100 % Financial Inclusion : A Challenging Task Ahead

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"The future lies with those companies who see the poor as their customers" C.K. Prahalad.

Unrestrained access to public goods and services is the *sine qua non* of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination should be the prime objective of the public policy.

Introduction

What do we mean by financial inclusion? Does it only pivot around "no frill accounts" or is it a concept much wider in scope?

Financial inclusion is *delivery of banking services at an affordable cost to the vast sections of underprivileged and low income groups*. By financial inclusion we mean the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded. It is important to recognize that in the policy framework for development of the formal financial system in India, the need for financial inclusion and covering more and more of the excluded population by the formal financial system has always been consciously emphasized.

The Scope of Study

In India the focus of the financial inclusion at present is confined to *ensuring a bare minimum access to a savings bank account without frills, to all.* Internationally, the financial exclusion has been viewed in a much wider perspective. Having a current account / savings account on its own, is not regarded as an accurate indicator of financial inclusion.

There can be multiple levels of financial inclusion and exclusion. At one extreme, are the *'super-included'*, i.e., those customers who are actively and persistently courted by the financial services industry, and who have at their disposal a wide range of financial services and products. At the other extreme, are the *financially excluded*, who are denied access to even the most basic of financial products. In between are those , who use the banking services only for deposits and withdrawals of money. But these persons may have only restricted access to the financial system, and may not enjoy the flexibility of access offered to more affluent customers.

Though, the banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have *not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services.*

In India, there are *approximately 400 million people in nearly six million villages and semi-urban areas are waiting for small loans and other banking services. There is scope for lending Rs 45,000 crores to these people. Against this potential, only about 20 million have been served so far by the organized financial sector, with total disbursements of about Rs 3,900 crore.*

Research Methodology

Secondary research was conducted to study the current scenario of financial inclusion in India. Data for the years 2001to2006 has been taken from Reserve Bank of India, Indian Institute of Banking and Finance and Updated Master Office Files of Office of Registrar General and Census Commissioner , Government of India .

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Interviewed the representative of the two NGOs, namely 'Asha' and 'Need" and the SHGs attached to these NGOs .These social organizations are operating in the states of Uttar Pradesh , Bihar , Madhya Pradesh and Uttrakhand .They are actively liaisoning between the underprivileged people in urban , semi-urban and rural areas and the financial organizations operating therein . Interaction with them gave an insight into the existing need for banking services and also brought to light the major challenges and hurdles in way of full financial inclusion.

International Experience

It may be worthwhile to have a look at the international experience in tackling the problem of financial exclusion , so that we can learn from the international experience. The Financial Inclusion Task Force in UK has identified *three priority* areas for the purpose of financial inclusion, viz., *access to banking, access to affordable credit and access to free face-to-face money advice.* UK has established a Financial Inclusion Fund to promote financial inclusion and assigned responsibility to banks and credit unions in removing financial exclusion. Basic bank no frills accounts have also been introduced. An enhanced legislative environment for credit unions has been established, accompanied by tighter regulations to ensure greater protection for investors. A Post Office Card Account (POCA) has been created for those who are unable or unwilling to access a basic bank account. The concept of a Savings Gateway has been piloted. This offers those , on low-income employment , £1 from the state for every £1 they invest , up to a maximum of £25 per month. In addition the Community Finance Learning Initiatives (CFLI s) were also introduced with a view to promoting basic financial literacy among housing association tenants.

A civil rights law, namely Community Reinvestment Act (CRA) in the United States prohibits discrimination by banks against low and moderate income neighborhoods .The CRA imposes an affirmative and continuing obligation on banks to serve the needs for credit and banking services of all the communities in which they are chartered. In fact, numerous studies conducted by Federal Reserve and Harvard University demonstrated that CRA lending is a win-win proposition and profitable to banks. In this context, it is also interesting to know the other initiative taken by a state in the United States. Apart from the CRA experiment, armed with the sanction of Banking Law, the State of New York Banking Department, with the objective of making available the low cost banking services to consumers, made mandatory that each banking institution shall offer basic banking account and in case of credit unions the basic share draft account, which is in the nature of low cost account with minimum facilities.

Measures by RBI and GOI towards Financial Inclusion

Historically, the Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase banking penetration in the country. Some of these measures include the *creation of State Bank of India in 1955; nationalisation of commercial banks in 1969 and 1980; initiating the Lead Bank Scheme in 1970; establishing Regional Rural Banks (RRBs) in 1975; introducing a Self-Help Group (SHG)-Bank Linkage Programme in 1992 and formulating the Kisan Credit Card scheme in 2001.*

In November 2005, banks were *advised to make available a basic banking 'no-frills' account with low or nil minimum stipulated balances as well as charges to expand the outreach of such accounts to vast sections of the population.*

In order to ensure that persons belonging to low income group, both in urban and rural areas do not encounter difficulties in opening bank accounts owing to procedural hassles, *the know your customer (KYC) procedures for opening accounts has been simplified*. The Reserve Bank has directed banks to *make available all printed material used by retail customers in English, Hindi and the concerned regional language.*

More recently, in January 2006, *banks were permitted to utilize the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent models.*

