

Financial Inclusion in Tribal Areas: An Assessment

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Abstract: Financial inclusion means availability of financial services in the unbanked area where people are depressed and deprived of banking services and facilities. So the basic aim of financial inclusion is to extend financial services to the large hitherto un-served population. RBI has initiated several measure to achieve greater Financial Inclusion such as facilitating no-frill accounts, relaxation on KYC norms, engaging Business Facilitators (BFs) and Business Correspondents (BCs), use of technology, adoption on EBT, GCC, opening of branches in unbanked rural centre etc. The paper highlights the proper progress and benefit assessment in the tribal areas.

Against this background, the article concentrates here four objectives

1. To explore the need of financial inclusion for the economic and social development in the backward areas.
2. To analyse various schemes adopted by the government for benefit of all strata of the society including tribals to achieve financial inclusion.
3. To know the nature and extent of financial inclusion implemented in India.
4. To assess the current financial inclusion status in the backward tribal area.

The methodology here is analytical and descriptive, which is based on primary and secondary data.

To provide financial services to the households and enterprises to make them bankable including savings, short and long term credit, leasing and factoring, mortgages, insurance, pensions, payments local money transfers and international remittances.

For economic development equitable growth in the society will achieve through reduction of disparities in terms of income and saving. It is found from the observation that financial inclusion reached to the door steps to the tribal people after 2012 but initiative to invest in different sector is not seen due to illiteracy, unavailability of financial institution, lack of coordination among the people and financial institution etc. Apart from formal banking system, Financial Inclusion looks both business opportunity and social responsibility. Financial Inclusion Improves the SHG groups and micro-financial institutions.

Keywords: Financial inclusion, tribal people, nofrill accounts, Know Your Customer (KYC), Business Correspondents (BC), Business Facilitators (BF), Direct Benefit Transfer (DBT), JAM Trinity (J- Jan Dhan Yojana, A- Aadhar and M - Mobile banking)

Introduction

Financial inclusion means availability of financial services in the unbanked area where people are depressed and deprived of banking services and facilities. So the basic aim of financial inclusion is to extend financial services to the large hitherto un-served population. So it means an inclusive growth by generating financial availability to the poor in particular. Now financial inclusion is ensuring to facilitate and to cover each and every household in the country to provide banking services by opening saving accounts and other facilities. Now It seems to be a challenge to Government of India to work four key factors for financial inclusion, It is expanding the appropriate infrastructure, offering appropriate financial products, arranging extensive and intensive use of technology and emphasizing through advocacy and stockholder participation.

To provide financial services to the households and enterprises to make them bankable including savings, short and long term credit, leasing and factoring, mortgages, insurance, pensions, payments local money transfers and international remittances. The goals like sound institutions, guided by appropriate internal management systems, industry performance standards, and performances monitoring by the market as well as by sound prudential regulation where it required. Financial and institutional sustainability as a means of providing financial services, multiple financial services so as to bring cost effective and a wide verity of alternatives to the customers. For economic development equitable growth in the society will achieve through reduction of disparities in terms of income and saving. If the weaker section of the society will involve with the banking services then it will lead to mobilization of saving alternatively house holds can be effectively utilized for the capital formation. To fulfill the requirement of large section of the society, it is essential to enlarge the financial market. Eradication of poverty is the prime aim of financial inclusion which can be achieved by providing those loans and advances. Laon has double sword edge such as which make the poor to start business and suppot the education in turn out to boom the low income households. It fulfills the political objectives by wider financial inclusion among the lower strata in the society and has an effective to the government programmes.

RBI has initiated several measure to achieve greater Financial Inclusion such as facilitating no-frill accounts, relaxation on KYC norms, engaging Business Facilitators (BFs) and Business Correspondents (BCs), use of technology, adoption on EBT, GCC, opening of branches in unbanked rural centre etc. The paper highlights the proper progress and benefit assessment in the tribal areas.

Definition

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as affordable cost (The Committee on Financial Inclusion, Chairman, Dr. C. Rangarajan).

Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost/ these include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman, Dr. Raghuram G. Rajan).

