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Financial Inclusion in Tripura: Role of Tripura Gramin Bank

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Abstract :

The financial system of a country plays a very important role in the economic development of the country. The reach of the financial institutions is significant in removing the regional backwardness and poverty and to incorporate inclusive growth. With the introduction of financial inclusion in India in 2005-06, Reserve Bank of India has tried to remove financial exclusion with various policy initiatives which guided the banks in bringing people of unbanked areas into the banking umbrella. In the present study, an attempt has been made to know the various FI initiatives taken by the Tripura Gramin Bank and to investigate the performance of Tripura Gramin Bank towards financial inclusion in Tripura. The study is spread over a period of eight years starting from the year of introduction of Financial Inclusion i.e. 2005-06 to 2012-13.

Keywords : *Financial Inclusion, Tripura Gramin Bank, FI Initiatives, financial exclusion*

1. Introduction :

The financial system of a country plays a very important role in the economic development of a country. The reach of the financial institutions to the different parts of the country is significant in removing the regional backwardness and poverty. Our people in India are suffering from the problem of lack of finance for which the people from the rural areas mostly relied upon the informal source of credit. The moneylenders used to exploit the borrowers with higher interest rates and usually short term credit. The financial institutions on the other hand, were happier doing business in the urban areas because of good business, quality customers and lower operating cost on profit.

The evidence of the initiatives of Financial Inclusion by the Reserve Bank of India can be found from late 60's when 14 banks were nationalized in 1969 with the objective of having more control on the banks and thus including the rural areas in the banking arena for facilitating the farmers and rural population. In 2004, Reserve Bank of India has set up a commission namely Khan Commission, to see how people from the unbanked areas can be brought under the umbrella of Financial System. The recommendations of the commission were introduced in the mid-term review of the 2005-06 policy. The central bank advised the banks and the financial institutions to start working on the recommendations of the

Commission to bring unbanked areas and people within the banking arena. K.C. Chakrabarty, the then Chairman of Indian Bank, has first introduced Financial Inclusion in 2005 with a pilot project in Union Territories of Pondicherry.

1.1. Meaning and Definitions of Financial Inclusion :

The dictionary meaning of inclusion is the action or state of including or of being included within a group or structure and the term Financial Inclusion means to include everyone into the country's financial system. In simple words, FI is making banking service available at a minimum cost to the large section of disadvantage and low income groups of people. Financial Inclusion is an attempt to bring un-banked people in banking service.

Dr.K.C.Chakrabarty,the then Deputy Governor of RBI in his speech at St. Xavier's College on September 6, 2011 defined,

> "*Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.*"

Thus, FI may be defined as, overall financial growth through connecting all sections of the society in general and vulnerable groups such as weaker sections and low income groups of people with banking service at an affordable cost by providing better understanding of those services.

1.2. Need of Financial Inclusion :

The Indian economy is the second fastest growing economy in the world. Majority of the underdeveloped population of the country resides in rural areas. The development of underprivileged section like, Farmers, small vendors, etc. in rural and urban areas is a necessary step towards economic development.And non-availability of finance is the barrier towards economic development and a reason for economic disparities among different regions of the country. On the other hand, the financial institutions are afraid of increasing NPA and with this fear they are not willing to support the rural people, farmers, small vendors etc. with extending credit and banking services. (Nachimuthu, 2009, pp. 9,10,13)

The poor people are earning, saving, borrowing, and making payments throughout their livelihood. But they need well-suited products and assurance to make their transaction, to protect their families and improve their lives. It is well found that a large number of households and especially those in rural areas do not have bank accounts and also true that the formal sector has not been expanding rapidly enough where services to the masses are concerned. Hence for inclusive growth banks need to redesign their business strategies to incorporate specific plans to promote FI of low income group treating it both a business opportunity as well as a corporate social responsibility.The poor people should get equal opportunity as others are getting to better their life and for all these, it requires attention of human, financial institutions and government.