To extend hassle-free credit to bank customers in rural areas, the *guidelines on General Credit Card (GCC) schemes were simplified to enable customers' access credit on simplified terms and conditions, without insistence on security, purpose or end-use of credit*. With a view of providing hassle free credit to customers, banks were *allowed to issue general credit cards akin to Kisan Credit Cards (KCC).*

A simplified mechanism for *one-time settlement of loans with principal amount up to Rs.25, 000 which have become doubtful and loss assets* as on September 30, 2005 was suggested for adoption .Banks have been specifically advised that *borrowers with loans settled under the one time settlement scheme will be eligible to re-access the formal financial system for fresh credit.*

The Reserve Bank has also been *periodically issuing guidelines on public grievance redressal mechanism in banks, including constitution of Customer Service Centers for ensuring improvements in quality of service rendered*. In the Reserve Bank, the *Customer Service Department* has recently been constituted to, *inter alia* , serve as the interface between customers and banks.

Moreover, the Government of India has also expressed its explicit concern on the issue of overall inclusion in the development process through its various initiatives such as the *Rural Employment Guarantee* Scheme, the *Bharat Nirman* programme, the *Sarva Shiksha Abhiyan*, and the like. A Committee on Financial Inclusion, with Dr. C. Rangarajan as chairman, has also been constituted by the Government of India in June 2006 , to recommend a strategy to achieve higher financial inclusion in the country.

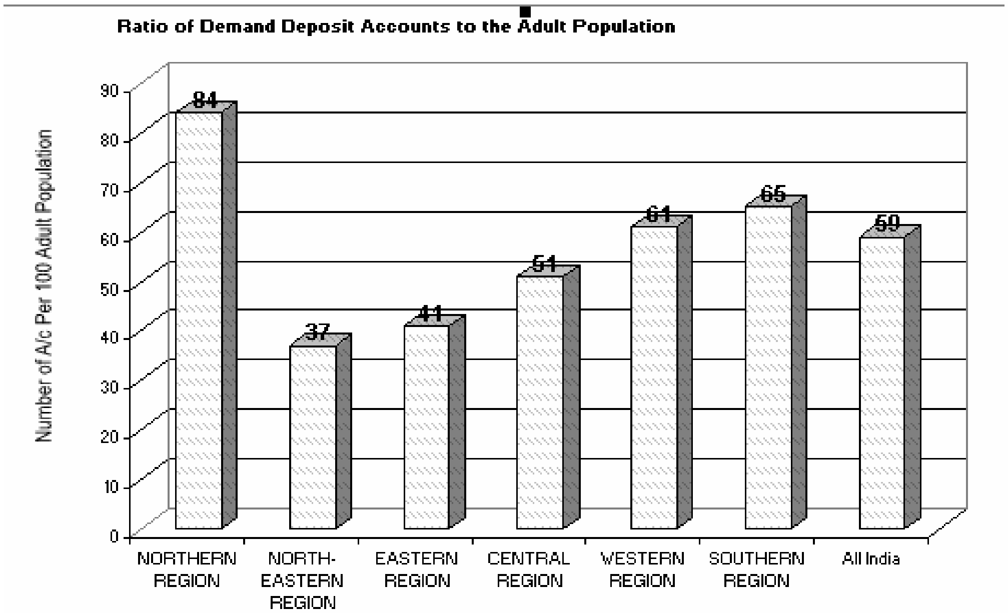
Current Indian Scenario

Bank nationalization in India marked a *paradigm shift* in the focus of banking as it was intended to *shift the focus from class banking to mass banking*. The rationale for creating Regional Rural Banks was also to take the banking services to poor people. The branches of commercial banks and the RRBs have increased from 8,321 in the year 1969 to 68,282 branches as at the end of March 2005. The average population per branch office has decreased from 64,000 to 16,000 during the same period.

The new Branch Authorization Policy of Reserve Bank *encourages banks to open branches in these under banked states and the under banked areas in other states*. The new policy also places a lot of emphasis on the efforts made by the Bank to achieve, inter alia, financial inclusion and other policy objectives. But the study of Distribution of Commercial Bank Branches-Region /State/Union Territory (Table III.36- Appendix) shows that , *there are certain under-banked states such as Bihar , Orissa, Rajasthan, Uttar Pradesh, Chattisgarh, Jharkhand, West Bengal and a large number of North-Eastern states such as Assam, Manipur and Nagaland , where the average population per branch office continues to be quite high compared to the national average of 16,000 people per bank branch.*

The study also shows that even after the implementation of the new Branch Authorization Policy of Reserve Bank , out of a total of 1,250 new branches that were opened during July 2004-June 2005 only 1.2 % branches were actually opened in the un-banked areas . During the same corresponding period during 2005-06, 933 new branches were authorized to operate and out of which only 0.21 % were opened in the un-banked areas.

