



Research Paper

Analysis of Financial Inclusion in Raichur District: A Comparative study of ST and OBC Community

*Dr.Lohith G

*Dr.Lohith G, Assistant Professor, Government First Grade College, Magadi

Abstract

Financial inclusion is the key driver to achieve vision of inclusive society. In India many efforts has been taken towards enhancing financial inclusion by Government and RBI. The literacy rate of ST population in Karnataka is 53.9 percent which is lower than the state average of 75 percent; the literacy rate of ST Community in Raichur District is 37.07 percent whereas the literacy rate of Raichur is 50.7 percent, the female literacy of ST Population in Raichur is 27.95. Hence there are no surprises that financial inclusion of ST population in Raichur is lower than the state average. Hence the present research studies the impact of financial inclusion programmes on financial inclusion of ST Community in comparison with OBC Community in the district.

In the study area researcher found that 92.28% of ST respondent households are having bank account and 7.71% of them do not have bank account. ST respondent households are having an average 2.57 accounts in the study area. The important reasons to open bank account in the study area are to receive Government benefit (34.37%) and to receive wage under MGNREGP (19.81%). 58.51% of ST respondents had not used their account last month, prior to survey. Poor financial condition (59.26%) is the major reasons for not having account in the study area. 62.85% of ST respondent households have not borrowed money from formal financial institution.

The present programmes of financial inclusion has fairly included majority of households into banking system, by opening the savings accounts. But the efforts should continue to extend the real fruits of financial inclusion by giving them access to over draft facilities, credit, insurance etc. the financial advisory services should take the lead in imparting the real financial inclusion in true sense, especially to excluded sections of the society more particularly to ST community. RBI and Banks should take necessary steps to achieve broader aspects of financial inclusion.

Key words: Financial inclusion, financial exclusion, Scheduled Tribe, OBC, Raichur, PMJDY, Bank Account, borrowed

Received 01 June, 2023; Revised 08 June, 2023; Accepted 10 June, 2023 © The author(s) 2023.

Published with open access at www.questjournals.org

I. Introduction

Financial inclusion is the key driver to achieve vision of inclusive society. Inclusive growth encompasses ideas related to basic needs and equity. It seeks to cement the divisions in the society. Reduction in poverty and disparities of income and ensuring everyone a basic minimum standard of living are the objectives of inclusive growth. In this context access to finance by the poor and vulnerable groups has to be recognized as a pre requisite for poverty reduction and social cohesion. "Financial inclusion is 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" Rangarajan (2008). Hence, financial inclusion has to become an integral part of the efforts to promote inclusive growth of India. However, though "the banks have made significant improvements in the areas relating to financial viability, profitability and competitiveness and so on, but there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society into the fold of basic banking services" (Thorat, U.2007).

The countries with high and medium IFI values belong to high human development group and high or medium HDI ranked countries namely Saudi Arabia, Brazil, Lebanon, Venezuela, Argentina and Mexico is found to have a low IFI value and Iran, Thailand, Turkey and Namibia that perform relatively better in financial

inclusion than its human development' (Sarma, M., & Pais, J, 2011). 'In case of India, in 2008, 59% of the adult populations in India have bank accounts in urban areas and only 39% of adult population in rural areas have bank account and only 13% Indians have debit cards in India, by 2010 there were 72825 financially excluded villages exist in India. There was a wide regional disparity in financial exclusion in India where only 80 percent in Northern region, 66 percent in Southern region 60 percent in Western region, 60 percent in Western region, 34 percent in Eastern region, 37 percent in North Eastern region and 52 percent in Central Region adults have bank account' (Keshava S.R, 2013).

Financial exclusion of ST community

The important barriers which exclude ST community from financial inclusion can be grouped into demand, supply and social factors. The important demand side barriers are low level of financial literacy, low level of income, consumer trust & confidence, misconception on financial system; the important supply side barriers are uncertain employment condition, rural location, bank regulations (KYC); the important social side barriers are discriminating caste system & gender and poverty. In multi-ethnic society like India, among social factors caste plays a crucial role in financial exclusion. The lower ladders of castes were denied basic rights. NSSO 59th Round (2003) reveals that the highest level of financial exclusion is found among scheduled tribes i.e., 63.7 percent. Majority of persons belonging to ST community do not have access to credit from institutional credit sources

Karnataka is a home for 42, 48,987 (6.95% of total population) Scheduled Tribe population, as per 2011 Census. 84.7% of ST population of Karnataka lived in rural area in 2011. Raichur district is one of the highest ST populated district (3,67,071 population) along with highest population of the ST as a percentage of its total population of the district (19.03 percent) and 90.99% of ST population of Raichur lives in rural area.