Objectives

Against this background, the article concentrates here four objectives

1. To analyse various schemes adopted by the government for benefit of all strata of the society to achieve financial inclusion.
2. To know the nature and extent of financial inclusion implemented in India.
3. To prove as the only way to digitization achieve simpler and faster flow of informations and helps in avoiding duplicity and fraud through financial inclusion.
4. To assess the current financial inclusion status in the backward tribal region.

Methodology

The methodology here is analytical and descriptive, which is based on primary and secondary data. Secondary data is collected from internet, reference books, articles and various publications and from news papers related to the various schemes. The study covers trends and schemes adopted from 2005-2017. Primary data is collected from two most remote tribal villages of Malkangiri district of Odisha.

Strategy and Guidelines of Financial Inclusion

For the progress, Government ordered to the banks through certain guidelines and strategies on 21st October 2011 which inter-alia based on as below:

- To open branches in all the habitations of 5000 or more population in under-banked district and 10,000 or more population in other districts within Sept, 2012.
 - To set up more brick and mortar branches within a radial distance of 5 Kms.
 - To provide a business correspondent within a radial distance of 2 kms.
 - To cover villages of 1000 and more population in 10 smaller states and UTs by Sept. 2012.
 - To consider Gram Panchayats as a unit of allocation of area under service area approach and Business correspondent (BC) etc.
- In 2012 'Swyabhiman' scheme is declared to achieve financial inclusion to the rural hinter land to create at least one account of each household by August 2014.

JAM Trinity

It is accepted that india's welfare system is indulged with leakages by rampant corruption which diverted the benefit of the poor to the pocket of others. So the government is trying its best to check such malpractice by Direct Benefit Transfer. (DBT) using JAM Trinity (J- Jan Dhan Yojana, A- Aadhar and M - Mobile banking)

Jan Dhan Yojana

Table- 1: Pradhan Mantri Jan Dhan Yojana (Account as on 11.01.2017 (in Crore)

Sl.No.	Bank type	Rural	Urban	Total	RuPay	Aadhar	Balance Accounts	% Zero Balance Account
1	2	3	4	5	6	7	8	9
1	PSBs	11.82	9.49	21.31	16.82	12.69	53760.47	25.07
2	RRBs	3.88	0.61	4.50	3.36	2.28	12747.93	20.66
3	Private Banks	0.52	0.35	0.87	0.82	0.39	2518.77	53.68
Total		16.22	10.46	26.68	21.00	15.36	69027.17	24.60

Source: www.ibef.org

Aadhar

Aadhar is identification at the individual provided by the Central Government Agency. The basic objective of Aadhar is to collect the identity of individual through bio-matric which helps to provide demographic data of residents.

Mobile banking

Mobile banking system helps to provide the accurate information of banking transaction. The table-3 provides the different banking system with mobile information about credit cards use of POS with an unit of billion. It is seen that by July 2015, the total credit card holders in our country are 2077.85 billion and 2168.60 billion by April 2917 (Table-2).

Table-2: Mobile banking with ATM cards (Value)

SI.No.	Year	Unit	Debit Card	Credit Card	Use of POS	Mobile banking
1	2	3	4	5	6	7
1	July 2015	Billions	-	2077.85	140.07	235.71
2	Jan 2016	Billion	-	2181.88	145.11	405.21
3	July 2016	Billion	-	2191.65	170.92	668.04
4	April 2017	Billion	-	2168.60	374.82	1612.17

Source : Lenka,2017, Kurukhestra August issue.

Direct Benefit Transfer (DBT)

The Government of India introduces Direct Benefit Transfer (DBT) Scheme with effect from 1st January 2013. Till 20th November 2016 altogether 78 schemes are being implemented by 17 Ministries and Departments are included through DBT system.

Phase DBT was initiated 43 districts, later on 78 more districts and were added in 27 Schemes pertaining to scholarships women, child and labour welfare. In 2014, MGNREGA brought under DBT in 300 identified districts with high Aadhar enrolments. The major enabler of DBT is JAM. Now DBT has included 84 Schemes in FY 2016-17. The total amount of DBT is Rs.44382.03 crore and total no of transaction stood Rs. 91.67 crores. The scheme ensures to transfer money under various governmental schemes to the beneficiaries account directly without any delay. Banks play a crucial role in its implementation. The sole motto of DBT is to establish the maximum governance and minimum government. It is clearly seen that the wage paid through eFMS is increased 37 crore in 2013-14 to 96 crore in 2016-17.the workers with Aadhar based payment is increased to 18 crore in 2013-14 to 39 crore in 2016-17 (Table-3).

