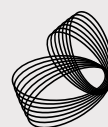


# Mapping Financial Access: Deposit-taking in India



Supported by:

*Michael & Susan Dell*  
FOUNDATION

# Mapping Financial Access: Deposit-taking in India



*Michael & Susan Dell*  
FOUNDATION

**Authors:**

Amar Samarapally

*Financial Inclusion Lead, Asia and the Pacific*

Sachin Hirani

*Regional Manger, Asia and the Pacific*

**Editors:**

Blaine Stephens

*Chief Operating Officer*

Nikhil Gehani

*Marketing and Communications Manager*

**Designer:**

M V Rajeevan

*Graphic Designer*

*Disclaimer: This publication is available for use in research and analysis. Data and content may only be used for non-commercial purposes. If the material is published or distributed, it should be attributed to MIX with the appropriate citation.*

*MIX has taken due care and caution in preparing this report, it has obtained the information from the institutions. Thus MIX relies on the information submitted and does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors in transmission.*



MIX promotes responsible financial services for underserved communities through data analytics and market insight. We do this through two decision support platforms, MIX Market and FINclusion Lab. As basic infrastructure for responsible and inclusive markets, these platforms provide a necessary ecosystem to enable and inspire coordinated investment, effective policy, and positive social outcomes for the financially underserved.



*Michael & Susan Dell*  
FOUNDATION

The Michael & Susan Dell Foundation ([www.msdf.org](http://www.msdf.org)) is dedicated to improving the lives of children living in urban poverty around the world. With offices in Austin, TX and New Delhi, India, and Cape Town, South Africa, the Dell family foundation funds programs that foster high-quality public education and childhood health, and improve the economic stability of families living in poverty. The foundation has committed more than \$1 billion (as of January 1, 2014) to global children's issues and community initiatives to date.

# Contents

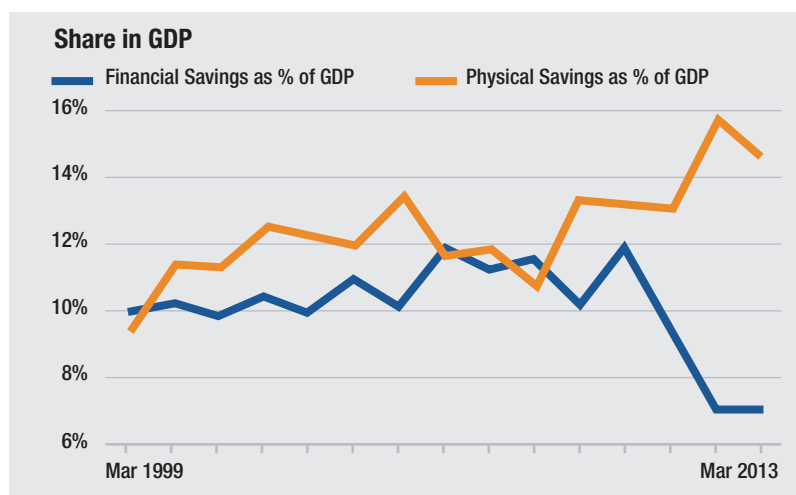
1. Introduction	7
2. Methodology	8
3. Current State of Deposit-taking Institutions in India	8
3.1 <i>Commercial Banks</i>	9
3.2 <i>Business Correspondents</i>	10
3.3 <i>India Post</i>	11
3.4 <i>SHGs and Cooperative Banks</i>	12
4. Geospatial Analysis at the Regional- and State-level	12
5. Gap Between Account Access and Usage	19
6. PMJDY: A Short-Term Analysis	19
7. Moving Forward: Financial Inclusion Opportunities in India	21

## 1. Introduction

In 2014, Prime Minister Narendra Modi launched what some have dubbed the “most ambitious financial inclusion program in history”<sup>1</sup>. This announcement, which reverberated throughout the financial inclusion community, clearly illustrated the administration’s desire to reduce the number of unbanked households across India, where recent data has shown that less than two-thirds of households have access to formal financial services. In fact, India is home to 21% of the world’s unbanked adults<sup>2</sup>. While much of the focus in recent years has been on access to credit, there is also a need to increase access to, and usage of, financial savings products.

Around the world, the most common method for saving money is to open and maintain a formal financial savings account with a bank. India is certainly no exception to this rule. However, with over 1.2 billion people spread across 1.2 million square miles, ensuring that the entire population of India has access to a formal savings account requires a thorough understanding of how bank branches and other access points are distributed. While there is no shortage of savings in the country – the gross savings of

**Fig. 1: Savings as a percentage of GDP**



Source: When will we shift from gold and real estate to financial assets? - Business Standard, Ishan Bakshi

India over the last couple of years has been 32% of the national GDP, second only to China among the BRICS<sup>3</sup> – access rates vary across states and regions. The majority of these savings comes from the household sector, which represents 70% of total domestic savings<sup>4</sup>. Yet, even with this volume of savings, usage of formal savings accounts is markedly low; according to the World Bank’s Global Findex 2014 report, 43% of adults with a bank account made no deposits in the prior year<sup>5</sup>. As India moves towards increasing financial inclusion, mapping the various financial access points at subnational levels will help surface opportunities to move more people from unbanked to banked.

1. “Can India Achieve Universal Digital Financial Inclusion?” CGAP Blog, January 20, 2015: <http://www.cgap.org/blog/can-india-achieve-universal-digital-financial-inclusion>
2. The Global Findex Database 2014, April 2015: <http://www.worldbank.org/content/dam/Worldbank/Research/GlobalFindex/PDF/N2Unbanked.pdf>
3. The World Bank, Data Bank: <http://data.worldbank.org/indicator/NY.GNS.ICTR.ZS>
4. Improving India’s savings rate, February 2014: <http://www.livemint.com/Opinion/ZDgCdU87oxU6cPnClpc2yN/Improving-Indias-savings-rate.html>
5. The World Bank, April 2015: <http://www.worldbank.org/en/news/press-release/2015/04/15/massive-drop-in-number-of-unbanked-says-new-report>

With this in mind, the following analysis aims to shed light on access to formal savings at the regional- and state-levels in India. With the accompanying online analytics tool [India Country Workbook](#), MIX hopes to provide the insight necessary for policymakers, industry analysts, and financial service providers to understand and address the gaps in access to, and usage of, deposit accounts in India. MIX is a nonprofit organization with offices in Washington, DC and Hyderabad, India, and is committed to promoting responsible financial services through data analytics and actionable insight generation. Through MIX's FINclusion Lab product ([finclusionlab.org](http://finclusionlab.org)) users are able to analyze data related to the access, usage, and quality of financial services for excluded communities in 20 countries.

