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Impact of Financial Awareness on Financial Inclusion of Members of Self Help Groups: A Study in Tripura

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Abstract

The banking sector saw major reforms as a step towards financial inclusion with the nationalization of banks to increase the outreach of state controlled formal financial system among the people particularly the rural and low income people. Inspite of expansion of bank branches a significant number of rural population still remains outside the formal banking system. Self help group bank linkage program started as a pilot project by NABARD in 1992 is another attempt to provide access to low cost financial services to the members of the self help groups. Considering awareness of financial product as a significant factor for taking financial decision leading to use of financial services, this paper explores the relationship between financial awareness and its impact on financial inclusion. Primary data were collected through a structured questionnaire from 384 members belonging from 78 self help groups registered in the state of Tripura under the flagship program run by National Rural Livelihood Mission. The paper is divided into three parts; in the first part it deals with the identification of level of financial inclusion and the second part identifies the level of financial awareness. The third part explains the impact of financial awareness on the level of financial inclusion. The study reveals that financial awareness is an significant factor affecting financial inclusion of the sample members. The self help group members having high level of financial awareness are more financially included in the formal banking system with the high use of variuos banking and financial products that are available at their disposal. The study also emphasis on conducting of financial literacy camps to enhance the decision making ability of the members giving them oppurtunity to use formal financial services and reduce their dependence on informal source.

Keywords: Financial Inclusion, Financial Services, Banks, Financial Awareness.

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1. Introduction

Financial inclusion has a multidimensional approach in its measurement. It has been defined, by the committee on financial inclusion, 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. At the same time the committee also emphas ised that it is not limited to only credit and savings but a complete range of financial services including remittances, insurances, overdraft facility, financial inclusion has been at the centre stage of discussion in the policy matter of the government agencies as it has the potential to uplift financial condition and inturn improve the standard of living of the people especially the downtrodden and poor ones. The first step in the process of financial inclusion is banking inclusion, where in a bank account is opened for the access of various banking and financial services. For this the banking sector has to play a proactive role in strengthening the Indian financial system, the progress of which is still lagging behind. Though India witnessed a faster pace of economic growth but there remains serious doubt about financial inclusion. As per 2011 census, only 58.7% of households are availing banking services in the country. Only 55% of the population has deposit accounts and 9% have credit accounts with banks. India has the highest number of households (145 million) excluded from banking. The number of villages is around six lakhs where as only 33,495 branches are present in rural areas. The scenario in Tripura is also not encouraging in terms of branch expansion. As per the 2012-13 report of Directories of Economics & Statistics, Govt. of Tripura, the state has network of 380 bank branches to cater to the needs of 36,73,917 people. This implies that there is one branch for 9668 people. It shows the amount of pressure in each branch and that’s one of the reasons for the low participation of the people in the formal banking system. The other dimension of financial inclusion is timely availability of credit, without which inclusive growth is not achievable. In order to provide credit, Reserve Bank has taken many initiatives to disburse credit through multiple channels like bank linkages to Self-Help Groups, Micro-Finance Institutions, Kisan Credit Cards, through Business Correspondence model, etc. In-spite of that, the credit deposit ratio of the state stood at 41% in 2015. The use of banking services and financial services envisages a better life towards economic development of the people, the study explore itself in examining the status of financial inclusion of the self help group members and the impact of awareness of financial products in bringing people close to the banking institutions on the use of financial services.

2. Rationale of the Study

This paper attempts to find out level of financial inclusion for the members of the self help group spread across rural and urban areas. The level is calculated based on the use of financial and other banking services and products as offered by the formal financial system. As per the definition of financial inclusion given in various studies and report it is the use of these services which is more important rather than just opening a bank account. Though having a bank account is considered as a first step towards financial inclusion and "confers a sense of identity, status and empowerment and provide access to the national payment system" (Rangarajan, 2008). In spite of having a bank account people do not use financial services to mitigate their future uncertainties that could probably bring them economic development in their life. So the present study is unique in the sense that it has attempted to assess the level of financial inclusion solely on the basis of use of financial products and services by the self help group members, to understand their present status of financial inclusiveness and the impact of financial literacy on its status.

3. Need for Financial Inclusion

Inability to include the vulnerable section of the society especially from the rural areas into the formal financial system is what financial exclusion. Major consequences of financial exclusion is that it complicates the day to day cash flow management of households, micro & small enterprises and being excluded it compels them to use only cash thus making them prone to irregular cash flows. Along with this, in the absence of bank accounts the households also lacks financial planning, social security schemes floated by the government and savings prospects primarily for people in the unrecognized sectors depriving them of the benefits normally enjoyed by people in the formal financial system (Mohan, 2006).

