

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:506
ANSWERED ON:30.04.2010
COVERAGE OF COMMERCIAL BANKS IN RURAL AREAS
Das Gupta Shri Gurudas;Singh Shri Rakesh

Will the Minister of FINANCE be pleased to state:

- (a) the number of underbanked districts and unbanked blocks in the country during the last three years, year-wise;
- (b) whether more than half of the villages in the country are not covered by any commercial bank branches;
- (c) if so, the details thereof;
- (d) the measures taken to expand the banking facilities into these unbanked areas; and
- (e) the role exercised by the Reserve Bank of India in ensuring opening up of the new bank branches by scheduled commercial and private banks in the rural areas?

Answer

THE FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (e):- 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. 506 for 30.04.2010 tabled by Shri Gaurudas Dasgupta and Shri Rakesh Singh regarding Coverage of Commercial Banks in Rural Areas.

(a) to (e) :- The Reserve Bank of India (RBI) has reported that, as on March 31, 2010 there are 86,777 branches of Scheduled Commercial Banks (SCBs) in the country, out of which 32,301 (37.2%) bank branches are in the rural areas, 20,488 (23.6%) in semi-urban areas, 17,881 (20.6%) in urban areas and 16,107 (18.6%) in metropolitan areas. The numbers of branches in semi-urban and rural areas constitute around 61 per cent of the total number of branches in the country. Further, there are 31 State Cooperative Banks, 371 District Central Cooperative Banks (DCCBs) about 97,200 Primary Agricultural Credit Societies (PACS), 20 State Cooperative Agriculture Rural Development Banks (SCARDBS) and 697 Primary Cooperative Agricultural Rural Development Banks (PCARDBS) spread across the country.

However, in spite of the above presence of banking outlets, a significant proportion of the households, especially in rural areas, are still outside the formal fold of the banking system. The RBI has through a circular dated December 1, 2009 listed 292 under banked districts in the country (based on the 2001 census). As on date, there are 90 unbanked blocks in the country. 80 of the unbanked blocks are in the North Eastern Region. The remaining 10 are in Jharkhand (five blocks) and Jammu and Kashmir (five blocks).

To extend the reach of banking to those outside the formal banking system, Government and RBI have taken a number of new initiatives. It was announced in the Budget Speech 2010-11 that appropriate banking facilities will be provided to habitations having population in excess of 2000 (as per the 2001 census) by March, 2012. The State Level Bankers Committees (SLBC) have been directed by RBI to identify such villages having a population of more than 2000 for provision of banking services including through Business Correspondents (BCs) or through brick & mortar bank branches. RBI has also advised the SLBCs to formulate their roadmaps for achieving this target.

As per the Branch Authorization Policy, since September 2005, RBI has allowed banks to open one branch in 'Other than under banked districts' for every branch opened in 'under banked districts'. In December, 2009 in order to provide greater flexibility to banks for opening branches and to enhance banking penetration and promote financial inclusion, RBI relaxed its Branch Authorization Policy under which Domestic Scheduled Commercial Banks (other than RRBs) have been permitted to open branches in Tier 3 to Tier 6 centres (that is, with population upto 49,999 as per 2001 Census) without having to take permission from RBI in each case. Domestic Scheduled Commercial Banks (other than RRBs) were also permitted to open branches in rural, semi-urban and urban centres in North Eastern States and Sikkim without having the need to take permission from RBI in each case.

Various other measures have also been taken by the Government of India and the RBI for financial inclusion. These include opening of 'no frills' accounts with minimum balance, easier credit facilities for the smaller customers, simpler Know Your Customer (KYC) norms for the 'no frills' accounts, permission to use Information Technology viz. Smart cards, mobile hand held electronic devices for banking transactions, adoption of Electronic Benefit Transfer (EBT) by banks for direct transfer of government subsidies to poor beneficiaries through the banking system, use of the Business Correspondent (BC) Model to interface with rural customers in far flung areas, liberalization of Bank Branch and ATM authorization policies, encouraging Financial Literacy / Credit Counseling, etc. The BC Model

has been reviewed and certain additional entities such as individual Kirana/Medical/Fair Price Shop owners/PCO operators, agents of small savings/insurance companies, owners of Petrol Pumps, retired teachers and authorized functionaries of well run Self Help Groups linked to banks have been allowed to engaged as Business Correspondents by banks.