Journal of Rural Development, Vol. 35 No. (2) pp. 167-189
NIRD&PR, Hyderabad.

FINANCIAL INCLUSION IN TRIPURA – AN ASSESSMENT

*Sanjoy Roy**

ABSTRACT

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Providing access to basic banking services is the first phase of the financial inclusion process. The relevance of financial inclusion in Tripura carries a lot of points. The economy of Tripura plagued by geographical isolation, poor infrastructure facilities, higher incidence of poverty and high unemployement, etc., is agrarian and more than 80 per cent of population lives in the rural areas. The Census-2001 data reveal that proportion of households availing of commercial bankiing services in the State was 26.5 per cent compared to all-India level of 35.5 per cent. There are different estimates on the extent of exclusion but most of the estimates establish that the NER region is financially excluded and the region lies at the bottom.

Given the backdrop, the financial inclusion of Tripura is assessed with parameters like the number of branches, number of villages covered, number of accounts opened, expansion of ATM network, credit-deposit ratio, etc., to know the degree of banking penetration in the State. The study shows that physical achievements have reached notable level in Tripura compared with other States but qualitative achievement is still awaited for which banks should emphasise on local opportunities and requirements keeping in view national plan as well as the policy of State government, etc., so that credit penetration reaches the rural poor.

* Principal, Netaji Subhas Mahavidyalaya (Government of Tripura), Udaipur, Tripura - 799 120. E-mail: srbpukura@gmail.com

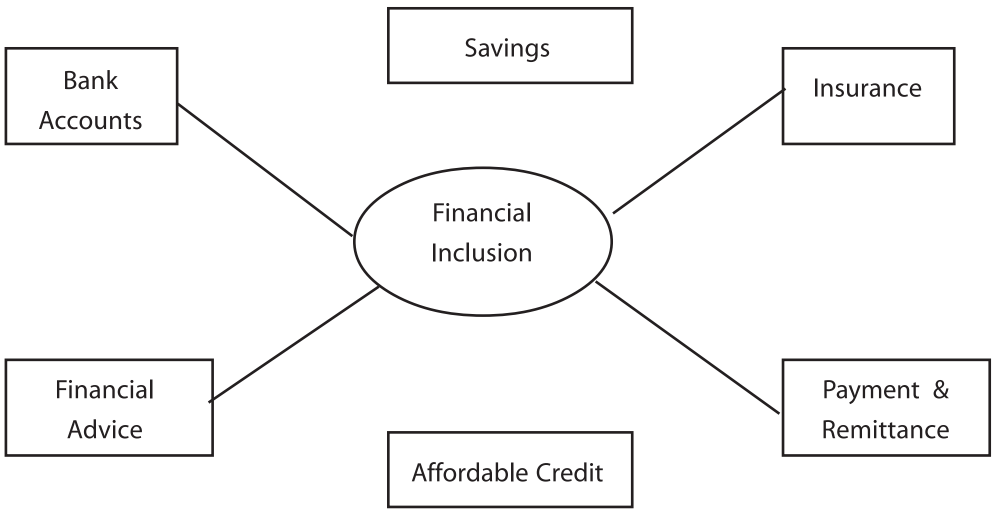
Introduction

The concept of Financial Inclusion is not a new one. Nowadays it is a catchphrase and has attracted the global attention. Lack of accessible, affordable and appropriate financial services has always been a global problem. It is estimated that about 2.9 billion people around the world do not have access to formal sources of banking and financial services. India is said to live in its villages, a convincing statement, considering that nearly 72 per cent of our population lives there. However, a significant proportion of 6,00,000 odd villages do not have a single bank branch to boast of, leaving swathes of the rural population in financial exclusion. Exclusion survey 2003 findings establish that 'highest number of households (145 million) is excluded from banking, 50 per cent of Indian population does not have bank accounts, only 34 per cent of the population is engaged in formal banking, only 17 per cent of population has any credit exposure especially in remote villages, only 30,000 villages have commercial bank branch, only 10 per cent have life insurance cover, just 9.6 per cent have any non-life insurance' (Chakraborty). RBI has reported that the financial exclusion in India leads to the loss of GDP to the extent of one per cent (Chattopadhya, 2011). Financially excluded people, consistently, depend on money lenders even for their day-to-day needs, borrowing at excessive rates to finally get caught in a debt trap. In addition, people in far-off villages are unaware of financial products like insurance, which could protect them in adverse situation. Therefore, financial inclusion is a big necessity for India as a large chunk of the world's poor resides here. Access to finance by the poor and vulnerable groups is a pre-requisite for poverty reduction and social cohesion. Keeping this in view, the Government of India had formed a committee on Financial Inclusion under the chairmanship of Dr. C. Rangarajan, who submitted the report in January 2008.

Significance of financial inclusion

Financial inclusion (FI) refers to the strategy adopted to make banking activities and its benefits reach the unbanked areas. It is a drive to bring the unprivileged people at par with the mainstream. Financial Inclusion does not restrict itself to credit. It includes financial awareness, knowledge about banks and banking facilities provided by banks and the advantages of using the banking route. It involves educating people financially; making them financially literate and empowers the poor to take charge of their lives. 'Apart from these benefits, FI imparts formal identity, provides access to the payments system and to savings safety net like deposit insurance. Hence, FI is considered to be critical for achieving inclusive growth; which itself is required for ensuring overall sustainable growth in the country' (Thorat, 2007). Financial inclusion may be defined 'as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost' (Rangarajan, 2008). Financial Inclusion, broadly defined, 'refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products' (Rajan, 2009). Financial Inclusion is depicted in Figure I (Rangarajan, 2006). The essence of financial inclusion is to ensure delivery of financial services which include - bank accounts for savings and transactional purposes, low cost credit for productive, personal and other purposes, financial advisory services, insurance facilities (both life and non-life), etc. 'Banking services are essentially for welfare of the public. It is imperative, therefore, that the availability of banking and payment services to the entire populace without discrimination is the avowed objective of public policy. In our considered view, providing access to basic banking services is the first phase of the financial inclusion process' (Chakraborty, 2013). Besides, Financial Inclusion also mitigates the exploitation of vulnerable sections from the usurious money lenders by facilitating easy access to formal credit.

