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Cost –Benefit and Usage Behaviour
Analysis of No Frills Accounts:
A Study Report on Cuddalore District

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Executive Summary

Financial inclusion is the delivery of financial services at an affordable cost to the vast sections of disadvantaged and low income group of people who have been excluded from it. In 2005-06, the RBI exhorted the banks to make available a basic banking no frills savings account either with nil or very low minimum balances. The State Level Bankers Committees (SLBC) identified districts in each state and the drive for opening no frills accounts were completed in 155 districts as of November 2008. This study was aimed to analyze the results of the no frills financial inclusion drive in Cuddalore district of Tamil Nadu in terms of coverage by geographical and other categories, cost involved in account opening and maintenance as also the transactional usage behaviour of such accounts, which will facilitate in calculating the break even point after which the banks would earn revenues.

The study highlighted some of the major gaps in the implementation of the drive. A significant percentage of households (25 percent) were still left out of the banking net even after the drive. The study also showed that only 15 percent of the customers were operating the accounts and bulk of the accounts hadn't even operated once, one year after the completion of the drive. An analysis on the operating accounts showed a steady increase in balances over one year from their account opening date. The study also highlighted that one of the main reasons behind the non operative accounts was the lack of financial literacy apart from other reasons such as distance from branches, etc. The average account opening and maintenance cost of no frills accounts were estimated to be Rs. 50.45 and Rs. 13.40 respectively. At current levels of transaction and average balances, it was shown that no frills will break even the maintenance cost but not the account opening costs.

Some of the recommendations from this study include the need of financial literacy at the time of account opening, incentives for branch managers delivering on socially responsible schemes, documentation of best practices on such projects, etc.

Introduction

Financial inclusion is the delivery of financial services at an affordable cost to the vast sections of disadvantaged and low income group of people who have been excluded from it. Financial exclusion is a problem that exists throughout the world and it arises as a result of various social and economic factors. Achieving financial inclusion is seen necessary to improve and achieve social inclusion. Countries around the world have come up with different policies in order to achieve financial inclusion. In India, the Government of India and the Reserve Bank of India (RBI) have taken various steps over the years commencing from nationalization of banks in 1969/1980 to the recent 'no frills' savings account scheme.

In the budget speech of 2005-06, the Finance Minister stated that “the financial inclusion provides business opportunities to the financial institutions at the bottom of the pyramid”. Reserve Bank of India, in its Annual Policy Statement for the year 2005-06, urged banks to review their existing practices to align them with the objectives of financial inclusion. In the Mid Term Review of the Policy (2005-06), the RBI exhorted the banks to make available a basic banking no frills savings account either with nil or very low minimum balances as well as charges that would make such accounts accessible to vast section of population and in a transparent manner. The convenors of State Level Bankers Committee (SLBC) were advised by the RBI in April 2006 to identify at least one district in each State/Union Territory for achieving 100 per cent financial inclusion by providing no frills account and issuing general purpose credit card. Pursuant to the Annual Policy Statement for the year 2007-08, the banks were urged to scale up their financial inclusion efforts by utilizing appropriate technology.

By November 2008, of the 342 districts identified, 155 districts in 19 States and 6 Union Territories were declared to have achieved 100 per cent financial inclusion. As at end-March 2008, 15788919 no-frills accounts have been opened in the country¹. The initiative could have a significant bearing on a very large portion of the population since, if executed properly, it has the capability to bring them into the banking net by offering

¹ Report on Trend and Progress of Banking in India, 2007-08, Reserve Bank of India

variety of financial services such as savings, credit and insurance at affordable costs. However, it also involves a huge cost in terms of account opening and maintenance for the banks and also requires careful implementation in phases. Therefore, the implementation of the scheme should be studied carefully in order to:

- Take forward lessons learned on execution from one district to the other
- Monitor the gaps between the objective and the happenings on the ground at early stages so that effective measures can be taken to fill the gaps
- Bring to the notice of all the stakeholders of the project such as banks, policy makers and government about the in-depth process involved in execution, difficulties and the overall effectiveness of the project.

It was considered important to look at the status of the project for financial inclusion covering all aspects of no frills accounts. Therefore, the College of Agricultural Banking (CAB), Reserve Bank of India, Pune and the Centre for Micro Finance at the Institute of Financial Management and Research (IFMR), Chennai decided to study a district that had been declared 100 percent financially included. Cuddalore district, which was declared as the first district in the State of Tamil Nadu to have achieved 100 percent financial inclusion in September 2007 was chosen for this study. Major public and private sector banks and the district cooperative bank have a fairly widespread presence in the district and a regional rural bank also has a reasonable presence. This study was aimed to analyze the results of the financial inclusion project in terms of coverage by geographical and other categories, cost involved in account opening and maintenance as also the transactional usage behaviour of such accounts, which will facilitate in calculating the break even point after which the banks would earn revenues. The primary benefit of the scheme comes from its feasibility of offering affordable banking services to the poor and in turn, the poor finding them useful for their needs. Hence, cost benefit analysis and usage behaviour formed an important agenda of this research study to map it back to its objective. The study also addressed some of the other gaps seen in execution that needs to be addressed in future drives.

This report is organized in the following manner. Section 1 presents a review on literature covering financial inclusion and no frills accounts. Section 2 provides a brief profile of Cuddalore district and a description of the process of financial inclusion drive in the district. Section 3 details the methodology of the study. Section 4 provides an

analysis of data available when the project was initiated and completed. Section 5 analyses the transaction usage behaviour of no frills accounts over the past year. Section 6 deals with costs involved in account opening and maintenance as well as break even level of operations for the branches. Section 7 offers conclusions and some recommendations.

1. Literature Review

This section presents an analysis, derived from existing literature, of the definitions of financial inclusion, as well as a summary of financial inclusion initiatives in India and other countries. There are different definitions of financial inclusion and there is no universally accepted one. Financial inclusion has generally been defined in terms of financial exclusion which results in social exclusion. In 1995, Leyshon and Thrift² in their paper defined financial exclusion as *“those processes that prevent poor and disadvantaged social groups from gaining access to the financial system. It has important implications for uneven development because it amplifies geographical differences in levels of income and economic development.”* The European commission³ in its paper on prevention of financial exclusion defines financial exclusion as *“a process whereby people encounter difficulties accessing and / or using financial services and product in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”* The Committee on Financial Inclusion (Chairman: C. Rangarajan)⁴ defines financial inclusion as *“the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost.”* Usha Thorat, Deputy Governor, RBI in her speech on financial inclusion said *“financial exclusion, broadly, is construed as the inability to access necessary financial services in the appropriate form due to problems associated with access, conditions, prices, marketing or self-exclusion”⁵.*

² Leyshon and Thrift (1995), Geographies of Financial Exclusion: Financial Abandonment in Britain and the United States, Transactions of the Institute of British Geographers New Series.

³ European Commission (2008), Financial services provision and prevention of financial exclusion.

⁴ Ranagarajan. C (2008), Report of the Committee on Financial Inclusion, submitted to the Government of India.

⁵ Usha Thorat (2008), Speech on Financial Inclusion and Information Technology, Vision 2020-Indian Financial Services Sector, NDTV, Mumbai.

The problem of financial exclusion varies widely across countries and is especially pronounced between developed and developing countries. In developed countries, the nature of the problem is to include small percentages of people who are outside the banking net and to improve access to people who suffer due to switching of banks from branch banking to internet banking. In developing and underdeveloped countries such as India, South Africa and other African countries, the nature of exclusion is very different because majority of the population in these countries do not have access to basic financial services at an affordable cost. A variety of schemes have been designed and implemented across the world to tackle financial exclusion. The United States passed the Community Reinvestment act in 1977 that prohibits banks from targeting rich neighborhoods alone. The law of exclusion in France makes holding bank account as a right. Credit unions in the US and the UK offered flexibility in providing affordable credit to customers. South Africa has 'MZANSI' account which is a low cost card-based savings account with easy accessibility. Mexico has a microfinance program called 'PATMIR' where savings take precedence over credit. Canada has free encashment of government cheques even for non-customers. The UK has set up a separate independent financial inclusion task force which mainly looks at three priority areas namely access to banking, access to affordable credit and access to free face to face money advice. The government also allotted 120 million pounds to the fund for financial inclusion over three years. Banks in various countries have extended basic savings accounts similar to 'no frills' account, though with different names, with a view to making financial services accessible to the common man.

1.1 Notable Indian Initiatives

In India, various initiatives like, nationalization of banks, prescription of priority sector targets, lending to weaker sections at concessional rates, introduction of lead bank scheme, branch licensing norms with a focus on rural/semi-urban branches, were taken to address the issue of non availability of banking services to the under privileged and weaker sections of the society. But those policies, generally, facilitated easy access to credit to the rural population. There had not been much stress on savings, until recently, even though there is enough evidence that the poor could save.

One of the major policy interventions was the nationalization of banks in 1969 and 1980. It was considered to be one of the most significant social, political and economic events in independent India. Another major step taken was the establishment of regional rural banks in 1975. As a result of these two major policy changes, the number of commercial bank branches increased from 8261 in June 1969 to 76518 in June 2008. The rural branches significantly increased from 1833 or 22 percent of the total branches to 31127 or 40.7 percent of the total branches in June 2008. The population covered by each branch decreased from 63800 in June 1969 to 15000 in June 2008⁶. New private banks also came into existence after liberalization of Indian economy in 1991.

The SHG – Bank Linkage programme launched by NABARD with policy support from the RBI in 1992 was aimed to take banking service to the poor by providing savings and credit facilities through self help groups (SHGs). NGOs, banks, farmers' clubs, etc. act as SHG promoting institutions that help form groups, organize them, build capacity of the groups and link them with banks to access savings and credit. This model had succeeded in encouraging thrift/savings in a segment of population that the formal financial institutions found difficult to cover and bringing millions of people in the country to access credit at an affordable interest rate and opened alternate doors for those living at the mercy of usurious money lenders. Under this programme, 4160584 SHGs were maintaining savings bank accounts with banks with outstanding savings of Rs. 3512.71 crore, covering more than 5.8 crore households as on March 31, 2007. Over the years, many Microfinance Institutions have also come up additionally offering credit to the poor. MFIs, under MFI-Bank Linkage model, are availing bulk loans from banks for on lending to SHGs and other small borrowers. As on March 31, 2007, 27 banks have lent Rs. 1584.47 crore to 550 MFIs for this purpose. MFIs cover about 83 lakh borrowers presently⁷.

The other major financial services provider in India is the India Post which provides deposit, investment, insurance, pension, and remittance facilities through 155204 Post Offices of which 125439 are located in rural areas. Each post office, on an average, covers an area of 21.2 sq.km and serves 7166 persons. Post Office Savings Bank has a network of 1.55 lakh offices (twice the size of all the banks put together) and a customer

⁶Report on Trend and Progress of Banking in India, 2007-08, Reserve Bank of India

⁷Report on Status of Microfinance Sector in India, 2006-07, NABARD

base of 17.23 crore account holders and deposit of Rs. 351547.72 crore, as on March 31, 2007⁸.

There are quite a few ways to measure financial inclusion. The two most common measures used are percentage of adult population having bank accounts and number of bank branches (population covered per bank branch). According to data from banks and various financial institutions, 54 persons out of 100 held a savings bank⁹ account with one or other financial institutions in 2007 which means a significant percentage of the population are still left unbanked even after these measures.

Reserve Bank of India advised banks, in November 2005, to make available basic banking 'no frills' account. The RBI, followed up, by urging the banks to make available such "no frills" savings account with relaxed Know Your Customer norms for anyone who does not have a bank account. The banks were also advised to consider introduction of a General Credit Card facility up to Rs 25000 at their rural and semi urban branches. The Governor, RBI, while addressing the bankers in Union Territory of Puducherry in November 2005, called upon the bankers to take up a National Pilot Project of Financial Inclusion in the UT of Puducherry. On successful completion of the project in twelve months starting from January 1, 2006, UT of Puducherry became the first State/UT in the country to achieve 100 per cent financial inclusion. The Puducherry experiment was specifically highlighted in the Annual Policy Statement for the year 2006-07 and all the State Level Bankers Committees (SLBCs) were advised to identify one or more districts in their respective states for 100 per cent financial inclusion and the responsibility of opening accounts for all households which doesn't have a bank account is given to all the banks in the area. In January 2006, RBI, based on the recommendations of the Internal Group to Examine Issues Relating to Rural Credit and Microfinance (Chairman: H.R. Khan), permitted banks to utilize the services of NGOs, SHGs, MFIs, and other civil society organizations as intermediaries for providing financial and banking services through the use of business facilitators and business correspondents. In May 2007, banks were urged to scale up their financial inclusion efforts by utilizing appropriate technology. In November 2008, SLBCs have reported 100 percent financial inclusion in 155 districts across 19 states and 6 union territories. A total of 1.58 crore no frills ac-

⁸ India Post, Annual report, 2006-07

⁹ Report on Currency and Finance, (2006-2008, Reserve Bank of India.

counts have been opened by the end of March 2008 out of which 1.39 crore accounts were opened by public sector banks¹⁰.

