ABSTRACT

In modern scenario governments across the world are very serious about the financial inclusion and its successful implementation. The main objective of financial inclusions is to provide banking and financial services to weaker section of the society in a fair, transparent and equitable manner at affordable cost. Thus, financial inclusion has a direct relationship with the economic growth and development of every nation. The fruits of financial inclusion should reach up to the grass root level in any economy. In this direction, India has got a big support from the Pradhan Mantri Jan Dhan Yojana (PMJDY) introduced in August 2014. For this, the present study is analyzing the impact of financial inclusion on farmers of tribal districts of Gujarat from an economic angle. From the study it is concluded that there is some positive impact of the efforts of financial inclusion made by banking sector in the tribal districts on savings habits as well as on farm productivity and emergency funding of the respondents but still more efforts are needed to penetrate more banking products and services to the farmers of tribal areas to make financial inclusion more effective.

Keywords: Financial Inclusion, Tribal, Economic Impact, Farmers

INTRODUCTION

In the modern era of economic growth and development it is very essential for any nation that the citizens of the nation should be integrated with the banking and financial system of that country. Integration of everyone from different segment of the society with banking and financial system of the nation accelerates the economic as well as social growth and development of the nation. To achieve these goals nations across the world are focusing aggressively on effective implementation of financial inclusion.

According to The Committee on Financial Inclusion headed by Dr. C. Rangrajan (2008), RBI, “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”.

In India, the drive of financial inclusion run by the government of through RBI, NABARD, Commercial Banks, RRBs, Co-operative Credit Institutions and Micro Finance Institutions. In India, RBI is very aggressive towards achievement of financial inclusion targets. RBI advised commercial
banks to formulate specific board approved Financial Inclusion Plans (FIP) and to act on them on with a mission. Banks were also advised by RBI to provide banking services in every village having a population of over 2000 by 31 March 2012, through bank branches as well as through various ICT-based models, including BCs (Business Correspondents). The fruits of financial inclusion should reach up to everyone in the society and then only they will be able to contribute in the development of the nation with higher efficiency. And for the same, development of tribal areas of the nation has become very crucial. In India there is a wide disparity among the states regarding the availability of banking and other financial facilities to all the residents of the state. Southern India has the highest achievement in the financial inclusion drive followed by the states of Western India. While Northern and North-East of India is facing poor financial inclusion achievement. Overall India’s rank in financial inclusion is not up to the satisfaction yet. IFI (Index for Financial Inclusion) for India is 0.383 with 29th rank in the world (Sarma, 2010)

REVIEW OF LITERATURE

The section briefly discusses some of the important studies related to financial inclusion.

Santoki Gandhi and Parekh (2016) studied awareness and perception towards Pradhan Mantry Jan Dhan Yojana (PMJDY) in selected rural areas of Navsari district of Gujarat. For the same purpose they used descriptive research design. Primary data was collected from respondent reside in Rural Areas in Navsari District with convenient sampling method. They found that there was 100% awareness of the PMJDY program and majority awareness comes from information provided by friends & relatives. 75% of respondents have opened a bank account under this scheme in which more than 98% respondent keeping balance in their account, and the main purpose of opening an account is Zero balance scheme and to take other government benefits. Still many of the respondents are not fully aware about such as “what is the amount of accidental insurance”, “facilities like Direct Transfer Benefits”, “when an overdraft facility be permitted”, “Access to Pension, insurance products etc.

Kumar (2015) examined status of financial inclusion in India and study its determinants. For this he used annual information of 29 major states from 1995 to 2008. The author used Panel fixed effects and dynamic panel generalized methods of moments (GMM) methodologies to study determinants of financial inclusion. Also Kendall’s index of rank concordance has been derived to test for convergence of states in achieving financial inclusion. The results of the study indicate that supply side of inclusive efforts through branch network expansion is having intended impact of improved banking activity. However, demand side, level of industrialization and employee base are having beneficial influence on financial inclusion. The study says that in backward states multi pronged strategies for enhancing employee base and industrial activity should be implemented. He said that employment generating schemes have multiple benefits. Similarly, proper legislations towards industrial reforms in general and sector specific schemes help in flourishing financial inclusion.