Fig -1 Financial Inclusion



Source: Report of the committee for Finacial Inclusion , p-34.

The relevance of financial inclusion in Tripura carries a lot of points. Tripura is a tiny north-eastern State with an area of 10,291sq km (approx) having population of about 38 lakh with 31 per cent and 17 per cent as ST and SC population, respectively. The economy of Tripura is agrarian and more than 80 per cent of population lives in the rural areas. The State is characterised by geographical isolation, poor infrastructure facilities, higher incidence of poverty, low capital formation, industrial backwardness and high level of unemployment, etc. The institutional structure of financial system in the State is not well developed. Public sector banks have only expanded their network particularly during last two to three decades. Tripura had an underdeveloped banking infrastructure when it joined the Indian Union in 1949. In 1956, when Tripura became a Union Territory, it had only two bank offices, with a coverage of 3,00,000 persons per bank office.

In 1969, there were five Scheduled Nationalised Commercial Bank (SNCB) branches serving an average population of 2,76,000 per bank branch. In March 2007, it rose to 186 SNCB branches in the State serving an average population of 18,655 per bank branch. The Census-2001 data reveal that 'proportion of households availing commercial banking services in the State was 26.5 per cent that is low compared to all India level of 35.5 per cent'(Charan, 2005). The use of commercial banking was lowest among ST households. 'In 2001, only about 12.2 per cent of the villages in Tripura had a commercial bank branch. Of the remaining villages, only 15.1 per cent had a branch operating within 5 kilometers. In other words, the remaining 72 per cent of the villagers had to travel a distance of more than 5 kilometers to reach a bank branch' (Tripura Human Development Report, 2007). In rural Dhalai district, only 11 per cent of all tribal households reported any access to banking institutions.' The credit-deposit ratio for Tripura also underwent a steep fall after 1990. The fall in the credit-deposit ratio continued for all these districts between 2000 and 2003 (Chavan, 2005). The credit-deposit ratio in the State was staggering at 30 per cent in March 2010 (Proceedings of 96th SLBC Meeting). Current and Savings Accounts per 100 adult population in 2005 was 36.7 compared to all-India average of 59 accounts and a per capita deposit of ₹ 7199 compared to all India average of ₹ 16700 (Thorat, 2006). Credit to Net State Domestic Product (NSDP) ratio is as low as 18 compared with all-India average of 62 (Thorat, 2006). The various indicators for Tripura , which are commonly used for looking at banking development, show that despite improvement in the last five years, the level of financial outreach is low establishing a vast majority of population outside the access of banking services and warranting the initiatives for financial inclusion.

Methodology

Objectives:

- To highlight the measures taken by the Government of India and RBI for promoting financial inclusion;
- To study the progress of the initiatives taken for financial inclusion in India and Tripura, and
- To gauge the effectiveness of financial inclusion with gaps in Tripura.

The present paper is based on secondary sources. The information is gathered from published speeches of key RBI officials, articles, journals, newspapers, committee reports, economic reviews of Tripura, books, Annual Reports, etc. Data were collected from the websites of the Reserve Bank of India, State Level Bankers' Committee (SLBC), various Departmental websites of Government of India and Government of Tripura. Some ratios and Tables have been used. Effectiveness of financial inclusion in Tripura is gauged on the basis of the reflections of parameters used in the study.

Extent of Financial Exclusion and Parameters Proposed for the Study

In this section, the extent of financial exclusion from different perspectives / angularities is presented based on four different data sources viz.:

(a) NSSO 59th Round Survey Results,

(b) Government of India Population Census 2011,

(c) CRISIL-Inclusix,

(d) RBI Working Paper Series Study on 'Financial Inclusion in India: A Case-Study of West Bengal'

a) NSSO 59th Round Survey Results (Rangarajan, 2008): 51.4 per cent of farmers households are financially excluded from both formal and informal sources. Of the total farmers households, only 27 per cent access formal sources of credit; one-third of this group also borrowed from non-formal sources. Overall, 73 per cent of farmer households have no access to formal sources of credit. Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. All three regions together accounted for 64 per cent of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance of these three regions accounted for only 19.66 per cent.

b) Government of India Population: As per census 2011, only 58.7 per cent of households are availing of banking services in the country while it was 79 per cent for Tripura.

c) CRISIL Financial Inclusion Index (Inclusix) (Vijaya Bhaskar, 2013): In June 2013, CRISIL first time published a comprehensive financial inclusion index (viz.,Inclusix). For constructing the index, CRISIL identified three critical parameters of basic banking services namely, branch penetration, deposit penetration and credit penetration. The CRISIL Inclusix indicates that there is an overall improvement in the financial inclusion in India. CRISIL –Inclusix (on a scale of 100) increased from 35.4 in

March 2009 to 37.6 in March 2010 and to 40.1 in March 2011 and while the 'inclusix' for NER (Singh, 2014) rose to 28.8 in 2011 from 23.8 in 2009.

d) RBI Working Paper Study of Sadhan Kumar (2011) worked out an Index on Financial Inclusion (IFI) based on three variables namely, penetration (number of adults having bank account), availability of banking services (number of bank branches per 1000 population) and usage (measured as outstanding credit and deposit). The results indicate that Kerala, Maharashtra and Karnataka achieved high financial inclusion (IFI >0.5 while Tamil Nadu, Punjab, A.P, H.P, Sikkim, and Haryana identified as a group of medium financial inclusion (0.3 <IFI <0.5) and the remaining States have very low financial inclusion.

Thus, there are different estimates of the extent of inclusion through formal sources, as the reference period of the data is not uniform. Different estimates indicate that banking penetration, deposit penetration and credit penetration are the keys to assess the degree of financial inclusion in different regions. The above estimates including the 'Report of Committee on Financial Sector Plan for North Eastern Region (2006) establish that the NER region is financially excluded and the region stands at the bottom. Given the backdrop, the financial inclusion of Tripura is assessed with parameters like the number of branches and accounts opened, number of villages covered, expansion of ATM network, issuance of KCC, credit-deposit ratio, etc., to know the degree of banking penetration and credit penetration which are considered as first phase of Financial Inclusion.

