Right to Save & Right to have a Bank account

Right to Access to Banking

Right to Banking Act - Proposed

Banking Services – A Basic Infrastructure

Banking - A basic utility service to ensure financial health/discipline like power, water, primary health centre....
Fast Facts on Indian Banking

- India’s banking industry has evolved over a long period of more than two centuries.

- Despite the recent growth of private banks, the sector is dominated by government-controlled banks that hold nearly three-fourths of total bank assets.

- India’s banking industry is considered to be very stable with healthy balance sheets and low exposure to risky assets. The global financial crisis did not affect the Indian banks significantly.

- Nearly 40% of the population does not have a bank account and only 15% have borrowed from banks.

- Even after sustained growth since the nineties, the share of consumer credit remains very low in total bank loans.

- The banking sector in India has a relatively high proportion of women CEO’s. The chief executives of leading domestic lenders ICICI Bank and Axis Bank, besides the country heads of HSBC, JP Morgan, UBS, and RBS are all women. Until recently, two among the Reserve Bank of India’s four deputy governors were also women.
CHAPTER I

INTRODUCTION

In 2008, when the global banking industry was being shaken by the tremors of the unfolding financial crisis, only one bank in India felt the aftershocks, and this, only because one of its overseas subsidiaries had made an opportunistic bet on debt issued by the failed investment bank Lehman Brothers. While the market valuations of all the leading banks in India slipped as equity prices tumbled, their businesses were not affected and their balance sheets remained healthy.

Most domestic commentators continue to hold up this episode as evidence of the inherent strengths of the Indian banking industry and have lauded the Reserve Bank of India (RBI), the country’s central bank and banking regulator, for sticking with its conservative approach. When regulators around the world were loosening their grasp over the banking and financial services industry, RBI steadfastly held on to the strings that prevented banks in India from making risky investments and following highly aggressive business practices.

Though some of the country’s younger banks have fast growing asset management and insurance businesses, the industry’s bread and butter is still industrial lending. Asset Backed Securities and Collateralized Mortgage Obligations are still unheard of in the country, while Indian lenders warmed up to the idea of teaser rate mortgages only after the global financial crisis. So far, they do not appear to be any worse for it.

The Indian banking industry is also well capitalized and capital ratios are above the global average. The average tier-1 capital adequacy ratio of the Indian banking industry is above 10%, when compared to the Basel III norm of 8.5% including the contingency buffer. The average total capital of banks in India stood at 14.5% as of March 31, 2010, compared to the Basel III requirement of 10.5%.
Table 1.1

List down the Leading Indian Banks by Assets and Market Capitalization

<table>
<thead>
<tr>
<th>Bank</th>
<th>Majority Shareholding</th>
<th>Asset Size (in $ Billions)</th>
<th>Market Capitalization (in $ Billions)</th>
<th>Stock Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>Government</td>
<td>314</td>
<td>36.6</td>
<td>Mumbai, London</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>Private</td>
<td>81</td>
<td>25.6</td>
<td>Mumbai, New York</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>Government</td>
<td>66</td>
<td>7.6</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>Government</td>
<td>62</td>
<td>7.3</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Bank of India</td>
<td>Government</td>
<td>61</td>
<td>5.1</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>Government</td>
<td>59</td>
<td>5.5</td>
<td>Mumbai</td>
</tr>
<tr>
<td>IDBI Bank</td>
<td>Government</td>
<td>52</td>
<td>2.9</td>
<td>Mumbai</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>Private</td>
<td>49</td>
<td>22.2</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>Government</td>
<td>43</td>
<td>3.7</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>Private</td>
<td>40</td>
<td>11.6</td>
<td>Mumbai, London</td>
</tr>
</tbody>
</table>

