



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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MAKING FINANCE ACCESSIBLE THROUGH FINANCIAL INCLUSION: EVIDENCES FROM ASSAM

RESHMA KUMARI TIWARI
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TEZPUR UNIVERSITY
ASSAM

DR. DEBABRATA DAS
PROFESSOR
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ABSTRACT

Financial Inclusion is the provision of variety of appropriate financial services such as savings, credit, insurance, cash payment and transfer facilities at an affordable cost for poverty reduction and social enhancement of underprivileged section. Financial Inclusion has improved in Assam when compared to other north-eastern states over a period of five years (from 2006 to 2010). The number of bank branches, no-frills accounts; issue of KCCs and GCCs has registered increasing trend in Assam from the year 2006 to 2010. However, access does not always lead to usage (Ramji, 2009). Hence primary level research is advocated to cross examine the claim of the supply side. It will provide the policymakers a base for shaping the future policy decisions. The present paper attempts to examine the progress of the financial inclusion initiatives in Assam by analyzing the figures provided by the State Level Bankers Committee reports and RBI reports. An analytical study is made to examine the progress by the formal financial system in Assam in priority sector lending, opening of no-frills accounts, and issue of KCCs and GCCs. Financial inclusion started take off in Assam in 2006 with and recorded a considerable growth in terms of various initiatives. It stood as the leading state in the region extending financial services to those who were out of the formal financial net hitherto. However, a gap is seen between the technology partners and financial providers. Difficult physiological structure and complex socio-cultural factors has also impacted the spread.

KEYWORDS

Financial Inclusion, financial access and usage, KYC.

INTRODUCTION

Today, financial inclusion has been widely recognized as a paradigm for mainstreaming the marginalized section of society especially in developing countries where poverty incidence and financial exclusion is extreme. Financial inclusion has received increased attention in view of the international initiatives towards inclusive growth of the emerging economies. It may be viewed as a 'tool' that would move the wealth effect towards a neutral domain and Inclusive growth as a 'target'. As a tool for intensification and extension of poverty alleviation efforts (Karmakar, 2008), financial inclusion aims at balanced growth ensuring equitable distribution of benefits of growth process on a sustainable basis and reducing the detrimental concentration of economic power in to a handful of population. Inclusive growth, a term coined and stated in the eleventh five year plan aims at a growth process which yields broad-based benefits and ensures equality of opportunity for all (Planning Commission, 2008 and Chakrabarty, 2009). The prerequisite for achieving inclusive growth is to build inclusive financial sectors (Annan, 2003). The term financial inclusion, commonly explains about the delivery of basic financial services such as savings, credit, insurance, cash payment and transfer facilities at an affordable cost for poverty reduction and social enhancement of underprivileged sectionⁱ. It gives an opportunity to the poor to avail of the benefits of modern economy by satisfying their unique needsⁱⁱ. Internationally, the advanced countries like United Kingdom, United States of America, France, Australia, Belgium, Canada has taken specific initiatives like voluntary code of practices, legislation-backed norms, basic bank and subsidized accounts to include the financially excluded people with in the banking system (Das and Tiwari, 2010).

THE PROBLEM OF FINANCIAL ACCESS

Despite rapid economic development and modernization of world economy, gaps in financial access remain severe. Around 90 percent of people in developing countries still lack access to the formal financial system (United Nations, 2006). According to recent data of the World Bank India ranks much lower compared to OECD countries with regard to financial access. However, when compared to selected Asian peer group countries, the access to bank branches and ATMs is lower than Malaysia and Thailand but higher than China and Indonesia as the number of branches and ATMs per 1,00,000 persons in India were 7.13 and 5.07 in 2010 (RBI, 2009-10bⁱⁱⁱ).

A shocking 30-35 percent of the total population in India still lives below the poverty line. Poverty characterized by low health and nutrition levels, high infant mortality and illiteracy, is now almost the same in terms of the proportion of population in rural and urban areas. It is estimated that around 400 million people, still live in absolute poverty defined as less than \$1 per day (Ultra poor), accounting for more than 36 percent of the total population in India. Around 60 percent people in some pockets of BIMARU states live with less than half a dollar a day (Arunachalam, 2008). Among others, financial exclusion is a significant characteristic of these poorest states. In India 59 percent of adult population have access to bank accounts while 41 percent of the population is still unbanked. The coverage in rural areas is 39 percent against 60 percent in urban areas (Thorat, 2007). This results in greater dependence on the informal and exploitative sources of credit.

Financial inclusion is an important component of the programme launched by UNDP working in the poverty reduction thematic area with the state governments to facilitate the design and implementation of pro-poor and inclusive livelihood promotion strategies. To increase the level of Financial Inclusion, RBI aims at "connecting people" with the banking system and not merely opening up of bank accounts. Initiatives by RBI for broadening access to finance includes formulation of the Kisan Credit Card (KCC) scheme in 2001; introduction of 'no-frills' account in November 2005; issue of general credit cards (GCC) akin to KCCs to provide hassle free credit in December 2005 (Total number of GCCs issued by banks in India as at end-March, 2009 was only 0.15 million.); simplification of know your customer (KYC) norms^{iv}; use of Information technology like Smart cards (for opening bank accounts with biometric identification), Mobile Banking, Electronic Benefit Transfer (EBT^v), 100 percent Financial Inclusion Drive, Business Facilitator/ Business Correspondent Model, Liberalization of bank branch and ATMs expansion, establishment of Financial Literacy and Credit Counseling centers (Subbarao, 2009).

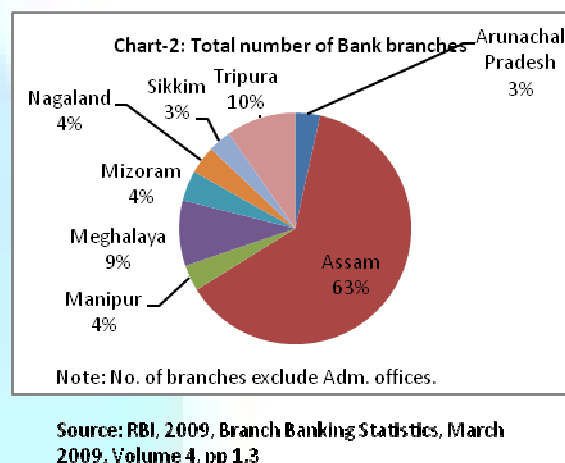
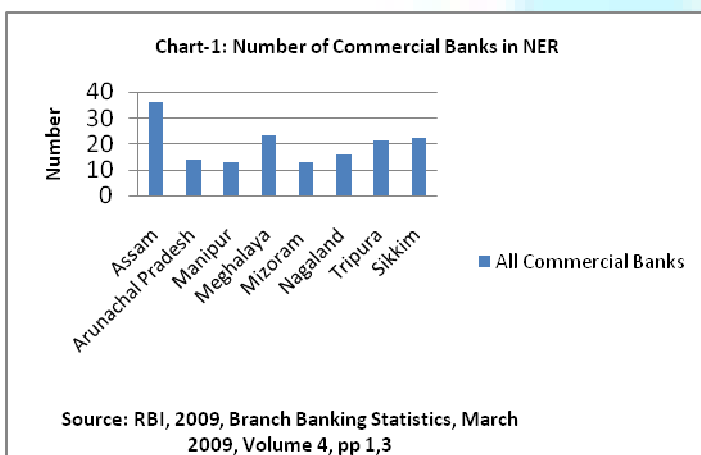
FINANCIAL ACCESS SCENARIO IN NORTH EAST REGION (NER)

The proliferation of banking facilities for the poor has been uneven across India. Where some regions boast high rates of financial inclusion, others lag behind. NER falls among the slow progress region as inclusion of farmer households is lowest with 19.7 percent whereas the national average is 48.6 percent^{vi}. Further NER have only 21.1 percent institutional inclusion (Karmakar and Mohapatra, 2009). According to NSSO Survey 59th Round about 50 million (on average 51.4 percent farmer households out of 89 million) Indian households do not have access to credit either from institutional or non-institutional sources. Around 73 percent of total farmer households in the country do not have access to formal credit (Rangarajan, 2008). The scenario of farmer households not having access to formal credit as a proportion to total farmer households is particularly grim in the NER (above 95 percent), followed by eastern region (above 80 percent), central region (above 77 percent) and southern region (above 30 percent) (Government of India, 2003).

TABLE-1 : NUMBER OF COMMERCIAL BANKS & NUMBER OF BRANCHES OF SCHEDULED COMMERCIAL BANKS AND AVERAGE POPULATION PER BANK BRANCH IN NER (MARCH 2009)

State	All Commercial Banks	Total branches	Average population per Bank branch (in thousands)
Assam	36	1377	22
Arunachal Pradesh	14	76	16
Manipur	13	80	33
Meghalaya	23	201	13
Mizoram	13	93	11
Nagaland	16	86	26
Tripura	21	213	17
Sikkim	22	71	8
ALL-INDIA	171	79735	15

Note: No. of branches exclude Adm. offices.
Source: RBI, 2009, Branch Banking Statistics, March 2009, Volume 4, pp 1,3



The branch banking statistics reveals that barring Assam, the number of commercial banks and total branch statistics is having gloomy picture in NER. Out of total 171 commercial banks operating in India, 36 banks are having presence in Assam. Other NER states like Manipur and Nagaland have presence of only 13 commercial banks. Assam is covered by 1377 bank branches but other states in NER like Sikkim, Arunachal Pradesh, Manipur, and Nagaland have comparatively less number of bank branches (Table-1). The main reasons for lower banking outreach can be attributed to the factors like difficult terrain, low density of population and cultural reservations.