Cull, Robert, Ehrbeck, and Holle (2014) explained that how financial inclusion can help poor households to improve their lives and spur economic activity. At the microeconomic level, study discussed the evidence of economic impact of financial inclusion in different countries like India, Morocco, Mongolia Philippines and Mexico. The study has covered impact of financial inclusion on variables like Credit, Savings, Insurance and Payment and mobile money mainly. Study says that the degree of financial intermediation is positively correlated with growth and employment.

The article in Business Today (2014) discussed about Prime Minister Jan DhanYojana of Central government.. Andhra Bank Chairman and Managing Director C.V.R. Rajendran said that within two days the bank had opened 5 lakhs new accounts between 26th August and 28th August 2014. It is said that if banks do not look at this as a one off-activity and use this as an opportunity to connect with the poor and eventually start offering loans, then overtime and the microfinance institutions could see direct competition from banks. Banks need to have adequate manpower and proper infrastructure to service this sudden rise in number of account holders. These accounts will hardly help financial inclusion if they remain dormant.
As per NABARD report (2014), Government of India has constituted two funds viz., Financial Inclusion Fund (FIF) for meeting the cost of developmental and promotional interventions of financial inclusion and Financial Inclusion Technology Fund (FITF) to meet the cost of technology adoption for financial inclusion. Each Fund consists of an overall corpus of ₹500 crore, with initial funding to be contributed by the Government of India, Reserve Bank of India (RBI) and NABARD in a ratio of 40:40:20. Apart from this NABARD is also going to support weak RRBs for CBS, for KCC, for usage of ATMs and for issuance of RuPay debit card.

BMI’s Commercial Banking Report series (2013) draw heavily on its extensive economic data set, which includes up to 550 indicators per country, as well as in depth view of each local market. The report has presented SWOT analysis of Indian commercial banking sector from commercial banking, political, economic and business environment point of view. The report said that the industry should be opened up for more private player for its long-run development as the consequent increase in competition fosters a more efficient microenvironment, which is still dominated by poorly performing state-run entities. The report ranked India at 30th number with 68 rating out of one hundred towards ‘Asia Commercial Banking Risk/Reward Ratings’.

Barik (2013) analyzed the relationship between financial inclusion and acceleration of agricultural development in his study. The study was conducted with multistage stratified random sampling procedure for the selection of sample units. Out of 26 districts of Western Uttar Pradesh two developed districts and two undeveloped districts were selected randomly. As per analysis, the financially included farmers are in advantageous position due to higher agricultural productivity and use of yield-raising inputs like chemical fertilizers, adequate and timely application of irrigation water etc. due to easy access to institutional credit at a cheaper rate of interest. Financially excluded farmers’ per hectare agricultural income is lower than the financially included farmers.

Ranparia (2013) discussed about various financial inclusion initiatives taken by the banking fraternity in the Gujarat State and evaluated the progress and current status of Financial Inclusion in the State. The author said that a lot has already been done by RBI and various banks but a lot is yet to be achieved, so bankers need to keep reforming their plans.

Hannig and Jansen (2010) said that greater financial inclusion presents opportunities to enhance financial stability. Evidence suggests that low-income savers and borrowers tend to maintain solid financial behavior throughout financial crises, keeping deposits in a safe place and paying back their loans. They present the current state of financial inclusion globally. There has been significant but uneven progress towards financial inclusion around the world in recent years. India belongs to Intermediate level of financial inclusion as per the report. They said that there is evidence for the impact of financial inclusion on both aggregate growth and individual welfare.