Market capitalization data based on full capitalization as on March 18, 2011

Bank Assets as on March 31, 2010; Source: Indian Banks Association

An industry built over more than two centuries

The origins of the banking industry in India go as far back as the 18th century but many of the early banks promoted by groups of businessmen to finance their trading activities did not survive long. Joint-stock banks made their entry during the second half of the 19th century and a few of them, including Allahabad Bank and Punjab National Bank, have survived to this day. So have several of the banks promoted by the small kingdoms during the first half of the 20th century, which later came under the control of the Indian government. Foreign banks, including The Chartered Bank, which came to the country in 1858, and HSBC, which followed in 1867, were attracted to the increasing trade between India and Britain in the 19th century.
The early 19th century also saw the emergence of three large banks, Bank of Bengal, Bank of Bombay, and the Bank of Madras, named after the three major cities that were the regional administrative bases of the English East India Company, which ruled most of the country during that period. Collectively called the presidency banks, they dominated the industry as bankers to the government, and also functioned as the country’s central bank. The Imperial Bank of India was established during the first half of the 20th century by the merger of the presidency banks, and gave up its role as the central bank only after the Reserve Bank of India was formed by the British government in 1935. It was subsequently renamed the State Bank of India after India became free from British rule in 1947.

Interestingly, one of the earliest banking industry crises in India was triggered by the American Civil War. As cotton supplies to Britain from the U.S. fell sharply after the war started in 1861, demand for raw cotton exports from India surged. To exploit this opportunity better, some cotton traders set up banks to finance their export trade. However, as the war ended in 1865 and exports from the U.S. resumed, demand for Indian cotton also reverted to the earlier levels. Traders who had large inventories and the banks that financed them went bankrupt.

At the time India’s independence, almost all major banks except the State bank of India were privately owned. They remained so for the next two decades until 1969, when the federal government took control of more than a dozen of the largest banks in the country. More than nine-tenths of the banking industry came under government control after the forced acquisition of private banks continued in 1980. The industry remained closed to private promoters until the early nineties, when the government decided to issue new banking licenses as part of economic liberalization.
In the evolution of this strategic industry spanning over two centuries, immense developments have been made in terms of the regulations governing it, the ownership structure, products and services offered and the technology deployed. The entire evolution can be classified into four distinct phases.

- Phase I- Pre-Nationalisation Phase (prior to 1955)
- Phase II- Era of Nationalisation and Consolidation (1955-1990)
- Phase III- Introduction of Indian Financial & Banking Sector Reforms and Partial Liberalisation (1990-2004)
- Phase IV- Period of Increased Liberalisation (2004 onwards)

**Current Structure**

Currently the Indian banking industry has a diverse structure. The entire organised banking system comprises of scheduled and non-scheduled banks. Largely, this segment comprises of the scheduled banks, with the unscheduled ones forming a very small component. Banking needs of the financially excluded population is catered to by other unorganised entities distinct from banks, such as, moneylenders, pawnbrokers and indigenous bankers.

Sources: *Thomas White Global Investing (capturing value worldwide)*
i) Scheduled Banks

A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act, banks have to fulfill certain conditions such as having a paid up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors. Scheduled banks are further classified into commercial and cooperative banks. The basic difference between scheduled commercial banks and scheduled cooperative banks is in their holding pattern. Scheduled cooperative banks are cooperative credit institutions that are registered under the Cooperative Societies Act. These banks work according to the cooperative principles of mutual assistance.

ii) Scheduled Commercial Banks (SCBs):

Scheduled commercial banks (SCBs) account for a major proportion of the business of the scheduled banks. As at end-March, 2009, 80 SCBs were operational in India. SCBs in India are categorized into the five groups based on their ownership and/or their nature of operations. State Bank of India and its six associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008) are recognised as a separate category of SCBs, because of the distinct statutes (SBI Act, 1955 and SBI Subsidiary Banks Act, 1959) that govern them. Nationalised banks (19) and SBI and associates (6), together form the public sector banks group and control around 70% of the total credit and deposits businesses in India. IDBI ltd. has been included in the nationalised banks group since December 2004. Private sector banks include the old private sector banks and the new generation private sector banks- which were incorporated according to the revised guidelines issued by the RBI regarding the entry of private sector banks in 1993. As at end-March 2012, there were 15 old and 7 new generation private sector banks operating in India.
• Foreign banks are present in the country either through complete branch/subsidiary route presence or through their representative offices. At end-June 2011, 32 foreign banks were operating in India with 293 branches. Besides, 43 foreign banks were also operating in India through representative offices.