Population per branch (the basic indicator of penetration of banking services) has declined over the years in India. However, the regional disparities still persist as in northern, southern and western regions it ranges from 10000 to 14000 whereas in the central, eastern and north-eastern regions, it is still high as it ranges from 18000 to 19000 as on 31st March 2010. Further, the penetration of bank credit, the amount of credit per capita is lowest in NER compared to other regions. Nonetheless, in case of the amount of deposit per capita NER is above the Central region but below all other regions (RBI, 2009-10b). If we compare RBI statistics (on March 2009), than the average population per bank branch in India is 15000 whereas Assam is showing a disappointing figure of 22000 people per bank branch^{vii} (RBI, 2009b). In other NER states like Manipur (33000) and Nagaland (26000), the scenario is even gloomy in comparison to Assam and India averages. But smaller states like Sikkim (8000) and Tripura (17000) has a better population per bank branch scenario. It will be worthwhile to mention here that Sikkim being the smallest state in terms of geographical area has 22 commercial banks in operation which reveals good penetration of commercial banks in the state (Table-1).

OBJECTIVE

The paper presents an overview of financial inclusion in Assam and attempts to examine the progress of the initiatives undertaken in the State.

METHODOLOGY

This is an analytical study based on secondary data taken from reports of Reserve Bank of India and State Level Bankers Committee (SLBC), Assam for last five years 2006 to 2010. A few structured formal interviews with some of the bank officials were also conducted to collect primary data on financial inclusion initiatives specially relating to appointment of BC/BF.

FINANCIAL INCLUSION INITIATIVES IN ASSAM

Assam is the gateway to northeast and it is also considered as financial hub of the region, which is connected through a 'chicken neck' with rest of India. Assam figures in the Planning Commission's (1999-2000) list of India's five poorest states^{viii} with Orissa, Bihar, Madhya Pradesh and Sikkim. The economy of Assam is primarily agrarian and around 53 percent of rural labour force is dependent on agriculture and allied activities as per Population Census, 2001. The advance estimates for 2007-08 reveals that the per capita Net State Domestic Product of Assam stands at Rs. 22081 (Economic Survey, Assam 2007-08). The total population of Assam stands at around 3.11 crore as per the provisional figures of Census 2011, which is considerably higher than the other NER states (censusindia.gov.in). However, despite having the highest population in NER and being the financial capital of NER, difficult terrain, poor transport facilities and other physiological barriers are hindering the growth of good financial structure in the state.

Considering the background of financial exclusion in the state and the region, the Reserve bank of India has initiated a special focus on NER with formulation of the Committee on Financial Sector Plan for North Eastern Region under the chairmanship of Smt. Usha Thorat, in the year 2006. The main focus of the

committee was to examine the initiatives undertaken so far for extending the banking outreach and enhancing the flow of credit in NER; to identify the hindrances pertaining to flow of credit and access to financial services in NER and to suggest appropriate measures for overcoming the same. Further, the committee was also expected to frame state wise action plans depending on the prevailing local conditions and give suitable recommendation for improving the financial access scenario in the NER states. Accordingly, the committee constituted 'State Specific Task Forces' for every state in the NER to deal with state specific issues. The recommendations of the Task Force constituted for Assam highlighted the need for branch expansion in the under banked districts of Assam; improving Credit Deposit Ratio (CDR) in the state by funding the major infrastructure projects through banks operating in Assam; strengthening Regional Rural Banks (RRBs) & Assam State Cooperative Apex bank. Besides, NABARD and SIDBI also prepared a plan of action for the State. SIDBI's action plan envisaged initiatives for NEDFi also (RBI, 2006). The committee pointed out poverty, ignorance and environmental issues as the main impediments^{ix} for the low level of financial outreach in NER.

RBI's 100 percent financial inclusion drive^x has also been started in Assam. The total number of bank branches in Assam has increased from 1320 in March 2006 to 1509 in March 2010 in a phased manner. Commercial banks are the sole contributor in the increase. However, the number of bank branches in Assam at end March 2010 is just 0.9 percent of total bank branches (169581^{xi}) in India. The average population per branch in Assam at end-March 2011 is 20656^{xii}. District wise data of the number of commercial banks functioning in Assam exhibits that Kamrup Metropolitan (159), Nagaon (92), Dibrugarh (87), Sonitpur (85) are having highest number of offices and relatively better levels of access to formal banking services mainly on account of spread of banking habits and a more robust infrastructure. On the other hand, districts like Chirang (14), Dhemaji (18), Hailakandi and North Cachar Hills (19 each), Baksa and Kokrajhar (22 each), have relatively restricted access to banking services due to less number of bank offices (Table-2).

If we take into account the population per bank branch scenario in various districts of Assam, Kamrup Metropolitan (6684) has the lowest strata of population to be served by the bank branches followed by North Cachar Hills (9899) and Dibrugarh (13622). However, districts like Baksa (38607), Kokrajhar (38309) and Dhubri (35637) have very high population per bank branch. Further, in spite of having good number of bank offices, the population per bank branch in Sonitpur (19635) and Nagaon (25159) districts is still high in comparison to districts like Karbi Anglong (16266) which is having only 50 bank offices and Golaghat (18554) with 51 bank offices (Table-2). Since there is no correlation between number of bank offices and population per bank branch, hence we can infer that higher number of bank offices always does not lead to better banking outreach.

TABLE-2: DISTRICT AND POPULATION GROUP-WISE NUMBER OF BRANCHES OF COMMERCIAL BANKS FUNCTIONING IN ASSAM (MARCH 2009)

District	Population Group				Total Offices	District wise Total Population as per (2001 Census)*	District wise Population per Bank branch (Approx)*
	Rural	Semi-urban	Urban	Metro-politan			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (7)/(6)
1. Baksa*	22	-	-	-	22	849352	38607
2. Barpeta*	38	17	-	-	55	1408749	25614
3. Bongaigaon*	14	16	-	-	30	621136	20705
4. Cachar	48	-	32	-	80	1444921	18062
5. Chirang*	8	6	-	-	14	411058	29361
6. Darrang*	16	9	-	-	25	792614	31705
7. Dhemaji	13	5	-	-	18	571944	31775
8. Dhubri*	25	18	-	-	43	1532383	35637
9. Dibrugarh	37	20	30	-	87	1185072	13622
10. Goalpara	22	9	-	-	31	822035	26517
11. Golaghat	40	11	-	-	51	946279	18554
12. Hailakandi	12	7	-	-	19	542872	28572
13. Jorhat	31	42	-	-	73	999221	13688
14. Kamrup *	54	10	18	-	82	1308505	15957
15. Kamrup Metropolitan*	14	2	143	-	159	1062771	6684
16. Karbi Anglong	41	9	-	-	50	813311	16266
17. Karimganj	33	17	-	-	50	1007976	20160
18. Kokrajhar*	14	8	-	-	22	842805	38309
19. Lakhimpur	35	12	-	-	47	889010	18915
20. Morigaon	20	7	-	-	27	776256	28750
21. Nagaon	61	13	18	-	92	2314629	25159
22. Nalbari*	30	7	-	-	37	701133	18950
23. North Cachar Hills	4	-	-	15	19	188079	9899
24. Sibsagar	43	19	-	-	62	1051736	16963
25. Sonitpur*	53	32	-	-	85	1668998	19635
26. Tinsukia	33	14	29	-	76	1150062	15132
27. Udalguri*	18	7	-	-	25	752621	30105

Source: 1. RBI, 2009, Branch Banking Statistics, March 2009, Volume 4, p 85

2. Directorate of Census Operation, Assam available in Statistical Hand Book, 2008, Directorate of Economics and Statistics, Guwahati, Government of Assam p 2

* Provisional figure for population

On April 28, 2006, RBI advised the convener banks of the State Level/ Union Territory Level Bankers' Committees (SLBC/ UTLBC) to identify at least one appropriate district in each State/ Union Territory for attaining 100 percent financial inclusion. So far, 431 districts have been identified by SLBCs for 100 per cent financial inclusion in India out of which as on March 31, 2009, 204 districts in 18 States and 5 Union Territories have reported to attain the target (Chakrabarty, 2009).

The progress of the initiatives taken by the Committee on Financial Sector Plan for NER for identified districts shows an encouraging trend. In Assam, initially Sonitpur district was identified by the SLBC for 100 percent financial inclusion. Subsequently, 11 more districts were identified viz, Bongaigaon, Karbi Anglong, N C Hills, Chirang, Baksa, Udalguri, Barpeta, Goalpara, Lakhimpur, Golaghat and Nagaon. Out of around 18.5 lakh households in the 11 identified districts, around 79 percent households are covered by opening of no-frill accounts, issue of GCC and KCC. However, the progress varies from district to district. Sonitpur and Barpeta have claimed to achieve 100 percent financial inclusion. Chirang, Udalguri, Lakhimpur and Golaghat districts have achieved 90 percent coverage. The coverage is lowest in Goalpara as only 53 percent households are covered through the financial inclusion drive (Table-4).

Reserve Bank in January 2006 advised the major banks having more than five branches in the NER to formulate a special Scheme for financial inclusion. These are the "no frills" accounts with small overdraft in such accounts and GCC up to Rs 25000 (RBI, 2006). These two important financial 'key' products are regarded as driver for promoting financial inclusion as there are no requirements of documents regarding ownership of assets to obtain either an overdraft or a GCC. Further, these products are simple and are essentially based on developing a relationship and building track record of the customer and providing hassle-free financial services (Thorat, 2006).

