



2022

TREND REPORT

on

Financial Inclusion in India



BIRD

Bankers Institute of Rural Development
Lucknow

Centre for Research on Financial Inclusion and Microfinance (CRFIM)
Bankers Institute of Rural Development (BIRD) Lucknow

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DIRECTOR'S MESSAGE

Government of India and RBI initiated multiple policy measures for promoting financial inclusion in the country. While, RBI prepared a National Strategy for Financial Inclusion 2019-24, GoI implemented JAM policy, which has facilitated in reaching out to a large segment of the unbanked population in country, particularly women and those living below the poverty line in both urban and rural regions with a range of financial services, including pension, credit, and insurance etc.



In this context, Centre for Research on Financial Inclusion and Microfinance (CRFIM), BIRD, Lucknow is happy to bring out the fourth edition of the Trend Report on Financial Inclusion in India. The report analyses the status on various parameters such as account penetration, branch penetration, ATM deployment, in terms of geographical and demographical penetration, etc., which impacts the process of financial inclusion in the country. It also covers progress of various social security schemes, adoption of digital payment systems and payment system infrastructure and compares global trends in financial inclusion with that of the country. The data/ information used in the report has been retrieved from various secondary sources, viz. World Bank database, Findex:2021, RBI's official website, Department of Financial Services, GoI, CMIE and the open source web portal of GoI and covers a period for last five years, i.e. 2018 to 2022.

I hope that the much evolved format of the Trend Report on the Financial Inclusion in India will be immensely beneficial to the researchers, scholars, development practitioners and other stakeholders as a ready reckoner for the sector.

Shri Shankar A. Pande
September, 2022

ABBREVIATIONS

AePS	Aadhaar Enabled Payment Systems
APBS	Aadhaar Payment Bridge System
ATM	Automated Teller Machine
BSBDA	Basic Savings Bank Deposit Account
BC	Business Correspondent
BF	Business Facilitator
BHIM	Bharat Interface for Money
CDM	Cash Deposit Machine
FBs	Foreign Banks
HSBC	Hongkong and Shanghai Banking Corporation
IMPS	Immediate Payment Service
OBC	Other Backward Class
OD	Over Draft
MFI's	Microfinance Institutions
MUDRA	Micro Units Development & Refinance Agency
m-wallet	Mobile Wallet
NACH	National Automated Clearing House
NBFCs	Non-Banking Financial Companies
NEFT	National Electronic Funds Transfer
NETC	National Electronic Toll Collection
PMMY	Pradhan Mantri Mudra Yojana
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMSBY	Pradhan Mantri Suraksha Bima Yojana
PPI	Pre-paid Instruments
PSBs	Public Sector Banks
PVBs	Private Sector Banks
QR	Quick Response
RRBs	Regional Rural Banks
RTGS	Real-Time Gross Settlement
SC	Scheduled Caste
SCBs	Scheduled Commercial Banks
SFBs	Small Finance Banks
ST	Scheduled Tribe
StCBs	State Cooperative Banks
WLAs	White Label ATMs
POS	Point Of Sale
PPIs	Pre-paid Payment Instruments
QR	Quick Response
UPI	Unified Payments Interface
USDD	Unstructured Supplementary Services Data

Objective

Financial inclusion is one of the national objective of our country. Over the past decades, Government of India and Reserve Bank of India have initiated various steps to reach the large section of financially excluded population. These are nationalisation of banks, expansion of bank branch network, introduction of BCs/BFs to provide door step delivery of banking services, introduction of mandated priority sector lending targets, lead bank scheme, formation of self-help groups, offering zero balance BSBD accounts, PMJDY, PMSBY, PMJJBY etc. The Current Trend report is an attempt to get an overview and progress in the sector in Indian context. The report provides secondary data base analytical information to the researchers, students, development practitioners and other stakeholders in the sector.

Methodology

The report is based on the secondary data sources. The data have been retrieved from World Bank database, Findex: 2021, RBI's official website - <https://dbic.rbi.org.in>, Department of Financial Services, GoI, data base of CMIE and other open source web portals of GoI. Progress of various parameters of financial inclusion have been analysed for the last five years, i.e., 2018 to 2022.

Coverage

The report covers progress of account penetration, branch penetration, ATM penetration, progress of various schemes of financial inclusion in India, credit outreach, usage of digital financial inclusion etc. The analysis has been done on state and regional specific trend. Performance of various financing agencies have also been analysed in the report.

KEY HIGHLIGHTS

1. The Global Development

- ❖ Over the past decade, globally account ownership has increased by 50 percent. The latest Findex data (Findex: 2021) suggests that worldwide, around 76 percent of the population has an access to accounts, either at a bank or other regulated deposit-taking financial institution, including a mobile money service provider.
- ❖ The penetration of account ownership in developed economies is much higher than the developing economies. Among the South Asian countries, Afghanistan has the lowest account ownership (9.65%) against 89.27 percent in Sri Lanka for the year 2021.
- ❖ Worldwide, the gender gap in ownership of bank accounts, which remained unchanged for a few years, has decreased by 4.36 percentage points in 2021. Surprisingly, India has reported complete elimination of the gender gap in 2021. The COVID-19 induced Government payments to women are one of the key driver for such reduction in gender-gap in account ownership in India.
- ❖ Despite such a positive trajectory, 1.4 billion adults are still unbanked globally. Lack of money caused by insufficient income, expensive financial services, distance from nearest financial service providers, lack of trust on financial service providers, lack of necessary documentations, and religious barriers are the major reasons, which deprived the adults of access to a transaction account.

2. Financial Inclusion in India

- ❖ The country has made significant progress in all parameters of financial inclusion over the last few years. Banking outlets in villages have increased from 5.70 lakh in March 2018 to over 19 lakh at the end of December 2021. However, the majority (97 percent) of the outlets are branchless BC mode.
- ❖ An additional 127 million unbanked population were brought under the formal banking system over the last five years reaching 663 million underserved population. In these recently opened accounts, the gross and average deposits reached all-time highs of Rs. 1,684 billion and Rs. 2805, respectively.
- ❖ PMJDY played a catalytic role in offering basic banking facilities to the weaker section of the society. As on 31 March 2022, 45.06 crore accounts have been opened with deposits amounting to Rs. 1.66 lakh crore.
- ❖ About 67 percent of PMJDY account holders belonged to rural and semi-urban areas and the remaining (33 percent) are households from urban and metropolitan areas.
- ❖ As on 31 March 2022, a total of 31.60 crores (70 percent of account holders) RuPay cards have been issued to newly banked account holders for facilitating banking transactions.

- ❖ Public sector banks have taken a lead in facilitating basic banking services to unbanked populations. As on 31 March 2022, about 79 percent of PMJDY accounts have been opened by public sector banks followed by RRBs (18%) and private sector banks (3%).
- ❖ State-wise tally in account penetration revealed that there are 550 PMJDY accounts opened per thousand adult population as on 29 July 2022. Among the states, Assam (991) is on the top of the table followed by Chhattisgarh (931).
- ❖ Both the micro-insurance schemes, viz., PMJJBY, and PMSBY witnessed a positive trend during the past years. As on April 2022, gross enrollment under PMJJBY and PMSBY stood at 12.77 crores and 18.37 crores respectively.

3. Progress of Pradhan Mantri Mudra Yojana (PMMY)

- ❖ During 2021-22, 5.38 crores enterprises were financed across the country under PMMY, of which the majority (71%) were owned by women and about 52 percent of entrepreneurs belonged to weaker sections (SCs/STs/OBCs) of the society.
- ❖ Among the various categories of enterprise financed, *Shishu* loans are at top of the table. Over 77 percent of loans are extended in the *Shishu* category during the last year. The share of other categories are *Kishore* (21 %) and *Tarun* (2 %).
- ❖ Among the financing agencies, the credit needs of micro borrowers under PMMY are mostly served by private sector banks followed by NBFC-MFIs. During 2021-22, the share of various categories of financing agencies out of the total loan sanctioned are private sector banks (46%), NBFC - MFIs (24%), SFBs (12%), PSBs (11%) and NBFCs (3%) respectively. Other lenders, viz., MFIs and StCBs, together account for 4 percent of total enterprises financed.

4. Bank Branch Network:

- ❖ Over the years, the bank branch network of all scheduled commercial banks has expanded. During the 2021-22, additional 550 brick and mortar branches were added to reach the figure of 1,51,220 branches in the country at the end of March 2022.
- ❖ Sixty-three percent of such branches are situated in rural and semi-urban areas. Remaining (37 percent) are located in urban and metropolitan area.
- ❖ In addition to serving clients through branches, unbanked rural areas are also being served through branchless banking outlets. As on December 2021, over 18.44 lakh rural banking outlets were available across the country.
- ❖ The bank branches in India are skewed in Southern Region. As on March 2022, 28 percent of commercial bank branches are located in Southern states followed by Central (20%) and Northern region (18%).
- ❖ Over the last five years, geographical penetration of bank branches, i.e. branches per thousand sq.km have increased. There were 43 bank branches per thousand sq. km in 2018, which have increased to 46 at the end of March 2022. This indicates that people

are required to travel less distance to reach nearest bank branches as compared to 2018.

- ❖ As far as the demographical penetration (branches per lakh population) is concerned, 13 bank branches are available per one lakh population as on March 2022 at all India level. It is the highest in Goa (44) and lowest in Manipur (8).

5. Deployment of ATMs:

- ❖ India lags behind in ATM penetration (ATMs per lakh population) from most of the emerging markets and large economies in the world. As per the World Bank's most recent available data (2019), there are 21 ATMs available per lakh adult population in India, as against the world average of 41.
- ❖ As on March 2022, the total number of installed ATMs by all entities was reported at 2,48,307, registering a growth of 4.07 percent over the previous year.
- ❖ Among the various financial service providers, public sector banks take the lead in the total number of ATMs deployed in the country. About 55 percent (1,35,457 out of 2,48,307) of ATMs are deployed by public sector banks followed by private sector banks (31 percent) and white label ATMs (13 percent). Foreign banks, payment banks, and small finance banks together account for only 1 percent of the total number of ATMs in the country.
- ❖ Among the public sector banks, the State Bank of India is the single largest contributor to ATMs in the country, one-fourth of the country's ATMs is deployed by SBI only.
- ❖ ATMs in India are skewed in metropolitan & urban centers. There are 31 ATMs per one lakh urban population as compared to only 16 in rural areas.
- ❖ At all India level, the availability of ATMs per thousand sq. km stood at 76 as of March 2022. Among the states, it was the highest in Delhi (5,329) and the lowest in Arunachal Pradesh (3). Further, demographical penetration of ATMs reveals that at all India levels there are 21 ATMs available per one lakh population with wide interstate variation. It was only 9 in Bihar and 67 in Goa.
- ❖ The ratio of debit cards per ATM shows that on average 3,696 debit cards are available per ATM as of March 2022. As far as the availability of ATMs per one lakh debit cards is concerned, the figure is significantly low. As on March 2022, there existed only 27 ATMs per one lakh debit cards, indicating a poor penetration of ATMs in the country to complement debit cards issued.

6. Digital Payments:

- ❖ The COVID-19 pandemic accelerated the adoption of digital payments globally. Worldwide, 59 percent of account holders made digital payments during 2021, as against 45 percent in 2017.
- ❖ In India, 80 million adults made their first digital merchant payment since the occurrence of pandemic. However, the country still relied heavily on cash

transactions. In 2021, only 25 percent of adult made digital payments as compared to the global average of 59 percent.

- ❖ In India, during the F.Y: 2021 – 22, 72 billion digital transactions were recorded with almost 6 billion transactions each month, registering a growth of 64 percent over the previous year. The total value of transactions which was recorded as Rs. 14,14,59,031 crores during 2020-21, increased to Rs. 17,44,14,188 crores during 2021-22.
- ❖ The state-wise tally shows that the Union Territory of Chandigarh occupied first place with respect to the number of per capita digital payment transactions of all Indian states and Union Territories at over 38 followed by Andhra Pradesh (17.68), Haryana (12.42), and Delhi (9.93).
- ❖ Among the various digital retail payment systems, UPI has emerged as the most preferred mode of instrument by Indian citizens. During 2021-22, UPI has a record of facilitating 4,86,878.15 lakh digital payment transactions with a value of Rs 8.92 lakh crore. Consumers prefer using UPI for retail trading. The average transaction size of UPI in 2021-22 is Rs. 1,831.
- ❖ The usage of pre-paid instruments for remittances as also for payment of goods and services witnessed an increasing trend during the past years. The volume of PPI transactions was 65,812.39 lakh during 2021-22, marking an increase of 33 percent over the previous year.
- ❖ Among all PPIs, Mobile-Wallet was the most preferred mode of transaction. More than 70 percent of the total volume of PPI transactions was through m-wallet over the last three years.

7. Payment System Infrastructures:

- ❖ As on 31 March 2022, a total of around 991.29 million debit cards and 73.63 million credit cards were in circulation, accounting for an increase of over 19 million debit cards and more than 11 million credit cards over the previous year. The issuance of a large number of RuPay debit cards under PMJDY is the key reason for such increase of debit cards in the Indian economy.
- ❖ As of March 2022, 60.70 lakh PoS terminals are available in the country, marking an increase of 28.60 percent over the previous year. As far as PoS per person is concerned, the number of people served per PoS machine has significantly declined. In 2022, about 199 people are being catered to by one PoS terminal as compared to 393 in March 2018.
- ❖ To address the growing demand for digital payments, usage of QR codes has increased. As on March 2022, about 1,727.34 lakh static QR payment codes were available, registering a growth of more than 86 percent over the previous year. As on March 2022, 7.81 lakh Micro-ATMs were in circulation in the country. It grew by almost doubled over the previous year.