Mahatma Gandhi National Rural Employment Guaranty Scheme (MGNREGA)

Table-3: MGNREGA wage payment (crore)

SI.No.	Types of Payment	2013-2014	2016-2017
1	2	3	4
1	Wage paid through eFMS	37	96
2	Workers with Aadhar Based Payment	18	39

Source: Kurukhestra July, 2017

Financial inclusion initiatives

The RBI had advised to all Private Sector and Public Sector Banks to approve Financial Inclusion Plans (FIPs).

1.Basic Saving Bank Deposit (BSBD)

The process is known as minimum common facilities such as no minimum balance (no-Frill) deposit and withdrawn of cash at bank branch and ATM. Adopting receipt, credit of money through electronic payment.

2.Relaxation on know-your-customer (KYC)

Opening of bank accounts with a balance not exceeding to Rs. 50,000 and aggregate credits not exceeding to 1 lakh in the account in a year. In addition to it Aadhar card is mandatory for proof.

3.Simplification in Branch Authorisation

Domestic SCBs are permitted to open bank branches in 2 tier to 6 tier with population use to 1 lakh under permission. But in Borth-Eastern states SCBs can open branches without taking permission from RBI.

3. Opening of branches in unbanked areas.

For opening brick and mortar branches it is mandate to open 25% of total number of branches in unbanked areas.

4. Adoption of EBT (Electronic Benefit Transfer)

The basic objective of EBT is implemented by the banks which based on banking through BCs to transfer social benefit to the beneficiary's bank account and provide government benefits to nearer them through electronically only to reducing dependence on cash and lowering transaction cost.

5. General Credit Card (GCC).

GCC with a view to help the poor and disadvantaged people in the rural areas for an access to easy credit card facility upto Rs.25000 . RBI have been asked to the bank at their semi-urban and rural branches. The scheme is to provide 'hassle free credit to banks' customers find easy cash flow without security, purpose or end use of the credit.

6. Engaged business correspondents (BCs)

From January 2006, RBI permitted banks to engage business facilitators (BCs) and business correspondents (BCs) as intermediate for providing banking services.

7. Use of technology

Banks have been provided effective arrangements to use of information communication technology (ICT) at doorstep banking services through BC model. It helps to illiterate customers by using biometrics for ensuring the security of transactions and confidence banking system.

8. Financial Inclusion Plans (FIPs)

To involve all stakeholders in the financial efforts, banks have been advised that their FIPs should be disaggregated and percolated down up to the branch level.

9. Financial Literacy Centre (FLCs)

It was advised to all commercial banks to make necessary arrangements for conducting monthly Financial Literacy Efforts. This is based on two essential criteria like, 'financial Literacy' and 'Financial Access'. 718 FLCs have been set up by the end of March 2013. 2.2 million people have been educated through awareness camps/chpupals, seminars and lectures during 2012 April to 2013 March.

10. Opening of intermediate brick and mortar structure

For effective cash management, documentations redresser of customer grievances and close supervision of BC operation, banks have been advised to open intermediate structures between the present base branch and BC location. This branch could be in the form of a low cost simple brick and mortar structure consisting minimum infrastructure.

12. Lucky Grahak Yojana and Digi dhan Vyapar Yojana

These two initiatives seek to promote both the consumers and merchants through digital payment modes. The schemes are encouraged people to move towards higher digital transaction. This scheme is implemented by National Payments Corporation of India (NPC). The corporation provides the transactions through RuPay cards, Unstructured Supplementary Service Data (USSD), Unified Payments Interface (UPI) and Aadhar enabled Payment system (AEPS) are included NPCI schemes.

13. Bharat Interface for Money (BHIM)

BHIM is a biometric payment system app using Aadhar Platform and is based on Unified Payment Interface (UPI) to facilitate e-payments directly through banks. It was launched only for the purpose of digital transaction. It can be used on all mobile devices, smart phones or a feature phone with or without internet connection.