Highest numbers of no-frill accounts i.e. over 4 lakh have been opened in Nagaon district, highest number of GCC has been issued in Karbi Anglong and KCC in Barpeta district (Table-3).

A more detailed analysis of statistics relating to identified districts reveals that Barpeta with 55 bank offices has achieved 100 percent financial inclusion by opening 21106 no-frills accounts, 689 GCCs and 26021 KCCs followed by Chirang with 14 bank offices achieving 98 percent financial inclusion by opening 84445

no-frills accounts and by issue of 2092 KCCs. However, Bongaigaon with 30 bank offices has opened over 1 lakh no-frills accounts and has issued 2419 KCCs but still lagging behind achieving 100 percent inclusion. The scenario is much more depressing in Karbi Anglong district (Table-3 &4).

TABLE-3: NUMBER OF NO-FRILLS A/CS OPENED & KCCS AND GCCS ISSUED UNDER FINANCIAL INCLUSION INITIATIVES IN IDENTIFIED DISTRICTS OF ASSAM: (AS ON MARCH 2010)

Sl No	Name of District	No. of no-frills a/cs opened	No. of GCC issued	No. of KCC issued
1	Bongaigaon	118935	-	2419
2	Karbi Anglong	44636	3200	7775
3	N C Hills	12162	126	4300
4	Chirang	84445	-	2092
5	Baska*			
6	Udalguri	82691	64	4216
7	Barpeta	21106	689	26021
8	Goalpara	32990	712	3465
9	Lakhimpur	76287	205	1931
10	Golaghat	58950	747	11548
11	Nagaon	210936	759	5876
Total		743138	6502	69643

* Data not submitted by district.
Source: SLBC report of March 2010

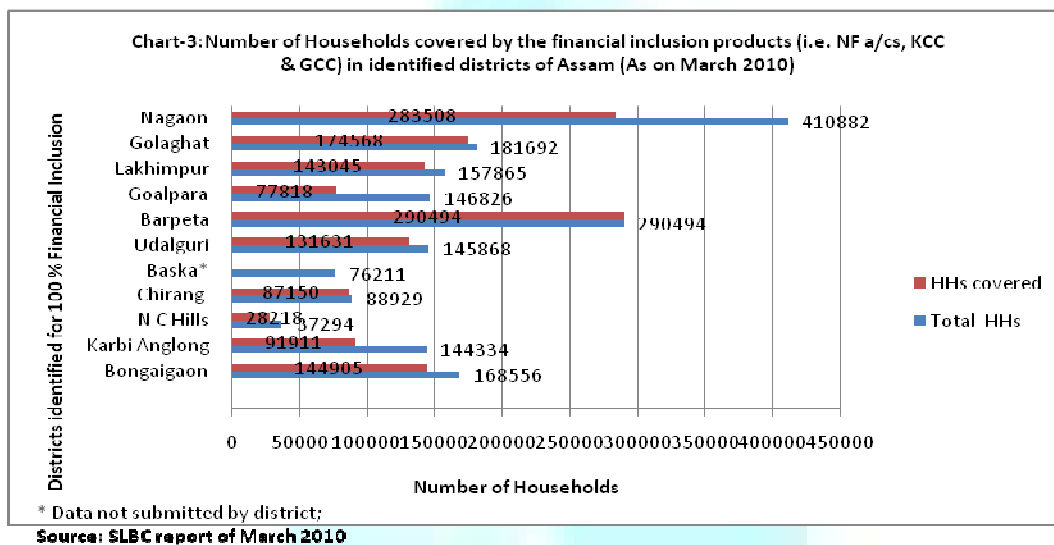


TABLE-4: NUMBER OF HOUSEHOLDS COVERED BY THE FINANCIAL INCLUSION PRODUCTS (I.E. NF A/CS, KCC & GCC) IN IDENTIFIED DISTRICTS OF ASSAM (AS ON MARCH 2010)

Sl. No	Name of District	Number of Bank offices	Total HHs	HHs covered	% of HHs covered
1	Bongaigaon	30	168556	144905	86
2	Karbi Anglong	50	144334	91911	64
3	N C Hills	19	37294	28218	76
4	Chirang	14	88929	87150	98
5	Baska*	22	76211		
6	Udalguri	25	145868	131631	90
7	Barpeta	55	290494	290494	100
8	Goalpara	31	146826	77818	53
9	Lakhimpur	47	157865	143045	90
10	Golaghat	51	181692	174568	96
11	Nagaon	92	410882	283508	69
Total		436	1848951	1453248	79

* Data not submitted by district.
Source: SLBC report of March 2010

PRIORITY SECTOR LENDING IN ASSAM

The priority sector is one of the best-run credit delivery programme devised by the Government (through the RBI) to ensure adequate flow of bank credit to those sectors of the society/ economy that impact large segments of the population and weaker sections. The priority sector broadly comprises of agriculture, MSEs, retail trade, micro credit, education and housing subject to certain limits. India's directive priority sector lending policies has helped in imparting strength to the agricultural sector. The flow of institutional credit to agriculture sector was unharmed even during the global financial crisis. The agricultural debt waiver scheme of the Government has further strengthened the agriculture sector. Further, the Reserve Bank of India has directed both public and private sector domestic Scheduled Commercial Banks, which fails to achieve the priority sector and/or agriculture lending targets to deposit into the Rural Infrastructure Development Fund (RIDF) such amounts as may be assigned by RBI. As on the last reporting Friday of March 2010, although different categories of banks had achieved the overall target for priority sector lending, three out of 27 public sector banks, two out of 22 private sector banks and four out of 28 foreign banks failed to achieve the priority sector lending targets of 40 per cent and 32 per cent, respectively (RBI, 2008-09). The Raghuram Rajan Committee on Financial Sector Reforms had, inter alia, recommended introduction of "priority sector lending certificates (PSLCs)" to be purchased by the commercial banks which failed to achieve the priority sector lending target/sub-targets. A Working Group under the Chairmanship of Shri V.K. Sharma was constituted to evaluate the issues relating to the introduction of PSLCs and make recommendations if any (RBI, 2009-2010 a).

In Assam, the percentage of priority sector advances to total advances has grown from 43.3 percent in March 2006 to 54.1 percent in March 2010 and was highest in the year 2009 with 60.3 percent. All the banks including commercial banks, RRBs and co-operative banks have achieved the target of 40 percent advances to priority sector as prescribed by RBI. The data reveals that advances to priority sector by RRBs and co-operative banks is 77 percent and 72 percent respectively of their total advances as on end March 2010 (Table-5).

Recognizing the need of targeting the small and mid size agriculturist, self employed personnel, entrepreneur; not only as a measure of poverty alleviation but also as a measure of productivity/ efficiency building machinery to support the all round development of the region, on-lending to the "needy" for taking up productive activities was started by NEDFi with an objective of developing & supporting NGOs/ Voluntary Agencies (VA) possessing a good track record (www.nedfi.com). As revealed by SLBC reports (State Level Bankers Committee Report), 100 percent of the lending by NEDFi & RIDF^{xiii} has been taken as Priority Sector Advances since 2007.

Banks	2006		2007		2008		2009		2010	
	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances	Amount	% of Priority sector advances to Total advances
Commercial	3499.63	40.8	4852.64	43.2	6524.60	47.2	8399.45	56.2	8563.50	48.5
RRBs	595.62	65.2	782.03	69.7	952.51	72.4	1122.59	74.3	1349.42	77
Co-operative	152.96	48.3	167.99	59.4	185.87	64.4	212.36	68.4	233.28	71.9
NEDFi & RIDF	-	-	346.04	100	659.27	100	971.11	100	1168.73	100
Total Priority sector lending	4248.21	43.3	6148.70	47.3	8322.25	51.8	10705.51	60.3	11314.93	54.1

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010 (Assam)
 Note: 1. Figure in parentheses are percentages of the Priority sector advances to Total advances
 2. The target for aggregate advances to the priority sector was 40.0 per cent of the net bank credit for domestic banks and 32.0 per cent of net bank credit for the foreign banks. The targets have been linked to ANBC or credit equivalent of OBE, whichever is higher, with effect from April 30, 2007 (RBI Annual Report 2008-2009, p213).
 3. The domestic SCBs, which fail to achieve the priority sector/agriculture lending targets/sub-targets, are mandated to deposit into the RIDF such amounts as may be assigned by the Reserve Bank. The Fund has so far completed fifteen years of operation. The Union Budget for 2010-11 had announced that RIDF XVI (corpus of `16,000 crore), MSME (Refinance) Fund (corpus of `4,000 crore) and Rural Housing Fund (corpus of `2,000 crore) would be set with NABARD, SIDBI and NHB, respectively, during the year (RBI Annual Report 2009-10, p 90-91)

Year	India	Assam
2006	3560234	4248
2007	4449025 (25)	6149 (44.8)
2008	824772 (-)81.5	8322 (35.3)
2009	965773 (17.1)	10706 (28.6)
2010	1140406 (18.1)	11315 (5.7)

Note: 1. Figure in bracket indicate percentage growth over previous year
 2. In case of India, the priority sector advance includes the amount extended by Public Sector, Private sector and Foreign Banks
 3. In case of Assam, the priority sector advance includes the amount extended by Commercial, RRBs, Co-operative Banks and NEDFi & RIDF
 Source: India figure Compiled from RB Annual Reports of 2007-08, 2008-09 & 2009-10
 Assam figures Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010

The trend of growth rate in terms of priority sector lending in India shows a negative trend in the year 2008 which can be attributed to government's Debt Waiver and Debt Relief Scheme^{xiv} for farmers launched in 2008-09. However, trend of growth in Assam has also declined from 44.8 percent in 2007 to 5.7 percent in 2010 (Table-6).