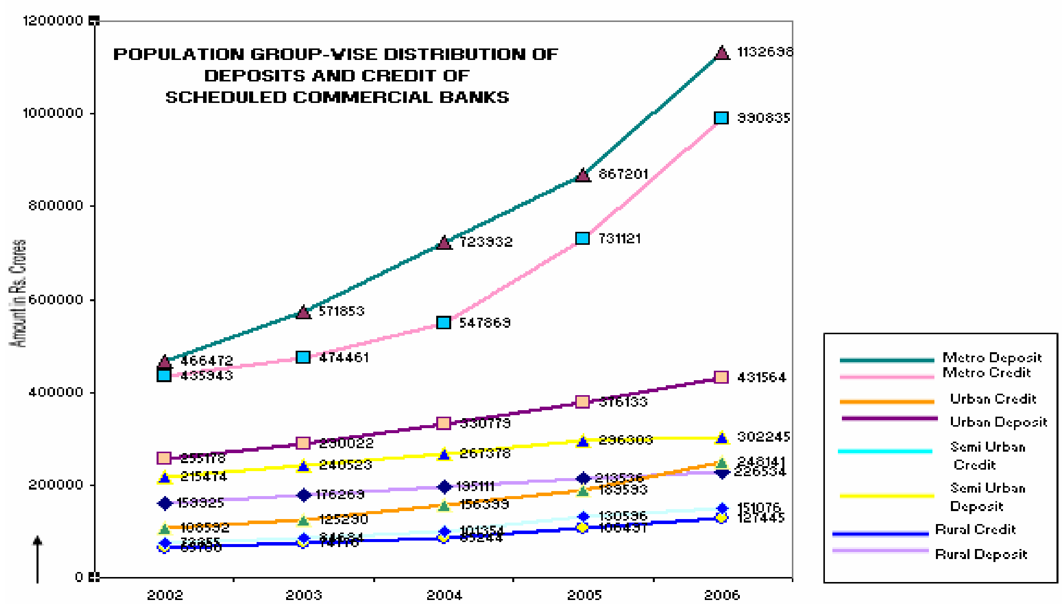
Another benchmark employed to assess the degree of reach of financial services to the population of the country, *is the quantum of deposit accounts (current and savings) held as a ratio to the* *adult population.* In the Indian context, taking into account the Census of 2001 (ignoring the incremental growth of population thereafter), the ratio of demand deposit accounts (data available as on March 31, 2004) to the total adult population was only 59% as is evident in Coverage of Banking Services (Table 1-Appendix).



Graph 1

Within the country, there is a wide variation, across states (Table 1-Appendix) . For instance, the ratio for the state of Kerala is as high as 89% while Bihar is marked by a low coverage of 33%. In the North Eastern States like Nagaland and Manipur, the coverage was a meager 21% and 27%, respectively. The Northern Region, comprising the states of Haryana, Chandigarh and Delhi, has a high coverage ratio of 84%. Compared to the developed world, the coverage of our financial services is quite low. For instance, as per a recent survey commissioned by British Bankers' Association, 92% to 94% of the population of UK has either current or savings bank account.

According to the information available with the Reserve Bank of India, about 5 lakh no-frill accounts , with and without value-added features , have been opened until March 31, 2006, of which about two-third are with the public sector and one-third with the private sector banks. Though the RBI promoted no-frills savings bank account , had all the potential to revolutionize India's rural agricultural economy, as well as usher in the banking habit amongst a large number of the less privileged population. *The product was lost among a myriad of financial offerings and most banks have shown little verve and vitality in marketing it and banking continues to remain an elitist to lower middle-class pursuit, restricted mainly to urban India.*



Graph 2

Population Group Wise Distribution of Deposits and Credits of Scheduled Commercial Banks (Table 2-Appendix) , shows that the percentage share of deposits, is on the decline , in rural and semi-urban and urban areas. In contrast, the share in metropolitan areas has been rising continuously. The share of credit is lower than that of deposits in all regions except metropolitan, implying that resources get intermediated into metropolitan areas .This clearly brings out banks` *aspiration to earn good margins by investing funds into high potential areas, instead of strictly abiding by the RBI norm of priority sector lending to under-developed and undeveloped areas* .Even after RBI`s emphasis to promote financial inclusion it is very surprising to see , that, rural area contributed only 10.8% and semi-rural areas 14.4% of the total deposits collected in March 2006 .This reiterates the *need to expand and consolidate the banking network and to adopt innovative measure to mobilize funds* .

The Distribution of Commercial Bank Branches in India – Bank Group and Population Group Wise (Table III .35-Appendix) clearly shows the dispersion of branches among rural , semi-urban, urban and metropolitan areas , by the various bank groups . It is evident that RRBs (80%) and Local banks (66.6%) branches are in rural and semi-urban areas , they are followed by State Bank group (67%) ; other nationalized banks (59%) ; private banks (42.8%) , whereas the foreign banks seem to be concentrating only on urban and metropolitan areas (99.6%) and just have 0.4% branches in rural and semi-urban areas . This reiterate the need to sensitize the private banks and the foreign banks to open branches in semi-urban and rural areas.

Major Roadblocks to Financial Inclusion

The interaction with the NGOs and the SHGs brought to light underpinning problems of financial inclusion, which are briefly stated as under :

- Poverty: being on a low income, especially out of work and on benefits.
- Ignorance: low levels of awareness and understanding of products caused by lack of appropriate marketing or low levels of financial literacy.
- Environment: lack of access to financial services caused by several factors, including :geographic access to bank branches or remote banking facilities; affordability of products such

as insurance, where premiums often price out those living in the most deprived and risky areas; suitability of products like current accounts, which offer an overdraft and an easy route to debt .

