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## **Editorial**

It gives me great pleasure to present the January - March 2023 (Vol LI No. 4) issue of Prajnan. We regret the inconvenience due to the delay in its release, for a number of factors beyond our control. In this issue, we offer four full length articles and two book reviews. The topics are diverse and span a variety of subjects like export preparedness, financial inclusion, asset quality drivers and impact of the pandemic on digital transactions.

The first paper, by Shreyasee Kaushik and T. Varun Reddy, is titled **Effect of Digital Readiness on Export Preparedness in India**. In an integrated world, with volatile capital flows, sustained export growth is vital for external sector stability. The authors analyze the extent to which Indian states are geared towards exports, in terms of the Export Preparedness Index (EPI) developed by NITI Aayog and Institute for Competitiveness (IFC). The paper finds that the degree of digital readiness, size of population and political ecosystem (same party in Centre and state for at least three years) have a statistically significant and positive impact on export preparedness. Hence, states which aspire to improve their export performance may draw the appropriate lessons.

The second article is entitled **Impact of Socio-Economic Factors on Financial Inclusion: A Study of Malda District of West Bengal**. With a large fraction of the population still outside the formal banking sector, the need to accelerate financial inclusion is urgent. The authors, Md. Wakil Hossain, Abhijit Sinha and Tagar Lal Khan, attempt to identify the factors which influence the degree of financial inclusion. Their regression models suggest that income, age, literacy, occupation and location are the main determinants of financial inclusion. Practitioners and policymakers can leverage these indicators to improve the degree of financial inclusion. It is also noteworthy that religion plays no significant role in financial inclusion.

The third article, **Determinants of Asset Quality in Indian Banks: A Fresh Perspective**, explores the factors that drive Net NPAs in Indian banks. Rekha Handa and Priyanka Mahajan study 42 banks between 2001 and 2019. Their panel regressions show that Return on Assets and Bank Size reduce Net NPAs, while portfolio diversification and higher provisions increase them. These results provide important hints to banks and financial institutions, on portfolio design strategies for credit risk management.

The final paper, **An Empirical Analysis of Online Banking Transactions in India during Covid-19 Pandemic**, examines the influence of the pandemic on digital transactions. The author, Vishnu Gupta, conducts a survey to assess public behaviour during the pandemic. Statistical analysis of the responses shows that the extent of online transactions did register a significant growth during the Covid-19 crisis. It follows that digital banking platforms also became more popular during the episode.

The first review is of the book *Basic Statistics for Risk Management in Banks and Financial Institutions*, written by Arindam Bandyopadhyay. The reviewer, Dr. Tasneem Chherawala, observes that the book attempts to demystify fundamental concepts in statistical models for risk measurement and management. This is important because misinterpretation of these models may tarnish the quality of inputs and outputs. Failure to appreciate these models could also make senior and top management clueless about the changes in the risk profiles of their portfolios. Hence, Dr. Chherawala notes that the book will add to the knowledge base of risk management practitioners.

The second review is of the book *Indian Banking in Retrospect - 75 Years of Independence*, by Ashutosh Raravikar. The reviewer, Dr. V.S. Kaveri, commends the little book for a lucid coverage of the broad canvas of the Indian banking sector after independence. It also provides analytical perspectives on central banking, the contribution of the banking sector to the nation and an outlook for the future. It is a useful reference for students of Economics, Commerce, Finance and Management.

