



A Study on Financial Inclusion among Tribes in Coimbatore District: Assessing Barriers and Strategies for Economic Empowerment and Development
M.P.Prince Allwyn Jebaraj, Dr. C.S. Edhayavarman, Mr. V. Hari Krishnan, Dr. G. Murali Manokari

Assistant Professor, Department of BBA CA, Sri Krishna Adithya College of Arts and Science and Part Time Research Scholar P.hD, Department of Business Administration, Arumugam Pillai Seethai Ammal College, Tirupattur 630211

Associate Professor, Department of Business Administration, Arumugam Pillai Seethai Ammal College, Tirupattur 630211

Assistant Professor, Department of Commerce, Sri Krishna Adithya College of Arts and Science, Coimbatore 641042

Associate Professor, Department of Business Administration, Sri Krishna Adithya College of Arts and Science, Coimbatore 641042

Abstract:

This study examines financial inclusion among tribes in Coimbatore District, with a particular focus on vulnerable groups such as low-income and marginalized communities. Financial inclusion is defined as the provision of essential financial services and access to timely, adequate credit at affordable rates. Tamil Nadu is home to six nomadic tribes, and nearly every district in the state hosts at least one tribal community, which plays a vital role in forest management. Among the 36 Scheduled Tribe communities, Kota, Kurumbas, Toda, Irulur, Paniyan, and Kattunayakan are designated as Primitive Tribes. In Coimbatore District, the main tribal blocks include Mettupalayam, Madhukkarai, PN Palayam, Thondamuthur, and Karamadai. The study utilized both primary and secondary data, gathering responses from a sample of 86 individuals from these tribal blocks. The data was analyzed using percentage methods and Chi-square tests, highlighting significant barriers to access. Findings reveal that high-interest rates on loans deter borrowing among economically disadvantaged groups. The study underscores the need for banks to offer guidance and education on banking processes to improve financial literacy. It also recommends extending loan repayment periods and interest rates to better align with the financial realities faced by tribal populations. Additionally, the introduction of mobile ATMs in tribal areas is suggested to enhance accessibility, along with offering incentives to encourage banking participation. By addressing these challenges, this research aims to contribute to strategies that promote economic empowerment and sustainable development for tribal communities in Coimbatore.

Keywords: Financial inclusion, Tribal populations, Economic empowerment, Financial services, low-income groups, Banking education, Mobile ATMs.

1. Introduction

In India, a significant portion of the population remains unbanked, with approximately 65% lacking access to formal financial services. This exclusion not only hinders individual progress but also stifles overall economic development. Recognizing the importance of providing



banking services to underserved and economically disadvantaged communities, the Government of India has implemented various initiatives aimed at extending financial services to these populations.

Financial inclusion entails more than just the availability of banking services; it encompasses ensuring that vulnerable groups, such as low-income and marginalized individuals, can access these services at an affordable cost. By addressing barriers to access, such as financial illiteracy and inadequate infrastructure, financial inclusion initiatives aim to empower individuals, promote savings, and stimulate entrepreneurship, ultimately contributing to broader social and economic development.

Financial inclusion is a critical factor in promoting economic development and reducing poverty, particularly among vulnerable populations. In Coimbatore District, Tamil Nadu, many tribal communities face significant barriers to accessing essential financial services. These barriers can perpetuate cycles of poverty and limit opportunities for growth and self-sufficiency. This study focuses on the financial inclusion of tribes in the region, highlighting the challenges faced by low-income and marginalized groups.

2. Statement of the Problem

Despite numerous initiatives to promote financial inclusion, significant challenges persist in reaching tribes in Coimbatore District. Many individuals in these areas continue to experience barriers related to high-interest rates, lack of financial literacy, and limited access to banking infrastructure. The ongoing issue of financial exclusion not only perpetuates poverty but also impedes the economic advancement of these communities. Understanding the root causes of financial exclusion and assessing the effectiveness of current financial inclusion programs is essential for developing targeted strategies that can enhance access to financial services. This study aims to investigate these issues to inform policy recommendations and improve financial literacy and service delivery in tribal areas of Coimbatore.

3. Objectives of the Study

1. To measure the financial availability and financial usage indices for tribes in Coimbatore District.
2. To assess the effectiveness of existing government subsidies and financial assistance programs on improving loan repayment rates among tribal communities.
3. To analyse the obstacles faced by tribal individuals in repaying loans and obtaining immediate approval for subsequent loans, including the effects of high-interest rates, bureaucratic challenges, and financial literacy gaps.
4. To provide insights into new opportunities for increasing financial inclusion and usage among tribal residents.