1.3. Status of Tripura :

The state of Tripura is located at the far most north-eastern corner of India. It is the smallest state in India which spreads little over10,000 kilometer square. Total population of Tripura as per 2011 census is 36,73,917 of which male and female are 1,874,376 and 1,799,541 respectively. Due to lack of urbanization, the population residing in rural area is more as compared to the urban land. Of the total population of Tripura, around 73.83 percent live in the villages. About 42 percent of the total population is engaged in Agriculture and contribute to the major portion of GSDP of the state.As per the census of 2001, literacy rate of Tripura was 73.66 per cent which rose to 87.75 per cent in 2011and ranks fourth among the states.(Census of India, 2011)

According to the Economic Review of Tripura 2012-13,"the economy of Tripura is characterized by high rate of poverty, low per- capita income, low capital formation, in-adequate infrastructure facilities, geographical isolation and communication bottleneck, inadequate exploitation and use of forest and mineral resources, low progress in industrial field and high un-employment problem."(Economic Review of Tripura, 2012-13)

The state is also not having adequate number of branches to serve the people with adequate and timely finance. The state has only 328 branches of various banks as on March 31, 2013.According to Census 2001, 26.5 per cent of the households are availing the banking services in Tripura compared to 35.5 per cent at India level.

1.4. Profile of Tripura Gramin Bank :

Tripura Gramin Bank (TGB) was set up with four branches on 21st December, 1976 under the RRBs Act 1976 in the state of Tripura. The Authorized Share Capital of the Bank is Rs. 5.00 crores comprising of 5 lakhs share of Rs. 100 each. The Paid-Up Share Capital of the Bank is Rs. 1.00 crore subscribed by Govt. of India, Govt. of Tripura and U.B.I (Sponsor bank) in the ratio of 50:15:35 respectively. Tripura Gramin Bank has the largest network in the state with 133 branches which constitute 70% of the branch network. Tripura Gramin Bank covers 44% of the total rural branches of all banks with 92 branches out of 210 rural branches. (36th Annual Report Tripura Gramin Bank, 2012-13)

1.5. Statement of the Problem :

In spite of tremendous progress in the financial systems and markets in India, the masses till now remain outside from the formal financial sector. There is a vast and different group of people whose financial needs have been overlooking since a long time. They are marginal farmers, agricultural laborers', migrants, employees and entrepreneurs in the unorganized sector, socially excluded groups etc. Major portion of the population of Tripura are engaged in agro based occupation and live in rural areas.

Banks constitute the major share in the formal financial system in India. The development of banking has not taken place much in North Eastern States if compared to India level. This is clear from the data published by Reserve Bank of India regarding banking penetration. North Eastern States have lower banking penetration in comparison to all-India average. Tripura being a north eastern state is no different from other.

Reserve Bank of India has introduced many new instruments from time to time to decrease the level of financial exclusion and bring people of unbanked areas into the banking umbrella. Reserve Bank of India has always given importance to the RRBs for increasing the level of financial inclusion. Tripura Gramin Bank being an RRB has a major role to play in bringing the people of Tripura into the banking arena.

1.6. Objective of the Study :

The objectives of this paper are as following:

(i) To investigate the various initiatives taken by the Tripura Gramin Bank for promoting financial inclusion.

(ii) To investigate the performance of Tripura Gramin Bank towards financial inclusion of Tripura.

1.7. Methodology and Data Source :

The study is an exploratory one and is mainly based on secondary data. As financial inclusion was introduced in the year 2005-06 by the Reserve Bank of India, so study period of 8 years starting from 2005-06 to 2012-13 has been taken in the present study. To know the status of financial inclusion in Tripura, only Tripura Gramin Bank has been studied as this Regional Rural Bank has the highest number of bank branches all over Tripura and all other banks operating in the state of Tripura has been kept outside the purview of the present study.

In the present study the researcher relied primarily on the data published regularly by Tripura Gramin Bank and Reserve Bank of India in various forms. Press Releases, Annual Reports and other periodicals and publications of Tripura Gramin Bank and bank statistics, handbooks and working papers published by Reserve Bank of India have been referred.