Chapter 1

Financial Inclusion: The Global Perspective

1. Progress of Financial Inclusion - Global Scenario

The World Bank Group considers financial inclusion as a key enabler to reduce extreme poverty and boost shared prosperity. The World Bank further recognizes that account ownership is the fundamental measure for achieving financial inclusion, as it allows people to save money, and send and receive payments. Owning to an account serves as a gateway to access other financial services. Accountholders are more likely to use multiple financial services, viz. credit and insurance, to start or expand business, invest in wellbeing of the family and also to mitigate risks and external financial shocks for improving overall quality of their lives. The latest Findex (2021) data suggests that over the last decade, adult account ownership grew by about 26 percentage points worldwide to reach 76.20 percent in 2021 (Table:1.1). Despite such phenomenal progress in ownership of account, there exists wide inter country variations. The penetration of account ownership in developed economies (UK, USA, etc.) are much higher than the developing economies. Among the South Asian countries, Afghanistan has the lowest account ownership (9.65%) against 89.27 percentage in Sri Lanka for the year 2021. The data suggests that during 2011 to 2017 most of the newly banked adults lived in China or India.

Table: 1.1 Proportion of Adult having account (Age 15+)

Country	2011	2014	2017	2021
United Kingdom	97.20	98.93	96.37	99.76
United States	87.96	93.58	93.12	94.95
Sri Lanka	68.53	82.69	73.65	89.27
China	63.82	78.93	79.53	88.71
Russian Federation	48.18	67.38	75.76	89.72
Brazil	55.86	68.12	70.04	84.04
India	35.23	53.14	79.88	77.53
Bangladesh	31.74	30.99	50.05	52.81
Nepal	25.31	33.80	45.39	54.00
Pakistan	10.31	13.04	21.29	20.98
Afghanistan	9.01	9.96	14.89	9.65
World	50.63	61.92	68.50	76.20

Source: Findex: 2021

¹Account ownership is defined as ownership of an individual or jointly owned account at a regulated institution, such as a bank, credit union, microfinance institution, post office, or mobile money service provider.

1.2. Ownership of Accounts by Gender:

Globally, 78 percent of men and 74 percent of women have an account, indicating a gender-gap of 4 percentage points during 2021 (Table: 1.2). Over the past few years, for the first time the gender gap decreased by 4.36 percentage points, which had remain unchanged for 2014 and 2017 respectively. Interestingly, in India, the data reveals a complete elimination of gender gap in ownership of account. The COVID induced Government payments are the key drivers of such reduction in gender gap in India. Similarly, Pakistan saw its gender gap narrow from 28 percentage points to 15 percentage points, despite flat overall account ownership.

Table: 1.2 Ownership of Account by Gender (% of Adult accountholders, Age+15)

Country	2011		2014		2017		2021	
	Male	Female	Male	Female	Male	Female	Male	Female
United Kingdom	96.71	97.65	99.22	98.65	96.67	96.07	99.61	99.91
United States	91.98	84.07	92.36	94.80	93.57	92.69	93.09	96.79
Russian Federation	48.78	47.7	63.8	70.19	75.3	76.13	89.26	90.11
Sri Lanka	69.99	67.24	82.23	83.11	73.89	73.44	89.26	89.28
China	67.58	60.01	81.42	76.36	83.36	75.66	89.92	87.34
Brazil	61.10	51.02	71.69	64.77	72.85	67.51	87.05	80.87
India	43.74	26.49	62.76	43.13	83.01	76.64	77.51	77.55
Bangladesh	37.29	26.01	35.37	26.45	64.59	35.84	62.86	43.46
Nepal	29.56	21.22	36.72	31.27	49.98	41.6	58.61	49.90
Pakistan	17.28	2.95	20.97	4.84	34.61	7.03	28.18	13.48
Afghanistan	15.42	2.62	15.78	3.81	22.54	7.16	14.79	4.70
World	54.75	46.62	65.49	58.40	72.24	64.85	78.35	73.99

Source: Findex: 2021

1.3. Financial Exclusion:

Globally, 24 percent (1.4 billion) adults are still financially excluded, i.e., they don't have an access to any bank account (Source: Findex: 2021). However, the number has significantly declined from 2.5 billion in 2011 to 1.7 billion in 2017. The majority of unbanked adults live in the seven economies, viz. India, China, Pakistan, Indonesia, Nigeria, Egypt, and Bangladesh (Figure: 1). About 54 percent (740 million) of unbanked adults live in these seven countries, where India and China together account for more than one-fourth of global unbanked adult (360 million) and remaining five (Pakistan, Indonesia, Nigeria, Egypt, and Bangladesh) are home to more than half of adult unbanked population. The

gender-wise data reveals that women are more financially excluded as compared to men. Worldwide, 13 percent of adult women are still unbanked as against 11 percent of men.

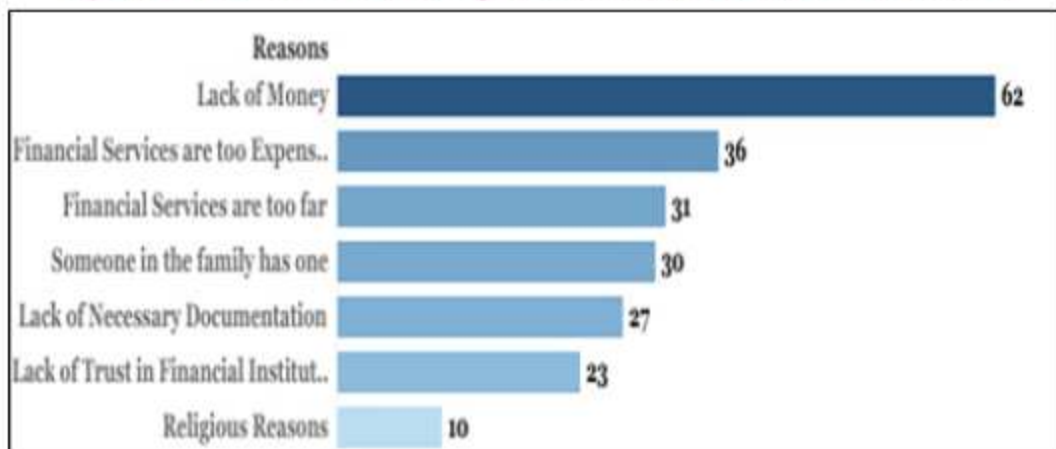
1.4. Reasons for Financial Exclusion:

Multiple factors are attributed to financial exclusion globally. According to Findex: 2021, “*lack of money*” is one of the key reasons for not having an account. The data suggests that worldwide, a significant proportion (62%) are still deprived from ownership of account due to not having enough money (Fig: 1.2). About 36 percent

felt that financial services are too expensive. However, such share is almost twice as high (60%) in Latin America and the Caribbean countries. Further, distance of financial service providers is also one of the key barriers in opening of an account.

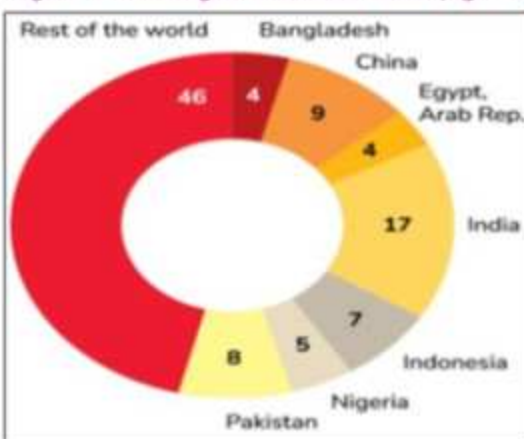
Globally, 31 percent lack access to account due long distance of financial service providers. The other factors which are accountable for deprivation of account ownership among the unbanked populations are: existing accountholders in the family, lack of necessary documents, lack of trust in financial institutions and religious factors, with a percentage share of 30, 27, 23 and 10, respectively.

Figure: 1.2 Reasons for not having an account (% of Adults with no account)



Source: Findex: 2021 (multiple responses, percentage may not add up to 100)

Figure: 1 Percentage of Unbanked Adults (Age 15+)



Source: Findex: 2021 (Page No: 34)

1.5. Progress of Financial Inclusion in India:

In India, the Reserve Bank of India (RBI) is always at the forefront in delivering access to financial services in all sections of society across the country. Since the commencement of financial inclusion as an annual policy statement of RBI, a number of initiatives viz. the opening of “no frill accounts” (subsequently renamed as Basic Savings Bank Deposit (BSBD) accounts), simplification in KYC norms, the introduction of General Credit Cards (GCC), use of vernacular language, one-time settlement, financial literacy, and so were taken. Further, in order to increase the financial outreach, in 2006, RBI introduced the concept of Business correspondents (BCs) and Business Facilitators (BFs), which allows banks to offer doorstep delivery of services. During, 2021-22, the Reserve Bank constructed a composite Financial Inclusion Index (FIIndex) with three sub-indices, viz., Access, Usage, and Quality. FIIndex capture the extent of financial inclusion across the country. The annual FI-Index for the period ending March 2022 stood at 56.4 against 53.9 for the period ending March 2021, indicating an overall improvement in financial wellbeing across the country.

Table: 1.3, shows that country has made significant progress in all parameters over the last five years. The banking outlet in villages have increased from 5.70 lakh in March 2018 to over 19 lakh in December 2021. However, such outlets in villages are mostly branchless BC mode. As on December 2021, about 97 percent of banking outlets in villages were operated by BC. The remaining, 3 percent were branches & other modes. From 2018 to December 2021, the coverage of urban locations through BCs increased by almost ten times. However, such an increase in BCs services is due to a significant increase in data reported by a few private sector banks.

Basic Savings Bank Deposit Accounts (BSBDAs) have also increased over the past five years from 536 million in March 2018 to 663 million at the end of December 2021, bringing an additional 127 million Indians into the formal banking system. However, such progress is mainly at the BC level. 59 percent (392 million out of 663 million) of BSBD accounts have been opened through BCs as of December 2021. The share of BCs in opening BSBDAs has shown an increasing trend over the past years. Further, deposit mobilization in BSBDAs also showed a sharp rise. As of December 2021, gross and average deposit per BSBDAs stood at Rs. 1,186 billion and Rs. 3,222 respectively. In comparison to this, the respective values for the year 2018 were Rs. 1,121 billion and Rs. 2,091, indicating effective utilization of accounts. However, as far as availing of overdraft facility is concerned, the figures are not so impressive. As of December 2021 only 6.4 million account holders (about 1%) availed of the OD facility for an amount of Rs. 5.56 billion.

Table: 1.3 Progress in Financial Inclusion in India

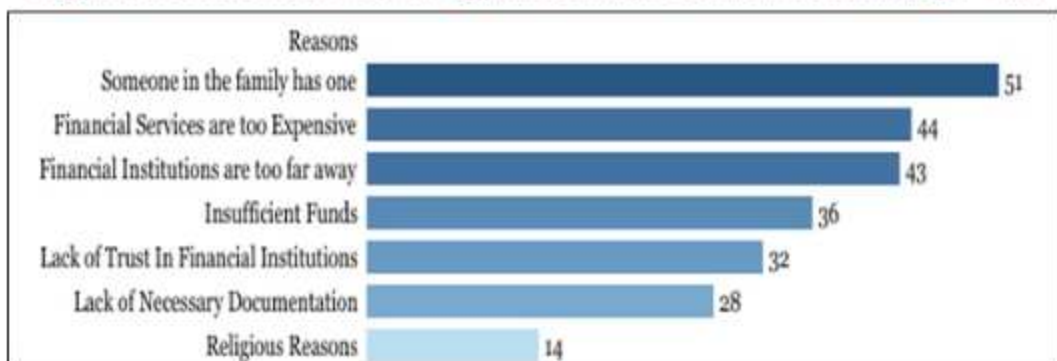
Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Dec 2021\$
Banking Outlets in Villages - Total	5,69,547	5,97,155	5,99,217	12,48,079	19,00,523
Banking Outlets in Villages - Branches	50,805	52,489	54,561	55,112	53,249
Banking Outlets in Villages-BCs (Branchless mode)	5,18,742	5,41,129	5,41,175	11,90,425	18,44,732^
Banking Outlets in Villages - Other	0	3,537	3,481	2,542	2,542
Urban Locations Covered Through BCs	1,42,959	4,47,170	6,35,046	4,26,745	14,12,529^
BSBDAs - Opened Total (No. in Million)	536	574	600	646	663
BSBDA through Branches (No. in Million)	247	255	261	266	271
Number of BSBDA per Branch	4862	4858	4784	4825	5093
BSBDA through BCs (No in Million)	289	319	339	380	392
Number of BSBDA per BC	557	590	626	319	212
BSBDAs - Deposits mobilisation - Total (Amt. in Billion)	1121	1409	1684	2060	2136
BSBD through Branches (Amount in Billion)	731	878	958	1184	1,186
BSBDA through BCs (Amount in Billion)	391	531	726	876	950
Average Balance per BSBDA (Rs.)	2091	2455	2807	3189	3222
Average Balance per BSBDA - BC (Rs.)	1353	1665	2142	2308	2425
OD Facility Availed in BSBDA (No. in million)	5.8	5.9	6.4	6.0	6.4
%of BSBDA account holder availed OD facility	1.08	1.03	1.07	0.93	0.97
OD Facility Availed in BSBDA (Amt. in Billion)	4.08	4	5.29	5.34	5.56
KCC - Total (No. in Million)	46	49	48	47	47
KCC - Total (Amt. in Billion)	6,096	6680	6391	6726	6936

Source: RBI: Trend and Progress Report in Banking in India: 2016-19, RBI: Annual Report: 2019-20
 \$: Provisional data available till Dec 2021

^: There is a significant increase in data reported by few private sector banks

1.4.1 Financial Exclusion in India:

Despite multiple initiatives taken by RBI and the Government of India, a large section of adult Indian population is still unbanked. According to Findex: 2021, India is the country that has the largest the unbanked adult population in the world. About 23 crore Indian adults are still unbanked followed by China. The data suggests that household centric attitude of Indian citizens is one of the major reasons for such lack of access to account ownership. 51 percent of unbanked adults didn't open any accounts since their family has owned an account. 44 percent of unbanked adults believe that financial services are too expensive to open a transaction account. Distance of financial service providers is also a key barrier among the Indian unbanked adult in accessing an account. Regardless of increasing bank branch penetration in the country and the introduction of branchless banking in unbanked rural areas, 43 percent of adults are left out of basic account ownership due to the long distance of financial service providers.

