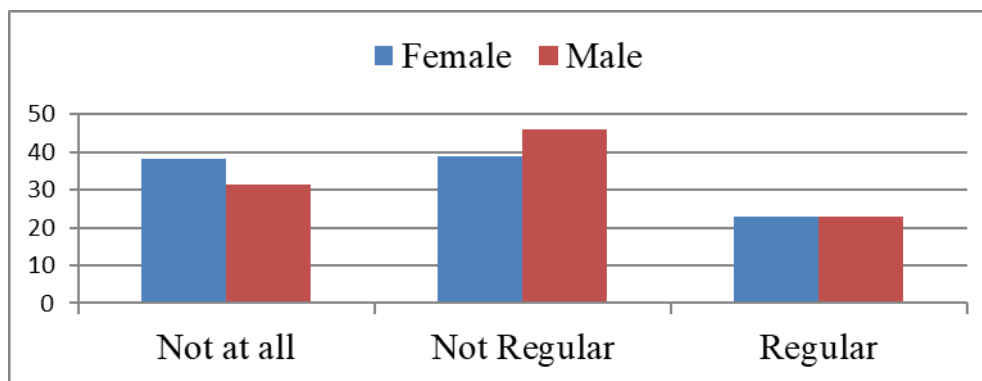


Figure 2: Visit Frequency to Bank for Male & Female Worker

Source: Field Survey

As seen in the table, the pattern in the visit frequency to bank is more or less similar. Percentage of male and female regular visitors to the bank is almost equal.

In our study, we have also tried to consider the use of ATM cards as it is one of the frequently used alternate banking instrument in India. The basic benefit given by ATM is any time banking. As inconvenient working hours restricts the number of visit to the banks, the ATM provides a convenient alternative for some of the banking services. Besides cash withdrawal, now days an ATM also facilitates other benefits such as depositing money, balance enquiry, bill payment etc. But the use of ATM card facility is also found to be very poor among tea garden workers.

Around 69 per cent of the samples having bank account does not have ATM card. Out of the total samples having ATM card 87 per cent has never used their cards; 10 per cent are not regular user and only 3 per cent are regular users of ATM card. This may be because using ATM requires certain level of education as well as consciousness on the part of the user. As discussed in the above section, 46 per cent of the respondent of the present study is illiterate and around 23 per cent have studied up to the lower primary level. Therefore, it is intuitive that most of them are unable to use ATM facility properly.

Self Help Group (SHG) is another important initiative for rural saving. SHGs are regarded as an important financial service provider for low income and underprivileged people. For the last two decades, SHG bank linkage programme has been holding significant importance in providing access to financial services to poor and underprivileged sections. However, among our sample respondents, merely 10 per cent are members of SHG and save through it. Among the female respondents, 14.71 per cent save in SHG while in case of male only 5.51 per cent saves in SHG.

Besides savings facility, another important financial service is credit. Many studies have mentioned that tea garden workers are poor, underprivileged and mainly dependent on informal credit. It is well known that availability of easy and affordable credit helps the poor to break the chain of poverty. Thus in our study, we have tried to collect data regarding borrowing pattern, need and source of borrowing among the sample respondents.

It was found that around 57 per cent of sample respondents have borrowed at least once in their life. However, most of them borrowed for unproductive purposes such as for social rituals and for consumption purpose. Less than 1 per cent of the respondents reported to use the borrowed money for productive purpose such as children's education and to start new ventures etc. Figure 3 shows percentage distribution of borrowers according to source of credit.

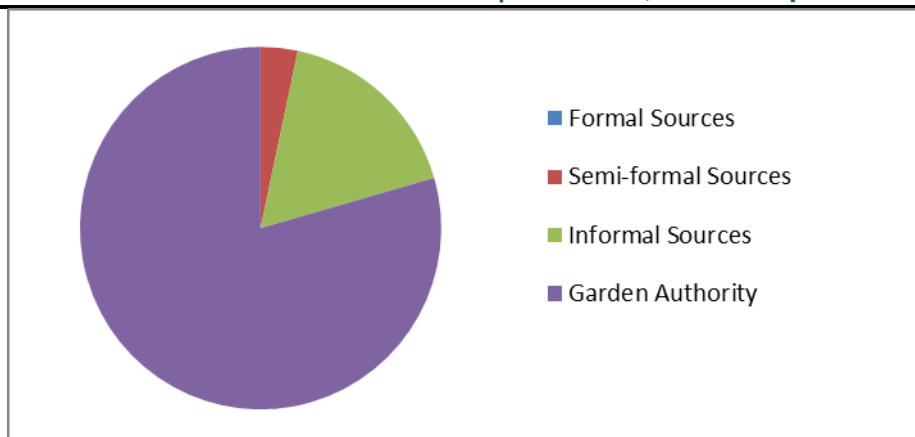


Figure 3: Percentage Distribution of borrowers according to Source of Credit
Source: Field Survey

It is surprising to note that, none of the sample respondent among the present sample borrowed from formal credit source. Only 3 per cent of the sample has borrowed from SHGs which can be considered as a semi-formal source of credit. 17 per cent of the borrowers borrow from informal sources and 80 per cent of the borrowers from the garden authority, which is the main source of credit for the tea garden workers. It is to be mentioned here that garden authority gives credit to the workers in two ways- first in the form of salary advance or simple loans, which is almost like informal source as it is paid for no specific reason. But it is different from other informal source in the way that in such loan there is zero or minimum interest. However the loan amount is also not very high. Secondly, loan in the form of advance from Provident Fund which is available only to the permanent workers.