FLOW OF BANK CREDIT IN ASSAM

Recognizing the importance of credit for greater financial inclusion, government directed banks to increase their lending to priority sector, agriculture and small and medium enterprises (SMEs). In Assam, the increasing trend can be observed in all the sectors. As per the RBI guidelines credit to priority sector should be 40 percent of total advances. In Assam, percentage of priority sector advances to total advances increased from around 43 percent in 2006 to around 54 percent in 2010 which shows that banks are successful in achieving the target set for domestic banks. The share of Agriculture sector in total advances has increased from 12.36 percent in 2006 to 18.5 percent in 2010 where as SMEs increased from around 7 percent to around 10 percent over the same period (Table-7).

Sector	Position as on March (Rs. in crore)									
	2006	% of Total Advances	2007	% of Total Advances	2008	% of Total Advances	2009	% of Total Advances	2010	% of Total Advances
Priority Sector	4248	43.3	6149 (45)	47.34	8322 (35)	51.75	10706 (29)	60.31	11315 (6)	54.11
Agriculture	1213	12.36	1597 (32)	12.29	2159 (35)	13.42	2346 (9)	13.22	3868 (65)	18.50
SME	686	6.99	1018 (48)	7.84	1282 (26)	7.97	1460 (14)	8.23	2054 (41)	9.82
Others	3665	37.35	4226 (15)	32.53	4319 (2)	26.86	3239 (-25)	18.25	3674 (13)	17.57
Total Advances	9812	100	12990 (32)	100	16082 (24)	100	17751 (10)	100	20911 (18)	100

Note: Figures in parentheses indicate percentage increase over previous year.
 Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 and 2010 (Assam)

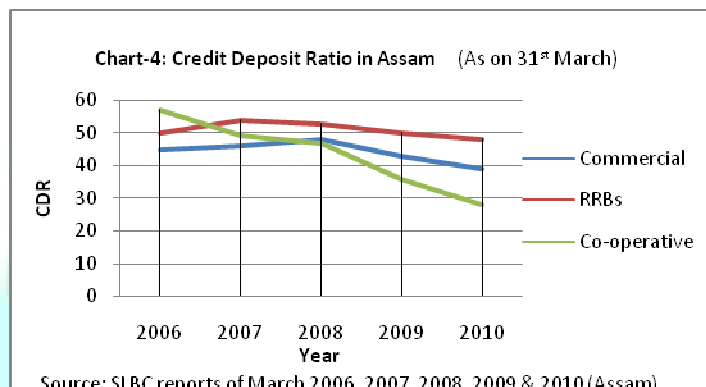
POSITION OF DEPOSITS, ADVANCES, CREDIT DEPOSIT RATIO (CDR) IN ASSAM

The credit-deposit ratio (CDR) is an important indicator of deployment of resources of the bank. Credit expansion should always commensurate with deposit growth as the gap in them may lead to increase in the real interest rates and excess demand for credit may further push the economy towards financial exclusion (Mohan, 2006).

Table-8: Credit Deposit Ratio in Assam (As on 31st March)

Banks	2006	2007	2008	2009	2010
Commercial	45	46	48	43	39
RRBs	50	54	53	50	48
Co-operative	57	49	47	36	28

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)



It is important to note that lower the CDR, lower the credit extension to the people. The banks in Assam have failed to attain the national CDR norm of 60 percent and commercial banks have never achieved even the CDR of 50 percent of over the five year study period (2006-2010) (Table-8 & Chart-4).

NO-FRILLS ACCOUNTS IN ASSAM

To achieve the objective of greater financial inclusion and to make banking services accessible to vast sections of society, RBI in the year 2005 advised all banks to make available a basic banking 'no-frills' account either with 'zero' or 'very low' minimum balances as well as charges. However, banks may limit the nature and number of transactions in such accounts and the same has to be disclosed to the customer in advance in a transparent manner. All banks are advised to create awareness regarding the availability of such 'no-frills' account (RBI, 2005). Accordingly, the banks in the region have been making available no-frills accounts facility and also implemented relaxed Know Your Customer (KYC) norms.

TABLE-9: NUMBER OF NO FRILLS ACCOUNTS IN ASSAM:

Bank	As on				
	31.6.2006	31.3.2007	31.3.2008	31.3.2009	31.3.2010
Commercial Banks	4105 (57.8)	40077 (62.2)	450886 (82.7)	642440 (61.7)	899078 (49.2)
RRBs	2794 (39.3)	24194 (37.5)	89370 (16.3)	371651 (35.7)	908331 (49.5)
Co-operative Bank	208 (2.9)	208 (0.3)	5098 (1)	26620 (2.6)	26620 (1.5)
Total	7107 (100)	64479 (100)	545354 (100)	1040711 (100)	1834029 (100)

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)
Notes: 1. Figures in parentheses indicate percentage to total.
2. No-Frill Accounts data available since quarter ending June 2006 only.

As per SLBC data the total number of no-frills accounts in Assam increased from 7107 in June 2006 to over 18 lakh by March 2010 registering a growth of around 260 times over the period of five years from 2006 to 2010 (Table-9). The national growth over the same period is around 100 times as the cumulative number of no-frills accounts opened by the banking system in India increased from around 5 lakhs at the end March 2006 (RBI, 2007-08) to above 5 crores (50.6 million) at the end of March 2010 (RBI, 2009-10 b).

In Assam, the share of commercial banks in opening no-frills accounts has declined since 2008 whereas the share of RRBs has increased over the same period and the cumulative number of no-frills accounts by RRBs (91 lakhs) in 2010 has even surpassed the cumulative number of no-frills accounts of the commercial banks (around 90 lakhs). However, there is dismal performance of the co-operative banks as they have not taken any initiative in opening no-frills accounts in the year 2009-10 (Table-9 & Chart-5). In this regard, it is important to note that the Annual Policy Statement for 2010-11 recognized the need for better understanding of the functioning of grass root level rural co-operatives as a potential tool to play an important role in financial inclusion drive. These include primary agricultural credit societies (PACS), large adivasi multi-purpose co-operative societies (LAMPS), farmers' service societies (FSS), as also thrift and credit co-operatives set up under the parallel Self-Reliant Co-operative Societies Acts in some states. Hence, a detailed study of the working of selected (about 200) well functioning rural co-operatives across the country would be carried out by the RBI in association with NABARD and state governments. It aims at gaining a deeper understanding of these bodies with reference to their membership profile, management structure, range of services offered, savings mobilized from members/non-members, percentage of non-borrower members, credit extended to tenant farmers, oral lessees, agricultural labourers and women, for availing the benefits of their strength and use their potentiality as effective channel of financial inclusion. The work of identification of rural co-operatives for the study has already been initiated (RBI, 2009-10 a).

Usage is equally important to access and hence, there is need to take appropriate measures by the banking system to keep these accounts operational. In this regard, banks have been advised to provide small overdrafts in such accounts for preventing these accounts to become dormant and up to March 2010, in India 27.54 crore were extended as overdrafts by banks in such accounts (RBI 2009-10 b). Further, in the rural and semi urban areas the banks initiated pilot projects by tailoring simple deposit and credit products to suit their specific needs. Further, banks have appointed various NGOs as BC/ BF which are engaged in opening no-frills accounts of the members of SHGs to extend credit facilities through these accounts, thereby contributing towards increasing the outreach of banking system.

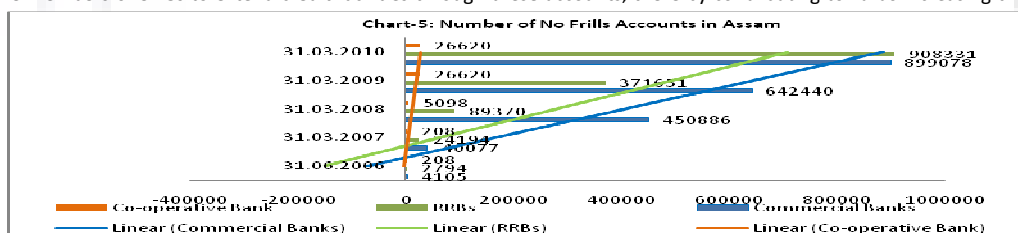
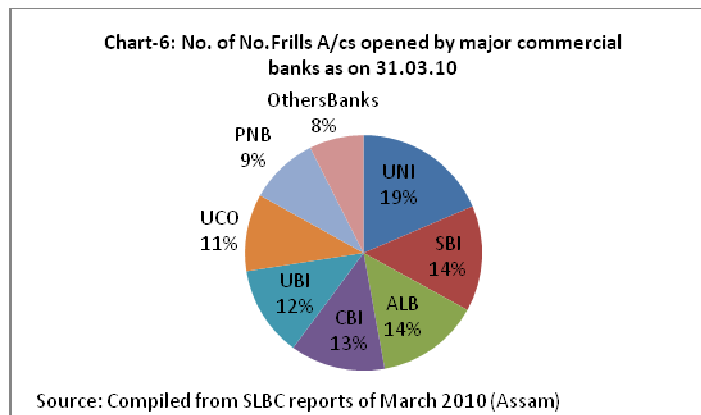


TABLE-10: OPENING OF NO-FRILLS ACCOUNTS BY MAJOR COMMERCIAL BANKS IN ASSAM (AS ON 31.03.10)

Sl. No.	Name of the Bank	Number
1	Union Bank of India (UNI)	166800
2	State Bank of India (SBI)	129902
3	Allhabad Bank (ALB)	127074
4	Central Bank of India (CBI)	117131
5	United Bank of India (UBI)	111208
6	UCO Bank (UCO)	94918
7	Punjab National Bank (PNB)	84886
8	Other Commercial Banks	67159
Total	All Commercial Banks	899078

Source: Compiled from SLBC reports of March 2010 (Assam)



In order to achieve desired aim of financial inclusion the banks in India like State Bank of India (SBI), Punjab National Bank (PNB), Syndicate Bank, United Bank of India, Central Bank of India, Dena Bank and Vijaya Bank has introduced its own customized no-frills accounts under the guidelines of RBI by the name of 'SBI Tiny', 'PNB Mitra', 'SyndSamanya Savings Bank Account', 'United Basic Savings', 'Cent Bachat Khata', 'Dena Alpa Bachat Khata' and 'Vijaya Saral Savings Account' respectively. Out of different commercial banks operating in the north-eastern region, in Assam Union Bank of India has opened highest number of no-frill accounts, followed by, State Bank of India, Allhabad Bank, Central Bank of India, United Bank of India, UCO Bank and Punjab National Bank (Table-10 & Chart-6).