Figure: 1.3: Reasons for not having an account (% of unbanked adult, Age + 15)

Source: Findex: 2021 (multiple responses, percentage may not add up to 100)

36 percent Indians are away from basic account due lack of sufficient funds caused by inconsistent income. Lack of trust on financial institutions is also a key barrier among the unbanked adults in India. 32 percent unbanked population doesn't have any account due to such reason. The other reasons for lack of access to bank account among the Indian citizens are insufficient documents and religious factors.

Chapter 2

Pradhan Mantri Jan Dhan Yojana

2.1 The Scheme:

Financial Inclusion in India got a further momentum with the introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) in August, 2014. The programme aims to ensure universal access to financial services, namely, a basic savings & deposit accounts, remittance, credit, insurance and pension in an affordable manner. Under this programme the account holders:

- Can receive subsidy payments directly to their account
- Receive *RuPay* Debit card with an in-built accidental insurance cover of Rs. 2 lakh²
- Eligible to transfer funds and check balance through a feature phone
- Are not required to maintain a minimum balance
- Are eligible to enrol in pension and insurance plan
- Are eligible to receive an overdraft (OD) of Rs. 10,000³ from bank after six months.

Further, in August 2018, with an objective to deepen the financial inclusion interventions in the country, the vision of the program shifted the focus from the opening of accounts from “*every household*” to “*every unbanked adult*”, resulting in significant progress in ownership of bank account in the country. The latest Findex (Findex 2021) suggests that in India, about 78 percent of adults are having access to bank accounts in 2021 as compared to only 53 percent in 2014. The scheme also reduced the gender gap in ownership of bank accounts. The data suggests that female accounts ownership increased from 43 percent in 2014 to 78 percent in 2021, leading to almost complete elimination of the gender gap in ownership of bank accounts in the country (Findex 2021).

2.2 Progress in PMJDY:

As of March 2022, the programme has completed more than 7 years of its existence and reached out to 45.06 crore (Table: 2.1) unbanked population with a wide range of financial services. The programme focused in unbanked rural areas, almost 67 percent of account holders are from rural and semi – urban areas and remaining (33 percent) account holders belonged to urban and metro centre. Total deposit in PMJDY accounts stood at Rs. 1,66,459 crore at the end of March, 2022. Both gross and average deposit per account has expanded over the time, indicating improvement in access and usage of financial services. The average deposit per account, which was recorded to be Rs. 2,497 during the year 2018 reached its all-time high at Rs. 3,694 at the end of March 2022. Further, in order to facilitate

²In August, 2018, it has been increased from Rs. 1 lakh to Rs. 2 lakh

³Doubled from Rs. 5000 to Rs.10,000 from August 2018

the banking transactions, 31.62 crore *RuPay* cards with an in-built accident insurance coverage have been issued to newly banked account holders, as on March 2022.

Table: 2.1. Progress in PMJDY over last five Years

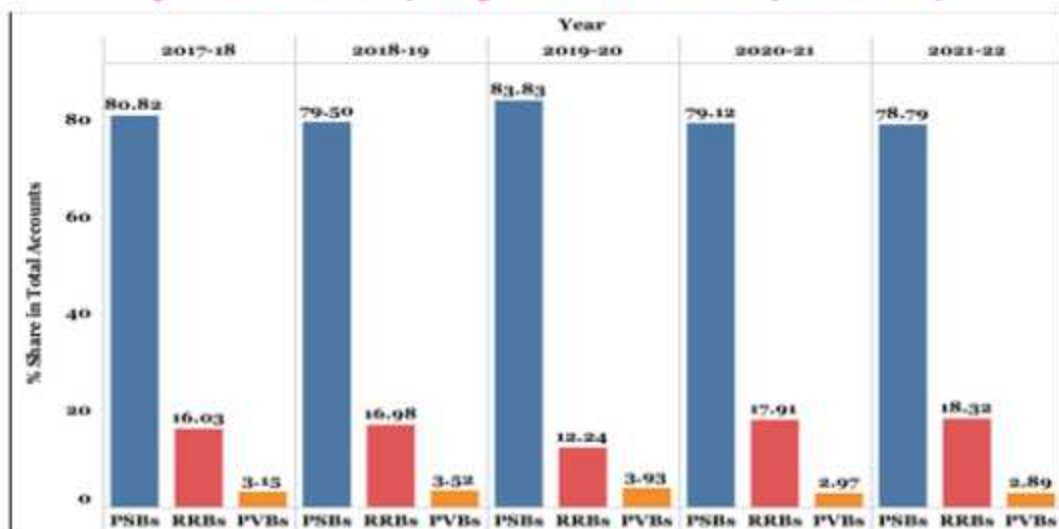
Particulars	2018	2019	2020	2021	2022
1. Total Number of Account Opened (Crore)	31.44	35.27	38.32	42.59	45.06
1.1. Out of which, Rural & Semi - Urban Accounts (Crore)	18.52 (59)	20.90 (59)	22.63 (59)	28.34 (67)	30.07 (67)
1.2. Urban & Metro Centre (Crore)	12.92 (41)	14.37 (41)	15.69 (41)	14.24 (33)	14.99 (33)
2. Deposit in Accounts (Crore)	78,494	96,107	1,18,434	1,44,157	1,66,459
2.1. Average Deposit per Account (Rs.)	2,497	2,725	3,091	3,385	3,694
3. <i>Rupay</i> Debit Cards Issued (crore)	23.65	27.91	29.3	31.1	31.6
3.1. % of <i>Rupay</i> Debit Card Issued (% of Account Holders)	79.13	79.13	76.46	73.02	70.17

Source: <https://pmjdy.gov.in/Archive> (Figures in the parenthesis represent % share in total)

2.3 Bank Group wise Progress:

Public Sector Banks, by virtue of their vast network, take the lead in opening accounts under PMJDY (Figure: 2.1). Over the last five years the share of PSBs out of total PMJDY accounts, hovered around 79 to 84 percent. However, from 2020-21 onwards an increasing trend in the share of RRBs has been observed, indicating growing rural penetration of PMJDY.

Figure: 2.1 Trend in Opening of PMJDY accounts by Bank Group

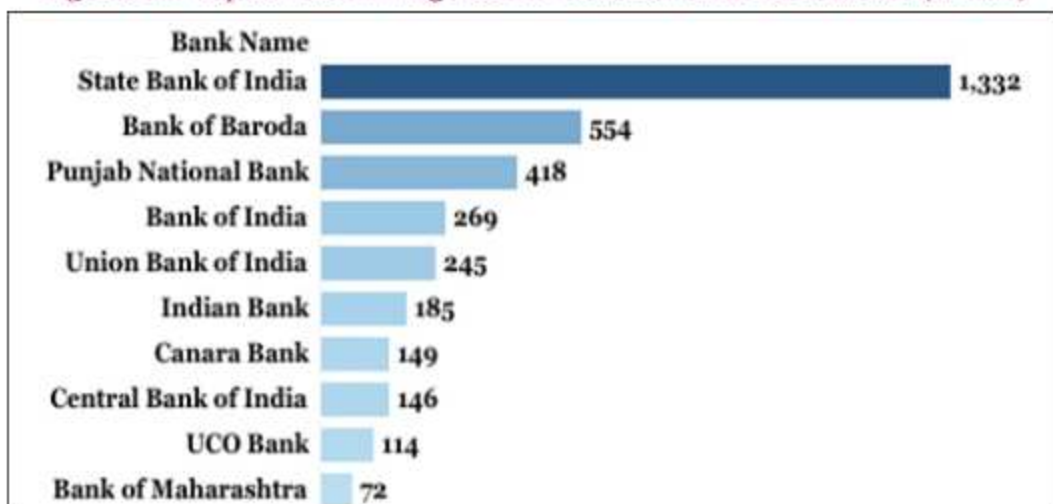


Source: <https://pmjdy.gov.in/Archive>

❖ Percentages are rounded off up to 2 decimals, therefore totals may not be exact 100

Among the public sector banks, State Bank of India has taken the lead by opening around 1,332 lakh accounts followed by Bank of Baroda (554 lakh) (Figure: 2.2). The other key players among the public sector banks are Punjab National Bank, Bank of India, Central Banks of India, Union Bank of India. As of March 2022, the top ten public sector banks accounted for about 76 percent of the total accounts opened under PMJDY. Of which, SBI alone reached out to 29 percent of unbanked populations through PMJDY platform.

Figure: 2.2: Top 10 PSBs having PMJDY Outreach as on March, 2022 (in lakh)

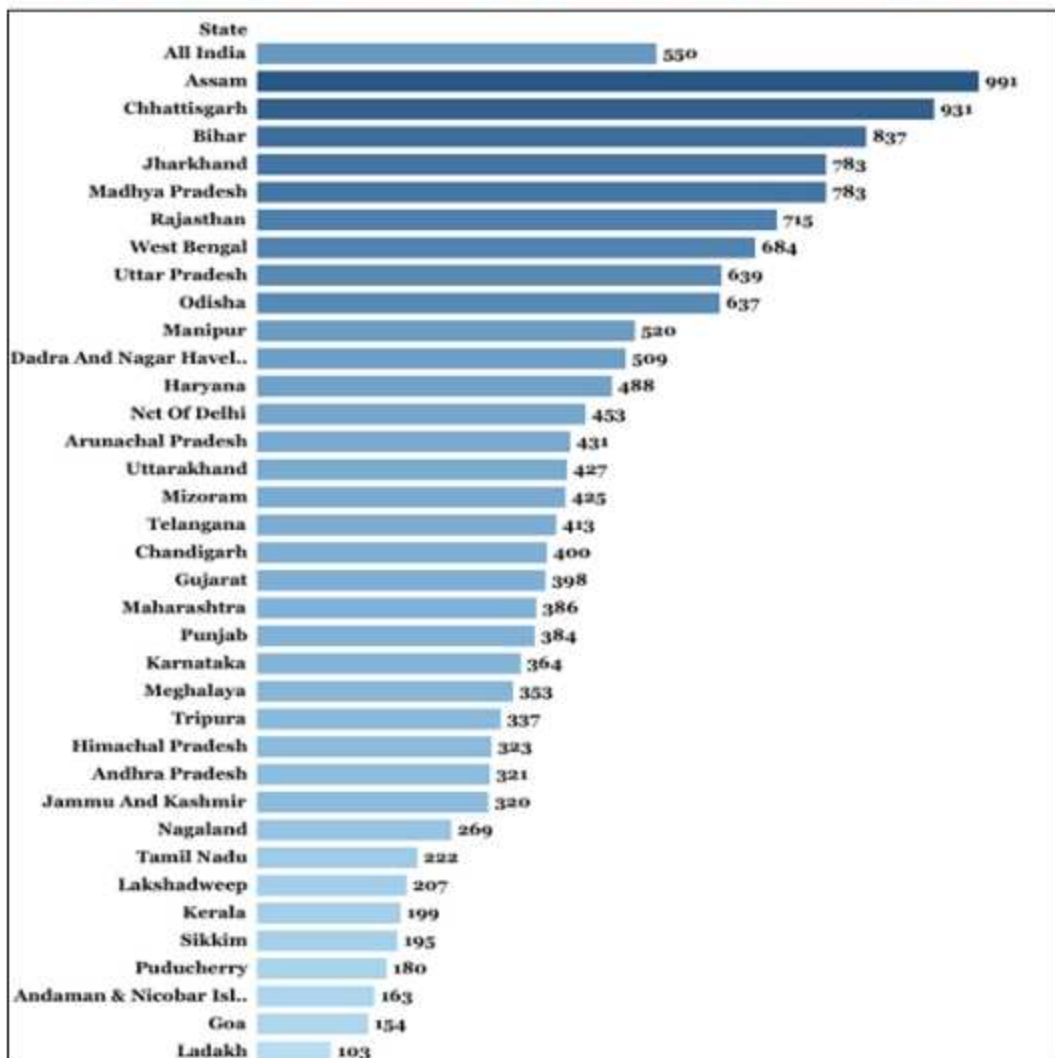


Source: <https://pmjdy.gov.in> (Accessed on 29th July 2022)

2.4. Account Penetration – State wise tally:

State wise tally in account penetration shows that at an all India level, there are 550 PMJDY accounts opened per thousand adult population (15 + Years) accounts as on 29 July 2022. Among the states, Assam (991) is on the top of the table followed by Chhattisgarh (931). The other states which have crossed the all India level figure are: Bihar, Jharkhand, Madhya Pradesh, Rajasthan, West Bengal, Uttar Pradesh and Odisha.