To know the various initiatives taken by TGB for promotion of financial inclusion in the state of Tripura, focused interview method has been adopted. The Chairman of the bank and other senior managers has been interviewed.

"CRISIL Inclusix" index has been used for measuring the progress of financial inclusion in the present study. The collected data and information has been processed, analysed and interpreted by using tables, graphs and diagrams to reach the final observation.

The Remaining paper is organised as follows: Section 2 deals with the Financial Inclusion initiatives taken Tripura Gramin Bank in the recent past and followed by the Results & Discussion in Section 3. The paper concludes in Section 4.

2. Initiatives taken by Tripura Gramin Bank :

As the central bank of the country, the Reserve bank of India has taken steps to ensure FI in the country. It has tried to make banking more attractive to citizens by allowing for easier transactions with banks. As per guidelines of RBI for FI in India TGB has also come out with various initiatives to spread FI. Given below are various initiatives which were taken and implemented by TGB to accelerate the process of FI in Tripura.

(i) **'No-Frills' Accounts :** As per RBI guideline TGB has started to provide this facility from the year 2006. Under this scheme, the bank is opening a saving account with 'Zero' balance. TGB also provide overdraft of Rs. 500 to Rs. 1000 on 'No-Frill' A/c. The scheme helped the weaker communities to come under the ambit of financial inclusion. From the date of introduction of the facility up to financial year 2010-11, the bank has a total 298699 numbers of No Frill Account.

(ii) **Kisan Credit Card (KCC) :** The KCC scheme is mainly introduced for enabling farmers to purchase agricultural inputs and draw cash for agricultural production. KCC is a credit card cum pass-book. Maximum amount of loan sanctioned in KCC is Rs. 300000. During the year 2010-2011, the bank issued 18167 number of KCC while 12362 Nos. were issued in 2012-2013. The total number of KCC issued by the bank since inceptions is 70871 Nos. with overall credit limit of Rs. 1227841 thousand.

(iii) **Introduction of GCC/SCC :** With a view to providing credit card like facilities in the rural areas the Reserve Bank advised all scheduled commercial banks, including RRBs, in December 2005 to introduce a General Credit Card without collateral. TGB has introduced GCC in the year 2006 and Swarojgar Credit Card (SCC) in the year 2007.Maximum credit limit of each of these credit cards is 25000.

(iv) **Business Correspondence (BC) Model :** BC acts as an agent of a bank, providing services in the unbanked areas or where the population is scattered over large area and where opening of a branch is not viable. BC Model has been implemented by the bank from 2011. TGB appoint's a sub agent to deliver services to the customers at their door step. TGB appoint's the sub agent through an agreement (MoU).

(v) **Financial literacy Program :** RBI has taken number of measures to increase financial literacy in the country and advised all the banks to take initiative for financial inclusion. TGB started financial literacy program in the year 2011 and conducted financial literacy program in different blocks. TGB has done nine financial literacy campaigns in nine different blocks namely Damcherra (North District) in 30th June, 2011; Mungiakami (West District) in 30th July, 2011; Hrishyamukh (South District) in 19th August, 2011; Kanthalia (West District) in 23rd September, 2011; Ampinagar(South District) in 21st October, 2011; Bishalgar (West District)in 23rd November, 2011; Padmabil(West District) in 29th December, 2011; Dasda (North District) in 13th January, 2012; Khowai(West District) in 15th February, 2012.

(vi) **Self- Help Group Linkage Program :** TGB has given special emphasis on organization of SHG for developing awareness among the rural people for the fulfillment of their urgent credit needs in a simple way. During the year 2011-12, 397 Nos. of SHGs were formed and the total no. of SHG stood at 16229 Nos. at the end of the year. All the groups are maintaining SB A/c with the bank branches and aggregate balance reached to Rs. 271943 thousand as on 31.03.2011.

(vii) **Using Information Technology (IT) :** The use of Information and Communication Technologies (ICT) can play as a catalyst in bringing financial inclusion in the country. TGB has reached 100 per cent Core Banking Solution (CBS)Bank after starting the conversion process in 2010.

