

## **EXTENT OF FINANCIAL INCLUSION AMONG TRIBAL PEOPLE OF WAYANAD DISTRICT**

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### **ABSTRACT**

Financial inclusion has become one of the most important objectives of the Government of India. Major efforts have been made in the last few years to bring the excluded sections of the society into the financial net. The extent of success has become a subject of analysis and this paper examines the impact of financial inclusion and literacy among the tribal people in Wayanad district and gender wise difference in benefits received, using a sample from selected tribal areas of Pulpally panchayath. It was found that there has not been any difference in the usage of banking facility provided. Their financial literacy seems to be limited to using bank accounts mainly for receiving payments from NREG programme, government subsidies and scholarships. Again digital illiteracy prevents them from using electronic facilities like e-banking and ATM cards.

**Keywords:** Financial inclusion, Financial capability, Tribal welfare

### **INTRODUCTION**

In economic sense the term financial inclusion refers to inclusion of the poor and the vulnerable into the financial system of the country by providing them access to financial services of the nation at affordable cost. According to a study by World Bank in 2012, people who availed new loans in 2011 were only 9%. It was also specified that when 41% of population in developing countries have bank accounts, in case of India it was only 35%. Several factors contribute to the low performance of the country. The lack of knowledge and understanding about services and facilities provided by the commercial banks of the country limits the range of credit available to them. It also becomes difficult for them to pay the bank charges for various services as they are underprivileged. Most of them lack necessary documents and identity certificates needed for banking formalities and the banks are expected to fulfill the KYC norms.

With financial inclusion becoming a key area of public interest in most of the developing nations, The Government of India in the past few years have been making significant efforts to

improve the financial capability of the, otherwise excluded, marginalized sections of the society . Financial inclusion helps in the growth and development of the nation by bringing down the gap between the rich and the poor. Rangarajan Committee on financial inclusion (2008), in its report defined it as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”. Access to financial services provided will definitely improve the standard and conditions of living of the low income group. According to Kelkar committee 2014, it provides economic security to people .Committee on medium term path on financial inclusion in its report published in 2015, suggested that efforts should be made to enhance financial activities in the country. Financial Inclusion Advisory Committee has been set up by the Reserve Bank to “spearhead the efforts towards greater financial inclusion” (RBI, 2012), with Deputy Governor of RBI as the chairman. With this vision the central bank has been trying to improve banking conditions and services by constantly encouraging commercial banks in setting up new branches, providing financial instruments like debit, credit cards, setting up of ATMs.

Most of the states successfully took up the initiative and Kerala became one of the first states that reached complete financial inclusion. The Ministry of Finance declared Kerala as “hundred percent saturated state”.But according to the estimates a large number of accounts are inoperative and many people have multiple accounts. In order to examine the reach of financial inclusion in the state, a comparatively rural, backward region needs to be selected. This resulted in choosing Wayanad as the study area.

Wayanad situated in the northern most part of the state is considered as one of the deprived districts. This district has a total population of 8.17 lakhs as per 2011 census. Out of the total population 96.1% reside in rural areas and ranks first in tribal population which constitutes 18.5% of the total. This study aims at analyzing the effectiveness of financial inclusion and financial literacy and the extent of utilization of financial services among the tribal people, who are basically illiterate, underprivileged and neglected.

## **REVIEW OF LITERATURE**

D.V Ramana and Silu Muduli (2018) in their study on financial capability of street vendors have found that education, age,business experience and daily turnover significantly affect financial capability of an individual and higher financial capability accrues to those street vendors in regions with higher number of branches. Mandira Sarma (2010) proposed an Index of Financial Inclusion similar to HDI, HPI, GDI and GEM that can be used to compare the extent of financial inclusion in different economies and to measure the progress of economies with respect to financial inclusion. Ambarkhane, Singh and Venkataramani (2014) have measured financial inclusion based on demand, supply and infrastructure and an index has been computed focusing

on the poor. Joseph and Varghese (2014) analyzed the effect of financial inclusion in the development of Indian economy by growth rate of banks and observed that usage of debit cards increased tremendously and that the number of people having access to the services provided by the banking system has declined. A study by V.C Kavidayal and Dr Vinay Kandpal (2016) to analyze the reason for opening an account in banks and level of awareness has found that rural people are unaware of banking services. Nirmal Sabu and Dr Deepu Jose Sebastain (2016), found that although the Government of Kerala claims 100% financial inclusion in the state, this has not been achieved. A study by Jerlin Jose and Alice P Mani (2018) has found that Kerala has improved in terms of branch penetrations, ATM penetrations advances to needy people and also in financial literacy. But Kerala has witnessed a decline in Cash Deposit Ratio, accounts in priority sector lending, advances to priority sector lending and to Scheduled Tribe.