• Regional Rural Banks (RRBs) were set up in September 1975 in order to develop the rural economy by providing banking services in such areas by combining the cooperative specialty of local orientation and the sound resource base which is the characteristic of commercial banks. RRBs have a unique structure, in the sense that their equity holding is jointly held by the central government, the concerned state government and the sponsor bank (in the ratio 50:15:35), which is responsible for assisting the RRB by providing financial, managerial and training aid and also subscribing to its share capital.

• Between 1975 and 1987, 196 RRBs were established. RRBs have grown in geographical coverage, reaching out to increasing number of rural clientele. At the end of June 2008, they covered 585 out of the 622 districts of the country. Despite growing in geographical coverage, the number of RRBs operational in the country has been declining over the past five years due to rapid consolidation among them. As a result of state wise amalgamation of RRBs sponsored by the same sponsor bank, the number of RRBs fell to 86 by end March 2009.

ii) Scheduled Cooperative Banks:

Scheduled cooperative banks in India can be broadly classified into urban credit cooperative institutions and rural cooperative credit institutions. Rural cooperative banks undertake long term as well as short term lending. Credit cooperatives in most states have a three tier structure (primary, district and state level).
iv) Non-Scheduled Banks:

Non-scheduled banks also function in the Indian banking space, in the form of Local Area Banks (LAB). As at end-March 2011 there were only 4 LABs operating in India. Local area banks are banks that are set up under the scheme announced by the government of India in 1996, for the establishment of new private banks of a local nature; with jurisdiction over a maximum of three contiguous districts. LABs aid in the mobilisation of funds of rural and semi urban districts. Six LABs were originally licensed, but the license of one of them was cancelled due to irregularities in operations, and the other was amalgamated with Bank of Baroda in 2004 due to its weak financial position.

Banking regulation remains cautious

As in most countries, the central bank is entrusted with the role of banking regulator in India and the Reserve Bank of India is widely acknowledged as an efficient, but cautious regulator. The government still drives the broader policy framework for the industry, including setting the limits for foreign investments in the sector.

While the Indian government has opened up most sectors of the economy to foreign investors over the last two decades, it has been more guarded about banking and financial services. Accordingly, the aggregate foreign investment limit in domestic private banks increased from 49% to 74% only in 2004, but it remains at a low 20% in banks where the government is the major shareholder. The limit covers all investments by foreigners, including portfolio investments.
In addition, the RBI has other restrictions that are aimed at ensuring wider distribution of bank shareholding. Investments exceeding 5% of a bank’s equity capital by a foreign investor require RBI approval, and a single foreign investor cannot hold more than 10%. These restrictions have also been progressively applied to the domestic shareholders of the smaller private banks, but some of the larger and healthier banks have been given specific exemptions. Further, no bank can hold more than 5% of the shares of another bank, except when a bank on the verge of failure is acquired.

The limits on foreign investment do not apply to foreign banks starting a subsidiary or branch network, wholly-owned by the promoting bank. Like regulators in some other countries, in granting new banking licenses, the RBI often favors applicants from countries that have favorable policies for Indian banks seeking to open overseas branches or expand existing ones. As a result, it may take several years for a new foreign aspirant to get a license. More than a dozen applications from foreign banks for banking licenses now await RBI approval, including well-known names like Goldman Sachs. The RBI has also been careful when allowing new branches for existing foreign banks, but the number of branches approved has always exceeded India’s WTO commitment of a dozen new branches a year.