TGB has introduced inter branches ATM (Automated Teller Machine) facility to the customer to do Banking transactions such as Cash withdrawal, balance enquiry etc. The TGB has been maintaining the ATM services in the four branches such as Khumlwng Branch,Ambassa Branch, Santirbazar Branch, Pabiachhara (Kumarghat) Branch.

(viii) **Insurance Products :** Micro-insurance is a key element in the financial services package for people at the bottom of the pyramid. The poor face more risks than the well off. TGB has also introduced some insurance product for the upliftment of rural people. Some of the insurance products are Group Mortgage Redemption Assurance, Grameen Surakshya Yojana, Assets insurance and TGB Swasthya Bima Prakalpa.

(ix) **Other initiatives :**

- The bank (TGB) with 131 branches across Tripura is the first RRB in eastern and northeastern region to start Aadhaar (ID card) based payment under numerous schemes.
- Keeping with the directives of the Reserve Bank of India (RBI), the TGB has engaged several farmers clubs, retired banks officials and societies to extend the banking services to remote areas with population above 2,000 or even below.
- To extend its services to the far-flung, hilly and inaccessible areas of the northeastern state, the TGB has already opened 5 Ultra Small Branches (USB) and would set up 13 such branches soon.
- On the occasion of the TGB's foundation day, the bank has introduced two new schemes - Gramin Samridhi Yojana (GSY) and Rupay Kishan Card (RKC). The interest of the GSY, a recurring deposit scheme, is 9.35 percent while in RKC, borrower can withdraw money anytime using ATM.

3. Results and Discussion :

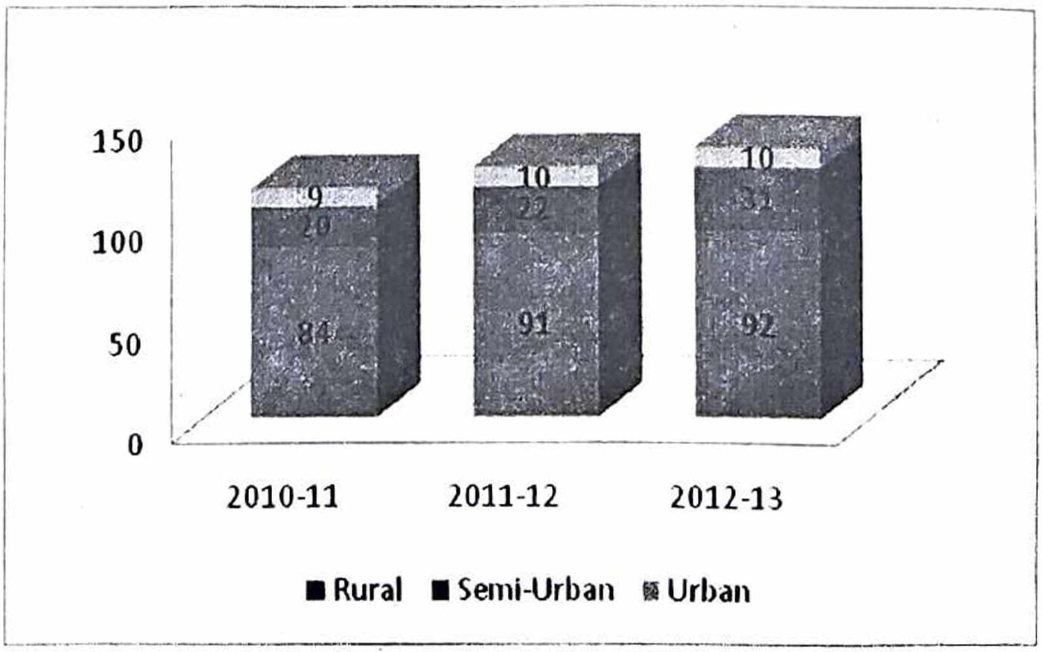
Tripura Gramin Bank has taken many initiatives starting from the year Financial Inclusion has been introduced in India as an initiative by the Reserve Bank of India. Tripura

Gramin Bank as the only regional rural bank of Tripura has always been looked into as a promoter of financial inclusion in the region. Let us discuss how much Tripura Gramin Bank has been successful in bringing in financial inclusion in the state.