Financial Inclusion – Government of India and RBI Policy Initiatives

RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottlenecks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts(Vijaya Bhaskar, 2013), which include the following:

Opening BSBD Accounts (BSBDA, 2014) : RBI advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities such as nil or minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card, etc.

- ***Relaxed and Simplified KYC Norms*** (RBI, 2014): To facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding ₹ 50,000 and aggregate credits in the accounts not exceeding ₹ one lakh a year, banks are advised not to insist on introduction for opening bank accounts of customers.

- ***Simplified Branch Authorisation Policy***: To address the issue of uneven spread of bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centres with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim, domestic SCBs can open branches without having any permission from RBI.

- ***Compulsory Requirement of Opening Branches in Un-banked Villages:*** Banks are directed to allocate at least 25 per cent of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centres.

Engaging Business Correspondents (BCs) : In January 2006, RBI permitted banks to engage business facilitators and business correspondents as intermediaries for providing financial and banking services. With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks are allowed to use the services of Non-Governmental Organisations/ Self-Help Groups (NGOs/ SHGs), Micro Finance Institutions (MFIs), etc., as Business Facilitator and Correspondent models. The BC model allows banks to provide doorstep delivery of services, specially cash-in and cash-out transaction, thus addressing the last-mile problem.

Use of Technology: Recognising that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communication technology (ICT) to provide doorstep banking services.

Adoption of EBT *:* Banks have been advised to implement Electronic Benefit Transfer (EBT) by leveraging ICT enabled banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction cost.

Usage of Regional Language: RBI asked banks to provide all the materials related to opening accounts, disclosures, etc., in the regional language.

General Credit Card (GCC) / Kisan Credit Card (KCC): With a view to helping the poor and disadvantaged with access to easy credit, banks have been asked to consider introduction of general purpose credit facility up to ₹ 25000 at their rural and semi-urban branches. Recently the coverage of GCC is extended and ceiling limit of ₹ 25000 is withdrawn for better flow of credit.

The KCC scheme was introduced by Government of India in 1998-99 and revised in 2012 with a view to replacing a tangled confusion of other short-term agricultural credit systems that became increasingly burdensome and inadequate. The scheme was conceived as a uniform credit delivery mechanism aimed at provision of adequate and timely supply of short-term credit to the farmers for their crop production requirements.

Road Map for Providing Banking Branches in Unbanked Villages with a Population of More than 2000: Banks had been advised to draw up a road map to provide banking services in every unbanked village having a population of over 2000 by March 2012. RBI advised banks that such banking services need not necessarily be extended through a brick and motor branch, but could also be provided through any form of ICT based model. About 73000 such unbanked villages had been identified and allotted to various State Level Bankers' Committee.

Swabhiman: *Swabhiman* is a financial inclusion plan of banks to take banking to the door-steps of the remote village where banking facilities are not available. On February 10, 2011 Government of India launched it to achieve financial inclusion programme in which five crore households of 74000 villages would be provided access to banking services in unbanked area by opening 5 crore 'no frills' account till March 2012. Under *Swabhimaan,* over 3.25 crore bank accounts in rural areas have been opened.

Prime Minister Jana Dhan Yojana (PMJDY): **PMJDY** is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household with financial literacy, access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of ₹ 1 lakh.

Progress of Financial Inclusion Initiatives in India and Tripura

Before 1990, several initiatives were undertaken by RBI and Government of India for enhancing the use of the banking system for sustainable and equitable growth. These included establishment of State Bank of India (1955), nationalisation of private sector banks (1969), the Lead Bank Scheme (1970), establishment of Regional Rural Banks (1975), introduction of priority sector lending norms, branch licensing norms with focus on rural/ semi-urban branches and creation of specialised financial institutions like NABARD, etc., to cater to the requirement of the agriculture and the rural sector. After 1990's, initiatives include the launching of Self-Help Groups (SHG) linkage programme (1992), introduction of KCC (1998) and deploying BCs, opening of BSBD accounts, etc. Details of the progress are discussed below:

Number of Branches Opened: Due to RBI's concerted efforts since 2005, the number of branches of Scheduled Commercial Banks (including RRB) in India increased manifold from 69,471 in March 2006 to 1,17,280 in March

2014, spread across the length and breadth of the country. In rural areas, the number of branches increased from 30,579 to 45,177 during March 2006 to March 2014.

The number of branches of Scheduled Commercial Banks (SCBs) in NER increased from 1952 in March 2005 to 2752 in March 2013. It may be mentioned that all India Average Population Per Branch Office (APPBO) and North East region APPBO and APPBO for Tripura in 2005 were 14949 , 19885 and 17429, respectively in 2005 (Thorat, 2006). The 'APPBO' for NER remained at 9795 far above the national average 7016 as on March 31, 2013. The ratio varied greatly across NE States, between 4014 in Sikkim and 17323 in Manipur (Vijaya Bhaskar, 2014). In Tripura, number of bank branches which was 20 in 1975 rose to 183 in 2003 (Chavan, 2005) and now at the end of March 2015 stands at 461 and this includes 249 (54 per cent) in rural areas and, 96 (21 per cent) in urban areas and 116 (25 per cent) in semi-urban areas (*Slbctrpra,* 2015). In Tripura 'APPBO' , has gone down from 17429 in March 2005 to 7969 in March 2015 while in rural areas 'APPBO' has gone down to 10893 in March 2015 from '23701 in 2005' (Thorat, 2016). District-wise position of bank branches and 'APPBO' as on March 31, 2015 are shown in Table 1:

Table 1: District-wise Coverage of Population by Bank Branches in Tripura as on 31/3/2015

S.No.	Name of District	Population as per 2011 census*	Number of bank branches**	APPBO
1	Sephahijala	4,83,687	47	10,291
2	West Tripura	9,18,200	157	5,848
3.	South Tripura	4,30,751	51	8,446
4.	North Tripura	4,17,441	44	9487
5.	Dhalai	3,78,230	43	8,796
6.	Khowai	3,27,564	33	9,926
7.	Unakoti	2,76,506	28	13,447
8.	Gomati	4,41,538	58	7613
9.	Tripura	36,73,917	461	7969

Source: * Economic Review of Tripura 2013-14 and **Office of SLBC, Agartala, Tripura.