### **OBJECTIVES**

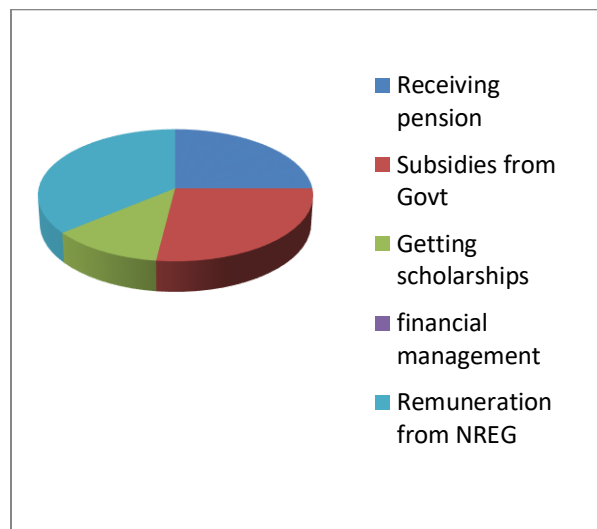
1. To analyse the extend of financial inclusion among tribal people of Pulpally panchayath in Wayanad.
2. To study the gender- wise difference in benefits utilized.
3. To examine general awareness on various financial services provided by commercial banks.

### **RESEARCH METHODOLOGY**

The study uses primary data collected from various tribal colonies of the area, consisting of both male and female respondents who are above 25 years of age and analysis is done using Chi-square test of Independence.

### **ANALYSIS**

The survey was conducted using a structured questionnaire. Out of the total sample 51% were male and 49% female. The educational status of the respondents was taken and it was found that 42% lacked even primary education, 22% had lower primary education, 24% upper primary, 11% had high school education and 1% higher education. About 80% of them were daily wage earners, 8% do private jobs and the rest of them were jobless. Most of them spend their daily income completely for consumption and saves nothing at the end of the day. In most of the households money management is by male members of the family. Of the surveyed households in 72% of them money management is done by male members whereas in 28% this was by female members mainly because of the absence of male members or due to physical ailment .



**Fig 1: Purpose of holding a bank account**

They use their bank accounts mainly for receiving benefits and allowances provided to them by the authorities.

Most of them are aware about bank accounts but lack awareness about other services availed by banks. It was found that 90% of the respondents do not have sufficient knowledge about loan facilities provided by banks. Even though they have heard of such a facility they lack awareness on the procedures and requirements for obtaining loans. None of the respondents have heard of financial instruments like draft, overdraft, cheque etc. Digital illiteracy prevents them from using ATM cards.

In order to examine gender wise difference chi square test is used and the result obtained is:

**Table 1: Result of Chi- Square test**

	Chi-square value	Degrees of freedom	p-value
Deposits	99.43	2	2.57E-22
Loans	99.43	2	2.57E-22
ATM usage	44.80	2	1.87E-10
Pension	30.71	2	2.14E-07
Insurance	128.63	2	1.17E-28

From the above table it becomes clear that there is no gender wise difference in the usage of any of the above facilities.

## **CONCLUSION**

From the study it becomes clear that the tribal population in many parts of the state are still unaware of the major services provided by the commercial banks. When 100% financial inclusion is being claimed in the state by the authorities the reality is something else. The areas where tribal population is more, have not achieved even the initial goals of financial inclusion and financial literacy. Even though developments in the financial sector have occurred in these areas its reach into the tribal poor is not satisfactory. The main reason being their illiteracy and lack of awareness, policies should be implemented to create more awareness among the lowest strata of the society. Since these people are illiterate they need to be educated on the need to have financial security and literacy. Necessary plans should be undertaken to improve their digital literacy and services should be made more flexible to improve its usages. It is definitely possible to include all the citizens of the country into the financial net if more genuine efforts are made to overcome these difficulties.

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