KISAN CREDIT CARDS (KCCs) IN ASSAM

KCC^{sv} scheme was introduced in the year 1998 to enhance the credit flow for crop loans by providing adequate, timely, and cost effective and hassle free short-term loans to farmers. The scope of KCC was broadened by NABARD to cater to various term credit needs of farmers. In addition to short term credit and term loans for agriculture and allied activities, a certain component of loan through KCC also covers consumption needs. The scheme is implemented across India by all public sector commercial banks, RRBs and Co-operative banks (NABARD, 2008-09).

The statistics relating to number of KCCs issued in NER shows that Assam (568000) is leading in terms of issuance of KCCs as at end March 2010 followed by Tripura (121000). In Assam, as at end March 2010 commercial banks issued highest numbers of cards (399) followed by RRBs (154) and co-operatives (14). However, the performance of other NER states in regard to issue of KCCs is not that satisfactory (Table-11).

TABLE-11: KISAN CREDIT CARD--STATE-WISE PROGRESS AS ON 31 MARCH 2010 (AMOUNT IN RS. CRORE AND NUMBER OF CARDS ISSUED IN '000)

State	Co-operative Banks		Regional Rural Banks		Commercial Banks		Total	
	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned	Cards Issued	Amount Sanctioned
Arunachal Pradesh #	1	1	3	5	19	42	23	48
Assam	14	18	154	513	399	795	568	1326
Manipur #	14	34	2	3	28	76	44	113
Meghalaya #	11	15	22	40	46	120	79	174
Mizoram #	2	1	9	56	15	34	26	92
Nagaland #	3	2	2	4	23	44	28	49
Sikkim #§	3	8	-	-	8	32	11	40
Tripura #	4	6	53	94	64	147	121	248
Total NER	52	85	245	715	602	1290	900	2090
Total India	37,888	1,40,594	13,421	53,964	42,364	2,33,190	93,673	4,27,748

Notes: -: Nil/Negligible; # StCB functions as Central Financing Agencies; § No RRBs in the States; ** Data under reconciliation.
Source : Report on Trend and Progress of Banking In India 2009-10, RBI, p 197; NABARD

The total number of cards issued over a period of five years from 2006 to 2010 in India stands at 4.26 Crore (RBI, 2009-10b) and the cards issued in Assam is 22.31 lakhs (Table-12). The trend of growth has been fluctuating in case of India and even the number of cards issued registered a negative growth in India in the year 2008 by 0.5 percent over the previous year, the number of KCCs issued in Assam registered a positive growth by 17.3 percent in the same year. This shows that the Agricultural Debt waiver scheme of the government didn't impacted Assam figures like the national figure.

TABLE-12: NUMBER OF KISAN CREDIT CARDS (KCCS) ISSUED BY COMMERCIAL, RRBS & CO-OPERATIVE BANKS

Year (as on March 31)	India	Assam
2006	8012251	339750
2007	8511478 (6.2)	359395 (5.8)
2008	8469602 (-0.5)	421555 (17.3)
2009	8592473 (1.5)	480393 (14)
2010	9006123 (4.8)	630070 (31.2)
Total	42591927	2231163

Note: Figure in bracket indicate percentage growth/ decline over previous year
Source: 1. Compiled from SLBC reports ending March 2006, 2007, 2008, 2009 & 2010 (Assam)
2. RBI, 2009-10, Report on Trend and Progress of Banking in India 2009-10,p134

With the objective to serve the masses at the bottom of the pyramid, different banks have resorted to KCCs by different names under the aegis of RBI. SBI introduced ATM linked KCC i.e. 'e-KCC' in Assam for farmers benefit. United Bank of India has issued 'United Kisan Card' scheme for making available hassle free credit to the farmers with simple terms and conditions for meeting the production and investment credit needs of farmers and 'United Bhumiheen Kisan Credit Card' scheme to provide production credits to landless farmers and oral lessees, tenant farmers, bargadar, etc, up to Rs. 25000. Further, Syndicate bank has issued 'Syndicate Kisan Credit Card'. Some other KCCs from leading banks are: Allahabad Bank - Kisan Credit Card (KCC); Andhra Bank - AB Kisan Green Card;

Bank of Baroda – BKCC; Bank of India - Kisan ; Samadhan Card; Canara Bank – KCC; Corporation Bank – KCC; Dena Bank – Kisan Gold Credit Card; Oriental Bank of Commerce -Oriental Green Card (OGC); Punjab National bank - PNB Krishi Card; State Bank of Hyderabad –KCC; State Bank of India –KCC; Vijaya Bank -Vijaya Kisan Card (www.indg.in).

GENERAL CREDIT CARDS (GCCS) IN ASSAM

To take care of the financial needs of the rural folks in a holistic manner, RBI directed all scheduled commercial banks including RRBs, to launch a General Credit Card (GCC) Scheme akin to Kisan Credit Card in December 2005 (RBI, 2007-08)^{xvi}. Accordingly, 59828 GCCs were issued in Assam as on March 31st 2010. These cards were issued without targeting any specific functional group (like farmers, artisans etc.) to address the credit needs of persons with small means having some income-generating activity, based on the assessment of income and cash flow of the household. RRBs have issued largest number of GCCs over a period of five years from March 2006 to March 2010 (Table-13). The borrowers can avail of the credit facilities provided under GCC as per their needs without any insistence either on security or specification of the purpose/end-use of the credit (www.cab.org.in).

Banks	Cumulative position as on				
	31.06. 2006	31.03.2007	31.03.2008	31.03.2009	31.03.2010
	Cards	Cards	Cards	Cards	Cards
Commercial Banks	72 (7.2)	731 (18.7)	8705 (35.2)	12455 (31)	21125 (35.3)
RRBs	926 (92.8)	3172 (81.3)	14428 (58.4)	27700 (69)	38703 (64.7)
Total	998 (100)	3903 (100)	24717 (100)	40155 (100)	59828 (100)

Source: Compiled from SLBC reports of June 2006, March 2007, March 2008, March 2009& March 2010 (Assam)
 Note: 1. GCC data available since quarter ending June 2006 only.
 2. Figures in parenthesis indicate percentage to total.

SELF- HELP GROUPS (SHGs) IN ASSAM

Self Help Groups (SHGs) - bank linkage Programme (SBLP) was developed in India by NABARD in 1992 as the central scheme to link the poor with formal financial system in line with the Grameen model in Bangladesh. The scheme was to form SHGs^{xvii} of the poor and disadvantaged and to encourage them to pool their savings regularly and utilize the same to make small interest bearing loans to members and in the itinerary learning the significance of financial discipline. Bank credit was extended to these SHGs. The promotion and bank linking of SHGs was viewed by NABARD not only as a credit programme but also as a crucial tool to provide financial services to the poor and disadvantaged on a sustainable basis for empowerment of the members of these SHGs (Kropp, Suran, 2002). This programme is also the main contributor towards the Financial Inclusion programme in the country. As on 31 March 2010, there are more than 69 lakh saving-linked SHGs and more than 48 lakh SHGs have loans outstanding in India and around 9.7 crore families are covered under the SHGs bank linkage programme upto 31 March 2010 (NABARD, 2009-10). However, if we consider linkage data for Assam, around 2.1 lakh SHGs were deposit-linked and around 1.6 lakh SHGs were credit linked and as on 31st March 2010. In India, agency-wise analysis of data reveals that commercial banks accounted for highest percentage of both savings and loans outstanding followed by RRBs and Co-operative banks respectively. But in Assam the RRBs account for the highest number and amount of both deposit and credit linkages followed by Commercial banks and Co-operative banks (Table-14).

Banks	Cumulative Position (As on 31 March 2010) (Rs. in Crore)							
	Deposit linkages		Credit linkages				Total	
	No.	Amount	Under SGSY		Direct SHGs		No.	Amount
			No.	Amount	No.	Amount		
Commercial Banks	74034	54.58	38710	316.93	26290	182.78	65000	499.71
RRBs	118835	25.43	39366	197.04	49748	88.32	89114	285.36
Co-operative Bank	18021	11.23	6602	37.64	3139	13.30	9741	50.94
Total	210890	91.24	84678	551.61	79177	284.40	163855	836.01

Source: SLBC reports of March 2006, 2007, 2008, 2009&2010 (Assam)

The number of SHGs financed in Assam has registered around 74 percent increase from 94352 in March 2006 to 163855 in March 2010. The credit extended has increased by around 54 percent from around Rs. 383.92 crore to Rs. 836.01 crore during the same period (Table-15).