4. Scope of the Study:

This study on financial inclusion among tribes in Coimbatore District aims to assess the level of knowledge and awareness regarding banking services among residents. It will identify the



barriers that hinder access to financial services, such as financial literacy and infrastructural challenges, while exploring the impact of financial inclusion on poverty alleviation and economic development. The research will also focus on the empowerment of women, investigating how access to financial resources can enhance their independence and contribute to community growth. Additionally, the study will gather feedback from tribal residents to understand their financial needs and preferences, providing insights that can inform the development of more effective financial services. By addressing these critical areas, the study seeks to offer recommendations for policymakers and financial institutions to enhance financial inclusion initiatives, ultimately fostering sustainable economic growth in tribal villages of Coimbatore.

5. Review of Literature:

Meera Joshi and Vikram Singh (2023) examine the ongoing gender disparities in financial inclusion within tribal communities in India. Their study highlights persistent socio-cultural barriers that prevent women from accessing financial services. They advocate for targeted financial products and community engagement initiatives aimed at empowering women and fostering greater participation in the financial system.

Suresh Kumar and Rani Malhotra (2019) examine the financial inclusion landscape in rural India, emphasizing the unique challenges faced by tribal populations. Their study identifies barriers such as geographic isolation, cultural differences, and distrust in formal financial institutions. They advocate for tailored financial literacy programs and the establishment of local cooperatives to enhance access and build trust among tribal communities.

Rohit Sharma (2020) explores the role of microfinance in promoting financial inclusion among marginalized groups, including tribal populations. His research highlights how microfinance initiatives can provide essential credit and savings options. However, Sharma points out that high-interest rates and rigid repayment schedules often hinder sustainable growth, suggesting the need for flexible loan products and targeted financial education to improve outcomes.

Anjali Prasad (2021) investigates the intersection of technology and financial inclusion in rural settings, focusing on mobile banking and digital payment systems. Her findings indicate that while technology has the potential to bridge gaps in financial access for tribal communities, issues such as low digital literacy and inadequate internet connectivity remain significant barriers. Prasad recommends investing in infrastructure and community training programs to maximize the benefits of digital finance.

Kavita Singh and Mohan Rao (2022) assess the impact of government policies aimed at enhancing financial inclusion among Scheduled Tribes in India. Their study reviews programs like the MUDRA scheme and emphasizes the importance of aligning these initiatives with the specific needs of tribal communities. They highlight the necessity for continuous monitoring and feedback mechanisms to adapt policies effectively and ensure that financial products are accessible and beneficial.

6. Research Methodology:

The data for this study was collected using both primary and secondary sources. In Coimbatore District, the main tribal blocks include Mettupalayam, Madhukkarai, PN Palayam,



Thondamuthur, and Karamadai. The study utilized both primary and secondary data, gathering responses from a sample of 86 individuals from these tribal blocks. The data was analyzed using percentage methods and Chi-square tests, highlighting significant barriers to access. Primary data were gathered through structured interviews and questionnaires, enabling direct insights into the experiences and challenges faced by respondents regarding access to financial services.

Additionally, secondary data from relevant government reports and financial institution publications were utilized to contextualize the findings and support the analysis. To analyze the data, the percentage method was employed to summarize the responses and highlight the proportion of individuals facing specific challenges.

This method facilitated a clear understanding of the prevalence of various barriers within the sample population. Additionally, the Chi-square test was utilized to examine the relationships between categorical variables, helping to identify significant factors influencing financial inclusion in these tribal areas.

7. Data Analysis and Interpretation:

7.1 Knowledge About Banking Systems Vs Education Qualification

Null hypothesis: Knowledge about banking systems and Education qualification are independent.

Alternative hypothesis: Knowledge about banking systems and Education qualification are dependent

Bank Knowledge * Education Cross-tabulation					
Bank Knowledge	Education				Total
	Uneducated	SSLC & HSC	Graduate	PG / Professional	
Yes	6	23	25	5	59
No	18	9	0	0	27
Total	24	32	25	5	86