What’s more, the RBI also has policies to direct bank credit to sectors that are deemed socially or economically important by the government. Accordingly, all domestic banks are required to lend at least 40% of their total net credit outstanding to exporters, farmers, small businessmen, and low-income borrowers. For foreign banks, the requirement is lower at 32% of net credit. Limited deposit insurance is available to customers of all banks, including foreign banks.
Though it influences the credit policies of the banking industry through specific lending requirements, the Indian government generally has less sway over banks when compared to select other emerging economies like China. By and large, banks in India do not boost or curtail credit flows at the government’s bidding. Though the government occasionally encourages the banks to increase credit availability, as it did during the global financial crisis, even the government-controlled banks are not forced to comply. This apparent autonomy, though limited in many ways, has allowed most Indian banks to follow prudent credit standards and prevent excessive bad loan losses. However, there have also been cases of banks being pushed to the verge of failure by corruption and political manipulation.

Some of the leading banks have also occasionally disagreed with regulatory policies and guidance, though the senior officers of all government-controlled banks are appointed by the government with the consent of the RBI. For instance, the State Bank of India recently refused to withdraw its teaser rate mortgages from the market though the RBI repeatedly expressed its dislike for such loans.

**Industry structure evolving at a measured pace**

The business composition of banks in India has seen significant changes over the last two decades, but the rate of change has been more measured. Lending to industrial borrowers, including construction, constituted well over half of total bank credit during the mid-nineties. This ratio has now come down to 44% in 2010 and most of the decline has been absorbed by consumer loans, which doubled in share to nearly 20% during the same period. Among industrial borrowers, the banks have the most credit exposure to utilities. This reflects the number of power generation projects that have commenced construction in recent years.
Through the growth in customer credit has been most evident in urban areas, in recent years semi-urban and even rural areas are seeing excellent growth in this segment. Home mortgages account for more than of all customer loans, as housing demand and home prices have increased substantially since the nineties. Also, rising consumer aspiration are driving increased credit demand for purchasing automobile and durables.

However, Indian consumers are more caution when it comes to credit card debt, which has a share of only 3% of all consumer loans. Interestingly, total credit card outstanding has decline in recent years, through aggregate consumer spending has continued to grow.

Sources: Thomas White Global Investing
**Fig 1.3 Most Credit Exposure to Utilities**
Percentage among Industrial Borrowers

- **Steel** 19%
- **Textiles** 18%
- **Chemicals** 13%
- **Energy** 11%
- **Utilities** 28%
- **Road Construction** 11%

*Sources: Thomas White Global Investing*

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**Fig 1.4 Mortgages Form Bulk of Personal Lending**

- **Home Mortgages** 52%
- **Other Loans** 29%
- **Credit Card Outstanding** 3%
- **Personal Loans** 16%

*Sources: Thomas White Global Investing*
Consolidation moves stifled by employee and political opposition

Over the past several years, the Indian government and the RBI have tried to encourage some of the government-controlled banks to gain size through mergers. Though the bank managements have favored the idea, the bank employee unions and some political parties have vehemently opposed it. While the resistance is mostly because of their economic ideologies, regional factors have also played a part. Several of these banks have a strong presence in select states and the respective state governments view the banks as important institutions, which are crucial for the regional economy. Naturally, the state governments are wary of mergers, which may dilute the regional focus of the banks.

These political and regional undercurrents have also prevented the consolidation within the State Bank Group. The State Bank of India has several regional subsidiaries, which were promoted by the former kingdoms, but were subsequently taken over by the federal government. Though all of them are under the State Bank umbrella, each of these subsidiaries is very closely identified with their respective states or regions. The group has been trying for the last several years to merge all the subsidiaries with the parent, but progress has been very slow. Five more subsidiaries, of which three are listed on the domestic exchanges, await consolidation.
Like in the most other emerging economies, the share of customer credit remains very low in India, despite the recent growth. Average income levels are still very low and subsistence spending takes away the most of the personal income of the lower income groups. This leaves very little earning surplus available for debt servicing and reduce their credit worthiness, and banks will be hesitant to lend to them. Hence, the marketing efforts by banks to promote customer finance products and services are now mostly limited and cities and towns where there is a large concentration of higher income customers.

