

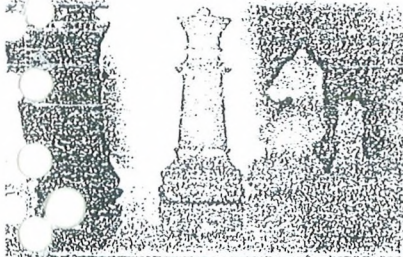
One Day National Conference on Recent Advancements In Business Practices 10th February, 2012



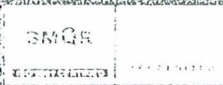
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National Conference on

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Shanlax Publications

Madurai

Extent of financial exclusion is staggering

~~The extent of financial exclusion is staggering. Out of every 1000 persons, only 99~~ had a credit account and 600 had a deposit account as at end-March 2010¹¹. This underlined the need to strengthen the financial inclusion drive through well thought out policies.

Expansion of Banking Network through Bank Branches

In 2010-11, the number of branches of SCBs increased by 4,826 over the previous year. Importantly, of the new branches opened by SCBs, 22 per cent were in rural areas and 42 per cent were in semi-urban areas. The Southern region, which is already well banked, had the highest share of new bank branches in 2010-11. On the other hand, the least banked region, viz., North-Eastern region had the lowest share of new bank branches in 2010-11 (Table 2).

The State-wise distribution of new bank branches showed that Uttar Pradesh had the highest share of new bank branches at 11 per cent followed by Maharashtra (10 per cent), Andhra Pradesh (9 per cent) and Tamil Nadu (7 per cent) during the period April-March 2010-11.

**Table 2: Distribution of New Bank Branches across Regions and Population Groups
(During the period 2010-11 April-March)**

Regions	No. of new branches	Population groups	No. of new branches
Central Region	874 (18.1)	Rural	1,077 (22.3)
Eastern Region	650 (13.5)	Semi Urban	2,011 (41.7)
North Eastern Region	97 (2.0)	Urban	865 (17.9)
Northern Region	1,120 (23.2)	Metropolitan	873 (18.1)
Southern Region	1,263 (26.2)	-	-
Western Region	822 (17.0)	-	-
Total	4,826 (100.0)	Total	4,826 (100.0)

Source : Report on trend and progress of banking, Reserve Bank Of India, 2011

Note: Figures in parentheses are percentages to total new bank branches.

Source: Master Office File.

In July 2011, banks were advised to allocate at least 25 per cent of the total new bank branches in unbanked rural centres. The bank branches opened in the hitherto unbanked centres increased from 281 in 2009-10 to 470 in 2010-11 (April-March). Of the total new bank branches opened in 2010-11, almost ten per cent were opened in hitherto unbanked centres as compared with 6 per cent in the previous year. However, in comparison with the latest policy prescription, the share of new bank branches opened in unbanked centres in 2010-11 was low.

Despite the efforts taken, the population per bank branch (after including branches of RRBs) in North Eastern, Eastern and Central regions continued to be substantially higher than the national average in 2010-11.

concentration of credit was higher in these centres as compared with the concentration of deposits.

Geographical region-wise distribution of credit indicated that more than one third of the total credit belonged to the Western region. The share of North-Eastern region in the total credit was abysmally low as at end-March 2011. The population group-wise distribution of credit indicated that 68 per cent of total credit belonged to the metropolitan region as at end-March 2011. While the semi-urban areas accounted for nine per cent of credit as at end March 2011, the rural areas accounted for six per cent of credit.

To strengthen the financial inclusion drive, the Reserve Bank asked banks to cover all villages with more than 2,000 population with at least one banking outlet by March 2012. In addition, banks were also encouraged to cover the peripheral villages with population less than 2,000. To facilitate the smooth progress of this plan, all banks were advised to put in place board approved financial inclusion plans (FIPs). Banks have already prepared such plans and the Reserve Bank is closely monitoring the implementation of these plans. The progress made under FIPs is provided in Table IV.

The total number of villages covered by at least one banking outlet grew at 82 per cent in 2010-11 over the previous year. Importantly, in 2010-11, 47 per cent of the total villages covered under FIPs were villages with population less than 2,000. It can be understood from the table that banks have been heavily relying on BCs to expand the banking network in the unbanked areas under FIPs. In 2010-11, almost 77 per cent of the total villages covered were through BCs. The number of 'no-frills' accounts recorded a growth of 50 per cent in 2010-11 over the previous year. The share of 'no-frills' accounts with overdrafts in the total 'no-frills' accounts improved from 0.3 per cent in 2009-10 to six per cent in 2010-11. The number of Kisan Credit Cards (KCCs) and General Credit Cards (GCCs) witnessed growth of 15 per cent and 49 per cent, respectively in 2010-11 over the previous year (Table 4).

Table 4: Progress Made Under Financial Inclusion Plans

No.	Particulars	End - March		Progress: April 10- March 11
		2010	2011	
1	Total Number of Customer Service Points deployed	33,042	58,361	25,319
2	Total Villages Covered	54,757	99,840	45,083
3	Villages Covered – with population >2000	27,743	53,397	25,654
4	Villages Covered – with population <2000	27,014	46,443	19,429
5	Villages covered through Branches	21,499	22,584	1,185
6		33,158	76,801	255

Table 5: Progress of Micro-Finance Programmes
(As at end-March)

	Number (in million)			Amount (crore)		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Loans disbursed by banks during the year	1.61 (0.26)	1.59 (0.27)	1.20 (0.24)	12,254 (2,015)	14,453 (2,198)	14,547 (2,480)
Loans outstanding with banks	4.22 (0.98)	4.85 (1.25)	4.79 (1.29)	22,680 (5,862)	28,038 (6,251)	31,221 (7,829)
Savings with banks	6.12 (1.51)	6.95 (1.69)	7.46 (2.02)	5,546 (1,563)	6,199 (1,293)	7,016 (1,817)

Microfinance Institutions*

	Number (in million)			Amount (crore)		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Loans disbursed by banks during the year	581	691	469	3,732	8,063	7,605
Loans outstanding with banks	1,915	1,513	2,176	5,009	10,148	10,689

*: The actual number of MFIs provided with bank loans would be lower on account of MFIs availing loans from more than one bank.

Note: Figures in brackets indicate the details about SHGs covered under Swarnajayanti Gram Swarozgar Yojana (SGSY).

Source: NABARD.

In 2010-11, 461 MFIs were provided loans by banks to the tune of ₹7,605 crore. The growth under the MFI-linkage programme in terms of both number and amount of loans was much higher than the corresponding growth under the SHG-Bank Linkage Programme in 2010-11 (Table 5).

Conclusion

To conclude, Number of bank branches increased by 4,826, Nearly 50 per cent of the net increase in ATMs was at off-site locations, Rural areas accounted for ten per cent of total outstanding ATMs, North-Eastern region had the lowest share in the incremental increase in the deployment of ATMs, North-Eastern region had the lowest share in the incremental increase in the deployment of ATMs, Banking business is concentrated in the metropolitan region, To strengthen the financial inclusion drive, the Reserve Bank asked banks to cover all villages with more than 2,000 population with at least one banking outlet by March 2012. In addition, banks were also encouraged to cover the peripheral villages with population less than 2,000.