Nature and Extent of Financial Inclusion in India

Extent of Financial Inclusion can be described by collecting from various data sources presented in different angularities as under follows;

NSSO 59th Round Survey Results

As per this survey 51.4 % of farmers households are financially excluded from both formal and informal sources 27% of the total farmers households involve formal credit but out of this One third of this group borrowed from non-formal sources. It is showed that 73 % of households have no access to formal source of credit. The survey pointed out that the situation is more acute in central, eastern and north-eastern region of the country where as 64 % of financially excluded farmer households are combined accounted. The overall formal indebtedness source of finance is accounted only 19.66 %. (RBI Working paper)

Government of India Population census 2011

It is seen that only 58.7 % of households (2011 Census) are availing banking services which is significantly large from previous census 2001 (RBI Working Paper).

CRISIL, financial Inclusion Index (Inclusix)

CRISIL, India's leading credit rating and research company launched an Index to measure the status of Financial Inclusion in India on 25th June 2013, CRISIL, Inclusix is a relative index on a scale of 0 to 100 and combines three critical parameter like, branch penetration, deposit penetration and credit penetration into one metric. It is pointed out that the all India CRISIL, inclusix score has improved from 35.4 in 2009 to 40.1 in 2013. It is a clear sign of progress. In deposit penetration the number of saving accounts are 624 million which is four times the number of loan accounts i.e. 160 million. Out of 632 districts 618 districts reported an improvement in their score.

RBI Working Paper

Sadhan Kumar worked out an Index on Financial Inclusion (IFI) in 2011 based on three variables namely penetration availability of banking services and usage. The result indicates that Kerala, Maharashtra and Karnataka are in high Financial Inclusion ($IFI > 0.5$), while TamilNadu, Punjab, AP, HP, Sikkim and Haryana are in Medium IFI group ($0.3 < IFI < 0.5$) and remaining states have very low Financial Inclusion.

World Bank ‘Financial Access Survey’ Results

Financial Inclusion is measured in terms of bank branch density, ATM density, bank credit and deposit to GDP. The Table-4 below shows that India is quite low in all selected parameters of Financial comparing with most of developing countries in the world. The Table-4 indicates that India is far below in all parameters in comparison to other developing nations.

Table-4: Selected indicators of Financial Inclusion, 2011

SI. No.	Country	Number of Bank Branches	Number of ATMs	Number of Bank Branches	Number of ATMS	Bank Deposits	Bank Credits
		Per 1000Kms		Per 0.1 Million		As % to GDP	
1	2	3	4	5	6	7	8
1	India	30.43	25.43	10.64	8.9	68.43	51.75
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
6	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
7	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
8	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
9	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
10	Korea	79.07	-	18.8	-	80.82	90.65

Source : Annual Report of RBI 2011-12

Primary Information about the surveyed villages

Two tribal villages namely, Lugal under Kalimela block and Bhubanpalli under Podia block under Malkangiri district of Odisha are chosen for zoon vision.

Surveyed Village Lugal

Village Lugal is a ST dominated village and G.P. headquarters, situated 35 Kms away from the Block. The village adjoining to MV-80 in its north, MV-47 to east, MV-46 to west and high hills to its south direction. Infrastructure and communication system is furnished to the village. The village is occupied a Primary School and Anganwadi Centre. The cultivable lands are undulating, dry and unsafe. Irrigation facility is not possible by the Cultivators because of their poverty. Some area is erosion prone. Gully and rill type of erosion occurs particularly during rain. Seasonal vegetable are cultivable alongwith paddy. People have Small patches and fragmented holdings. The socio-economic condition is in subsistence level due to a lot of conspicuous reasons.

Surveyed Village Bhubanpally

Bhubanpally village is located at the tail race of Podia Block of Malkangiri district. It is a revenue village situated 72 kms away from district headquarters ,58 Kms from Block headquarters. The village is surrounded by forest with mixed lands which is under cultivation. People collected different jungle product like Mahu seed, Mahua flower and Kendu leaves. The occupation of the people is agriculture. Paddy, Maize and many vegetable products are produced by the cultivators. Particularly by the Koya people which are the original inhabitant of the village. The village is bounded by four neighbor villages like MV-79 , Trigal, MV-113 and high hills towards east. The name of the forest is Bhubanpally forest. The village occupied two categories of road. A pucca road, mud road are available in the village. Electricity and water supply is available in the village. Some tube wells for drinking water to the people are also provided. There is no BSNL mobile tower and dispensaries in the village. There is a community hall and an anganabadi centre located in the village. A TRW UP School attached ME School is there for better education.

