



Determinants for Accelerating Financial Inclusion in Tripura: Perception of the Bank Officials

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Abstract

Financial Inclusion (FI) aims to ensure and provide financial services as well as banking services to the vast vulnerable groups of people. The concept of 'Financial Inclusion' was accentuated in 2003 by United Nations. Such, efforts were undertaken by RBI in 2005. Probably, by implementing such policy resolution a vast section of the rural disadvantaged people in India was gradually coming under the ambit of banking facilities. The primary goal of this paper is to examine bank officials' perceptions of financial inclusion in Tripura, as bank officials play a key role in implementing the Government of India's Financial Inclusion scheme. The discourse is based on primary data collected from the perception of the 57 bank officials through a set questionnaire and followed by discussion with them. To understand the reasons associated with accelerating financial inclusion in Tripura, factor analysis is administered using SPSS 20 version software for extracting the factors. Before conducting the factor analysis the selected questions used for this study has been checked. Sample adequacy was verified using KMO and Bartlett's test. The study found that the availability of banking services, level of access of people to financial products and services, control over money lenders, infrastructure and facilities at the bank branch were the important factors for accelerating the process of FI in Tripura. The other significant factors were the affordability of products and services, computerization/automation of banking facilities. Therefore the attentions of banks are needed on the above-mentioned issues.

Keywords: Financial Inclusion, Bank officials, Perception, Factor analysis, Tripura

JEL Classification: G2

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Introduction

The term 'Financial Inclusion' signifies a process of ensuring delivery of financial services as well as banking services to the marginalised section of the society at the point of need. The concept



of Financial Inclusion (FI) was accentuated in 2003 by Kofi Annan, former General Secretary of the United Nations. According to him, the policy of "Financial Inclusion" brings opportunities to access sustainable financial services at an affordable cost. It may support to the rural backward and low-income groups of people to improve their living and financial conditions. Such, efforts were undertaken by the Reserve Bank of India (RBI) in 2005 and the said policy was first implemented by Indian Bank (Agarwal, 2010). Probably, by implementing such policy resolution a vast section of the rural disadvantaged people in India was gradually coming under the ambit of formal banking services.

Review of Literature

A good number of researches are found in the literature of financial inclusion. These studies are carried out from different dimensions and issues related to FI. Some of the research work related to present study are reviewed and presented below:

Kumar (2013) has examined the status of banking behaviour among households in Kerala. The paper has examined that the demand-side factors explaining Financial Inclusion and suggested to review the perceptions of bank managers. Finally, the study came up with some recommendations for the policymakers. Sahu (2013) in her study considered per-capita income, literacy, population, branch density, no of SHGs and per capita net state domestic product (NSDP) as the indicators of financial inclusion and found per capita NSDP as a lone indicator having a very significant impact on the growth of financial inclusion. Nandru et al., (2015) reviewed the factors of FI amongst the southern states of India using the Index developed by CRISIL. The authors used five metrics to conduct their research: branch penetration, population size, gender ratio, deposit to credit penetration ratio, and literacy rate. Except the literacy rate, the authors found all the variables having a significant impact on financial inclusion amongst the selected states.

Small farmers are one of the vulnerable sections of society from the standpoint of financial inclusion. An attempt has also been taken by John (2016) to understand the status of financial inclusion in Kerala. Another study by Nandru et al., (2016) report that gender ratio, population size, branch penetration, and credit to deposit penetration ratio have a major effect on enhancing financial inclusion programmes in south Indian states. According to Kaur (2017), among the socio-economic factors affecting FI, urbanization turned out to be the single most important factor contributing to the financial inclusion level in Punjab. The literacy rate of India and GDP has also been found statistically significant with financial inclusion and appears to be important predictors of the regression model. However, their contribution is not as high as that of the urbanization which alone accounted for 53% of the variations in financial inclusions amongst the districts of Punjab. The paper attempted to understand the factors influencing FI in Punjab using a district level Financial Inclusion Index (FII). The study has been undertaken by considering literacy rate, degree of urbanization and district gross domestic product are the main socio-economic determinants of financial inclusion. Abel et al., (2018) found that age, education, financial literacy, income, internet connectivity are positively related to financial inclusion and the distance to the nearest access point is adversely associated with financial inclusion in Zimbabwe. Various factors affecting Financial Inclusion level in Himachal Pradesh is examined by Vaidya et al., (2018).