Banks	Cumulative Position as on (Rs. In crore)									
	31.03.2006		31.03.2007		31.03.2008		31.03.2009		31.03.2010	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Commercial Banks	46566	273.39	57397	397.75	66727	453.73	58206	443.79	65000	499.71
RRBs	46486	106.55	46950	121.70	58172	161.89	71802	219.38	89114	285.36
Co-operative Bank	1300	3.99	5081	8.34	6002	15.40	8384	35.63	9741	50.94
Total	94352	383.92	109428	527.79	130901	631.02	138392	698.80	163855	836.01

Source: Compiled from SLBC reports of March 2006, 2007, 2008, 2009 & 2010 (Assam)

BUSINESS CORRESPONDENTS (BCs) AND BUSINESS FACILITATORS (BFs)

As an endeavor of ensuring greater financial inclusion and increasing the banking outreach, RBI issued guidelines in January 2006^{xviii} to banks to enable them to utilize the services of civil society organizations, farmers' clubs, non-government organizations (NGOs), post offices etc. as intermediaries in extending financial and banking services through the adoption of Business Facilitator and Correspondent models. Further, in November 2009, RBI issued circular^{xix} broadening the category of persons that can act as BCs as recommended by the "Report of the Working Group to Review the Business Correspondent Model" (submitted in August, 2009 under the chairmanship P. Vijaya Bhaskar). Banks are now permitted to appoint some more entities such as Individual kirana/medical /fair price shop owners, Individual Public Call Office (PCO) operators, Agents of Small Savings schemes of Government of India/Insurance Companies, Individuals who own Petrol Pumps, Retired teachers and authorized functionaries of well run Self Help Groups (SHGs) linked to banks as BCs in addition to the entities presently permitted. As regards the NER, it has been decided to implement the recommendation made by the Committee on Financial Sector Plan (CFSP) for the NER that where a local organization/association does not fall under any of the forms of organizations listed in the Reserve Bank guidelines, it is proposed to be appointed by a bank as BC after due diligence and the same would be considered by the Regional Office of the Reserve Bank for granting suitable exemption from the

Reserve Bank guidelines by approaching the Regional Director of the Reserve Bank at Guwahati for the purpose. Banks (and not BCs) are permitted to collect reasonable service charges from the customer, in a transparent manner ensuring the viability of the BC model.

In India, the total BCs appointed by public sector banks and private sector banks is 85 and 44 respectively. The total accounts opened by these BCs are around 80 lakhs in public sector and around 8 lakhs in private sector. Despite being a private sector bank ICICI Bank Ltd (38) has appointed highest number of BCs in India among both public and private sector banks, followed by State Bank of India (24) and Punjab National Bank (14). Amongst the banks (both public and private) Punjab National Bank has opened highest number of accounts through appointment of BCs (around 2.7 lakhs) followed by State Bank of India (around 2.6 lakhs) and Union Bank (around 1.7). Amongst the 22 private sector banks, ICICI Bank Ltd (1.4 lakh) has opened highest number of accounts through BCs (RBI, 2009c) (Table-16).

TABLE-16: DETAILS REGARDING NUMBER OF BCs APPOINTED AND ACCOUNTS OPENED BY BANKS			
Sr. No.	Banks	No. of BCs appointed	No. of accounts opened
1	2	3	4
PUBLIC SECTOR BANKS			
1	ALLAHABAD BANK	NIL	NIL
2	ANDHRA BANK	3	405000
3	BANK OF BARODA	3	33827
4	BANK OF INDIA	10	71000
5	BANK OF MAHARASHTRA	NR	NR
6	CANARA BANK	1	1603
7	CENTRAL BANK	1	1210
8	CORPN BANK	3	456655
9	DENA BANK	1	14146
10	INDIAN BANK	2	23000
11	I O B	3	1131
12	O B C	3	21433
13	P N B	14	2704345
14	P & S BANK	NIL	NIL
15	S B I	24	2574139
16	S B B J	NIL	NIL
17	S B HYD	1	16057
18	S B INDORE	1	61632
19	S B MYSORE	2	2159
20	S B PATIALA	1	1140
21	S B SAURASHTRA	NIL	NIL
22	S B TRAVANCORE	1	699
23	SYNDICATE BK	5	695
24	UNION BANK	3	1654464
25	UNITED BANK	1	998
26	UCO BANK	1	1048
27	VIJAYA BANK	1	626
	Total	85	8047007
PRIVATE SECTOR BANKS			
1	Bank of Rajasthan Ltd	NIL	NIL
2	Catholic Syrian Bank Ltd	NR	NR
3	City Union Bank Ltd	NR	NR
4	Development Credit Bank Ltd	NR	NR
5	Dhanalakshmi Bank Ltd	NR	NR
6	The Federal Bank Ltd	2	68
7	Yes Bank Ltd	NIL	NIL
8	HDFC Bank Ltd	NR	NR
9	ICICI Bank Ltd	38	136659
10	IndusInd Bank Ltd	NR	NR
11	ING Vysya Bank Ltd	NIL	NIL
12	Jammu & Kashmir Bank Ltd	NR	NR
13	Karnataka Bank Ltd	NIL	NIL
14	Karur Vysya Bank Ltd	NIL	NIL
15	Kotak Mahindra Bank Ltd	NR	NR
16	Lakshmi Vilas Bank Ltd	NIL	NIL
17	Nainital Bank Ltd	1	532
18	Ratnakar Bank Ltd	NR	NR
19	SBI Comm. & Inter. Bank Ltd	NIL	NIL
20	The South Indian Bank Ltd	NIL	NIL
21	Tamilnad Mercantile Bank Ltd	NIL	NIL
22	Axis Bank Ltd	3	67600
	Total	44	813259
Note: NR-Not reported, Source: RBI, 2009, Report of The Working Group To Review The Business Correspondent Model, August			

NABARD in its effort towards greater financial inclusion encourages banks to promote Farmers' Clubs in rural areas under the Farmers' Club Programme earlier known as "Vikas Volunteer Vahini (VVV) Programme" launched in November 1982 (rechristened as "Farmers' Club Programme" in 2005) aiming at "Development through Credit". It is based on the five principles which are efficient use of credit by adopting the most appropriate methods of science and technology; adoption of best skills to increase production and productivity; the terms and conditions of credit must be fully respected; and a part of the

additional income created by credit must be saved; and loan installments must be repaid timely and regularly so as to recycle credit (www.nabard.org). In India as on 31st March 2010, Farmers Clubs formed 14858 SHGs out of which 7986 SHGs were bank linked and grant assistance extended to these SHGs by NABARD was 61.96 lakhs (NABARD, 2010). SLBC data for Assam reveals that as on 31st March 2009, there were 611 farmer's clubs working in state playing a significant role in formation of SHGs/ JLGs and as BC/ BF and coordinating with banks to ensure credit flow among its members and forge better bank borrower relationship (Table-17). The Lead Bank in Assam urges that ideally each branch should promote at least one farmers club for better credit disbursement and credit management.

Sl. No.	Agency	No. of clubs	No. of rural and semi urban branches
1.	Assam Cooperative Apex Bank	10	39
2.	RRBs		
	a) AGVB	410	343
	b) LDRB	16	42
3.	Commercial Banks	175	741
	Total	611	1165

Source: Compiled from SLBC reports of March 2010 (Assam)

Asomi Finance Pvt. Ltd (AFPL) an NBFC has been appointed as Business Correspondent and Business Facilitator by various commercial banks in Assam. For UCO Bank, United Bank of India AFPL is acting as recovery agent for the old NPA (Non Performing Assets).

The Union Budget for 2009-10 stated that the SLBCs will identify the under-banked or unbanked areas in their respective States/ UTs and devise an action plan for extending banking facilities to all these areas within the next three years. The Budget proposed to set aside a one-time grant-in-aid of Rs.100 crore to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks in the country (RBI, 2009a). Accordingly the SLBC, Assam has identified 2260 number of villages having population of over 2000 but unbanked (SLBC report of March 2010) and SBI, UBI, PNB, AGVB, Langpi Dehangi Rural Bank (LDRB) has proposed an action plan to provide banking facility through BC mode, in the unbanked village allotted to them.