- Cultural and psychological barriers , such as language, perceived / actual racism and suspicion or fear of financial institutions.

The lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers actually results in *Financial Exclusion*. This is a critical policy concern, because the options for operating a household budget, or a micro/small enterprise, without mainstream financial services can often be expensive. This process becomes self-reinforcing and can often be an important factor in social exclusion, especially for communities with limited access to financial products, particularly in rural areas.

Consequences of Financial Exclusion

Financial exclusion is a serious concern among low-income households as well as small businesses, mainly located in semi-urban and rural areas. Consequences of financial exclusion will vary depending on the nature and extent of services denied. Financial exclusion complicates day-to-day cash flow management - being financially excluded the low-income households as well as the micro and small enterprises deal entirely in cash and are susceptible to irregular cash flows.

Incase of low-income households, the absence of access to bank accounts and other saving opportunities result in lack of savings ; low investments ; lack of financial planning and security for old age ; difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates ; increased unemployment due to lack of self –employment opportunities ; higher incidence of crime etc.

The small business may suffer due to loss of access to middle class and higher-income consumers, higher cash handling costs, delays in remittances of money, lots of reliance on private money lenders for small credits. It may thus be concluded that financial exclusion not only widens the *'Rich-Poor divide '*, it also lead to *'Social Exclusion'*.

Role of Financial Education vis- a-vis Financial Inclusion

Financial education can be comprehensively defined as *"the process by which financial consumers / investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being"*. Financial education thus goes beyond the provision of financial information and advice. The focus of any discussion on financial education is primarily on the individual, who usually has limited resources and skills to appreciate the complexities of financial dealings with financial intermediaries on matters relating to personal finance on a day to day basis.

In the context of 'financial inclusion', the scope of financial education is relatively broader and it acquires greater significance since it could be an important factor in the very access of such excluded groups to finance. Further, the process of educating may invariably involve addressing deep entrenched behavioral and psychological factors that could be major barriers. However, the complementary relationship between microfinance and financial education is obvious and financial literacy can increase the decision making power and prepare them to cope with the financial demands of daily life.

In country like India, with diverse social and economic profiles , financial education is particularly relevant for people who are resource poor and who operate at the margin and are vulnerable to persistent downward financial pressures. With no established banking relationship, the un-banked poor are pushed towards expensive alternatives. The challenges of household cash management under difficult circumstances with few resources to fall back on could be accentuated by the lack of skills or knowledge to make well informed financial decisions. Financial education can help them prepare ahead of time for life cycle needs and deal with unexpected emergencies without assuming unnecessary debt.

Financial Inclusion and Economic Development

What economic development paradigm has revealed is that equity is not axiomatic with economic development. Financial inclusion is an essential pre-condition to building uniform economic development, both spatially and temporally, and ushering in greater economic and social equity.

There are several government and non-government programmes aimed at reducing poverty and bringing greater equity in the country. But few have proved to be inherently productive and sustainable. Financial inclusion can transform them into productive and self-sustainable projects. The micro-credit programme launched through numerous Non Government Organizations has found fancy with the banking industry and can prove to be an excellent tool to bring in greater equity through financial inclusion.

No-frills account when promoted extensively plough backs the returns from these projects into bank coffers, thus encouraging the savings habit and ensuring that banks act as a repository of savings and sources of credit. This will make banking, enter into the daily routine of a common man. Besides nurturing the habit of saving among the masses, it will remove the apprehensions and fear from their mind towards the financial products and services. This will encourage un/under-banked consumers to enter into or make better use of the financial mainstream. It will also persuade people to take credit for setting up new ventures. In a way provision of easy credit will encourage the first generation entrepreneurs to initiate new venture ; aggravate the capital formation in the society ; create new employment opportunities and thus will help in escalating the economic development of the country. This also will automatically lower the increasing crime rates in the society.

The Model for Financial Inclusion

Deepening the financial system and widening its reach is crucial for both accelerating growth and for equitable distribution, given the present state of development, of our country.

After analyzing in depth the underpinning reasons of financial exclusion in India and going through the success stories of UK and USA , and interacting with NGOs mainly operating in different states of central India, it becomes obvious that we have to continue with our tireless endeavor to combat monsters like illiteracy, poverty, ignorance, cultural and psychological hurdles and simultaneously design innovative, lucrative and low cost banking products and services to lure public, to join the mainstream.

Need was felt to reorient the attitudes of the operating staff to make them appreciate the benefits of extending the reach to wider sections of the society. The model discussed below will be instrumental in bring hundred percent financial inclusion in our country.

