Financial Vulnerability among Tribes in Rural Areas: Certain Observations from a Study

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Abstract

Studies of vulnerability have gained wide currency among policy makers and governments in recent times. This paper is an endeavour to examine the problem of financial vulnerability among the tribes in the Wayanad district of Kerala. In Wayanad district, a tribe concentrated district in the State, the study has revealed that near 94.8 percent of tribes are having bank accounts. Within the tribal communities, Kuruma, a forward non-primitive tribe community has near 98 percent of households with bank accounts. The labour market intervention through the programmes of government has been catalyst in making tribes banking included. Tribes working under MGNREGS have been mandatorily forced to avail of bank accounts unless they would not be entitled to receive remuneration under the MGNREGS. The real financial vulnerability of people especially the low income and economically deprived communities like the tribes stems from their incessant dependence on the informal sources of finance. More than sixty percent of tribes depend on informal sources for credit requirements and among different tribe communities, Adiya and Paniya, two backward tribe communities, depend more on informal credit sources. Kuruma community, which is recognised as an advanced tribe community in the Wayanad district, appears to have been depending more on formal players for their credit needs. The present study calls for adopting strategies focusing on rural areas in order to reduce the financial vulnerability of socially and economically disadvantaged segments of people like the Tribes.

Key words: Financial Vulnerability, Financial Exclusion, Non-Primitive Tribes, Formal and Informal Financial Sources, Shocks, Small Borrowal Accounts, Access to Finance, financialization, Jan Dhan Account, JAM, Proximity Banking, Cooperatives and RRBs

Studies of vulnerability have gained wide currency among policy makers and governments in recent times thanks to increasing awareness that post-phenomena solutions to many burning social, economic and climate related issues have not yielded desired results. For instance, poverty estimates have been based on a flawed hypothesis that only those who are declared poor have to be supported so that they can come out of the poverty circle. The present poverty alleviation initiatives do not consider the possibility of existing non-poor households being fallen into the trap of poverty when they are exposed to any kind of shocks in their life. It naturally calls for unearthing the possibility of a household being fallen into the condition of poverty rather than assuming poverty as post-condition phenomena.

Today, we live in a monetised exchange economy where finance has become all pervasive and there has been growing attention being paid to what has come to be called the 'financialisation'. With the banks and governments insisting on the use of bank routed transaction methods in the name of taming mushrooming presence of black money, holding bank accounts and owning modern transaction devices have become growingly indispensable. Further, the "inclusive growth" strategy which showed its first resonance in the 12th five year plan presupposes that 'financial inclusion' is the first and foremost way through which inclusive growth could be materialised. Keeping this in view, a wide campaign for financial inclusion has been embarked on in India thanks to the proactive participation of Reserve Bank of India and Government of India. The recent drive for "Jan Dhan Yojana" stands testimony to this.

Now, it must be borne in mind that the sole panacea of inclusive growth was adopted as the future strategy in 2006 because of the realization that the market centric neo-liberal reforms that had been adopted since 1991 had resulted in lopsided development in India which is evident from the widening gaps of various kinds including the rich and poor, segments of communities, and regions. Obviously, market popper those who are income and asset rich as markets stand for those with purchasing power. The asset poor-income poor, resource-less and skill poor people and households take backseats when markets start acting in tune with the invisible prices. In this market centric model, the marginalized and the socially disadvantaged segments of people, who are the outliers of development, are likely to be further excluded from the economy. In the financial sector too India has witnessed this exclusion which is evident from the fact that the number of small borrowal accounts held by the schedule tribes and caste has dwindled between 1993 and 2008 (Table No.1)

Table 1 Small Borrowal Accounts: Social Group Wise Data

Series	STs		SCs		Others*	
	No. of Accounts	Amount outstanding	No of Accounts	Amount outstanding	No of Accounts	Amount outstanding
1993	9.6**	5.2	18	12.4	71.3	81.5
1997	8.9	6.6	17.8	12.7	72.7	80.1
2001	6.1	3.8	12.2	7.1	80.7	87.8
2004	3.7	2.6	6.7	4.6	89.6	92.7
2006	3	2.1	5.4	3.9	91.6	94.1
2008	1.7	1.2	3.3	2.4	87.0	88.4

Source: Compiled from various series of RBI data on the Survey of Small Borrowal Accounts

*others include general and unspecified. OBCs are not separately calculated

Figures are in percentage

Against this background it would be pertinent to delve into the vulnerability that the tribe households confront with in Kerala.