A few studies have been undertaken so far to look at the implementation of the financial inclusion project in the country. Minakshi Ramji, of the Centre for Micro Finance, completed a study on financial inclusion in Gulbarga district¹¹ which is one of the most backward districts in Karnataka and was declared 100 per cent financially included in January 2007. While this research paper focused on the overall effectiveness of the project mainly from the banks' side, Minakshi Ramji's study looked at from the point of view of the poor by administering a questionnaire on Below Poverty Line (BPL) households identified by their ration cards. It focused on checking whether the financial inclusion drive helped in getting savings account for people whom it actually mattered, especially, the poorest of the poor. The study revealed some significant gaps in the implementation of the project in Gulbarga district. It showed that only 10 per cent of the respondents were aware that banks were opening no frills accounts. Also revealing was that 91 per cent of the respondents who opened accounts cited receiving payments from government schemes as the reason for opening accounts rather than savings. While the scheme was implemented with great enthusiasm but in haste by bankers, the study showed that the low income households which needed the benefits of the scheme the most, stood ignored. The study also listed out the inconsistencies of the initiative like households holding a post office account were considered as already having an account earlier during the implementation of the project but then later in the drive, they were considered as financially excluded households.

The Reserve Bank is presently undertaking an evaluation of the progress made in all the financially included districts by independent external agencies to draw lessons. The studies conducted in 26 districts so far revealed that although the districts concerned had been declared as 100 per cent financially included, the actual financial inclusion had not been to the extent. Further, several accounts that were opened remained inoperative due to various reasons.

¹⁰ Report on Trend and Progress of Banking in India, 2007-08, Reserve Bank of India

¹¹ Minakshi Ramji (2008), Financial Inclusion in Gulbarga: Finding Usage in Access, Center for Microfinance, IFMR

The Committee for Financial Inclusion (Chairman: C. Rangarajan) which was constituted by the Government of India for preparing a strategy on financial inclusion called for a National Mission on Financial Inclusion comprising representatives of all stakeholders. It also called for providing access to comprehensive financial services to at least 50 per cent of the excluded rural households by 2012 and the rest by 2015, and extending access to credit to at least 250 households per branch per annum¹².

2: Financial Inclusion Project

2.1 Cuddalore District: A Profile¹³

Cuddalore is a district situated in the state of Tamil Nadu in India (Figure 2.1.1). The city



Figure 2.1.1

of Cuddalore is the district headquarters. The district with a geographical area of 3678 sq.kms. is bounded by Bay of Bengal on the east and by Villupuram, Nagapattinam and Perambalur districts on the other sides. The district was part of South Arcot district which was bifurcated into Cuddalore and Villupuram district in 1993. Cuddalore district comprises of 681 village panchayats and has 3 revenue divisions, 6 taluks and 13 blocks with a population of 22.85 lakh. The district is considered to be 33 per cent urbanized as per the 2001 census.

The district has a 52 per cent share in agriculture and is the top producer of cashew nut in the state. About 78 per cent of the land holdings are below one hectare. Some of the other major crops produced are paddy, groundnut, tapioca, millets, sugarcane and

¹² Ranagarajan. C (2008), Report of the Committee on Financial Inclusion, submitted to the Government of India.

¹³ Indian Bank, Booklet on Financial Inclusion Project in Cuddalore District

pulses. Cuddalore is also famous for Neyveli Lignite Corporation and SIPCOT industrial park. The Neyveli Lignite Corporation provides briquette, electricity, coal and tar. The power generated by this corporation accounts for 30 per cent of the electricity generated by southern states. The district also has one cooperative and 3 private sugar mills. A number of chemical factories are located in SIPCOT industrial complex. The district has a coastal length of 57.5 kms and hence fishing activities are undertaken in coastal villages on a large scale.

2.2 Financial Inclusion Project Process¹⁴

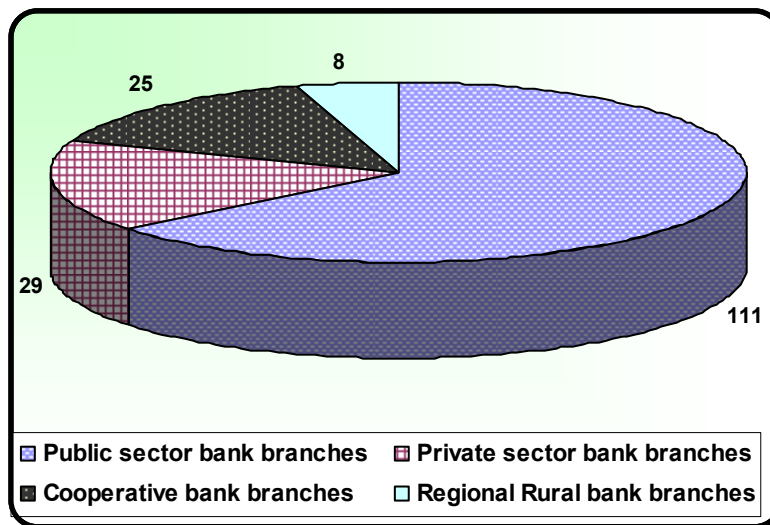


Figure 2.2.1

Cuddalore is the first district in Tamil Nadu to implement the financial inclusion project. On June 1, 2006, the SLBC chose the Cuddalore district for the project and Indian Bank which is the lead bank in the district coordinated the project process to open no frills account for all house-

holds in the district that did not have a bank account. Cuddalore district has a total of 800 villages, 454 wards and 173 branches at an average of 7 to 8 villages or ward per branch (Figure 2.2.1). The list of banks operating in the district is given in Annex A.

The District Collectorate and the lead bank put forth certain guidelines before the implementation of the project. Villages were allotted to each branch under the erstwhile service area concept and wards were allotted to branches in urban and semi urban centers which weren't allotted any village. The distance between the branch and the villages allotted to it varied from 50 meters to as far as 20 kms. The lead bank collected basic information on village wise household details and furnished the same to the district

¹⁴ Indian Bank, Booklet on Financial Inclusion Project in Cuddalore District

coordinators of all the banks. A format for household survey was designed and communicated to all district coordinators. The project was formally launched on July 11, 2006 by declaring the pilot village Thambipettai as the first village to be fully covered under it.

The lead bank and the District Collectorate issued press releases to the general public to avail of this opportunity to open bank accounts and also appealed to panchayat presidents to help in implementing this project in their villages. Each branch surveyed the villages and recorded information of each household such as, name, age and profession of all members of the household. The banks had to explain the features of no frills account to all adult persons in the household and then enter in the survey form if each adult in the household who did not have a bank account previously was willing to open no frills account or not. Based on the survey information, no frills accounts were opened for all '**willing persons**'. However, it was decided that the progress and completion of the financial inclusion drive would be measured based on the number of households covered and not the number of adult persons covered. The project was completed in September 2007 and the district was declared as 100 percent financially included. Some of the major banks in the district and the number of branches they operate in the district are given in Table 2.2.1. These 8 banks account for 76.30 percent of all branches in the district.

S No	Bank Name	Number of Branches
1	Indian Bank	30
2	State Bank of India	21
3	Cuddalore District Central Cooperative Bank	20
4	Indian Overseas Bank	16
5	Canara Bank	16
6	ICICI Bank Ltd.	12
7	Central Bank of India	9
8	Pallavan Grama Bank (RRB)	8

Table 2.2.1

3: Study Methodology

This section explains briefly the focus of the study and the methodology followed.

3.1 Financial Inclusion Project Results

This section of the study focuses on the analysis of the results of financial inclusion project when the district was declared as 100 percent financially included. The study also analyzes the willingness and unwillingness of households to open bank accounts as reported by different banks and geographical category in order to understand the performance of different stakeholders involved in the execution of the project.

The financial inclusion project was completed in September of 2007 and the results of the project were released in a booklet called 'Financial Inclusion Project in Cuddalore District' published by the lead bank. The data on the project's coverage was listed in detail in the booklet by geography and branch wise. Since no one – SLBC convenor, Lead Bank, RBI, NABARD, or district administration – had undertaken an analysis of the data either at the start of the project or at the conclusion of the project, none had an idea of how effectively the project had been implemented.

3.1.1 Sources for Analysis

The data from this booklet had been used for analysis of the overall results of the project, coverage of new accounts opened, and analysis of willingness and unwillingness of households to open accounts. The study had undertaken a mapping of the different strategies adopted by the banks in the implementation of the project. To understand the reasons expressed by the households for the unwillingness to open bank account, a few branches which had recorded a high degree of unwillingness were visited. Apart from the booklet data, the analysis was based on the details filled in the survey forms and visiting a few households randomly that expressed unwillingness to open account in the survey. A simple questionnaire was administered on these households to understand the reasons behind the unwillingness. Some branch managers were also interviewed to get an understanding of the process of financial inclusion and their views on the effectiveness of the scheme.

3.2 Account Usage Behaviour

This section focuses on the usage of the no frills accounts one year after the project implementation. The section concentrates on operative accounts to see the trend of their account usage in terms of number of transactions and balance. Some of the reasons behind non usage of accounts are also covered.

3.2.1 Sources for Analysis

For usage analysis, transaction data were collected from bank branches on a randomly selected list of accounts that had more than zero/minimum balances. Around 20 bank branches across different geographical and bank categories were selected and visited. The list of no frill accounts with balances was generated in each branch and a sample of around 30 to 60 accounts (with balances more than minimum balance prescribed by the branch) was marked randomly. Banks were requested to provide statement of accounts for these accounts. Finally, data from 15 branches were available to us for analysis that had a good mix of geographical and bank categories. Also, in order to understand the reasons behind the inoperative accounts, a couple of villages were visited and focus group discussions were held. A case study on the savings account usage was also documented.

3.3 Cost and Break Even of No Frills Accounts

Finally, the study focused on the cost of the scheme from account opening and maintenance perspective. After more than a year of project implementation, it is necessary to look at the benefits that the scheme has brought not only to the customers but also to the banks as they spent enormous resources in implementing the project. Benefits to the banks contribute to sustainability of the project and hence it was important to calculate the break even point at which banks can earn revenues.

3.3.1 Sources for Analysis

The computation of account opening and maintenance cost was based on interviews with branch managers and other officers on the process and time taken for various activities. The benefits were calculated taking into account the average usage behaviour of accounts from the transaction data and the market interest rates that prevail.

4. Financial Inclusion Project Results¹⁵

4.1 New Accounts Opened: Coverage

Cuddalore district has 511465 households with a population of 22.85 lakh. Around 42 percent of the households in the district were already having bank accounts. There was no data available on the number of adult persons already having bank accounts at the start of the project. The financial inclusion project resulted in opening of 186935 new no frills savings accounts in the district and helped to bring in 144975 households into the banking net which formed 28 percent of the total households. Obviously, some households had opened more than one account in the name of willing persons of the households concerned. The number of bank accounts per 100 adults had increased by 12 percent (number of new accounts as a percentage to the total adult population as per the census). The Figure 4.1.1 below shows the distribution of households after the completion of financial inclusion project.

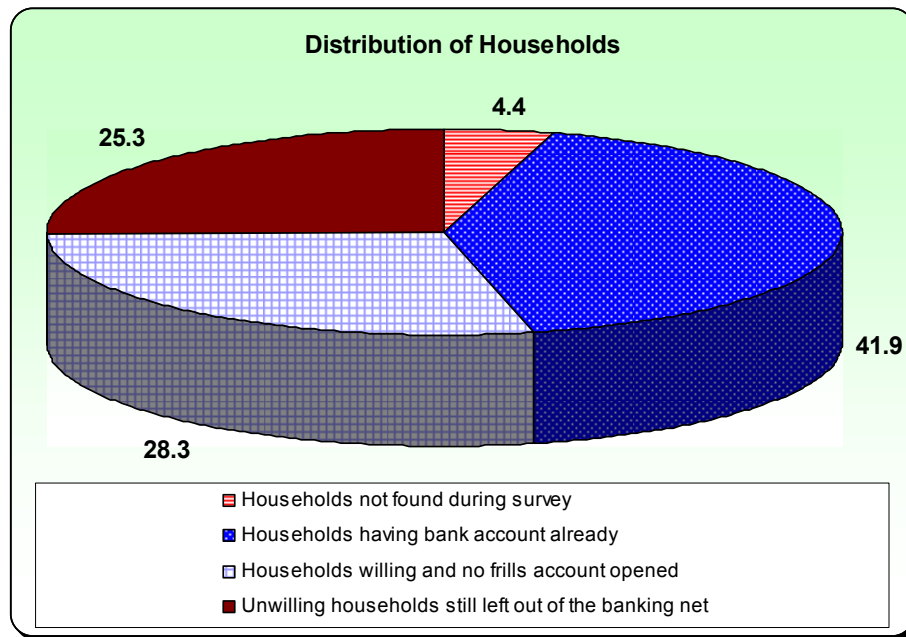


Figure 4.1.1

As we can see from the Table 4.1.1 and Figure 4.1.1, though the financial inclusion project had brought in a significant number of households into the banking net, the total percentage of households having bank account after the project still stood at 70 leaving

¹⁵ Indian Bank, Booklet on Financial Inclusion Project in Cuddalore District

30 percent of the households excluded. More than 25 percent of the total households had been reported as unwilling to open the no frills savings account.