Villages Covered and Business Correspondent: According to RBI Annual Report 2013-14, the number of total banking outlets in Indian villages as on March 2014 was 3.84 lakh. Out of these, 1,15,350 banking outlets were opened during 2013-14. Nearly 5,300 rural branches were opened during the last one year. Out of these, nearly 4,600 branches were opened in unbanked rural centres. As reported by the banks, under their financial inclusion plans, nearly 2,48,000 BC agents had been deployed by banks as on March 31, 2014 which are providing services through more than 3,33,000 BC outlets (RBI Annual Report, 2013-14).

In Tripura, banking penetration in rural areas as per 2011 census reveals that 78 per cent of the households were covered while all India average was 54 per cent. 'The total number of villages in NER remained at 42,250 (Census, 2011, Govt. of India). Of these, only 1866 villages (4.4 per cent) were covered under financial inclusion plans by March 2012. On the other hand, the number of BCs appointed increased from 939 in March 2011 to 1592 in March 2012. Across eight NE States, the progress in number of villages covered is significantly on higher side in the case of Assam and Tripura than other States' (Vijaya Bhaskar, 2014).

In Tripura, there were 1038 unbanked villages. Number of unbanked villages having population of more than 2000 was 419 and number of unbanked villages with population less than 2000 was 619 at the time of formulation of financial inclusion plan. The banks have already set up banking outlets in all the 419 villages having population of 2000 or more through BC model and Brick and Mortar branches in five villages. On the other hand, as per guidelines under FI Plan at least 5 per cent of the total villages (619) should have Brick & Mortar branches. Accordingly, SLBC Tripura identified 35 centres for opening of Brick & Mortar branches and allotted amongst the different banks. So far 34 Brick & Mortar branches have already been opened except one branch at Thirthamukh village (Financial Inclusion, 2013).

BSBD Accounts Opened: The aim of introducing 'Basic Savings Bank Deposit (BSBD) Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives. All the accounts opened earlier as 'no-frills' account should be renamed as BSBDA as per instructions. Banks are required to convert the existing 'no-frills' accounts' into BSBD accounts. The number of BSBD accounts opened increased from 73.45 million in March 2010 to 243 million in March 2014 (RBI Annual Report, 2013-14). RBI advised banks to provide small overdrafts in BSBD accounts. Accordingly, up to March 2014, 5.9 million BSBD accounts availed of overdraft facility (RBI Annual Report, 2013-14).

In Tripura, all the identified 1038 villages were covered either by Brick & Mortar Branch or BC model and thereby 100 per cent coverage of financial inclusion is achieved in the State. Available records show that 31.02 lakh savings accounts are opened in SCBs up to March 2014 in Tripura (RBI Basic Statistical Returns). About

6,06,147 number of FI accounts have been opened by the banks up to March 2014 in these villages. The bankers now require to speed up the process of increasing transactions to the maximum extent possible through these accounts to derive benefits (Proceedings of the 109th SCBC meeting, 2014).

Expansion of ATM Network: Total number of ATMs in India is 181252 at the end of March 2015 (RBI) and it comprises 71 per cent by SCBs, 28.4 per cent and 0.6 per cent by private banks and foreign banks, respectively. It may be mentioned that out of the total ATMs, 28 per cent are in Metro cities, 28 per cent in urban areas, 27 per cent in semi-urban areas and 17 per cent in rural areas. The number of rural ATMs increased from 5,196 in March 2010 to 11,564 in March 2013 to 31652 in March 2015. Tripura had 308 ATMs against 425 branches, out of which 157 were onsite and remaining 151 were offsite up to March 2014. Although 170 new ATM locations have been identified, banks are not finding all the locations viable for opening of ATMs due to difficulty in cash management, supervision of security and estimated insufficient hits per day (Proceedings of 111th SLBC meeting, 2014). However, till recently many ATMs have been opened out of identified 170 locations and the number of ATM has gone up to 444 at the end of March 2015 (RBI State-wise & Region-wise deployment of ATMs). Table below shows the picture of number of total ATMs available in NER at end of March 2015.

Table 2 : No. of ATMs in NER for the Quarter Ended March 2015

S. No.	States	Total	Public sector banks(%)	Private sector banks(%)	Foreign Banks	Population Coverage per ATM *
1.	Assam	3216	2784 (87)	430 (13)	2	9703
2.	Arunachal Pradesh	188	173 (92)	15 (08)	0	7360
3.	Manipur	297	260 (87)	37 (13)	0	8654
4.	Meghalaya	348	295 (85)	53 (15)	0	8526
5.	Mizoram	142	121 (85)	21 (15)	0	7727
6.	Nagaland	334	302 (90)	32 (10)	0	5924
7.	Sikkim	160	113 (71)	47(29)	0	3816
8.	Tripura	444	352 (79)	92 (21)	0	8275

Source: *State-wise and Region-wise deployment of ATMs, RBI except coverage.

Kisan Credit Cards (KCC) Issued: Banks have been advised to issue KCCs to small farmers for meeting their credit requirements. Up to March 2014, the total number of KCCs issued to farmers in India rose to 39.9 million with a total outstanding credit of ₹ 3684 billion (RBI Annual Report 2013-14) from 24.31 million cards issued at the end of March 2010 (Chakraborty, 2011) while number of general credit cards has gone up to 4 million in March 2013 from 9.50 lakh in March 2011(Chakraborty, 2011).

In Tripura, fresh KCC have been issued to 66003 farmers amounting ₹ 204.28 crore as credit and 9856 KCCs are renewed for ₹ 28.99 crore for the period ended 31st December 2014. KCC outstanding as on December 2014 stood at ₹ 467.08 crore with 262736 nos. of KCC issued by all Banks (Minutes of the 112th Bankers Meeting, 2015). Average credit per KCC is tiny with ₹ 30 950 compared to all India average of ₹ 92330 in March 2014.