We invite original research articles in all areas of banking and finance. Please submit your papers, comments and suggestions to [editor\\_prajnan@nibmindia.org](mailto:editor_prajnan@nibmindia.org)

With warm regards,

**Dr Sanjay Basu**

Editor, *Prajnan*

Professor of Finance and Dean (Research and Consultancy),

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## **Effect of Digital Readiness on the Export Preparedness in India**

**Shreyasee Kaushik**  
**T Varun Reddy**

Since the reforms in the 1990s, India has posted a stellar export performance. However, for a vastly diverse nation like India, a disaggregated analysis of exports at the state level is warranted. Therefore, NITI Aayog and Institute for Competitiveness (IFC) have jointly constructed the first-ever 'Export Preparedness Index' (EPI) with four constituent pillars that together gauge the sub-national level of export readiness. However, it remains to be seen whether and how the improvements in digital readiness of the states play a role in making them better 'export prepared'. In this paper, we investigate the effect of related economic variables on EPI viz. the e-Readiness, population size, political ecosystem and coastal access. We find that digital readiness, population size and the states' political ecosystem have a significant and positive impact on the states' export preparedness.

## **Impact of Socio-Economic Factors on Financial Inclusion: A Study on Malda District of West Bengal**

**Md. Wakil Hossain**  
**Abhijit Sinha**  
**Tagar Lal Khan**

Financial inclusion is an important issue to the policymakers of a country. In India, financial inclusion has also been considered as a top priority since its independence. In this study, the researchers attempt to find out the vital and influential socio-economic factors that impel financial inclusion in the Malda district in West Bengal. The Principal Component Analysis (PCA) and Mixed Effect Generalized Ordinal Logistic Regression Model have been applied on the primary survey database, collected from Malda district through multi-stage sampling, in order to understand the influence of different socio-economic factors towards financial inclusion. From the results of regression models, the study observes that income, age, literacy, occupation and area of residence (urban, semi-urban and rural) are significant influential socio-economic factors towards financial inclusion. In case of the Muslim community, age gets a unique weight and for non-Muslim community mainly the two elements, income and literacy, are highly dominating factors towards financial inclusiveness.

## **Determinants of Asset Quality in Indian Banks: A Fresh Perspective**

**Rekha Handa**  
**Priyanka Mahajan**

NPAs have become a key source of concern for the Indian banking sector since the recent past, which now threatens the banking system stability and hence, needs to be controlled. In this regard, the current study aims to identify the factors that degrade asset quality by using unbalanced panel of 42 commercial banks over a period from 2001 to 2019. Bank-specific parameters have been examined by using fixed and

random panel data model techniques through Gretl software. The results of the study revealed that ROA and bank size intended to measure total assets have significant negative relationship with NNPA's implying a decreased level of NPAs. On the other hand, more diverse portfolio and high provisions created for NPA is significantly positively related to the higher level of non-performing assets. These indicators point to a larger amount of problematic loans, which adds to accumulation of NPAs in public and private sector banks.

## **An Empirical Analysis of Online Banking Transactions in India during Covid-19 Pandemic**

**Vishnu Gupta**

India is still one of the leading economies in today's world in spite of the Covid-19 pandemic. During the pandemic situation, India had paved the way for other economies to tackle such situations. We want to know how bank users had changed their banking habits during the pandemic period and how much internet and mobile transactions have been affected by the Covid-19 situation. In this paper an attempt has been made to find out the growth rate as well as the impact of Covid-19 on digital transactions. The result was analyzed with the help of paired sample t-Test and CAGR through SPSS software which showed that Covid-19 has positively benefitted banking transactions as there has been positive growth during the Covid-19 period. Finally, it was discovered that the pandemic situation resulted in the increase in usage of digital banking platforms for performing banking transactions.

## **Book Reviews**

### **Basic Statistics for Risk Management in Banks and Financial Institutions**

**Arindam Bandyopadhyay**

Publisher: Oxford University Press, India / UK; Year of Publication: 2022

*Reviewed by* **Dr Tasneem Chherawala**, Associate Professor, National Institute of Bank Management, Pune

### **Indian Banking in Retrospect – 75 Years of Independence**

**Ashutosh Raravikar**

Publisher: Aswad Prakashan Private Limited, India; Year of Publication: 2022

*Reviewed by* **Dr V S Kaveri**, Former Professor, National Institute of Bank Management, Pune