Bank	Details of BC/ BF initiatives by various banks in Assam
Union Bank of India (UBI)	UBI has identified 51 unbanked villages with population more than 2000 in Assam and the selected mode of banking in most of the selected villages mainly BC.
Central Bank of India (CBI)	1. CBI has identified 193 villages in 19 districts of Assam with population of more than 2000. 2. CBI is going to recruit retired officers on contractual basis for monitoring the activities of BCs & impart training to field functionaries in the area of Financial Inclusion in 2010- 11.
State Bank of India (SBI)	State Bank of India (the lead bank of Assam) North-East circle has initiated a programme of appointing 3,000 customer service points (CSP) of business correspondents (BC) across the rural and semi urban centers in Assam. The BCs will operate through the use of various technologies such as smart card-based SBI 'Tiny Card' accounts; internet-based KIOSK banking and SMS based mobile technology ^{xx} for increasing the bank's outreach to those deprived of banking facilities and plans to introduce bio-metric enabled rural ATMs for enhancing the outreach in the rural areas in the state (SBI, 2009). In addition, Dristee Foundation, a prominent all India based NGO, has been appointed as BC by SBI in the state. SBI has appointed 17 BCs in Barpeta (2), Bongaigaon (3), Goalpara (4), Kokrajhar (7) and Nalbari (1) districts of Assam
Assam Gramin Vikash Bank (AGVB)	458 Farmers Clubs as BF and only 1 NBFC (Asomi) as BC. Pilot project has been launched in Morigaon district with NABARD where some farmers clubs are appointed as BF after 100 hrs training. Then they can function as Recovery Agents also. 1016 cards have been issued covering two districts namely Bongaigaon (Boitamari village) and Jorhat (Nagabara village) districts through BC through a WORLD BANK funded project and the implementing agency is "Source Trace".
Punjab National Bank (PNB)	PNB has appointed THE KABONGRAM ASA KASHANG SHANG SOCIAL UPLIFTMENT SOCIETY THANGKHAL AVENUE (IMPHAL-795001) as its BC and its area of operation (circle Office/ State) is Guwahati (North-East)

Source: 1. <http://www.unionbankofindia.co.in>, <https://www.centralbankofindia.co.in>, <http://www.business-standard.com>, <http://www.sbi.co.in/user.htm>
2. Primary data collected through structured formal interviews with Assam Gramin Vikash Bank (Head office, Bhangagarh, Guwahati) and State Bank of India (Local Head Office, Dispur) bank officials

KEY FINDINGS

- 1) Out of total 171 commercial banks operating in India, 36 banks are having presence in Assam and out of 79735 bank branches in India, 1377 are operating in Assam and both these are an indicator of penetration of banking industry in the state. In this regard, as compared to other NER states, Assam is having the key position (Table-1).
- 2) The population per bank branch statistic is gloomy in Assam (22000) and considerably high with the national average of 15000 as on March 2009. In other NER states like Manipur (33000) and Nagaland (26000), the scenario is even depressing. But smaller states like Sikkim (8000) and Tripura (17000) has a better population per bank branch scenario (Table-1).
- 3) District wise data exhibits that commercial banks have good number of offices leading to relatively better levels of access to formal banking services in Kamrup Metropolitan, Nagaon, Dibrugarh, Sonitpur mainly on account of spread of banking habits and a more robust infrastructure. However, some districts like Chirang, Dhemaji, Hailakandi and North Cachar Hills, Baksa and Kokrajhar, have relatively restricted access to banking services due to less number of bank offices (Table-2).
- 4) Out of around 18.5 lakh households in the 11 districts identified for achieving 100 percent financial inclusion, around 79 percent households are covered by opening of no-frill accounts, issue of GCC and KCC. However, the progress varies from district to district. Sonitpur and Barpeta have claimed to achieve 100 percent financial inclusion in line with their predecessor Sonitpur district. Further, Chirang, Udalguri, Lakhimpur and Golaghat districts have claimed to achieve 90 percent coverage and Goalpara stands at last position as only 53 percent households are covered through the financial inclusion drive (Table-4). Data relating to financial inclusion initiatives reveals that highest number of no-frill accounts have been opened in Nagaon district, highest number of GCC has been issued in Karbi Anglong and KCC in Barpeta district (Table-3).
- 5) The percentage of priority sector advances to total advances in Assam has grown from 43.3 percent in March 2006 to 54.1 percent in March 2010 and the banks including commercial banks, RRBs and co-operative banks have successfully exceeded the target of '40 percent of total advances to priority sector' as prescribed by RBI (Table-5). Since 2007, 100 percent of the lending by NEDFi & RIDF has been taken as Priority Sector Advances in Assam. Due to government's Debt Waiver and Debt Relief Scheme for farmers launched in 2008-09, the priority sector lending in India declined in the year 2008 whereas it continued to grow in case of Assam with a declining growth rate (Table-6).
- 6) RBI has set CDR norm of 60 percent for all banks in India and the commercial banks in Assam has failed to attain even the 50 percent CDR over the period of five years under study (2006-2010) (Table-8 & Chart-4).
- 7) The banks in Assam have been making available no-frills accounts facility and also implemented relaxed Know Your Customer (KYC) norms as per RBI directives for achieving greater financial inclusion. Assam registering a growth of around 260 times in no-frills accounts (as per SLBC statistics) as against the national growth of around 100 times over the period of five years from 2006 to 2010. Till March 28, 2010, RRBs have issued highest number of no-frills

- accounts in Assam followed by Commercial banks. Whereas the contribution of Co-operatives is relatively very small in this regard (Table-9 & Chart-5). Union Bank of India has opened highest number of no-frill accounts in Assam (Table-10 & Chart-6).
- 8) In NER, highest number of KCCs has been issued in Assam followed by Tripura and commercial banks being the biggest supplier followed by RRBs as at end March 2010. However, other NER states are lagging behind and performance of co-operatives is also not satisfactory in issue of KCCs (Table-11). Comparative trend analysis of growth issue of KCCs in India and Assam, over a period of five years from 2006 to 2010 reveals that it has been fluctuating in case of India and even the number of cards issued registered a negative growth in India in the year 2008 by 0.5 percent over the previous year. However, the number of KCCs issued in Assam registered a positive growth by 17.3 percent in the same year. This shows that the Agricultural Debt waiver scheme of the government had relatively less impact in Assam (Table-12)
 - 9) The number of GCC issued has increased in Assam by around 60 times in the period of study (from 2006-10) and this increase is attributed to Commercial Banks and RRBs. RRBs have issued largest number of GCCs i.e. around 65 percent of total cards issued in Assam as on March 2010 (Table-13).
 - 10) In Assam, around 2.1 lakh SHGs were deposit-linked and around 1.6 lakh SHGs were credit linked as at end March 2010 (Table-14) which is only around 3 percent of total SHGs linkage in India as there are more than 69 lakh saving-linked SHGs and more than 48 lakh SHGs have loans outstanding in India as at end March 2010. RRBs account for highest number and amount of both deposit and credit linkages of SHGs followed by Commercial banks and Co-operative banks. The number of SHGs financed in Assam has registered around 74 percent increase and the credit extended around 54 percent over the period of five years under study (Table-15).
 - 11) NABARD encouraged banks to promote Farmers' Clubs in rural areas for greater financial inclusion. Accordingly, in Assam as on March 2009, 611 farmer's clubs are working and playing a significant role in formation of SHGs/ JLGs and as BC/ BF. Further, they coordinate with banks to ensure regular credit flow among its members and forging better bank borrower relationship (Table-16). The Lead Bank in Assam has urged that ideally each branch should promote at least one farmers club for better credit disbursement and credit management. In India as on 31st March 2010, Farmers Clubs formed 14858 SHGs out of which 7986 SHGs were bank linked and grant assistance extended to these SHGs by NABARD was 61.96 lakhs (NABARD, 2010).
 - 12) SLBC in Assam has identified 2260 number of villages which are having population of over 2000 but still unbanked for extending banking facility as per the guidelines in the Union Budget for 2009-10.
 - 13) Both public and private sector banks have taken initiatives in appointing BCs in India. Various banks in Assam have taken different BC and BF initiatives. Technological initiatives have been undertaken by SBI as it has initiated a programme of appointing 3,000 customer service points (CSP) of BC across the rural and semi urban centers in Assam and these BCs will operate through the use of various technologies such as smart card-based SBI 'Tiny Card' accounts; internet-based KIOSK banking and SMS based mobile technology for increasing the bank's outreach to those deprived of banking facilities and plans to introduce bio-metric enabled rural ATMs for enhancing the outreach in the rural areas in the state (SBI, 2009). Further, Dristee Foundation, a prominent all India based NGO, has been appointed as BC by SBI in the state (<http://www.business-standard.com>). Asomi Finance Pvt. Ltd (AFPL) an NBFC has been appointed as BC and BF by various commercial banks. AGVB has appointed 458 Farmers Clubs as BF.
 - 14) Huge expertise gap has been observed. Further mobile banking initiatives have still not taken place and the financial literacy which is the need of the hour is still in its budding stage.

CONCLUSION AND RECOMMENDATIONS

Financial Inclusion has considerably improved in Assam during last half a decade. Assam is having presence of highest number of commercial bank branches in entire NER. Banks have successfully exceeded the national norm of '40 percent of total advances to priority sector'. However, they have failed to achieve the target CDR of 60 percent. Enormous growth has been witnessed in opening no-frills accounts, issue of KCCs and GCCs. Further, the deposit and credit linkages of SHGs have also increased significantly and Farmers clubs are discharging vital role in formation of SHGs in Assam. For greater financial inclusion, various banks operating in Assam have also started appointing BCs and BFs in unbanked areas. Thus, the supply side is claiming financial inclusion to be satisfactory. However, huge expertise gap has been observed. Further, it is important to look at the demand side performance as access does not always lead to usage (Ramji, 2009). Considering the performance of the financial inclusion initiatives in Assam we have to agree to the fact that merely multiplied number of no-frills accounts, issue of KCCs and GCCs is not a criterion of financial inclusion. To what extent the financial facilities are being used by the beneficiaries is of more importance to judge the efficiency of the financial inclusion drive. Hence, there is a requirement for undertaking primary level research to substantiate the claim of the supply side players as successful financial inclusion initiatives.

Considering the difficult terrain and scattered inhibition pattern in certain districts of Assam, it is very timely to collaborate with the technological partners to make financial inclusion easier. In this case if required specific model has to be evolved to meet the expertise gap that is quite visible at present.

While addressing the issue of financial inclusion, other factors also play a key role in the market. This is because efficiency, innovation and cost-effectiveness are the key to serve the financial needs of the poor. The Planning Commission of India in its recent report on financial reforms has come out with suggestions in several fronts – organizational structure facilitating financial inclusion; focus on risk management, subsidies and public goods, use of technology, improving infrastructure and financial literacy (Rajan, Raghuram, 2009).

