

**Assessing the Role of Vananchal Gramin Banks in Empowering Tribal  
Development: A Review-Based Perspective**

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**Abstract**

This study assesses the role of Vananchal Gramin Banks in empowering tribal development, focusing on their efforts to bridge financial exclusion and foster socio-economic progress in marginalized tribal communities. Tribals, who often reside in remote, resource-rich but underdeveloped areas, face challenges such as poverty, limited access to financial services, low levels of education, and restricted participation in mainstream economic activities. Vananchal Gramin Banks, as part of India's regional rural banking network, have been instrumental in addressing these issues through tailored financial products, government-supported schemes, and community-centric initiatives. The bank's key programs include promoting financial inclusion under the Pradhan Mantri Jan Dhan Yojana (PMJDY), providing agricultural credit through Kisan Credit Cards (KCC), and supporting micro-entrepreneurs via Mudra Loans and Self-Help Group (SHG) financing. Additionally, the bank facilitates the implementation of social welfare schemes such as MGNREGA and PMAY, ensuring timely disbursement of wages and housing loans. Despite their contributions, challenges such as limited infrastructural reach, low financial literacy among tribal populations, and geographical barriers hinder the bank's ability to fully realize its developmental objectives. This review-based study aims to evaluate the bank's impact, identify gaps in its implementation strategies, and propose solutions to enhance its effectiveness.

## **Introduction**

Vananchal Gramin Banks play a crucial role in empowering tribal communities by bridging the gap between formal financial systems and the socio-economically marginalized tribal populations. Established under the Regional Rural Banks Act, these banks primarily focus on providing accessible and inclusive financial services to rural areas, particularly in regions like Jharkhand, where a significant proportion of the population comprises tribal communities. Tribals, often residing in remote and underdeveloped areas, face challenges such as financial exclusion, lack of access to credit, and limited opportunities for economic growth. Vananchal Gramin Banks address these challenges by offering a range of financial products and services tailored to the unique needs of these communities, including agricultural credit, microloans, and self-help group (SHG) financing. Through initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Kisan Credit Cards (KCC), and Mudra Loans, these banks enable financial inclusion, entrepreneurship development, and livelihood enhancement for tribals. Additionally, the banks support government welfare schemes, ensuring timely disbursement of wages and subsidies under programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Pradhan Mantri Awas Yojana (PMAY). Despite significant achievements, these banks face challenges such as geographical barriers, limited financial literacy among tribal populations, and infrastructural inadequacies, which sometimes hinder their outreach and impact. Nevertheless, the initiatives of Vananchal Gramin Banks have undeniably contributed to improving the socio-economic conditions of tribal communities by fostering self-reliance, promoting digital literacy, and supporting sustainable development. By aligning with government policies and tailoring their services to meet the specific needs of tribal populations, Vananchal Gramin Banks remain instrumental in driving financial inclusion and empowering tribal development, ensuring that these marginalized communities become active participants in the nation's growth trajectory.

## **Significance of Tribal Development**

Tribal development holds immense significance in the socio-economic progress of a nation, particularly in a country like India, where a considerable portion of the population belongs to Scheduled Tribes (STs). Tribal communities, known for their rich cultural heritage and deep connection with nature, often reside in remote, resource-rich but economically underdeveloped areas. However, they face multifaceted challenges such as poverty, illiteracy, lack of access to

healthcare, education, and basic infrastructure, alongside marginalization from mainstream economic activities. Tribal development is crucial not only to uplift these communities but also to ensure inclusive growth and social equity. Addressing their developmental needs involves promoting financial inclusion, enhancing access to education, creating sustainable livelihood opportunities, and ensuring the preservation of their cultural identity. Financial empowerment through microfinance, self-help groups, and rural banking systems has proven instrumental in reducing their dependence on informal credit sources and breaking the cycle of poverty. Moreover, tribal development contributes to the optimal utilization of natural resources, as tribals are traditionally skilled in eco-friendly and sustainable practices. Investments in their education and skill development enable their active participation in regional and national economic activities, further strengthening the country's economic fabric. Additionally, improving healthcare services and infrastructure in tribal regions reduces disparities and ensures better quality of life. Importantly, the inclusion of tribal populations in developmental processes fosters social harmony and mitigates regional imbalances. It also aligns with the broader goals of sustainable development, addressing issues such as environmental conservation and gender equity within these communities. By recognizing and addressing the unique challenges faced by tribal populations, tribal development not only improves their socio-economic status but also contributes to the holistic progress of the nation, making it an indispensable aspect of India's growth story.