3.1. Number of Branches :

As per the directives of Reserve Bank of India to open more branches and include more unbanked areas into the banking arena, Tripura Gramin Bank has been continuously working on that. Tripura Gramin Bank has the largest network in the state with 133 branches which constitute 70% of the branch network and covers 44% of the total rural branches of all banks with 92 branches out of 210 rural branches. During 2010-11 to 2012-13 also the same can be seen as more branches are opened and majority has been opened in the rural areas. Out of the 20 branches open in those 3 years, only 1 has been open in urban area and remaining in semi-urban (11 branches) and rural area (8 branches).

Figure 3.1.1.
Classification of Branches



Population per Branch :

Tripura Gramin Bank has 133 branches spread over all the 8 districts of Tripura. The average population density per branch of TGB is 27623 in Tripura. Among all the districts South Tripura district has a better population density per TGB Branch which is 22671 and North Tripura has worst at 32111. With the introduction of more branches in the near future the population density per branch is bound to come down.

3.2. Trend in Deposits :

As many initiatives have been taken by the bank like introduction of No-Frills account, simplified KYC Norms, use of regional language for forms etc. relating to opening of accounts, number of savings account and current account can be a very important indicator for measuring financial inclusion. The increased number of accounts can indicate how many new accounts have been opened and thereby how many people have been brought under the banking system. And the movement in the deposits held in the account can be an indicator of their savings habit and banking habit of the customers.

From the two figures below it is clear that the both savings accounts and current is showing an increasing trend every year which is a positive sign of financial inclusion. Savings account has a higher growth rate compared to current account, this is understandable as no-frills accounts are allowed only in case of savings account and the operation in savings account is easier compared to current account.

Figure 3.2.1
Number of Savings Account

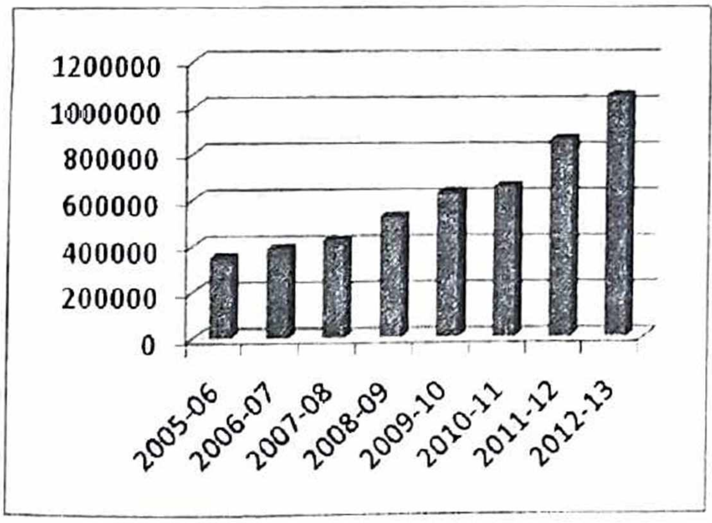
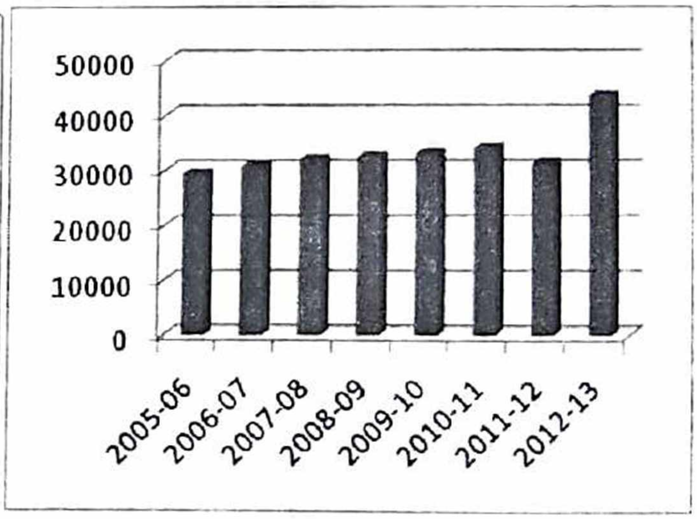