A seminar on financial inclusion conducted by Bank of Baroda (2009) discussed about achievement of bank in financial inclusion in Gujarat. The bank informed that it has achieved hundred percent achievements in various parameters in many districts. The bank focused achievement on elements of financial inclusion like SHGs, Sakhimandal and Farmers’ Clubs in the state with highest number of Farmers’ club are in Baroda Distrect (309) and lowest in Bharuch district (18).

NEED OF THE STUDY

Review of literature reveals that number of research studies have been done in the field of Financial Inclusion around the world and in India. Moreover, Government of India with RBI has taken up various steps to cover the financially excluded citizens of every corner of the country. Banks are also working with the guideline of the RBI towards the achievement of target of financial inclusion. It is also revealed that the government has opened many bank accounts under PM Jan Dhan Yojana and trying to connect everyone with the banking system of India. So there is a need to study the impact of the financial inclusion drive run aggressively through the banking institutions on the life of the people living at grass root level Tribal people. Research with the present study objective in the state of
Gujarat is very rare. Hence, the present study is planned in the selected tribal districts of Dang, Tapi and Valsad of the Gujarat state.

OBJECTIVES OF THE STUDY

The objective of the study is to check the economic impact of financial inclusion on farmers of selected tribal districts of Gujarat.

HYPOTHESES

To achieve the objective of the study, following hypothesis was incorporated

Ho: There is no significant economic impact of financial inclusion on farmers of the selected tribal districts of Gujarat.

RESEARCH METHODOLOGY

Research Design

Research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is can also be described as blueprint for the collection, measurement and analysis of data (Kothari 2011). The research design for the study is ‘descriptive’ in nature. A descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual or of a group (Kothari 2011).

SAMPLING PLAN

The population for the study is farmers of tribal districts Dang, Tapi and Valsad of Gujarat. From the population sample size of 120 respondents (farmers) has been selected by convenient sampling method.

COLLECTION OF DATA

Primary Data

The primary data is collected from farmers through questionnaire and personal interview method from the tribal districts Dang, Tapi and Valsad of Gujarat. Sample size of 48 respondents from Valsad district, 42 respondents from Dang district and 30 respondents from Tapi districts have been covered for the study.

Secondary Data

The secondary data have been collected from journals, magazines, books, websites etc. as and when required

ANALYTICAL TOOLS

The study has made data analysis through tabulation, cross tabulation and various statistical tools. Various statistical non parametric techniques are used with the help of SPSS software for the analysis of collected data. Non parametric test like Chi-Square Test, Kruskal-Wallis Test etc. are used for the analysis of the data.

DATA ANALYSIS & INTERPRETATION

Frequency Distribution

1. 72% respondents are studied up to SSC and 14% respondents were illiterate.

2. All the respondents are farmers and agriculture is the major source of income for majority of the respondents (59%) and along with agriculture 32% respondents has major source of income is ‘labour work’.
3. All the respondents have annual income of up to Rs 1 lakh only.

4. 53% of respondents have their accounts with bank since last more than 3 years while 46% respondents’ bank accounts are old between 1 year and 2 years period.

5. Only 15% respondents have more than one bank account with them while others have single bank account only.

6. Almost half of the respondents (49%) have opened the bank account for the purpose of saving money while 23% respondents have opened it to get the advantage of various kinds of subsidies offered by the government.

7. Out of total respondents 53% of respondents have got financial help from the government in their bank account while others have not received it. And those who have got the financial help for government, most of them (78%) have received it in the form of subsidy.

8. 72% respondents have BSBD accounts while 35% of respondents have savings account mainly with Public sector banks. Few respondents have these accounts with RRBs and post office also.

9. Out of total respondents 17% respondents have borrowed money from the commercial banks, 29% of respondents have borrowed from SHG and 7% of respondents have borrowed from co-operative societies while none of them have borrowed from co-operative banks.