Figure: 2.3: PMJDY beneficiaries per thousand adult population by State



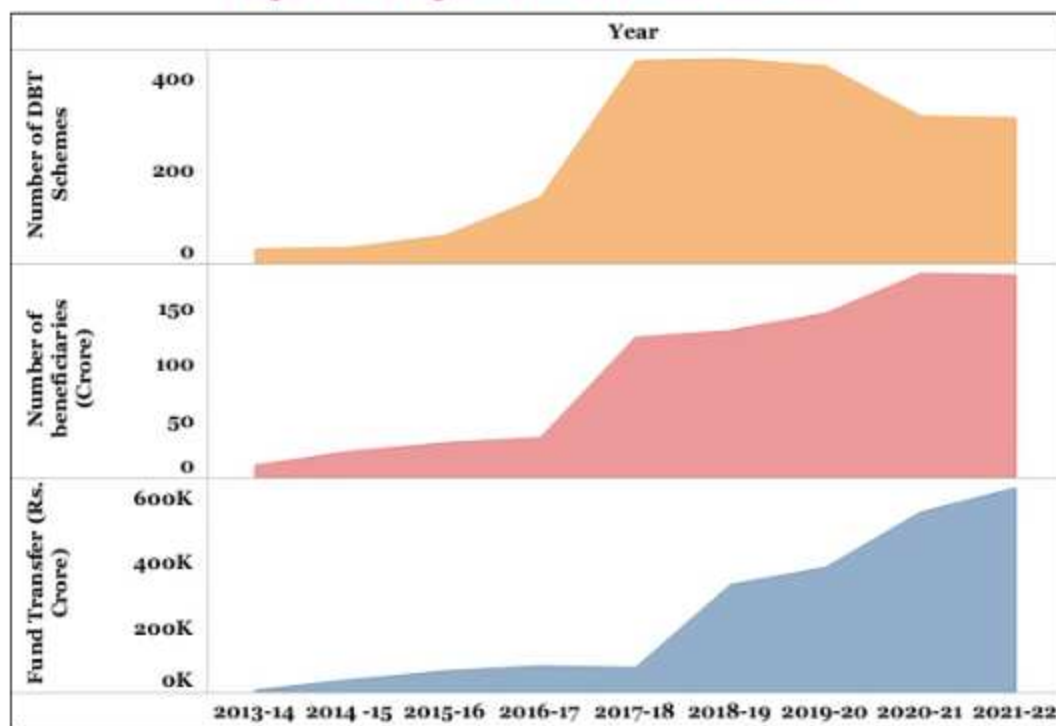
- Source: Compiled from <https://pmjdy.gov.in>
- Population figures as per Census: 2011
- Adult population derived from CMIE: States of India
- Population who have not disclosed their age are excluded from the calculation

2.5. PMJDY and Direct Benefit Transfer:

With an objective to transfer the government benefits in a faster and leakage-proof way directly to the bank account of the beneficiaries, the Govt. of India introduced the Direct Benefit Transfer (DBT) scheme on 1st January 2013. The first phase of the DBT was initiated

in 43 districts of the country and later on, 78 more districts were added in 27 schemes pertaining to scholarships, women, child and labour welfare. DBT got further momentum with the introduction of JAM or Jan-Dhan, Aadhaar and mobile. The JAM trinity has enabled India to make substantial progress in financial inclusion. The JAM and DBT have linked more than 22 crore Jan Dhan accounts, more than 100 crore Aadhaar and about 100 crore mobile connections to provide a unique opportunity to implement DBT in all welfare schemes across all states and UTs of the country. As on March 2022, DBT covered about 313 Govt. schemes by transferring Rs. 6,30,264.70 crore to the accounts of beneficiaries. The evidence suggests that JAM trinity reduced 47 percent of bribe demands in India for obtaining the pay (Source: nceg.gov.in). Further, it also identified and significantly reduced the fraud recipients.

Figure: 2.4 Progress in Direct Benefit Transfers



Source: <https://dbtindia.gov.in/>

2.6. Progress under Social Security Schemes:

PMJDY has also provided a platform for micro insurances to the beneficiaries for accidental and life risk cover and pension scheme for support during old age. Three social security schemes viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY) were introduced in Phase-II

of National Mission on Financial Inclusion during May 2015. Features of the schemes are given in box: 2.1.

As of April 2022, a total of 12.77 crores and 28.37 crore beneficiaries have subscribed to PMJJBY and PMSBY, respectively. The subscription ratio indicates the price-sensitive nature of the Indian customers in availing of insurance benefits. As more than double the beneficiaries enrolled in PMSBY due to its lower price as compared to PMJJBY. As far as gross enrolment vis-à-vis female enrolment is concerned, the data suggests that despite a significant reduction in the gender gap in account ownership of bank account, the Indian insurance market is still dominated by male. The male enrolment in both the schemes (PMJJBY & PMSBY) is almost thrice and twice as compared female enrolment.

Box: 2.1.Features of PMJJBY & PMSBY

Particulars	PMJJBY	PMSBY
Term	Life insurance term plan for one year, renewable year after year	Personal accidental scheme for one year
Eligibility	Individual in the age group of 18–50 years ((life cover up to age 55) having a savings bank account are eligible for this scheme. Account holders need to give consent to join and enable auto-debit.	Individual in the age group of 18–70 years and having a savings bank account. Account holders have to give their consent to join the scheme
Coverage	Covers death (either accidental or natural causes) during the coverage period. Any type of disability suffered is not covered under the plan.	Covers only accidental deaths, permanent total disability and permanent partial disability. Natural deaths are not covered in this scheme
Benefit payable	Rs. 2.00 lakh	<ul style="list-style-type: none"> Accidental death/permanent disability: Rs. 2.00 lakh. Partial Disability due to accident: Rs. 1 lakh
Premium	Rs. 436/-per annum	Rs. 20/- per annum

Source: <https://jansuraksha.gov.in>

Table: 2.2: Progress in PMJJBY and PMSBY

Scheme	March 2018	March 2019	March 2020	March 2021	April 2022
PMJJBY					
Gross Enrolment (crore.)	5.33	5.92	6.96	10.27	12.77
Out of which PMJDY account holders (crore.)	0.43	0.60	1.11	1.96	3.35
Female Enrolment (crore.)	1.28	1.55	2.07	2.88	4.33
Total Nos. of Claims Received	98163	145763	190175	250351	260547
Nos. of Claims Disbursed	89708	135212	178189	234905	-
% of Claim Disbursed against Received	91.39	92.76	93.70	93.83	-

Scheme	March 2018	March 2019	March 2020	March 2021	April 2022
PMSBY					
Gross Enrolment (cr.)	13.48	15.47	18.54	23.26	28.37
Out of Which PMJDY account holders	1.93	3.12	4.62	6.69	9.62
Female Enrolment	4.21	5.11	6.64	8.87	11.73
Total Nos. of Claims Received	21137	40749	50328	58540	-
Nos. of Claims Disbursed	16430	32176	39969	45472	-
% of Claim Disbursed against Received	77.73	78.96	79.42	77.68	-

Source: <https://financialservices.gov.in> & <https://community.data.gov.in>

2.7. Pradhan Mantri MUDRA Yojana (PMMY):

The Micro Units Development & Refinance Agency Ltd. (MUDRA) was set up and Pradhan Mantri Mudra Yojana (PMMY) was launched in April 2015 with the objective of ensuring the flow of credit in the small business sector. These loans are extended through various agencies, viz., Banks, Non-Banking Financial Companies (NBFCs), and Micro-Finance Institutions (MFIs). The collateral free loans up to Rs. 10 lakh under PMMY have been categorised as i) *Shishu*: covering loans up to Rs. 50,000/-, ii) *Kishore*: covering loans above Rs. 50,000/- and up to Rs. 5 lakh, and iii) *Tarun*: covering loans above Rs. 5 lakh and up to Rs. 10 lakh. The scheme has completed 7 years of its implementation and has reached out to about 35 crore micro borrowers belonging to the weaker section of society.

Table: 2.3 shows the progress of the scheme over the last three years. During the F.Y year 2021-22, about Rs. 3.39 lakh crore loans were sanctioned benefiting about 5.38 crore enterprises. Among various financing agencies, private sector banks played a catalytic role in extending collateral-free loans under PMMY. During the year 2021-22, a significant proportion (46%) of enterprises are supported by private sector banks (PVBs) registering a growth of almost 23 percent over the previous year. Besides PVBs, NBFC – MFIs also emerged as a major contributor to PMMY. NBFC-MFIs extended credit support to 1.27 crore entrepreneurs during the same financial year.

In terms of different categories of the enterprise financed, the majority (78 %) of units are in the *Shishu* category followed by *Kishore* (21 %) and *Tarun* (2%).

Women entrepreneurs continued to have the largest share in terms of units financed over the last three years. During 2021-22, more than 71 percent of units financed were owned by women. Further, the scheme has also benefited to a large segment of weaker section (SC/ST/OBC) of the society. The share of the weaker section out of total enterprises financed stood at 55 percent, out of which, share of SC, ST, and OBC were 17, 7 and 28 respectively.

Table: 2.3: Progress of PMMY over last 3 Years

Parameter	During 2019-20	During 2020-21	During 2021-22
A. Overall Progress :			
No. of enterprises financed	6,22,47,606	5,07,35,046	5,37,95,526
Sanctioned Amount (Rs. Crore)	3,37,495.53	3,21,759.25	3,39,110.35
Average loan size (Rs.)	54,218	63,420	63,037
B. By Financing Agency (Nos. of enterprises financed)			
Public Sector Banks	7981168 (12.82)	8060595 (15.89)	6121790 (11.38)
Private Sector Banks	20866882 (33.52)	20037222 (39.49)	24549895 (45.64)
Regional Rural Banks	1522746 (2.45)	1602237 (3.16)	1308114 (2.43)
State Cooperative Banks	122 (Negligible)	50 (Negligible)	40 (Negligible)
Small Finance Banks	7160402 (11.5)	4389991 (8.65)	6211265 (11.55)
MFIs	2059118 (3.31)	952423 (1.88)	1253650 (2.33)
NBFC-MFIs	17562463 (28.21)	13080471 (25.78)	12720130 (23.65)
Non-Banking Finance Companies	5094705 (8.18)	2612057 (5.15)	1630642 (3.03)
C. By Enterprise Category (Nos. of enterprises financed)			
Shishu: (Up to Rs. 50000)	54490617(87.54)	40180115(79.2)	41721154(77.56)
Kishore: (loans above Rs. 50,000 and up to Rs. 5 lakh)	6471873(10.4)	9486160(18.7)	11088206(20.61)
Tarun: (loans above Rs. 5 lakh and upto Rs. 10 lakh)	1285116(2.06)	1068771(2.11)	986166(1.83)
D. By Social Category (Nos. of enterprises financed)			
General	32497506(52.21)	25864699(50.98)	25994139(48.32)
SC	10281553(16.52)	8398417(16.55)	9364702(17.41)
ST	3889696(6.25)	3123282(6.16)	3518084(6.54)
OBC	15578851(25.03)	13348648(26.31)	14918601(27.73)
E. Coverage			
Women	39103349(62.82)	33303604(65.64)	38429259(71.44)
New Entrepreneurs	11913903(19.14)	7740581(15.26)	6530351(12.14)

Source: <https://www.mudra.org.in> Accessed on 20th July 2022 (Figures in the parenthesis represents percentage share in total)

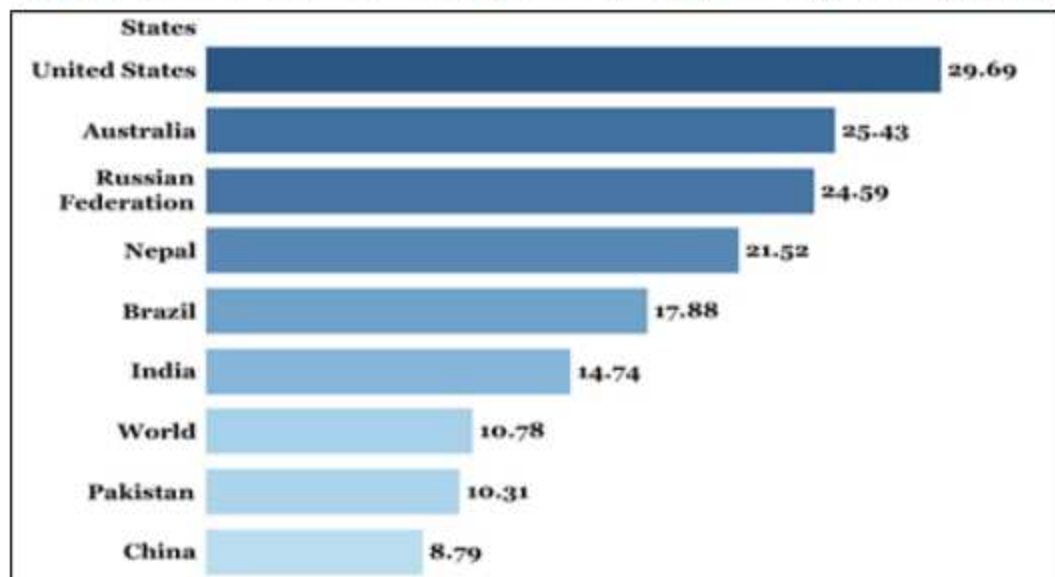
Chapter 3

Bank Branch Network

3.1. The Global Scenario:

Bank branch network plays a key role in facilitating banking services, building trust and credibility, providing financial advice, offering convenience, and easing the transition to digital channels. As per the World Bank (2020 most recent available data), there are 14.74 bank branches available per lakh adult population in India against the world average of 10.78 (Figure: 3.1). The data suggests that in India, expansion of bank branch network by the commercial banks continued over the years. The total number of brick and mortar branches of all commercial banks, which were reported to be 1,42,558 in March 2018 increased to 1,51,220 at the end of March 2022 (Table: 3.1).