Banking Statistics	Number of Households	Percentage of Households
Total households as per 2001Census	511465	100.00
Total households actually found during survey	488779	95.56
Households having bank accounts already	214274	41.89
Households not having bank accounts	274505	53.67
Households willing to open bank accounts	144975	28.35
Households unwilling to open bank accounts	129530	25.33
Total households having bank accounts after the drive	359249	70.24

Table 4.1.1

Excluding the households not found and households that already had a bank account, of the remaining, 53 percent households reported willingness to open bank accounts whereas 47 percent households reported unwillingness to open bank account. The fact that such a large population in a fairly advanced district reported unwillingness to open bank accounts was intriguing and the team decided to delve deep into the circumstances and reasons for it.

The distribution of no frills accounts newly opened by geographical category is shown in Figure 4.1.2. The rural category accounted for 85 percent of all accounts opened during the project. Given that the percentage of households already having bank accounts was high in urban areas, project was focused a lot more on rural areas and had brought a significant number of rural households into the banking net. In terms of percentage, willingness was higher in the rural areas compared to urban and semi-urban while unwillingness was higher in semi-urban areas. The percentage of households having bank account already was higher in urban areas.

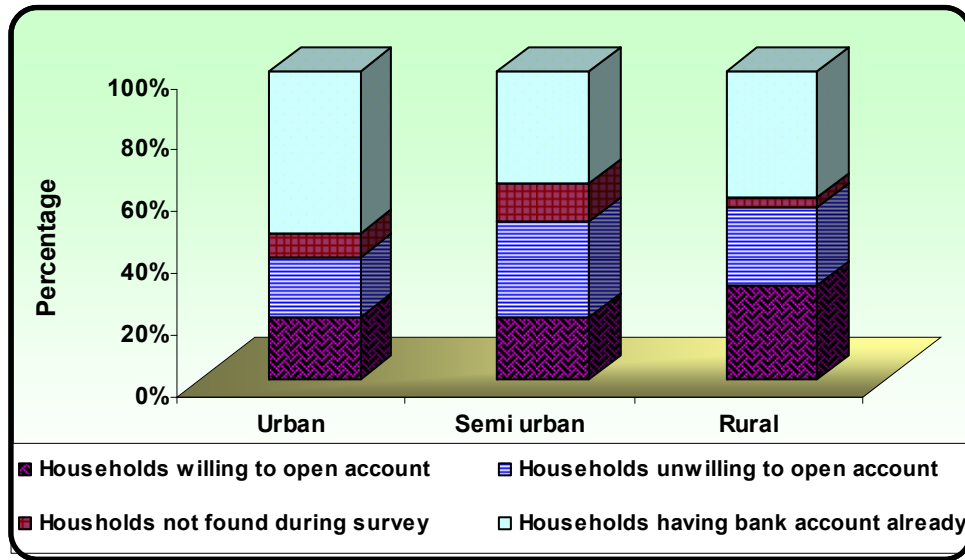


Figure 4.1.2

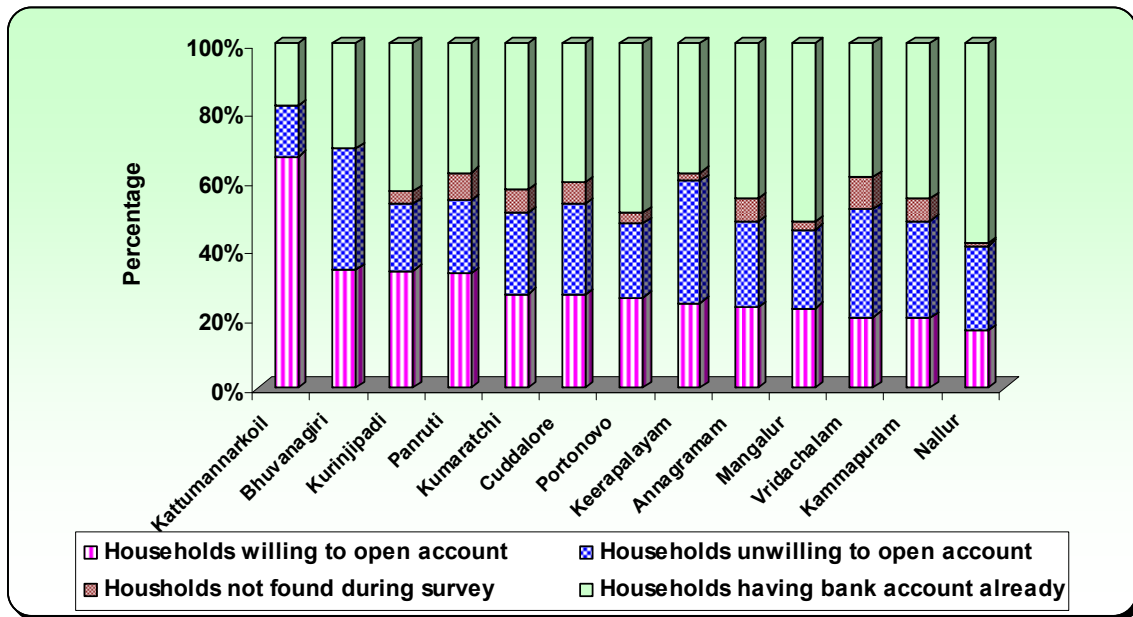


Figure 4.1.3

Figure 4.1.3 shows the distribution of households in all the 13 blocks of the district. Kattumannarkoil block had fared extremely well in the project in terms of willingness at 70 percent, while all other blocks had expressed willingness of less than 40 percent each. Indian Bank, State Bank of India (SBI) and Cuddalore District Central Cooperative Bank are the three banks that are present in the block and both Indian Bank and SBI had recorded very high willingness. The reason was partly attributed to the fact that a low per-

centage (18 percent) of customers were having a bank account already in the block before the project compared to an average of 40 percent in all other blocks.

4.1.1 Variations in Willingness Reported by Banks

It was extremely interesting to look at the status of willingness and unwillingness recorded by banks during the survey, since they were primarily responsible for executing the project. Given the fact that the banks had branches across the district, the variations in banks' reporting on willingness clearly indicated the seriousness with which different banks participated in the project especially during the survey work. There seems to be a

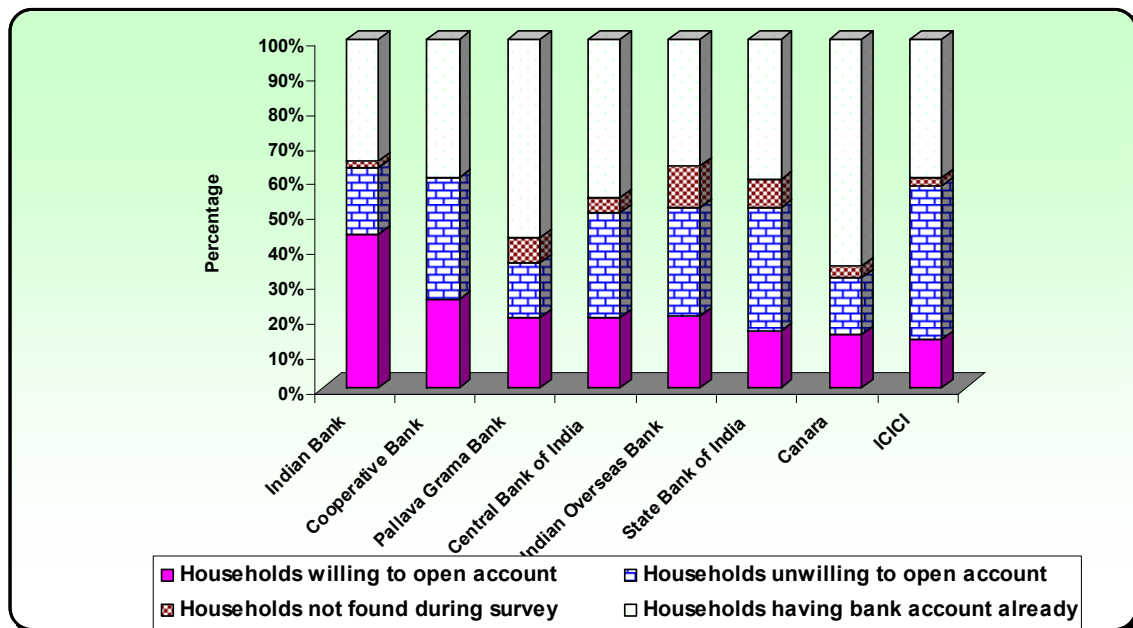


Figure 4.1.4

strong correlation to the efforts put in by the banks and the percentage of willingness / unwillingness reported by them. There were large variations across banks in terms of reporting percentages of households not found during survey, already having bank accounts, willing to open no frills account and unwilling to open account. Figure 4.1.4 shows the details of all the major banks (having more than 8 branches) in the district. As we could see from the Figure 4.1.4, Indian bank had reported the highest percentage of willingness. Indian bank had opened new accounts for 56494 households accounting for 39 percent of all households who had opened new no frills accounts even though it accounts only for 18 percent of the branches in the district. On the other hand, Canara Bank reported a higher percentage of households having bank accounts already. While almost all other banks reported the percentage of households already having a bank ac-

count at around 40, Canara bank reported that 65 per cent of households had bank account already.

Box 1: Canara Bank – Puduchathiram

Canara Bank, Puduchathiram branch reported that out of 6516 households, 5295 households had bank accounts even before the project. While for the district as a whole, the households already having bank account was at 42 percent, this branch reported 81 percent. The branch manager explained that most of their service areas were Tsunami affected villages and they had opened accounts for a large number of Tsunami victims for crediting government’s monetary assistance.

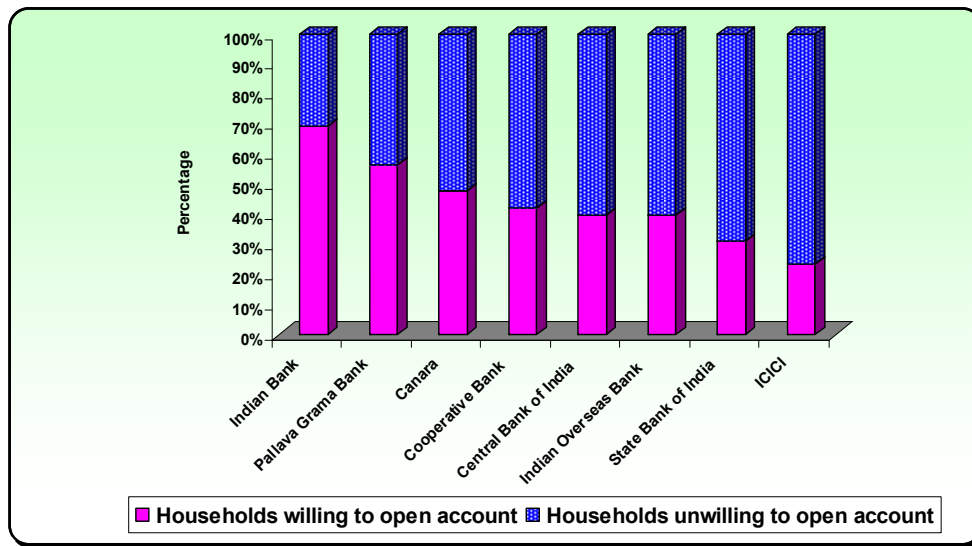


Figure 4.1.5

Figure 4.1.5 shows the percentage of willingness and unwillingness amongst unbanked households as reported by the banks. ICICI Bank Ltd., SBI and Indian Overseas Bank (IOB) reported very high percentages of unwillingness. While these three major banks accounted for 35 percent of the branch network in the district, nearly 67 percent of the unbanked in their service area were reported to be unwilling. ICICI Bank had opened only 2911 new accounts out of 12288 households who did not have a bank account (24 percent). The remaining 76 percent were reported as unwilling.