The worth of financial inclusion is achieved when the availability of various financial services can be brought down to the needy people. A disciplined culture of savings and borrowing can be inculcated among the marginalized group by providing them various opportunities of credit and banking products. Easy availability of financial services is considered to be a key driver of growth in income suggested by many empirical studies and theoretical literature exploring the determinants of income growth (Rajan & Zingales, 1998). Financial development is important for sustainable economic growth. It is tested that finance-intensive growth measured by banking depth is emperically associated with lower poverty ratios (Honohan, 2004). A number of studies have found considerable evidence that financial development, explained as a process of providing formal financial services to economic agents by the financial intermediaries and markets helps to promote growth and inclusive development (Roubini & Bilodeau, 2009) (Cetorelli & Gambera, 2001). So greater availability of banking services fosters financial inclusion, particularly among poor people (Pal & Pal, 2012).

4. Measuring Financial Inclusion

Financial incluion is an multidimensional approach. It is important to understand the meaning, context and framework of financial inclusion before measuring it. The goal of financial inclusion is to give access to a range of financial products and services like credit, savings, insurance, remmittances and other related baning services in the form of payments to all bankable households and enterprices at a cost that is affordable to them. This need for financial inclusion became more emphatatic after the global financial crisis as it is believed that financial exclusion was one of the factor that suddenly gave impetus to financial crisis.

Since financial inclusion is seen as a measure of accessibility towards a wide range of financial services it is essential to understand the meaning of accessibility that is considered as an attribute of people rather than transport mode or service provision. The two points viewed as a measure of accessibility is the individual where the demand for services originates and the other point being the service provider that supplies the financial services/products. It is the ease with which the individual can reach the oppurtunities defined as services provided by the service provider and viseversa (Halden, Jones, & Wixey, 2005). Access or lack of access to financial services is often indiscriminately described as problem in many developing countries. The problem of access should be analyzed by identifying different demand and supply constraints associated with financial services that can lead to their low access. Aggregate supply and demand determine the bankable population that can be expanded by proper policy implementation (Beck & Torre, 2006).

As there are various dimensions of financial inclusion it is very much important to understand the framework and the context. Financial inclusion can be measured from supply side as well as demand side. Supply side of financial inclusion means providing appropriate financial services and products from the side of banks, financial institutions and microfinance institutions as demanded by the people. The demand being stimulated by giving knowledge about financial services in way of financial literacy camps, so that they don’t fall in the trap of personal financial crisis. It means network of bank branches, ATMs, credit & insurance facility centers to build an inclusive finance. An index using the axiomatic approach was calculated to find the level of financial inclusiveness of various states and region on the following parameters of banking penetration, availability of banking services and usage. Demand side of financial inclusion means making people aware of what they can demand. Credit counseling centers and Financial literacy i.e. knowledge about the products and services is one way of stimulating demands of financial services. The problem of poor financial literacy about the financial products and services is mostly faced by the developing countries (Chakraborty, 2012).

5. Literature Review

A review of literature suggest that there is no universally accepted definitions of financial inclusion/exclusion. A range of definitions evolved over a period of time on various dimensions such as on wideness, focus and extent of exclusion. The early discussion and definitions in various literatures on financial exclusion was predominantly preceded by social exclusion that mainly focused on the issue of geographical access to financial services, in particular the services offered by the banking outlets. Among one of the earlier definitions on the wide dimensions of financial exclusion connecting it with social exclusion was given by (Leyshon & Thrift, 1995) which define financial exclusion as “those processes that serve to prevent certain social groups from gaining access to the financial system”. But financial exclusion is not limited to the physical access in virtue of changing geography of financial services. In the recent past the debate has taken a more holistic approach by looking closely at those types of people who makes little or no use of financial services (Ford & Rowlingson, 1996; Kempson & Whyley, 1998).

Moving to the middle of the continuum stands the focus dimension of financial exclusion which links it to forms other than social exclusion. The focus being narrowed down to the use of financial services/products by the non-users who are denied access to banking services as the financial institutions might percieve them to be a bad risk that impedes profitability or lack of information on the part of non-users because of conventional marketing methods. It defines financial exclusion as the potential difficulties faced by some segments of population in accessing mainstream financial services such as bank accounts and home insurance (Meadows, Ormerod, & Cook, 2004).

From the context of dimension of financial exclusion, the definition from the book Poverty Social Exclusion and Microfinance in Britain, authored by Rogaly et al. has tried to show how lack of money causes social exclusion specially among the poor people who are deprived from access to financial services living in areas of multiple deprivation. This opens the door of oppurtunity for microfinancial services for tackling poverty that will reduce the process of social exclusion. It defines financial exclusion as exclusion from particular sources of credit and other financial services including insurance, bill payment services and accessible deposit accounts (Rogaly, 1999).