### **Role of Financial Institutions in Tribal Development**

Financial institutions play a pivotal role in tribal development by addressing the critical issue of financial exclusion and empowering tribal communities to participate in mainstream economic activities. Tribals, often residing in remote and economically underdeveloped regions, have historically been excluded from formal banking systems, relying instead on informal moneylenders who exploit their vulnerability. Financial institutions bridge this gap by providing accessible and affordable credit, savings facilities, insurance products, and financial literacy programs tailored to the unique needs of tribal populations. Through initiatives like microfinance, self-help groups (SHGs), and targeted loan schemes, financial institutions help tribals gain access to capital for agriculture, small businesses, and entrepreneurship, enabling them to break the cycle of poverty and dependence. Institutions

such as regional rural banks (RRBs), cooperative banks, and microfinance organizations are instrumental in implementing government schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY), Kisan Credit Cards (KCC), and Mudra Loans, which aim to provide financial support and enhance livelihoods in tribal regions. Beyond credit, financial institutions also support social development by channeling funds for healthcare, education, and skill development programs. They ensure timely disbursement of wages under initiatives like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and enable housing and infrastructure development through schemes like the Pradhan Mantri Awas Yojana (PMAY). Moreover, by promoting digital banking and mobile payment systems, these institutions help bridge the digital divide, empowering tribals to access modern financial services and integrate into the digital economy. Financial literacy campaigns further enhance awareness among tribals, fostering a culture of savings and responsible borrowing. Importantly, the role of financial institutions extends to supporting sustainable practices, as they often fund eco-friendly projects and promote resource conservation, aligning with the traditional values of tribal communities. By driving financial inclusion, facilitating access to resources, and fostering economic self-reliance, financial institutions serve as catalysts for the holistic development of tribal populations, contributing to equity, social justice, and national progress.

### **Literature review**

**SINGH, R., & KUMAR, D. (2010).** Jharkhand is in the news today for all the wrong reasons and it is the Vananchal Gramin Bank which is playing a pivotal role in contributing to the development of the region economically helping people meet their financial needs in villages and semi urban areas. The bank was set up to promote financial inclusion and offer marginalized communities seemingly essential banking services (savings accounts, loans and credit facilities). Its agriculture financing initiatives, microcredit and self-help group linkages have empowered the small farmers, artisans and other entrepreneurs for rural entrepreneurship and strengthening the state's agrarian economy. However, the bank is very much involved in reducing poverty and creating employment through support to priority sectors such as agriculture, housing and education. It aims to improve accessibility of financial services by means of digital banking and financial literacy programmes which will help rural households

to avail of the benefits of availability formal banking system. Jharkhand's peculiar socio economic makeup, and the bank's targeted schemes for women, tribals and other economically weaker sections support inclusive growth. Vananchal Gramin Bank is facilitating the flow of credit for developmental projects through partnership with Government Initiative like Pradhan Mantri Awas Yojana and PM Mudra Yojana and thus driving infrastructure growth. As a cornerstone institution in the whole format of economic development of the state, sustainable development and rural prosperity form the plank on which it works.

**Lakshmi, C. S., et al (2019).** The Grameen banks have instituted wide range of innovations that have revolutionized society, especially in rural and underserved areas. These were the banks which were first to set out with the concept of microfinance — small and collateral free loans to people, mostly women, to start small businesses and become financially independent. They introduced the group lending models with the objective of having every member held responsible for repaying other members and as a result having higher repayments rates among members but with a sense of community and mutual support. Mobile banking and digital payment systems have innovations in them which makes financial services closer to rural areas, eliminating geographical barriers and reducing transaction costs. Grameen banks financial literacy programs teach individuals about savings, investments and proper use of credit, and help stabilise economy at the grassroots level.