10. Out of total respondents who have taken loan from commercial banks 85% respondents have taken agriculture loan.

11. Out of total respondents 2% respondents operates their bank account with frequency of once in a week, 8% respondents operates once in a month, 33% respondents operates once in six months, 20% respondents operates once in a year, while 20% operates as and when they have money to deposit in to account. 17% respondents have not at all operated he account after opening of it.

12. Out of total respondents 23% respondents have ATM/Debit card, 8% respondents have credit card facilities, 5% respondents have cheque book facility, 1% respondents have recurring facility in banks and none of the respondents have fixed deposits, mobile banking and internet banking facility. While 70% respondents have none of the above facilities of the bank with them.

**AGE OF ACCOUNT AND FINANCIAL HELP RECEIVED FROM GOVERNMENT**

**H₀:** There is no relationship between age of the account and received financial help from the government

**H₁:** There is a relationship between age of the account and received financial help from the government

**TABLE-1: Cross Tabulation**

<table>
<thead>
<tr>
<th>Do You Have</th>
<th>Have you received any financial help from government in to your bank account till date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Since Hong Long</td>
<td></td>
</tr>
<tr>
<td>Since last 6 months</td>
<td>Yes</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
Here null hypothesis is rejected as significant value is 0.036 which is less than 0.05. So it can be said that there prevails a relationship between the age of account and received financial help from the government. This suggests that as the accounts are older the respondents are more likely to get the benefits from the government.

AGE OF ACCOUNT AND BORROWING FROM THE BANKS

H₀: Account age has no impact on borrowings from the banks of the respondents

Hₐ: Account age has impact on borrowings from the banks of the respondents

Here null hypothesis is rejected as significant value is less than 0.05. So it can be said that there is a relationship between age of account and borrowings from commercial banks by the respondents. As the accounts are older the respondents are more likely to get borrowings from the commercial banks.
ACCOUNT HOLDING AND SAVINGS HABITS

Table-5: Frequency Distribution

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>57</td>
<td>47</td>
</tr>
<tr>
<td>Neutral</td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td>Agree</td>
<td>31</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Out of total respondents, 47% respondents agree that opening of bank account has improved their savings habit while 26% are disagreeing with it.

IMPACT OF IMPROVED SAVINGS HABIT ON INVESTMENT, CROP OUTPUT AND EMERGENCY FUNDING

\( H_0 \): Improved savings habit of the respondents has not increased personal investment of the respondents

\( H_1 \): Improved savings habit of the respondents has increased personal investment of the respondents

\( H_0 \): Improved savings habit of the respondents has not increased crop output level from farm.

\( H_1 \): Improved savings habit of the respondents has increased crop output level from farm.

\( H_0 \): Improved savings habit of the respondents has not reduced dependency on other sources of finance in emergency.

\( H_1 \): Improved savings habit of the respondents has reduced dependency on other sources of finance in emergency.

TABLE-6: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.869</td>
<td>.756</td>
<td>.749</td>
<td>.403</td>
</tr>
</tbody>
</table>

TABLE-7: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>55.193</td>
<td>3</td>
<td>18.398</td>
<td>113.537</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>17.825</td>
<td>110</td>
<td>.162</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73.018</strong></td>
<td><strong>113</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TABLE-8 coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.037</td>
<td>.127</td>
<td>.289</td>
<td>.773</td>
</tr>
<tr>
<td>Saving in bank account has increased my personal investment</td>
<td>.186</td>
<td>.112</td>
<td>.088</td>
<td>1.657</td>
</tr>
<tr>
<td>Saving in bank account has increased crop output level from farm</td>
<td>.337</td>
<td>.074</td>
<td>.292</td>
<td>4.548</td>
</tr>
<tr>
<td>Saving in bank account</td>
<td>.567</td>
<td>.054</td>
<td>.621</td>
<td>10.412</td>
</tr>
</tbody>
</table>
has reduced dependency on other sources of finance in emergency

Here two null hypotheses are rejected as their significant values are less than 0.05, so it can be said that

- Improved savings habit of the respondents has increased crop output level from farm
- Improved savings habit of the respondents has reduced dependency on other sources of finance in emergency.

