

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:242
ANSWERED ON:26.11.2010
BANKING FACILITIES IN RURAL AREAS
Antony Shri Anto;Ramkishun Shri

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has extended the target for providing banking facilities to every village having population of more than 2000,
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Government proposes to launch a new scheme 'Swabhiman' in order to provide banking access to the people with no banking facilities;
- (d) if so, the details thereof alongwith the time by which the said scheme is likely to be implemented;
- (e) whether the Government/Reserve Bank of India has granted/proposed banking licenses to some of the industrial and business houses which intend to take over the Regional Rural Banks; and
- (f) if so, the details thereof alongwith the steps taken/being taken by the Government to bring the unbanked areas under the banking network?

Answer

The Finance Minister(Shri Pranab Mukherjee)

(a) to (f):- 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.242 for answer on November 26, 2010 tabled by Shri Ramkishun and Shri Anto Antony regarding Banking Facilities in Rural Areas

(a) to (d): To extend the reach of banking services to those outside the formal banking system, the Finance Minister in his Budget Speech 2010-11 had stated that the Government, in consultation with the Reserve Bank of India (RBI), has decided to provide appropriate banking facilities to habitations having population in excess of 2000 (as per 2001 census) by March, 2012. These services are to be provided using the Business Correspondent and other models, with appropriate technology back up. The State Level Bankers Committees (SLBCs) have drawn up plans for Financial Inclusion for each State and have identified around 73,000 habitations with a population of 2000 and over for providing banking services. This financial inclusion campaign is being named as 'Swambhiman'. The Banks have already initiated action to implement these plans.

(e): The Budget Speech 2010-11 had also mentioned that RBI would be considering giving some additional banking licenses to private sector players. Accordingly, RBI studied the international practices and examined their experience with licensing of 12 new private sector banks consequent to guidelines issued in 1993 and 2001. Based on the above study, RBI prepared and placed a discussion paper on its website on August 11, 2010 inviting comments/feedback on certain aspects from the stake holders and the public. In para 9.1.5 (c) of the discussion paper, one of the options suggested that as an intermediate steps, industrial houses could be allowed to take over Regional Rural Banks (RRBs) before considering allowing them to set up banks. However, RBI has stated that no final view has been taken on this aspect so far. RBI held discussions with stakeholders on October 7 and 8, 2010. The comments / suggestions received and views of the stakeholders are being examined by RBI, after which the final guidelines would be issued.

(f): Financial Inclusion is an important priority for the Government of India as only 38% of bank branches of Scheduled Commercial Banks are in rural areas and only about 40% of the country's population has bank accounts. The Government of India and the RBI have taken several initiatives to extend the reach of banking services to the excluded population of the country. These include:

i. RBI has advised banks to provide the facility of 'no-frills' accounts with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to the economically weaker sections of the population. Both public and private sector banks have been opening such accounts, RBI has reported that the banking sector as a whole has opened 506.70 lakh such accounts as on March 31, 2010.

ii. RBI has recently permitted all Scheduled Commercial Banks excluding Regional Rural Banks to open branches in Tier-III to Tier-VI Centers (with a population upto 49,999 as per 2001 census), without having to take permission from the RBI. This shall enable banks to open branches in the rural hinterland.

iii. Since January 2006, RBI has permitted banks to utilise the services of nongovernmental organizations (NGOs), micro-finance institutions (other than Non-Banking Financial Companies) and other civil society organisations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models. The BC Model ensures a closer relationship between poor people and the organized financial system. It allows banks to do 'cash in - cash out' transactions at a location much closer to the rural population, thus addressing the last mile problem for banks. RBI has been enlarging the list of entities eligible to be BCs for banks from time to time.

iv. For mobile banking transactions banks are now permitted by RBI to offer this service to their customers subject to a daily cap of Rs.50,000 per customer for both funds transfer and transactions involving purchase of goods/services. The maximum value of such transfers shall be Rs 5000 per transaction.

v. Several other initiatives have also been taken by the Government of India and the RBI for furthering the reach of banking services. These include easier credit facilities for the smaller customers through the General Credit Cards (GCC), simpler Know Your Customer (KYC) norms for customers holding accounts with balances not exceeding Rs 50,000 and aggregate credit in the accounts not exceeding Rs 1 lakh per year, banks being permitted to use various banking technologies including smart cards, mobile hand held electronic devices for facilitating banking transactions, liberalization of the ATM authorization policy and encouraging banks to take up Financial Literacy / Credit Counseling.