Raichoudhury (2020) has analysed the major determinants of FI in India based on state-level evidences and concluded that the policymakers and Government should take a part to improve the growth of inclusive financial through creation of different work programmes and policies. Sakthivel and Nadig H S (2020) discussed the impact of digital financial inclusion based on quality financial as well as banking facilities and also identified the major constraints of digital FI in the

Tumkur district of Karnataka. The study has found that Know Your Customer (KYC) norms, flexible banking regulations can enhance the digital banking users and Business Correspondents (BCs) can assist digital financial inclusion in the rural section of the society.

The review of available literature reveals that the studies on Financial Inclusion in the context of the North Eastern Region of India are very limited. The studies on factors responsible for accelerating Financial Inclusion in a backward State like Tripura are also found missing. In most of the studies, it is also evident that these studies are related to larger states of our country or the country as a whole, but not properly focused on the issues associated with smaller states. The present study makes an attempt to examine the issues related to Financial Inclusion in Tripura based on the perception of the bank officials. Unfortunately, the Financial Inclusion aspect of Tripura is deprived of drawing the attention of the researchers to any noticeable extent. The survey of the existing literature on financial aspects indicates that at present there is no study on this issue. Therefore a study of the perception of the bank officials on Financial Inclusion in Tripura is planned.

Present Study

The main objective of the present study is to analyse the perception of the officials of banks pertaining to FI in the state of Tripura. The study is an analytical as well as empirical one based on material collected from primary data. The opinion surveys of the officials of banks are pursued in terms of the aims of the present study. The responses provided by the respondents on the basis of set questionnaires are corroborated further by detailed discussions with them for further clarity as and when required.

In the course of analysing the issue, research studies, reference books, RBI publications, Lead Bank publications, State Government and Central Government publications, notifications, reports, other published and unpublished documents relating to the study are considered. The basic databases of the study are collected from the SLBC Reports. Primary data are based on the opinion of selected bank officials, following the established procedure in this regard.

The perception of the 57 bank officials are considered in this study with a structured questionnaire. The respondent bank officials are from various All Scheduled Commercial Banks located in the state comprising of Nationalised Banks, State Cooperative Banks and Gramin Banks excluding Private Banks. Only those bank officials have been selected for a perception survey that has direct experience in working in the process of implementing financial inclusion initiatives.

To implement the policy of Financial Inclusion, the bank personnel plays an important role. Therefore, the present study considered the opinion of the selected bank officials on the issue of accelerating FI in Tripura. The questionnaire was pretested to ensure adequate reliability on the variables incorporated in it. The selected bank officials were asked to provide their views in five point Likert Scale with strongly agree (5), agree (4), neutral (3), disagree (2) and strongly disagree (1). To understand the factors responsible for accelerating financial inclusion in Tripura, factor analysis has been carried out using SPSS 20 version software for extracting the factors. To avoid the cross-loading among the factors of the variables Eigen Value criteria (greater than one) and Varimax Rotation Criteria have been used. Before conducting the factor analysis the reliability of the set questionnaire has also been verified. Sample adequacy has been checked using KMO and Bartlett's test.

Based on available literature and preliminary discussion with the high level selected bank officials, the following factors were considered in the questionnaire: (i) financial awareness and

knowledge of the people of the state about banking services, (ii) availability of financial products & services, (iii) level of access of people to financial products & services, (iv) attitude of the people towards the banking facilities, (v) Affordability of products and services (banking facilities), (vi) control over moneylenders, (vii) attitude of the bank staff towards the customers, (viii) infrastructure and facilities at the bank branch (other than computerization/automation) and (ix) computerization/automation of banking facilities.