Exclusion can occur from five different dimensions as a result of inability to access, price of the product, marketing of the product, condition that is not proper for some people and self exclusion when people keep themselves out of the financial system because of their fear of being rejected or other psychological barriers that prevent them from availing such services (Kempson & Whyley, 1999a), (Kempson & Whyley, 1999b). Thus excluded from the formal financial system and being identified as non-users of financial services on the patterns that are related to employment status, age and ethnicity, income (Kempson & Whyley, 1999a) . Financial exclusion is a process that restricts the destitutes and vulnerable groups of people from gaining access to the formal financial systems of their respectives countries (Conroy, 2005).

As banking services are in the nature of public goods and unrestrained access to public goods and service is the sine qua non of an open and efficient society, it is essential that availability of banking and payment services to the entire population without discrimination should be the prime objective of public policy (Leeladhar, 2006). The scope of financial inclusion can be thought from two dimension one being exclusion from the payment system by not having a bank account and the other being not able to access credit from the formal credit market (Thorat, 2007). Elaborate framework are being worked upon by the Reserve Bank of India along with the government to accelerate the progress of financial inclusion by increasing the reach of cooperative bank for agricultural credit, priority sector lending and setting up of RRB’s with a target for credit disbursement.

Financial inclusion means the inability to access necessary financial services in an appropriate form. The exclusion can happen because of barriers to access financial services from the formal source and it embraces several factors preventing the use of these financial services. The barriers that restrict the use of financial services are physical exclusion; the place of the service is far away from the people or physical access to bank is tough, access exclusion, price exclusion; price of the product is more making it unaffordable, marketing exclusion; when customers are not aware of the product and its usage because of low financial literacy and self exclusion that means when people choose to stay away because of bad experience in the past that developed into a negative perception (Sinclair, 2001) (Kempson, Policy Level Response to Financial Exclusion in Developed Economies: Lessons for Developing Countries, 2006).

Poverty is not merely insufficient income, but rather the absence of wide range of capabilities, including security and ability to participate in economic and political systems, (Sen. A, 2000). Large number of people residing below the poverty level, abject destitute across the globe, categorized as 'bottom of the pyramid' need both financial assistance and support in order to sail them out of their present financial status. The need was felt accordingly for policy support in channeling financial resources towards the economic development of the financially as well socially excluded people so that they can join the main stream economy. This will require innovation in product & services and delivering these through cost effective technological channels (Prahalad, 2004).

Theoretical studies has reasoned that financial market frictions is one of the reason for income inequality as they i.e. poor people and small enterprises cannot access financial services especially the credit from the formal source, thus relying on their personal wealth to meet various types of credit demands.

Financial literacy is a broader concept encompassing financial awareness, knowledge, skills, attitude, and behaviour required to take judicious financial decision. However in the present context there exists little consensus on a well accepted definition of financial literacy. The definition given by Organization for Economic Co-operation and Development (OECD) defines financial literacy as 'A combination of awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.'

Earlier studies empirically suggest that financial literacy has a positive impact in a number of personality traits associated with financial behaviour and status. Those people who are financially literate are in a better position to manage their personal budgeting and finance as well as controlling their unnecessary spending (Moore, 2003) (Perry & Morris, 2005). They are also better off in handling mortgages and are less indebted in other debt (Campbell, 2006). Financial literacy is basic prerequisite for taking rationale financial decision and this decision making in women is found to be at par or moreover less than that of men (Lusardi & Olivia, 2011).

6. Objectives of the Study

i. To determine the level of financial inclusion of members of Self Help Groups in terms of their use of banking and financial services.

ii. To ascertain the level of financial awareness of members of Self Help Groups.

iii. To ascertain the impact of financial awareness on financial inclusion of members of Self Help Groups.

7. Hypothesis

The following null hypothesis is formulated

H_o=There is no significant impact of financial awareness on the financial inclusion of members of Self Help Groups

8. Research Questions

i. What is the level of financial inclusion of members of Self Help Group in the state Tripura?

ii. What is the level of financial awareness of members of Self Help Group in the state of Tripura?

9. Methodology of the Study

The present study makes an attempt to measure whether financial awareness has an impact on financial inclusion of self help group members. Financial inclusion defined in the study is based on the use of financial services by the respondent sample members. Usage is one of dimension used to measure financial inclusion (Hanning & Jansen, 2010) based on the use of financial services.

The paper used primary data to assess the level of financial inclusion and the factors affecting financial inclusion of SHG members. The primary data is collected from 95 SHG groups present in 8 districts of Tripura. All these SHGs are maintained by National Rural Livelihood Mission and majority of which are situated in rural areas. A structured questionnaire was used for collecting the data selected at random from their database and it took four months (Sep 2016 to Dec 2016) to complete the process. A total of 400 questionnaires were distributed to the members and after cleaning the data for missing entries, 384 questionnaires were found to be correct and were used for final analysis.

a. Population of the Study

For the purpose of this study, primary data is collected from various self help groups covering all the eight districts of the state. Data were collected from self help groups maintained and nurtured by Tripura Rural Livelihood Mission (TRLM) the state unit of National Rural Livelihood Mission (NRLM). The reason for taking this organization is that, maximum numbers of self help groups are maintained by this organization. The total number of SHGs with the deposit linkage with various banks under NRLM as on 1st January 2016 is 8,560. The district wise number of self help groups along with the number of members registered under that group is given below in the table.