## 2. Methodology

The landscape of deposit-taking institutions in India is complex, with few analyses completed on the overall status of savings accounts. Therefore, to present an accurate and comprehensive view of the financial savings landscape, MIX collected publicly-available data from large, credible, and trustworthy aggregators:

- *Commercial Banks* – Data relating to the number of deposit accounts, the value of deposit accounts, access points, state-level data, and other indicators used in this report were sourced from the Reserve Bank of India's annual statistics and annual report<sup>6</sup>.
- *India Post* – Data were sourced from India Post's annual report<sup>7</sup>. Data relating to the Northeastern region was available only at the regional-level and information related to access points was sourced from the India country page on FINclusion Lab.
- *Cooperative Banks* – Data relating to the number of deposit accounts, the value of deposit accounts, access points, state-level data and other indicators used in this report were sourced from the website of the National Federation of State Cooperative Banks<sup>8</sup>.
- *Self-help Groups (SHGs)* – Data relating to the number of SHGs, the value of SHGs, state-level data, and other indicators included in this report were sourced from the website of the National Bank for Agriculture and Rural Development<sup>9</sup>.

MIX also publishes related data on its FINclusion Lab platform. The data collected for this report were formatted to fit within the FINclusion Lab online tools in order to conduct the savings access analysis. This was done so readers could utilize the geo-spatial and data visualization tools available at [finclusionlab.org](http://finclusionlab.org) to further explore the data related to this topic. By using aggregate, publicly available data sources, our intent is to show what analyses can be conducted with existing datasets and produced in a repeatable manner through the FINclusion Lab platform.

## 3. Current State of Deposit-taking Institutions in India

Across the various institution types, India has around 1.58 billion savings accounts with a total value of 86.74 trillion INR. This would amount to 1.3 accounts for every individual; however, this is not the case. Some accounts are dormant or inoperative, while many individuals have multiple accounts. As a result, a more accurate representation of access to bank accounts is found in the Global Findex 2014 survey data: only 52.8% of the adult population of India has access to bank accounts<sup>10</sup>. While commercial banks tend to offer a wide-range of financial services and products, cost structures make it difficult for bank operators to establish branches in less populated areas. As a result of this and other factors, there are only 120,965 bank branches in India, which amounts to roughly 4.8 bank branches for every 10,000 households. However, there are other deposit-

---

6. Basic Statistical Returns, RBI: <https://www.rbi.org.in/scripts/AnnualPublications.aspx?head=Basic%20Statistical%20Returns>

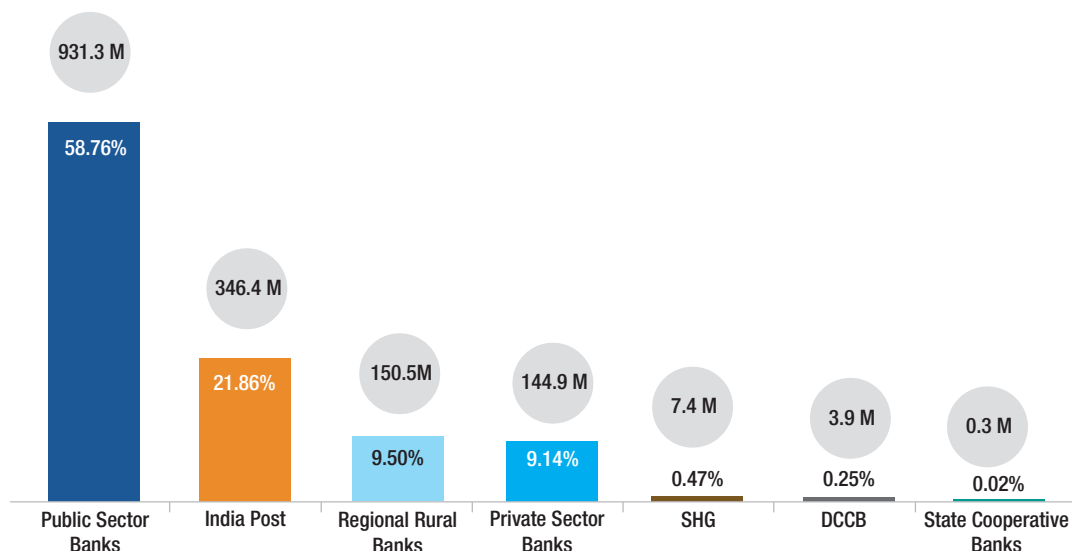
7. Annual Report 2014-15, India Post: <http://www.indiapost.gov.in/Report/AnnualReport2014-2015English.pdf>

8. NAFSCOB Annual Report 2013-14: [http://nafscob.org/publications\\_f.htm](http://nafscob.org/publications_f.htm)

9. NABARD, Status of microfinance in India 2013-14: [https://www.nabard.org/Publication/SMFI\\_2013\\_14.pdf](https://www.nabard.org/Publication/SMFI_2013_14.pdf)

10. Global Findex, The World Bank: <http://datatopics.worldbank.org/financialinclusion/country/india>

**Fig. 2: Number of savings accounts per institution type**



Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report

taking institutions including India Post, self-help groups (SHGs), and cooperatives. India Post, for example, has 154,822 access points, or about 6.2 post offices for every 10,000 households. In rural areas, SHGs are the most commonly used service with 7.4 million groups representing 97 million rural households, according to the National Bank for Agriculture and Rural Development’s 2014 Annual Report<sup>11</sup>.

Among the different deposit-taking institutions, there is some incongruity between share of accounts and share of value. For example, India Post holds 22% of accounts but only 5% of total value, indicating its ability to reach and serve low-income populations. In fact, India Post has played a pivotal role for these underserved populations because of its nearly 155,000 access points that are distributed across the country, with more than two-thirds being in rural areas<sup>12</sup>.

### 3.1 Commercial Banks

Commercial banks in India are divided into private, public, and regional rural banks; the latter two are managed by the government and, thus, have a mandate to focus on the public good. Table 1 shows that the nationalized banks hold 49.98% of all commercial bank accounts in India, while the State Bank of India has 25.94%. Regional rural banks hold around 12% of accounts, as do private and foreign banks (combined). However,

**Table 1: National share by institution type**

Bank sub-type	Number of bank branches as % of total	Number of deposit accounts as % of total	Value of deposit accounts (₹) as % of total	Avg. deposit balance
Nationalised Banks	50.28%	49.98%	52.40%	₹67,991
SBI & Associates	18.93%	25.94%	21.52%	₹53,791
Regional Rural Banks	15.33%	12.27%	2.93%	₹15,493
Private Sector Banks	15.21%	11.51%	18.81%	₹106,028
Foreign Banks	0.26%	0.30%	4.34%	₹943,486

Source: RBI Basic Statistical Returns

11. NABARD, Status of microfinance in India 2013-14: [https://www.nabard.org/Publication/SMFI\\_2013\\_14.pdf](https://www.nabard.org/Publication/SMFI_2013_14.pdf)

12. India Post best bet for financial inclusion, Tamal Bandyopadhyay, December 2014: <http://www.livemint.com/Opinion/B5FEV8Ky-SA35Ugb7gkXnJO/India-Post-best-bet-for-financial-inclusion.html>



private and foreign banks account for 23% of total deposit value, as these institutions focus on high-income customers. While regional rural banks hold around the same percentage of accounts as their private and foreign counterparts, they hold less than 3% of the total deposit value, indicating the vast disparity in customer wealth between the bank types.