On vulnerability

Vulnerability, it is generally believed, is an elusive concept. Most of the works on vulnerability evolve around climate change and sustainability concerns. Nevertheless, the concept vulnerability appears to be highly important in economic contexts as well. Vulnerability is composed of two things: one is risks which a household is subject to face; second is the responses to such risks. Risks come to all at anytime and anywhere. Some risks are forecasted and therefore mitigation steps could be taken against such risks in advance whereas most of the risks remain unpredicted. Therefore, we take precautions against such risks. Insuring our valuables against theft is an example to this. Insurance thus becomes a form of our response to risks. Vulnerability occurs mainly because of external circumstances. For instance, problems that a family has to address when it is caught in a crisis owing to the lack of employment may make that family vulnerable. Likewise we have economic vulnerability, financial vulnerability, vulnerability to health hazardous and so on. To fight vulnerability successfully, one must have capability and entitlements. One's ability to fight vulnerability successfully is often called 'resilience'. Vulnerability is assumed to be function many variables viz. income, asset, employment, natural factors like land, access to finance etc. The extent to which one possess these assets determine his or her vulnerability to different circumstances. All type of vulnerabilities are interconnected with each other.

Tribes and access to finance

As finance, in a narrow sense money, has become omnipresent in every part of the country, tribes, a community which still preserves certain reminiscences of their values and cultural system inherited historically, are inclined not to embrace the modernity to a desirable level. Of course, their alienation from the mainstream community is partly attributed to their cultural settings and the value system which they imbibed from their social structures (Thakur, 1986). In fact the identity of tribes is entangled with this uniqueness. Having said this, it is apparent that it is practically precarious for tribes to live in isolation from the mainstream at least in respect of using money as a medium of exchange. As they use money for effecting transactions, they must have also come into contact with the banks. Although there may be variations in the extent to which tribes have got connected with the banks by way of possessing bank accounts, it is obvious that in Kerala, a state where banking network has reached every nook and corner, nearly cent percent tribes have got access to bank accounts. A study into the financial exclusion of tribes in Wayanad district, a tribe concentrated district in the State, has revealed that near 94.8 percent of tribes are having bank accounts (Table No.2). Within the tribal communities, Kuruma, a forward non-primitive tribe community in the State, has near 98 percent of households with bank accounts (Kumar, 2013). The figure is slightly dismal in the case of Paniya tribe, a backward non-primitive tribe commonly seen in southern India.

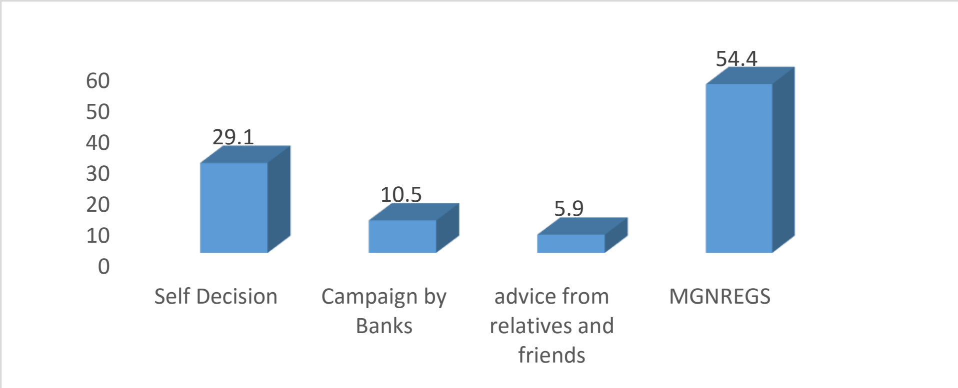
Table 2 Tribe Households with Bank Accounts

Status with bank accounts	Tribal Communities				Total
	Kurichya	Kuruma	Paniya	Adiya	
Households with Bank accounts	96.20	97.40	93.10	96.60	94.80
Households with no Bank accounts	3.80	2.60	6.90	3.40	5.2

Source: Compiled from an estimate by Dr.B.Pradeep Kumar, Financial Exclusion among the Scheduled Tribes: A Study of Wayanad District.

The above table my give us a relief that majority of tribe households have come under the ambit of the banking network, and therefore financial inclusion, the first step towards accomplishing inclusive economic growth, can be said to have been materialized. The picture would be clear if we go further to examine the reason as to why tribes have had bank account. Most of the tribes have accessed bank account because of a reason which does not have much to with their income and asset status. It is obvious that Tribes working under MGNREGS have been mandatorily forced to avail of bank accounts unless they would not be given their remuneration under the MGNREGS (Figure No.1) This means that labour market intervention through the programme of government has been catalyst in making tribes banking included which is, in fact, not suffice for financial inclusion.

