

Unveiling the mask of Financial Exclusion: A Micro-Level Analysis of Gaddis and Gujjars Tribal Communities Financial Inclusiveness.

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Abstract

Financial exclusion is a pervasive issue that affects millions of individuals worldwide, hindering their economic growth and development. Despite efforts to promote financial inclusion, many individuals remain excluded from formal financial services, perpetuating a cycle of poverty and inequality. This study seeks to unveil the mask of financial exclusion by examining the micro-level factors that influence individual financial inclusiveness. Using a mixed-methods approach, analyze data from a survey of 382 non nomadic tribal community individuals in a developing country, supplemented by in-depth interviews with 90 nomadic tribal respondents. The results of this study reveal that financial exclusion is a complex phenomenon driven by a range of factors, including socio-economic characteristics, financial literacy, and access to financial infrastructure. This study also find that existing measures of financial inclusion, such as account ownership and credit access, mask the true extent of financial exclusion, as many individuals with formal financial accounts still face significant barriers to using these services. This study contributes to the literature on financial inclusion by providing a nuanced understanding of the micro-level factors that shape individual financial inclusiveness. This research argue that policymakers must move beyond aggregate measures of financial inclusion and instead focus on addressing the specific needs and challenges faced by excluded individuals. By doing so, policymaker can create more effective policies to promote financial inclusion and reduce poverty and inequality.

Keywords: Financial exclusion, financial inclusion, micro-level analysis, individual financial inclusiveness, socio-economic characteristics, financial literacy, access to financial infrastructure.

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I. Introduction

The tribal communities of Himachal Pradesh, comprising of the Gaddi and Gujjar tribes, have been an integral part of the state's rich cultural heritage for centuries. Despite their significant contributions to the state's economy and culture, these communities continue to face numerous challenges that hinder their integration into the mainstream society. The Gaddi and Gujjar tribes, belonging to both nomadic and non-nomadic traditions, have historically been marginalized and excluded from the benefits of modernization and development.

The Gaddi community, traditionally a nomadic and semi-nomadic tribe, has been engaged in sheep and goat herding for centuries, migrating between the high-altitude pastures of the Himalayas and the lower valleys. Their nomadic lifestyle, although adapted to the harsh mountain environment, has made it difficult for them to access basic amenities such as education, healthcare, and financial services. The Gujjar community, on the other hand, is majorly a nomadic tribe in nature that has traditionally been involved in cattle herding and dairy farming. Despite their significant contributions to the state's dairy industry, they continue to face challenges in accessing markets, credit, and other essential services. Both the Gaddi and Gujjar communities face significant difficulties at the survival level, including limited access to basic amenities, inadequate infrastructure, and lack of social services. Their geographical isolation, combined with their socio-economic marginalization, has resulted in poor health outcomes, low literacy rates, and limited economic opportunities. Furthermore, the changing climate and environmental degradation have threatened their traditional livelihoods, forcing them to adapt to new and uncertain circumstances. The financial exclusion of these communities is a critical aspect of their marginalization. Limited access to formal financial services, such as credit, savings, and insurance, has made it difficult for them to manage risk, invest in their future, and improve their economic well-being. The lack of financial inclusion has also perpetuated their dependence on informal and exploitative financial systems, further exacerbating their poverty and vulnerability. This research paper seeks to explore the complex issues surrounding the financial exclusion of the Gaddi and Gujjar communities in Himachal Pradesh. By examining the socio-economic and

cultural factors that contribute to their financial exclusion, this study aims to provide a nuanced understanding of the challenges faced by these communities and identify potential solutions to promote their financial inclusion.

II. Review of literature

Ghorude (2009)¹ in “Micro Finance for Financial Inclusion and Sustainable Rural Development”, explains that India’s problems are diverse, pervasive and multidimensional and micro finance bristles with problems, difficulties and constraints. The author feels that being single instrument, it may not be able to solve the problem of poverty merely by distributing loans to a certain section of the population rather economic development requires growth model to bring inclusive growth. It has been stated that for attaining the objectives of inclusive growth it necessarily encompasses the social, economic and political inclusion and developing micro entrepreneurship with organizational and Community based support is one way of strengthening inclusive growth.

Monoj (2009)² has stated in his article that lack of regular substantial income is the main cause of financial exclusion. He realizes that most of the excluded customers are not aware of the banking services and private money lenders are the main sources of loans which is easily accessible to them. The author has suggested that each bank should take initiatives by making Know Your Customer (KYC) norms, business correspondents’ model and opening up No-frills account etc.

Kunt (2010)³ recommended that without inclusive financial systems, poor individuals, and small enterprises need to rely on their personal wealth or internal resources to invest in their education, to become entrepreneurs, or take advantage of promising growth opportunities.