Data source: Primary data

TABLE NO 7.1.1

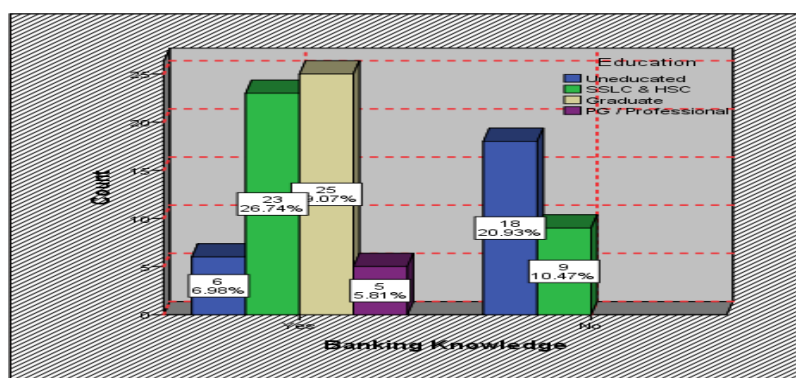


CHART NO 7.1

Chi-Square Tests



Valid	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.074 ^a	3	.000
Likelihood Ratio	42.007	3	.000
Linear-by-Linear Association	31.246	1	.000
N of Valid Cases	86		

TABLE NO 7.1.2

Interpretation:

From the above analysis, the value of chi square is 35.074 and significant value is 0.0, which is highly significant and less than P- value (0.05). Since, we reject our hypothesis; there is a positive relation found between banking knowledge and their educational qualification. This shows that, banking knowledge and banking systems are depends on education qualification. Form the above diagram it is noticed that, the educated peoples knew about banking system than uneducated. In particular all the graduates and post graduates are fully knew about banking system.

7.2 Types of Loan Borrowed Vs Annual Income

Null hypothesis: There is no significant difference between Types of loan borrowed and Annual income.

Alternative hypothesis: There is a significant difference between Types of loan borrowed and Annual income.

Type of loan * Annual Income Cross-tabulation					
Type of loan	Annual Income				Total
	< 1 lakh	1-3 lakh	3-5 lakh	Above 5 lakh	
Personal loan	7	6	1	1	15
Agricultural loan	20	3	0	0	23
Vehicle loan	9	5	3	0	17
Others	8	14	3	1	26
Personal & Vehicle loan	0	1	0	0	1
Agriculture & Vehicle loan	1	1	0	0	2
Vehicle & other loans	1	0	1	0	2
Total	46	30	8	2	86

Data source: Primary data

TABLE NO 7. 2.1

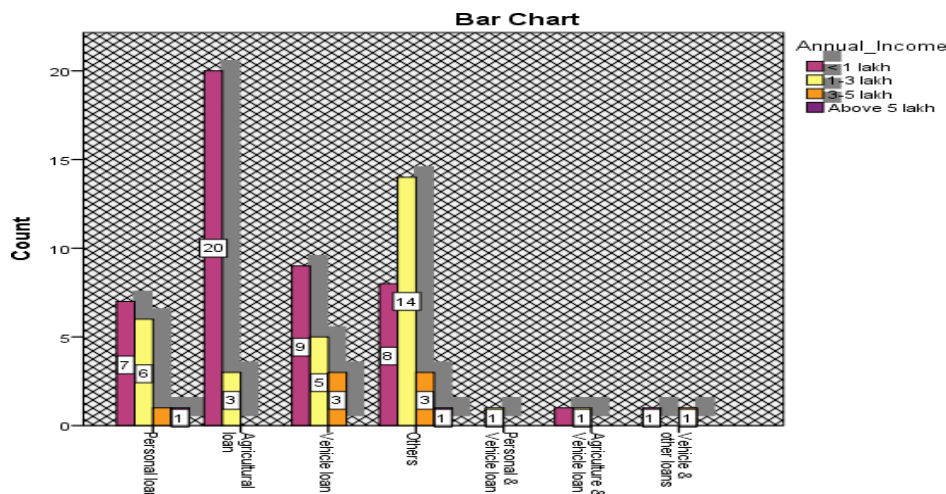


CHART NO 7.2.1

Chi-Square Tests			
Valid	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.153 ^a	18	.096
Likelihood Ratio	28.185	18	.059
Linear-by-Linear Association	3.375	1	.066
N of Valid Cases	86		

TABLE NO 7.2.2

Interpretation:

From the above analysis, the value of chi square is 26.153 and significant value is 0.096, which is not significant and greater than P- value (0.05). Since, we may accept our hypothesis; there is no significant between types of loans borrowed from bank and their Annual income. Here annual income is not an influencing factor to borrow the type of loans.