The literacy rate of ST population in Karnataka is 53.9 percent which is lower than the state average of 75 percent; the literacy rate of ST Community in Raichur District is 37.07 percent whereas the literacy rate of Raichur is 50.7 percent, the female literacy of ST Population in Raichur is 27.95. Hence there are no surprises that financial inclusion of ST population in Raichur is lower than the state average. Hence in order to study the impact of financial inclusion programmes on financial inclusion of ST Community in comparison with OBC Community in the district, the Present study is undertaken.

Objectives of the Study

The important objectives of the study are;

1. To Identify the progress of financial inclusion among ST community in the study area
2. To study the impact of financial inclusion programmes on the ST and OBC community.
3. To identify the utilisation of financial inclusion products and services other than opening the account
4. To suggest suitable policy recommendations

Hypothesis:

1. Government Policies and Programmes to boost financial inclusion of the financially excluded people have been highly successful.
2. The financial exclusion is independent of the Socio-economic factors namely BPL/APL condition, Monthly income, Landholding, Gender, Family size, Level of education, and Occupation of the ST respondents in the study area.

II. Methodology:

The present study is based on primary data collected through the structured interview schedules in five taluks of Raichur District namely Raichur, Devadurga, Lingasugur, Manvi and Sindhanur. 700 samples were selected based on purposive simple random sampling in Raichur District, out of which 350 respondents belong to ST community and the other 350 samples to OBC community. Statistical tools namely Chi-Square, percentage, and average is used to analyse the primary data.

Analysis and Findings

Individual Account Holdings

Opening the savings account in the formal financial institutions is one of the basic essential of financial inclusion. In the 700 sample size, 673 households (96.14%) were having account at bank or formal financial institutions and 27 households (3.86%) did not have bank accounts. In the sample size, out of 350 ST respondents 323 households (92.28%) are having bank account and 27 households (7.71%) of them do not have bank account. In OBC all the 350 households were having bank account.

The following Table No. 1 gives the description of Bank Account details of the Respondent Households.

Category	Having Bank Account	Not having bank account	Total
Scheduled Tribe	323 (92.28)	27 (7.71)	350
OBC	350 (100)	0(0)	350
Total	673 (96.14)	27 (3.86)	700

Source: Computed from field survey

The study reveals that the Government effort towards opening a basic saving bank account has yielded results as 96.14 % of respondent households have the bank accounts in the study area. It has to be further strengthened by providing other financial services like loan, insurance, financial counseling etc to achieve the inclusive growth in the country and also include the remaining 27 households (3.86 percent) into financial inclusion.

Number of Accounts in the Respondent Households

In the sample size, 673 account holding respondent households are having an average of 2.71 accounts in the study area. In the sample size, 72 respondent households (10.7%) are having only one account, 232 respondent households (34.47%) respondent households are having two accounts, 184 respondent households are having (27.34%) three accounts, and 27.49 percent households are having four and above accounts. The following table No.2 gives the description of Number of Accounts in the Respondent Households

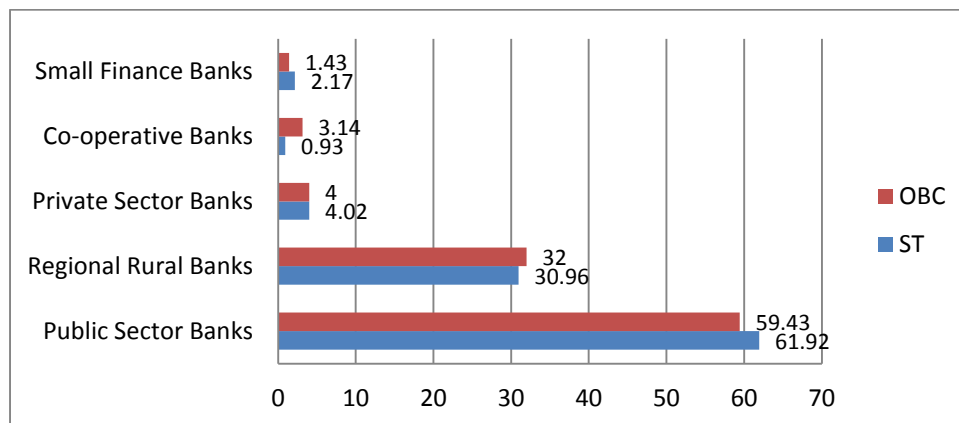
Category	One	Two	Three	Four & above	Total
Scheduled Tribe	40 (12.38)	124 (38.39)	92 (28.48)	67 (20.74)	323
OBC	32 (9.14)	108 (30.86)	92 (26.29)	118 (33.71)	350
Total	72 (10.70)	232 (34.47)	184 (27.34)	185 (27.49)	673