Pandey (2011)⁴ has revealed in her research, Socio-economic Status of Tribal Women: A Study of a Transhumant Gaddi Population of Bharmour, Himachal Pradesh, India that they shifted towards lower ecological zones and it affects the population structure. Her research finds that due to ecological and environmental factors existing in Bharmour. Gaddi women have social standing up and decision-making power almost equal to men. Somewhere, there are particular decisions in which men continue to influence, as is traditionally required. Decisions regarding community are still influenced by men and some duality is noticed. Public and community affairs are influenced by men. The structure used to study the positions is defined more by default than discourse.

Objective

1. To examine the socio-economic and cultural factors that contribute to the financial exclusion of the Gaddi and Gujjar communities.
2. To analyse the relationships between traditional livelihoods, nomadic lifestyles, and access to formal financial services.
3. To explore the implications of financial exclusion for the economic well-being and social mobility of these communities.

III. Research Methodology

This study employs a mixed-methods approach, combining both qualitative and quantitative data collection and analysis methods. The research design is based on a survey of 382 semi nomadic individuals from the Gaddi and Gujjar communities in Himachal Pradesh, supplemented by in-depth interviews with 98 nomadic individual from Gaddis and Gujjars community and financial service providers.

Primary data is collected through a structured survey questionnaire and In-Depth Interviews are conducted with nomad community and financial service providers to gather more nuanced insights into the financial experiences and challenges faced by the Gaddi and Gujjar communities.

Financial Inclusion Score (FIS) Method:

To measure the level of financial inclusion among the Gaddi and Gujjar communities, this study employs the Financial Inclusion Score (FIS) method. The FIS is a composite index that assesses an individual's access to and use of formal financial services, including:

Financial Inclusion Score: $FIS = (FIS_{\text{saving}} + FIS_{\text{credit}} + FIS_{\text{insurance}} + FIS_{\text{pension}} + FIS_{\text{transaction}})$

Where FIS=Financial Inclusion Score

FIS_{Saving} = Sum of the weights of indicators of saving

FIS_{Credit} =Sum of the Weights of Indicators of Credit

$FIS_{\text{Insurance}}$ =Sum of the Weights of Indicators of Insurance

FIS_{Pension} =Sum of the weights of Indicators of Pension

$FIS_{\text{Transaction}}$ =Sum of the Weights of Indicators of Transaction

The FIS is calculated using a weighted average of these five components, with weights assigned based on the relative importance of each component in the context of financial inclusion.

Table: 1 Financial Inclusion Score Indicator

| Indicator | Type | Score | Max Score |
|--|-----------------------------|-------|-----------|
| Savings (Demand deposits, Time Deposits) | Formal | 2 | 3 |
| | Semi-Formal | 1 | |
| | Informal/ No Savings | 0 | |
| Credit | Formal | 2 | 3 |
| | Semi-Formal | 1 | |
| | Informal / No Credit | 0 | |
| Insurance | Formal | 2 | 3 |
| | Semi-formal/Micro-Insurance | 1 | |
| | No-Insurance | 0 | |
| Pension | Formal | 2 | 3 |
| | Micro-Pension | 1 | |
| | No- Pension | 0 | |
| Transaction Banking | Use ATM | 1 | 3 |
| | Use Net Banking, Wallets | 1 | |
| | Use Cheque Book | 1 | |
| Total Score | | 15 | 15 |

The categorization of the level of financial inclusion based on the score is as follows:

Table:2 Categorization of FI Score

| Range of Financial Inclusion Score | Level of Financial Inclusion |
|------------------------------------|------------------------------|
| FIS =0 | Fully Excluded |
| 1 ≤ FIS < 5 | Low Financial Inclusion |
| 5 ≤ FIS < 9 | Moderate Financial Inclusion |
| 9 ≤ FIS ≤ 15 | Full Financial Inclusion |

Source: Based on Score

The results of the study area are presented in the table below.

Table: 3 Level of Financial Inclusion

| Level of Inclusion | No. of Respondents | | Total |
|--------------------------|--------------------|---------|------------|
| | Gaddis | Gujjars | |
| Fully Excluded | 54 | 73 | 127 (26.5) |
| High financial Inclusion | 29 | 4 | 33 (6.9) |
| Medium Inclusion | 74 | 18 | 92 (19.1) |
| Low Inclusion | 109 | 119 | 228 (47.5) |
| Total | 266 | 214 | 480 (100) |

Source: Based on computed FIS Score from the primary data

The table shows that more than 26.5 percent of the Gaddis and Gujjars are fully excluded from the formal financial system and even they are not getting benefit from any SHG bank linkage programmes or MFI. Only 6.9 percent respondents from both the communities are fully financial included however, Gaddi community is more financial included than Gujjar community. Whereas a major segment of the respondents from both the tribal community are low included in the formal financial system. From above table it can be conclude that Gaddi community is somewhere is more financial included in the formal banking system than Gujjars community.