Results and Discussions

To understand the reasons responsible for accelerating financial inclusion in Tripura the opinion of the selected bank officials of the sample units is sought. From their view, it can more or less be understood that accelerating FI is a result of various factors. After taking with them around nine (9) factors were identified that resulted in accelerating Financial Inclusion. Not all agreed to these factors, some strongly agreed, some agreed, some strongly disagreed, some disagreed and some kept neutral in each of these factors. But more or less these nine factors have some impact on accelerating the process of FI in Tripura. This list is purely based on the opinion of the respondents.

On scrutiny of the opinion of the respondents, it is seen that the opinion do not have the same degree of factors responsible for accelerating FI in the state of Tripura. The opinions of the selected bank officials were expressed on a five-point scale. The two extremes were 'strongly agreed' and 'strongly disagreed', the midpoint is 'neutral'. Between the midpoint and the two extremes were two points on both sides they were 'agreed' and 'disagreed'. The opinion of the respondents on each factor is expressed and discussed below in details (Table 1).

Table 1: Factors Responsible for Accelerating Financial Inclusion

Response Category	No. of Respondent					Total
	Strongly Agreed	Agreed	Neutral	Disagreed	Strongly Disagreed	
Financial awareness and knowledge of the people of the state about banking services	2 (4)	10 (18)	0 (0)	11 (19)	34 (60)	57 (100)
Availability of financial products and services (banking facilities)	1 (2)	18 (32)	0 (4)	28 (49)	10 (18)	57 (100)
Level of access of people to financial products and services	4 (7)	37 (65)	1 (2)	4 (7)	11 (19)	57 (100)
Attitude of the people towards the banking products	2 (4)	10 (18)	2 (4)	22 (39)	21 (37)	57 (100)
Affordability of the people to products and services	5 (9)	22 (39)	4 (7)	13 (23)	13 (23)	57 (100)
Control over money lenders	10 (18)	27 (47)	0 (0)	6 (11)	14 (25)	57 (100)
Attitude of the bank staff towards the customers'	2 (4)	11 (19)	2 (4)	20 (35)	22 (39)	57 (100)
Infrastructure and facilities at bank branch	2 (4)	14 (24)	0 (0)	26 (46)	15 (26)	57 (100)
Computerization/automation of banking facilities	4 (7)	16 (28)	1 (2)	14 (25)	22 (39)	57 (100)

Source: Field Survey (Note: Figures in the brackets are in Percentages)

Table 1 show that majority of the selected bank officials strongly disagree with the views that financial awareness and knowledge of the people about banking services is the important factor responsible for accelerating the process of FI in the state of Tripura. Availability of banking facilities and attitude of the people towards the banking products are the most significant reasons for the accelerating financial inclusion, but 49 percent and 79 per cent of the sample respondents disagreed or strongly disagreed that availability of banking services and attitude of the people towards the financial products are the responsible factor for accelerating financial inclusion in Tripura. Out of 57 respondents, 42 (74 per cent) of them either strongly disagree or disagree with the attitude of the bank employee towards the customers as another important factor for accelerating financial inclusion. It is observed that out of 57 surveyed respondents 72 percent strongly disagreed and disagreed; whereas only 4 per cent of the selected respondents are strongly agreed that infrastructural facilities at bank branch are the important factors for accelerate financial inclusion. It is found that 64 percent disagreed and strongly disagreed that computerization/automation of the banking facilities is the factor responsible for accelerating the financial inclusion process in Tripura. It is observed that most of the respondents (72 per cent) are agreed or strongly agreed that level of access of people is the important factor for accelerate financial inclusion in Tripura. It is found from the above table 1 that 39 per cent of the respondents are agreed that the affordability of products and services is also responsible reason for accelerated financial inclusion. According to respondents, control over money lenders are another important issue, because 65 per cent of respondents either agreed or strongly agreed that control over money lenders is the major responsible factor for accelerating FI.