Growth in SHG-Bank Linkage: The SHG - Bank Linkage Programme can be regarded as the most potent initiative since Independence for delivering financial services to the poor in a sustainable manner. The programme has been growing rapidly and the number of SHGs financed increased to 29.25 lakh on 31 March 2007. Rangarajan Committee (2008) noted that 'more than 90 per cent of the members of SHGs are women and most of them are poor and asset-less. The SHG movement has been instrumental in mainstreaming women by-passed by the banking system' (Rangarajan, 2008). This model helps in bringing more people under sustainable development in a cost effective manner within a short span of time. In India, there were around 7.4 million saving linked SHGs having a membership of 96.6 million with deposit of ₹ 9897 crore and loan outstanding of ₹ 42927 crore as on March 2014 (NABARD, 2013-14).

In Tripura, financing self-help groups has been accepted as cost-effective mechanism by banks for expanding their outreach to the poor. According to the author (Roy, 2005) 'the SHG movement brought significant changes in the lifestyle of women. It reduced the incidence of poverty through increase in income. Women participating in SHGs are found to spend more on education of their children than non-client households. SHGs movement also contributed to a reduced dependency on informal money-lenders and other non-institutional sources by households'. As on March 31,2013, there were 40,380 SHGs, out of which 20085 were credit linked. Tripura Gramin Bank accounted for 50 per cent of total SHGs savings-linked and financed by bank (NABARD Tripura State Focus Paper).

PMJDY: PMJDY focuses on coverage of households as against the earlier plan which focused on coverage of villages. It focuses on coverage of rural as well as urban areas. Earlier plan targeted only villages above 2000 population while under PMJDY whole country is to be covered by extending banking facilities in each Sub-Service area consisting of 1000 – 1500 households such that facility is available to all within a reasonable distance, say about 5 km. Number of Sub-Service Area (SSA) in

Tripura stands at 623 and all the SSAs are covered with banking outlets.

As per snapshot of PMJDY as on 15.4.2015, banks have opened 14.99 crore accounts under PMJDY and have issued 13.40 crore RuPay Cards in the country (pmjdy.in) In Tripura, 100 per cent of the households are covered with at least one bank account per household. After Puducherry, Goa, Kerala & Lakshadweep, Tripura became the 5th State in the country to achieve the distinction of recording 100 per cent PMJDY coverage status declared by the State Government on 25 November, 2014. From the date of announcement of PMJDY since 15th August 2014, 4.05 lakh accounts have been opened under PMJDY up to 28.02.2015 in Tripura (Minutes of the 112th Bankers meeting, 2015).

Credit -Deposit Ratio of Tripura: In an economy the penetration of credit could be measured in terms of credit deployed against the deposit received, technically it is denoted by C D Ratio (Shodhganga). It is the ratio of how much a bank lends out of the deposits it has mobilised. It indicates how much of a bank's core funds are being used for lending, the main banking activity. A higher ratio indicates more reliance on deposits for lending and vice-versa. But, a very low ratio indicates banks are not making full use of their resources and higher ratio over a certain level indicates pressure on resources.

Table 3 : Comparative Picture of CD Ratio

Year	C D ratio of Tripura	CD ratio of NER	CD ratio of India
2008	36	39.4	74.2
2009	31	36.0	72.6
2010	30	34.5	72.7
2011	32	33.0	75.1
2012	32	33.8	77.5
2013	34	32.9	78.1
2014	40	42.0	79.0

Source: Planning Commission, RBI, Basic Statistical Returns 2013-14, Quarterly statistics on deposits and credit of Scheduled Commercial Banks, Feb 2015.

Jrd 35-1

Low CD ratio is one of the main causes of slow pace of development especially in primary and secondary sectors of Tripura economy. The need of the hour is to increase CD ratio to at least 50 per cent in next years. To further increase the CD ratio in the State, there is a need to expand skill based industries, involvement of SHGs and more flow of credit to agriculture and allied activities and MSME sector where there is tremendous potential. This area does not lack in resources, but people should be given the technical knowhow and confidence to develop entrepreneurship activities. The Table above vividly portrays the role of banks in giving advances /credit to the entrepreneurs, farmers and unemployed youth.

On the other hand, total deposits in Tripura rose to ₹13,477 crore with 37 lakh accounts opened in March 2014 with average size of deposit rising to ₹36,400 compared with ₹43982 for the NER States and national average of ₹ 64,854 in March 2014. The proportion of savings and term-deposits comprises 97 per cent in Tripura and NER while all India average is 96 per cent (RBI).

Effectiveness of Financial Inclusion Plans in Tripura and Reasons: The aforesaid account amply evinces that progress in financial inclusion plan as regards banking penetration in Tripura is noteworthy and Tripura tops higher on the ladder in the country regarding the efforts to bring socially and economically excluded sections of people within the ambit of banking institutions. Tripura has joined Himachal Pradesh and Goa which have performed better than peers in providing people access to banking (livemint.in). Even Dhalai district which was lagging far behind in Tripura compared to other districts of the country have done wonders in implementing the financial inclusion plan. Dhalai district of Tripura saw significant jump from 18.4 per cent households with bank accounts in 2001 to 79.3 per cent households with bank accounts in 2011, proving the fact that the difficult and undulating terrain may not be a binding constraint in financial inclusion efforts. The recent award to Mandai block by Prime Minister of India for incredible feat in financial inclusion substantiates the fact. The Mandai block inhabited by 95 per cent tribals has achieved over 100 per cent target in providing access to banking and financial services and has become a role model for others (zeenews. India.com, 2015). It is also a fact that financial inclusion plans have brought about significant changes in the mindset of rural people in particular and made them more reliant on banks and other similar financial institutions instead of the moneylenders. Quantitative growth like increase of bank branches, spread of ATMs, mobile banking, internet banking, electronic bank transfer, direct bank transfer, increase in savings habit and improving CD ratio, Ultra Bank scheme, etc., that have taken place within a very short period from 2008 to 2015 would prove vacuous unless the mindset of socially excluded people would have changed. This is the major success of financial inclusion plan in Tripura where common people understood the necessity of accessing banking infrastructure and realised the pivotal role of banks that usher in a better quality of life. Thus, rural people irrespective of rich and poor are thronging to bank branches in large number. There are many reasons for the effectiveness of financial inclusion plan in Tripura but the author is of opinion that the following factors are largely contributing to the success.

