



# Assessing The Impact Of Banking On Tribal Communities And Identifying Challenges

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## ABSTRACT

This study examines the impact of banking among tribes in Nilgiris District, with a particular focus on vulnerable groups such as low-income and marginalized communities. Banking service include providing of essential financial services and access to timely, adequate credit at affordable rates. Tamil Nadu is home to six wandering tribes and nearly every district in the state hosts at least one tribal community. Among the 36 Scheduled Tribe communities Kota, Kurumbas, Toda, Irular, Paniyan, and Katunayakan are designated as Primitive Tribes. In the Nilgiris District, the main Tribal blocks include Coonoor, Ooty, Kotagiri, Kudha, Gudalur and Pandalur. Amongst these tribes we have selected Kota and Toda tribes. The study utilized both primary and secondary data, gathering responses from a sample of 55 individuals from these tribal blocks. The data was analysed using percentage methods and Chi-square tests, highlighting significant barriers to access banking. Findings reveal that high-interest rates on loans deter borrowing among economically disadvantaged groups. The study underscores the need for banks to offer guidance and education on banking processes to improve financial literacy. It also recommends extending loan repayment periods and interest rates to better align with the financial realities faced by tribal communities. Additionally, the introduction of Banking Services to tribal areas is suggested to enhance accessibility, along with offering incentives to encourage banking participation. By addressing these challenges, this research aims to contribute to strategies that promote economic empowerment and sustainable development for tribal communities in the Nilgiris District.

**Keywords:** Financial Inclusion, Tribal Communities, Economic Development, Tribal Economic Empowerment, Banking Services, Challenges in Banking.

## 1. INTRODUCTION

Tribal communities worldwide face significant challenges in accessing basic financial services, hindering their economic development and financial inclusion. Banking services can play a crucial role in promoting economic growth, poverty reduction and financial stability among tribal populations. However, these communities often encounter barriers such as geographical remoteness, lack of financial literacy and cultural differences that limit their access to banking services. This study aims to assess the impact of banking on tribal communities and identify the challenges they face in accessing financial services, with the goal of promoting financial inclusion and economic development.

In India, a significant portion of the population remains unbanked, with approximately 65 percentage lacking access to formal financial services. This exclusion not only hampers individual progress but also stifles overall economic development. Recognizing the importance of providing banking services to underserved and economically disadvantaged communities, the Government of India has implemented various initiatives aimed at extending financial services to these populations. In Nilgiris District, Tamil Nadu many tribal communities face significant barriers to access essential financial services. These barriers can perpetuate cycles of poverty and limit opportunities for growth and self-sufficiency. This study focuses on the financial inclusion of tribes in the region, highlighting the challenges faces by low income and marginalized groups.

## 2. STATEMENT OF PROBLEMS:

These problem statements are concise and effectively capture the key challenges faced by tribal communities in accessing banking services, including limited access, financial exclusion, inadequate financial literacy and insufficient banking infrastructure. They provide a solid foundation for further research and analysis

## 3. OBJECTIVE OF THE STUDY:

1. The socio-economic details of the Kota and Toda tribals.
2. To assess the current state of banking services in tribal communities.
3. To identify challenges faced by tribal communities in accessing banking services.
4. To evaluate the impact of banking services on tribal communities' economic development.

## 4. SCOPE OF THE STUDY:

The scope of this study encompasses an in-depth examination of the relationship between banking services and tribal communities, focusing on both the impact of these services and the challenges that hinder their effective utilization. The study aims to provide a comprehensive understanding of how banking can contribute to the economic development and financial inclusion of tribal populations while identifying the barriers that limit access to these services.

## 5. REVIEW OF LITERATURE

**Meera Joshi and Vikram Singh (2023)** examined the determined gender gaps in the financial inclusion within Indian tribal communities. Their research focuses on the social and cultural obstacles that keep women from gaining access to financial services. They advocate for specific financial products and initiatives to engage the community with the goal of empowering women and promoting increased financial system participation.