Figure 1 why did Tribe Household take Bank Accounts



Source: Survey on Financial Exclusion among tribes by Dr.B.Pradeep Kumar

Banking institutions, especially in the aftermath of the banking sector reforms, are more curious in expanding their customer base for which naturally they would be interested in offering bank accounts to more people. Further, offering bank accounts to ‘unbanked’ does not necessitate any effort from the banks both in terms of expense or expertise. Moreover, in the case of MGNREGS and other subsidy programme by the government, it is an opportunity for the banks to transact government’s money through the chest of the banks. The volume of transaction of banks gets inflated when the funds of government in the name of disbursement of subsidy and other welfare measures are channelized through the banks to credit to the accounts of beneficiaries.

The question of access to credit

Holding just bank account would not suffice to the requirement of financial inclusion, nor it helps much in tackling the issue of financial vulnerability of households particularly tribe households. Low income people need credit of small amount and too for short time. The use of credit probably helps to balance the daily or weekly mismatch that occurs in their household budgeting process. When they confront with an income shock or employment shock, they need credit to stretch out their necessary expenditures. The real question is whether the banks or other lending agencies can meet these type of credit requirements of tribes. Formal banks are averse to lending to the income poor people despite them being their customer by way of opening accounts. Formal banks put many restrictions and conditions before the borrower most of which are not adhered to by the borrowers. Moreover banks, in the changing circumstances especially when they look for profiteering business rather than taking care of the social welfare needs for which they are said to have been nationalized in 1969, often discourage low income customers to access credit. Neither do banks have products tailored to the specific requirements of the low income people nor do they attempt to help people access credit within the available schemes. This vacuum in the rural credit market is often exploited by the informal players whose presence has been in existence and growing despite the nationalization of banks and consequent expansion of bank branches in rural areas.

Informal Financial Players

Apparently informal players active in the rural credit market meet lion share of the credit requirements of the low income poor people like the tribes. Their presence is most felt in areas where financial literacy is low and people live in completely poor conditions. They perpetuate the pathetic living conditions of poor people in rural areas and pocket whatever little earnings or savings they make. The reliance on informal financiers for credit requirement involves far reaching ramifications. The real financial vulnerability of people especially the low income and economically deprived communities like the tribes stems from their incessant dependence on the informal sources of finance. The reality that an overwhelming number of tribes depend on informal players or 'non-status lenders' for meeting their credit necessities is substantiated by a glance at the Table No.3

Table 3 Sources of Credit for Various Tribe Communities

Source of Indebtedness	Tribe Communities				
	Kurichya	**Kuruma**	**Paniya**	**Adiya**	**Total**
Formal	41.90*	73.10	27.80	11.10	38.90
Informal	58.10	26.90	72.20	88.90	61.10
Total	100	100	100	100	100

Figures are in percentage

As is obvious, more than sixty percent of tribes depend on informal sources for credit requirements and among different tribe communities, Adiya and Paniya, two backward tribe communities depend more on informal credit sources. The Kuruma community, which is recognised as an advanced tribe community in the Wayanad district, appears to have been depending more on formal players for their credit needs, pointing to the fact that more social awareness and information on formal banking could play a vital role in mitigating the reliance on informal sources of credit, and thereby reducing the financial vulnerability of communities.

Discussions with the selected members from the both the Adiya and Paniya tribe revealed that they looked at formal financial institutions like the banks with suspicion. They never think of approaching the formal banks for credit as they believe that most likely their credit application would be summarily rejected by bank officials citing reasons which the clients do not comprehend.

The role of cooperatives

The role of cooperative banks in the lending scene of our financial system can hardly be overlooked. Particularly in rural areas and among the socially disadvantaged people they are popular in meeting the banking requirements of people to some extent. Unsurprisingly, it is revealed that an overwhelming percent of tribes are indebted to the cooperative banks whereas even the reliance on regional rural banks, which have been established to meet the credit aspirations of rural people, serve only less than 25 percent of tribe communities. Nevertheless, it must be mentioned at this juncture that tribes give more priority to what is often referred as 'proximity banking', that is they first approach the bank which is close to their dwellings without considering the cost and the quality of the service it offers.