For financial inclusion the availability of products and services is not enough, easy accessibility and regular usage is important. Effective mechanism should be developed to bring the marginalized section of society into formal financial system. Local financial institutions have a better understanding of the needs of the common people and suitable financial products and services may be developed to serve the poor. Financial inclusion needs substantial efforts in-understanding the requirements of the poor, counseling, financial literacy, screening and monitoring. For this, simple procedures and practices based on local needs should substitute highly standardized and automated processes adopted by banks (Bernanke, 2006). The Sub-Committee under the chairmanship of Malegam recommended creation of a separate category of NBFC operating in the Microfinance sector (NBFC-MFI^(xii)). A fair and adequate regulation of NBFCs will encourage the growth of microfinance sector and will contribute towards greater financial inclusion in the country (RBI, 2011).

There is a great prospect of formation of Farmers Clubs in the state by banks. Further, a large number of farmers need to be brought in KCCs fold. The usage of the key products needs to be examined as access without usage is of little use in achieving the goal of financial inclusion, as mere access will be temporary inclusion, which will term into exclusion in the long run. Further, the drive for financial literacy should be given more impetus. The Malegam committee recommendations should also be given due consideration while formulating policy decisions for enhancing financial inclusion through microfinance.

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ENDNOTES

ⁱThe financially excluded sections largely comprise of small vendors, marginal farmers, landless laborers, people engaged in self employment and unorganized sectors, urban slum inhabitants, migrants, tribal minorities, socially excluded groups, senior citizens, physically challenged people and women. Financial exclusion is a multi-dimensional problem, which both the developed and developing countries endeavor to overcome. The reasons being low income, lack of identity proof, illiteracy, distance from bank branches, lack of banking habits, high transaction costs, lack of banking knowledge or insufficient knowledge on banking products and attitude of bankers.

ⁱⁱ Unique needs means that the financial products and services should be within the reach of the poor. It should be reasonably priced. It should match the small and frequent needs and requirements of the poor.

ⁱⁱⁱ For details see Report on Trend and Progress of Banking in India 2009-10, p 93

^{iv} Simplification of 'Know Your Customer' Norms: RBI has simplified the 'know your customer' (KYC) norms for minimizing the procedural hassles involved in opening a bank account. This is to enable those belonging to low-income groups to open bank accounts without documents of identity and proof of residence. In such cases, banks can take the individual's introduction from an existing account holder on whom the full KYC procedure has been completed and has had satisfactory transactions with the bank for at least six months. The photograph and address of the prospective account holder need to be certified by the person who introduces him/her. These simplified KYC norms are applicable for those who intend to keep balances not exceeding Rs 50,000 in all their accounts taken together. The total credit in all the accounts taken together should not exceed Rs 1 lakh in a year. Source: <http://www.apnaloan.com/home-loan-india/financial-inclusion.html> viewed as on 20th March 2011.

^v Linking of the financial inclusion drive with social security schemes (such as National Rural Employment Guarantee Programme (NREGA) will facilitate governments to make payment of wages into the bank accounts of beneficiaries through the 'Electric Benefit Transfer' (EBT) method. This will minimize transaction costs including leakages. In parts of the country where such EBT has already taken off, the results are impressive and the experience of both payers and recipients extremely satisfying.

^{vi} Financial access is higher than the National average (48.6 percent) for the Southern Region (72.7 percent), Western Region (53.8 percent) and Northern Region (51.4 percent) and inclusion is lower in case of Eastern Region (39.9 percent) and Central Region (41.7 percent) than the modest National average of 48.6 percent.

Source: Karmakar and Mohapatra, 2009, Emerging Issues in Rural Credit, *The Microfinance Review: Journal of the Centre for Microfinance Research*, Volume 1, Number 1, p 2

^{vii} Considering the branches of Scheduled Commercial Banks only

^{viii} Around 36.09 percent of population in Assam living below the poverty line

^{ix} The impediments relates to both supply related issues like lack of appropriate financial services for those that are excluded by the traditional instruments and demand related limitations like the low level of commercialization, difficult terrain, poor and costly transport, sparse population in the hilly areas, scattered villages, poor infrastructure, high level of grants per capita and traditional ethnic tribal culture where need for savings and credit is limited.

^x On April 28, 2006, the Reserve Bank advised the convenor banks of the State Level/Union Territory Level Bankers' Committees (SLBC/UTLBC) in all States/ Union Territories to identify at least one suitable district in each State/Union Territory for achieving 100 per cent financial inclusion by providing a "no-frills" account and issue of General Credit Card (GCC). They were also advised that on the basis of experience gained, the scope for providing 100 per cent financial inclusion may be extended to cover other areas/districts. The SLBCs/ UTLBCs were further advised to allocate villages to the various banks operating in the State for ensuring 100 per cent financial inclusion and also to monitor the progress under financial inclusion in the meetings of the SLBC/UTLBC from September 2006 onwards. Source: RBI, 2007-08, Annual Report, p 194

^{xi} It is summation of total number of Scheduled Commercial Banks, Public Sector Banks and Nationalised Banks as at end-March 2010

^{xii} As per the Census Report 2011, the Provisional Population total of Assam is 3,11,69,272.

Computed by dividing Provisional Population total of Assam available at (http://censusindia.gov.in/2011-prov-results/prov_results_index.html) and dividing the same by total number of Bank branches (i.e. Scheduled Commercial Banks, Public Sector Banks and Nationalized Banks) at end-March 2010.

^{xiii} NEDFi : North Eastern Development Finance Corporation Ltd. (NEDFi) was incorporated under the Companies Act (1956) in the year 1995. NEDFi aims to be a dynamic and responsive organization to catalyze economic development in the North-East by identifying financing and nurturing eco-friendly and commercially viable industrial and infrastructure projects in the region. The Corporation offers various products to the entrepreneurs in a quick and hassle free manner. The products are:

- (a) Project Term Loan
- (b) Equipment Finance
- (c) Equity Participation (for innovative & highly promising projects)
- (d) North-East Equity Fund (for small local entrepreneurs)
- (e) Merchant Banking Services
- (f) Assist in Entrepreneur Development and Development of Market for NE Products.
- (g) Assist Techno-Economic Feasibility Studies for National and International Funding.

Source: http://finmin.nic.in/the_ministry/dept_eco_affairs/budget/annual_report/9900ea2.PDF

^{xiv} Guidelines for implementation of the scheme have since been received from Reserve Bank of India vide their Circular letter No. RPCD.No.PLFS.BC..72/05.04.02/2007-08 dated 23rd May 2008.

^{xv} Salient features of the Kisan Credit Card Scheme

The eligible farmers are to be provided with a Kisan Card and a pass book or a card-cum-pass book with revolving cash credit facility involving any number of drawls and repayments within the limit. The limit should be fixed taking into account entire production plus ancillary activities related to crop production for full year. Further, operational land holding, cropping pattern and scale of finance should also be considered while fixing the limit. The Card is valid for 3 years subject to annual review. Here, each withdrawal should be repaid within 12 months and conversion or rescheduling of loans is also permissible in case of damage to crops due to natural calamities. In case of KCCs security, margins, rate of interest are fixed as per RBI norms. As regards operations, it may be done through issuing branch or at the discretion of bank, through other designated branches. Withdrawals can be made through slips/cheques accompanied by card and passbook. CBs/RRBs/Co-operative Banks are implementing the scheme. Personal Accident Insurance Scheme has been made effective for KCC holders w.e.f. 01 April 2002. The banks can now extend both production and investment credit through KCC as the scope of the KCC scheme has been broadened to cover term loans for agriculture and allied activities also.

^{xvi} For providing an incentive to banks for issuing the GCCs, fifty per cent of credit outstanding under GCC up to Rs.25, 000 has been made eligible for being treated as indirect agricultural finance under the priority sector lending as per the directions of RBI. Further, RBI directed banks in May 2008 to classify 100 percent of the credit outstanding under GCCs as indirect finance to agriculture sector under the priority sector with immediate effect. Source: RBI, 2007-08, *Annual Report*, pp196, 197.

^{xvii} Self Help Groups (SHGs) have become the common tool of development process, converging all development programmes and is fundamentally the largest micro finance programme in terms of outreach in the world and many other countries are eager to implement this model.

^{xviii} RBI/2005-06/288 DBOD.No.BL.BC. 58/22.01.001/2005-2006

^{xix} RBI/2009-10/238 DBOD.No.BL.BC. 63 /22.01.009/2009-10

^{xx} SBI 'Tiny Card' accounts operates with fingerprint identification through the use of mobile phone or Point of Sale devise, fingerprint scanner and printer and provides savings, recurring deposits, overdraft and remittances

KIOSK banking is internet based and bio-metrically enabled facilitation online and real time banking transactions and cost effective if existing infrastructure like with Common Service Centers is utilized SMS-based mobile phone technology uses low end mobile with PIN and signature booklet without biometric. In this technology the customer gets acknowledgement via SMS. This technology excludes cost of POS, card, PC-kiosk and fingerprint machines

Source: SBI, 2009, National Initiatives For Financial Inclusion, September 18

^{xxi} A NBFC-MFI may be defined as "A company (other than a company licensed under Section 25 of the Companies Act, 1956) which provides financial services pre-dominantly to low-income borrowers with loans of small amounts, for short-terms, on unsecured basis, mainly for income-generating activities, with repayment schedules which are more frequent than those normally stipulated by commercial banks and which further conforms to the regulations specified in that behalf".

Source: RBI, 2011, Report of the Sub-Committee of the Central Board of Directors of Reserve Bank of India to Study Issues and Concerns in the MFI Sector, January, p6.

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