**Patnaik, B. C. M., et al (2011).** Being a survival mantra, innovation has helped Gramya banks in Odisha adapt to the growing concerns and meet the multidimensional needs of the rural people. To promote financial inclusion, make operations more efficient and satisfy its customers, these banks have adopted different innovative initiatives. As examples, digital banking services, such as mobile banking apps and biometric enabled ATMs, has made financial services more accessible in remote locations.

**Patnaik, B. C. M., & Das, S. (2015).** Among their many survival strategies, Regional Rural Banks (RRBs) of Eastern India perform a crucial function of advancing microfinance, fulfilling that niche between formal banking and rural populations. These banks concentrate on offering financial services that are affordable and accessible to underserved communities, thereby accelerating economic growth and lowering poverty levels. RRBs provide individuals access to microcredit, savings accounts and insurance products of their needs for small farmers, artisans and entrepreneurs thereby empowering them to lift themselves out of poverty. The vast

majority of RRBs have been partnering with self help groups (SHGs) and micro finance institutions (MFIs), to ensure easy availability of credit even to remote and underbanked communities not served by banking infrastructure. They also help promote financial literacy by training rural clients to manage their loans productively and source from sustainable practices. Still, digital innovations such as mobile banking and cashless transactions have broadened RRBs' reach to remote areas because of ease in service delivery. These efforts not only hedge against rural economies, but are also in sync with governments' efforts to increase financial inclusion. The continued efforts through their focused microfinance strategies differentiate RRBs as critical drivers of socio economic transformation of Eastern India's rural landscape.

**Shah, A. (2007).** India's indigeneity is praised as a rich heritage and yet it will also uncover a dark side when we look into the realities of indigenous people's rights and development. Throughout history, indigenous communities have been oppressed, dislocated and left out of a development process. India does recognize the rights of indigenous peoples under the Constitution, including affirmative action and special provisions for their welfare. Large scale land acquisitions that have spurred the process of rapid industrialization, urbanization and infrastructure development to displace tribal communities from their ancestral lands without proper rehabilitation and compensation.

**Ghosh, K. (2006).** The interaction between global flows and local dams in the peripheral state of Jharkhand, India, has made for a difficult environment for indigenous communities who find themselves navigating between globalized state visions of development and conventional notions of indigeness and locality. With a wealth of natural resources, the region is becoming increasingly the victim of mining and infrastructure projects — large dams, in particular, which displace indigenous people. Driven by global economic forces, these development projects threaten the physical environment as well as the cultural and social fabric of a community of local tribal groups. On one hand, indigenous people are figuring out how to handle forces of modernization, but also fight to preserve their ancestral rights and practices. Global Capital might raise investments and bring technology for economic growth, but this all might also override the rights and voices of indigenous, tribal populations. Their land base is eroded and their traditional way of life are disrupted by the imposition of large scale dams and industrial projects. This paradox places indigenous communities at the crossroads of competing



interests: between pulls for global development and the need to preserve a locality and culture and its selfdetermination. Economic opportunities in the sphere of the transnational only strengthen the vulnerability of these communities which in turn deepen their marginalization.

**Babu, S., et al (2023).** Chhattisgarh has big potential to change farming and nutrition through millets, also known as the ‘magic crop’. Amongst the foremost millet cultivating states in India, this state has in recent times again seen the hike in the practise of millet cultivation, owing to the fact that millets are a resilient, drought resistant, and nutrient dense crop which flourish in the state’s varied climatic conditions. Increased popularity of millets presents promising prospects for improving food security, environmentally sustainable agriculture, and increasing income of small holder framers.

**Rao, N. (2007).** India has a mission of building an equitable and inclusive society where social justice and empowerment of weaker sections including marginalized communities and women are core to the whole process. The efforts of the nation regard to social justice are dedicated to resolving the historical inequality in the country and guaranteeing that all people including their caste, class and gender have assets and openings for their better future. It does so by way of giving reservations, welfare programmers and other such programs ranging from economic to educational to social to the weaker sections. This process also includes empowerment of women and gender rights, as women in India, especially in rural and tribal areas are discriminated, faced violence and have limited access to resources.