b. Sampling Design

The selection of sample is done using the multistage sampling. The area of study is limited to three districts of Tripura. These districts are Gomati, Dhalai and South Tripura. TRLM under the aegis of NRLM mentors SHGs in these three districts of Tripura. The reason for selecting National Rural livelihood mission (NRLM) is because of their wider presence and having maximum number of

SHGs under them. From each of the three districts, SHGs registered under NRLM is taken for the study. NRLM is a flagship programme of Ministry of Rural Development; Govt. of India to connect with the poor families in rural areas by forming self help groups to eradicate poverty by associating them to sustainable livelihood opportunities. Tripura Rural Livelihood Mission (TRLM) the state unit of NRLM which primarily started with three districts namely Dhalai, Gomati and South Tripura district and is now expanding in other blocks across all the districts of Tripura. The total number of SHGs with the deposit linkage with various banks under NRLM as on 1st January 2016 is 8,560. The detail of which is given in the table below.

Table-5: SHGs under NRLM in Tripura

Sr. No	District	SHG Type			Total of SHGs	Number of Members
		New	Revived	Pre-NRLM		
1	Dhalai	855	127	382	1364	11660
2	Gomati	900	91	214	1205	12288
3	South Tripura	929	145	328	1402	13175
Total		**2684**	**363**	**924**	**3971**	**37,123**

Source: NRLM MIS-Dept of RD

The number of SHGs under National Rural Livelihood Mission (NRLM) is given in the above table. Total of 3971 SHGs are present in three districts of Tripura while the total number of members registered in these SHGs are 37,123. South-Tripura district has the highest number of SHGs and the beneficiaries under the NRLM scheme. The members are mainly female beneficiaries, and come from different caste groups. The number of members engaged in each group ranges from 10-20.

The sample size calculated at 95% confidence level and at 5% margin of error comes to 384 Self help group members out of total population of 37,123 members. The study covers three districts of Tripura. The number of members selected from each district is decided on the basis of the proportionate sampling. This means the percentage of members representing each district is calculated by – ratio of the members in that particular district to the total number of members in all the three districts. This gives sample size of 120 members from Dhalai district, 127 representing Gomati district and 137 members from South Tripura district respectively. The first step is the selection of SHGs. 5 members from each SHGs are selected and therefore a total of 78 SHGs is surveyed to complete the data collection. The names of SHGs registered under the each DDA (district development authority) are taken for selecting the SHGs through simple random sampling. After selecting the SHGs the next step is the selection of samples. Knowing the total sample size from each districts, the next step is the selection of samples from the total population – 5 members from each group to be selected randomly as final samples out of total members present in that particular group, then in that scenario a total of 24 SHGs will be required for completing the survey representing Dhalai district.

c. Data Analysis

The present research work used various statistical tools like mean, variance, SD, reliability analysis, ordinal logistic regression, for analyzing the data. To test the reliability of the scales and the items used in it, Cronbach Alpha scales of reliability test is done. The alpha coefficient developed by

Cronbach to test the reliability of the scales where alpha coefficient value greater than 0.70 as indicated by Nunnally (Nunnally, 1978) is considered as acceptable in most research work. Ordinal logistic regression is used as it helps us to find out the explanatory variables significantly associated with the outcome of the dependent variable when the dependent variable is expressed in ordinal scale (Menard, 2002).

10. Development of Questionnaire using Study Variables

A structured questionnaire is prepared to collect the primary data. The questionnaire is prepared after due deliberation and taking into consideration the comments and suggestions given by the expert from the respective field. A pilot study was conducted with selected members belonging to various SHGs to test the validity and reliability of the questionnaire. The literatures suggest 17 items to measure financial inclusion from demand side. These items contain various dimensions through which the usage of various financial/banking products and services are measured. The dimensions that were taken into considerations are, use of credit, savings, insurance, pension, internet banking, remittances, overdraft facility, etc. A financial inclusion index based on the below mentioned parameters are framed and the frequency of usage is measured on a five point scale to determine the level of financial inclusion among the SHG members.

The items used to construct a financial inclusion index are given below.