Informal Players within Informal Sources

Interestingly, not all sources of informal finance do appear to be significant in meeting the credit needs of the socially and economic deprived people like the tribes as observed in this study. It is true that the mere existence of formal banking institutions does not deter people from availing services from the informal sources of credit. In India, it has been revealed that in rural areas with relatively better bank presence, only less than seven percent rely on formal banks and the rest naturally knock the doors of informal suppliers of credit in times of immediate requirement of credit. When one speaks of informal players in the credit market, the role of the village moneylender can hardly be denied. Their presence is still unquestionable in credit market. In the present study, near sixty percent of tribe households desperately rely on money lenders for credit. This high indebtedness to moneylenders poses the real threat to the financial stability of the tribe communities. The real cause of financial vulnerability of tribe communities is found in their persistent dependence on moneylenders who charge exorbitantly high interest rate and adopt unjustifiable and unlawful means to collect dues from their poor and asset less clients. In the present study it has been found that more than fifty percent of tribe households depend on moneylenders for credit whereas the rest half is roughly shared between the SHGs and Relational sources (Table No.4). One reason for the persistent dependence on moneylenders for credit by the tribes is that the moneylenders being localized in their business have established a close relational bondage with their clients which in fact help break the so called information hurdle that is believed, at least theoretically, to be a deterrent before the formal lenders in lending to the generally credit unworthy tribes. With easy access to the tribes, and knowing much more about their socio economic interactions, informal players especially moneylenders have reliable and almost complete information about the honesty of their clients which in no way a formal bank can accomplish. In fact, it is not surprising that this, theoretically described as the problem of 'information asymmetry', continues to be the single largest conundrum which ultimately leads to the flourishing of moneylending business in rural credit market (Llanto, 1989). Undoubtedly, this is the single largest problem that aggravates the financial vulnerability of the low income poor households belonging to the marginalized communities like the tribes. Suffice to say, understanding this reality and knowing that moneylenders cannot be completely wiped out of the rural credit market, technical committees in the realm of monetary affairs in India have gone to the extent of saying that informal moneylenders should be given the status of accredited loan providers in the country thereby linking formal credit sources like banks with informal sources like the moneylenders and thereby legalising the moneylenders through the backdoor (Thorat , 2008).

Table 4 Different Sources of Informal Credit

Informal Sources of Credit	**Tribe Communities**				**Total**
	Kurichya	**Kuruma**	**Paniya**	**Adiya**	
Moneylenders	38.90*	64.30	58.30	56.30	54.30
Self Help Groups	27.80	21.40	32.30	31.30	30.20
Relatives and Friends	33.30	14.30	9.40	12.50	15.40
Total	**100**	**100**	**100**	**100**	**100**

*Figures are in percentage

When it comes to the financial vulnerability of tribes it is obvious that the external factors that trigger off financial vulnerability stem from their exposure to the indigenous moneylenders who are active in rural areas thanks to their ability to gather information about their potential clients mostly the tribes. Of course, certain internal factors like the lack of assets, income and employment regularity would build up their weakness to rely on informal players. The vulnerability of tribes can be observed in various dimensions. Tribes once surrender themselves before the 'dictates' of crooked moneylenders in an effort to get credit at any cost find it extremely difficult to get out of the trap, and finally these 'defaulting' borrowers will have given up all sources of livelihood, pauperizing them further. Most of the burning issues of tribes including their long cherished dream to have own land continue to burn without any solution because of their close and continuing dependence on informal moneylenders. The embarrassing behaviour that the moneylenders uncover when they are disappointed over the persistent defaulting nature of clients permeates the financial vulnerability of tribes in the form of affecting the education of their wards, deteriorating their health standard for want of proper hospitalization and other type of medical attention, and losing their work time in search of alternative credit sources. Further, when borrowers continuously default on their repayment obligations, it is likely that they may be forced to work relentlessly for their lenders without accepting any remuneration in return which again give birth to the issue of bonded labour that is said to have been legally abolished years back. Apparently, the small sums of credit which the tribes avail of from moneylenders get escalated when it remains unpaid for years.

Concluding Remarks

The fact that the moneylenders are at the door steps of tribes' households to serve them in the gap of formal credit suppliers including banking institutions has raised many questions as to the purposes for which banking institutions were nationalized in 1991. The ongoing propaganda that inclusive growth could be accomplished at least to some extent with the help of banks offering accounts to hitherto unbanked is not as realistic as it is perceived to be. The real inclusion of disadvantaged people like tribes into the economic system becomes realized only if formal banking institutions start meeting the credit requirements of these people once they take accounts which definitely result in mitigating the menace of excess dependence on informal players. It needs to be mentioned here that with financial sector reforms getting started in 1991, India witnessed the plummeting of bank branches in rural areas, adding fuel to the increasing presence of informal moneylenders in rural areas (Chandrasekhar, 2015). In fact, banking reforms have not been able to make dent on the problem of financial vulnerability of communities like the Tribes. It is expected that the recent initiatives like JAM (Jan Dhan plus Adhaar plus Mobile) would find a lasting solution to enhance the relationship of banks with the disadvantaged sections like the Tribes.

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