It was observed that no bank except Indian Bank, Vridachalam branch had attempted Information and Communication Technology (ICT) interventions, like rural ATMs, Smart Cards, Mobile Phone banking, etc. during the implementation of the financial inclusion project. No bank had implemented the business facilitator or business correspondent models in the district so far.

The banks in the district are poised to face a further daunting task of opening new no frills account to all the persons registered under National Rural Employment Guarantee Scheme (NREGS) during this year. As at October 2008, around 5.86 lakh persons (26 per cent of the population) had registered under NREGS. State Bank of India had installed five biometric rural ATMs in November 2008 to dispense wages under NREGS.

4.2. Households' Response: Analysis

4.2.1 Unwillingness of Households

Even though the objective of this study was not to find all the possible reasons for unwillingness, the variations among the banks in reporting unwillingness was found to be large. Unwillingness by the households to open no frills account raised several questions:

- Given that this is a zero/ low minimum balance account, why was a household unwilling to open account?
- What could be the various possible reasons for unwillingness?
- Was unwillingness real?

Based on the information provided by some of the households and branch managers, the team could deduce quite a few reasons for the high degree of unwillingness. Some of the villages are as far as 15-20 kms from the branches. Given that their savings are small, enormous effort would be required by them to commute and deposit. This could be one possible reason why households could have expressed unwillingness. Another reason that most branch managers cited for unwillingness was that households felt that they did not have enough money to save and hence unwilling to open accounts.

This study team, therefore, visited four branches that had reported high percentage of unwillingness to check the reasons. It was observed that in ICICI Bank Ltd., Kumaratchi, which reported almost 90 percent unwillingness among those who did not have a bank account, the branch staff weren't involved in the project and the survey work was outsourced. The project was handled centrally for all the branches in the district. The team randomly selected around 10 unwilling households, just one km away from the branch concerned and visited them to find out the reasons for their unwillingness. Everyone agreed that the signature on the survey form was theirs and when queried why they had expressed unwillingness to open bank account, they all reported that they were not aware that those officials came from the bank for account opening. They said that the surveyors had asked for their ration card and filled the details from it without informing that they could open bank account. The households signed it thinking that the survey process was for some government scheme that might come in the future. It is, therefore, premised that the unwillingness was on part of the bank to open no frills accounts rather than the other way around. Although 10 households is not a statistically significant sample-size, the uniformity of response helped parse out the more dynamics behind so-called unwillingness.

The team also visited three other branches that had expressed high unwillingness. In Cuddalore District Central Cooperative Bank, Sethiathope, ICICI Bank, Bhuvanagiri and ICICI Bank, Chidambaram, it was found that most of the survey forms had not been filled properly. There was no information on the members of the household, whether they were willing to open or not, etc. It was observed that banks had inadvertently or otherwise omitted those households that had expressed willingness. Improper conduct of the household survey was also one of the reasons for the banks to report unwillingness.

Box 2: High Unwillingness - Examples

CDCCB, Sethiathope had reported 75 households as willing to open and the rest 386 households as unwilling to open accounts. Ward 4 and Ward 5, which were just one km. from the branch, were reported as 100 percent unwilling to open accounts. However, a review of their survey forms revealed that either the households had expressed consent to open accounts or the survey forms had not been filled at all except for the address.

ICICI Bank, Kumaratchi had reported 153 households as willing and the rest 1206 households as unwilling to open accounts. However, a visit to around 10 random households revealed that none of them has expressed unwillingness and the survey was conducted more as a ration card census where households' information were written down from the ration card.

4.2.2 Willingness of Households

Indian Bank, Cuddalore District Central Cooperative Bank and Pallavan Grama Bank (RRB) were the three banks that recorded maximum willingness. As mentioned earlier, Indian Bank had a share of 39 percent among the new no frills opened even though they have only 18 percent of the branches. So, it was also worth noting some of the reasons that resulted in high willingness. Out of the 167 branches which implemented the project, 13 branches reported 100 percent willingness. Table 4.2.2.1 lists the bank branches and the number of accounts opened by them. Punjab National Bank (PNB) was the only bank in the district which had reported 100 percent willingness in all its three branches.

S no	Bank	Branch	Geographical Category	Number of No frills opened
1	Indian Bank	Lalpet	Semi Urban	3641
2	Indian Bank	Ayangudi	Rural	2894
3	PNB	Cuddalore	Urban	2608
4	PNB	Chidambaram	Semi Urban	2094
5	PNB	Eraiyur	Rural	1887
6	SBT	Thirupappuliyur	Urban	1300
7	Syndicate Bank	Neyveli	Urban	1291
8	Canara	Marungur	Rural	1252
9	Canara	Pudhuchathiram	Rural	1221
10	Indian Bank	Cuddalore Port	Urban	1061
11	PGB	Sathipattu	Rural	725
12	IOB	Manjakuppam	Urban	680
13	Indian Bank	Annamalai Nagar	Semi Urban	510

Table 4.2.2.1

As we could see, Indian Bank and PNB branches accounted for 70 per cent of the accounts opened in branches that are 100 per cent financially included. It would also be interesting to understand the reasons behind such total willingness in the areas covered by Indian Bank and PNB besides the commitment. The team visited Indian Bank, Ayangudi and Punjab National Bank, Chidambaram for the purpose. Both the banks had more or less similar approach to open no frills accounts which was distinctly different from other banks. Other banks used their own branch staff for the project. The staff was apportioning their time for both their daily banking operations as also implementing the project. Twelve branches of Indian Bank and all three branches of Punjab National Bank followed the model of having special officers posted from other places for this specific purpose. This strategy had a huge positive effect in opening new no frills account as it did not disturb the daily operations of the banks. We visited the branches to get a first hand account from the managers and document their remarks about the project. Important to note here was that some of the villages covered by these branches are as far as 15 kms. from the respective branch.

However, it is also equally important to see if ‘willingness’ of the households to open bank account as reported was real or not. In other words, whether the households for whom accounts had been opened were aware of the use of no frills accounts or was it more of a target/ commitment to be achieved by the banks to just open accounts for households? This question is analyzed and answered in the account usage section that follows.

Box 3: High Willingness: An example

Indian Bank, Ayangudi located in the southern most tip of the district had reported zero unwillingness. The branch manager at the time of execution of the project attributed the success to a combination of factors such as, appointment of special officer for opening no frills accounts, ability to work with councilors and panchayat presidents for execution, and prior announcement of the team’s arrival in the villages so that household members can be present at the time of the survey. In the set of four branches where Mr Seenu, the special officer, had worked, he had only 7 per cent unwillingness which also showed the effort that was put in by him. When queried about the reason for such high willingness in these branches, he said that the goal was most important for him and households generally agreed to open accounts once the resultant benefits which would accrue were explained to them.

4.3 Branch Manager Interviews

The study team met a few branch managers to understand their perceptions and opinions of the financial inclusion project. Some of the significant reasons attributed by them for the reasonable success of the project were

- Prior announcement to villagers about the timing of arrival of bank staff for account opening,
- Deployment of full time special officers from outside, and
- The total involvement of panchayat presidents.

Some managers felt that convincing individuals of households that already had one bank account was tougher as they did not see any reason for opening bank accounts for all

adults in the household instead of just one. The branch manager of Punjab National Bank, Chidambaram attributed their success to the special officers provided to them by the bank for carrying out the project as also their ability to work closely with the Municipality Chairman and Panchayat Presidents who had provided complete support and help during the project.

Most of the branch managers thought that the financial inclusion project was a social responsibility cast on them to help the poor. But at the same time, most of them also had reservations on the profitability, complaints on the lack of sufficient manpower which limits their time to cater to the regular customers, and more importantly, apprehension on extending credit to all the new customers in future before they exhibit sufficient saving capacity. They felt that there were invariably high expectations on the branch managers to deliver on such important schemes. One of the main reasons for the lack of interest among branch managers in the no frills accounts seemed to be their strong belief that the no frills account would be a loss making exercise even though they had no empirical or statistical data to prove their point. Though the no frills accounts initiative, in objective, carried a strong social cause and national imperative, the branch managers/staff who toiled to implement such a noble initiative successfully in their domain were not judged or recognized for their efforts. Some branch managers felt that they are judged, during their annual performance appraisal/reviews, based on their achievement of annual business targets and the resultant profit of their branches rather than on how much excluded-customers they brought into the banking net through this socially responsible project which, although, might not result in profit accrual in the short run. However, if incentives for branch managers are put in place in future, it might result in fuller engagement with projects.

5 Account Usage Behaviour

5.1 Analysis of Usage

Even though the bankers and the government agencies had put in a lot of efforts in implementing the financial inclusion project by opening a large number of new no frills accounts, the real success of the project could be measured by the actual quantity and quality of usage by the common persons who have opened the accounts. The usage of accounts, after one year of the completion of the project, could certainly reveal the true position of the utility of the project and the gaps that exist within.

The study looked into the data of balances of all no frills accounts as of August 2008 from a sample of 10 branches to see how the balances are distributed. The balance distribution of no frill accounts of all these 10 branches is shown in Figure 5.1.1

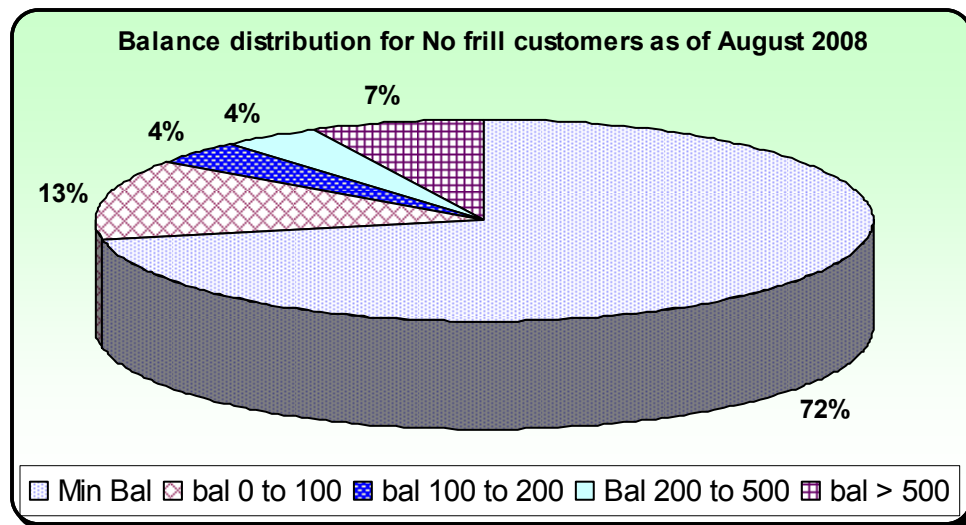


Figure 5.1.1

As of August 2008, the balance distribution shows that 72 per cent of the accounts had zero/ minimum balances even after one year of the project completion. Another 13 per cent had balances less than Rs. 100 and only 11 percent of the accounts had balances greater than Rs. 200. Banks had prescribed the minimum balance for the new no frills accounts anywhere ranging from Rs. 0 to 50. However, even where a bank prescribed a minimum balance of say Rs. 0, it was seen that some customers had deposited amount such as Rs. 10, 20, 50 or even 100 initially. But, when the team went through the trans-

actions of such accounts randomly, it was found that invariably all of them hadn't even operated once. A few customers in bucket Rs. 100 to 200 also had not operated even once. The percentage of accounts that had operated at least once stood anywhere between 11 per cent (balance > Rs. 200) and 15 per cent (balance Rs. 100 – 200). The bulk of the no frill accounts (85 to 89 percent) remained inoperative even after a year of account opening. For the purpose of analyzing the performance of 'operating' accounts, accounts with balance of more than Rs. 100 were taken as operating and the account usage analysis was based on these set of accounts.