- Item 1 is related to using of Cheques for payment purpose
- Item 2 is related to using of ATM/Debit cards for withdrawing money
- Item 3 using of bank cash counter for withdrawing money
- Item 4 using of bank for taking loans when in need of money
- Item 5 using of MFIs for taking loans when in need of money
- Item 6 using of Group Lending for taking loans when in need of money
- Item 7 using of Life-Insurance to reduce risk
- Item 8 using of savings account for depositing money
- Item 9 using of savings account for availing Govt. Scheme money
- Item 10 using Banks/post office account for Recurring Deposits
- Item 11 savings in SHG group account
- Item 12 using of internet banking for doing basic banking transaction
- Item 13 investment in mutual fund
- Item 14 using of Mobile banking services

- Item 15 paying money for Pension Schemes
- Item 16 using of Remittances for sending money
- Item 17 using of overdraft facility from my bank account

10.1 Reliability of the Scale

Table-2: Reliability Statistics

Scale reliability	Value of Cronbach's Alpha	N of Items
Measuring level of Financial Inclusion in terms of usage of financial products and services	0.825	17

Source: Compiled from questionnaire

The scale used in the study to measure the level of financial inclusion in terms of usage of financial products and services contains 17 items and the scale to measure level of financial awareness contains 41 items. All the items as mentioned above are measured in a 5 point likert scale. The Cronbach's Alpha for the first scale is found to be 0.825 for the 17 item (statements) and 0.892 for the second scale containing 41 items which indicates the scale to be of reliable and it also shows that the items are highly correlated.

10.2 Measuring Level of Financial Inclusion

Table-3: Item Statistics

ITEMS	Mean	Std.
Frequency of using of Cheques for payment purpose	1.71	1.145
Frequency of using of ATM/Debit cards for withdrawing money	2.66	1.586
Frequency of using of bank cash counter for withdrawing money	3.26	1.160
Frequency of using of bank for taking loans when I am in need of money	1.77	1.160
Frequency of using of MFIs for taking loans when I am in need of money	2.84	1.418
Frequency of using of Group Lending for taking loans when I am in need of	2.96	1.471
Frequency of using of Life-Insurance to reduce risk	3.33	1.785
Frequency of using of my savings account for depositing money	3.14	1.406
Frequency of using of my savings account for getting Govt. Scheme money	2.68	1.361
Frequency of using Banks/post office Recurring Deposits	2.57	1.732
Frequency of savings in my SHG group account	4.78	0.546
Frequency of using of internet banking for doing basic banking transaction is	1.30	0.800
Frequency of investment in mutual fund	1.59	1.271
Frequency of using of Mobile banking services	1.29	0.798
Frequency of paying money for Pension Schemes	2.42	1.889
Frequency of using of Remittances for sending money	2.04	1.389
Frequency of using of overdraft facility from my bank account	1.51	0.981

Source: Compiled from questionnaire

From the above table of item statistics, the mean and standard deviation of 17 items is calculated and the highest mean value is 4.78 and the lowest is 1.29. The range is 3.49. Dividing the range by 3 gives 1.163, adding 1.163 with 1.29 we get the interval of 1.29-2.453 which is categorized as the item having very low level of financial inclusion. Based on the above calculation the following levels are obtained.

Table-4: Interpretation of Individual Item Mean Value

Mean Value	Interpretation of mean value
1.29-2.453	Relatively lower impact on measure of Financial Inclusion
2.453-3.616	Relatively Moderate impact on measure of Financial Inclusion
3.616-4.78	Relatively Higher impact on measure of Financial Inclusion

Compiled from Questionnaire

From the above table of mean value interpretation of individual item responsible for overall financial inclusion, three levels of mean value are identified that are contributing to the different level of financial inclusion. The items falling under these categories are given below table.

Table-5: Variables Contributing to Low Level of Financial Inclusion

Items	Mean	Std. Dev
Frequency of using of Cheques for payment purpose	1.71	1.145
Frequency of using of bank for taking loans	1.77	1.160
Frequency of using of internet banking for doing basic banking transaction	1.30	0.800
Frequency of investment in mutual fund	1.59	1.271
Frequency of using of Mobile banking services	1.29	0.798
Frequency of paying money for Pension Schemes	2.42	1.889
Frequency of using of Remittances for sending money	2.04	1.389
Frequency of using of overdraft facility from my bank account	1.51	0.981

Compiled from Questionnaire

Table-6: Variables Contributing to Moderate Level of Financial Inclusion

Items	Mean	Std. Dev
Frequency of using of ATM/Debit cards for withdrawing money	2.66	1.586
Frequency of using of bank cash counter for withdrawing money	3.26	1.160
Frequency of using of MFIs for taking loans when I am in need of money	2.84	1.418
Frequency of using of Group Lending for taking loans when I am in need of money	2.96	1.471
Frequency of using of Life-Insurance to reduce risk	3.33	1.785
Frequency of using of my savings account for depositing money	3.14	1.406
Frequency of using of my savings account for getting Govt. Scheme money	2.68	1.361
Frequency of using Banks/post office Recurring Deposits is	2.57	1.732

Compiled from Questionnaire

Table-7: Variables Contributing to High Level of Financial Inclusion

Items	Mean	Std. Dev
Frequency of savings in my SHG group account	4.78	0.546

Compiled from Questionnaire

10.3 Scale Statistics of Level of Financial Inclusion

The scale statistics of 17 items that is used to measure the level of financial inclusion as mentioned above is given in Table 3. The level is measured in five point scale with a maximum score of 5 in each of the item and 85 for all. Similarly a respondent can score minimum of 1 in each of the item and 17 as overall minimum score. The range between the intervals (85-17) i.e. 68 is divided by five equal classes to stand for five different levels of financial inclusion. So a respondent score lying between 17 to 30.6, will be considered as having a very low level of financial inclusion. Based on the above framework, five levels has been developed and interpretation given in Table 9.

