

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:518
ANSWERED ON:30.04.2010
FINANCIAL INCLUSION THROUGH BANKS QUESTION
Gandhi Shri Feroze Varun

Will the Minister of FINANCE be pleased to state:

- (a) the steps taken by the Reserve Bank of India (RBI) under the bank-led model of financial inclusion;
- (b) whether the Government proposes to take steps to encourage the Non-Banking Financial Companies (NBFCs) as critical link in the microfinance sector;
- (c) if so, the details thereof and reaction of the Government thereto; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (d): A Statement is laid on the Table of the House.

Statement is laid on the Table of the House in respect of Starred Question No.518 for 30-04-2010 tabled by Shri Varun Gandhi regarding Financial Inclusion through Banks

(a): Reserve Bank of India (RBI) has taken the following steps recently to address the issue of financial inclusion:

1. All Domestic Commercial Banks Public and Private Sector have been advised in January 2010 to come up with specific Board approved Financial Inclusion Plans (FIP) by March 2010 incorporating some basic minimum qualitative features, and quantitative indicators with a view to rolling them out over the next three years. Such board approved FIPs will be an integral part of their business plans and will also include criteria on financial inclusion in the performance evaluation of their field staff.
2. To improve banking penetration in the North-East, the Reserve Bank asked the State Governments and banks to identify centres where there is a need for setting up either full- fledged branches or those offering forex facilities, handling government business or for meeting currency requirements. It has also offered to fund the capital and running costs for five years provided the State Government concerned is willing to make available the premises and out in place appropriate security arrangements.
3. In November 2009, banks have been advised to draw up a roadmap by March 2010 to provide banking services through a banking outlet in every village having a population of over 2,000 by March 2011 which will result in extending financial inclusion to more than one lakh villages. Such banking services may not necessarily be extended through a brick and mortar branch but can be provided through any of the various forms of ICT- based models, including through Business Correspondents (BCs).
4. There has been a relaxation of the branch authorisation policy of the Reserve Bank of India (RBI). To address the issue of uneven spread of Bank branches, since December 2009, domestic scheduled commercial banks are permitted to freely open branches in Tier 3 to Tier 6 centres with population of less than 50,000 under general permission, subject to reporting.

(b) to (d): The Reserve Bank of India (RBI) has reported that at present there is no separate classification of Non Banking Finance Companies (NBFCs) as `micro credit agencies`. However, there are 25 companies registered with the RBI as NBFCs under Section 45-IA of the RBI Act, 1934, in Loan Companies category that may be giving loans in the nature of microfinance.

The Government of India has formulated a draft Micro Financial Sector (Development and Regulation), Bill document, and has placed the same in the public domain for comments of all stakeholders.