Source: Computed from field survey

In the ST sample size, 323 account holding respondent households are having an average 2.57 accounts in the study area. In the OBC sample size, 350 account holding respondent households are having an average 2.84 accounts in the study area.

Sector wise Classification of Respondent Household's Primary Bank Account

In the study area, out of 350 ST respondent households, 200 (61.92%) respondent households have their primary account in Public Sector Bank followed by 100 respondent households (30.96 %) in Regional Rural Bank, 13 respondent households (4.02%) in Private Sector Banks, 3 respondent households (0.93%) in Co-operative Banks and 7 respondent households (2.17 %) in Small Finance Bank in the study area. The Figure No. 1 gives the description of sector wise Classification of Respondent Household's Primary Bank Account



Source: Computed from field survey

In the 350 OBC sample size, 208 (59.43%) respondent households have their primary account in public sector bank followed by 112 respondent households (32.0%) in Regional Rural Bank, 14 respondent households (4.0%) in Private Sector Bank, 11 respondent households (3.14%) in Co-operative Banks and 5 respondent

households (1.43%) in Small Finance Bank in the study area. This reveals that, the role of Public Sector Banks and Regional Rural Banks is very important in opening of the savings bank account in the study area.

Primary Purpose of the Use of Bank Accounts

Usage of banking services is one of the important aspects of financial inclusion. In the study area out of 323 ST account holding respondent households, 135 respondent households (41.8%) uses their account to get their wages under MGNREGP, 71 (21.98%) using bank account to money withdrawal purpose, 55 (17.03%) using bank account for saving purpose, 42 (13.0%) use their account to utilize the Direct Benefit Transfer purpose, 14 (4.33%) using account for payment purpose and only 6 (1.86%) respondents using it for remittance purpose. The following table No. 3 gives the description of Primary Purpose of the Use of Bank Account

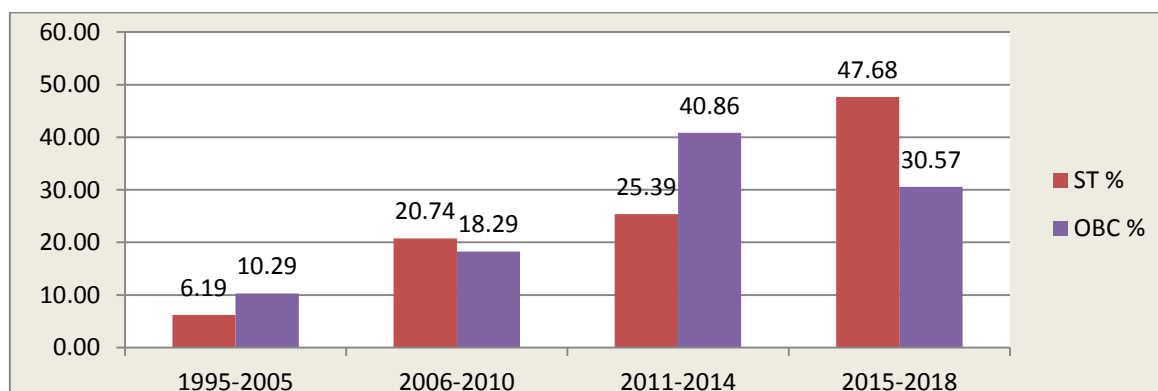
Category	Savings	Withdrawals	Remittances	Payments	Direct Benefit Transfer (DBT)	MGNREGP Wages	Total
ST	55 (17.03)	71 (21.98)	6 (1.86)	14 (4.33)	42 (13.0)	135 (41.8)	323
OBC	74 (21.14)	59 (16.86)	26 (7.43)	23 (6.57)	133 (38.0)	35 (10.0)	350
Total	129 (19.17)	130 (19.32)	32 (4.75)	37 (5.50)	175 (26.0)	170 (25.26)	673