7.3 Repayment of Loan Vs Approval of Next Loan

Null hypothesis: Repayment of the loan and getting immediate approval for next loan are independent

Alternative hypothesis: Repayment of the loan and getting immediate approval for next loan are dependent

Repayment of Loan Vs Approval of Next Loan

Repaid all the loans	Got immediate next loan		Total
	Yes	No	
Yes	13	19	32
No	21	32	53
Total	34	51	85

Data source: Primary data

TABLE NO 7.3.1

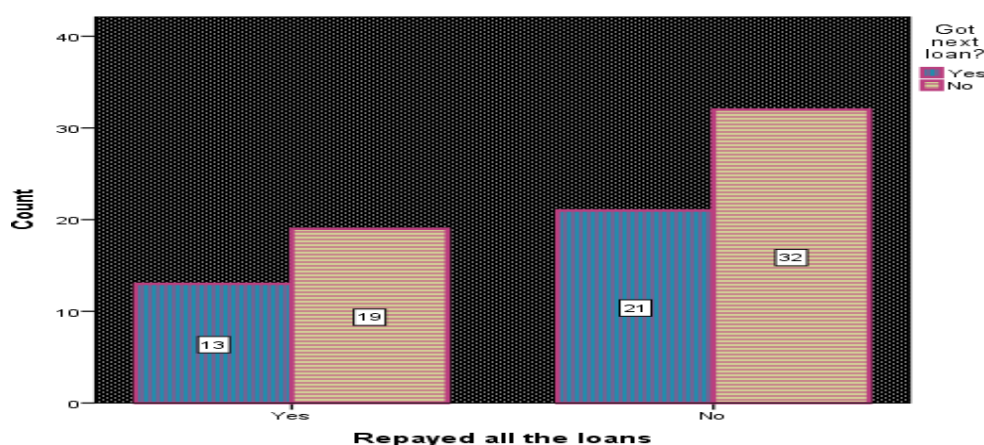


CHART NO 7.3.1

Chi-Square Tests

Valid	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	.008 ^a	1	.927
Continuity Correction ^b	.000	1	1.000
Likelihood Ratio	.008	1	.927
Fisher's Exact Test			
Linear-by-Linear Association	.008	1	.928
N of Valid Cases	85		

TABLE NO 7.3.2

Interpretation:

From the above analysis, the value of chi square is 0.008 and significant value is 0.927, which is not significant and greater than P- value (0.05). Since, we may accept our hypothesis; Repaying borrowed loans and obtaining the next loan are independent actions. This suggests that individuals who have not repaid their previous loans can still secure an immediate next loan, indicating no direct relationship between repaying borrowed loans and receiving subsequent loans. Furthermore, it has been observed that some individuals were denied the next loan despite having repaid all their borrowed amounts within the specified time frame.

7.4 Receipt of Government Subsidy VS Loan through Self Help Group

Null hypothesis: No association between receipt of government subsidies and loan through self-help group

Alternative hypothesis: There is an association between receipt of government subsidies and loan through self-help group.

Got any government subsidies in full repayment * Loan from self-help group

Cross-tabulation

Got any government subsidies in full repayment of loan	Loan from self-help group		Total
	Yes	No	