However, as average income levels are expected to rise further, the number of potential bank customers with sufficient earnings surplus will also grow. Though the growth of income levels is likely to be measured and the potential loan size will remain small, the aggregate market size for consumer credit will become larger because of the large population size. This market will be made more attractive by India’s demographic advantage of a relatively young population, who are likely to see faster income growth. Besides, younger customers are generally considered to be more receptive towards new financial products and services.
Even in business banking, India may continue to offer attractive growth opportunities. The ratio of total business credit to GDP in India is less than half the level in China. While this gap mostly reflects the substantially larger industrial sector in China, it also indicates the potential credit requirement if Indian industry sustains its growth. Bond markets remain grossly underdeveloped in India, while exchange risks reduce the attractiveness of international bond markets to domestic borrowers. Hence, it is likely that most of the increased industrial credit requirements will have to be financed by banks.

However, it is also widely accepted that the Indian banking industry may find it difficult to achieve its potential without further regulatory initiatives. It is evident that without increased competition, financial intermediation costs will remain high and banking services will not spread widely across the vast rural areas of the country. Also, to improve efficiency and compete better, it is believed that domestic banks in India need to build scale through consolidation. As part reports and policy statements by the Indian government and the RBI have made repeated reference to these issues, it is hoped that entry barriers will come down in the banking sector and restrictive policy will be diluted. It is expected that the shareholding and investment norms will be further liberalized, while new banking licenses will be made available to domestic players and foreign banks.

The government and the RBI have already announced a new policy framework to issue new banking licenses to domestic applicants. While the RBI is expected to maintain its preference for wider shareholding distribution in banks, corporations with good reputation and track record that have large public shareholdings, may also be allowed to promote new banks. Confirming the attractiveness of the Indian banking sector, it has been reported that nearly a dozen applicants, including some of the most prominent business groups, are eager to acquire licenses.
Statement of the Problem

Branches are the retail outlets of a bank through which it interacts with the customers for marketing its products. A healthy network of bank branches facilitates the process of economic development. Branches play an useful role in tapping the savings potentials and meeting the demand for the credit of various section of the society with in their jurisdiction . Balanced regional development is possible through judicial distribution of bank branches in different parts of the country.

Rapid economic development pre-supposes rapid expansion of commercial banks. In India, in olden days the banks were conservative and opened branches mainly in metropolitan cities and other major cities. Branch expansion gained momentum after nationalization of major commercial banks and the introduction of the lead bank scheme. In the period of three decades after bank nationalization, there was nearly 800 percent increase in number of branches from 8260 in 1969 to 65930 in the year 2001, but the most spectacular progress was in rural branches where in the increase was from about 1860 in 1969 to 32570 in 2001. With this progress in branch expansion programme, the national average of population per branch office has progressively declined from 65,000 to 15,000. But the pace of branch expansion has been slow in the aftermath of reforms. This is because of two reasons. Firstly based on recommendations of the Committee on Banking Sector reforms (CBS), the RBI has given freedom to banks to rationalize these branches in order to sustain their profitability. Secondly technology orientations of banks have made them to opt for electronic channels of delivery for gaining easy access to the clientele. An analysis of branch profile of various segments of Indian Banking Industry in the post reform period reveals that banks have become more urbanized in their plans of branch expansion. Since 2006, as inclusive growth has become the mantra of the government,
banks are directed to focus much on financial inclusion. This in turn has given a new dimension to the distribution channels of Banks. It is in this background the researcher has chosen a topic on "DISTRIBUTION OF BRANCHES OF COMMERCIAL BANKS IN INDIA-AN ANALYSIS”