Source: Computed from field survey

In the study area out of 350 OBC account holding respondent households, 133 respondent households (38.0%) use their account to utilize the Direct Benefit Transfer purpose, 74 (21.14%) using bank account for saving purpose, 59 respondent households (16.86%) using bank account to money withdrawal purpose, 35 (10.0%) uses their account to get their wages under MGNREGP, 26 (7.43%) using it for remittance purpose and only 23 (6.57%) using account for payment purpose.

Year of Prime account Opened by Respondent Households

The above table explicit the category wise classification of account opened by respondent based on year of account opened. Out of 673 sample respondents, 261 (38.78 percent) respondents opened their account during 2015 to 2018. 225 (33.43 percent) respondents opened their account during 2011 to 2014. 131 (19.47 percent) respondent households opened their account during 2006 to 2010. 56 (8.32 percent) respondents opened their account during 1995 to 2005. During this period account opening rate was very slow due to the lack of initiation of the Government towards financial inclusion. The Figure No. 2 gives the description of Year of Prime account Opened by Respondent Households

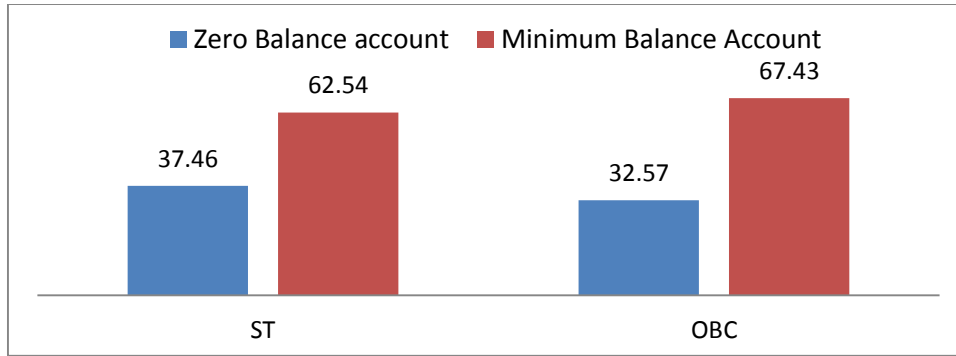


Source: Computed from field survey

Central Governments Scheme such as No frill Account and linking of MGNREGP wages paid in the beneficiaries bank account, Basic Savings Bank Deposit Account (BSBDA) drive on 17th April 2012 and Pradhan Mantri Jan Dhan Yojana (PMJDY) i.e. on 2014 August 28, had major impact on account opening drive in the study area.

Classification of the Respondents Accounts

In the sample size of 673 primary accounts of respondent households, 235 respondents (34.92 percent) have zero balance accounts and 438 respondents (64.08 percent) have minimum balance account. The Figure No. 3 gives the description of Classification of the Respondents Accounts



Source: Computed from field survey

After 2014, 38.78 percent respondent households opened their account but subsequently as banks insisted customers to maintain balance of Rs.500, 3.86 percent respondents converted their accounts to minimum balance account.

Overdraft facility in PMJDY Account

Pradhan Mantri Jan Dhan Yojana (PMJDY) is the most popular and largest financial inclusion drive in India. In this scheme one account per household preferably account in the name of Women member of household will get overdraft facility of Rs. 5000 after the satisfactory operation of the account for six months. The Table No. 4 gives the description of Overdraft facility in PMJDY Account

Category	Yes	No	Don't Know	Total
ST	2 (1.65)	9 (7.44)	110 (90.91)	121
OBC	4 (3.51)	13 (11.40)	97 (85.09)	114
Total	6 (2.55)	22 (9.36)	207 (88.09)	235

Source: Computed from field survey

But in the study area, out of 235 PMJDY account holder only 2.55 percent respondents got overdraft facility, 9.36 percent respondent did not get overdraft facility despite their repeated request and 88.09 percent respondent did not know about this facility. This reveals that banks were reluctant to popularize this over draft facility and denied the customers the facility made available by the Government.