This disparity is highlighted further by examining bank deposit value and number of accounts by urban and rural populations, illustrated in Table 2. The majority of accounts are based in rural areas (33.15%), yet the value of those accounts is less than 10% of total deposits. Contrast that against the 20.22% of accounts located in metropolitan

areas, which register at 54.22% of total deposit value, and it is easy to see the stark regional differences. It is important to note, however, that much of this disparity is due to the tendency for corporations to have accounts based in metropolitan or urban areas.

Analyzing the data across gender, another disparity is illuminated. Of the total number of bank accounts, 63.44% are opened by men while only 27.46% are opened by women (the remaining 9.10% include joint bank accounts or corporations). If the issues of multiplicity or dormancy are addressed, there are still only 336 million accounts for a female population of 588 million – meaning only 58% of women have bank accounts. Comparatively, the 623 million men in India have 778 million bank accounts, resulting in a 125% account penetration rate. While it is difficult to conduct a disaggregated analysis with demand metrics due to the Reserve Bank of India's (RBI) consolidated data, it is possible to see that there is consistency across rural and public sector bank in terms of gender breakdowns: Around 60% of bank accounts at these institutions are opened by men while 20% are opened by women. While more research is needed to better understand why gender disparities exist, greater inclusion of women in the formal banking sector should be a priority.

### 3.2 Business Correspondents

In 2012, the RBI introduced the Basic Savings Bank Deposit Accounts (BSBDA) scheme in an effort to improve financial inclusion and make it easier to open a bank account<sup>13</sup>. BSBDA allowed individuals to open and operate a bank account with a zero balance. As of March 2014, a total of 243 million BSBDA accounts were opened compared to 73 million in 2010<sup>14</sup>. This rapid growth – 231% over five years – is largely attributed to Business Correspondents (BCs), through whom 119 million accounts were opened. BCs – non-bank, third-party entities that carry out transactions on behalf of the bank – greatly increase the reach of commercial banks. At the end of Q1 2014, there were nearly 248,000 BCs across India providing banking services through 333,000 outlets.

**Table 2: Number and value of accounts by population group**

Population Group	Account type	% of number of accounts	% of value of accounts (₹)
Rural	Current	0.90%	0.43%
	Savings	28.85%	4.93%
	Term	3.40%	4.53%
<b>Rural total</b>		<b>33.15%</b>	<b>9.89%</b>
Semi-Urban	Current	0.90%	1.00%
	Savings	23.30%	6.20%
	Term	3.56%	7.14%
<b>Semi-Urban total</b>		<b>27.76%</b>	<b>14.34%</b>
Metropolitan	Current	1.21%	5.62%
	Savings	13.83%	8.77%
	Term	5.18%	39.83%
<b>Metropolitan total</b>		<b>20.22%</b>	<b>54.22%</b>
Urban	Current	0.93%	1.93%
	Savings	13.73%	6.55%
	Term	4.21%	13.06%
<b>Urban total</b>		<b>18.87%</b>	<b>21.54%</b>
<b>Grand total</b>		<b>100.00%</b>	<b>100.00%</b>

Source: RBI

13. RBI Notifications, Financial Inclusion – Access to Banking Services – Basic Savings Bank Deposit Account: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7501&Mode=0>

14. RBI Annual Report 2013–14: [https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/RBIARE210814\\_FULL.pdf](https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/RBIARE210814_FULL.pdf)

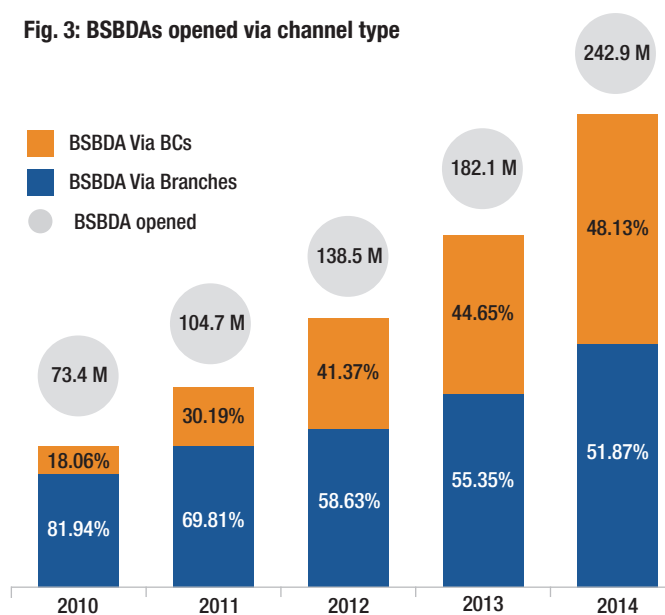
With the prohibitive costs of opening bank branches in certain regions, BCs provide a low-cost avenue for reaching the unbanked in India. However, for BCs to be effective in the provision of responsible financial services, it is vital for them to have reliable infrastructure – notably information technology and connectivity. In the remote tribal and mountainous areas where financial inclusion is low, there is often also poor infrastructure compounding the problem<sup>15</sup>.

### 3.3 India Post

India Post, the government-run postal system, has been involved in increasing financial inclusion for decades through the provision of savings products for low-income populations. In addition to financial products aimed at creating demand, India Post has a large network of nearly 155,000 post offices – 90% of which are in rural areas. As a result, the postal system is uniquely poised with its “last mile connectivity” to continue contributing to financial inclusion<sup>16</sup>.

India Post has over 349 million accounts with an account value of 4.33 trillion INR (see Table 3), serving nearly 42% of the country’s adult population. While the postal system does not currently offer any credit services, it has nine savings products with varying interest rates, durations, and minimums, and also serves as a conduit for the government-to-person (G2P) direct benefit transfer program (MGNREGA)<sup>17</sup>. The wages paid through the program are transferred directly to 63 million India Post accounts<sup>18</sup>. The most widely used India Post product is its savings account, which constitutes for over half of the accounts with India Post and 10% of the value. These accounts are often used for G2P transfers, since an individual can open an account with 20 INR and a minimum balance of 50 INR. Deposit accounts can be opened with as little as 10 INR deposited per month, or by investing 200 INR for a fixed amount of time. As a percentage, deposit accounts constitute 35% of India Post accounts and a value of 26%.

Fig. 3: BSBDA opened via channel type



Source: RBI Annual Reports 2013-14, 2012-13, 2011-12

Table 3: India Post account information

Savings product	Number of savings accounts	Value of savings accounts	Average deposit balance
Savings Account	198.19M	₹429.62B	₹2,167
Deposit Account	125.12M	₹1,148.94B	₹9,183
Monthly Account	22.02M	₹2,020.84B	₹91,784
Others	3.81M	₹732.48B	₹192,181
<b>Grand Total</b>	<b>349.14M</b>	<b>₹4,331.88B</b>	<b>₹12,407</b>

Source: India Post Annual Report 2013-14

15. PMJDY Brochure: [http://www.pmjdy.gov.in/Pdf/PMJDY\\_BROCHURE\\_ENG.pdf](http://www.pmjdy.gov.in/Pdf/PMJDY_BROCHURE_ENG.pdf)

16. India Post citizen charter: [http://www.indiapost.gov.in/Citizen\\_Charter.aspx](http://www.indiapost.gov.in/Citizen_Charter.aspx)

17. Small Savings Schemes of India: <http://indiapost.gov.in/POSBAActs/SMALLSAVINGSSCHEMES.pdf>

18. <http://nrega.nic.in/netnrega/home.aspx>

As Table 3 shows, the average deposit value of accounts with India Post are relatively low, illustrating the postal system's effectiveness in reaching low-income, rural populations. The strength of India Post in regards to financial inclusion comes from its extensive branch network and its focus on providing financial products and services tailored to the needs of low-income populations.