Yes	7	5	12
No	36	38	74
Total	43	43	86

Data source: Primary data

TABLE NO 7.4.1

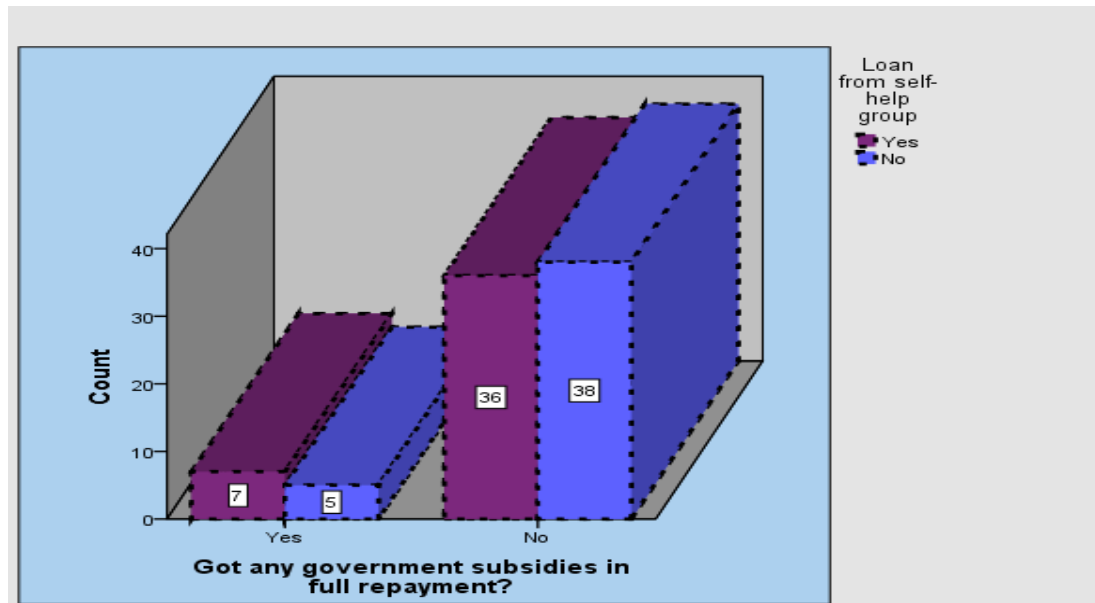


CHART NO 7.4.1

Chi-Square Tests

Valid	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	.387 ^a	1	.534
Continuity Correction ^b	.097	1	.756
Likelihood Ratio	.389	1	.533
Fisher's Exact Test			
Linear-by-Linear Association	.383	1	.536
N of Valid Cases	86		

TABLE NO 7.4.2

Interpretation:

From the above analysis, the value of chi square is 0.387 and significant value is 0.534, which is not significant and greater than P- value (0.05). Since, we may accept our hypothesis; There is no association between receiving government subsidies and obtaining loans through self-help groups. The diagram clearly illustrates that no subsidies are provided by the government



for repaying interest on loans, and there are no significant loans from self-help groups available to repay borrowed amounts.

7.5 Size of the Family Vs Stressed or Burden in Repaying the loan

Null hypothesis: there is no significant difference between size of family and felt stressed or burden in repaying loan

Alternative hypothesis: there is a significant difference between size of family and felt stressed or burden in repaying loan

Family size * Felt stressed or burden in repaying loan Cross-tabulation

Family size	felt stressed or burden in repaying loan				Total
	Agree	Partially Agree	Neutral	Disagree	
2-3 members	3	1	0	0	4
3-5 members	20	9	9	2	40
5-7 members	15	7	10	4	36
more than 7 members	1	2	3	0	6
Total	39	19	22	6	86

Data Source: Primary Data

TABLE NO 7.5.1

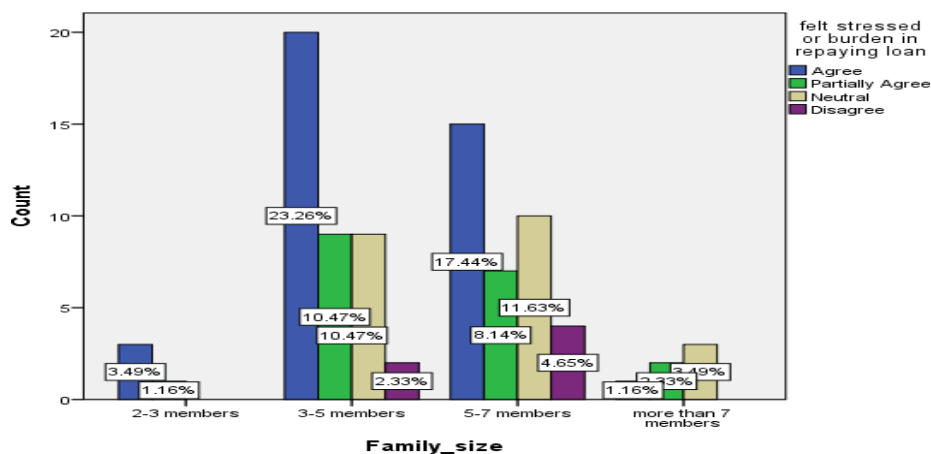


CHART NO 7.5.1

Chi-Square Tests

Valid	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.080 ^a	9	.629
Likelihood Ratio	8.563	9	.479
Linear-by-Linear Association	3.814	1	.051
N of Valid Cases	86		



TABLE NO 7.5.2

Interpretation:

From the above analysis, the value of chi square is 7.080 and significant value is 0.629, which is not significant and greater than P- value (0.05). Since, we may accept our hypothesis; there is no association getting stressed and burden in repaying loan. This indicates that the number of family members is not a factor in experiencing stress or burden when repaying loan amounts. There is no correlation between family size and the level of stress or burden felt in loan repayment.