**Kavita Singh and Mohan Rao (2022)** examined the effects of government plans to improving financial inclusion among India's Scheduled Tribes. Their research looks at programs like the MUDRA program and stresses the significance of coordinating these initiatives with particular requirements of tribal communities. They emphasize the need for constant monitoring and feedback mechanisms to efficiently adjust policies and guarantee that financial products are obtainable and helpful.

**Anjali Prasad (2021)** examined the relationship between technology and financial inclusion in rural settings, with a focus on digital payment systems and mobile banking. Her findings suggest that despite the fact that technology has the potential to close financial access gaps for tribal communities, inadequate internet connectivity and low digital literacy remain significant issues barriers. Prasad advises investing in community training programs and infrastructure to maximize digital finance's potential.

**Rohit Sharma (2020)** examined how financial inclusion is facilitated by microfinance among people who are excluded, such as tribal populations. His research demonstrates how initiatives in microfinance can provide crucial credit and savings options. Nevertheless, Sharma points out that rigid repayment schedules and high interest rates frequently hinder sustainable expansion, implying the need for personalized financial education and flexible loan productsenhance outcomes.

## 6. METHODOLOGY

The data for this study was collected using both primary and secondary sources. In Nilgiris district the main tribal taluk include Coonoor and Ooty. The study utilized both primary and secondary data gathering responses from a sample of 55 individuals from these tribal taluks. The data was analyzed using percentage methods and Chi-square tests, highlighting significant barriers to access. Primary data was gathered through structured interviews and questionnaires, enabling direct insights into the experiences and challenges faced by respondents regarding access to financial services.

Additionally, secondary data was collected from relevant government reports, financial institutions, publications, findings, etc to support the analysis. To analyse the data, the percentage method was employed to summarize the responses and highlight the proportion of individuals facing specific challenges.

## 7. RESULT AND DISCUSSION

**TABLE 7.1**  
**RESPONDENT OF SOCIO-ECONOMIC**

SOCIO-ECONOMIC		FREQUENCY	PERCENTAGE
Tribal	Toda	23	41.8
	Kota	32	58.2
	<b>Total</b>	<b>55</b>	<b>100.0</b>
Taluk	Ooty	32	58.2
	Coonoor	23	41.8
	<b>Total</b>	<b>55</b>	<b>100.0</b>
Age	18-25	11	20.0
	26-35	20	33.9
	36-45	14	25.5
	46 & Above	10	20.6
	<b>Total</b>	<b>55</b>	<b>100.0</b>
Gender	Male	32	58.2
	Female	23	41.8
	<b>Total</b>	<b>55</b>	<b>100.0</b>
Marital status	Married	42	76.4
	Unmarried	10	18.2
	Widows	3	5.5
	<b>Total</b>	<b>55</b>	<b>100.0</b>

**Data Sources: Primary date**

This table 7.1 shows that the overall majority of the respondents from Kota tribe are 58.2 % and that the majority of the respondents are from Ooty taluk i.e 58.2% and that the majority of the respondent belong to the age group of 26-35 (33.9%), the majority of the respondent from male gender 32% and the next the majority of the respondents from the marital status are married 42% respectively.

**TABLE 7.2**  
**RESPONDENT OF OCCUPATION**

OCCUPATION	FREQUENCY	PERCENT
Government Employee	11	20.0
Private Sector Employee	17	30.9
Self-Employed	14	25.5
Unemployed	13	23.6
<b>Total</b>	<b>55</b>	<b>100.0</b>

**Date Sources: Primary Data**

This table 7.2 shows that the overall majority of the respondents from private sector employee 30.9 %

**TABLE 7.3**  
**RESPONDENT OF ANNUAL INCOME**

ANNUAL INCOME	FREQUENCY	PERCENT
Less Than 1,00,000	13	23.6
1,00,000- 2,50,000	28	50.9
2,50,000 - 5,00,000	14	25.5
<b>Total</b>	<b>55</b>	<b>100.0</b>

**Date Sources: Primary Date**

This table 7.3 shows that the overall majority of the respondents are from annual income 1, 00,000 – 2, 50,000 are 50.9%.