### 3.4 SHGs and Cooperative Banks

Self-help Groups (SHGs) are groups of poor people – usually women – whose main purpose is to promote savings among its members. Similar to Savings and Credit Cooperatives (SACCOs), SHGs collect savings from members and then offer rotating loans. Some of these self-organized groups use bank accounts at commercial banks, regional rural banks, and cooperatives to store and save their money. SHGs started two decades ago with around 500 groups and grew to reach 7.4 million groups in 2014, representing around 97 million rural households<sup>19</sup>. Data from the National Bank for Agriculture and Rural Development (NABARD) shows that over 84% of SHGs are women-led groups. Yet in rural areas – where most SHGs are located – there is, on average, only one SHG for every 44 women.

Cooperative banks were originally established to supplant money lenders. Today, these banks mostly serve the needs of agriculture and other rural-based industries. Cooperative banks have a 3-tier structure: (1) Primary Credit Societies, (2) District Central Cooperative Banks, and (3) State Cooperative Banks. While cooperative banks were set up to focus on their respective districts or states, most are struggling due to political pressure, poor financial health, heavy competition, and an inability to effectively leverage technology. As a result of these factors, cooperative banks have a 0.27% share of bank accounts and a share of total deposit value of 3.29%. These numbers illustrate the limited reach of cooperative banks and a relative inability to move more people into mainstream banking.

## 4. Geospatial Analysis at the Regional- and State-level

### Key Findings:

1. The highest savings account penetration rates in comparison to adult population tend to be found in the smaller states: Goa (4.26), Chandigarh (4.02), Delhi (3.34) and Kerala (2.56)
2. The lowest penetration rates are in Northeastern states: Nagaland, Manipur, Meghalaya, and Arunachal Pradesh, and Mizoram.
3. Public sector banks and India Post have uniformly high share of total accounts across all regions; private sector banks and regional rural banks tend to vary more across regions.

To have an accurate understanding of the current savings account distribution across India, it is necessary to view the situation from a subnational level. It is important to note, however, that the following numbers – accounts per population – are likely inflated due to individuals with multiple accounts, as well as dormant accounts. Nonetheless, it is instructive and, certainly, insightful to view the savings account penetration rates from the regional- and state-levels. From this perspective, it is possible to see that accounts in India are unevenly distributed across its regions. As demonstrated in Table 4, the Central, Eastern, and Northeastern regions have a smaller share of total number of accounts compared to their respective share of total population. The Eastern region, for example, hosts 17.48% of the total number of accounts, yet is home to 22.41% of the total population. Similarly, the Central region has 20.62% of total accounts but 25.44% of the total population. On the other side of the spectrum, the Southern region has 28.65% of total accounts, which is greater than its 20.86% share of the total population. The Northern and Western regions are similar, in that regard.

19. [https://www.rbi.org.in/scripts/FS\\_Speeches.aspx?id=948&fn=2754](https://www.rbi.org.in/scripts/FS_Speeches.aspx?id=948&fn=2754)

**Table 4: Share of accounts and population by region**

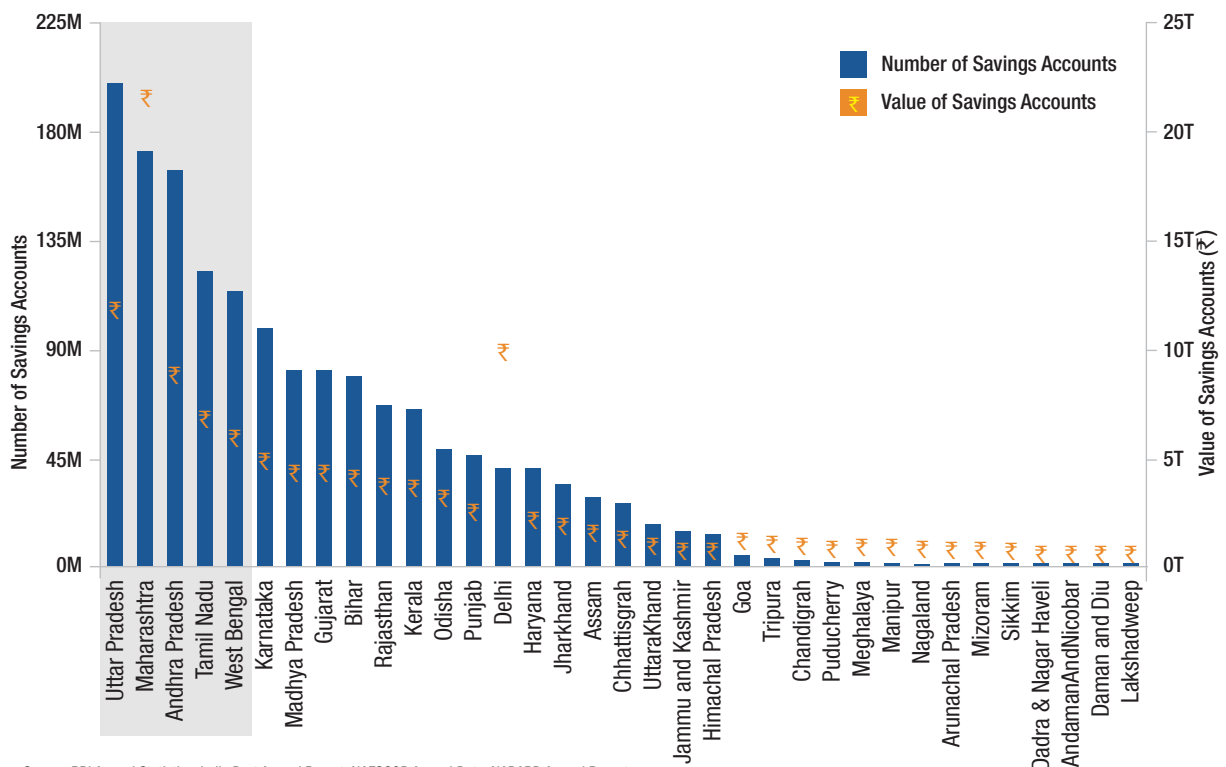
Region	% Number of accounts	% Value of saving accounts	% of poor population	% of total population
Southern Region	28.65%	22.25%	11.73%	20.86%
Central Region	20.62%	12.60%	35.14%	25.44%
Eastern Region	17.48%	12.61%	29.90%	22.41%
Western Region	16.42%	30.75%	11.22%	14.44%
Northern Region	14.24%	20.06%	7.16%	13.12%
North-Eastern Region	2.60%	1.72%	4.87%	3.73%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report  
 Note: Regional classification is sourced from RBI, which maybe different from geopolitical classification

When comparing the share of total number of accounts to total account value, regions with large shares of the poor population tend to have greater discrepancies. For example, the Central region, home to 35.14% of the poor population, has 20.62% of the total number of accounts yet only 12.60% of the total account value. Likewise, the Southern region, which has nearly 12% of the poor population, registers 28.65% of total accounts but a 22.25% share of total account value.