7.6 Satisfaction towards Duration of the Loans

Valid	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Agree	25	29.1	29.1	29.1
Partially Agree	26	30.2	30.2	59.3
Neutral	27	31.4	31.4	90.7
Disagree	8	9.3	9.3	100.0
Total	86	100.0	100.0	

Data source: Primary data

TABLE NO 7.6.1

Interpretation:

Of the respondents, 59% expressed satisfaction with the immediate loans provided by the bank, while 31% reported feeling neutral neither satisfied nor dissatisfied. Meanwhile, 9% of individuals were dissatisfied with the procedures followed by the bank for sanctioning these immediate loans.

7.7 Suggestion to improve Banking system in Rural areas

Suggestions to improve banking systems	Gender		Total
	Male	Female	
High interest rate	5	8	13
Give guidance and educate people about banking	3	2	5
Expansion of time for the payment of interest & loan	7	2	9
Availability of mobile ATM & additional benefits	2	2	4
Bankers behavior towards customer	1	2	3
Good experience and appreciation	3	2	5
Procedures are huge and tiring	2	2	4
Grievances and improvement	10	5	15
Equal rights for all the customers	1	1	2
No suggestions	19	7	26
Total	53	33	86

Data source: Primary data

TABLE NO 7.7.1



INTERPRETATION:

The study reveals that 30% of respondents, comprising both men and women, did not offer any suggestions for improving the banking system. Among those who did provide feedback, the most common suggestions included addressing grievances and enhancing transaction efficiency. Other notable suggestions involved reducing high interest rates and extending the repayment period for loans. Overall, it is evident that the majority of respondents believe no immediate improvements are necessary for the banking system at this time.

8. Major findings of the study:

- a) The study shows that males borrow more loans than females, with 85% of respondents taking out a maximum of two loans. Among them, 52% borrowed only one loan, and the highest number of loans taken by an individual is four.
- b) Satisfaction with immediate loans is reported by 59%, while 31% feel neutral, and 9% are dissatisfied with the sanctioning process. Additionally, only 30% of respondents are willing to provide references or guarantees for loans, indicating a general reluctance to offer collateral.
- c) Among those who borrowed loans, 86% repay regularly, 7% repay irregularly, and another 7% never repay, with 3.5% making occasional payments. This indicates that most borrowers have a habit of regular repayment.
- d) Income is the primary source for loan repayment, with 95% feeling their income is sufficient, while 35% find it neither sufficient nor insufficient but manage. Only 5% report inadequate income for repayment.
- e) Suggestions for improvement include addressing grievances, enhancing transaction processes, reducing high interest rates, and extending payment timelines. Overall, most believe no immediate improvements are needed in the banking system.

9. Suggestions to improve Financial Inclusion:

Banks should educate rural populations about banking processes and provide guidance. They need to extend payment timelines for loans and interest, particularly for economically disadvantaged individuals. Implementing mobile ATMs in rural areas and offering incentives can encourage participation. Improving customer service is essential, as bank staff should address issues of rudeness and annoyance.

Simplifying complex banking procedures will make them less tiring and frustrating for customers. Banks must enhance their procedures to reduce grievances and ensure all customers receive equal treatment regardless of caste, state, or financial background. Support for poor households should be prioritized, with bank managers encouraged to finance their development, backed by the government and RBI.

New private banks should focus on lending that alleviates poverty and promotes rural welfare. Additionally, banks and microfinance institutions should nurture self-help groups (SHGs) to help them avoid predatory lenders. Branch managers must optimize loan utilization for asset creation, which improves income and ensures repayments. Hiring staff from the same regions can help overcome language barriers and improve service, while SHG members can serve as banking correspondents (BCs) and user service banks (USBs). Lastly, training employees in customer relationship management is vital to engage more effectively with the community and increase banking participation.



Concussion:

In conclusion, the study on financial inclusion among rural populations in Coimbatore District highlights the critical need for enhanced banking services tailored to the unique challenges faced by these communities. While a significant portion of the population engages with banks, barriers such as limited financial literacy, complex procedures, and inadequate customer service remain prevalent. To foster greater financial inclusion, it is essential to implement targeted educational initiatives, simplify banking processes, and improve customer interactions. Additionally, expanding access through mobile ATMs and extending repayment timelines can empower economically disadvantaged individuals. Engagement from government and financial institutions, along with a focus on supporting self-help groups, is crucial for promoting sustainable development and alleviating poverty in these areas. By addressing these challenges, we can ensure that rural communities in Coimbatore District benefit from equitable access to financial resources, ultimately contributing to their economic growth and resilience.

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