**TABLE:7.4**  
**DIGITAL BANKING SERVICES**

DIGITAL BANKING SERVICES	FREQUENCY	PERCENT
Monthly	16	29.1
Rarely	21	38.2
Never	18	32.7
<b>Total</b>	<b>55</b>	<b>100.0</b>

**Data Sources: Primary Data**

This table 7.4 shows that the overall majority of the respondents using Digital banking services Rarely are 38.2%

**TABLE 7.5**  
**ACCESSING BANKING SERVICES**

Descriptive Statistics			
	Mean	Std. Deviation	N
Banking services on your life	2.3455	1.10919	55
Challenges do you face in accessing banking services	2.3455	1.10919	55

Correlations		Banking Services on your life	Challenges you face in Accessing Banking Services
Banking services on your life	Pearson Correlation	1	.353**
	Sig. (2-tailed)		.008
	N	55	55
Challenges you face in accessing banking services	Pearson Correlation	.353**	1
	Sig. (2-tailed)	.008	
	N	55	55
Correlation is significant at the 0.01 level (2-tailed).			

TABLE7.6

## KNOWLEDGE ABOUT BANKING SYSTEMS VS EDUCATION QUALIFICATION

Bank Knowledge	Education				Total
	Uneducated	SSLC & HSC	Graduate	PG / Professional	
Yes	6	14	10	5	35
No	11	9	0	0	20
<b>Total</b>	<b>24</b>	<b>32</b>	<b>25</b>	<b>5</b>	<b>55</b>

Data source: Primary data

## Chi-SquareTests

Valid	Value	DF	Asymp.Sig.(2-sided)
Pearson Chi-Square	32.074 <sup>a</sup>	3	.000
Likelihood Ratio	40.007	3	.000
Linear-by-Linear Association	28.246	1	.000
<b>No of Valid Cases</b>	<b>55</b>		

From the above 7.6 analysis, the value of chi square is 32.074 and significant value is 0.0, which is highly significant and less than P- value (0.05). Since, we reject our hypothesis, there is a positive relation found between banking knowledge and their educational qualification. This shows that, banking knowledge and banking systems depends on education qualification.

**TABLE 7.7**  
**Types of Loan Borrowed Vs Annual Income**

Type of loan	Annual Income				Total
	<1 Lakh	1-3 lakh	3-5 lakh	Above5 Lakh	
Personal loan	7	6	1	1	15
Agricultural loan	10	3	0	0	23
Vehicle loan	5	5	3	0	17
Others	5	4	3	1	26
Personal & Vehicle loan	0	1	0	0	1
Agriculture & Vehicle loan	1	1	0	0	2
Vehicle & other loans	1	0	1	0	2
<b>Total</b>	<b>25</b>	<b>20</b>	<b>8</b>	<b>2</b>	<b>55</b>

**Data source:** Primary data

Chi-Square Tests			
Valid	Value	DF	Asymp.Sig. (2-sided)
Pearson Chi-Square	24.153 <sup>a</sup>	18	.092
Likelihood Ratio	26.185	18	.057
Linear-by-Linear Association	2.375	1	.064
<b>No of Valid Cases</b>	<b>55</b>		

From the above 7.7 analysis, the value of chi square is 24.153 and significant value is 0.092, which is not significant and greater than P-value (0.05). Since, we may accept our hypothesis, there is no significant relation between types of loans borrowed from bank and their Annual income. Here annual income is not an influencing factor to the type of loans borrowed.