Fig: 3.1 Commercial bank branches per lakh adult population by Country (2020)



Source: World Bank

Table 3.1: Distribution of bank branches by population group⁴

Year	Rural	Semi-urban	Urban	Metropolitan	Total
March 2022	53215 (35.19)	42499 (28.10)	27424 (18.14)	28082 (18.57)	151220
March 2021	52665 (34.95)	42510 (28.21)	27460 (18.23)	28035 (18.61)	150670
March 2020	52399 (34.90)	42285 (28.16)	27335 (18.21)	28116 (18.73)	150135

⁴(Rural: Up to 9,999, Semi-urban: 10,000 to 99,999, Urban: 1,00,000 to 9,99,999, Metropolitan: 10,00,000 and above)

Year	Rural	Semi-urban	Urban	Metropolitan	Total
March 2019	51622 (35.29)	41103 (28.10)	26416 (18.06)	27142 (18.55)	146283
March 2018	50874 (35.69)	39687 (27.84)	25475 (17.87)	26522 (18.60)	142558

Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!17> - Accessed on 4th July 2022

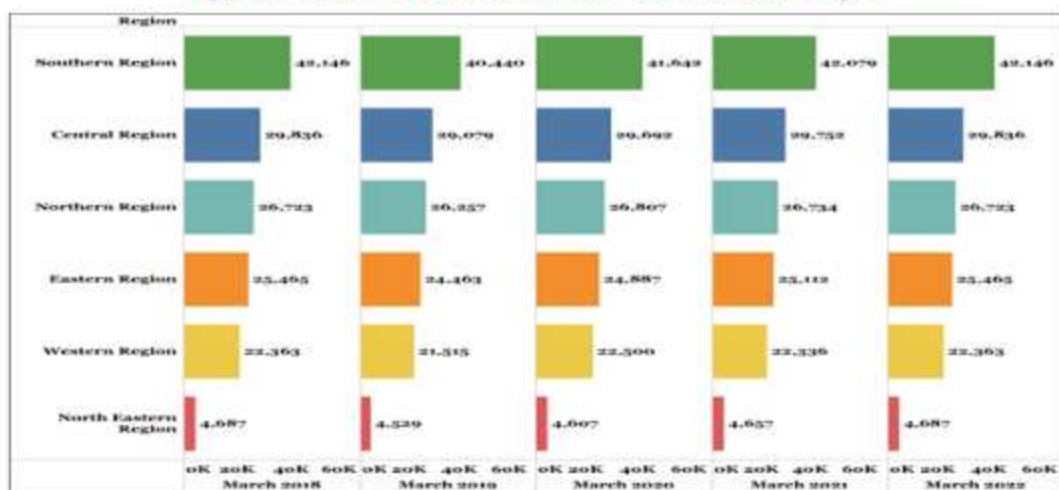
*: Data excludes administrative offices (Figures in the parenthesis represents percentage share)

To facilitate a large segment of the rural population in the country, about 64 percent of branches are concentrated in rural and semi urban areas (35.69 percent in rural & 27.84 percent in semi-urban) and remaining about 36 percent are located in urban and metropolitan areas. In addition to brick and mortar branches, unbanked rural areas have also been served through “banking outlet” which is a fixed-point service delivery unit manned by either the bank’s staff or its BC and where services of acceptance of deposits, encashment of cheque/cash withdrawal, or lending of money are provided for a minimum of 4 hours per day for at least 5 days in a week. In order to ensure delivery of banking services, the rural banking outlets in the branchless mode have witnessed massive rise in their number.

3.2. Regional Outreach of Bank Branches:

Regional spread of bank branches in India shows that the branches are skewed over southern states. As on March 2022, the states of southern region together account for 28 percent of the total number of brick and mortar branches in India followed by Central (20%) and Northern region (18%). North-Eastern region has the lowest number branches over the years. Only 3 percent of total branches in the country are centred in North-Eastern states.

Fig: 3.2: Trend in Commercial Bank branches by Region



Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!17> - Accessed on 5th July 2021

3.3. Geographical Penetration of Bank Branch—Branches per 1000 Sq. Km.

Availability of bank branches per 1000 sq. km measures extent of geographical penetration of banking sector services across the country. It measures the average distance that a customer needs to cover to reach the nearest bank branch. Higher the geographical penetration, lesser is the distance required to be travelled by an individual to reach the bank and vice versa.

Table: 3.2 Trend in SCBs Penetration per 1,000 Sq. Km by State & UT

State	March 2018	March 2019	March 2020	March 2021	March 2022
Chandigarh	3438.60	3359.65	3473.68	3421.05	3385.96
Nct of Delhi	2376.94	2409.98	2459.88	2409.31	2391.10
Puducherry	508.16	526.53	538.78	536.73	534.69
Lakshadweep	433.33	466.67	466.67	433.33	433.33
Uttarakhand	319.22	325.21	329.67	330.16	329.79
Goa	182.06	181.79	183.14	179.63	173.96
Dadra and Nagar Haveli and Daman and Diu	179.40	177.74	186.05	176.08	174.42
Kerala	164.57	166.92	170.36	171.52	170.39
Punjab	127.83	128.95	130.48	129.44	126.84
Haryana	109.27	112.41	115.35	114.99	114.13
West Bengal	98.62	100.43	101.36	102.40	105.19
Tamil Nadu	82.55	86.05	89.24	89.92	90.58
Bihar	74.82	76.98	78.56	79.18	79.53
Karnataka	52.00	53.75	55.18	55.37	54.99
Tripura	51.88	53.40	54.17	54.55	54.55
Telangana	43.84	44.83	46.39	47.64	48.06
Andhra Pradesh	43.20	43.91	45.12	45.90	46.22
Maharashtra	40.26	41.63	42.94	42.85	42.93
Jammu & Kashmir	39.91	40.86	41.26	41.48	42.30
Gujarat	39.34	40.38	43.29	42.70	42.83
Jharkhand	37.57	38.39	38.89	39.19	39.15
Assam	35.38	36.26	37.00	37.38	37.39
Odisha	31.40	32.20	33.14	33.46	33.94
Himachal Pradesh	28.79	29.13	29.30	29.37	29.44
Madhya Pradesh	21.52	22.32	23.07	23.12	23.37
Sikkim	21.28	22.27	22.97	23.11	23.39
Rajasthan	21.06	21.69	22.35	22.52	22.94
Chhattisgarh	18.83	19.82	20.77	20.80	21.32
Meghalaya	15.78	16.27	16.27	16.32	16.32
Nagaland	10.13	10.86	11.04	11.10	11.28
Mizoram	9.16	9.63	9.77	10.10	10.67
Uttar Pradesh	8.60	8.82	8.89	8.94	8.77
Manipur	8.29	9.32	9.45	9.67	10.12
Andaman & Nicobar Islands	8.24	8.36	8.61	8.49	8.36
Arunachal Pradesh	1.89	2.02	2.05	2.08	2.13
Ladakh	1.03	1.12	1.17	1.23	1.34
All India	43.36	44.50	45.67	45.83	46.00

Source: Bank Branch: Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!17> - Accessed on 5th July 2022, Geographical area: CMIE States of India

Data suggests an increasing trend of geographical penetration of bank branches in India over the last five years (Table: 3.2). There were 43.68 bank branches per thousand sq. km in 2018. The number has increased to 46.00 at the end of March 2022. This indicates that people are required to travel less in 2022 as compared to 2018, to visit the nearest bank branch. However, variation has been observed amongst the states & UTs. Four Union Territories (UTs) are on the top of the table. Among the states it is highest in Uttarakhand (329.79) and lowest in lowest in Arunachal Pradesh (2.13) at the end of March 2022. Nineteen states are below the national average of 46.00 bank branch per thousand sq. km.

3.4. Demographical Penetration – Branches per Lakh Population:

Number of bank branches per lakh population measures the extent of demographical penetration of bank branches. More branches per lakh population indicates adequate supply of banking services thus enabling better outreach of opportunity for extending financial services to people for business or individual need.

As on March 2022, there were 12.49 branches available to serve per lakh population in India. Despite positive trajectory number of bank branches over the years, 14 states, viz. Meghalaya, Odisha, Arunachal Pradesh, Maharashtra, Rajasthan, Chhattisgarh, West Bengal, Madhya Pradesh, Jharkhand, Assam, Uttar Pradesh, Nagaland, Bihar and Manipur have reported below the national average, indicating a need for more bank branches to cater to the populations of these states. Fourteen states including 7 UTs are reported higher demographical penetration of bank branches as compared to the national average of 12.49 per lakh population⁵ as on March, 2022.

Surprisingly, barring Tamil Nadu, Telangana, Tripura, Andhra Pradesh, Gujarat, Arunachal Pradesh, Meghalaya, Maharashtra and Sikkim, rest of the states have recorded higher than national average of account penetration of PMJDY (Page: 9, Para 2.4). This indicates that branches of these states have extended their services to considerably large number of unbanked population.

Table 3.3: Trend in SCBs Branch per 1,00,000 Population by State & UT

State	March 2018	March 2019	March 2020	March 2021	March 2022
Goa	46.21	46.14	46.48	45.59	44.15
Chandigarh	37.14	36.29	37.52	36.95	36.57
Sikkim	24.73	25.88	26.70	26.86	27.19
Himachal Pradesh	23.35	23.63	23.76	23.82	23.88
Punjab	23.21	23.41	23.68	23.50	23.03
Ladakh	22.24	24.06	25.16	26.61	28.80
Nct of Delhi	21.00	21.29	21.73	21.28	21.12

⁵Figure differ from World Bank data, as it measures availability of bank branches per lakh population, while World Bank data measured availability of bank branches per lakh adult population.