Bank Accounts Operated in Last One Month

In the 673 account holding sample size, 298 (respondents 44.28 percent) did not operate their accounts in last One Month, prior to the survey. 279 respondents (41.46 percent) operated their account one to two times, 67 respondent (9.96 percent) households operated their account three to five times in last one month, and 29 respondents (4.31 percent) operated their account more than 6 times in last one month, prior to collection of the survey. Majority of the respondents that is 44.28 percent are not operating their bank account even once. Therefore, still there is a long way towards achieving financial inclusion in India. The Table No. 5 gives the description of Bank Accounts operated in Last One Month

Category	Not used	1-2 times	3-5 times	6 times or more	Total
ST	189 (58.5)	110 (34.06)	24 (7.43)	0 (0.0)	323
OBC	109 (31.14)	169 (48.29)	43 (12.29)	29 (8.29)	350
Total	298 (44.28)	279 (41.46)	67 (9.96)	29 (4.31)	673

Source: Computed from field survey

Out of 323 ST respondents, 189 respondents (58.51%) and out of 350 OBC respondents, 109 (31.14%) respondents had not used their account in the previous month, prior to collection of the data by the researcher.

Mode of Cash Withdrawal from Bank Account

Mode of cash withdrawal from Bank account is dependent upon respondents education, availability of facilities namely ATM card, ATM counter, Business Correspondent (locally called as Bank Mitra) etc. In the study area out of 673 sample respondents, 423 respondents (62.85 percent) withdraw money from bank branch

Analysis of Financial Inclusion in Raichur District: A Comparative study of ST and OBC Community

counter, 140 respondents (20.80 percent) are using both ATM and branch counter to withdraw money. The Table No. 6 gives the description of Mode of Cash Withdrawal from Bank Account

Category	ATM/ Debit Card	Over the counter in a branch	Cheque	Business Correspondents	ATM & Branch counter	Total
ST	30 (9.29)	237 (73.3)	11 (3.4)	1 (0.3)	44 (13.6)	323
OBC	51 (14.5)	186 (53.14)	15 (4.2)	2 (0.5)	96 (27.4)	350
Total	81 (12.04)	423 (62.85)	26 (3.8)	3 (0.4)	140 (20.8)	673

Source: Computed from field survey

81 respondents (12.04 percent) were using ATM counter/debit card to withdraw money, 26 respondents (3.86 percent) of them using cheque to withdraw money, and only 3 respondents (0.45 percent) used business correspondent to withdraw money. This reveals that over the counter in a branch is very popular mode of withdrawing money and ATM card usage is increasing as per the availability of ATM counters in the study area.

Reasons for not having account

The present study found that only 27 respondents (3.85%) did not have bank accounts, out of the 700 respondents (100%) in the study area. It is interesting to note that all the 27 respondents who did not have accounts belong to ST. The Table No. 7 gives the description of Reasons for not having account

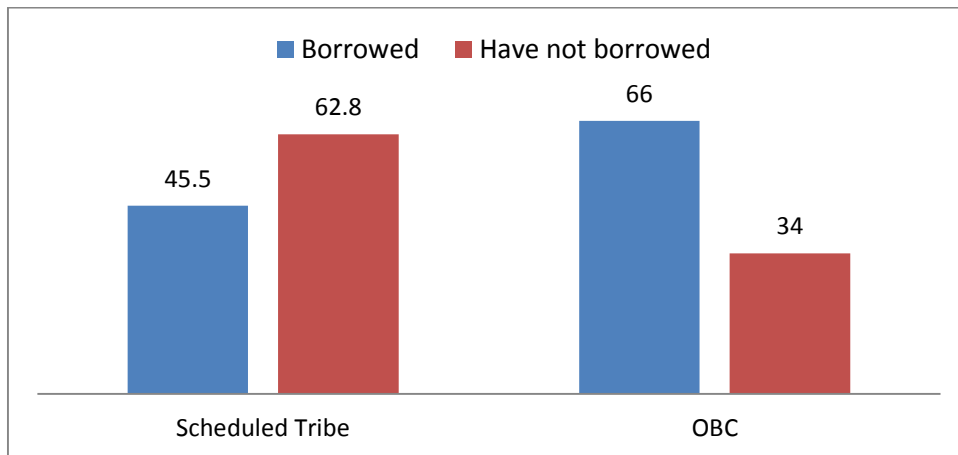
Category	Poor Financial Conditions	Bank Staff Attitude	Not able to provide required documents	Do not need an account	Total
ST	16 (59.2)	1 (3.7)	5 (18.5)	5 (18.5)	27
OBC	0 (0)	0 (0)	0 (0)	0 (0)	0
Total	16 (59.2)	1 (3.7)	5 (18.5)	5 (18.5)	27

Source: Computed from field survey

When the 27 respondents were asked the reasons for not having the account, majority of the respondents i.e. 16 respondents (59.26%) said their poor financial conditions as the reason followed by 5 respondents (18.52%) said they do not need account, 5 respondents (18.52%) said they are not able to provide required documents, and 1 respondent (3.7%) said they did not have bank account due to bank staff attitude.