But for another one hypothesis we are fail to reject the null hypothesis as the significant value is more than 0.05 and so that we can say that Improved savings habit of the respondents has not increased personal investment of the respondents.

Here the value of R Square is 0.756 which says that there is a strong relationship among improved savings habit of the respondents and crop production in the farm, finance in emergency situations and their level of personal investment.

**IMPACT OF AGRICULTURE LOAN TAKEN ON FARM PRODUCTIVITY**

\( H_0 \): Productivity of farm has not increased due to agriculture loan taken by the farmers.

\( H_1 \): Productivity of farm has increased due to agriculture loan taken by the farmers.

**TABLE-9: Chi-Square Tests**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>79.223</td>
<td>6</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>68.940</td>
<td>6</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>51.350</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Here null hypothesis is rejected as significant value is less than 0.05, so it can be said that there is a relationship between productivity of farm and agriculture loan taken by the farmers. Farmers, those who have taken loan for agriculture purpose have reported increased productivity of the farm.

**CONCLUSION AND SUGGESTIONS**

Majority of the respondents are educated up to SSC. Majority of the farmers have agriculture as a major source of income and almost quarter of the respondents have ‘labour work’ as a major source of income. All the respondents have their annual income below 1 lakh rupees. Most of the respondents have no access to any of the facilities like cheque book, ATM/Debit cards, credit cards, mobile banking, Fixed deposits etc. Very few farmers have access to ATM/Debit card and credit card facilities. Almost half of the respondents transact in to their bank account on a half yearly to yearly frequency basis and only 1/10th of respondents operate it frequently while other respondents’ usage rate of bank account is very poor. Almost half of the farmers have opened the bank account for the purpose of saving money while few of them have opened the account to get various financial benefits offered by the government. Further, after account opening, majority of the farmers have got the financial help from the government in their bank account mainly in the form of subsidy given.

It can be said on the basis of data analysis that only a small section of the farmers have got the advantage of the borrowings from the commercial banks. But who have taken loan from the banks for agriculture purpose has reported improved productivity in the farming products. Another fact derived is that as the accounts are old in age, the respondents are more likely to get the financial benefits from the government as well as more borrowings from the commercial banks.
Besides, almost half of the respondents agree that bank account have improved their savings habit and due to that there is a positive impact on the level of crop production from the farms and dependency on other sources of finance in emergency.

Overall, we can say that there is a positive impact of financial inclusion drive of the government of India on the farmers of the tribal districts of Gujarat as they are receiving financial help from the government, having positive impact of savings on crop production level and dependency on other sources of finance in emergency. But on the other side of the coin, only half of the respondents agree that bank account have improved their savings habit while rest of the other respondents are not agree with this. So efforts need to improve their savings habits by the banks. Further efforts too required towards increase in frequency of operating bank account by the customers so that they can keep their account active and may save more money in to the accounts and can increase their personal investment level too. Moreover, Banks should also promote aggressively different banking facilities/products to the farmers of tribal districts of Gujarat where banks are quite lagging behind.

SCOPE FOR FURTHER RESEARCH

The findings of the current study reveal economic impact of the financial inclusion on farmers of the selected tribal districts of Gujarat. The study reveals what kind of economical support farmers are getting from the financial inclusion mainly run by the scheduled commercial banks in the region. The study opens a new direction for further research activity. By taking base of this study the similar kind of study can be conducted in the future for other tribal or non-tribal districts of different states of India also. The similar study can be made by considering other participants of financial inclusion other than banking institutions in the same districts or in other districts/regions too. With the help of this study, Government/ Banking Associations may get new direction towards restructuring and implementation of financial inclusion policy with new initiatives.

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