State	March 2018	March 2019	March 2020	March 2021	March 2022
Uttarakhand	20.53	21.07	21.24	21.37	20.95
Lakshadweep	20.16	21.71	21.71	20.16	20.16
Puducherry	19.95	20.67	21.15	21.07	20.99
Kerala	19.14	19.41	19.81	19.95	19.82
Haryana	19.06	19.60	20.12	20.05	19.90
Dadra and Nagar Haveli and Daman and Diu	18.40	18.23	19.08	18.06	17.89
Andaman & Nicobar Islands	17.87	18.13	18.66	18.39	18.13
Mizoram	17.59	18.50	18.77	19.41	20.51
Karnataka	16.32	16.87	17.32	17.38	17.26
Tamil Nadu	14.88	15.51	16.09	16.21	16.33
Tripura	14.81	15.24	15.46	15.57	15.57
Telangana	14.31	14.63	15.14	15.55	15.68
Andhra Pradesh	14.01	14.24	14.64	14.89	14.99
Jammu & Kashmir	13.74	14.07	14.21	14.28	14.57
Gujarat	12.77	13.11	14.06	13.87	13.91
Meghalaya	11.93	12.30	12.30	12.34	12.34
Odisha	11.65	11.95	12.29	12.41	12.59
Arunachal Pradesh	11.42	12.21	12.43	12.57	12.86
Maharashtra	11.02	11.40	11.76	11.73	11.75
Rajasthan	10.52	10.83	11.16	11.24	11.45
Chhattisgarh	9.97	10.49	10.99	11.01	11.28
West Bengal	9.59	9.76	9.86	9.96	10.23
Madhya Pradesh	9.13	9.47	9.79	9.81	9.92
Jharkhand	9.08	9.28	9.40	9.47	9.46
Assam	8.89	9.11	9.30	9.40	9.40
Uttar Pradesh	8.54	8.70	8.82	8.84	8.83
Nagaland	8.49	9.10	9.25	9.30	9.45
Bihar	6.77	6.96	7.11	7.16	7.19
Manipur	6.48	7.28	7.39	7.56	7.91
All India	11.77	12.08	12.40	12.44	12.49

Source: Bank Branch: Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!17>-Accessed on 5th July 2022. Population: CMIE States of India, Population figure as per Census 2011

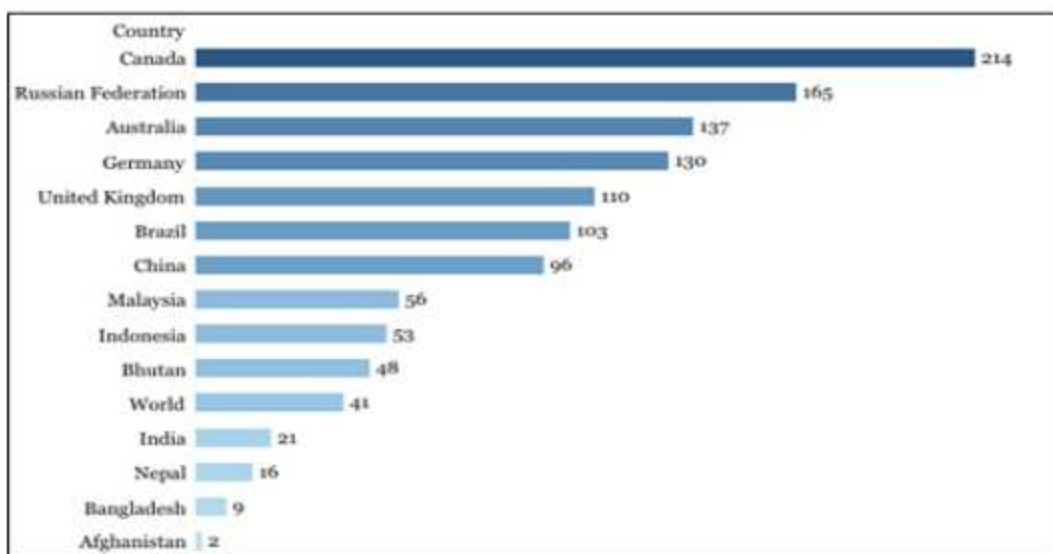
Chapter 4

Deployment of ATMs

4.1. India vis-à-vis Global Scenario:

ATM is a key channel for customers to access cash anytime and anywhere. It gives an opportunity to customers to withdraw money as per the requirement, at the time and place according to their choice. It reduces time of the customers in frequent visit at bank branches to withdraw money. Globally, ATM is the main mode of withdrawal of cash for 54% adult population⁶ (Findex: 2014). In India, despite multiple initiatives taken by RBI, the country trails behind in ATM penetration (ATMs per lakh adult population) from most of the large economies like Russia, Brazil, China, UK, etc. According to World Bank's most recent available data (2019), in India there are 21 ATMs available per lakh adult population (Figure:4.1). This is significantly low as compared to China with 96 ATMs, Brazil and UK having more than 100 ATMs per 100,000 adults in the same period.

Figure: 4.1: ATMs Per Lakh Adult Population



(Source: World Bank: 2019)

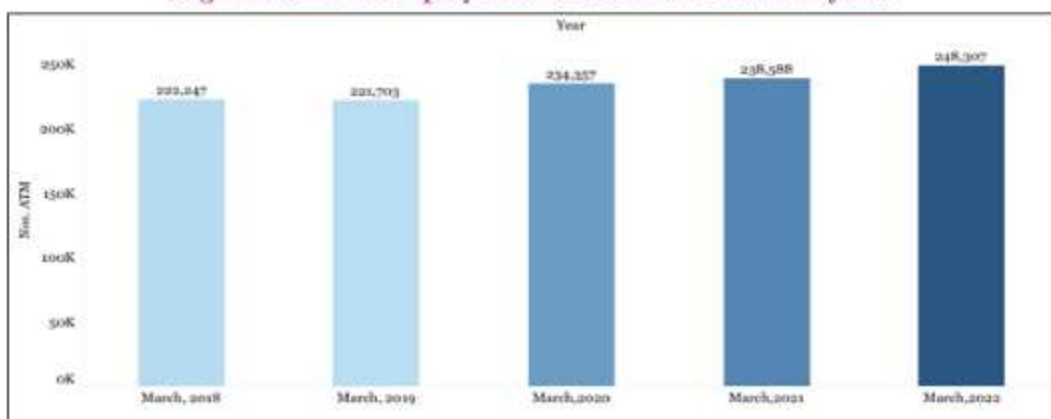
4.2. Trend in Deployment of ATMs in India:

In India ATMs came somewhere in the 1980s, HSBC being the first bank to establish it in Mumbai. In the following twelve years, about 1,500 ATMs were set up. Over the decades, the number of ATMs deployed by all the entities in India has shown an increasing trend. Currently, at the end of March 2022 the number of ATMs across the country stood at over

⁶Age 15+

2.48 lakh. Registering a growth of about 4 per cent over previous year. This is mainly on account of placement of more ATMs by Payment Banks, WLAs (White label ATMs) and Small Finance Banks (SFBs).

Fig: 4.2 Trend in Deployment of ATMs over last five years

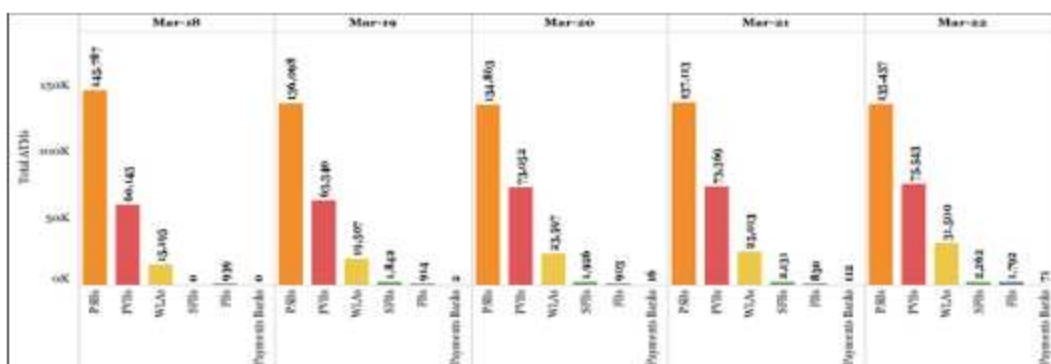


Source: RBI

4.3. Deployment of ATMs by Entities:

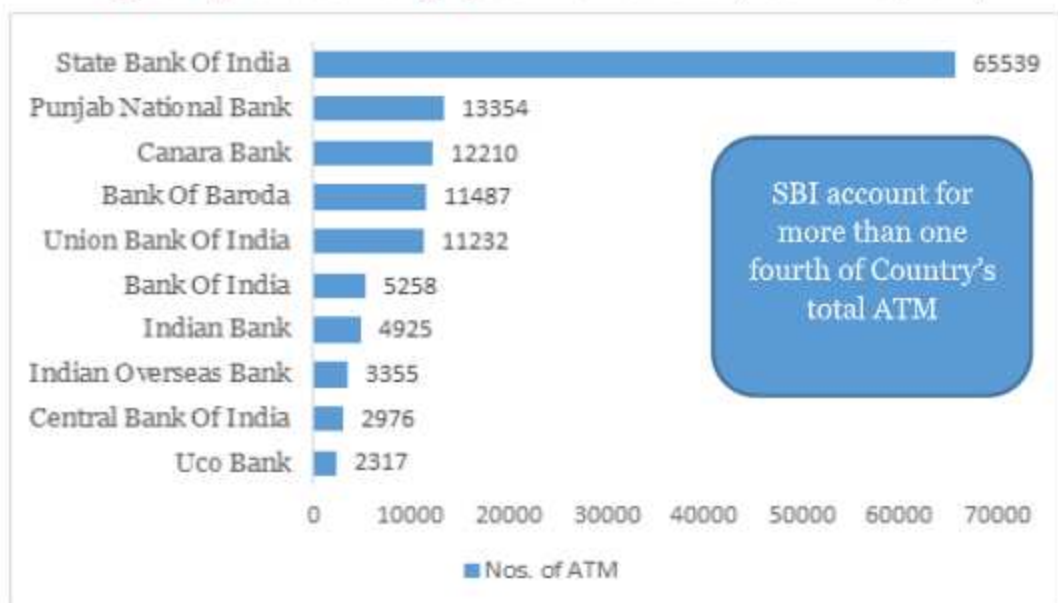
As on March 2022, Public sector banks having the highest share (1,35,457, 54.92%) in total ATMs deployed in the country followed by private sector banks (30.63%) and WLAs⁷ (12.77%) (Fig:4.3). However, the share of ATMs of public sector banks across the country have continued to decline over the last five years. The number of ATMs of Public Sector banks has reduced from 1,37,113 by the end of March 2021 to 1,35,457 by the end of March 2022. This is a decrease of 1,656 public sector bank ATMs, which is about 1.12% reduction over previous year.

Fig: 4.3 Trend in Deployment of ATMs by Entities



Source: RBI (Figures exclude SFCBs, UCBs, DCCBs & RRBs)

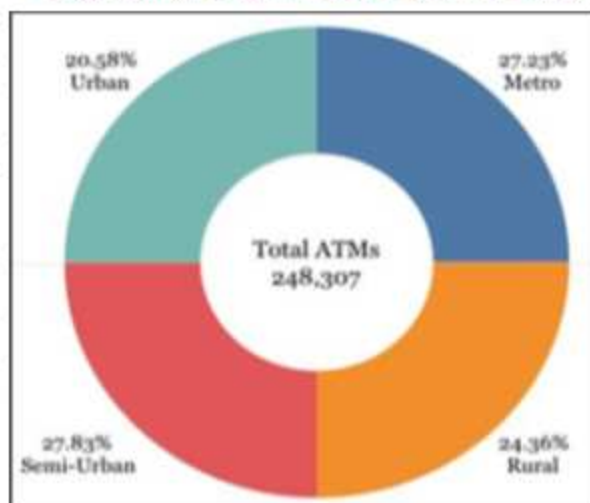
⁷ATMs deployed by non-bank entities

Fig:4.4 Top 10 PSBs having highest ATM Outreach (As of March, 2022)

Source: RBI

4.4. Regional Distribution of ATMs in India:

The ATMs deployment in the country is geographically categorized under Metro, Urban, Semi-Urban and Rural centers. As on March 2022, 48 percent of ATMs in India were deployed in urban and metro centres and the remaining 52 in rural and sub-urban areas. The population data suggests that ATMs in India are skewed in metropolitan & urban centres. There are having 31 ATMs per one lakh urban population as compared to only 16 in rural areas. As per the census 2011, 83.37 crore (69%) Indian population live in rural areas while 37.71 crore (31%) are from urban areas. The population data suggests that ATMs in India are skewed in metropolitan & urban centres. There are having 31 ATMs per one lakh urban population as compared to only 16 in rural areas.

Fig. 4.5: Distribution of ATMs by Geographical Regional (As of March, 2022)

Source: RBI

4.5. Geographical and Demographical Penetration of ATMs:

The geographical and demographical penetration of ATMs measured the extent of availability of ATMs per thousand sq.km and per lakh population, respectively. Higher geographical penetration indicates lower distance covered by clients to reach the nearest ATM, while lower demographical penetration suggests availability of more cash withdrawal touch points for the clients.

In India, as on March 2022, about 21 ATMs are available per one lakh population with wide interstate variation. In Bihar, there are only 9 ATMs available per one lakh population whereas it is 67 in Goa (Table: 4.1). The states which are below the national average of 21 ATMs per one lakh population are: Arunachal Pradesh (20), Odisha (19), Nagaland (16), Mizoram (16), Rajasthan (16), Chhattisgarh (16), Madhya Pradesh (15), Tripura (15), Meghalaya (15), Manipur (14), West Bengal (14), Assam (14), Jharkhand (12), Uttar Pradesh (12) and Bihar (9).

Similarly, geographical penetration of ATMs i.e., availability ATMs per thousand sq.km shows that in all India level there are 76 ATMs are available per thousand sq.km. (Table: 4.1). Four Union Territories (UTs) viz. Chandigarh, Puducherry, NCT of Delhi, Dadra and Nagar Haveli and Daman and Diu and Lakshadweep are on the top of the table as far as geographical proximity of ATMs is concerned. Among the states it is higher in Kerala (282) followed by Goa (266) and Tamil Nadu (223) significantly lower in majority of North-Eastern states.