Table-8: Scale Statistics

Scale Statistics			
Mean	**Variance**	**Std. Deviation**	**N of Items**
41.85	114.896	10.719	17

Source: Compiled from questionnaire

The mean value of the level of financial inclusion index as shown in Table 8 is 41.85, this value falls within the range of 30.6–44.2, which represents low level of financial inclusion. This indicates that the self help group members in Tripura have low level of financial inclusion.

Table-9: Interpretation of Levels of Financial Inclusion

Scale Value	Levels of Financial Inclusion
17 – 30.6	Very low level of financial inclusion
30.6 – 44.2	Low level of financial inclusion
44.2 – 57.8	Moderate level of financial inclusion
57.8 – 71.4	High level of financial inclusion
71.4 – 85	Very high level of financial inclusion

Source: Compiled from questionnaire

The summary statistics of the level of financial inclusion among self help group members helps us to conclude that 130 respondent amounting to 45.6 percentage of the total respondent is having low level of financial inclusion and 63.5 percentages below moderate level. The usage of various banking and financial services especially the use of formal credit for mitigating loss is very low among the self help group members. The self help group members belonging to economically backward classes are lacking in use of formal banking services to meet their credit requirement.

Table-10: Levels of Financial Inclusion based on Survey

Levels	**Frequency**	**Percent**
Very Low Level of Financial Inclusion	73	19.0
Low Level of Financial Inclusion	177	46.1
Moderate Level of Financial Inclusion	84	21.9
High Level of Financial Inclusion	45	11.7
Very High Level of Financial Inclusion	5	1.3
Total	**384**	100.0

Source: Compiled from questionnaire

The percentage of people with high level of financial inclusion is 11.6 percent. This means that the percentage of members in the self help groups using various banking and financial services is very low and so is their level of financial inclusiveness in terms of use of financial services is less. The majority of members that is 45.6 percent fall under the low level of inclusion and 17.9 percent fall under very low level. If the two levels are combined then 63.5 percent of the group members are in the low level of banking inclusion. The result is not satisfactory in terms of usage of financial services which portrays low reach of basic financial services among the self help group members. There are many factors contributing to the low level of financial inclusion and among them the most important factor is financial literacy. The paper will delve into the impact of financial awareness on financial inclusion of self help group members.

10.4 Measuring Financial Awareness on Level of Financial Inclusion

Table-11: Financial Awareness variables Mean & Std. Deviation

Financial Awareness/Literacy	**Mean**	**Std. Deviation**
SB (Savings) Deposit A/C	3.89	0.738
Interest on SB (Savings) Deposit A/C	2.78	1.142
RD (Recurring) Deposit A/C	3.65	1.025
Interest on RD (Recurring) Deposit A/C	2.61	1.116
FD (Fixed Deposit) A/C	3.88	0.673
Interest on FD (Fixed Deposit) A/C	2.79	1.097
Nomination facility in bank account	2.85	1.096
Mobile banking services	2.27	0.958
ATMs Card/Debit Card services	3.34	1.042
Credit Card	2.05	0.857
Kishan Credit Card Scheme (KCC)	2.61	1.045
General Purpose Credit Card Scheme (GCC)	2.08	0.825
Remittances/Money Transfer through NEFT/RTGS	2.71	1.127
Mutual Fund	2.46	1.143
Agricultural Loan	3.11	1.076
Interest on Agricultural Loan	2.27	0.904
Educational Loan	3.65	0.845
Interest on Educational Loan	2.18	0.799
Personal Loan for weaker section	2.74	1.015

Interest on Personal Loan for weaker section	2.17	0.778
Housing Loan	3.67	0.789
Interest on Housing Loan	2.38	0.977
Business Loan	3.31	1.047
Interest on Business Loan	2.42	1.020
Auto Loan	3.42	0.992
Interest on Auto Loan	2.19	0.813
Gold Loan	2.78	1.139
Interest on Gold Loan	2.07	0.777
Life Insurance/ Pradhan Mantri Jeevan Jyoti Bima Yojna	3.54	0.936
Premium Amount and its benefits of PMJJBY	3.33	1.082
Accidental Insurance/ Pradhan Mantri Jeevan Suraksha Bima Yojna	3.00	1.083
Premium Amount and its benefits of PMSBY	2.73	1.046
Medical Insurance	2.87	1.093
Cattle insurance	2.53	1.002
Crop Insurance	2.64	1.037
Zero Balance Bank Account/Basic Savings Bank Deposit Account	3.35	1.009
Pradhan Mantri Jan Dhan Yojna	3.45	1.032
Business Correspondents or Bank Mitra	2.60	1.101
Financial Counseling camps conducted by banks	2.49	0.966
My knowledge of maintaining financial dairy is	3.09	1.019
Internet Banking	1.92	0.966

