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## FINANCIAL INCLUSION: A BANK LED MODEL AMONG THE SCHEDULED TRIBE OF ODISHA

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**Abstract:** *Financial Inclusion' has become a buzz word now as well as repeatedly discussed topic in the tertiary sector of banking industry in India and the world around. The Reserve Bank of India (RBI) which is the apex bank of India had introduced the concept into Indian banking industry to include the excluded comprising the poor, the marginalized, the weaker section, the unbanked people, the low income groups, scheduled tribe and scheduled caste, and so on under the ambit of formal financial system of India. It is a well-known fact that to have inclusive growth without access to formal finance at an affordable cost is not possible. So the apex bank of India has adopted a policy through which the excluded that are at the bottom of the pyramid of the economic structure would benefit from the credit facilities and savings habits of the banking industry offered at an affordable cost in order to bring change in their life style. The RBI also has drawn guidelines to provide new products and services to the rural and semi-urban populace through multiple channels.*

**Keywords:** *Financial Inclusion, Banking Industry, Scheduled Tribe, Odisha*

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## **1. INTRODUCTION**

A seed of a banyan tree fruit is very small in size but when it grows, it becomes a gigantic tree. The characteristics of a banyan tree and its sacredness could be compared with the Indian Banking industry to a larger extent. It is fascinating to know the myth and reality, basic instinct and behavior pattern of a banyan tree. Based on this, it could be observed that the Indian banking industry from its alpha point till now has gone through a banyan tree process in its existence positively. Indeed, it is noteworthy that the Indian banking industry has become ground reality for the social and economic development of Indian society.

The Reserve Bank of India (RBI) which is the apex bank of our country, had really envisioned objectives and goals, policies and norms, rules and regulations, terms and conditions according to the need and time for targeting inclusive growth of different sectors – Primary, Secondary, Tertiary, Organized and Unorganized, Public and Private and various sections of the society. The banking industry which falls under the tertiary sector which assists the primary and secondary sectors has become the corner stone of our economy. Though the banking industry has taken a lot of provisional and regulatory measures towards inclusive growth yet it has realized that it has not made any impact in the rural India especially in backwards states where scheduled tribes and scheduled castes are more in number.

This scenario had led the banking industry in venturing into Financial Inclusion Plan by which it could reach with banking facilities, products and services to the unbanked people to make them part of inclusive growth through various channels viz., involving self help groups (SHGs) and micro-finance institutions (MFIs), expanding the scope of the business correspondence (BC) model, simplifying procedures and processes for micro and small enterprises (SMEs) and adopting information and communication technology (ICT) solutions for greater outreach and lower transactions costs. This paper presents a study undertaken among the tribal people in Mayurbhanj district of Odisha where the banks especially the public sector banks try to implement Financial Inclusion Plan among the unbanked tribal people by providing them with the banking services and products that are feasible to them and how this plan has made impact on their life style.

## **2. THE STATUS OF TRIBAL COMMUNITY OF ODISHA**

Behura illuminates that the Scheduled Tribes constitute 7.8 percent of the total population of the country. They are said to be the earliest inhabitants of the country and have



distinctive culture due to ethno-historical reasons. Most of them inhabit forest and hilly areas, and thus forest revolves inextricably around their life and culture. They treat the forest as their ancestral abode and perennial treasure house. Relative physical isolation from the mainstream for generations has made them develop and nurture their distinctive style of life depending on their ecosystem. The relative physical isolation of the tribals has contributed to the high incidence of illiteracy, techno-economic stagnation and consequential poverty amongst them. The more is the degree of isolation more is the techno-economic backwardness (Behura, 1992).

In accordance with the provisions of Article 342 (1) of the Constitution of India, the President of India notifies a community as Scheduled Tribe on the recommendation of the concerned State Government for being eligible to enjoy Constitutional safeguards and protective discriminations. Next to Maharashtra and undivided Madhya Pradesh, Odisha has large concentration of tribal population in the country. There are total 62 tribal communities identified in Odisha. In Odisha speakers of Indo-Aryan, Mundari and Dravidian tribes are spatially distributed according to a pattern. Tribal societies constitute the base of Odishan society. About 45 percent of the total land area in Odisha has been declared as scheduled area (Behura & Mohanti, 2006).