FINANCIAL EXCLUSION: VARIABLES-WISE

Financial inclusion is concerned with access to formal banking system for all the individuals and the Government of India and putting continuous effort to give access to the excluded segment of the society in the formal financial system. Steps have been taken from nationalization of banks to link all the social welfare programmes with bank account. After introducing Pradhan Mantri Jan Dhan Yojana, the formal financial system is heading towards from class banking to mass banking and efforts are made to make everyone part of formal financial system. Still some part of society is financially excluded from the financial formal banking system. A series of factor are causing exclusion from the financial system. Most common factor that causes financial exclusion is geographical distribution of the segments. However, the reasons of financial exclusion or low inclusion may vary depending upon the social category of people and geographical remoteness. So, this study analyses the factors causing low inclusion or exclusion among tribal communities of the study area. There are some other factors apart from the socio-economic factors of the tribal communities of the study area which demotivate people to take formal financial inclusion.

Table:4 Financial Exclusion: Variables-Wise

| Category | Sub-Category | Total | Financial excluded | % of total | % of fully excluded |
|--------------------|-------------------|-------|--------------------|------------|---------------------|
| Total | Respondents | 480 | 127 | 26.5 | 100 |
| Age | 18-30 | 103 | 7 | 6.8 | 5.5 |
| | 30-45 | 148 | 32 | 21.6 | 25.2 |
| | 45-60 | 141 | 41 | 29.1 | 32.3 |
| | Above 60 | 88 | 46 | 52.3 | 36.2 |
| Gender | Male | 296 | 56 | 18.9 | 44.1 |
| | Female | 184 | 71 | 38.6 | 55.9 |
| Education | Illiterate | 134 | 54 | 40.3 | 42.5 |
| | Primary | 108 | 33 | 30.6 | 25.9 |
| | 10 th | 101 | 26 | 25.7 | 20.5 |
| | XII th | 89 | 12 | 13.9 | 9.4 |
| | Graduation | 28 | 2 | 7.1 | 1.6 |
| | P.G & other | 20 | 0 | 0 | 0 |
| Occupation | Agriculture | 86 | 11 | 12.8 | 8.7 |
| | Business | 17 | 0 | 0 | 0 |
| | Cattle rearing | 134 | 44 | 32.8 | 34.7 |
| | Dairy Farming | 168 | 65 | 38.7 | 51.1 |
| | Marginal Labour | 61 | 7 | 11.5 | 5.5 |
| | Govt. employee | 14 | 0 | 0 | 0 |
| Income | Below 10000 | 281 | 95 | 33.8 | 74.8 |
| | 10000-20000 | 138 | 28 | 20.3 | 22.1 |
| | 20000-30000 | 47 | 4 | 8.5 | 3.1 |
| | Above 30000 | 14 | 0 | 0 | 0 |
| Distance from bank | Within 3KM | 108 | 9 | 8.4 | 7.1 |
| | 3KM-5KM | 280 | 66 | 23.8 | 51.9 |
| | 5KM-10KM | 56 | 18 | 32.1 | 14.2 |
| | More than 10KM | 36 | 34 | 94.4 | 26.8 |
| Migration status | Nomads | 99 | 89 | 89.9 | 70.1 |
| | Semi- Nomad | 163 | 27 | 16.6 | 21.3 |
| | Settled | 218 | 11 | 5.1 | 8.7 |

At individual level, age is influencing factor among the tribal people as shown in the study that respondent of lower age is more financial included as compare to respondent of the higher age group as respondent of the age group above 60 are majorly excluded from the financial included society and very less respondent in this age group possesses any bank account and some of the respondents were not interested in opening bank account near future.

Gender based variation in financial inclusion has been found in the study of financial inclusion. The results of this study shows that female respondents are more financial excluded and this disparity observed in high inclusion across gender is not exist in the fully exclusion category. It can be believed that though women are getting the benefit of opening bank account due to motivation made through the government policy or by self but penetration of overall banking and other financial services in women are still lesser than male and dependency on male gender regarding financially decisions can be reasons for high rate of financial exclusion of female.

The above table shows that the percentage of fully excluded respondents is highest among the respondents have not taken Formal Education. The result gives evidence that with the increase in education level, the level of financial inclusion also increases and respondent having higher education are interested in opening bank account whereas, respondent belong to illiterate group of education and having primary education stated that they are not interested in opening bank account for the purpose of financial inclusion.