Stage I : Create Awareness & Financial Literacy

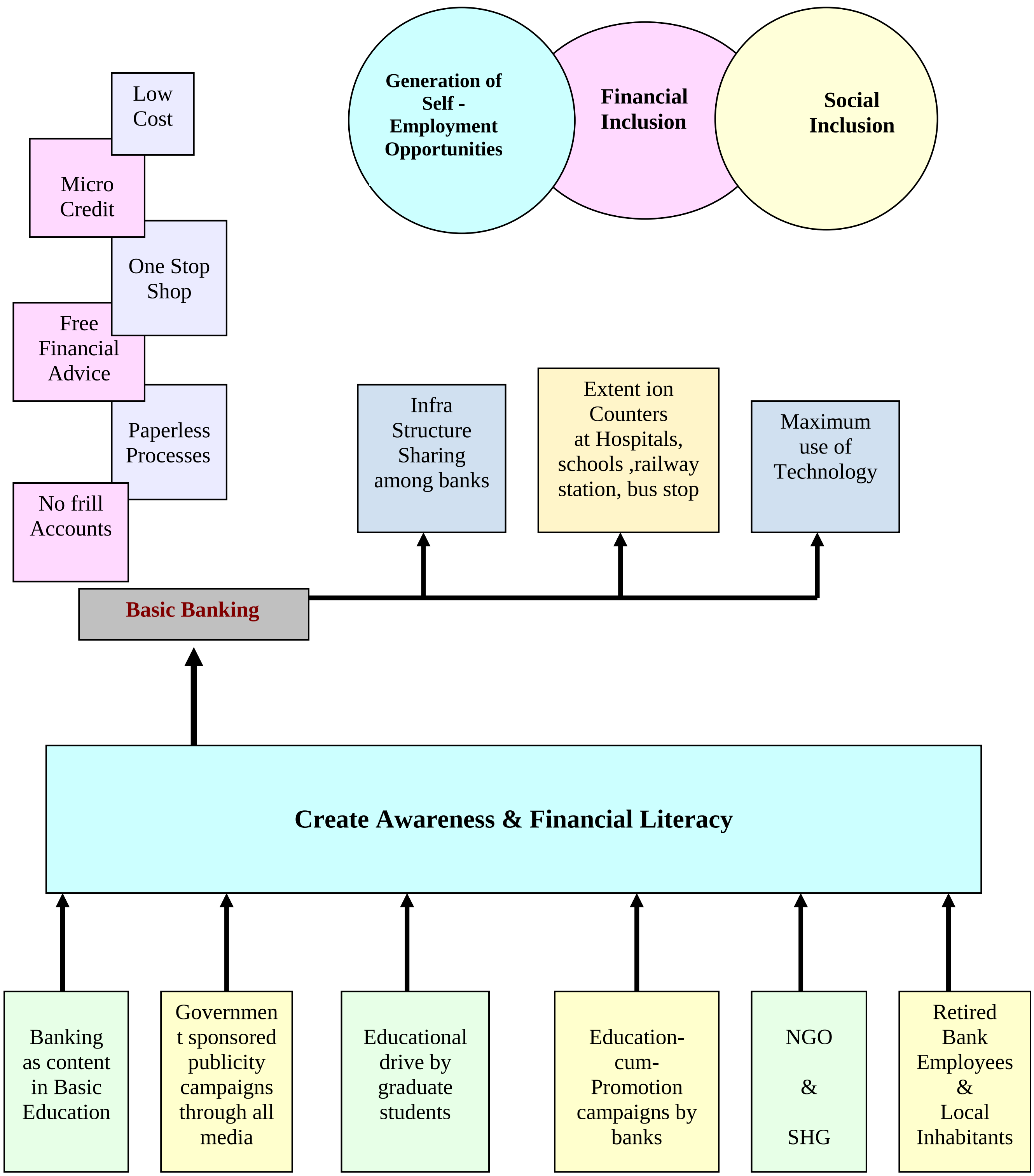
Intensive awareness , education and promotion drive to create an in-depth impact on the masses.

- Government should promote introduction of basic banking – relevance, services, merits as a topic in secondary and higher secondary classes in all education institutions.
- Government sponsored publicity campaigns through all medias – radio ; television ; newspapers ; e-choupal ; village panchayat ;movies ; local stage shows etc
- Banks should design and organize aggressive education cum promotion campaigns in un-banked parts of urban, semi – urban and rural areas to enhance financial literacy and awareness, as well as to remove the doubts and apprehensions that the masses have towards the banking sector.

- Banks should involve the knowledgeable and well-informed local inhabitants in such activities. This will help the banks to consolidate and ensure, prompt and extensive response from populace.
- Banks should gather support from the NGOs, retired bank personals, academic institutions, to reach the desired numbers within a limited span of time.

Once the fallacy is removed from the minds of the general public, they automatically will join the mainstream. The all round awareness and education simulation will drive them to open savings and current accounts. This will mark the beginning of basic banking in true sense.