a. High literacy rate coupled with good education infrastructure have contributed immensely for the success of financial inclusion in Tripura. Tripura has the distinction of achieving highest literacy rate in the country and it is declared as the fully literate State after Kerala. Educational infrastructure is very strong. On an average, there is one junior basic school in every village and one senior basic school in every two villages. Either one high school or one higher secondary school is available within a distance of four to five kilometers on an average. Education is cost-free of right from class I to college level for all students irrespective of caste, creed, religion and sex. In all sub-divisions, there is at least one government general degree college. All these became possible because the State government attached highest priority to education since it attained the statehood in 1972. The State has been spending 12-14 per cent of its annual budget for school education sub-sector. Available information shows that during the decade of the 1990s , Tripura saw major gains in respect of extending literacy. By 2001, the literacy rates for both males and females, in rural and urban areas, were higher than the corresponding averages for India and the North-Eastern States (Govt. of Tripura, 2007).

b. Better road connectivity in the State is also an important factor for enabling more people accessing the benefits of banking institutions. All villages are connected with motorable road. Out of the total road length of 20,944 km in 2013-14, there were 9,603 km of black topped road, 5,913 km brick soled road and remaining 5,428 km roads were earthen (Govt. of Tripura, 2013-14). Although the State has no double or multi-lane highway, the major district roads, other district roads and village roads are well constructed and developed. Transport facilities within the State and access to district headquarter, sub-divisional headquarter and even to the block merit recommendation. About 74 per cent of the total road is of permanent nature (46 per cent black topped and 28 per cent brick soiled). Pradhan Mantri Gram Sadak Yojana brought out wonders to the rural people who need not have to make a long walk for going to the banks as more than 700 km roads are developed between 2006 and 2014 (Databank nedfi.com). Now, no villager needs to walk 5 km for going to banks and this has raised the confidence of rural people to go out frequently and opt the banking services at ease and convenience.

c. The success of this type of programme that aims at improving the socio-economic condition of rural and downtrodden people depends on the good political will and organisational strength of the political party in power. Present Left-front led government has been working since 1993 and it enjoys the confidence of bulk of rural people including ST, SC and minority communities. The party in power has massive organisational grassroots strengths and thus, the government is able to implement all pro-poor policies very quickly and effectively. This is the reason why the State could achieve financial inclusion plan very effectively than that of other north-eastern States despite other intrinsic economic bottlenecks. Besides, activeness of the government for implementing the financial inclusion plans in Tripura is worth mentioning. Representatives of Government of Tripura are found pro-active in setting up more branches, ATM centres in rural areas, increasing the credit-deposit ratio of the State, etc., and these can be gauged from the proceedings of SLBC meetings held from time to time.

d. Success of the MGNREGA and SHG – Bank linkage in Tripura have also brought more poor and weaker sections of people into banking fold. It may be mentioned that Tripura is known in the country for its success in MGNREGA and Tripura ranked first in MGNREGA implementation in the country over the last four years for achieving highest persondays work. Total number of cards issued in Tripura is about 6.50 lakh and about 5.26 crore persondays are generated in 2013-14(Govt. of Tripura, 2013-14) where the participation of women is more than 40 per cent. As the payment of wages to MGNREGA workers are made through bank accounts, all NREGA job card holders have willy-nilly opened a bank account near their place of residence, which in turn contributed to the success of Financial Inclusion Plan. So is the role of SHG where more than 40,000 households are directly or indirectly involved and this had opened an avenue of coming into the contacts with banking institution and gradually made financially empowered.

e. Democratic decentralisation and strengthening of local self-government have immensely contributed to the successful implementation of FIP in Tripura. The Government of Tripura has made steady efforts to devolve functions and powers to the elected Panchayat bodies, Tripura Tribal Area Autonomous District Council (TTAADC) and urban local bodies. Tripura has made a stride towards decentralisation of powers and functions by having three-tier panchayat system. The establishment of the TTAADC in order to provide autonomy to the tribal-dominated areas of the State was a bold step and one that addressed many inequalities and propelled inclusive growth in the tribal areas. Role of women has also impacted immensely to increase the banking access in the villages because of active political participation of women. It may be mentioned that 50 per cent of total offices of members and chairman in three-tier PRIs and urban local bodies in Tripura are reserved for women.

f. Number of Government employees and pensioners constitutes a bulk proportion. Available information shows that the number of State government employees and pensioners are more than 1.70 lakh. Since August 2005, Government of Tripura has made it compulsory for all government offices to arrange the payment of salary and other remuneration through bank accounts and this in turn brought a significant number of employees particularly the low-salaried class employees, under banking institution.

g. In Tripura, there are numerous social welfare and pension schemes (twenty-three) in force and many of them are bank-linked and implemented through bank accounts. Departments of Tribal Welfare, Scheduled Castes and OBC Welfare and Minority Affairs are implementing many schemes under educational programme, skill development programme, entrepreneurship development programme, economic development programme which involve substantial grants and disbursing through bank accounts of the stakeholders. Available records establish that as many as 1,34,567 students are granted pre-matric /post-matric scholarship under educational programme in 2013-14 while 14,277 persons are given grants for rubber plantation @ ₹ 63,325 per family for the rubber plantation by Tribal Welfare Department alone (Dept. of Tribal Welfare, Tripura, 2013-14). Besides, there are different monthly pension schemes introduced by State Government to boost the morale of poorer and disadvantaged sections of people, which are mostly disbursed through banks. It may be mentioned that more than 1.56 lakh beneficiaries are covered under 15 different monthly pension schemes (Govt. of Tripura, 2013-14) with at least ₹500 p.m. till 2013-14 by the State government. This, in turn, has indirectly brought many rural and poor people into the banking fold.