Out of nearly 1.87 lakh no frill accounts (in 1.45 lakh households) that had been newly opened in the district, the number of operating accounts could be around 28040 and the number of operating households could be around 21700 (by extrapolating 15

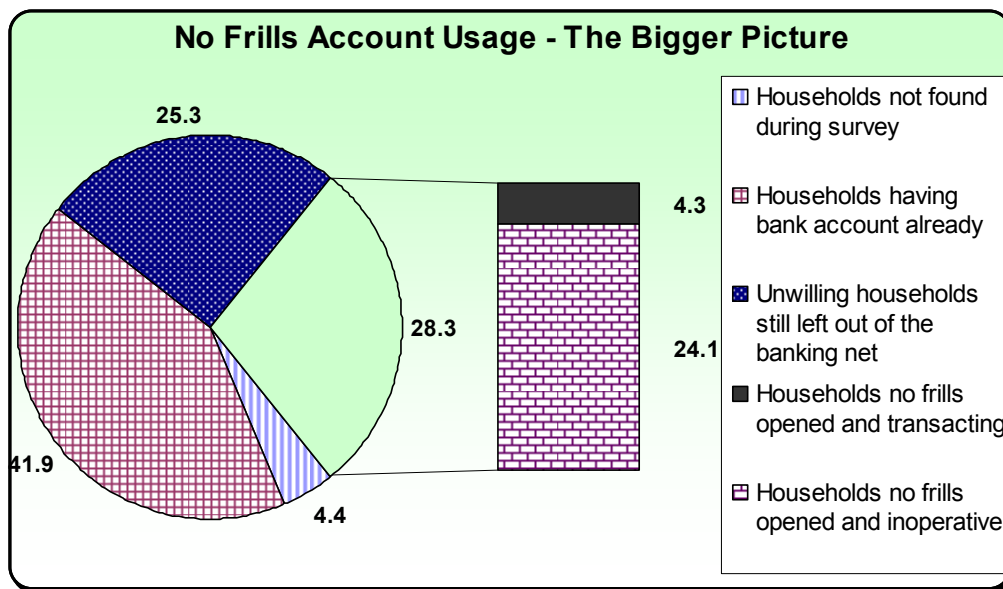


Figure 5.1.2

per cent as operative accounts). Looking at the overall banking picture, these operating households could be only 4.3 percent of the entire population as shown in figure 5.1.2. Different reasons were attributed for this poor usage position. Firstly, many villages are located as far as 10 to 15 kms from their branches concerned. Given that the savings of the rural households are very small, it would not be cost effective for them to commute to the branch for using these accounts. Secondly, they could also be saving through self help groups or post offices which are not covered in this study (in the pre-project household survey, households were requested to state whether they have bank

accounts or not and no information was sought about SHG group or post office accounts). Thirdly, the households might not have enough money to save. Many branch managers cited this as one of the important reasons for low usage of no frill accounts.

5.1.1 Field Visit

The study team visited a couple of villages to look at the reasons for low usage. Both the Reddiyur village and Ward 14 of Vadalur were located within 3 to 4 Kms of the branch. In Ward 14, the team met with 15 households and none of them had been transacting. When queried, almost everyone said that they opened bank accounts thinking that could help them get a loan from the bank or they might get assistance through some government schemes. In Reddiyur, the team looked at the passbooks of around 30 persons and only three of them had transacted ever. Here too, people opened accounts because they thought they could get a loan in future. Interestingly, most of them did not know that this passbook could be used to save money in the bank and they referred to passbooks as “free passbook”.

The study team understood an interesting dimension to the usage problem which upheld the importance of financial literacy. Most of the banks utilized the services of panchayat

Box 4: Passbook Distribution

While so many new accounts were opened, it was found that not all the passbooks were distributed back to the customers.

Indian Bank, Sethiathope branch had opened 3648 no frill accounts in total. It was noticed that only 500 to 1000 people had come to the branch and collected the passbooks. The branch had not made efforts to distribute the passbooks back to the customers.

Indian Bank, Bhuvanagiri branch had opened 4094 no frill accounts. Of which, around 2000 passbooks have been distributed back to the customers and the rest were with the branch. This could also hinder usage as the customers don't even have the passbooks in their hand. However, this could be attributed to only few branches in the district as most other branches visited informed us that all the passbooks were distributed.

presidents or counselors for opening new accounts and from these two villages, it was evident that the panchayat presidents and counselors had convinced those persons to open accounts citing loans and government schemes rather than stress on savings. There was definitely a huge gap in understanding the objective of the financial inclusion project among the proponents, branch managers, government officials, and the customers. While the branch managers felt that the poor cannot save money and use the accounts and hence this exercise could not be profitable, the poor, on the other side, didn't even know that the accounts and the attendant passbook could be used to save money. Without any doubt, this was one of the major reasons for people not operating the accounts. The team felt that it is very important to educate the people on the importance of savings continuously until they get into the habit of savings in the bank. Thus, as many branch managers and others predicted, bulk of the accounts had not been utilized for more than a year but, according to the study team, one of the main reasons for it was complete lack of financial literacy.

Of the accounts that were being used, the trend of their account usage – both number of

Bank	Branch	Branch type	Total No frills opened as of August 2007	Samples from operative accounts
CDCCB (Cooperative)	Sethiathope	Rural	75	49
CDCCB (Cooperative)	Vadalur	Semi urban	885	41
City Union Bank	Cuddalore	Urban	160	42
Indian Bank	Bhuvanagiri	Semi urban	4094	48
Indian Bank	Kandrakottai	Rural	2184	35
Indian Bank	Kattumannarkoil	Semi urban	6655	47
Indian Bank	Sethiathope	Rural	3648	55
Indian Bank	Viridachalam	Semi urban	3667	7
Indian Overseas Bank	Manjakuppam	Urban	680	35
Indian Overseas Bank	Vadalur	Semi urban	1049	29
Karur Vysya Bank	Chidambaram	Semi urban	1086	31
Lakshmi Vilas Bank	Bhuvanagiri	Semi urban	537	31
Pallavan Grama Bank	Sethiathope	Rural	1014	40
Pallavan Grama Bank	Cuddalore	Urban	935	51
SBI	Chidambaram	Semi urban	3090	20
Total			29759	561

Table 5.1.1

transactions and balance maintained - was considered important as it could exhibit and project the potential that is available in rural banking. Hence, a sample of 561 accounts that had balances of greater than Rs. 100 covering 15 branches of different category of banks was taken to analyze their usage pattern. Since the focus of this analysis was to analyze the usage behaviour of these accounts after one year of opening, the team made sure that all those accounts selected were opened on or before August 2007. The branches, total no frill accounts they opened and sample taken are given in Table 5.1.1.

The data analyzed were from 4 rural branches, 8 semi urban branches and 3 urban branches. The study team had aspired to collect more data so that the data could be more representative of the accounts opened. However, not all banks/branches could provide the required data for the study despite the persistent efforts by the team and the Lead District Manager (LDM). As the time required to collect and collate the data for the study was short and limited, the team was not able to get data from more than these 15 branches. Given that there could be around 28040 accounts in the district that could be operative, this sample of 561 accounts represented around 2 per cent of the population. It also had a good mix of rural, semi urban and urban branches.

First, the number of transaction actually made in no frill accounts per annum reflects the frequency with which the accounts were being used. The data used were accounts that had account opening date on or before August 2007. Figure 5.1.3 below shows the distribution of number of transactions per annum. The data of all accounts from account age 0 to 12 (in months) were taken to see the transaction behaviour.

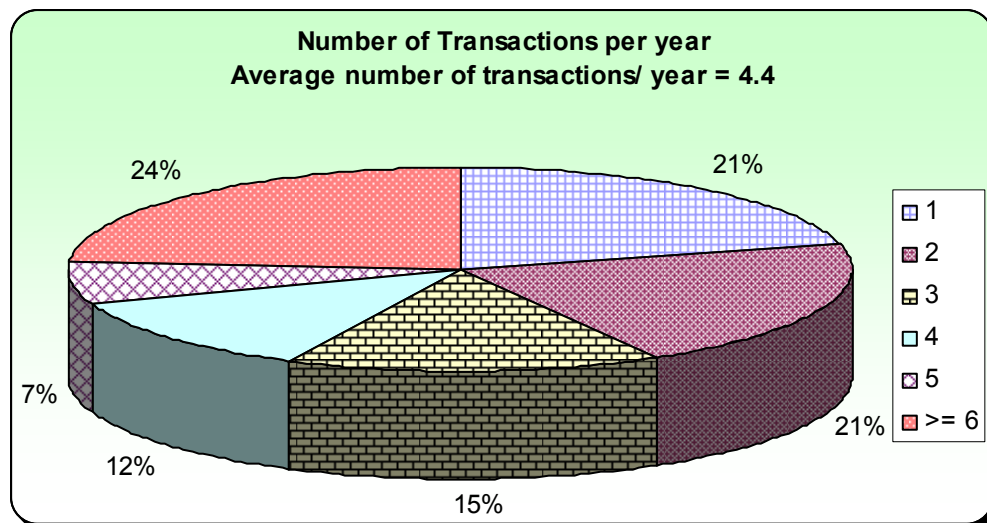


Figure 5.1.3

The average number of transactions per annum stood at a mere 4.4 which meant that the usage among the operative accounts was low. However, the distribution of number of transactions looked even as shown in Figure 5.1.3. Around 43 percent of the customers had at least 4 transactions in a year and 24 percent of the customers had more than 6 transactions in a year.

5.2 Analysis of Balances Maintained

Examining the trends of balances maintained in no frills accounts shed light on whether the usage of accounts had resulted in increasing balances. For this analysis, each of the 20 branches was visited and a print out of balances of all no frill accounts as on visit date were taken. Then a random sample of around 30 to 60 accounts that had balances more than Rs 100 was selected from each branch (Table 5.1.1).

The balances of these operative no frill accounts had been steadily increasing over the past year or so. Figure 5.2.1 shows the increase in balances of operative accounts over time. We could clearly see that the balances of accounts had been increasing at a steady pace even after the date of completion of the project.

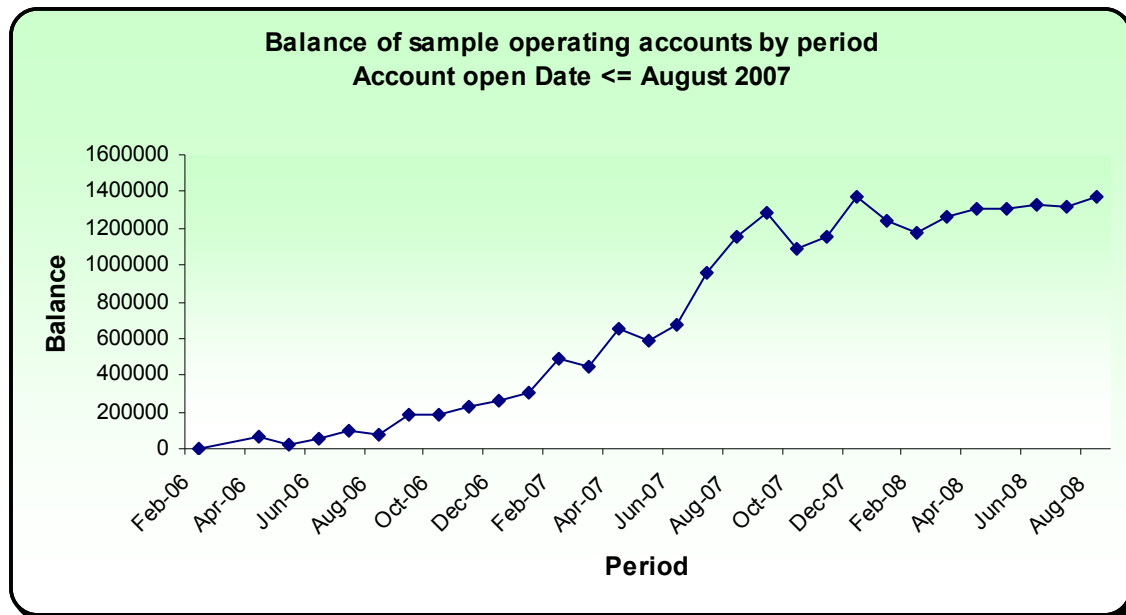


Figure 5.2.1

While this might indicate how the balances had increased from the time no frill accounts scheme was introduced, it would be more appropriate to track the balances in the

accounts by their account - age as it would clearly indicate the increase in the balances over one year of their existence. For this purpose, accounts that had very high balances (say more than Rs. 30000) were filtered out as they could invariably exaggerate the increases in balances. This helped the team to see how customers who really needed these bank accounts had performed. Figure 5.2.2 shows the balance per account of all operating accounts by their account age opened on or before August 2007 and balance not exceeding Rs 30000 at any point of their operation.