By drilling down further, to the state-level, this analysis can paint a more detailed picture of the savings account distribution in India. As shown in Figure 4, Uttar Pradesh, Maharashtra, Andhra Pradesh, Tamil Nadu and West Bengal have the greatest number of accounts of all the states of India. These states account for 48.94% of total accounts and 50.58% of total savings amount, with Maharashtra and Delhi holding 24.74% and 9.69% of the total savings amount respectively, mainly because of large corporations and institutional deposits in these states. With a population share of 0.98%, the bottom ten states register only 0.48% of the total number of accounts, meaning there are only 0.64 accounts per person. The penetration rate of these ten states – found mostly in the Northeastern region – is far from the national median level of 1.25 accounts per person.

**Fig.4: Number and value of accounts by state**



Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report

Banks seem hesitant to expand operations in the Northeastern states, likely owing to poor physical infrastructure and complex geopolitical situation – especially when market potential is considered. These difficult conditions also make it difficult to replicate certain financial inclusion delivery channels, which have been adopted in other parts of the country. As a result of the operating environment, the regional rural banks and India Post tend to have a greater presence in the area

**Table 5: Northeastern states' share of accounts and population**

State/UT	% Number of savings accounts	% of total population
Arunachal Pradesh	0.05%	0.11%
Assam	1.84%	2.56%
Manipur	0.08%	0.24%
Meghalaya	0.11%	0.25%
Mizoram	0.05%	0.09%
Nagaland	0.06%	0.16%
Sikkim	0.04%	0.05%
Tripura	0.24%	0.30%

Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report, Census 2011

than public and private sector banks. As Table 5 highlights, all eight states in this region have a significant difference between share of total accounts and share of total population – in some cases only a third of the population is mirrored in total accounts data. The RBI is attempting to remedy this situation by adopting more flexible norms to reduce restrictions for new branches, leverage business correspondents, and use technology for direct benefit transfers<sup>20</sup>.

While these data points shed light on the distribution of accounts by state and region, it is necessary to compare these numbers to additional demand metrics like rural population, urban population, and poor population to glean more meaningful insights. Examining figure 5, it is clear to see that Uttar Pradesh and West Bengal fall below the median penetration rate of 1.7 accounts per adult. In fact, 17 out of the 35 states fall below the national rate. Additionally, Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh – often referred to as the least economically-developed states or BIMARU states<sup>21</sup> – constitute 36.8% of India's total population but only 27.07% of total number of accounts and just 15.56% of total account value. Interestingly, states with small populations tend to fare well in this metric. For instance, Goa has 4.26 accounts per adult. Similarly, Chandigarh, Delhi, and Himachal Pradesh have 4.02, 3.34, and 2.75 accounts per adult, respectively.

Examining the ten states with poverty rates around 30%, it is clear to see that these states, unsurprisingly, all fare poorly in terms of account distribution. With a national poverty rate of 21.92%<sup>22</sup>, innovative and low-cost models are needed to further financial inclusion in a number of states and regions. Figure 6 highlights the limited reach of financial services in areas of poverty.

Returning to the regional level, Table 6 examines the institutional distribution across India. The analysis indicates that public sector banks have the greatest presence across all of the regions with over 60% of total accounts in some cases. The share of accounts owned by regional rural banks varies across regions, a somewhat expected fact given their government mandate to serve rural areas; on average, regional rural banks have a 12% share of total accounts but peak in the rural Northeastern region. Private sector banks, on the other hand, tend to have fewer operations in the mostly rural Central, Eastern, and Northeastern regions.

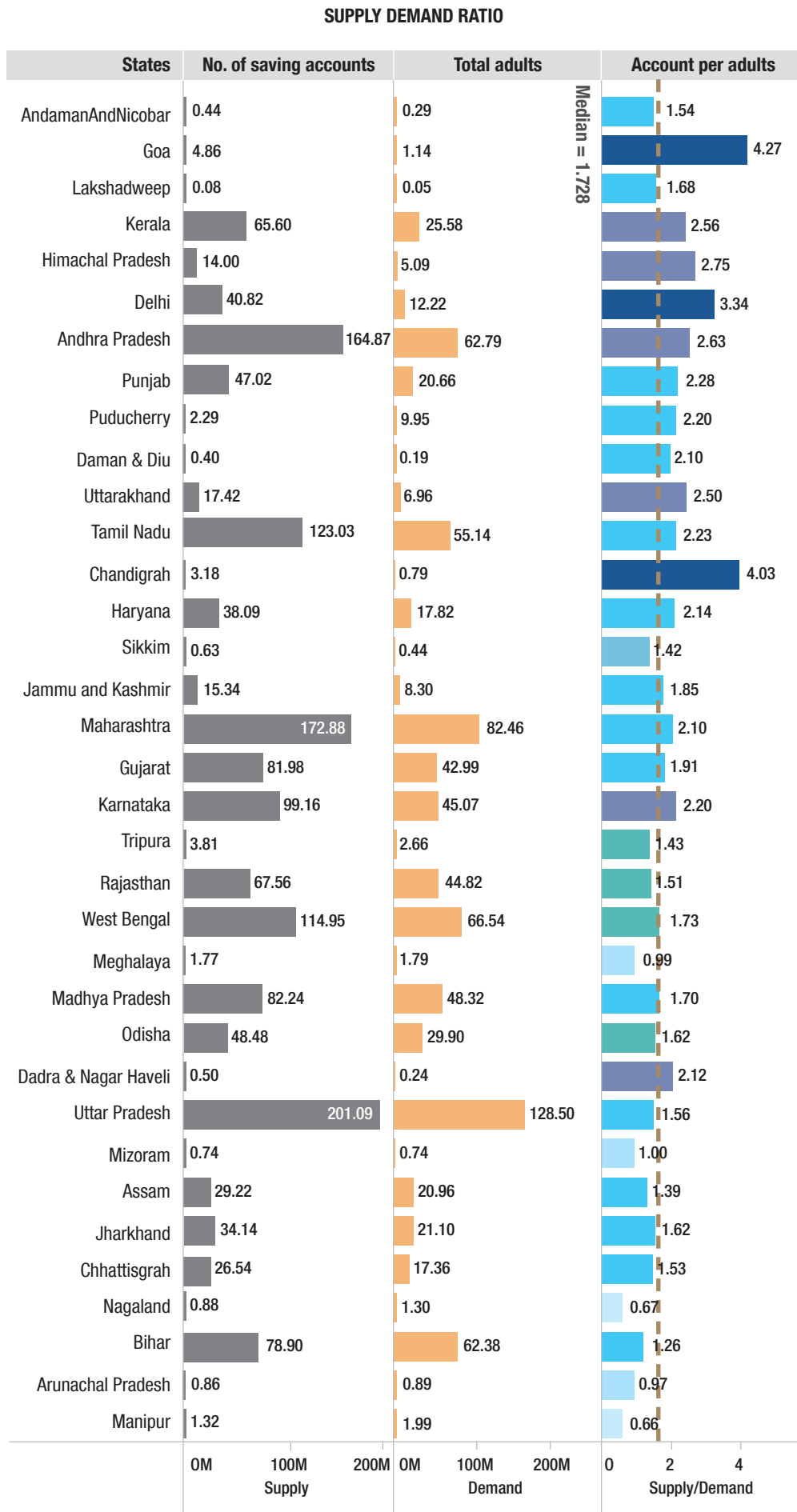
20. [https://rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=920](https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=920)