Identification of Gaps

It may be mentioned that although banking penetration has reached many interior parts of the State, expansion of branches in the interior of State is still short of expectation. Average Population Per Branch Office is higher. Banking outlets reached un-banked areas but it is BC model centric. Out of 1038 unbanked villages, 998 villages are covered by BCs. As the remuneration of BC is not attractive and well compensated, they lack enthusiasm. More than 50 per cent of the unbanked areas are manned by BCs who are merely implementing the flagship programme like MGNREGA. Commercial banks are hardly going to the extreme interiors and these are left on the burden of the Tripura Gramin Bank (TGB) and Tripura State Cooperative Bank which possess limited infrastructure like manpower and technology to provide the ICT based amenities to the customers and thus, there is natural choice for the rich and knowledgeable customers to move away from TGB/ cooperative banks for better technological and other benefits. Apathy of banks to disburse credit to farmers, fishermen, artisans is a pitfall and banks are reluctant to finance the poor unless sponsored by the government. It is also a fact that with the linkage of MGNREGA payment, other social welfare schemes and disbursement of salary and pensions through banks, number of customers in bank branches irrespective of semi-urban and rural areas has gone up significantly compared to manpower available with bank-branches resulting in reduced opportunities for each bank to offer diverse and innovative financial products. This has led to growth of some NBFCs and chit fund, which left the State siphoning off huge amount from the poor people. Credit deposit ratio is much lower compared to all- India average and some NER States with per capita deposit tottering very low.

Conclusion

It is fine to mention that physical achievements have reached realistic level in Tripura but qualitative achievement is still awaited for which the banks should highlight on the local opportunities and requirements keeping in view the national plan as well as the policy of State government, etc. Current Financial Inclusion Plan should emphasise not only on increasing the volume of transactions in the accounts opened but also increasing credit penetration so that the poor people and farmers thriving to access the benefits of financial inclusion are served better by timely delivery of credit. On the other hand, it is also a fact that the sustainability of the financial inclusion plans is a real challenge for banks as the normal banking model has been found wanting in terms of cost, scalability, convenience, reliability and flexibility while pursing the plans. The need of the hour for the banks is to give adequate attention to financial inclusion as well as viable business proposition so that the corporate social responsibility or a regulatory obligation may be served.

References

1. Basic Savings Bank Deposit Account (UCBs),30/5/2014, https://www.rbi.org.in/commonman/English/Scripts/FAQs.aspx?Id=1289, DOA 17/5/2015.

2. Basic Statistical Returns of Scheduled Commercial Banks in India, Volume.

3. Branch Authorisation Policy - Opening of Branches in Unbanked Rural Centres, July 15, 2011, https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6613&Mode=0, DOA,

4. Chakraborty K.C. (2011), Financial Inclusion : A Road Map Needs to Travel, Speech on 12/10/2011), , p-2.

5. Chakraborty K.C. (2011), Financial Literacy and Financial Inclusion – Indian Way, p-3 https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=607, Date of Access(DOA) (10/5/2015).

6. Chakraborty K.C. (2011), Financial Inclusion : A Road Map Needs to Travel, Speech on 12/10/2011), p-2, https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=607, DOA (17/5/2015).

7. Chakraborty K.C. (2013), Financial Inclusion in India—Journey So Far and Way Forward, dated Sept 6 2013, p-3 , https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=836, DOA, (10/5/2015).

8. Chattopadhyay, Sadhan Kumar (2011), Financial Inclusion in India: A Case-Study of West Bengal, Working Paper Series DEPR 8/2011, page 2., http://mpra.ub.uni-muenchen.de/34269/, DOA (17/5/2011).

9. Chavan, Pallavi (2005), Banking Infrastructure in Tripura –A Note, pp-5-6 & 11 http://planningtripura.nic.in/THDR/backgroundreport/Banking%20Infrastructure.pdf,

10. Concept and Significance of CD Ratio, Chapter 3, http://shodhganga.inflibnet.ac.in, bitstream/10603/15652/9/09_chapter%203.pdf, DOA (18/5/2015).

11. Financial Inclusion – Progress on Implementation of Banking Services in Villages Having Population >2000 Allotment of Villages, Position as at the end of Dec,2013, http://oldwebsite.slbctripura.com/progress_report_fip.html, DOA,(13/5/2015).

12. Financial Inclusion : The Best and Worst Districts in India, Live.mint.com, http://blog.livemint.com/Opinion/JlfLR1mGkf2KZWiqwyvLjO/Financial-inclusion-The-best-and-worst-districts-of-India.html, DOA(5/3/2015).

13. Financial Inclusion by Extension of Banking Services- Use of Business Facilitators and Correspondents dt 25/1/2006 https://www.rbi.org.in/Scripts/BS_CircularIndex Display.aspx?Id=2718 DOA, (25/5/2015. & 26/5/2015).

14. Government of Tripura, Directorate of Economics and Statistics, Economic Review of Tripura, 2013-14, Agartala, Tripura, pp 331-335.

15. Government of Tripura, Department of Tribal Welfare, Agartala, Tripura.

16. Government of Tripura, Directorate of Economics and Statistics, Economic Review of Tripura, 2013-14., pp-187 & 218.

17. Government of Tripura, Tripura Human Development Report, 2007, Agartala, p-73.

18. High Level Committee to Review Lead Bank Scheme – Providing Banking Services in Every Village Having Population of Over 2000, September 16, 2010, https://www.rbi.org.in/scripts/ BS_CircularIndexDisplay.aspx?Id=5996 , DOA(17/5/2015).

19. Master Circular on Green Initiatives of the Government.dt.20th July 2012. http:// financialservices.gov.in/banking/circulars/2012/Green%20Initiative%20%20 Master%20Circular.pdf, DOA; 17/5/2015.

20. Minutes of the 112th State Level Bankers' Committee Meeting for the State of Tripura Held on 20.03.2015 , http://slbctripura.com/pdf/112_mar.pdf, DOA(6/5/2015).

21. Minutes of the 112th State Level Bankers' Committee Meeting for the State of Tripura held on 20.03.2015, slbctripura.com DOA(6/5/2015).

22. NABARD- Tripura State Focus Paper, P-5. https://www.nabard.org/pdf/Exe_summary_ Tripura_RO.pdf , DOA,(8/5/2015).

23. NABARD, Status of Microfinance in India 2013-14, p 10.. https://www.google.co.in/ webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=NABARD%2C+Status+of+Microfinance+in+India+2013-14, DOA(26/5/2015).