Figure 3.2.2
Number of Current Account



The same progress can be seen in case of deposits held also in Figure 3.2.3 and 3.2.4. Both types of accounts shows a positive growth rate in case of deposits held also. Savings account has a higher growth rate compared to current account. It is understandable from the fact that current account is being used by business people for their daily business transactions both withdrawal and deposit and the savings account is used for savings thus will have more deposit compared to withdrawals. Thus, it is again clear that people are not merely opening the accounts from social pressure but are also operating which can be termed as true financial inclusion.

Figure 3.2.3
Deposits Held in Savings

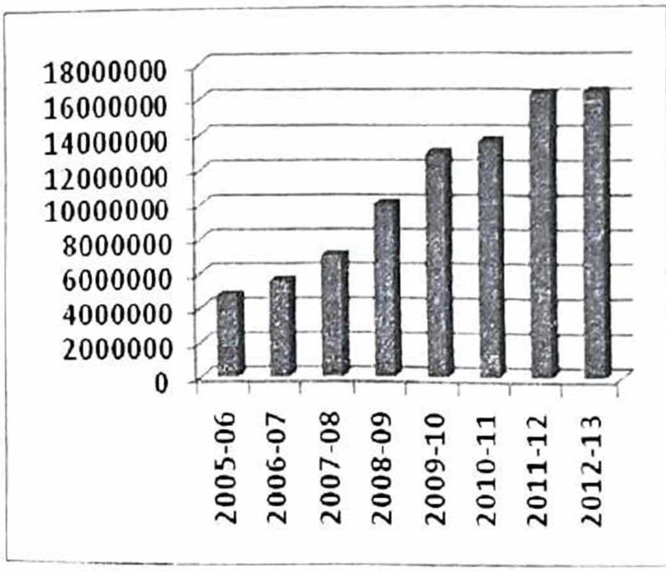
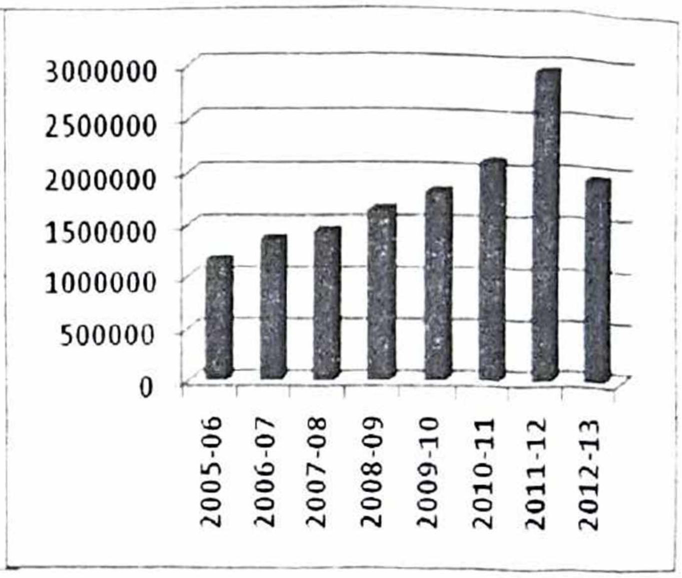