21. Refining State Level Comparisons in India, Pranjul Bhandari, Planning Commission, Government of India: [http://planningcommission.nic.in/reports/articles/article\\_state.pdf](http://planningcommission.nic.in/reports/articles/article_state.pdf)

22. Poverty Estimates 2011-12, Planning Commission, Government of India: [http://planningcommission.nic.in/news/pre\\_pov2307.pdf](http://planningcommission.nic.in/news/pre_pov2307.pdf)  
<http://finclusionlab.org/country/India/analytics?title=Supply-and-Demand-Ratio>

23. FINclusion Lab, India Country Workbook: <http://finclusionlab.org/country/India/analytics?title=Supply-and-Demand-Ratio>

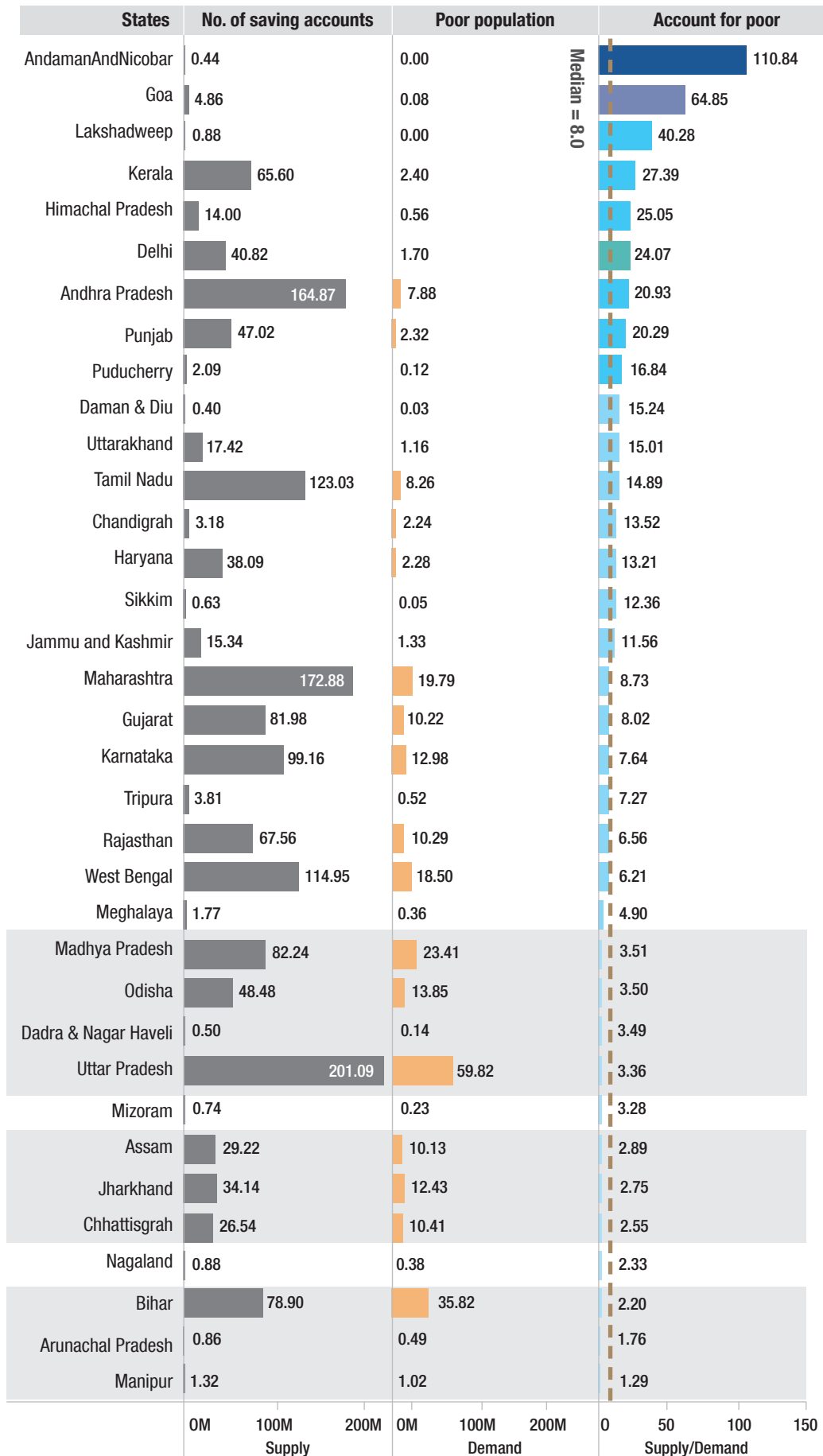
Fig. 5: Supply demand ratio using total adult population



Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report, Census 2011

Fig. 6: Supply demand ratio using poor population

SUPPLY DEMAND RATIO



Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report, Census 2011

Similar to the public sector banks' distribution, India Post has a uniform distribution of around 18–20% of total accounts across the country with the exception of the Eastern region. India Post plays an important role in the Eastern region, which includes Bihar, Jharkhand, and West Bengal. Bihar, for example, has only 1.47 access points per 10,000 people, which is much lower than the national median of 2.61. Without the India Post access points, as we can see in the FINclusion Lab's India workbook<sup>23</sup>, the number of access points per 10,000 people drops to 0.57.

**Table 6: Institutional distribution by region**

Region	Public sector bank	Private sector bank	Regional rural banks	India post	SHG	DCCB	State cooperative bank
Central Region	58.13%	2.71%	17.17%	21.67%	0.21%	0.10%	0.01%
Eastern Region	58.29%	3.01%	10.89%	27.06%	0.53%	0.20%	0.02%
North-Eastern Region	56.07%	2.33%	21.56%	18.61%	0.82%		0.61%
Northern Region	61.65%	12.80%	6.19%	18.64%	0.16%	0.56%	0.00%
Southern Region	57.49%	12.31%	7.47%	21.57%	0.81%	0.36%	0.00%
Western Region	60.19%	16.02%	3.02%	20.36%	0.34%	0.06%	0.01%

Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report

Drilling down to the institutional distribution at the state-level (Table 7), it is clear to see that public sector banks have the greatest reach across the country. In 13 states, public sector banks account for over 75% of the total account share, with most of these states located in the smaller and Northeastern states. This is likely due to limited demand and less densely populated areas, which is less enticing for private sector banks. The data illuminates this issue; private sector banks have a limited presence in poorer states, with the exception of Jammu and Kashmir (mostly due to J&K Bank's exclusive focus on this state, which brings the private sector share of accounts to around 53%). Regional rural banks have a large presence in states like Mizoram and Tripura, which still tend to fare poorly in terms of number of accounts per adult. These banks also have a significant share of total accounts in the BIMARUS states, and India Post is a large player in Chhattisgarh, Madhya Pradesh, and Rajasthan.