Statistical cell elucidates that Odisha is regarded as the homeland of the tribal. As many as 62 different tribal communities with rich cultural heritage reside in this eastern region of the country. Ever since independence, government of Odisha with the support of union government has been trying to improve the overall quality of life of the tribal people and to mainstream them; although there has been improvement in the quality of life of the tribal people due to the implementation of developmental interventions, the pace of development has been rather slow (Statistical Cell, 2011).

Tribal issues rarely figure in debates of public media. They may create major conflicts at times, but they do not qualify for the routine of political discussion. Urban intellectuals, always well-versed in matters of caste, are frequently absolutely unaware of tribal categories and values, vaguely conceiving tribes as units of equally “backward” and “exploited” fellow citizens - and nothing more. Tribes are “remote” from the centers (Pfeffer & Behera, 2005).



### **3. THE BANKING INDUSTRY IN INDIA**

The Reserve Bank of India which was established in 1935 is one of the oldest central banks in the developing countries. The history of the RBI reflects in many ways the economic history of India. The Reserve Bank of India in its eight decades existence has made a host of historic developments both at home and abroad amidst a lot of economic and social turbulent. The RBI is proud of the role it has played in shaping these developments or responding to them as the case may be and always so with sensitivity and integrity.

Priyadarshie with others clarify that the Indian banking sector successfully could weather the turbulence experienced by the global financial system following the collapse of Lehman Brothers in September 2008. Indeed, the banking sector in India did not experience any crisis of confidence and the inter-bank loan market, because it functioned in an orderly and unruffled manner. The main reason behind the resilience of the banking sector was the non-exposure of Indian banks to 'toxic' assets of failed financial institutions in the American and European markets. In spite of all these booming impact of banking system, not even half of the Indian population has access to banking facilities and services (Priyadarshie, Hossain, & Arun, 2010).

Bhasin states that the progress made by banks during the last decade is commendable. The health of the banking system is strong, having adopted technology, and banking system is making all efforts at increasing the banking reach. Technology has given a facelift to the banking services, but presently the need is the seamless integration of this with both front and back offices. Technology has to be seen in the light of cost effectiveness so that small value transactions are viable (Bhasin, 2011).

Waghmare recognizes that the present banking scenario has come up with a lot of new initiatives which are oriented to provide a better customer service and facilities with the help of information technology. Banking sector focuses the larger economy its linkages to all sectors make it representative for what is going on in the economy. Indian banking sector, present has the same sense of opportunity that is evidence in the Indian banking market and economy (Waghmare, 2012).

According to the Economic Survey of Odisha, the vast network of financial institutions helps an economy to augment its savings and channel them towards efficient utilization. There has been a phenomenal growth and spread of banking services throughout the country,



particularly in rural areas. Commercial banks have been directed to open many rural and semi-urban branches and have shouldered the responsibility for mobilizing public savings. At constant prices (2004-05), the banking and insurance sector expects to contribute 9.87 percent of GSDP of the service sector in Odisha in 2011-12 and has recorded a real growth rate of 17.25 percent over the previous year (Government of Odisha, 2012).

The average population serviced by a bank branch is roughly equal to a population of 12,580. Odisha has improved its commercial bank density from 16000 in 2001-02 to 13,992 in March 2011 and fares better than several states including West Bengal, Rajasthan and Utter Pradesh. Nearly 56 percent of all bank branches are located in rural areas in Odisha. The growth rate of bank deposits has also been increasing, that is there is acceleration in the volume of total bank deposits. Co-operative banks also play a major role as they concentrate on rural areas and support agriculture in a major way (Government of Odisha, 2012).

Khan states that as at end-June 2011, there were 46 scheduled commercial banks operating in Odisha including 25 public sector banks, 14 private sector banks, five regional rural banks (RRBs) and two foreign banks. The total number of branches of scheduled commercial banks (excluding RRBs) in the state was 2,136 at end-June 2011. The population group-wise distribution of these branches indicates that rural branches accounted for 45.5% of the total number of branches in the state, as against their share of 29.2 per cent at the all-India level (Khan, 2012).