Table: 4.1 Demographical Penetration of ATM as on March 2022

State	ATMs per lakh population
Chandigarh	71
Goa	67
Ladakh	56
Puducherry	53
Dadra And Nagar Haveli And Daman And Diu	52
Nct Of Delhi	47
Tamil Nadu	40
Sikkim	37
Kerala	33
Telangana	33
Andaman & Nicobar Islands	32
Himachal Pradesh	32
Karnataka	31
Lakshadweep	29
Uttarakhand	29
Haryana	28

State	ATMs per lakh population
Punjab	27
Maharashtra	25
Andhra Pradesh	24
Jammu And Kashmir	22
Gujarat	21
Arunachal Pradesh	20
Odisha	19
Chhattisgarh	16
Mizoram	16
Nagaland	16
Rajasthan	16
Madhya Pradesh	15
Meghalaya	15
Tripura	15
Assam	14
Manipur	14
West Bengal	14
Jharkhand	12
Uttar Pradesh	12
Bihar	9
All India	21

(Source: ATM: RBI, Population: CMIE-States of India, Population figures as per Census 2011)

Table: 4.2 Geographical Penetration of ATM as on March 2022

State	ATMs per thousand sq.km
Chandigarh	6544
Nct Of Delhi	5329
Puducherry	1349
Lakshadweep	633
Dadra And Nagar Haveli And Daman And Diu	503
Kerala	282
Goa	266
Tamil Nadu	223
Haryana	159
Punjab	150
West Bengal	149

State	ATMs per thousand sq.km
Telangana	102
Uttar Pradesh	100
Karnataka	99
Bihar	97
Maharashtra	91
Andhra Pradesh	75
Gujarat	66
Jammu And Kashmir	64
Assam	56
Uttarakhand	55
Tripura	53
Odisha	52
Jharkhand	48
Himachal Pradesh	39
Madhya Pradesh	36
Rajasthan	33
Sikkim	32
Chhattisgarh	31
Meghalaya	20
Nagaland	20
Manipur	18
Andaman & Nicobar Islands	15
Mizoram	8
Arunachal Pradesh	3
Ladakh	3
All India	76

(Source: ATM: RBI, Geographical area: CMIE - States of India)

4.6. Debit Cards to ATM Ratio:

In India, issuance of debit card increased significantly over the years due to the issuance of *RuPay* cards to a vast section of the unbanked population under PMJDY. As on March 2022, more than 9,176 lakh⁸ debit cards are circulating in the economy to facilitate the various transactions of the customers. The ratio of debit card per ATM shows that on an average 3,696 debit cards are available per ATM as of March 2022. As far as availability of ATMs per one lakh debit card is concerned, the figure is significantly low. As on March, 2022, there exists only 27 ATMs per one lakh debit cards, indicating a poor penetration of ATMs in the country to complement debit cards issued.

Figure: 4.6: Debit Card to ATM Ratio



Source: RBI

4.7. Cash Withdrawal at ATMs:

Over the years, ATMs in India have changed from serving the premium customers in urban areas to supporting the customers of semi-urban and remote villages in India. The dependency on ATMs has increased in India caused by payments of large number of Govt. programmes subsidised through DBT schemes.

Table: 4.2 Cash Withdrawal in ATMs

Year	Volume (Lakh)	Value (Rs. Crore)	Average Transaction (Rs.)
2020-21	60,905.81	28,89,825.55	4,744.75
2021-22	65,287.28	31,11,926.90	4,766.51

⁸Source: RBI

During pandemic, Govt of India had initiated cash transfer programme to women beneficiaries of PMJDY scheme, which resulted in increase in usage of ATMs for cash withdrawal across the country. In 2021-22, frequency of ATM usage in the country increased by almost 7 percent over previous year and dispensed around Rs.2.59,327 crore per month, which is about 9 percent of the currency circulation⁹. Interestingly, despite increase in usage and amount of cash withdrawal, the average transaction amount hovered at 4.7 thousand per year. This is due to increasing trend of usage of cashless payment across the country.

⁹Source: RBI: As on 11 March 2022 Rs. 3018761 crore currency were with public

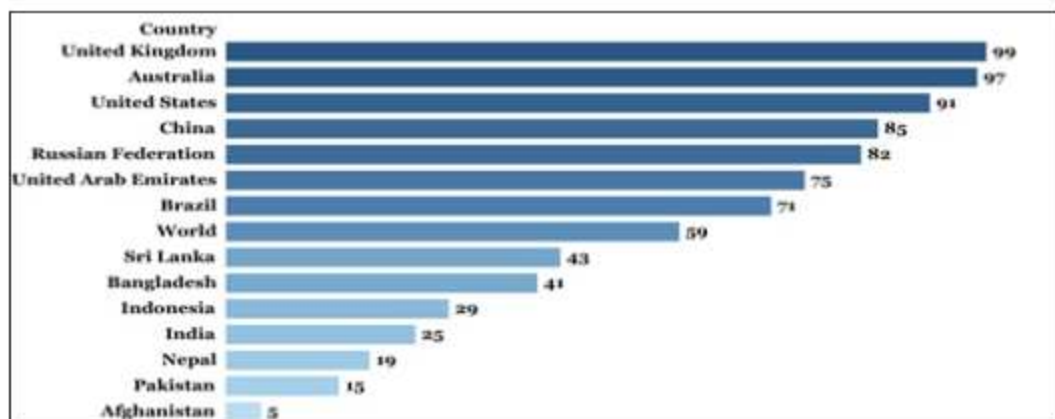
Chapter 5

Digital Payments

5.1. The Global Development:

The evidence suggests that worldwide digital payments deliver a wide range of positive benefits among the account holders, such as, greater security and greater privacy of the transactions, reduced cost of receiving payments, reduced internal fraud, and reduced leakage from pension payments with respect to Government payments. The digital payments also expand the scope for financial inclusion among farmers and encourage the use of additional formal financial services such as credit and insurance products. Over the years, an increasing trend has appeared in the adoption of digital payments among adults and it has further accelerated during the Covid-19 pandemic. The latest World Bank Findex data (2021) reveals that globally, digital payments among adults grew by 26 percentage points in 2021. According to the report, in low and middle-income economies (excluding China), over 40% of adults made merchant in-store or online payments using a card, phone, or the internet for the first time since the occurrence of a pandemic. The report also indicates that in India, more than 80 million adults made their first digital merchant payment after the start of the pandemic, while it is over 100 million adults in China. However, the adoption of digital payments is skewed in a high and upper-income group of economies (Figure: 5.1). Among the developing economies, digital payments is highest in China (85%), where 8 in 10 adults made a digital merchant payment (Source: Findex: 2021). The usage of digital payments among adults in India has improved significantly from 16% in 2014 to 25% in 2021. However, the figure is still below the world average of 59%.

Fig: 5.1 Proportion of adults made digital payments (2021)

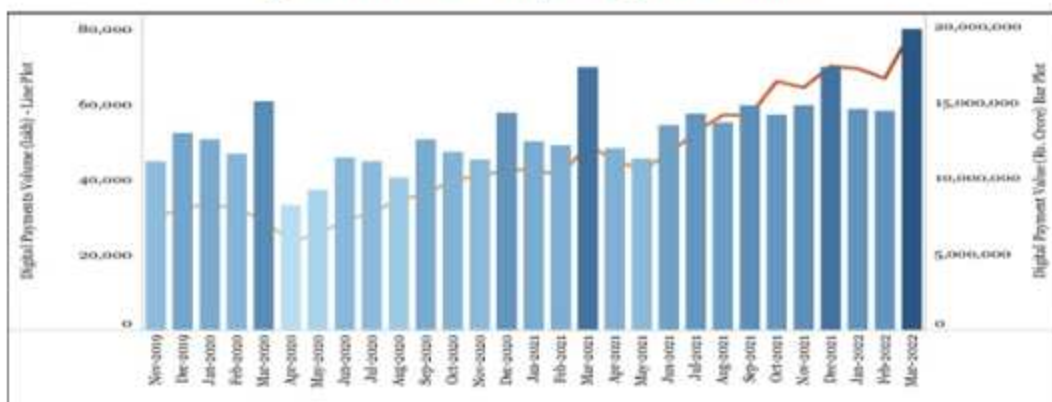


Source: Findex: 2021

5.2. Progress in Digital Payment System in India:

In India, the adoption of digital payments picked up pace post demonetisation, and later COVID-19 pandemic expanded the usage of digital payments among Indian citizens. In the Indian payment space, digital payments include RTGS (customer and inter-bank transactions), retail electronic clearing – NEFT, IMPS, NACH (credit, debit, and APBS), card payment transactions (excluding cash withdrawal), PPI payment transactions (excluding cash withdrawal), UPI (including BHIM & USSD), BHIM Aadhaar Pay, AePS fund transfer and NETC (linked to bank accounts). Figure 5.2 shows that in India, an increasing trend in the usage of digital payments across the country post lockdown. Data suggests that during the F.Y 2021 – 22, 72 billion digital transactions were recorded with almost 6 billion transactions each month. Further, the total value of transactions also increased from Rs. 14,14,59,031 crores during 2020-21 to Rs. 17,44,14,188 crores during 2021-22. The entry of new players in the payments eco-system, innovations in technology, initiatives taken to address customer convenience, and forward-looking regulatory changes are the key drivers of such progress in digital payments in India.

Figure: 5.2 Trend in Digital Payments in India

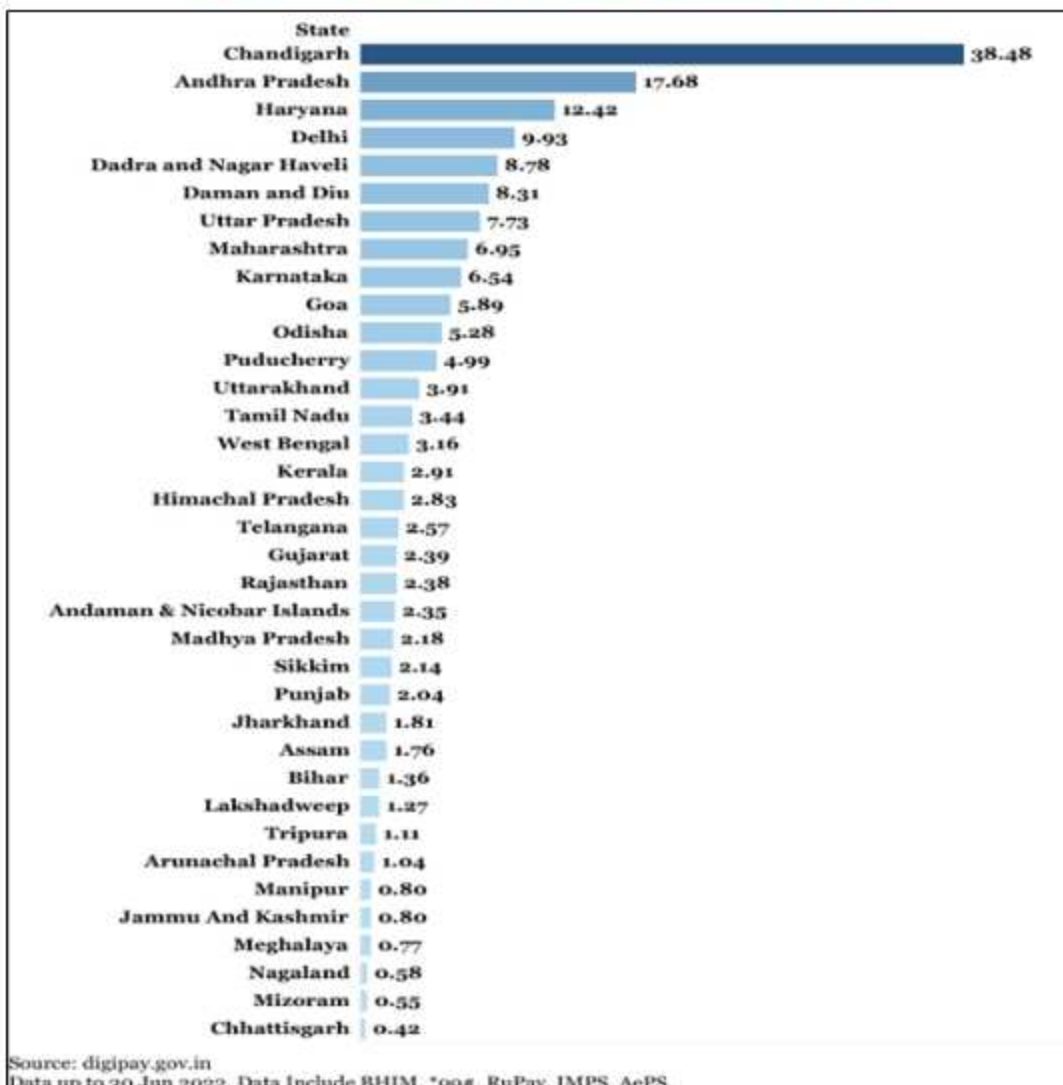


Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#15>, Retrieved on 7th July 2022

5.3. Per Capita Digital Payment Transaction – State wise Tally:

The state wise data suggests that the union territory of Chandigarh occupied the top position in the highest number of per capita digital payment transactions among all Indian states and UTs at over 38. Andhra Pradesh (17.68) is at the second place followed by Haryana (12.42) and Delhi (9.93). The adoption of digital payment is significantly low in Manipur (0.80), Jammu & Kashmir (0.80), Meghalaya (0.77), Nagaland (0.58), Mizoram (0.55) and Chhattisgarh (0.42). Interestingly, adoption of digital payment system is higher in the states with larger geographical ATM penetration (Table: 4.2) and vice versa.