Money Ever Borrowed from Formal Financial Institution

Loan service from formal financial institution is very essential for the poor to undertake productive activity and come out of poverty. The study reveals that in the study area out of 323 ST respondent Households, 147 respondent Households (45.51%) borrowed money from formal financial institutions. The Figure No. 4 gives the description of Money Ever Borrowed from Formal Financial Institution by Respondent Households



Source: Computed from field survey

Out of 350 OBC respondents, 231 respondents (66.0%) borrowed money from formal financial institution in the study area. It reveals that financial exclusion in terms borrowing from formal financial institution is very high among Scheduled Tribe people compared to OBC category in the study area.

Loan borrowed by Respondent Households Ever from Formal Financial Institution

The study reveals that out of 378 respondents, 239 respondents (63.23 percent) borrowed crop loan, 66 respondents (17.46 percent) borrowed Mortgage loan. The Table No. 8 gives the description of Loan borrowed by Respondent Households Ever from Formal Financial Institution

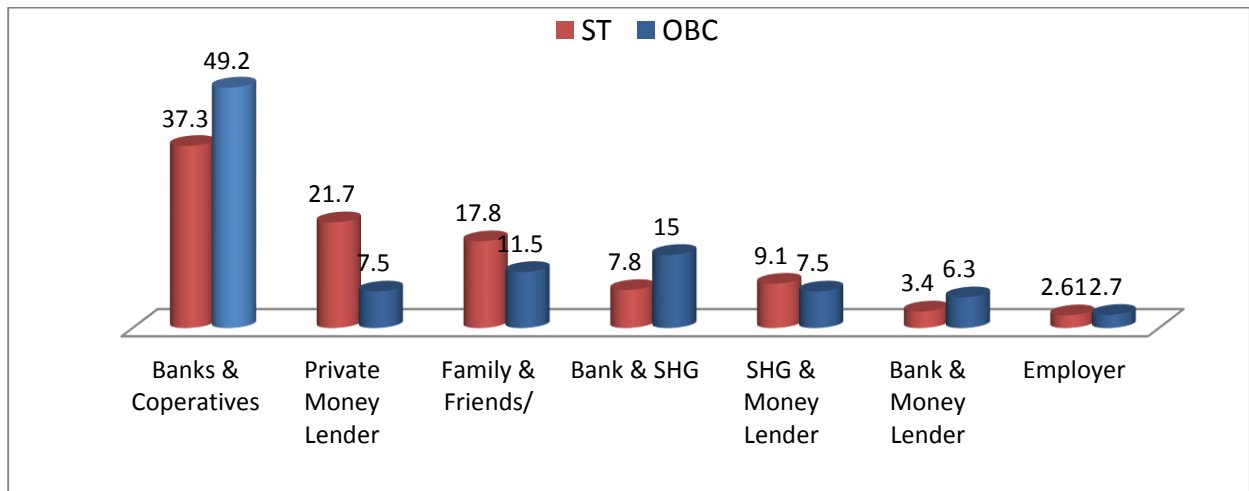
Category	Crop loan	Gold loan	Mortgage loan	Business loan/ Vehicle loan	Total
Scheduled Tribe	88 (59.8)	22 (14.9)	28 (19.05)	9 (6.1)	147
OBC	151 (65.3)	19 (8.2)	38 (16.4)	23 (9.9)	231
Total	239 (63.2)	41 (10.8)	66 (17.4)	32 (8.4)	378

Source: Computed from field survey

41 respondent’s (10.85 percent) borrowed Gold loan, and 32 respondents (8.47 percent) borrowed Business/Vehicle loan. The respondents who are having proper collateral to pledge have taken loan from formal financial institution.