MODEL FOR FINANCIAL INCLUSION



Stage II : Basic Banking

The banks need to adopt a considerate approach towards this new clientele, to remove their qualms and disbeliefs. It is necessary that the basic banking should be comprehensive in scope and have attractive USPs that can lure people at large :

- All banks should allow no frill accounts i.e. savings accounts which can be opened with a nominal amount of Rs.5/- or even with zero balance .They should allow 6-7 withdrawals in the accounting period and should not restrict the number of deposits.
- RBI along with banks should toil hard to reduce the amount of paper work in relation to the opening of an account as well as in getting small credits . This would reduce the complexity and also speed up the processing at banks.
- Banks should make sure that local people are positioned in the front offices, so that the general public does not have to endure with language problem and does not have to suffer perceived / actual racial discrimination.
- It is all the more necessary for the banks that besides offering the conventional products and services they should set up teams who can understand the needs and requirements of the common man and design innovative products and services having greater suitability and desirability. Also banks should work as one stop store and offer diversified products in banking and insurance .
- Despite the risk, financing of first time entrepreneurs is a must for financial inclusion and growth. Banks should arrange and provide technical advice for these entrepreneurs. They will have to tone up their risk assessment and risk management capacities, and provide for these facilities.
- Banks should give free financial counsel to low-income households and small entrepreneurs.
- The pricing of the product should be also done keeping in mind the pockets of the potential clientele. The cost burden should proportionately be shifted to high potential sectors, who can afford a little upswing in their banking cost.

Stage III : Innovative Strategies

Basic banking itself needs to be supported by innovative strategies, in order to improve the reach and reduce the operating cost of the banks.

- Infrastructure sharing amongst banks and other organizations will help in lowering the operating cost and thus the cost benefit can be transferred to customers.
- Bank should open small extension counters at organization providing public utility services such as local schools, primary health care centres, village mandies, farmers` associations, cold storages and warehouses , railway stations , bus stops etc.
- This should simultaneously be supplemented by mobile banks. Wherever it is not economical to set up a branch, *credit camps* / *loan 'melas'* must be organized on weekly basis , to disburse small loans on easy terms .
- Greater use of technology should be made by the banks to improve their reach, speed of processing, as well as to cut down the operating cost .

Last but not the least the Government of India should initiate a 'civil rights law' prohibiting discrimination by banks against low and moderate income neighborhoods. This will create a pressure on banks to play an important role in bringing financial inclusion in the country.

This model will result in : improved financial literacy ;make banking enter into the daily routine of the masses ; broaden the deposit base ; wider disbursement of credits , larger number of transactions . Jointly it will lead to formalized and systematic banking ; faster economic growth; new employment opportunities in the society and financial as well as social inclusion.

Conclusion

As poverty levels decline and households have greater levels of discretionary incomes, they will be first time financial savers. They will, therefore, need to have easy access to formal financial systems to get into the banking habit. Banks will need to innovate and devise newer methods of including such customers into their fold.

The micro-credit and the Self Help Group movements are in their infancy and they still need to gather force. Innovation in the form of business facilitators and correspondents will be needed for banks to increase their outreach for banks to ensure financial inclusion. New entrants to the banking system need households at their doorstep.

There has been a burst of entrepreneurship across the country, spanning rural, semi-urban and urban areas. This has to be nurtured and financed. It is only through growth of enterprises across all sizes that competition will be fostered.

To conclude, I wish to stress that with increasing liberalization and higher economic growth, the role of banking sector is poised to increase in the financing pattern of economic activities within the country. To meet the growing credit demand, the banks need to mobilize resources from a wider deposit base and extend credit to activities hitherto not financed by banks. The trend of increasing commercialization of agriculture and rural activities should generate greener pastures, and banks should examine the benefits of increasing penetration therein. Financial inclusion will strengthen financial deepening and provide resources to the banks to expand credit delivery. Thus, financial inclusion will lead to financial development in our country which will help to accelerate economic growth.

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Appendix

Appendix Table III.35: Distribution of Commercial Bank Branches in India – Bank Group and Population Group-wise

Bank Group	No. of Banks#	Number of Branches									
		As on June 30, 2005@					As on June 30, 2006@				
		Rural	Semi-urban	Urban	Metro-politan	Total	Rural	Semi-urban	Urban	Metro-politan	Total
1	2	3	4	5	6	7	8	9	10	11	12
1. State Bank of India and Associates	8	5,223	4,011	2,408	2,090	13,732	5,231	4,045	2,452	2,116	13,844
		(38.0)	(29.2)	(17.5)	(15.2)	(100.0)	(37.8)	(29.2)	(17.7)	(15.3)	(100.0)
2. Nationalised Banks	19	12,975	7,020	6,877	6,848	33,720	12,996	7,103	7,022	6,952	34,073
		(38.5)	(20.8)	(20.4)	(20.3)	(100.0)	(38.1)	(20.8)	(20.6)	(20.4)	(100.0)
3. Other Public Sector Bank	1	2	17	65	75	159	2	19	67	93	181
		(1.3)	(10.7)	(40.9)	(47.2)	(100.0)	(1.1)	(10.5)	(37.0)	(51.4)	(100.0)
4. Indian Private Sector Banks	28	1,701	1,701	1,794	1,661	6,183	1,034	1,768	1,914	1,827	6,543
		(27.5)	(27.5)	(29.0)	(26.9)	(100.0)	(15.8)	(27.0)	(29.3)	(27.9)	(100.0)
5. Foreign Banks in India	29	–	1	31	219	251	–	1	37	224	262
		–	(0.4)	(12.4)	(87.3)	(100.0)	–	(0.4)	(14.1)	(85.5)	(100.0)
6. Regional Rural Banks	130**	11,525	2,414	493	49	14,481	11,509	2,422	506	51	14,488
		(79.6)	(16.7)	(3.4)	(0.3)	(100.0)	(79.4)	(16.7)	(3.5)	(0.4)	(100.0)
7. Non-Scheduled Commercial Banks (Local Area Banks)	4	3	10	10	–	23	4	12	10	–	26
		(13.0)	(43.5)	(43.5)	–	(100.0)	(15.4)	(46.2)	(38.5)	–	(100.0)
TOTAL	**219**	**30,755**	**15,174**	**11,678**	**10,942**	**68,549**	**30,776**	**15,370**	**12,008**	**11,263**	**69,417**
		(44.9)	**(22.1)**	**(17.0)**	**(16.0)**	**(100.0)**	**(44.3)**	**(22.1)**	**(17.3)**	**(16.2)**	**(100.0)**