**Table 1 Banking Network in the State of Odisha (as on 30<sup>th</sup> September 2012)**

Sl. No	Banks	No. of Branches	Rural area branches	Semi-urban area branches	Urban area branches
01	Public Sector Banks	2,312	1,107	676	530
02	Private Sector Banks	269	36	136	97
03	RRBs	901	767	92	42
04	Co-operative Banks	341	145	117	79
	<b>Total</b>	<b>3,824</b>	<b>2,055</b>	<b>1,021</b>	<b>748</b>

Source: Lead District Office, Mayurbhanj

**Table 2 Banking Network in Mayurbhanj District (as on 31<sup>st</sup> December 2012)**

Sl. No	Banks	No. of branches	KCC issued	Zero Balance a/c opened	SHGs formed
01	Public Sector Banks	119	14,708	4,72,282	13,615
02	Private Sector Banks	06	133	----	----
03	RRBs	68	3,848	95,575	9,976
04	Co-operative Banks	20	15,648	23,554	1,436
	<b>Total</b>	<b>213</b>	<b>34,337</b>	<b>5,91,411</b>	<b>25,027</b>

Source: Lead District Office, Mayurbhanj



#### **4. FINANCIAL INCLUSION**

According to Rangarajan 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 weaker sections and low income groups at an affordable cost. There is an imperative need to modify the credit and financial services delivery system to achieve greater inclusion (Rangarajan, 2008).

“Financial inclusion has become an issue of worldwide concern, relevant equally in economies of the under-developed, developing and developed nations. Building an inclusive financial sector has gained growing global recognition bringing to the fore the need for development strategies that touch all lives, instead of select a few.” (Reserve Bank of India, 2008).

So the objective of Financial Inclusion is to access to banking; access to affordable credit; and access to free financial advice to the vulnerable groups - the poor, the marginalized, the needy and the unbanked people.

#### **5. INITIATIVES TAKEN BY THE GOVERNMENT AND THE PUBLIC SECTOR BANKS UNDER FINANCIAL INCLUSION**

##### **5.1 Expansion of Banking Infrastructure**

As per census 2011, 58.7% households are availing banking services in the country. There are 102,343 branches of Scheduled Commercial Banks (SCBs) in the country, out of which 37,953 (37%) bank branches are in the rural areas and 27,219 (26%) in semi-urban areas, constituting 63% of the total numbers of branches in semi-urban and rural areas of the country. However, a significant proportion of the households, especially in the rural areas, are still outside the formal fold of the banking system.

**Opening of Bank Branches:** Government had issued detailed strategy and guidelines on Financial Inclusion in October 2011, advising banks to open branches in all inhabitations of 5,000 or more population in under-banked districts and 10,000 or more population other districts. So far 3,402 villages have been provided with branches out of 3,925 villages figured out. It also includes 2,121 Ultra Small Branches opened by end of April, 2013.



**Each household to have at least one bank account:** By the order of the apex bank of India, banks have been asked to ensure service area bank in rural as well as in urban areas to have at least one bank account in every and each household.

**Business Correspondent Model:** The objective of Financial Inclusion is to ensure access to banking products and services to the vast majority of the populace. So in 2006, the RBI had permitted the banks to make use of intermediaries in providing financial and banking services through the use of Business Correspondents (BCs) and Business Facilitators (BFs) who could be retail agents by banks at locations other than a bank branch/ATM. In this regard there were over 1, 52,000 BCs deployed by banks who carried over 18.38 crore transactions valued at ` 16533 crore till December 2012.

**Swabhimaan Campaign:** This campaign was launched in February 2011 to provide banking facilities by March 2012 to over 74,000 habitations in excess of 2000 using various models and technologies including branchless banking through BCs. Later on this campaign has been extended to habitations with population of more than 1000 in Northeastern and hilly states and to other states where it crossed 1600 population as per census 2001 which covered above 40,000 habitations.