Objectives

1. To unfurl the branch expansion policy of the Indian banking industry
2. To ascertain the trend in the growth of branches of commercial banks in India
3. To analyze the distribution of commercial bank branches in India – segment wise, population group wise, region wise and state wise.
4. To identify the extent of closure of branches across various Bank groups.
5. To compare the trend in the growth of branches during pre financial inclusion period and post financial inclusion period.
6. To assess the productivity of bank branches.
7. To gauge the level of penetration of ATMs
8. To suggest viable financial inclusion model for banks

Research Hypotheses

H₁: State-wise distribution of bank branches has significant difference across the regions.
H₂: Population-wise distribution of bank branches has significant difference across the regions.
H₃: Bank group-wise distribution of bank branches has significant difference across the regions.
H₄: State-wise distribution of bank branches has significant difference across the bank type.
**H5:** Population-wise distribution of bank branches has significant difference across the bank type.

**H6:** State-wise distribution of bank branches has significant difference across the location.

**H7:** Bank group-wise distribution of bank branches has significant difference across the location.

**H8:** Region-wise distribution of bank branches has significant difference across the location.

**Research Methodology**

In line with the objectives set, the research methodology of this study is framed as under;

*Construction of Knowledge:* Based on the paradigm, the study followed positivism as the perspective of the study. Since positivism is objective oriented, the research approach is quantitative oriented.

*Research Design* is the blueprint of the study. It incorporates both descriptive and explanatory research design. Secondary research is used as research method. Unit of analysis is the spread of bank offices across population wide, region wide, state wide and bank group wide data across the period of 2001 to 2011. Pre financial inclusion status and post financial inclusion progress is computed by categorically segregating the study period into pre and post financial inclusion era from 2001 to 2005 and 2006 to 2011. This research study also focuses on to bring out concurrent results than doing a post-mortem of effectiveness of financial inclusion program initiatives. Sources of data and other data analysis plan are given below:

*Sources of Information:* The study is purely based on secondary sources of information shown below;
Annual Reports:

- Reserve Bank of India (RBI)
- Data base on Indian Economy (RBI)
- Indian Bank Association
- Institute for Development & Research in Banking Technology (IDRBT)
- Indian Institute of Banking & Finance
- National Institute of Bank Management
- Ministry of Finance

Bulletins & Reports:

- Indian Council for Research on International Economic Research (ICRIER)
- Report of The Committee on Financial Inclusion
- Reserve Bank of India Bulletin
- Report on Currency and Finance
- National Institute of Bank Management (NIBM)
- IIBF - Vision

Websites:

- Reserve Bank of India (www.rbi.org)
- RBI – Data base on Indian Economy (http://dbie.rbi.org.in)
- Indian Banks’ Association (www.iba.org.in)
- Indian Institute of Banking and Finance (www.iibf.org.in)
- Ministry of Finance (www.finmin.nic.in)
- Indian Council for Research on International Economic Relations (www.icrier.org)
- Scheduled Commercial Banks Operating in India
Research Database:

- EBSCO host Online Research Database

Working Papers:

- ADBI Working Paper Series

Journals:

- Journal of Social & Management Sciences, Prajnan, Vinimaya
- Bank Quest (IIBF)
- The Indian Banker (IBA)
- European Journal of Development Research

Magazine/ News Letter:

- Fin @ Quest
- Asia Insurance Review
- Forbes

Financial Dailies:

- The Hindu Business Line
- Economic Times

Tools for analysis

Research Methodology

The data collected have been organized and presented in the form of Tables, diagrams and graphs. Various statistical techniques like average, Standard Deviation, Coefficient of Variation, Bonferroni test have been adopted for analysing and interpreting the data. Trend analysis has been used for predicting the bank branches from 2001 to 2011. Analysis of variance technique has been used to find out whether there is homogeneity in the bank branches among the regions, bank types.
The Bonferroni simply calculates a new pair-wise alpha to keep the family-wise alpha value at 0.05 (or another specified value). The formula for doing this is as follows:

\[ \alpha_B = \frac{\alpha_{FWE}}{c} \]

Where \( \alpha_B \) is the new alpha based on the Bonferroni test that should be used to evaluate each comparison or significance test, \( \alpha_{FWE} \) is the family-wise error rate as computed in the first formula, and \( c \) is the number of comparisons (statistical tests).