Insurance is another important financial service which provides a shield against bad phase of life. Understanding the importance of insurance facilities government of India in the year 2015 started two government sponsored insurance programmes namely Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY) with very low amount of yearly premium. People having accounts in any of the public sector scheduled commercial banks can avail the facilities of such insurance scheme. This scheme is again mainly focused to the poor and underprivileged group who cannot afford other insurance services. However, in our sample only 11.41 per cent has bought any kind of insurance schemes. The reasons cited by the remaining 88.59 per cent sample for not having insurance are depicted in figure 4.

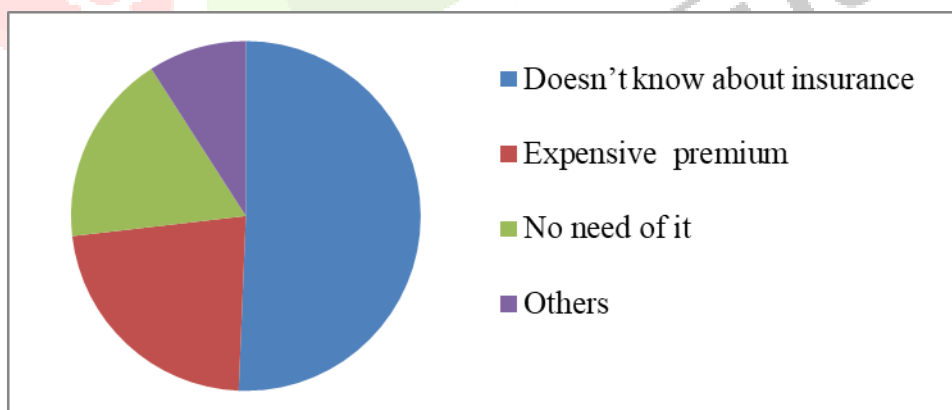


Figure 4: Reasons for not having Insurance
Source: Field Survey

Almost half (50.65 per cent) of the sample who do not have insurance expressed their ignorance about the need of insurance. Around 23 per cent cited high premium and their insufficient income as the reason for not having insurance while according to about 18 per cent insurance is not necessary for them.

As already discussed, penetration of formal financial services is very limited among the sample and this vacuum is cleared with the presence of informal investment facilities mainly the chit funds. Moreover as education level of the sample is very low, chit funds get it easy and profitable. About 17 per cent of the sample has invested in chit fund and majority of them have lost their money in investing such funds. More than half (53.34 per cent) of them invested in chit fund because the agents come to doorstep and insist them

to invest in such funds. Most of the time agents are known to them. Around 44 per cent invested in chit funds in lure of high interest and profit.

We also wanted to see how much the sample respondents are aware about government schemes targeted mainly to the low income and underprivileged groups. For this we have named few government sponsored financial schemes such as Atal Pension Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana etc. and asked about their knowledge or awareness about these schemes. We have found that only 23 per cent of the sample is aware about at least one of these schemes. It reveals that the extent of financial awareness or literacy is limited among the tea garden workers.

6. CONCLUDING REMARK

The tea garden community constitute a sizeable portion of the total population of the state. This community faces exclusion in many socio-political aspects including the financial one. Using a sample survey conducted in six districts of Assam, we examined the extent of use of formal financial services by the tea garden workers. The analysis is carried out using simple arithmetic tools such as ratios and percentage.

The findings of the study indicate that the uses of available formal financial services by the tea garden workers are not up to the mark. Though a good percentage of samples have bank account, but the uses of the account for financial transactions are very low. The findings reveal that the tea garden workers have limited access to any formal source of credit. Most of them borrow money from their employer at the time of need. A large number of samples do not know about insurance. The study also finds some instances where some of the respondents are exploited by fraudulent in lure of high profits or interest.

In summary, the present study finds that there is a larger scope to improve the extent of uses of financial services to this community. Measures can be taken to increase awareness about various government sponsored financial schemes so that the people who needed them can take the benefit of such schemes.

Although the study finds some interesting results, there are some limitations. The main limitation is data, as samples from only six districts are collected for the purpose. Moreover, the study remains silent about the factors that can affect the financial behaviour of the community.

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