– : Nil/Negligible . # : as on June 30, 2006. @ : Population group wise classification of branches is based on 2001 Census.** : Number of Regional Rural Banks as on June 30, 2006 was 106, after amalgamation of 36 RRBs into 12 RRBs between April 1, to June 30, 2006. Note : 1. Number of branches excludes administrative office. 2. Data for June 2005 are revised.
3. Figures in brackets indicate percentages to the total in each group.
Source : Updated Master Office File.

Appendix Table III.36 : Distribution of Commercial Bank Branches - Region/State/Union Territory

Sr. No.	Region/State/ Union Territory	Number of branches as on June 30,		Number of branches opened during				Average population (in '000) per bank branch as at end-June	
		2005	2006	July 2004 to June 2005	*of which:* at unbanked centres	July 2005 to June 2006	*of which:* at unbanked centres	2005	2006
1	2	3	4	5	6	7	8	9	10
	ALL INDIA	**68,549**	**69,417**	**1,250**	**15**	**933**	**2**	**16**	**16**
1.	**NORTHERN REGION**	**11,359**	**11,634**	**310**	**2**	**286**	–	**13**	**13**
	Chandigarh	199	212	5	–	13	–	5	5
	Delhi	1,662	1,739	98	–	83	–	9	9
	Haryana	1,690	1,759	63	–	67	–	13	13
	Himachal Pradesh	806	820	14	–	14	–	8	8
	Jammu and Kashmir	867	872	18	1	8	–	13	13
	Punjab	2,722	2,787	56	1	67	–	9	9
	Rajasthan	3,413	3,445	56	–	34	–	18	18
2.	**NORTH-EARSTERN REGION**	**1,897**	**1,913**	**14**	–	**18**	–	**22**	**22**
	Arunachal Pradesh	67	69	–	–	2	–	17	17
	Assam	1,235	1,243	12	–	10	–	23	23
	Manipur	77	77	1	–	–	–	33	33
	Meghalaya	185	189	1	–	4	–	13	13
	Mizoram	79	79	–	–	–	–	12	12
	Nagaland	73	74	–	–	1	–	29	29
	Tripura	181	182	–	–	1	–	19	19
3.	**EASTERN REGION**	**11,984**	**12,074**	**139**	**1**	**94**	–	**20**	**20**
	Andaman and Nicobar Islands	33	34	1	–	1	–	12	12
	Bihar	3,580	3,591	20	1	12	–	25	25
	Jharkhand	1,494	1,502	16	–	9	–	19	20
	Orissa	2,286	2,310	33	–	24	–	17	17
	Sikkim	56	56	7	–	–	–	10	10
	West Bengal	4,535	4,581	62	–	48	–	19	19
4.	**CENTRAL REGION**	**13,765**	**13,879**	**163**	–	**138**	–	**20**	**20**
	Chhatisgarh	1,042	1,045	10	–	7	–	22	22
	Madhya Pradesh	3,494	3,505	35	–	22	–	19	19
	Uttar Pradesh	8,329	8,418	97	–	87	–	22	22
	Uttaranchal	890	911	21	–	22	–	10	10
5.	**WESTERN REGION**	**10,606**	**10,738**	**232**	**2**	**145**	–	**15**	**15**
	Dadra and Nagar Haveli	12	13	–	–	1	–	20	19
	Daman and Diu	16	16	–	–	–	–	11	11
	Goa	342	349	7	–	7	–	4	4
	Gujarat	3,733	3,771	66	1	46	–	15	15
	Maharashtra	6,503	6,589	159	1	91	–	16	16
6.	**SOUTHERN REGION**	**18,938**	**19,179**	**392**	**10**	**252**	**2**	**12**	**12**
	Andhra Pradesh	5,437	5,494	118	1	58	–	15	15
	Karnataka	4,985	5,061	107	5	80	–	11	11
	Kerala	3,533	3,588	65	3	57	2	9	9
	Lakshadweep	10	10	1	–	–	–	7	7
	Pondicherry	90	90	6	–	–	–	11	12
	Tamil Nadu	4,883	4,936	95	1	57	–	13	13

– : Nil/Negligible.
@ : Including the branches of non-scheduled commercial banks (Local Area Banks)
Note: 1. Average population per bank branch is based on estimated mid-year population of respective year received from the Office of Registrar General and Census Commissioner. Government of India.
2. Bank branches exclude administrative offices.
3. Data for June 2005 are revised.
4. Data for June 2006 are provisional.
Source: Updated Master Office File.