Figure: 5.3: Per capita Digital Payment Transactions by State



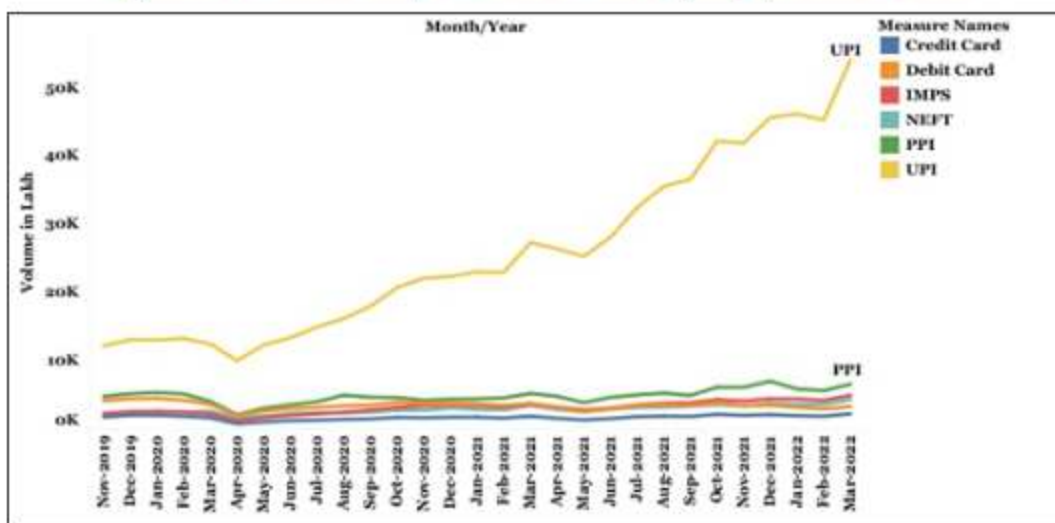
5.4. Trend in Usage Various Digital Retail Payment in India:

In India, retail payment space includes NEFT, IMPS, NACH (credit, debit and APBS), card payment transactions (excl. cash withdrawal), PPI payment transactions (excl. cash withdrawal), UPI (including BHIM & USSD), BHIM Aadhaar Pay, AePS fund transfer and NETC (linked to bank accounts) and paper clearing. Except paper clearing, all other retail payments constitute digital retail payments. Over the years usage of digital retail payments among Indian citizens has expanded significantly. During the year 2021-22, in terms of volume of transactions, retail digital payments accounted for over 99 percent of total retail

payments. In terms of value, the share is around 87 percent or more in total retail payments during the same period. (Source: RBI).

Among the various digital retail payment systems, UPI has emerged as the preferred mode of payment interface platform by the citizens. Over the last two years usage of UPI has grown exponentially (Figure: 5.4). During 2021-22, UPI has a record of facilitating 4,86,878.15 lakh digital payment transactions with the value of Rs 8.92 lakh crore. The key reason behind the increase in adoption of UPI is hassle-free functioning of it with a very large population. Further, the system powers multiple banks accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience. It supports both financial and non-financial transactions. In financial transactions, it pays requests and also collects requests. The uniqueness of the product lies in its “anywhere anytime” principle. It transfers money immediately through a mobile device round the clock 24x7 and 365 days.

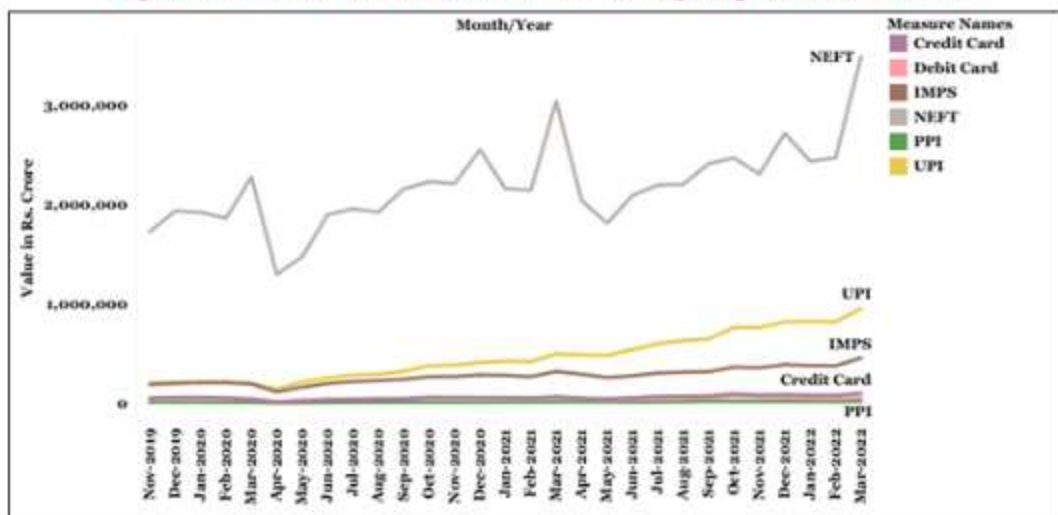
Figure: 5.4 Trend in usage of various retail digital payments in India



Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!5>, Retrieved on 7th July 2022

As far as value of the transaction is concerned, people are mostly dependent on NEFT for high value retail transaction (Fig: 5.5). During 2021-22, NEFT has transferred Rs. 28.73 lakh crore with an average transaction size of Rs. 71,090.

Figure: 5.5 Trend in value of various retail digital payments in India



Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#15>, Retrieved on 7th July 2022

5.5. Pre-paid Payment Instruments (PPIs)

Under digital retail payments space, pre-paid payment instruments include mobile wallet, PPI cards and paper vouchers. However, as per RBI circular, dated 11th Oct 2017, no PPI vouchers were to be issued after February, 2018. The Table: 5.1, shows that during 2021-22, both volume and value of transaction through PPIs have increased. The volume of PPI has increased from 49392.26 lakh in 2020-21 to 293658.19 in 2021-22. Such increase in usage of PPIs is mostly due to the overall increase in adoption of digital banking system during COVID-19 crisis, which accelerated adoption of digital payments across the country.

Table: 5.1: Trend in PPIs over Last Three Years

PPIs	During 2019 – 20			During 2020 – 21			During 2021 – 22		
	Volume (Lakh)	Value (Cr.)	Ticket Size (Rs.)	Volume (Lakh)	Value (Cr.)	Ticket Size (Rs.)	Volume (Lakh)	Value (Cr.)	Ticket Size (Rs.)
Total	53318.00	215558.00	404.29	49392.26	197696.00	400.26	65812.39	293658.19	446.20
Out of which m-Wallet	42425.60	181403.00	427.58	39987.01	152065.00	380.29	52683.01	226644.51	430.20
m-Wallet: % of total	80.00	84.00	-	80.96	76.92	-	80.05	77.18	-
Out of which PPI Cards	10892.50	34155.80	313.57	9405.25	45631.00	485.17	13129.38	67013.68	510.00
PPI Cards: % of total	20.00	16.00	-	19.04	23.08	-	19.95	22.82	-

Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#15> Retrieved on 7th July 2022

Among the various modes of PPIs, m-wallet is having highest share over the periods. During, 2021-22 over 80 percent of PPIs transactions have were performed through m-wallet. During 2020-21, average transaction through m-wallet and PPI cards stood at Rs. 430.20 and Rs. 510.00, respectively. It is to be mentioned that as per RBI guidelines the maximum value of pre-paid payment instruments at any point of time should not exceed Rs. 100,000.

5.6. Payment System Infrastructures:

Infrastructure is the key requirement to facilitate both cash and digital transactions. Over the decade, RBI initiated multiple payment acceptance infrastructures, viz. Debit and Credit cards, PoS, ATMs, micro-ATMs, Bharat QR, and UPI QR code. Among these, PoS terminals and QR codes aid electronic transactions directly. The present section describes the availability of payment acceptance infrastructure in the country.

A. Debit & Credit Cards:

In recent years, a shift in pattern has been observed among the account holders in replacing cheques and cash-based transactions with cards. India is second only to China in terms of the number of debit cards issued (RBI: 2017). As on March 2022, a total of 9,176.66 lakh debit cards are in circulation in the economy. The increasing trend in the issuance of debit cards is on account of *RuPay* cards issued to a large section of the unbanked population in India under the Pradhan Mantri Jan Dhan Yojana (PMJDY). As far as the issuance of credit cards is concerned the number of credit cards issued is low as compared to a debit cards. At the end of March 2022, there are only 8.02 credit cards available per hundred debit cards. Such low issuance of credit cards in India is due to the engagement of a large section of the labour force in unorganised sector, which prevents banks to issue credit cards to people with high credit risk.

Table: 5.2 Trend in Outstanding Cards in India (in lakh)

Particulars	End of March 2018	End of March 2019	End of March 2020	End of March 2021	End of March 2022
Total Card Outstanding	8,985.61	9,528.62	8,863.07	9,602.51	9,912.93
Out of which Debit Cards	8,610.76	9,058.13	8,285.62	8,982.02	9,176.66
Out of which Credit cards	374.85	470.49	577.45	620.49	736.27
Credit cards per hundred Debit cards	4.35	5.19	6.97	6.91	8.02

Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#15>, Retrieved on 7th July 2022

A. Point of Sale (PoS) Terminals:

PoS terminals are devices typically used at a retail location to capture payment information electronically and, in some cases, on paper vouchers. India has made

considerable progress in the deployment of PoS terminals over the last five years. As on March 2022, 60.70 lakh PoS terminals are available in the country, marking an increase of 28.60 percent over the previous year (Table: 5.3). As far as availability of PoS terminals to consumers is concerned, in the year 2018, 30.83 lakh PoS terminal were available to serve the population of 121.10 crore. This indicates that one PoS terminal served a population of 393 people. Over the years, number of people served per PoS machine has significantly declined. In 2022, about 199 people are being catered by one PoS terminal, shows that more PoS are available to meet the growing demand of cashless economy.

Table: 5.3 Trend in Deployment of PoS over last five years

Year	PoS* (in Lakh)	PoS per Population
Mar-18	30.83	393
Mar-19	37.22	325
Mar-20	44.37	273
Mar-21	47.20	257
Mar-22	60.70	199

Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!5>, Retrieved on 7th July 2022

(* Figures are at the end of March, Population figure as per Census: 2011)

B. Quick Response (QR) Code:

A QR code-based payment is a contactless payment method where payment is performed by scanning a QR code from a mobile application. In order to address the issues of multiple QR codes, a common QR code in the name of Bharat QR has been formed collectively by Mastercard, NPCI, and Visa to enable digital payments without card or card swiping machines. Further, in August 2016, NPCI launched UPI with UPI QR codes, which are more user-friendly and safe. Considering the popularity and acceptability of QR codes in facilitating cashless transactions, the country made significant progress. Over the years availability of QR codes in the country has increased. As on March 2022, about 1727.34 lakh static QR codes were deployed, of which 49.72 lakh are Bharat QR codes.

C. Micro-ATMs:

Micro-ATM is a device used by Business Correspondents (BC) to deliver basic banking services. The system enables BCs to conduct instant transactions, viz. deposit, withdrawal, funds transfer, balance enquiry and mini-statement. The means of authentication support by a micro-ATMs are (i) Aadhaar + Biometric; (ii) Aadhaar + OTP; (iii) Card + Biometric; (iv) Card + OTP; and (v) Card + PIN. Micro-ATMs facilitated banks to reach a large section of the unbanked regions of the country by offering secure doorstep banking facility to the customers.

Table: 5.4 Availability of Micro-ATMs Over last three years

Year	Number of Micro-ATMs* (in Lakh)	Micro-ATM per Population	Micro-ATMs per Rural Population
Mar-20	2.71	4468	3077
Mar-21	4.04	2997	2064
Mar-22	7.81	1550	1068

Source: <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!5>, Retrieved on 7th July 2022
 (* Figures are at the end of March, Population figure as per Census: 2011)

The recent surge in AePS transactions due to pandemic, Micro ATMs have been gaining more popularity among the accountholders, particularly in remote areas where consumers have to travel long distances just to access the nearest ATM or a bank. As on March 2022, 7.81 lakh Micro-ATMs were in circulation in the country, grown by almost doubled over previous year, whereas traditional ATMs increased by only 4 percent (Page No: 21, Para: 4.2). The high cost and infrastructural challenges are associated with deployment of traditional ATMs in the country.

Conclusion

Globally, ownership of accounts increased during the past decade and India is not an exception. Over the years, the country made phenomenal progress in all parameters of financial inclusion. Ownership of a simple transaction account has increased, the gender gap in ownership of accounts is completely abolished, and a large proportion of underserved populations are linked with minimum banking facilities with an add-on insurance feature under PMJDY. Further, access to both physical and digital points of service improved significantly. More banking outlets with branchless BC mode are deployed to serve the doorstep banking services. The increasing geographical and demographical penetration of bank branches resulted in the availability of more access points with an adequate supply of banking services for more number of clients. More ATMs, PoS, and micro-ATMs are available to facilitate both cash and cashless transaction. Further, the pandemic has boosted the increasing adoption of digital financial services among Indian citizens. In India, more than 80 million adults made their first digital merchant payment after the start of the pandemic.

Despite such a positive trajectory and multiple initiatives taken by RBI and Govt. of India, a large segment (about 23 crores) of the Indian population is still unbanked, making the country the single largest contributor (17%) to the World's unbanked population. Multiple factors, viz. household-centric attitude, distance to the nearest financial institution, insufficient funds, lack of faith in financial service providers, lack of documentations and religious reasons are attributed to lower account ownership rates among Indian citizens.

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