Information about the Surveyed Village

20 families each of two villages namely Lugal and Bhubanpally of Malkangiri district are surveyed.

Table-5: Information about the surveyed families in the village

S.No.	Name of the village	Name of the district	Block	No. of Surveyed family	Population			Banking facilities available from distance (kms)	Name of the Banks	Others banks used by the people
					Male	Female	Total			
1	2	3	4	5	6	7	8	7	8	9
1	Lugal	Malkangiri	Kalimela	20	39	42	81	3	SBI, Utkal Grameen Bank at MV-79	LAMPs Kalimela
2	Bhubanpally	Malkangiri	Podia	20	41	43	84	4	SBI, Utkal Grameen Bank at MV-79	LAMPs Kalimela

Source : Compiled From the Study

From the above Table-5 it shows that total population in Lugal village is 81 from 20 families out of which 39 are male and 42 are females. In the same manner, 84 population are in 20 families of Bhubanpally where 41 are male and 43 are female population. Female number is more in both the tribal villages.

Financial inclusion of the tribal people in the remote villages

To extending financial services to the large hitherto unserved population in the country and to unlock growth potential, PMJDY was launched on 28th August 2014 by the Prime Minister of India Sri Narendra Modi with a vision to bring unbanked section of the society into mainstream banking (Krurukhetra August 2016). Any customer applying for a bank account under Pradhan Mantri Jan Dhan Yojana (PMJDY) should provide Aadhar number as identity proof. The applicant also produces mobile number for Aadhar enrolment in the account for linking trinity. JAM trinity came effectively check the leakages by enabling Direct Benefit Transfer (DBT). It also identify the real beneficiaries and eliminate fake beneficial.

The people working in the job cards occupied the bank accounts in their name. the table shows that out of 38 job cards 42 have accounts in the banks for money transfers in Lugal village. In the same way, 50 numbers of bank accounts are also available with an annually transaction of less than 10 thousand annually. The mobile link and aadhar link is very poor in both the villages.

Table-6- Financial inclusion among the people

SI. No.	Name of the village	Total family	No. Job card holders	No. of Bank accounts	Average transaction annually	% of Aadhar link	% of Mobile link
1	2	3	4	5	6	7	8
1	Lugal	20	38	42	Less than 10 thousand	55	40
2	Bhubanapally	20	48	50	Less than 10 thousand	65	45

Source : Compiled From the Study

At the time of survey people have the opinion that Mobile banking system encouraged them but in their area internet facilities and failure of frequent internet link is a major problem which should be taken seriously. The banks like SBI and UGB at MV-79 is located in a distance place. For both the villages transaction of each family is made less than ten thousand which is a clear indication of their poverty. Though both the banks are situated in the remote area of the district, so link failure is the main reason for their harassment. People admitted that their transaction is increased but the advantage is not seen to them.

Conclusion

Financial Inclusion is adopted for the improvement in living condition of downtrodden people basically poor farmers, rural non-farm enterprises and other vulnerable groups. Apart from formal banking system, Financial Inclusion looks both business opportunity and social responsibility. Financial Inclusion Improves the SHG groups and micro-financial institutions.

Financial inclusion considers banking services at an affordable cost to the vast sections of disadvantage and low income groups. Credit is the most important component. But financial Inclusion covers various other financial services such as savings, insurance, payments and remittance facilities by the formal financial system those are excluded in these areas before its implementation. India's digitization is completely depending on creation of awareness as a vast tribal population of the country is illiteracy, virtually, a very less access to internet. Though, India is a global player in the digital economy large scale drive needs awareness and education among the tribal people.

JAM encouraged digital transaction culture. It spreads to reach remote part of India. Within seven years of its application (2009-2016) the project has enrolled 1.07 billion people (88 %) in the country. A large number of Government Transfer (DBT) is seen in both the remote tribal and non-tribal areas. JAM mode will help the people to generate digital transaction.

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