**Setting up of Ultra Small Braches:** USBs were set up in all villages to monitor the BCs covered under financial inclusion. In this regard, over 50,000 USBs have been set in the country by March, 2013.

**Banking Facilities in Unbanked Blocks:** There are 129 unbanked blocks (91 in North East States and 38 in other States) identified in the country had been provided with either through brick and mortar branch or BCs or mobile vans.

**Opening of the Basic Saving Bank Deposit Account (No-frill account):** Banks are taking various steps to open Basic Saving and Deposit accounts for those who do not have any bank account till date. There are 182.07 millions BSBDA accounts as on 31<sup>st</sup> March, 2013.

## **5.2 Expansion of ATM Network**

In the pursuant to Budget announcement 2013-14, banks are required to ensure an onsite ATM in all the branches. Out of 34,668 onsite ATMs thus identified to be installed by Public Sector Banks, 1097 ATMs have been installed by end of April, 2013.



### **5.3 Direct Benefit Transfer (DBT)**

The objective of DBT scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. The scheme has been launched in the country from January, 2013 and has been rolled out in a phased manner, starting with 26 welfare schemes, in 43 districts. The scheme is now being extended to additional 78 districts and additional 3 schemes from 1<sup>st</sup> July, 2013 and would be extended to the entire country in a phased manner (Ministry of Finance, 2013).

## **6. OBJECTIVE OF THE STUDY**

- ❖ To assess the accessibility of banks by the respondents;
- ❖ To know the banks' focus towards the Financial Inclusion;
- ❖ To recognise the impact of Financial Inclusion on Tribe of Odisha;
- ❖ To know the Financial Literacy of among the Tribal community in Odisha; and
- ❖ To identify how the Public Sector Banks support the Tribals.

## **7. RESEARCH METHODOLOGY**

Primary Data Collection: The study was conducted in Baripada block of Mayurbhanj district of Odisha. The contact method employed was personal survey, using a structured questionnaire. Questions were framed based on parameters which were identified consulting relevant literature from previous studies. Secondary Data Collection: The secondary data was collected to support the research being carried on from the reputed institutions, websites of banks, journals, documents, etc.

## **8. LIMITATIONS OF THE STUDY**

- ✓ The number of respondents is kept 100 due to time factor.
- ✓ The study has been done only in one block of the district.
- ✓ Focus is kept on the majority tribe of the district only.
- ✓ Only required statistical tools are used to bring the objective of the study concisely.

## **9. FINDINGS**

### **9.1 Based on demography of the respondents**

- Out of 100 respondents chosen for sample survey, 65 of them are males and 35 of them are females.
- Among the respondents, 26% of are below 30 years old, 18% of them are between the



age of 31 to 40, 33% of them are between the age of 41 to 50 and 23% of them are above 50 years old.

- Among the respondents 87% of them are married and 13% of them are unmarried.
- Among the respondents 33% of them are illiterate, 11% of them studied up to 5<sup>th</sup> class, 22% of them studied from 9<sup>th</sup> to 10<sup>th</sup> standard, 11% of them studied from 11<sup>th</sup> to 12 class, 10 of them are graduates.
- A maximum of 32% of the respondents are daily laborers, 19% each in farming and government departments and 10% of them are employed in private departments and 20% of them in any other fields.
- About 78% among the males earn up to Rs.3000 and the rest above Rs.3000. Among the females, 86% earn up to Rs.3000, while 14% earn more than Rs.3000.

## **9.2 Based on banking exposure of the respondents**

- ❖ All of them have bank account where 98% of them have saving bank account and 2% of them have basic saving and deposit account (no-frills account).
- ❖ Among the respondents 92% of them operate single account, 6% of them operate in joint account and 2% of them operate in both the accounts.
- ❖ With regard to bank, 38% of them have come to know through the bank officials, 36% of them through Panchayat Office, 18% of them through friends and 8% of them through SHGs.
- ❖ A maximum of 46% of the males operate bank account to receive NREGA payment; 28% of them operate bank account to save money; 14% of them operate bank account to get aid from government schemes; 3% of them to receive remittance and 9% of them for any other reasons.
- ❖ With regard to females, a maximum of 51% of the females operate bank account to save money; 25% of them operate account to receive NREGA payment; 17% of them to get aid from government schemes and 8% of them operate bank account for any other reasons.
- ❖ With regard to usage of banking products/services, 79% of them do not use any products or services except saving money and receiving NREGA payments, 18% of them use ATM and 2% of them use check book facility.
- ❖ A maximum of 55% of the respondents have not taken any kind of policy, 37% of them



have taken insurance policy, 6% of them have taken health policy, one each have taken vehicle and crop insurance.