24. One Documentary Proof of Address - RBI Further Simplifies KYC Norms for Bank Accounts, dt June 9, 2014, https://rbi.org.in/scripts/NotificationUser.aspx? Id=8931&Mode=0 , DOA,(17/5/2014).

25. Opening of One Bank Account Per Family dt 3rd August, 2012. http://financialservices. gov.in/banking/circulars/2012/opening%20of%20Account%20per%20family.pdf, DOA(17/5/2015).

26. Proceeding of 96th SLBC Meeting, Tripura, http://slbctripura.com/proceedings_of_96th_slbc_tripura.asp, DOA (6/5/2015).

27. Proceedings/Minutes of the 109th SLBC Meeting for the State of Tripura held on 27th May, 2014 ,http://slbctripura.com/pdf/109_oct.pdf, DOA , (6/5/2015).

28. Proceedings/Minutes of the 111th SLBC Meeting for the State of Tripura Held on 06th December, 2014, http://slbctripura.com/pdf/111_jan.pdf, DOA(6/5/2015).

29. Rajan Raghuram (2009), A Hundred Small Steps- Report of The Committee on Financial Sector Reforms, page-49 http://planningcommission.nic.in/reports/genrep/rep_fr/cfsr_all.pdf, DOA ,(20/5/2015).

30. Rangarajan C. (2008), Report of the Committee on Financial Inclusion, p-2,34-35 & 77.

31. RBI, Annual Report 2013-14, p-67 & 68, http://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/RBIARE210814_FULL.pdf, DOA ,(25/5/2015).

32. RBI, Basic Statistical Returns of Scheduled Commercial Banks in India, Vol-43, p-18.

33. RBI, State-wise and Region-wise deployment of ATMs, DOA (27/5/2015).

34. Relaxations in Branch Authorisation Policy dt 21/10/2013, https://rbi.org.in/scripts/NotificationUser.aspx?Id=8518&Mode=0, DOA(17/5/2015).

35. Reserve Bank of India, Scheme to Cover Loans for General Purposes under General Credit Card (GCC) dt 27 December 2005 and Revised General Credit Card Scheme dt 2 December 2013. https://rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=2670, DOA (26/5/2015).

36. Roy, Sanjoy, (2005), Self-Help Group Strategy in Poverty Alleviation: Opportunities and Challenges, Indian Cooperative Review, October, 2005, National Co-operative Union of India, New Delhi.

37. Section 23 of the Banking Regulation Act, 1949 – Relaxations in Branch Authorisation Policy dt December 1, 2009 DOA(17/5/2015).

38. Singh, Charan (2014), Financial Inclusion in India: Select Issues, Indian Institute of Business Management, Bangalore, Working Paper No. 474, p-8, http://www.iimb.ernet.in/research/working-papers/financial-inclusion-india-select-issues ,DOA ,(11/5/2015).

39. slbctrpra@unitedbank.co.in, May5,2015 at 11.04 a.m.

40. State-wise and Region-wise Deployment of ATMs, http://rbidocs.rbi.org.in/rdocs/STATEREGION_ATM/PDFs/ATM1405154941798CEB7C4A3DB7C284AFA8FC46DE.PDF, DOA, (27/5/2015).

41. State-wise Number of Road Works Completed, Pradhan Mantri Gram Sadak Yojana under PMGSY, 2006-2007 to 2013-2014 Up to December, 2013, http://databank.nedfi.com/content/roadways , DOA (19/5/2015).

42. Summary Tables',P-1, http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0BSR4315EACF3EE39A4EE3B7DC75A226083729.PDF, DOA,13/5/2015

43. Swabhimaan'- Transforming Rural India through Financial Inclusion., http://pib.nic.in/newsite/efeatures.aspx?relid=84236 , DOA(17/5/2015).

44. Thorat, Usha (2006), Committee on Financial Sector Plan for North Eastern Region, 2006,

45. Thorat, Usha (2006), Report of the Committee on Financial Sector Plan for North Eastern Region,pp.-14 & 43, http://mdoner.gov.in/sites/default/files/silo4_content/REPORT%20STUDIES%20ON%20T, HE%20NORTH%20EASTERN%20REGION/report%20studies/Financial_Sector.pdf, DOA (8/5/2015).

46. Thorat, Usha (2006), Report of the Committee on Financial Sector Plan for North Eastern Region, p-40, and Office of the SLBC, Tripura.

47. Thorat, Usha (2007), Financial Inclusion- Indian Experience, June 19, 2007, rbi.org.in, p-1 , https://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=342, DOA(8/5/2015).

48. Tripura Human Development Report (2007), p-50, http://planningcommission.nic.in/plans/stateplan/sdr_pdf/tripura%20hdr.pdf,DOA (13/5/2015).

49. Use of Regional Language in Banks dt 24-April-2015., http://pib.nic.in/newsite/PrintRelease.aspx?relid=11869, DOA, 17/5/2015.

50. Vijaya Bhaskar, P (2013), Financial Inclusion in India-An Assessment, p-7, http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=862,DOA(6/5/2015).

51. Vijaya Bhaskar, P (2014), Role of Financial Sector in Spurring Growth and Expanding Financial Inclusion in North Eastern Region, dt 19/9/2014, p-8.

52. Vijaya Bhaskar, P (2014), Role of Financial Sector in Spurring Growth and Expanding Financial Inclusion in North Eastern Region, dated September 19, 2014, p-4, https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=920, DOA (11/5/2015).

53. Working Group on Information Security, Electronic Banking, Technology Risk Management and Cyber Frauds (Circular) dt April 29, 2011, rbi.org.in, DOA, (17/5/2015).

54. www.pmjdy.gov.in, DOA (19/5/2015)

55. Zeenews.india.com, (2015), PM Modi Confers Tripura Block for Financial Inclusion, http://zeenews.india.com/news/north-east/pm-modi-confers-award-on-tripura-block-for-financial-inclusion_1582422.html, DOA (18/5/2015).