While most of the financial inclusion efforts are being led by government-backed institutions, there is certainly a need for other, low-cost delivery channels to come into play and overcome the infrastructure-related challenges. As this analysis shows, each state and region has unique issues to deal with, as well as unique starting points in terms of institutional and account distributions. It will take a concerted effort on behalf of various actors and institutions to meet the need of the unbanked populations across India.



**Table 7: Institutional distribution by state**

State/UT	Public sector banks	Private sector banks	Regional rural banks	India post	SHG	DCCB	State cooperative bank
Uttar Pradesh	59.82%	2.58%	21.50%	15.89%	0.19%	0.01%	0.00%
Maharashtra	56.02%	20.16%	2.53%	20.82%	0.40%	0.07%	0.00%
Bihar	53.08%	1.19%	15.01%	29.97%	0.34%	0.41%	0.00%
West Bengal	60.45%	4.41%	8.64%	25.95%	0.51%	0.03%	0.00%
Andhra Pradesh	54.80%	7.13%	9.24%	27.06%	0.86%	0.92%	0.00%
Madhya Pradesh	57.63%	2.23%	9.59%	30.06%	0.19%	0.29%	0.02%
Tamil Nadu	62.70%	15.22%	1.93%	19.36%	0.77%	0.01%	0.00%
Rajasthan	54.33%	6.04%	10.25%	28.83%	0.38%	0.17%	0.00%
Karnataka	57.06%	13.00%	11.70%	17.44%	0.72%	0.08%	0.00%
Gujarat	67.20%	7.45%	4.25%	20.81%	0.24%	0.05%	0.00%
Odisha	57.62%	3.03%	12.51%	25.30%	1.07%	0.37%	0.10%
Kerala	54.43%	18.76%	7.02%	18.86%	0.92%	0.02%	0.00%
Jharkhand	63.02%	2.32%	6.98%	27.41%	0.25%	0.02%	
Assam	53.12%	2.13%	18.87%	24.59%	0.98%		0.31%
Punjab	75.48%	7.82%	3.32%	12.65%	0.05%	0.69%	0.00%
Chhattisgarh	46.50%	3.68%	15.25%	33.91%	0.42%	0.21%	0.02%
Haryana	61.53%	11.62%	9.11%	17.53%	0.11%	0.10%	0.00%
Delhi	72.20%	18.69%		9.09%	0.01%		0.00%
Jammu and Kashmir	22.37%	53.82%	7.79%	10.94%	0.01%	5.07%	
Uttarakhand	58.77%	5.06%	5.87%	30.07%	0.21%	0.01%	0.00%
Himachal Pradesh	58.61%	1.96%	6.03%	33.10%	0.27%	0.02%	0.01%
Tripura	47.46%	1.59%	48.09%		0.24%		2.62%
Meghalaya	77.74%	4.50%	16.73%		0.41%		0.62%
Manipur	81.66%	2.98%	13.35%		0.68%		1.33%
Nagaland	89.72%	6.60%	1.77%		0.28%		1.63%
Goa	86.99%	12.39%			0.17%		0.45%
Arunachal Pradesh	86.66%	1.86%	11.16%		0.30%		0.01%
Puducherry	77.14%	14.50%	7.18%		1.17%		0.01%
Mizoram	43.76%	3.08%	53.00%		0.03%		0.14%
Chandigarh	81.17%	18.68%			0.01%		0.13%
Sikkim	88.33%	11.00%			0.05%		0.62%
AndamanAndNicobar	93.01%	5.87%			1.09%		0.04%
Dadra & Nagar Haveli	75.44%	24.56%					
Daman & Diu	81.06%	18.94%					
Lakshwadeep	99.70%	0.01%			0.28%		

Source: RBI Annual Statistics, India Post Annual Report, NAFSCOB Annual Data, NABARD Annual Report  
 Note: Blank values means no data available

## 5. Gap Between Account Access and Usage

While much has been said about India's efforts to increase access to financial services across the country, publicly available data shows a divergence between bank account access and usage. As the World Bank reported in Global Findex 2014, nearly 195 million of the 460 million adults with a dormant account around the world are found in India. While the dormancy rate in India (43%) is close to the South Asia average (42%), it is far off from the average dormancy rate of developing regions (20%), which is likely a more meaningful comparison<sup>24</sup>. It is important to note that this high dormancy rate could be a result of the large number of newly opened accounts under government programs – accounts that have not yet been used.

Yet, survey research from InterMedia's FII Tracker shows that, of those adults with a bank account, 46% have not used their account in over 90 days<sup>25</sup>. This proportion increases to 54% among poor, rural bank account holders. Viewing the survey data by state-level, Delhi and Assam have the highest rate of active accounts; around 67% of bank account owners have used their account in the last 90 days. Nation-wide, those who are below the poverty line are less likely to be an active user than those above it, with 52% of accounts dormant. Urban men are the demographic with the highest proportion of active accounts coming in at 70%.

The cause of low account usage is difficult to pinpoint, although survey data offers some areas to explore. Nearly 20% of InterMedia's survey respondents opened a bank account in order to receive money from an organization or government agency, or because the organization or government agency requested they sign up. Additionally, proximity could play a factor as 25% of respondents had to walk over 30 minutes to reach the nearest bank branch. In addition to this, only 39% of account holders own a debit or ATM card, forcing the account holder to visit a bank teller for each transaction<sup>26</sup>. Finally, according to the World Bank, only 15% of adults reported using a bank account to make or receive payments, reducing the perceived utility of their account.

## 6. PMJDY: A Short-Term Analysis

Over the past few years, the government of India has introduced initiatives to increase the pace of financial inclusion, including the PradhanMantri Jan DhanYojana (PMJDY) scheme, announced by Prime Minister NarendraModi in August 2014<sup>27</sup>. The PMJDY, a National Mission for Financial Inclusion plan, is focused on the financial services coverage at the household level in both rural and urban areas. The vision of PMJDY is to connect every household in India to financial services, and its main objective is to provide access to a bank account with no minimum balance required. The PMJDY also aims to channel all government benefits – from every administrative level – directly to the beneficiaries through this bank account. While the former national plan for financial inclusion focused on village-level coverage, the current plan aims at household coverage.

By February 2015, six months after the launch of PMJDY, a total of 135 million bank accounts were opened, with a total deposit value of 124 billion INR. Of these new accounts, 80.6 million – or 60% – were opened in rural areas. As a government initiative, public sector banks opened 78% of the accounts; regional rural banks opened 17% and private sector banks opened 4%.