The Bonferroni is probably the most commonly used post hoc test, because it is highly flexible, very simple to compute, and can be used with any type of statistical test (e.g., correlations) - not just post hoc tests with ANOVA. The traditional Bonferroni, however, tends to lack power. The loss of power occurs for several reasons:

1. The family-wise error calculation depends on the assumption that, for all tests, the null hypothesis is true. This is unlikely to be the case, especially after a significant omnibus test;
2. All tests are assumed to be orthogonal (i.e., independent or non-overlapping) when calculating the family-wise error test, and this is usually not the case when all pair-wise comparisons are made;
3. The test does not take into account whether the findings are consistent with theory and past research. If consistent with previous findings and theory, an individual result should be less likely to be a Type I error; and
4. Type II error rates are too high for individual tests. In other words, the Bonferroni over corrects for Type I error.
Operational Definitions

Bank Branch

The circular of the RBI gives an inclusive definition of a ‘branch’ as covering a full fledged branch, including a specialized branch, a satellite or mobile office, an extension counter, an offsite ATM, administrative office, controlling office, service branch (bank office or processing centers) and credit card centers. A call center is excluded from the definition.

Tier-wise classification of centers based on population

<table>
<thead>
<tr>
<th>Classification of centers (tier-wise)</th>
<th>Population (as per 2001 Census)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>1,00,000 and above</td>
</tr>
<tr>
<td>Tier 2</td>
<td>50,000 to 99,999</td>
</tr>
<tr>
<td>Tier 3</td>
<td>20,000 to 49,999</td>
</tr>
<tr>
<td>Tier 4</td>
<td>10,000 to 19,999</td>
</tr>
<tr>
<td>Tier 5</td>
<td>5,000 to 9,999</td>
</tr>
<tr>
<td>Tier 6</td>
<td>Less than 5000</td>
</tr>
</tbody>
</table>

Population-group wise classification of centers

<table>
<thead>
<tr>
<th>Centre Type</th>
<th>Population Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Centre</td>
<td>up to 9,999</td>
</tr>
<tr>
<td>Semi-urban centre</td>
<td>from 10,000 to 99,999</td>
</tr>
<tr>
<td>Urban centre</td>
<td>from 1,00,000 to 9,99,999</td>
</tr>
<tr>
<td>Metropolitan centre</td>
<td>10,00,000 and above</td>
</tr>
</tbody>
</table>

Bank Groups:

a. **Scheduled** – SBI & Associates, Nationalized, Regional Rural Banks, Foreign,

b. **Other Scheduled** – Private: Old and New Private Sector Banks,

c. **Non-Scheduled** – Local Area Banks
Regions:

a. Northern Region
b. North Eastern Region
c. Eastern Region
d. Central Region
e. Western Region
f. Southern Region

Limitations of the Study

1. Based on the nature of study the researcher has relied on secondary data.
2. The study is confined to March 2011 due to delay in the dissemination of data for 2012 by the RBI.
3. Size based classification of branches (Ultra Small Branches, Small Branches, Mid Sized branches, Large Branches and Extra large Branches) could not be made due to paucity of data on the said pattern.

Chapterization

The chapters of the thesis are arranged in the following way:

Chapter I – Introduction
Chapter II – Review of Literature
Chapter III – Indian Economy at a Glance and Profiling of Extant Branch Authorization Policy
Chapter IV – Distribution of Branches of Commercial Banks in India: An Analysis
Chapter V – Distribution of Branches of Commercial Banks in India: Statistical Analysis
Chapter VI – Conclusion