**Corbridge, S. (2002).** Democracy, decentralization and the politics of names and numbers, such is the complex play that defines Jharkhand, India's tribal heartland, which continues in its struggle. The motivation behind the creation of the state in 2000 after great demand for a separate identity was wishes for self governance and political representation for the state's tribal population. But, despite this promise of democracy and decentralization, Jharkhand deals with governance, development and the marginalization of indigenous communities. The mechanisms of decentralization via Panchayati Raj institutions and tribal self rule were supposed to empower local communities but power is concentrated in elite hands, and often the benefits of decentralization do not trickle down to grassroot social realities. These struggles are also about politics of names and numbers: Jharkhand’s tribal communities often find themselves competing with non-tribal groups for resource allocation and political representation, and so experience tension, exclusion. This divide is also further fueled by the

census, reservation policies, and the political debates surrounding demographic data. But, more grassroots movements are demanding greater autonomy, control over natural resources, and an end of exploitation by industrial and political powers. Addressing these deep rooted issues is the path to achieving true democracy and decentralization in Jharkhand and protecting the voice of its tribal population from being heard to being respected.

**Khan, M. (2024).** Eastern India, Jharkhand is a state with abundant natural resources and diverse culture with a big population of tribal people. Jharkhand was formed in 2000 after being sliced from Bihar with the promise that it will be ruled better and it will develop better for its original inhabitants, who have long been ignored by the system. Jharkhand has varied tribal groups the state is home to, possessing their own unique cultures and traditions that add to the social feeling of the state, though the state of Jharkhand possesses coal, iron ore and other valuable mineral resources, the state has yet not succeeded in converting it in the form of sustainable development. It has long been marginalized.

**Rao, C. B. (2014).** Priority Sector lending (PSL) by commercial banks in India is a vital policy tool to foster financial inclusion and promote sectors of national importance which lack adequate mainstream banking coverage. Currently introduced by Reserve Bank of India (RBI) PSL, requires commercial banks to allocate a certain proportion of its total lending to agri, micro, small, medium and medium enterprises (MSMEs), education, housing and export credit. Despite having undertaken significant efforts which resulted in more credit flows to rural and marginalised sectors, implementation of this initiative encountered a number of challenges. The PSL targets are also a concern because the PSLs often result in banks putting forth a higher weightage to short term goals rather than sustainable credit practices, with some banks concentrating on meeting the target as opposed to truly solving the priority sector needs. Banks have a poor capacity to disburse credit because of the lack of financial literacy and inadequate infrastructure or because of the perceived risks that go with lending to these sectors. The PSL system has been criticised for not stretching far enough towards the most vulnerable groups, particularly in remote rural areas where demand for credit is high and access is restricted. To strengthen PSL, these challenges need to be addressed and their guarantee on better financial inclusion programmes while making sure that the funds allotted reach those of the long term socio economic development.



**Prakash, A., et al (2015).** Homogenizing governance discourses denotes the tendency of global and national framework to impose a single model of governance, which generally overlooks the relevance of local, regional and cultural contexts of the people. Much of this is driven by the preeminence of neoliberal policies, international development organizations and centralized state structures pushing standardized solutions for governance issues. The suggestion is that you decentralize, democratize, liberalize, and the like, uniformly everywhere, and that will result in development and efficiency, everywhere. However, this homogenisation disregards the variety of political, social and economic systems that are found in diverse communities or regions. In country like India in which regional identities, traditions and local governance structures are diverse, an imposition of a single governance model widens the gap, marginalizes indigenous practices and increases the inequalities.

### **Key Initiatives by Vananchal Gramin Banks**

Vananchal Gramin Banks have been instrumental in driving financial inclusion and supporting the socio-economic upliftment of tribal and rural communities in Jharkhand and nearby regions. Their initiatives are focused on addressing the unique needs of marginalized populations, particularly tribal communities, by providing accessible, affordable, and tailored financial services. One of the key initiatives of Vananchal Gramin Banks is their active participation in government-sponsored schemes such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), which facilitates zero-balance savings accounts for rural households, enabling them to save securely and gain access to other financial services.