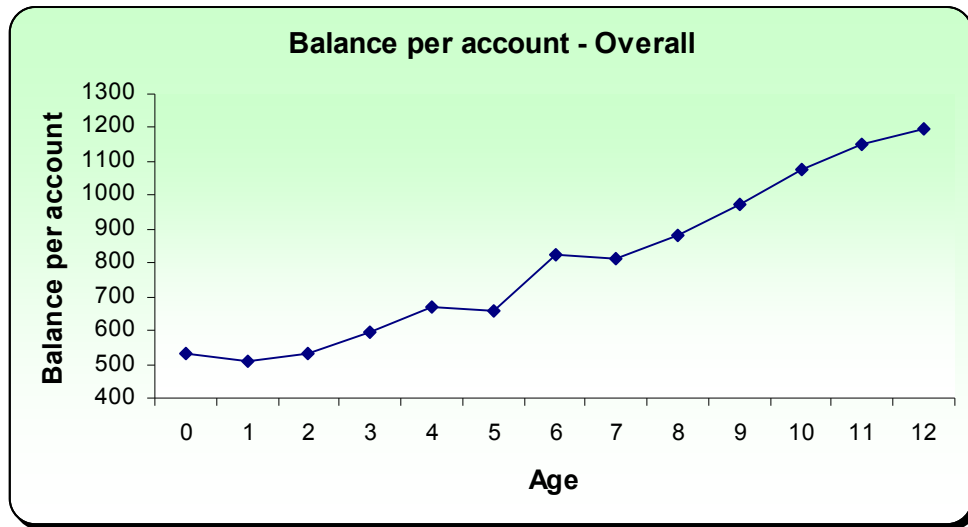


Figure 5.2.2

Figure 5.2.2 shows that the average balance per account for customers (with balances less than Rs 30000) had increased from Rs. 533 when they opened the account to Rs.

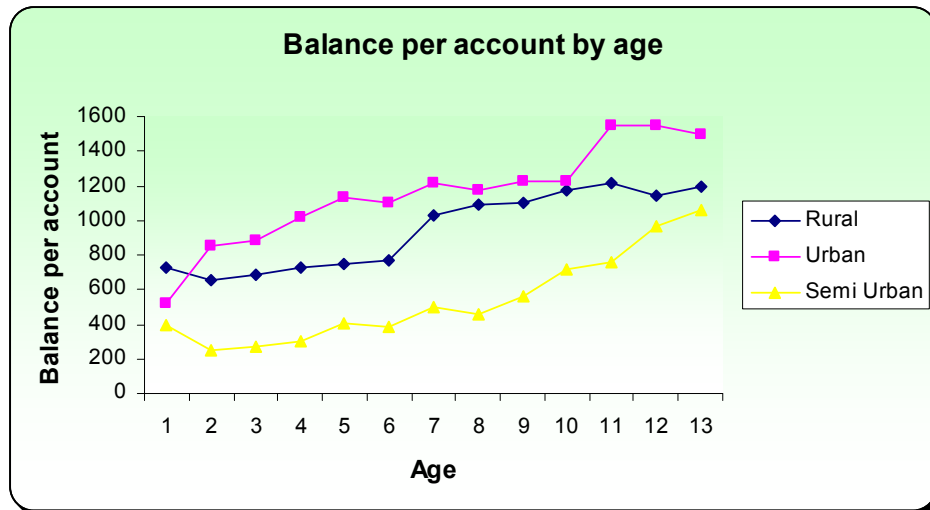


Figure 5.2.3

1195 after 12 months. The graph also shows a steady increase in the average balance over the months indicating that increasing usage of these accounts had resulted in increased average balances. Though most of the new account holders were not using the accounts, a definite pattern of the people, who had been using the accounts over the past year finding the bank accounts useful, could be discerned.

Analysis of accounts as per the geographical category would help us to know which set of customers had been using the accounts most. As it could be seen from the Figure 5.2.3, there had been a significant increase in all three geographical categories. The accounts in the rural, urban and semi urban branches had shown an increase of 60, 110 and 160 percent respectively over a period of 12 months.

With respect to different types of banks, cooperative bank had shown significant increase in balances (Figure 5.2.4). The sample available was small for the team to compare by bank types or even geographical types more elaborately But, overall, there

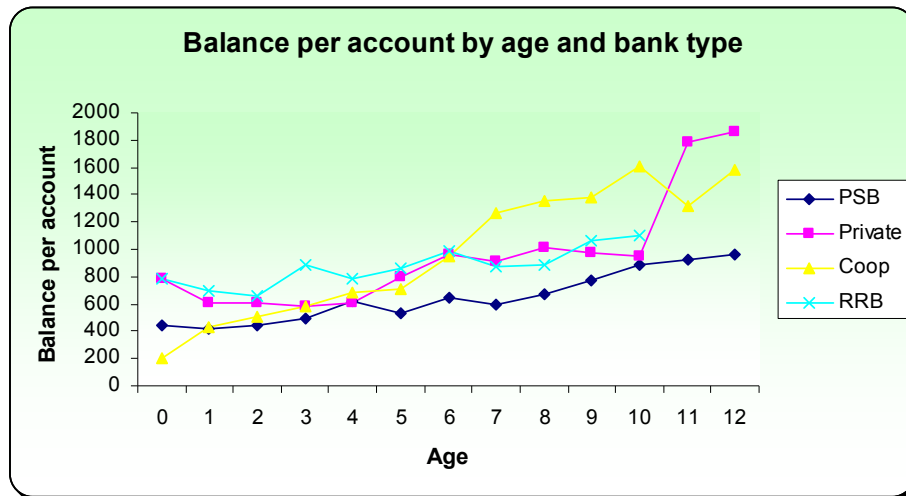


Figure 5.2.4

was a very clear trend of increase in balances. However, with more sample data representing different branches and including other major banks, the analysis could have been far more illustrative of the differences between banks.

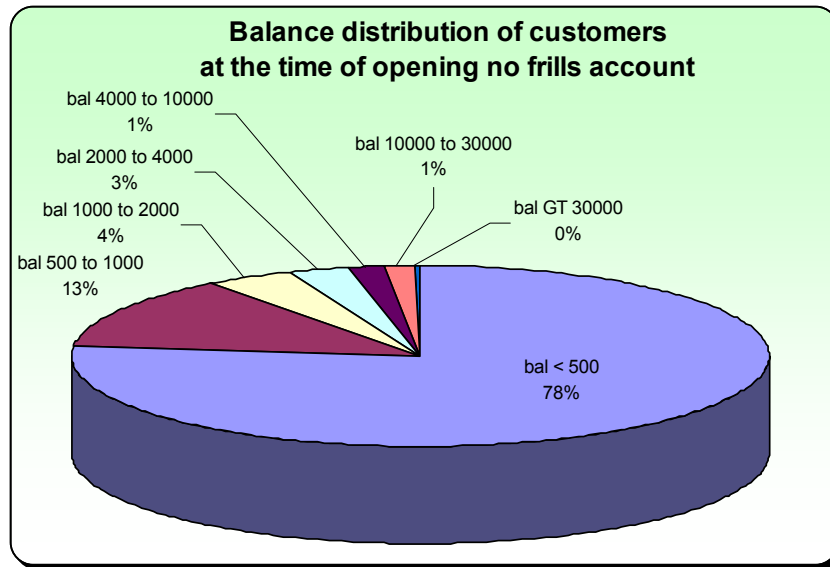


Figure 5.2.5

While the average balances had increased, it would also be interesting to see if the increase had happened in all pockets or only in the creamy layers. The Figures 5.2.5 and 5.2.6 shows the percentage of customers in each balance-bucket while they opened their accounts and after more than one year in August 2008. The distribution of customers showed that 91 per cent of the customers had balance of less than Rs. 1000 at the time of account opening and 78 percent of them had balance of less than Rs. 500. One year later, 70 percent of the customers had balance of less than Rs. 1000. The percentage of customers with balance less than Rs. 500 had come down drastically from 78 per cent to 46 percent. This indicated that at least 32 percent of the operating customers had increased their savings over the year.

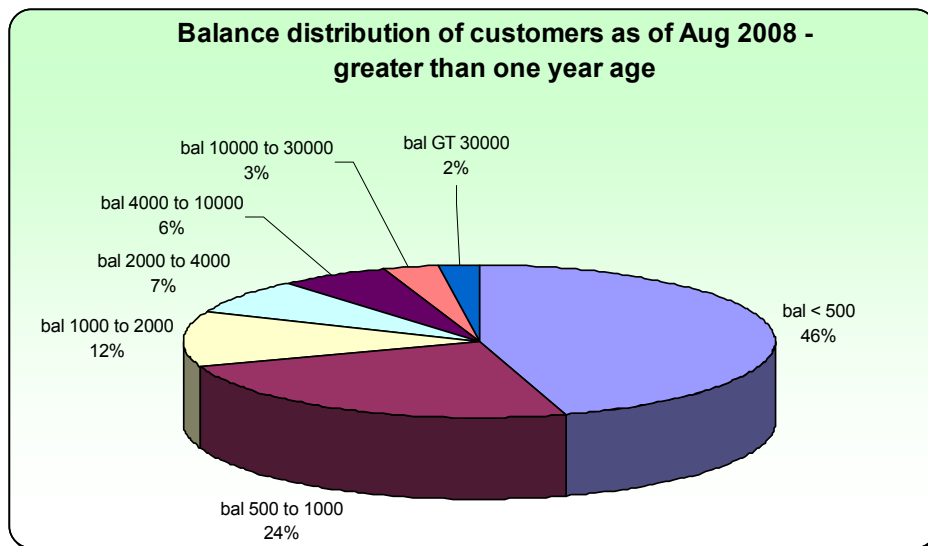


Figure 5.2.6

Overall, the analysis of account usage behaviour showed that the bulk of the accounts opened (85 to 90 percent) remained inoperative even one year after the accounts were opened. Of the rest of the accounts which were operative, there was a strong positive trend in the usage. The increase in savings and balance per account over a year refutes the claim that no frills accounts cannot become useful savings vehicles.

All the reasons identified during the study as also other reasons perceived to hamper or deter usage of no frills accounts like, distance between the bank branch and the customer, inappropriate bank timings, small amount to transact, lack of manpower at bank branches, high transaction cost at branches, could be overcome by banks through intervention of technology like smart cards, biometric rural ATMs, etc. as also adoption of business correspondent model. However, the cost of such technological intervention also needs to be studied.

Box 5: High Balance Customers

A small percentage of customers had very high balances, some even exceeding the limit for No Frill status - Rs. 50000. The study team went through a number of accounts that had balances exceeding more than a lakh of rupees. For example, one no frills customer at an RRB branch had made 45 transactions between August 2006 and May 2008 with total credit transactions of Rs. 4,67,123 and total debit transactions of Rs. 4,63,120 and the maximum balance maintained during this period was Rs. 1,30,167. Though such accounts were few in number, banks are still treating them as no frills account rather than normal savings accounts.

Case Study:

Kaliammal is a middle aged woman residing in Reddiyur. Her husband is physically challenged and sick. She has three children studying in 7th, 5th and 2nd standard respectively. She works as an agricultural labourer in the nearby Ayangudi village and one would expect her to hardly save anything given that she is the only earning member of the family. But her passbook showed a completely different picture. Kaliammal had saved around Rs. 4000 in the last one year by depositing amounts of Rs. 200 to Rs. 300 per month regularly to build a thatched roof house on her land.



Name
Ms Kaliammal

Village
Reddiyur

Occupation
Agricultural labourer

Savings:
Rs 4000 in one year

When Kaliammal said that she was short of Rs. 2000 for completing the house, the Ayangudi branch manager who had accompanied the study team advised her that he will approve an OD of Rs. 2000 immediately which she can repay over a few months of time. Most of the other villagers around were not even aware that they could use this account for saving money nor did they realize the importance of saving money in a bank. She stood as an example for others in the village who readily agreed that they also have the potential to save like Kaliammal.

6. Cost and Break Even of No Frills Accounts

No frills account scheme had been mandated throughout the country since November 2005 and presently the project is in operation in more than 350 districts. All the banks are opening such accounts at substantial initial cost. At this juncture, this study had decided to look at the cost factor of no frills accounts as also the breakeven level of operations in these accounts.

It may be appropriate to quote Dr. Y.V. Reddy, the then Governor, RBI, who in his valedictory address at the BANCON 2006 in Hyderabad advised the banks to evaluate, on a continuous basis, the costs and benefits of various components of all products and services, especially the financial inclusion, to check whether it is a paying proposition. At the same time, he said that the financial inclusion should be treated by banks as investment for business.

The financial inclusion project involved two costs, namely account opening cost and maintenance cost.

6.1 Account Opening Cost

Estimating account opening cost of no frills accounts could be difficult because of different aspects involved in the process of opening. Most of the banks carried out no frill account opening as a part-time process and hence, did not allocate fixed time for it. During the implementation of the project, they spent time whenever it was possible and convenient. However, Indian Bank (in respect of some branches) and Punjab National Bank which had reported high willingness had posted special officers from outside for the sole purpose of account opening. One common method used by most banks was to utilize the services of SHGs in the entire project process. Thus, the account opening cost purely depended on the strategy used by the banks and could vary widely across banks. What the study tried to estimate here was the cost for account opening based on common practices of the banks. This exercise was purely based on the inputs given by different branch managers on the time spent in villages by their own staff or outside staff/persons. The various costs involved in account opening are (i) survey cost, (ii) account opening cost, (iii) passbook cost, (iv) passbook distribution cost, (v) outsourcing

cost, and (vi) miscellaneous cost. The study team had not taken into account all the overhead costs as the new no frills accounts had been opened in their existing branches.