For examining the factors responsible for accelerating financial inclusion in Tripura factor analysis is conducted. The reliability of questions asked in the particular sections has also been checked. The reliability statistics Cronbach's Alpha for the parts came to be 0.791 shows it quite satisfactory for the further proceedings (Table 2).

Table 2: Reliability Statistics of Questionnaire Framed for the Study

Cronbach's Alpha	No. of Items
0.791	9

Source: Computed by Statistical Tool, IBM SPSS Version 20.

Factor analysis using SPSS 22 Version software for extracting the factors has been carried out. For avoiding the cross-loading among the factors of the variables Eigen value criteria (greater than one) and Varimax Rotation Criteria have been used respectively. Sample adequacy has been checked using KMO and Bartlett's Test which is satisfactory it came as more than 0.6. The result shows that the number of samples collected is enough for study. Table 3 exhibits the summary results of the sample adequacy.

Table 3: Result of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.710
Bartlett's Test of Sphericity	Approx. Chi-Square	130.397
	df	36
	Sig.	.000

Source: Computed by Statistical Tool, IBM SPSS Version 20.

The output of factor analysis is examined after validating the variables using the communalities. The following table 4 provided the communalities extracted for the factors responsible for accelerating financial inclusion in Tripura.

Table 4: Communalities Extracted for the Factors Responsible for Accelerating Financial Inclusion using PCA Extraction Method

Factors Responsible for Accelerating Financial Inclusion	Initial	Extraction
Financial awareness and financial literacy of the people of the state	1.000	.815
Availability of financial products and services	1.000	.625
Level of access of people to financial products and services	1.000	.512
Attitude of the people towards the banking products	1.000	.524
Affordability of products and services	1.000	.745
Control over money lenders	1.000	.517
Attitude of the bank staff towards the customers'	1.000	.642
Infrastructure and facilities at bank branch	1.000	.700
Computerization/automation of banking facilities	1.000	.680

Source: Field Survey

It is found that communalities show sufficiently larger values suggesting that the variables were also vital for the contemplated problem (Communalities with values more than 0.3 may be taken as important as a thumb rule if the sample size is sufficiently large). Since the lowest communality is 0.512 and all other communalities were fairly large (> 0.512), it is supposed to be a good set of variables for further analysis.

A summary of the extracted factors and the total variance explained by the total number of extracted factors have been presented. It may be noticed here that these extracted factors were obtained after avoiding the cross-loading. It is found that three factors were loaded and it explains 64.013 per cent variance. The result shows that the variables included in the questionnaire were able to explain only 64.013 percent of the total variation and the rest is unexplained. Table 5 depicts the result of the total variance explained.

Table 5: Total Variance Explained using PCA Method

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Factor 1	3.411	37.895	37.895	3.411	37.895	37.895
Factor 2	1.325	14.726	52.621	1.325	14.726	52.621
Factor 3	1.025	11.392	64.013	1.025	11.392	64.013

Source: Computed by Statistical Tool, IBM SPSS Version 20.

The three factors based on the nature and importance of the variable loaded under each factor are termed as factor 1 (availability of banking facilities, level of access of people to financial products and services, control over money lenders, infrastructural facilities at a bank branch),

factor 2 (affordability of products and services, computerization/automation of banking facilities) and factor 3 (financial awareness and knowledge of the people of the state about banking services, an attitude of the people towards the banking products, approach of the bank employee towards the customers'). Table 6 showing the summary result of the factors loaded under each factor.