Unsurprisingly, the largest number of accounts was opened in populous states including Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, and West Bengal. Although these states witnessed the most accounts opened, the level of financial inclusion within these states is still not the highest in India. For example, 15.20% of all new

---

24. Largest number of accounts, by Tamal: <http://www.worldbank.org/en/programs/globalindex>

25. FII Tracker Survey, India, Intermedia: <http://www.worldbank.org/en/programs/globalindex>

26. Research Working Paper, Global Findex 2014: <https://openknowledge.worldbank.org/bitstream/handle/10986/21865/WPS7255.pdf?sequence=2>

27. PMJDY Website: [www.pmjdy.gov.in](http://www.pmjdy.gov.in)

accounts were opened in Uttar Pradesh, yet the household coverage in that state is only 61.56%. Similarly, West Bengal registered 7.43% of new accounts opened under the PMJDY but only 49.38% of households have access to financial services. States with the lowest number of accounts opened under the PMJDY scheme were either from the Northeastern region or Union Territories.

Interestingly, Chattisgarh state registered 4.51% of new accounts but has a household coverage rate of 100%. Rajasthan is a similar case, with only 6.95% of new accounts but 74% of households covered. One possible explanation is that the states with higher rates of household coverage had less of a need to open new accounts under PMJDY than those states with fewer financially-included households.

The average deposit amount per account was 919 INR through the 135 million accounts opened. The average deposit mobilized through the private sector banks was 1,373 INR per account, which was around 50% higher than the average deposit mobilized through public sector accounts. Regional rural banks opened more accounts in Northeastern states like Mizoram and Tripura, whereas public sector banks had a greater portion of its total new accounts opened in Goa and Chandigarh.

**Table 8: Number of PMJDY accounts opened by institution type** in millions

	No. of Rural accounts	No. of Urban accounts	Total PMJDY accounts
Public Sector Banks	57.45	48.79	106.24
Regional Rural Banks	20.02	3.54	23.56
Private Banks	3.40	2.26	5.66
<b>Grand Total</b>	<b>80.86</b>	<b>54.60</b>	<b>135.46</b>

Source: [www.pmjdy.gov.in](http://www.pmjdy.gov.in)

**Table 9: Top 10 States in PMJDY program**

Top ten States/UT	No. of accounts	Total deposit in (Lakhs)	Average deposit per account
Uttar Pradesh	20,592,225	₹17,873,183,000	₹868
Madhya Pradesh	11,013,524	₹4,560,232,000	₹414
West Bengal	10,062,864	₹10,503,988,000	₹1,044
Bihar	9,706,546	₹10,020,362,000	₹1,032
Rajasthan	9,413,542	₹10,358,165,000	₹1,100
Maharashtra	9,397,375	₹6,826,478,000	₹726
Karnataka	7,049,540	₹5,126,466,000	₹727
Telangana	6,193,711	₹2,835,229,000	₹458
Chattisgarh	6,115,211	₹2,745,808,000	₹449
Tamil Nadu	5,977,726	₹4,372,730,000	₹732
<b>India total under PMJDY</b>	<b>135,459,880</b>	<b>₹124,451,044,000</b>	<b>₹919</b>
<i>Public Sector Banks</i>	<i>106,244,544</i>	<i>₹97,537,915,000</i>	<i>₹918</i>
<i>Regional Rural Banks</i>	<i>23,557,106</i>	<i>₹19,145,697,000</i>	<i>₹813</i>
<i>Private Sector Banks</i>	<i>5,658,220</i>	<i>₹7,767,432,000</i>	<i>₹1,373</i>

Source: [www.pmjdy.gov.in](http://www.pmjdy.gov.in)

While PMJDY certainly spurred new bank account openings, it is difficult to ascertain through the data whether these accounts were opened in unbanked areas or already served areas. Additionally, it is not clear how many accounts were dormant. The PMJDY website highlights that the “trend of zero balance accounts” has fallen considerably from 76% in September 2014 to 46% in July 2015, however this does not give the overall percentage of dormant accounts<sup>28</sup>.

28. Zero balance accounts under PMJDY: <http://www.pmjdy.gov.in/ZeroBalance.aspx>

## 7. Moving Forward: Financial Inclusion Opportunities in India

The various schemes recently introduced by the government demonstrate a commitment from policymakers to increase financial inclusion across the Indian subcontinent. These policy priorities also signal the need to improve and expand the current banking infrastructure in order to reach more people. As the Global Findex 2014 data shows, less than two-thirds of households across India have access to formal financial services. And with the issues of multiplicity and dormancy, a clear picture on actual bank account penetration rates is difficult to ascertain. Additionally, data on usage of accounts is not available, which conceals the true picture of financial inclusion in India.

Yet, as we have found through this analysis, it is possible to view deposit account access at a subnational level, which can provide guidance to policymakers, industry analysts, and financial service providers. Banks have been able to achieve progress in BSBDA largely because of the reach of BCs, resulting in more people gaining the ability to save at formal institutions; investments in ICT infrastructure could make it possible for more third-party agents to expand to mountainous regions. Likewise, the large branch network of the postal system, especially in rural areas, could be leveraged further if India Post applied for a banking license; additional financial products could benefit many rural households who currently only have access to basic banking services<sup>29</sup>. The introduction of small banks and payment banks certainly offers another avenue to reach the unbanked; expanding the banking infrastructure through innovative programs will expand access, especially in underserved areas.

This analysis also sheds light on the regional differences. Specifically, the Northeastern region has much lower levels of financial inclusion than many other regions in India. But much of the data currently available is either at the regional- or state-level; it would benefit financial inclusion stakeholders to publish data at the district-level to uncover opportunities to increase financial inclusion. Additionally, corroborating the savings data along with access points and demand data could help stakeholders better understand the issues in the current system and take action.

Through the [India Country Workbook](#) hosted on FINclusion Lab, along with this analysis, we aimed to uncover insights and opportunities to improve financial inclusion efforts and initiatives. Although this analysis is dependent on publicly accessible data provided by aggregators, MIX is working with partners in India to aggregate data from additional sources and update FINclusion Lab to improve our understanding of the progress being made on deposit account access. Visit [finclusionlab.org](http://finclusionlab.org) to learn more.

---

29. [http://www.telegraphindia.com/1150112/jsp/business/story\\_7898.jsp#.VdCk5rKqqkp](http://www.telegraphindia.com/1150112/jsp/business/story_7898.jsp#.VdCk5rKqqkp)

**ASIA REGIONAL OFFICE**

801-A, 8th Floor,  
The Platina, BIT II, APHB  
Gachibowli, RR District  
Telangana – 500032  
India  
Tel: +91 40 4030 0200

**MICROFINANCE INFORMATION EXCHANGE, INC.**

2020 Pennsylvania Avenue, NW, #353  
Washington, DC 20006, U.S.A.  
Tel: +1 202 659 9094 | Fax: +1 202 659 9095  
Web: [www.MIXMarket.org](http://www.MIXMarket.org) | E-mail: [info@themix.org](mailto:info@themix.org)

[www.MIXMarket.org](http://www.MIXMarket.org) | [www.themix.org](http://www.themix.org)

Find us on Facebook 

Follow us on Twitter 