The bank also plays a critical role in promoting agricultural development through the Kisan Credit Card (KCC) scheme, which provides short-term credit to farmers for their cultivation needs at affordable interest rates. Additionally, they support micro, small, and medium enterprises (MSMEs) through Mudra Loans, empowering tribal entrepreneurs to establish and expand businesses, particularly in traditional crafts and agriculture-based industries. Vananchal Gramin Banks actively foster women's empowerment by financing Self-Help Groups (SHGs), which enable tribal women to engage in income-generating activities and become financially independent.

The bank ensures the effective implementation of social welfare programs like the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) by providing a reliable platform for the timely disbursement of wages to rural workers. They also support rural housing initiatives under the Pradhan Mantri Awas Yojana (PMAY), facilitating loans for constructing or improving homes. In recent years, the bank has embraced technology-driven banking, promoting digital literacy and providing mobile banking services to bridge the digital divide in remote tribal areas.

Through these initiatives, Vananchal Gramin Banks have not only enhanced financial inclusion but also contributed significantly to the economic empowerment, livelihood development, and overall well-being of tribal and rural communities.

### **Research Problem**

The research problem focuses on understanding the effectiveness and challenges of Vananchal Gramin Banks in fostering tribal development, particularly in addressing the financial exclusion and socio-economic disparities faced by tribal communities. Despite various government initiatives and the establishment of regional rural banks like Vananchal Gramin Bank, tribal populations continue to experience marginalization due to geographical isolation, lack of financial literacy, and inadequate access to formal financial services. While these banks aim to promote financial inclusion, improve livelihood opportunities, and support economic self-reliance, their impact on tribal development remains uneven, often hindered by infrastructural challenges, limited penetration in remote areas, and insufficient alignment with the unique cultural and economic needs of tribal communities. Additionally, the low adoption of digital banking services among tribals and the reliance on traditional cash-based economies further complicate the bank's ability to deliver inclusive financial solutions effectively. This research seeks to investigate whether the services and initiatives offered by Vananchal Gramin Banks, such as agricultural loans, self-help group financing, and support for entrepreneurship, have successfully contributed to improving the living standards, financial empowerment, and economic participation of tribal populations. It also aims to explore the obstacles faced by these banks in implementing their programs and the gaps that still exist in meeting the developmental needs of the tribal communities. Understanding these issues is critical for assessing the role of

Vananchal Gramin Banks in tribal development and identifying potential strategies for enhancing their effectiveness in promoting equitable growth and sustainable development in tribal regions.

### **Conclusion**

Vananchal Gramin Banks play a pivotal role in promoting tribal development by addressing financial exclusion and fostering socio-economic empowerment among marginalized communities. Through their initiatives such as financial inclusion schemes, agricultural credit, self-help group financing, and support for rural entrepreneurship, these banks have made significant strides in improving the livelihoods and living standards of tribal populations. By effectively implementing government-sponsored programs like the Pradhan Mantri Jan Dhan Yojana (PMJDY), Kisan Credit Cards (KCC), Mudra Loans, and Pradhan Mantri Awas Yojana (PMAY), they have ensured greater access to formal financial systems, reduced dependence on exploitative moneylenders, and enhanced economic self-reliance among tribals. Moreover, their efforts in promoting digital literacy and extending banking services to remote areas have contributed to bridging the digital divide and integrating tribal communities into the mainstream economy. However, challenges such as geographical inaccessibility, low financial literacy levels, cultural barriers, and infrastructural limitations continue to impede their full potential in achieving holistic tribal development. To address these gaps, it is essential for Vananchal Gramin Banks to adopt more culturally sensitive and community-driven approaches, enhance their outreach in remote tribal areas, and strengthen partnerships with local stakeholders and government agencies. By doing so, they can further align their initiatives with the unique needs and aspirations of tribal communities. Ultimately, Vananchal Gramin Banks hold the potential to be transformative agents of change, fostering inclusive growth and contributing significantly to the national objective of reducing socio-economic inequalities while ensuring sustainable development in tribal regions.

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