Source of Money Borrowed

In the sample size, 482 sample respondent households (68.85%) borrowed money in the last one year. The following figure No. 5 gives the description about money borrowed from respondent households in the last one year - Formal & Informal Sources.



Source: Computed from field survey

210 respondent households (43.57%) borrowed money from formal financial institutions, 69 respondents (14.32%) borrowed from private money lenders, 70 respondents (14.52%) borrowed from family or friends & Money lender, 56 respondents (11.62%) borrowed from Bank and SHG, 40 respondents (8.3%) borrowed from self-help groups & Money lender, 24 (4.98%) respondents borrowed from bank and money lender, and 13 respondents (2.7%) borrowed from employer.

Testing of Hypothesis of Financial Exclusion and Socio-Economic Status of ST Respondent Households

“There is a large overlap between poverty and permanent financial exclusion. Both poverty and financial exclusion result in a reduction of choices which affects social interaction and leads to reduced participation in society “(Chakrabarty, K.C, 2006). In the present study socio-economic parameters namely poverty line, monthly income, land holding, gender, family size, level of education, occupation were taken as indicators of poverty and tested whether they have influence on the financial exclusion.

Classification of status	Indicator	DF	Chi-Square	P-value	Decision
Economic Status	Below Poverty line	1	4.538	0.033	Reject H ₀
	Monthly income	4	20.355	0.000	Reject H ₀
	Landholding	4	19.911	0.000	Reject H ₀
Social	Gender	1	3.175	0.075	Accept H ₀
	Family size	2	1.916	0.384	Accept H ₀

Status	Levels of education	5	17.476	0.000	Reject H ₀
	Occupation	5	2.668	0.615	Accept H ₀

The stated hypothesis is tested and found that financial exclusion of ST community in the study area depend upon various tested Socio-economic parameters namely below poverty line, sufficient Monthly income, ownership of Landholding, levels of Education and independent from the socio-economic parameters namely gender, family size, and occupation in the study area.

III. Suggestions

- Literacy rate of ST community in Raichur District is less; hence steps should be taken to increase literacy of ST Community in the Raichur district.
- Need based loans at lesser interest rate for ST population should be initiated by the organized financial institutions as 52.17% of ST respondents have taken loan from money lenders with high interest rates.
- The promised Rs. 5000/- overdraft facilities for Jan Dhan Accounts must be provided by the commercial banks for the needy. RBI should supervise and warn the erring banks.
- The financial literacy programmes should be increased including ST community in particular.

IV. Conclusion

The present programmes of financial inclusion has fairly included majority of households into banking system, by opening the savings accounts. But the efforts should continue to extend the real fruits of financial inclusion by giving them access to over draft facilities, credit, insurance etc. the financial advisory services should take the lead in imparting the real financial inclusion in true sense, especially to excluded sections of the society more particularly to ST community. RBI and Banks should take necessary steps to achieve broader aspects of financial inclusion.

References

- [1]. Chakrabarty, K.C. (2006). Presentation in “Financial Inclusion, Concept and Roadmap” at Institute for Development and Research in Banking Technology, Hyderabad, Andhra Pradesh, India on 2nd September, 2006. Extracted on 6th November, 2012.
- [2]. Keshava.S.R, & Lohith.G, (2013), "Financial Inclusion through MFI in Karnataka: An Empirical Study of Uttara Kannada District", BHRUTI Journal of Business and Finance, November, Vol.3, pp: 81-92, ISSN: 2321-7685.
- [3]. Keshava.S.R, (2013), “Financial Inclusion in Excluded Indian Economy: A Tuff Terrain India Needs to Travel!” in Financial Inclusion in India Issues and Challenges, Siddaraju, V.G. and Ramesh, ed., Gyan Publishing House, New Delhi. Pp: 57-78, ISBN: 978-81-212-1182-6
- [4]. Ramji, M. (2009). Financial inclusion in Gulbarga: Finding usage in access. Center for Micro Finance Working Paper, 26.
- [5]. Rangarajan, C.et.al. (2008). Report of the Committee on Financial Inclusion. Government of India.
- [6]. Sarma, M., & Pais, J. (2011). Financial inclusion and development. Journal of international development, 23(5), 613-628.
- [7]. Thorat, U. (2007). Taking banking services to the common man–financial inclusion. In Deputy Governor, Reserve Bank of India at the HMT-DFID Financial Inclusion Conference.