Table 1: Coverage of Banking Services

Region/State/Union Territory	Current Accounts	Savings Accounts	Total Population	Adult Population (Above 19 years)	Total Number Of Accounts	No. of accounts Per 100 of population	No. of accounts Per 100 of adult pop.
NORTHERN REGION	4215701	52416125	132676462	67822312	56631826	43	84
Haryana	572660	8031472	21082989	11308025	8604132	41	76
Himachal Pradesh	134285	2433595	6077248	3566886	2567880	42	72
Jammu & Kashmir	277529	3094790	10069917	5379594	3372319	33	63
Punjab	1156137	13742201	24289296	14185190	14898338	61	105
Rajasthan	689657	12139302	56473122	28473743	12828959	23	45
Chandigarh	80607	1126696	900914	546171	1207303	134	221
Delhi	1304826	11848069	13782976	7929589	13152895	95	166
NORTH-EASTERN REGION	476603	6891081	38495089	19708982	7367684	19	37
Arunachal Pradesh	10538	209073	1091117	544582	219611	20	40
Assam	378729	5071058	26638407	14074393	5449787	20	39
Manipur	12514	200593	2388634	1222107	213107	9	17
Meghalaya	24305	458779	2306069	1088165	483084	21	44
Mizoram	3441	117885	891058	476205	121326	14	25
Nagaland	13819	195452	1988636	995523	209271	11	21
Tripura	33257	638241	3191168	1784212	671498	21	38
EASTERN REGION	1814219	47876140	227613073	122136133	49690359	22	41
Bihar	464511	13225242	82878796	40934170	13689753	17	33
Jharkhand	166007	5834341	26909428	13737485	6000348	22	44
Orissa	228160	7030004	36706920	21065404	7258164	20	34
Sikkim	4097	125365	540493	288500	129462	24	45
West Bengal	942733	21544753	80221171	45896914	22487486	28	49
Andaman & Nicobar Islands	8711	116435	356265	213660	125146	35	59
CENTRAL REGION	2202217	64254189	255713495	129316677	66456406	26	51
Chhattisgarh	192067	3346898	20795956	11209425	3538965	17	32
Madhya Pradesh	553381	11731918	60385118	31404990	12285299	20	39
Uttar Pradesh	1324509	45804350	166052859	82229748	47128859	28	57

Uttaranchal	132260	3371023	8479562	4472514	3503283	41	78
WESTERN REGION	3178102	49525101	149071747	86182206	52703203	35	61
Goa	81551	1584177	1343998	891411	1665728	124	187
Gujarat	955964	16220262	50596992	28863095	17176226	34	60
Maharashtra	2127240	31568184	96752247	56207604	33695424	35	60
Dadra & Nagar Haveli	6076	69308	220451	122765	75384	34	61
Daman & Diu	7271	83170	158059	97331	90441	57	93
SOUTHERN REGION	4666014	83386898	223445381	135574225	88052912	39	65
Andhra Pradesh	1156405	23974580	75727541	44231918	25130985	33	57
Karnataka	1086662	19147819	52733958	30623289	20234481	38	66
Kerala	600065	17669723	31838619	20560323	18269788	57	89
Tamil Nadu	1786514	22052812	62110839	39511038	23839326	38	60
Lakshadweep	491	22997	60595	33686	23488	39	70
Pondicherry	35877	518967	973829	613971	554844	57	90
ALL-INDIA	16552856	304349534	1027015247	541031553	320902390	31	59

(Ratio of Demand Deposit Accounts to the Adult Population)
Source : Indian Institute of Banking and Finance

Table 2. Population Group-Wise Distribution of Deposits And Credit Of Scheduled Commercial Banks (Amount in Rs. crore)

Population Group	March	2002	March	2003	March	2004	March	2005	March	2006
	Deposit	Credit	Deposit	Credit	Deposit	Credit	Deposit	Credit	Deposit	Credit
Rural	159925	65700	176269	74776	195111	85244	213536	106497	226534	127445
	14.6 %	9.6%	13.8%	9.8%	12.9%	9.6%	12.2%	9.2%	10.8%	8.4%
Semi Urban	215474	73355	240523	84684	267378	101354	296303	130596	302245	151076
	19.6%	10.7%	18.8%	11.2%	17.6%	11.4%	16.9%	11.3%	14.4%	10%
Urban	255178	108592	290022	125290	330779	156399	376133	189593	431564	248141
	23.3%	15.9%	22.7%	16.5%	21.8%	17.6%	21.5%	16.4%	20.6%	16.4%
Metropolitan	466472	435943	571853	474461	723932	547869	867201	731121	1132698	990835
	42.5	63.8	44.7	62.5	47.7	61.5	49.5	63.1	54.1	65.3
All India	1097049	683591	1278667	759211	1517200	890866	1753173	1157807	2093041	1517497
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note : Figures in bracket indicate percent share in All-India total.
Source : Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, March 2005 & 2006,RBI

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