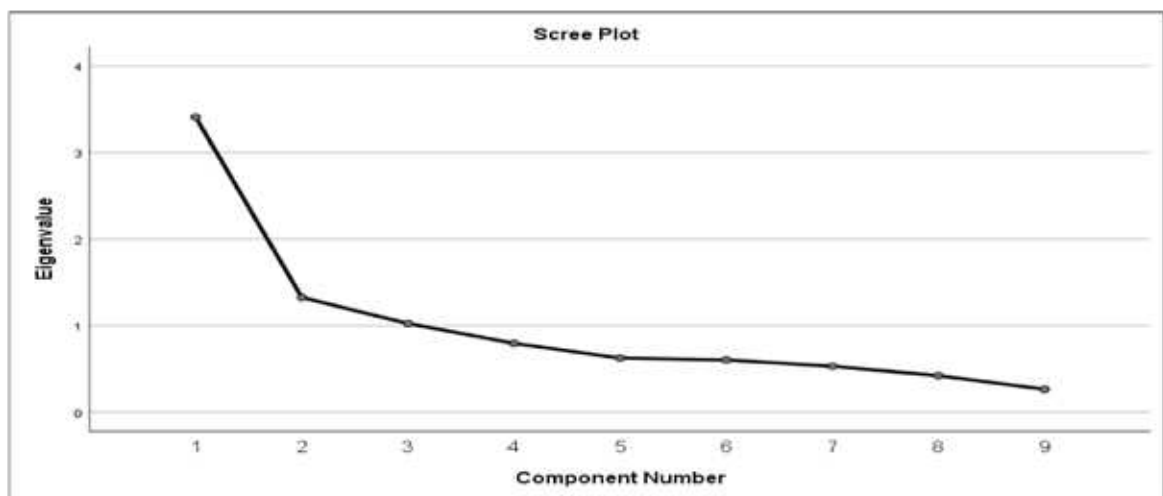
Table 6: Rotated Component Matrix using PCA Method and Varimax with Kaiser Normalization Rotation Method

Variables	Component		
	Factor 1	Factor 2	Factor 3
Infrastructure and facilities at bank branch	0.823		
Availability of banking facilities	0.748		
Control over money lenders	0.678		
Level of access of people	0.610		
Affordability of products and services		0.807	
Computerization/automation of banking facilities		0.734	
Financial awareness and Knowledge of the people about banking services			0.881
Attitude of the bank employee towards the customers'			0.641
Attitude of the people towards the banking products			0.569

Source: Computed by Statistical Tool, IBM SPSS Version 20.

Further, to find out the important factors that persuade to accelerate the FI process in Tripura of the sample units, a 'scree plot' has been drawn. It is observed in the graph that the factor-1 and factor-2 were in a straight line. That means the factor-1 and factor-2 is the most responsible in the way of accelerating financial inclusion in Tripura.

Figure 1: Scree Plot of Factors Responsible for Accelerating Financial Inclusion



Source: Field Survey

Factor analysis confirms that the availability of banking services, level of access of people to banking facilities, control over money lenders, infrastructure and facilities at the bank branch were

the most responsible factors for accelerating the Financial Inclusion process in Tripura. The other noteworthy reasons were the affordability of products and services, computerization/automation of banking facilities.

Concluding Remarks

It has come to our knowledge during discussion with the selected bank officials that the bank customers are allowed to open savings/current accounts mainly for the purpose of operation of sectioned bank loans, receive financial assistance from Government and depositing money as savings. It is also reported that the borrower's lack of regular income, poor financial status, non-fulfillment of criteria for providing bank loan as per banking rules and guidelines, providing inadequate security, insufficient documentation, and lack of a guarantor of the loan, as well as the borrower's unsound credit history, are all reasons for refusing a bank loan to a customer. Most of the customers are availed of loans for business, agriculture, vehicle and housing purposes. The strong presence of money-lenders, non-banking financial institutions and private banks are the major constraints of expansion of bank facilities in terms of new bank account. The respondents are also agreed that the behavior of bank staff, language and approach of bank staff, location of the bank branch and facilities available at the branch are the most essential issues influencing the customers in bank transactions in the state. The majority of the selected bank officials agreed that scheduled tribes and other marginalized sections of the society were immensely benefited by the Financial Inclusion process in Tripura. It may be reiterated that availability of financial products and services, level of access of people to financial products and services, control over local money lenders and infrastructure and facilities at bank branches are the most significant factors for accelerating the process of FI in Tripura. Therefore the banks and policy makers should pay serious attention to the above-mentioned issues.

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