Source: Compiled from questionnaire

10.5 Scale Statistics of Financial Awareness

Table-12: Reliability Statistics

Scale reliability	Value of Cronbach's Alpha	N of Items
Measuring Financial Awareness	0.892	41

Source: Compiled from questionnaire

The scale used in the study to measure the level of financial awareness of self help group members in terms of usage of financial products and services contains 41 items. All the items as mentioned above are measured on a 5 point likert scale. The Cronbach's Alpha is found to be 0.892 as shown in table 12 which indicates the scale to be of high reliability and it also shows that the items are highly correlated.

Table-13: Scale Statistics

Scale Statistics			
Mean	**Variance**	**Std. Deviation**	**Number of Items**
115.88	308.988	17.578	41

Source: Compiled from questionnaire

The scale to measure the level of financial awareness of the members of self help groups contains 41 items as given in Table 11. The level is measured in five point scale with a maximum score of 5 in each of the item and maximum of 205 for overall. Similarly a respondent can score minimum of

1 in each of the item and 41 as overall minimum score for all items. The range between the intervals (205-41) i.e. 164 is divided by five to make for five different levels of financial literacy. So a respondent score lying between 41 to 73.8, will be considered as having a very low level of financial literacy. Based on the above framework, five levels has been developed and interpretation given in Table 14.

Table-14: Interpretation Table of Levels of Financial Awareness

Scale Value	Levels of Financial Awareness
41 – 73.8	Very low level of financial awareness
73.8 – 106.6	Low level of financial awareness
106.6 – 139.4	Moderate level of financial awareness
139.4 – 172.2	High level of financial awareness
172.2 – 205	Very high level of financial awareness

Source: Compiled from questionnaire

The level of financial awareness among the self help group members is moderate. The group member does not have very high awareness level of the financial services. Low level of financial awareness constitutes 32.6 percent of the total members as they are not aware of various banking and financial services that are available to them and are delivered through various banking and other formal channels.

Table-15: Levels of Financial Awareness

Levels of Financial Awareness	Frequency	Percent
Very Low Level of Financial awareness	01	0.4
Low Level of Financial awareness	93	32.6
Moderate Level of Financial awareness	165	57.9
High Level of Financial awareness	26	9.1
Very High Level of Financial awareness	0	0
Total	285	100

Source: Compiled from questionnaire

Financial literacy centers were opened by banks to educate the beneficiaries about the use of various banking and financial services. These centers organize financial meets in various places. As per the action point emerged in the 117th SLBC meeting held on 8.6.2016, each financial literacy centers and rural branch would conduct minimum one outdoor/indoor financial literacy camps once in a month. The 14 financial literacy centers have conducted 116 literacy camps during the first quarter with participation of 7629 persons. Beside these FLCs, 250 rural branches have conducted 706 camps during the same period with the participation of 10764 persons (117th SLBC Report, 2016).

10.6 Impact of Financial Awareness on Financial Inclusion of Self Help Group Members

To ascertain the impact of financial awareness on usage of banking and financial services, the study has selected usage of financial services as a dependent variable and financial awareness as an explanatory variable. Both the dependent and explanatory variable is measured in ordinal scale so an ordinal logistic regression was run to ascertain the impact. The model fitting information indicates the parameter for which the model fit is calculated.

Table-15: Model Fitting Information

Model Fitting Information				
Model	**-2 Log Likelihood**	**Chi-Square**	**Df**	**Sig.**
Intercept Only	171.277			
Final	43.575	127.702	3	.000
Link function: Logit.				

Source: Compiled from questionnaire

The above table depicting the Model fitting information tells us the ability of the model to predict the outcome. This is done by comparing two models i.e. a model without any explanatory variable with a model having all explanatory variables. The first one is intercept only while the latter is Final model. The significance level of the final model is stated to be a good fit if the P value is less than 0.05.

Table-16: Goodness of Fit

Goodness-of-Fit			
	Chi-Square	**Df**	**Sig.**
Pearson	12.540	6	.051
Deviance	15.624	6	.016

Source: Compiled from questionnaire

The goodness of fit table contains two chi-square statistics of the proposed model, the Pearson and deviance chi-square statistics. These two statistics determine whether the observed data are consistent with the fitted model. Here it needs P-value greater than 0.05 to accept the null hypothesis. The result shows P-value of both Pearson and Deviance greater than 0.05 at 95% confidence interval. So, the null hypothesis taken in the study is accepted, thus financial awareness does not have a significant impact on usage of various banking and formal financial services.