Survey Cost

This was the salary cost of a bank officer spending time in a village for household survey. It depended on whom the banks depute for overseeing the survey. Average salary cost of a Scale I officer amounted to about Rs. 25000 per month. Bank staff working hours per day was 7 hours and 15 minutes. On an average, Cuddalore district had 408 households per village or ward and based on the information furnished by the various bank staff, it was estimated that 2 to 3 days were needed for completing the household survey if a branch/officer worked full time. Generally, these surveys were carried out by the SHGs and one of the bank officers was also present during the survey.

Salary cost per day for survey	Rs. 833
Salary cost for 2 to 3 days of survey (average 2.5 days)	Rs. 2083
Survey staff cost per account (Average of 150 accounts were opened per village)	Rs. 13.90

Account Opening Cost

This is the time taken to open account through a computer. It typically took 10 minutes for each account to be opened and 2 minutes for writing the passbook.

Staff cost per hour	Rs. 114.90
Account opening cost per account (assuming 12 minutes)	Rs. 23.00

Passbook Cost

There were two costs. One was the passbook printing cost and the other was passbook data entry cost. Some banks had paid Re. 1 for data entry per passbook and the cost of each passbook was reportedly at Rs. 3.

Passbook cost per account	Rs. 4.00
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Passbook Distribution Cost

Passbook had to be distributed to the customers. It took one day to go back to the village and distribute it. Salary cost per day for distribution Rs. 833

Distribution staff cost per account

(Assuming 150 accounts were opened per village) **Rs. 5.55**

Outsourcing Cost

Generally banks utilized the services of SHGs/ NGOs in conducting the household survey and in distributing the passbooks back to the customers. They were paid an amount of **Re. 1** per account opened.

Miscellaneous Cost

The miscellaneous cost could include cost of survey form, travel and other miscellaneous expenses. This was assumed to be at **Rs. 3**

Sl. No	Cost Type	Cost per Account Rs.
1	Survey Cost	13.90
2	Account Opening Cost	23.00
3	Passbook Cost	4.00
4	Passbook Distribution Cost	5.55
5	Outsourcing Cost	1.00
6	Miscellaneous Cost	3.00
	TOTAL	50.45

Table 6.1.1

As could be seen from Table 6.1.1, the total cost of opening a no frills account could be 50.45 (excluding overhead cost). Again, as mentioned earlier, different banks had used different methods and hence account opening cost of their branches could vary based on the methods. For example, the cost for the cooperative bank could be less because of their lower salary structure. Also, cost calculations here were made purely based on inputs from some of the branch managers. Canara Bank had reported its cost of

opening of a no frill account to be Rs. 48 per account.¹⁶ In Cuddalore district, given there were 186935 new no frills accounts opened during the present project, the cost incurred by all the banks put together on opening these accounts could approximately be Rs. 94.40 lakh.

6.2 Account Maintenance Cost

Maintenance of no frill accounts also involves a cost attached to it. Whenever a transaction takes place in the accounts, banks incur some cost. For estimating the cost of maintenance of accounts, it is necessary to calculate the cost per transaction of these accounts. Very few loan transactions had taken place in these accounts. Inputs into the cost per transaction include the salary cost of the officer handling the cash deposit/ withdrawal transactions, along with the passbook entry time cost. Here again, the other overhead cost in the branch was not taken into account. It was estimated by the branch managers that it took 5 minutes for a cash deposit / withdrawal transaction and passbook entry took 2 minutes. Based on this input, cost per transaction in the no frill account was estimated to be Rs. 13.40. Canara Bank had reported a cost per transaction¹⁶ of Rs. 10 for no frills account compared to our estimate of Rs. 13.40.

6.3 Break Even Level

The maintenance cost was incurred only for accounts that had some transactions. Taking the sample operating no frill accounts of 15 branches used in account usage analysis (Table 5.1.1), it could be seen that their average balance stood at Rs. 2430 as of August 2008. With the current trend as seen in account usage (Figure 5.2.2 and 5.2.6), it could be clearly presumed that the average balance will not decrease in the future but definitely increase.

It is assumed that with the interest expenditure on the average balances maintained would be @ 3.5 percent and the notional interest earnings on average balances would be @ 10.91 percent [The first 5 percent (CRR requirement) would have zero earning; the second 24 percent (SLR requirement) would earn 7 per cent (365 Day Treasury Bills Yiled) and the remaining 71 percent would earn 13 percent (average of banks' PLR)].

¹⁶ Rao. M.B.N, Presentation on Sustainable Inclusion – Cost of Inclusion, Skoch Financial Technologies submit

The minimum net interest income accrued to the branch would be 7.41 percent. The average number of transactions in the operating no frill accounts was 4.4 as shown in account usage analysis (Figure 5.1.3).

Transactions per annum →	4.4	8	12	13	18	24	36	48
Minimum Balance	0/10/25/50	0/10/25/50	0/10/25/50	0/10/25/50	0/10/25/50	0/10/25/50	0/10/25/50	0/10/25/50
Average Balance per annum	2430	2430	2430	2430	2430	2430	2430	2430
Interest Expenditure on Average Balance (@3.5%)	85.05	85.05	85.05	85.05	85.05	85.05	85.05	85.05
Notional Interest Income on Average Balance								
(i) CRR requirement (5% of balance)	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
(ii) SLR requirement (24% of balance) @ 7%	40.80	40.80	40.80	40.80	40.80	40.80	40.80	40.80
(iii) Remaining Balance Amount @ 13%	224.30	224.30	224.30	224.30	224.30	224.30	224.30	224.30
Net Interest Income on Average Balance	180.05	180.05	180.05	180.05	180.05	180.05	180.05	180.05
NII as %ge to Average Balance	7.41%	7.41%	7.41%	7.41%	7.41%	7.41%	7.41%	7.41%
Cost of Opening Account	50.45	50.45	50.45	50.45	50.45	50.45	50.45	50.45
No. of transactions per annum	4.4	8	12	13	18	24	36	48
Cost per Transaction	13.40	13.40	13.40	13.40	13.40	13.40	13.40	13.40
Total Cost of Transactions	58.96	107.20	160.80	174.20	241.20	321.60	482.40	643.20
Benefit (excluding account opening cost)	121.09	72.85	19.25	5.85	(-) 61.15	(-) 141.55	(-) 302.35	(-) 463.15

Average deposit required to break even with the total transaction cost	796	1447	2170	2351	3255	4340	6510	8680
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Table 6.3.1

Hence, assuming the cost per transaction at Rs. 13.40 as mentioned earlier, the average cost of transactions per account per annum would be at Rs. 59.00. To break even the cost Rs. 59.00 at an average balance Rs. 2430 and 4.4 transactions/ annum, a net interest income of just 2.43 per cent is required. Alternatively, to break even the cost of transactions at Rs. 59.00 with 4.4 transactions per annum and with a net interest income of 7.41 per cent, an average annual balance of only Rs. 796 would be required.

In the instant case, number of transactions up to 13 per annum would entail break even for the branches. This implied that given the transaction cost at Rs. 13.40 and the average net interest income on the average balances at 7.41 per cent, more than 13 transactions in the account with a balance of Rs. 2430 would result in loss to the branch. Hence, to have break even in these no frills account with more number of transactions, say, 20, 24, 36 or 48 per annum, the accounts should have higher balances. If the average net interest income goes higher, the requirement of balances in the accounts would be lower. It may be noted that increase in number of transactions would invariably result in higher balances. Hence, it might be safely premised that the no frills accounts would definitely break even the maintenance cost in near future with more savings and bring in revenues for the bank. The aim of this study to calculate the break even level of no frills account (as a product) was only to bring out the fact that more the usage in such accounts, higher the balances and hence higher net interest income. However, the break even level should not be considered by the banks as the necessary requirement for opening and transacting the no frills accounts for the hitherto excluded persons as they are required to comply with the letter and spirit of the financial inclusion project. Instead, banks should, with the active support of NABARD and the state administration, exponentially upscale their financial literacy efforts among the masses to increase the savings habits in a consistent manner.

Since only 30 per cent of the operating customers have balances greater than Rs. 1000, it is important to look at the reasons for high average balance of Rs. 2430 which was

intriguing. There were a small percentage of accounts that maintained very high balances of more than Rs. 10000 which had distorted the average balances in the no frills accounts. That was the reason for average balance at Rs. 2430 in spite of the fact that 84 per cent of the accounts had balances less than Rs. 2430. In any banking scenario, the top 20 to 30 per cent generally brings in 80 per cent of the profit and that pretty much held true for no frills accounts too.

There was another dimension to the break even analysis. A large amount had been incurred by banks for opening no frill accounts and they had absorbed this one-time cost. In today's scenario, given that only 15 percent of the newly opened no frills accounts were operating, approximately 28040 accounts that could be operative had to bear the cost of the entire 186935 accounts that were opened. This meant that each of these operating accounts had to bear an additional one time cost of Rs. 336. It would take years for the banks to break even this additional cost if the net benefit continued to be meager. The only way to defray this cost is to create awareness amongst the rural poor about savings and increase the percentage of operating accounts as also balances held in these accounts significantly. In a case of 100 percent account usage, the banks would only have an additional cost of Rs. 50 in the first year which could easily be covered. While such a case looks hypothetical at present, increasing the usage percentage to even 50 percent would help the banks to cover the costs easily. This would not only serve the noble cause of financial inclusion but also make it more sustainable for the banks and make the model profitable.

Box 6: Credit Extension to customers

Under no frills accounts, banks were advised to extend General Credit Card / Overdraft facility to the customers at their rural and semi urban customers. As at end August 2007, only Indian bank had sanctioned more than 10000 ODs and 941 GCC amounting to a total credit of nearly Rs. 1 crore. Almost all other banks haven't extended these facilities. One year after the completion of the project as of August 2008, all the branches that were visited had either not extended credit or had only done so to a very few customers. However, the branch manager's apprehensions were understandable given the poor usage of no frill accounts.

As a large number of persons were not, thus far, economically included, they would have strong reasons to transact through the newly opened accounts only at a later stage. Banks may, therefore, be allowed to amortize the one time cost of opening of accounts over a period of 3-5 years.

7. Conclusions and Recommendations

7.1 Conclusions

This study presented an overall position of the financial inclusion project in Cuddalore district after one year of its implementation. Though the project had a strong social mission of financial inclusion, the mission had not been fully translated into satisfactory action on the ground. There were several gaps in its implementation which needed to be corrected.

Some of the conclusions that arise from this study include

- (i) After the completion of the project, still 25.3 percent of the households left outside the banking net in the garb of unwillingness. This accounts for around 47 percent of the households which did not have bank accounts already before the implementation of the project.
- (ii) There were large variation in terms of reporting willingness and unwillingness by the banks indicating the seriousness, or lack of it, with which different banks participated in the household survey work. There seems to be a strong correlation to the efforts put in by the banks and the percentage of willingness / unwillingness reported by them.
- (iii) The reasons for possible unwillingness could be that (i) many villages were as far as 15-20 kms. from the branches concerned and the distance would be a deterring factor, and (ii) many households might not be in a position to save and use the accounts. But according to the study, the most important reason could be that some branches were not willing to open the accounts under the notion that these new accounts would not be profitable. The lack of proper groundwork by the branches before the household survey, absolute lack of financial education

- among the households, governmental agencies, voluntary intermediaries like the SHGs/NGOs, and most importantly the bank staff concerned resulted in non-inclusion of many households in the banking net even after the project.
- (iv) Another reason for high percentage of unwillingness was due to improper conduct of household survey like not recording the survey forms correctly and fully and inadvertent omission of households who had expressed willingness but not taken into account while consolidating. Outsourcing of the survey work by some banks also contributed to the perfunctory manner in which the surveys were conducted and details recorded. The information on having account with the Post Offices and on saving with SHG was not sought through the survey form.
 - (v) According to the branch managers who were interviewed by the study team, wherever (i) prior announcement were made to villagers about the time of arrival of the bank staff for household survey and account opening formalities (wherever applicable), (ii) full time special officers from outside the branch who gave undivided attention to the project work were deployed, (iii) involvement of Panchayat Presidents / Municipal Chairman was ensured, banks were able to achieve 100 per cent willingness.
 - (vi) Many branch managers felt that the financial inclusion project was a social responsibility cast on them to help the poor but they had reservations on the profitability of the whole exercise, complaints on lack of adequate manpower to handle such a large number of new account holders, and most importantly apprehension on being compelled to extend credit to all these new account holders in future before they exhibit sufficient saving potential.
 - (vii) One of the major grouses of the branch managers was that they are judged, during their annual performance review and appraisal process, based on their achievement of annual business targets and the resultant profit of their branches rather than on how much excluded customers they brought into the banking net through this socially responsible project which, although, might not result in profit accrual in the short run. If done, it will act as an incentive for branch managers to fully involve for the success of such projects.
 - (viii) A serious analysis of the drive during the implementation of the project would have resulted in rectifying many gaps and ensured far more success of the project.

