Identification of Under-Banked States

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Abstract— **Banks help for economic development of the country by mobilizing deposits and extending credit to the different sections of the population for different productive purposes. For achieving, balanced regional development, banks should establish their branches throughout the country giving due importance for under banked regions. Private sector banks are generally guided by profit motive. They normally concentrate in the developed regions. The objective of the public policy is to achieve balanced regional development. The public sector banks are expected to play a larger role in expanding the branches in the backward regions of the country. Hence the present paper makes an attempt to identify under-banked states which will help the banks to focus on these states while expanding branch network.**

Index Terms— **Under banked, States, Branches, Credits, Deposits**

I. OBJECTIVE

The objectives of the present study are the following:
1. To find the share of public sector banks in the number of branches, deposits and credit of all scheduled commercial banks.
2. To find the growth rates of branches, deposits and credit of the public sector banks in the recent years.
3. To identify the under-banked states / UTs in the country.

II. DATA AND THE METHODOLOGY

The year-wise data on the number of branches, deposits and credits of the public sector banks for the period 2009-2014 were collected from the various issues of Economic Survey published by Ministry of Finance, Govt. of India. The data on the number of branches, deposits and credit of all scheduled commercial banks for the year 2014 were collected from Statistical Year Book 2015 published by Directorate of Economics and Statistics, Govt. of Telangana. The year on year growth were averaged to get average annual growth rates of branches, deposits and credit of public sector banks for the period 2009-2014.

The coefficient if concentration is used to identify the under-banked states /UTs. The coefficient of concentration is calculated for each state /UT with the help of the following formula.

Coefficient of Concentration = Number of branches per lakh of population in the state /
Number of branches per lakh of population in the country

The states / UTs are classified into three groups depending upon the value of the coefficient of concentration . The states /UTs with a concentration coefficient of less than 1 are classified as under-banked states. The states/UTs with concentration coefficient between 1 and 2 are classified as average banked states. The states /UTs with concentration coefficient of and above are classified as over-banked states.

III. DATA ANALYSIS

Share of Public Sector Banks

Public Sector Banks include SBI and its associates, nationalized banks and Regional Rural Banks (RRBs). IDBI Bank Limited and Bharatiya Mahila Bank Ltd are also included in this sector. All scheduled commercial banks consist of public sector banks, private sector banks and foreign banks. Share of public sector banks in the number of branches, deposits and credit of all scheduled commercial banks in India is presented in table 1. The share of public sector banks in the total number of all scheduled commercial banks as at the end of September,2014 stood at 67.4%. The deposits and credit of public sector banks stood at 72.5% and 69.9% in the total deposits and credit of the all scheduled commercial banks in the country. From this it is evident that a public sector bank is the predominant sector of the Indian banking scenario.

Table - 1
Share of Public Sector Banks in the Number of Branches, Deposits and Credit of All Scheduled Commercial Banks in India[1]

(as at the end of Spetember,2014)

Category	Number of Branches	Deposits (Rs. Crore)	Credit (Rs. Crore)
All Scheduled Commercial Banks	1,23,184	82,73,590	63,17,959
Public Sector Banks	83,003	59,98,925	44,16,817
Share of Public Sector Banks	67.40%	72.50%	69.90%

Growth in Public Sector Banking

Year-wise growth in the number of branches, deposits and bank credit of public sector banks in India for the period 2009-2014 is presented in table

The year on year growth rates of branches, deposits and credits are presented in brackets. It is evident that the Y-O-Y growth rates of deposits are showing a decreasing trend from the year 2011. The Y-O-Y growth rates of credit are showing a decreasing trend from the year 2010. This decreasing trend observed in the growth rates of deposits and credit may be attributed to the slowing down in the growth of gross domestic product (GDP) of the country's the recent years. On the whole, the average annual rates of growth in the number of branches, deposits and credit of the public sector banks stood at 7.7%, 15.3% and 17.4% respectively during the period 2009-2014.

Table-2: Year-Wise Growth in the Number of Branches, Deposits and Bank Credit of Public Sector Banks in India (2009-2014)[2]

Year	Number of Branches	Deposits (Rs. Crore)	Bank Credit (Rs. Crore)
End of June 2009	55,664	29,30,527	20,58,568
End of June 2010	59,107 (6.2)	33,63,640 (14.8)	25,04,872 (21.7)
End of June 2011	62,607 (5.9)	40,14,743 (19.4)	29,96,655 (19.6)
End of June 2012	70,455 (12.5)	46,15,801 (15.0)	35,90,508 (19.8)
End of June 2013	72,571 (3.0)	52,46,957 (13.7)	40,54,041 (12.9)
End of June 2014	80,312 (10.7)	59,51,241 (13.4)	45,90,516 (13.2)
Average annual rate of growth	7.70%	15.30%	17.40%

Note : Figures in the brackets indicate year-on-year growth rates.