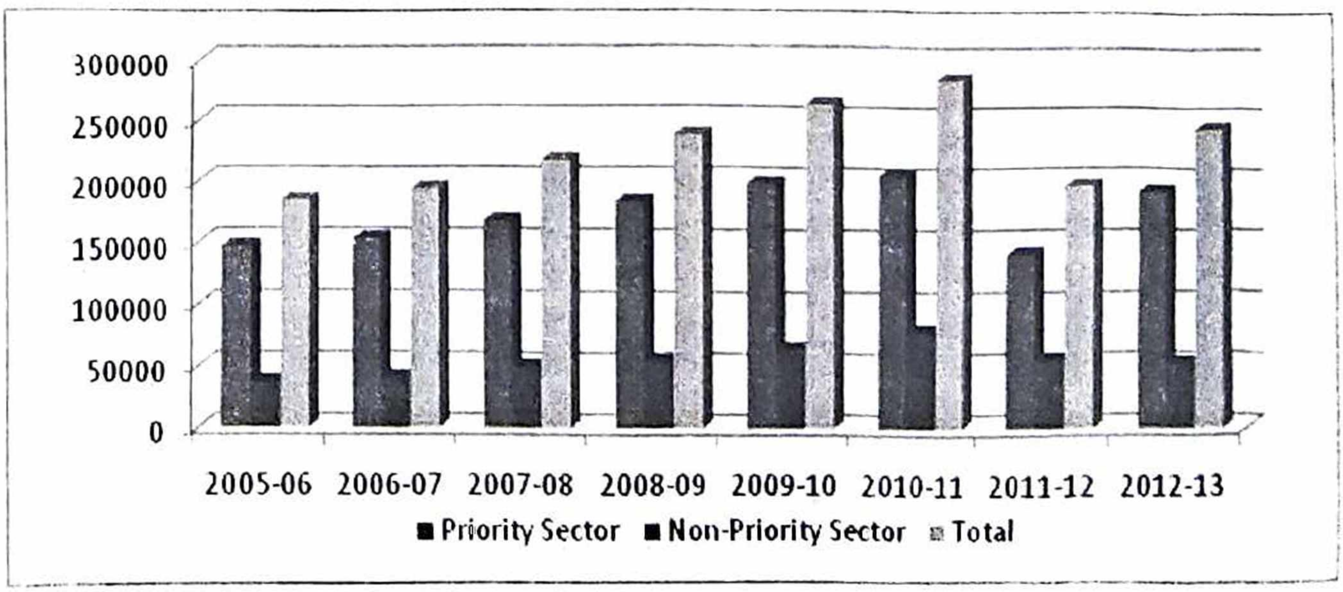
Figure 3.2.4
Deposits Held in Current



3.3. Trends in Advances :

Loans and advances from banks are found to be 'economical' for traders and businessmen, because banks charge a reasonable rate of interest on such loans/advances compared to the private moneylenders.As per guidelines of RBI on Financial Inclusion in India, TGB has also come out with various initiatives to provide loans and advances to various priority sectors, target group, ST/SC, minorities and SF/MF/AL etc. to accelerate the process of financial inclusion in Tripura.

Figure 3.3.1
Number of Loan Account



It is evident from the figure 3.3.1 that Tripura Gramin Bank has been doing a great job in making fund available to the poor and priority sector. The number of priority sector lending shows a remarkable growth in comparison to the non-priority sector lending. The total number of advance account also shows a good growth rate till 2010-11. Among the various loans granted to the priority sectorAgri. & Allied Term Loan constitutes more than 40% of the loan accounts and Small Business/Retail Trade constitute nearly 30% of the loan accounts, and the trend is similar in all the years.