### **9.3 Based on banking operation of the respondents**

- Invariably all of them have said that they save money in the bank.
- Among the respondents, 31% of them carry on their transactions monthly in the bank, 23% of them transact in the bank on the availability of fund, whereas 46% of them visit bank occasionally.
- With regard to time of operation, 21% of them operate bank account below 2 years, 48% of them operate bank account between 2 to 4 years, and 31% of them operate bank account above 4 years.
- Majority of the respondents 55% of them maintain money with the bank less than ` 500/, 34% of them maintain balance between ` 500 to ` 1000 and 11% of them maintain balance above ` 1000.
- 77% save money to buy household items, 12% of them save money to meet the medical expenses, the rest save money for other purposes.
- Out of 24% of Job Card holders males are 62% and females are 38%.

### **9.4 Based on the Statistical Tools**

The three variables namely Accessibility of Banks by the respondent's score, Banks' Focus towards Financial Inclusion Score and Impact of Financial Inclusion on the respondent's Score are tested with reference to various demographic attributes. The results are summarized below:

1. **With regard to Gender, Age group, Occupation and Monthly Income** – there is no significant difference in the Mean Accessibility score, Mean Focus Score and Mean Impact score. It means the mentioned factors do not influence the accessibility, focus and impact of the financial inclusion plan.
2. **With regard to Education** – there is a significant difference between Mean Impact score and education. It means the demographic factor education has influence over the impact of financial inclusion on the respondents.
3. **With regard to accessibility of banks** - a majority of 43% of the respondents rated medium, 36% of them rated low and the rest have rated high.



4. **With regard to banks' focus towards financial inclusion-** a maximum of 44% of the respondents rated medium, 29% of them rated high and the rest rated low.
5. **With regard to Impact of financial inclusion-** a majority of 55% of the respondents rated medium, 27% of them rated high and the rest rated low.

### Correlations

		Average Accessibility Score	Average Focus Score	Average Impact Score
Average Accessibility Score	Pearson Correlation	1	-.046	.411(**)
	Sig. (2-tailed)		.649	.000
	N	100	100	100
Average Focus Score	Pearson Correlation	-.046	1	-.110
	Sig. (2-tailed)	.649		.274
	N	100	100	100
Average Impact Score	Pearson Correlation	.411(**)	-.110	1
	Sig. (2-tailed)	.000	.274	
	N	100	100	100

\*\* Correlation is significant at the 0.01 level (2-tailed).

From the Table, it is observed that Accessibility Score and Impact Score are correlated, and hence a relationship exists between them. Whereas there is no correlation between Accessibility Score and Focus score, as well as Focus Score and Impact Scores.

## 10. SUGGESTIONS

The findings reveal that the financial inclusion plan of the government and the RBI through public sector banks has made some remarkable change in their life style positively. But still there are things need to be improved in reaching out the unreached and the unbanked. So based on the findings here are some suggestions that could help to bridge the gaps between the implementations and the output of the process programmes of financial inclusion plan.

- ❖ Banks must design products and services that are useful and customer friendly especially for the rural populace;
- ❖ Rural bank branch must appoint at least one business correspondent in a Panchayat for smooth bank process;
- ❖ Financial literacy program must be conducted in as many as places;
- ❖ The rural customers must be given an incentive if their saving balance crosses a certain amount;



- ❖ Special attention could be given to SHGs because they are one of the viable social infrastructures to reach the unbanked people.
- ❖ Since mobile usage is common in the villages, mobile banking could be encouraged;
- ❖ With basic proof bank account could be created.

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