While assessing the level of financial inclusion across the occupation, 26.5 percent respondents are fully excluded out of those majority of respondent associated with dairy farming and nomadic grazer activities. Respondent associated with Government job and business activities are fully financial included and they are aware of the government beneficial policies and they have access to formal banking system through having Bank Account.

The above table shows that higher the income level, higher is the level of financial inclusion. The percentage shows of different income groups also indicates that respondent belong to low-income group are highly financially excluded and high-income group respondent are less financially excluded. It is found that the lower income groups are mostly remain excluded from formal financial services. In the higher income groups not, a single respondent has been found to be fully excluded.

Physical assess to bank has been identified as one of the determinants of financial inclusion level. As study shows that higher the distance between bank branch and respondent residential area the higher the rate of financial excluded and less distance between bank branch and residential area of the respondent and low level of financial excluded. It indicates higher the distance level, lower the level of use of banking services. After introducing government welfare scheme and linked these schemes with bank account, motivating respondent to

open bank account and have direct access to formal banking system has also increased the number of opening bank account but distance between bank branch and residential area can affect the proper operationality of the bank account holder. Again, though the provision of CSP is provided to the remote or away villages, but the limited access to services at CSP cannot increase the level of financial inclusion.

The level of financial inclusion on the basis of migration status of the family does give a specific indication that respondents are living permanent settled life in one place are more financial included and respondent are living migrated life moving from one place to other according to seasonal movement are in high majority financial excluded. Nomad respondent are financial excluded due to lack of awareness and no document which required to open bank account because the land possessed by the tribal people are mostly agricultural land. However, most of the tribal people do not possess documents against their land holdings. These lands are under the reserved area of forest department and tribal people has been using for agricultural purpose. So too much of dependency on agriculture is one of the reasons of financial exclusion. So, geographical remoteness is another reason of low financial inclusion level among these people in spite of holding sufficient agricultural land.

IV. Conclusions:

This study examines the factors contributing to financial exclusion among tribal communities in India. The research reveals that various variables, including age, gender, education, occupation, income, distance from banks, and migration status, influence financial inclusion. This study has shed light on the socio-economic and cultural factors that contribute to the financial exclusion of the Gaddis and Gujjars communities. The findings reveal that traditional livelihoods, nomadic lifestyles, and limited access to formal financial services are intertwined, exacerbating financial exclusion. The research highlights that Socio-economic and cultural factors, such as limited education, lack of collateral, and social stigma, hinder access to formal financial services for the Gaddis and Gujjar communities, Traditional livelihoods, such as pastoralism and nomadic herding, are often incompatible with formal financial systems, which are designed for settled communities and Financial exclusion has severe implications for the economic well-being and social mobility of these communities, perpetuating poverty and inequality. The study also highlights that geographical remoteness, lack of awareness, and limited access to services at Customer Service Points (CSPs) are significant barriers to financial inclusion among tribal communities. The research suggests that targeted efforts are needed to address these challenges and promote financial inclusion among these communities.

V. Suggestions:

Some potential strategies to improve financial inclusion among tribal communities could include Inclusive Financial Product Design should develop and test financial products tailored to the needs of nomadic and pastoralist communities, such as mobile banking services, livestock insurance, and microfinance programs. While, Financial Literacy and Education can be a major step for inclusiveness for which government should investigate the impact of financial literacy programs on improving financial inclusion and economic well-being among the Gaddis and Gujjars communities and analyze existing policies and regulations governing financial services for marginalized communities and recommend reforms to promote financial inclusion, Explore the potential of digital financial services, such as mobile wallets and digital payment systems, to enhance financial inclusion among nomadic and pastoralist communities. Studies can be conducted to draw comparison on financial exclusion among other marginalized communities in different regions to identify commonalities and differences, longitudinal studies to assess the impact of financial inclusion interventions on the economic well-being and social mobility of the Gaddis and Gujjars communities over time and Engage with the Gaddis and Gujjars communities in participatory research to co-design and co-implement financial inclusion initiatives that are culturally sensitive and context-specific

- Expanding banking services: Establishing more bank branches or CSPs in remote areas to reduce the distance between respondents' residences and banking services.
- Financial literacy programs: Implementing programs to educate tribal communities about the benefits of formal financial services and how to access them.
- Simplified documentation: Streamlining documentation requirements for opening bank accounts to accommodate the unique circumstances of tribal communities.
- Mobile banking services: Introducing mobile banking services to reach remote areas and provide convenient access to financial services.
- Targeted government initiatives: Designing government policies and programs specifically tailored to address the financial exclusion challenges faced by tribal communities.

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