Figure 3.3.2
Loan Amount Disbursed

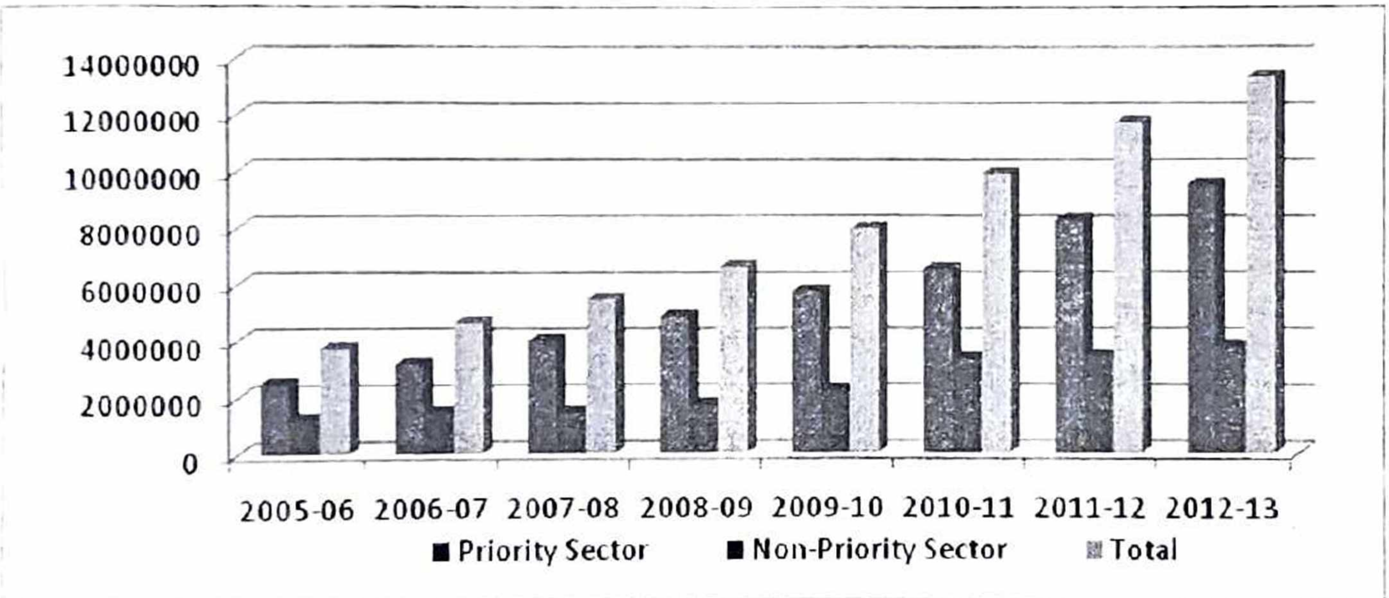


Figure 3.3.2 shows the trend in the loan amount disbursed. Loan amount disbursed also shows the good work of Tripura Gramin Bank. Both the priority and non-priority segment has gained a lot since 2005-06. Agri. & Allied Term Loan, Rural Artisan & S.S.I. and Small Business/Retail Trade has the highest share in the priority sector loans which is a good sign as Tripura is a agriculture based state. The ratio of Priority sector to non-priority sector is much higher than what is prescribed by RBI and it hovers at about 70% in favour of priority sector lending. The growth rate both in case of loan accounts and loan amount disbursed is healthy and thus an evidence of financial inclusion can be traced.

3.4. Findings :

The bank has taken various initiatives and among the various initiatives introduction of GCC/SCC, SHG credit linkage programme, no-frill a/c scheme helped the bank to promote financial inclusion in the state of Tripura. During the eight years (from the year

2005-06 to 2012-13) it is clear from the picture of various Deposit and Loan Accounts that Tripura Gramin Bank has done a tremendous job in bringing people to banks. The savings account was more prominent and seemed more attractive to the customers with its No-Frills criteria and simplified KYC norms a huge growth.Increase in crop loans and Agri. & Allied Term Loan shows the growing interest of customers towards bank credit. The loan to various undeveloped groups and various target groups also shows an increasing trend from the year 2006-07 i.e. just after introduction of the concept of financial inclusion. All the parameters show that since 2006, there has been an increase in banking business due to demand from the customer side which is a clear indicator of financial inclusion in Tripura.

4. Conclusion :

100 % Financial Inclusion is not far from reality, the only thing that is required to speed up the process is the will of the various banks to serve the nation and work for the development of the country which will ultimately give them back the return they desire. The financial institutions should take financial inclusion as abusiness opportunity and not as a binding imposed by RBI. Tripura Gramin Bank has taken the pain to include more and more villages under its network and thus it is also got the fruit in return by earning a net profit of Rs 48 crore, the highest among the regional rural banks (RRBs) in eastern and northeastern India, in the 2013-14 fiscal year.

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