- (ix) The real success of the financial inclusion project would be measured by the actual quantity and quality of usage of the newly opened no frills accounts. Perusal of the sample accounts revealed that 72 percent of the accounts had zero or minimum balance even after one year of opening of the accounts. Only 15 per cent of the accounts had balance of more than Rs. 100, leaving 85 percent of the new no frills account inoperative.
- (x) Reasons for such a large number of new accounts remaining inoperative are (i) the distance between the villages and the branches concerned, (ii) households not having enough money to save and use the accounts, and (iii) households may be saving through SHGs or Post Offices, and (iv) lack of awareness among households on savings and also on use of no frills account.
- (xi) Many account holders were not even aware of the purpose of opening the bank account and having the passbook. They were under the impression that holding the bank passbook might entail them to have some assistance through government schemes and/or result in getting a loan from the bank at a later stage. While the proponents and others involved in the whole exercise failed to educate the households of the importance and utility of saving and having bank accounts, the panchayat members and presidents convinced the households to open bank accounts citing the availability of loans and assistance through some government schemes.
- (xii) There was a huge gap in understanding the objective of the project among all the stakeholders and financial literacy holds an important dimension to the problem of usage in these new no frills accounts.
- (xiii) Average balance per account (with balance less than Rs. 30000) had increased from Rs. 533 when they opened the account to Rs. 1195 after one year. The percentage of account holders with balance less than Rs 500 decreased from 78 percent to 46 percent indicating that a substantial number of the operating customers had increased their savings over one year.
- (xiv) Based on the inputs provided by the branch managers at Cuddalore, the cost of opening a no frill account (excluding the fixed cost at the branch) was estimated to be Rs. 50.45. The cost of maintenance of a no frill account or the cost of transaction in such accounts was estimated to be Rs. 13.40.
- (xv) Given the cost per transaction at Rs. 13.40, the average number of transactions up to 13 would entail break even for the branches. To have break even in these

- no frills account with more number of transactions, say, 20, 24, 36 or 48 per annum, the accounts should have higher balances.
- (xvi) At present, the newly included clients are not seen by the banks as potential business and hence ignored by the bank staff. It might be safely premised that the no frills accounts would definitely break even the maintenance cost, even with far higher number of transactions, in near future with more savings and bring in revenues for the bank.
- (xvii) Banks cannot break even for all accounts opened taking into account the account opening cost and current level of usage. Account usage has to improve significantly for banks to break even all the costs. However, the break even level should not be considered by the banks as the necessary requirement for opening and transacting the no frills accounts for the hitherto excluded persons.
- (xviii) One sure way to defray the cost of account opening as well as the cost of transactions is to create awareness amongst the rural poor about savings and increase the percentage of operating accounts as also balances held in these accounts significantly.
- (xix) Increased and sustained financial education and literacy among all the stakeholders hold the magic key for the success of the financial inclusion project as well as profitability of no frills accounts.
- (xx) No bank except Indian Bank, Vridachalam had attempted Information and Communication Technology (ICT) intervention, like rural ATMs, Smart Cards, Mobile Phone banking, etc. during the implementation of the financial inclusion project. No bank had implemented the business facilitator or business correspondent model in the district so far.
- (xxi) Except a few bank branches, in general, most banks have not extended OD/ GCC to the customers.

7.2 Recommendations

Some of the recommendations of the study include

- Financial Literacy has to precede and also go hand in hand with account opening. Also since people's memory is short lived, education has to be

continuous at least until they get into the serious habit of savings. Low cost solutions such as financial literacy campaigns through NGOs might be a good option to look into.

- Sustained financial literacy campaign may include, printing and distributing the many material available with the RBI, NABARD and other sources, showing audio-visual materials, using local groups to perform street plays, puppetry, etc., using animators to explain the various concepts of banking in simple terms. NABARD could use the funds available with them for financial inclusion / literacy.
- As a large number of persons were not, thus far, economically included, they would have strong reasons to transact through the newly opened accounts only at a later stage. Banks may, therefore, be allowed to amortize the one time cost of opening of accounts over a period of 3-5 years as an incentive.
- A fresh survey may be conducted in areas where a high degree of unwillingness among those who do not have a bank account already was reported. A tolerance limit for unwillingness, say a maximum of 20 percent, may be fixed as an acceptable criterion for declaring a district as 100 percent financially included.
- Banks should leverage technology to the maximum to induce the new account holders to use and transact the accounts more and save more.
- Some of the best practices of the banks/ branches in account opening with 100 percent willingness need to be documented by banks and disseminated. They also need to look at strategies for lowering account opening cost by maintaining high willingness.
- Our analysis on account opening and maintenance cost should just be viewed as a starting point in reviewing these costs and more intensive studies needs to be done from the banks' side to look into account opening cost, maintenance cost and break even scenarios. Banks are in the best position to undertake such studies and it could greatly benefit the banks and the common man by making the scheme profitable and financially inclusive.
- Against the current practice, banks should devise suitable incentive scheme to provide encouragement to the staff to involve themselves totally in such socially responsible schemes.
- The newly acquired operating clients may be used by the banks as the base for mounting a marketing strategy to deepen financial inclusion.

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ANNEXES

ANNEX – A

IV BANKING STATISTICS IN CUDDALORE DISTRICT
AS ON 30.06.2007

Details of Financial Institutions:

Commercial Bank branches	140
Of which:	
Public Sector Bank branches	111
Private Sector Bank branches	29
Pallavan Grama Bank branches	8
District Central Co-op. Bank Branches	25
State Agri. & Rural Dev. Bank Branches	6
T I I C	1
TAICO	1
Urban Co-op.Bank	2

Details of Bankwise no. of branches operating in Cuddalore District are as under :

Sl.No.	Name of the Bank	No.of Branches	Imp Branch
01	Andhra Bank	1	1
02	Bank of India	3	3
03	Bank of Baroda	2	*3
04	ICICI Bank Ltd.	12	12
05	Canara Bank	16	16
06	Central Bank of India	9	9
07	Corporation Bank	1	1
08	City Union Bank Ltd	3	3
09	Indian Bank	29	*30
10	Indian Overseas Bank	18	16
11	Karur Vysya Bank Ltd.	5	4
12	Lakshmi Vilas Bank Ltd.	6	6
13	Punjab National Bank	3	3
14	State Bank of India	20	*21
15	State Bank of Travancore	1	1
16	Syndicate Bank	2	2
17	South Indian Bank Ltd.	1	1
18	Tamilnadu Mercantile Bank Ltd.	2	1
19	U Co Bank	4	4
20	Vijaya Bank	1	1
21	Pallavan Grama Bank	8	8
22	CDCC Bank	25	20
23	Union Bank of India	1	1
24	PARDB	6	6
25	Urban Banks	2	2
26	TAICO	1	1
	Total	173	167

• One Branch each in neighboring Villupuram District is also implementing the scheme as they are servicing some villages in Cuddalore district.

Source: Financial Inclusion Project in Cuddalore District, Indian Bank

ANNEX - B

BANK WISE PERFORMANCE UNDER IMPLEMENTATION OF FINANCIAL INCLUSION PROJECT IN CUDDALORE DIST.

Name of Bank.	No. of Branches	No. of Villages	No. of Wards	TOTAL NUMBER OF HOUSEHOLDS AS PER 2001 CENSUS	HOUSEHOLDS MIGRATED/CONVERTED INTO SHOP/NOT AVAILABLE	NO. OF HOUSEHOLDS ACTUALLY FOUND DURING SURVEY.	NO. OF HOUSEHOLDS SURVEYED.	OF THE SURVEYED HOUSEHOLDS, HOUSEHOLDS HAVING BANK ACCOUNT.	NO. OF PERSONS EXPRESSED WILLINGNESS TO OPEN ACCOUNT.	NO. OF HOUSEHOLDS UNWILLING TO OPEN ACCOUNT.	NO. OF " NO FRILLS " ACCOUNTS OPENED.	AMOUNT MOBILISED (Rs. in Lakhs.)	NO. OF OD SANCTIONED.	AMOUNT SANCTIONED. (Rs. in Lakhs)	NO. OF GCC SANCTIONED.	AMOUNT SANCTIONED. (Rs. in Lakhs)
Andhra Bank	1	0	2	1522	7	1515	1515	549	616	430	616	0.05	0	0	0	0
Bank of Baroda	3	13	2	9173	97	9076	9076	2643	5657	1982	5657	1.23	0	0	0	0
Bank of India	3	16	0	5820		6066	6066	1998	2260	1982	2260	6.17	0	0	0	44
Canara Bank	16	77	18	48075	1468	46607	46607	31406	11052	7895	11052	15.17	30	0	18	0
CDCC Bank	20	1	86	26292	0	26322	26322	10466	6723	9197	6723	29.7	0	0	0	0
Central Bank of India	9	44	35	29291	1138	28153	28153	12535	7672	8277	7672	14.18	0	0	0	0
City Union Bank	3	4	5	4758	61	4697	4697	1828	1754	1400	1754	0.54	0	0	0	0
Corporation Bank	1	8	0	4678	0	5255	5255	2276	3550	0	3550	0	0	0	54	2.95
ICICI Bank Ltd	12	20	40	21244	551	20693	20693	8405	3299	9377	3299	0	0	0	0	0
Indian Bank	30	273	102	128912	2427	126485	126485	45135	66084	24056	66084	45.11	10058	50.72	941	49.35
Indian Overseas Bank	16	90	36	57469	6969	50500	50500	20893	14280	17829	14280	0	0	0	0	0
Karur Vysya Bank	4	2	9	7172	678	6494	6494	2983	1837	3340	1837	11.25	0	0	0	0
Lakshmi Vilas Bank	6	18	23	17326	795	16531	16531	7861	4229	4988	4229	3.47	0	0	0	0
Punjab National Bank	3	25	5	13282		13295	13295	6805	6589	0	6589	0	0	0	0	0
South Indian Bank	1	0	1	686	24	662	662	248	134	295	134	0	0	0	0	0
State Bank of India	21	152	54	81466	6551	74915	74915	32845	27461	28955	27461	43.75				
State Bank of Travancore	1	0	2	1373	0	1373	1373	1151	1300	0	1300	2.1				
Syndicate Bank	2	15	4	13861	522	13339	13339	6121	5523	1861	5523	2.12	0	0	0	0
Tamilnadu Mer. Bank	1	0	2	1467	118	1349	1349	388	963	442	963	3.4	0	0	0	0
UCo Bank	4	12	11	15339	590	14749	14749	5022	6856	2903	6856	9.07	0	0	0	0
Union Bank of India	1	0	1	693	3	690	690	200	490	200	490	0	0	0	0	0
Pallavan Grama Bank	8	30	15	20673	1452	19221	19221	11815	7905	3230	7905	10.41	0	0	0	0
Vijaya Bank	1	0	1	893	101	792	792	701	701	91	701	1.21	10	0	0	0
Total	167	800	454	511465	22686	488779	488779	214274	196935	129530	186935	198.93	10098	50.72	1057	52.3

Source: Financial Inclusion Project in Cuddalore District, Indian Bank

ANNEX – C

List of Branches visited by the study team

S No	Bank	Branch
1	Bank of Baroda	Cuddalore
2	Canara Bank	Puduchathiram
3	Cuddalore District Central Cooperative Bank	Head office, Cuddalore
4	Cuddalore District Central Cooperative Bank	Vadalur
5	Cuddalore District Central Cooperative Bank	Mandarakuppam
6	Cuddalore District Central Cooperative Bank	Sethiathope
7	ICICI Bank	Kumaratchi
8	ICICI Bank	Bhuvanagiri
9	ICICI Bank	Chidambaram
10	Indian Bank	Ayangudi
11	Indian Bank	Vridachalam
12	Indian Bank	Sethiathope
13	Indian Bank	Bhuvanagiri
14	Indian Bank	Lead circle office, Cuddalore
15	Indian Overseas Bank	Manjakuppam
16	Indian Overseas Bank	Regional Head Office, Pondicherry
17	Indian Overseas Bank	Vadalur
18	Karur Vysya Bank	Chidambaram
19	Lakshmi Vilas Bank	Bhuvanagiri
20	Pallava Grama Bank	Sethiathope
21	Punjab National Bank	Chidambaram
22	State Bank of India	Kullanjaavadi
23	State Bank of India	Regional Head Office, Pondicherry