**TABLE 7.8**  
**REPAYMENT OF LOAN VS APPROVAL OF NEXT LOAN**

Repaid all the loans	Got immediate next loan		Total
	Yes	No	
Yes	15	16	31
No	8	16	24
<b>Total</b>	<b>34</b>	<b>51</b>	<b>55</b>

**Datasource:** Primary data

**Chi-Square Tests**

Valid	Value	DF	Asymp.Sig. (2-sided)
PearsonChi-Square	.008 <sup>a</sup>	1	.927
Continuity Correction <sup>b</sup>	.000	1	1.000
Likelihood Ratio	.008	1	.927
Fisher's Exact Test			
Linear-by-Linear Association	.008	1	.928
No of Valid Cases	55		

From the above 7.8 analysis, the value of chi square is 0.008 and significant value is 0.927, which is not significant and greater than P-value(0.05). Since repaying a loan and obtaining a new loan are distinct actions, we may accept our hypothesis. This indicates that there is no direct correlation between

repaying borrowed funds and receiving subsequent funds, indicating that individuals who have not paid back previous loans can still obtain an immediate loan. In addition, it has been observed that some people were denied a second loan despite repaying all of their previous loans within the allotted time frame.

**TABLE 7.9**  
**SATISFACTION WITH THE IMMEDIATE LOANS PROVIDED**

VALID	FREQUENCY	PERCENTAGE
Agree	17	30.9
Partially Agree	11	20.0
Neutral	14	25.5
Disagree	13	23.6
<b>Total</b>	<b>55</b>	<b>100.0</b>

**Datasource:Primarydata**

From the 7.9 table of the respondents, 25.5% expressed satisfaction with the immediate loans provided by the bank, while 31% reported feeling neutral neither satisfied nor dissatisfied. Meanwhile, 9% of individuals were dissatisfied with the procedures followed by the bank for sanctioning these immediate loans.

**TABLE 7.10**  
**SUGGESTION TO IMPROVE BANKING SYSTEM IN RURAL AREAS**

Suggestions to improve banking systems	Gender		Total
	Male	Female	
High interest rate	5	5	10
Give guidance and educate people about banking	3	2	5
Expansion of time for the payment of interest & loan	6	2	8
Availability of mobile ATM & additional benefits	2	2	4
Bankers behavior towards customer	1	2	3
Good experience and appreciation	3	2	5
Procedures are huge and tiring	2	2	4
Grievances and improvement	4	2	6
Equal rights for all the customers	1	1	2
No suggestions	5	3	8
<b>Total</b>	<b>32</b>	<b>23</b>	<b>55</b>

**Datasource:Primarydata**

From the table 7.10 study reveals that 32% of respondents, comprising both men and women, did not offer any suggestions for improving the banking system. Among those who did provide feedback, the most common suggestions included addressing grievances and enhancing transaction efficiency. Other notable suggestions involved reducing high interest rates and extending the repayment period for loans. Overall, it is evident that the majority of respondents believe no immediate improvements are necessary for the banking system at this time.

## 8. SUGGESTION

We discovered through this study that the majority of tribal people are less aware of the government's welfare and other general scheme services programs. Tribal indigenous arts like street dramas can be conducted to create awareness among the tribes on the importance of savings and various financial schemes provided by the government to improve their financial independency. Through NSS programs, non-profit organizations, colleges and school banks can implement a program based on the financial and educational programs offered by the government to tribal people. Banks and other financial

sectors can conduct awareness campaign programmes for creating awareness on the financial schemes that are provided for tribal people.

## 9. CONCLUSION

In conclusion, the study on banking outreach among rural populations in Nilgiris District highlights the critical need for enhanced banking services tailored to the unique challenges faced by these communities. While a significant portion of the population engages with banks, obstacles like inadequate customer service, complicated procedures, and a lack of financial literacy service remain prevalent. It is essential to put into place measures that will increase financial inclusion, targeted educational initiatives, simplify banking processes, and improve customer interactions. Additionally, expanding access through mobile ATMs and extending repayment timelines can empower economically disadvantaged individuals. Engagement of Self-help groups supported by the government and financial institutions are crucial for easing poverty and promoting sustainable development in these regions. By addressing these challenges, we can ensure that rural communities in Nilgiris District benefit from equitable access to financial resources, ultimately contributing to their economic growth and adaptability.

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