State –Wise Number of Branches

State-wise number of branches, population and concentration coefficients of bank branches are presented in Table 3. Uttar Pradesh ranks first with 10,071 branches as on 30th September, 2014. Maharashtra ranks second with 7994 branches.

From the view of point of number of branches per one lakh of population Goa ranks first with 32.4 branches followed by Chandigarh with 26.9 branches. Manipur ranks the lowest with 3.3 branches per one lakh of population preceded by Bihar with 3.5 branches.

Table-3:
State-Wise Number of Branches, Population and Concentration Coefficient[3]

S.No.	State /UT	Number of Branches June,20111	Population 2011 (Lakhs)	Number of branches per lakh of Population	Concentration Coeffiecient
1	A & N Islands	53	3.81	13.9	2.0
2	Andhra Pradesh	4100	495.77	8.3	1.2
3	Arunachal Pradesh	92	13.84	6.6	1
4	Assam	1358	312.06	4.4	0.6
5	Bihar	3656	1040.99	3.5	0.5
6	Chandigarh (U.T)	284	10.55	26.9	3.9
7	Chattisgarh	1309	255.45	5.1	0.7
8	D&N Haveli (UT)	33	3.44	9.6	1.4
9	Daman & Diu (UT)	31	2.43	12.8	1.9
10	Goa	473	14.59	32.4	4.7
11	Gujrat	4881	604.4	8.1	1.2
12	Haryana	2723	253.51	10.7	1.6
13	Himachal Pradesh	1109	68.65	16.2	2.3
14	Jammu & Kashmir	451	125.41	3.6	0.5
15	Jharkhand	1990	329.88	6	0.9
16	Karnataka	3609	610.95	5.9	0.9
17	Kerala	3326	334.06	10	1.4
18	Lakshadweep (UT)	12	0.64	18.8	2.7
19	Madhya Pradesh	3875	726.27	5.3	0.8

20	Maharashtra	7994	1123.74	7.1	1
21	Manipur	94	28.56	3.3	0.5
22	Meghalaya	192	29.67	6.5	0.9
23	Mizoram	62	10.97	5.7	0.8

24	Nagaland	111	19.79	5.6	0.8
25	Delhi	2331	167.88	13.9	2
26	Odhisha	2725	419.74	6.5	0.9
27	Pondicherry (UT)	141	12.48	11.3	1.6
28	Punjab	4153	277.43	15	2.2
29	Rajasthan	3862	685.48	5.6	0.8
30	Sikkim	96	6.11	15.7	2.3
31	Tamilnadu	6170	721.47	8.6	1.2
32	Telangana	2855	350.04	8.2	1.2
33	Tripura	205	36.74	5.6	0.8
34	Uttar Pradesh	10071	1998.12	5	0.7
35	Uttakhand	1358	100.86	13.5	2
36	West Bengal	5218	912.76	5.7	0.8
	All India	83003	12108.55	6.9	

Under-banked States/UTs :

The list of under-banked States /UTs along wit the concentration coefficient is presented in Table 4. Bihar (0.5), J&K (0.5), Manipur (0.5), Assam (0.6), Chattisgarh,(0.7), Uttar Pradesh (0.7), Madhya Pradesh (0.8), Mizoram (0.8), Nagaland (0.8), Rajasthan (0.8), Tripura (0.8), West Bengal (0.8), Jharkhand (0.9), Karnataka (0.9), Meghalaya (0.9), Odhisha (0.9) are the under-banked states. There is no single UT in this list. The public sector banks have to give top priority for these under banked states while expanding bank branches.

Table-4:Under-banked States / UTs

S.No.	State / UT	Concentration Coefficient (less than1)
1	Bihar	0.5
2	Jammu & Kashmir	0.5
3	Manipur	0.5
4	Assam	0.6
5	Chattisgarh	0.7
6	Uttar Pradesh	0.7
7	Madhya Pradesh	0.8
8	Mizoram	0.8
9	Nagaland	0.8
10	Rajasthan	0.8
11	Tripura	0.8
12	West Bengal	0.8
13	Jharkhand	0.9
14	Karnataka	0.9
15	Meghalaya	0.9
16	Odhisha	0.9

CONCLUSION

The study revealed that the requirement for the core services in banking along with the difficulties faced by the population in availing such services through the existing number of channels. Hence the present paper makes an attempt to find the share of public sector banks in the number of branches, deposits and credit of all scheduled commercial banks and in finding the growth rates of branches, deposits and credit of the public sector banks in the recent years.

ACKNOWLEDGMENT

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2. Various issues of G.O.I Economic Survey.
3. Economic Survey 2014-15