Table-17: R-Square

Pseudo R-Square	
Cox and Snell	.361
Nagelkerke	.393
McFadden	.178

Source: Compiled from questionnaire

R-Square explains the variations in outcome caused by explanatory variable. The more the value of R-Square the better is the impact of explanatory variables. In case of ordinal logistic regression R-Square cannot be calculated so Pseudo R-Square is estimated. Here Pseudo R-Square value of Nagelkerke is 0.393, that means 39.3% of the variation is explained by the explanatory variable. This is as expected as there are other factors like demographic, socio economic and infrastructure that may have an impact on financial inclusion.

Table-18: Parameter Estimates

		Estimate	Std. Error	Wald	Df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[LevelsofFI = 1]	4.186	0.588	50.743	1	.000	3.034	5.338
	[LevelsofFI = 2]	7.000	0.699	100.273	1	.000	5.630	8.370
	[LevelsofFI = 3]	8.997	0.775	134.793	1	.000	7.478	10.516
Location	LevelsOfFinLiteracy	2.287	0.236	93.675	1	.000	1.824	2.750

Link function: Logit. Source: Compiled from questionnaire

The above table of parameter estimate contains the estimated coefficient for the model. The estimate labeled 'location' represents the coefficient for predictor variable. The value of the estimate intercepts shows a positive relation between the level of financial inclusion and financial awareness. The Wald statistics is the square of the ratio of the coefficient to its standard error. On the basis of the significance level, we can reject the null hypothesis that there is no impact of financial awareness on the level of financial inclusion of self help group members. There appears to be a positive relationship between the dependent and independent variables that implies with the increase in financial awareness the level of financial inclusion also increases. So it should be a constant endeavor for banks to conduct financial literacy/awareness camps from time to time to inculcate a habit of financial discipline among the people specially the poor members living in rural areas.

11. Conclusion

The objective of this study is to assess the status of financial inclusion of self help group members in the state of Tripura and the impact of financial awareness on their level of inclusion. The definition of financial inclusion has different dimensions and the present study takes into account financial inclusion from demand side considering those who are not using these banking and financial products outside the purview of formal banking system. On the basis of study it has been found that the level of financial inclusion of self help group members is low depicting the fact that they are not using formal banking and other financial services in spite of them having a bank account. A similar study on financial inclusion in North East India found the level of financial inclusion in the region to be low and simultaneously possessing financial information to be an influential factor leading to inclusion (Bhanot, Bapat, & Bera, 2012). One of the reasons for low level of financial inclusion is lack of financial knowledge and awareness. Exclusion could takes place for other reasons apart from when people are not aware of the available products or services

(Arunachalam, 2008). A similar study on financial literacy was conducted before and after joining Self Help Groups and it was found that after joining SHGs helped them to know about financial products and services (Shantha, Jerinabi, & Deepa, 2010). Financial awareness through educating the people about various financial products and services to be spread through various mediums of different govt. agencies will significantly help to reduce the knowledge barriers in the minds of the people and bring them closer to banking institutions (Lunt, 1992). The present study found that awareness about financial products does not have a significant impact on the level of financial inclusion; also there is a positive relationship between the financial awareness and financial inclusion.

12. Suggestions and Policy Implications

The use of bank account should be increased by making people aware of various banking product and services that already exists for their betterment. In a perfect competitive market, the buyer should have full knowledge of the products or else it will not allow the financial services to reach their full potential for meeting the expectation of the customers. It becomes imperative on the part of the regulator to take steps for improving the awareness about various financial products and services as it will empower the people to identify their need and demand right kind of products from financial institutions. Reserve Bank of India has taken a number of initiatives to improve the financial literacy like ‘Project Financial Literacy’, launching of multilingual website to promote financial literacy but these steps were not adequate to improve financial awareness. State with the active involvement of State Level Bankers Committee (SLBC) should increase the number of financial literacy centers (FLCs) as well as credit counseling centers (CCC). The gap in financial awareness of low and high income people exists where a significant association between income level and financial awareness has been seen. So to bring financial inclusiveness, the policy makers need to focus on giving financial education to the poor and low income members of the self help groups for effective management of their money, proper debt management to avoid unnecessary indebtedness, regular savings habits and use of other financial services to mitigate their unexpected risk. The lead bank has to make a dedicated financial literacy division to proliferate the various scheme and instruction among masses. The division can take help of local print and electronic media to reach out to the common people. The policy maker has to ponder on the thought of making financial education course available at the school level itself to make people aware of the banking rights and regulation that will develop the financial capability of the society.

13. Scope of Future Research

The limitation of the present study is that it has taken only financial awareness as an exploratory variable in understanding the impact on financial inclusion. Further research can introduce more explanatory variable and go a step further in defining financial literacy and its related variables. There is lot of scope for further research in exploring the factors that affects financial awareness so that the barriers of awareness could be removed.

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