

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1477  
ANSWERED ON:04.03.2011  
BRANCHLESS BANKING  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government has launched a scheme for providing branchless banking through technology, which extends the distribution of financial services to poor people;
- (b) if so, the details thereof; and
- (c) the details of the modalities / parameters of the idea of such banking alongwith the safety measures taken / being taken by the Government keeping in view the increasing internet banking frauds?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) to (c):- In order to extend the reach of banking to the rural hinterland, Banks have been advised to provide appropriate banking facilities to habitations having a population in excess of 2000 (as per 2001 census) by March, 2012. These services will be provided using the Business Correspondent and other models, with appropriate technology back up. Accordingly, the State Level Bankers Committees (SLBCs) have drawn up plans for Financial Inclusion for each State and have identified approximately 73,000 habitations with a population of 2000 and above for providing banking services. These 73,000 habitations across the country have been allotted to Public Sector Banks, Private Banks, Regional Rural Banks and Cooperative Banks for extending banking services in a time bound manner. This Financial inclusion Campaign has been named 'Swabhimaan'. Banks will initially provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (Bank Saathi) under 'Swabhimaan'.

Branchless banking entails the delivery of financial services outside conventional brick and mortar bank branches using Business correspondents and Information and Communication Technologies (ICT). To extend banking to the poor in remote villages, banks are using the services of Business Correspondents (BCs) who act as agents of the banks in the villages. Banks provide their BCs handheld devices similar to the Point of Sale (POS) Terminals used for card transactions in merchant establishments mostly in urban areas. Customers are provided smart cards or biometric cards by the Banks which carry the bank account details. Upon identification of the customer, the BC puts through the basic banking transaction, which could be a deposit, a cash withdrawal, a remittance or a balance enquiry. The transactional data is then transmitted to the banks' central data base either online or using the offline mode. The accounts operated with BCs are 'no frills' accounts with 'nil' or very low minimum balance. Transactions in such accounts are limited to a small value, thus limiting the fraud risk. Also biometric features ensure that the identification of the customer is verified by the BCs before carrying out such transactions. The Aadhaar number being issued by Unique Identification Authority of India (UIDAI) would also facilitate risk free transactions.

As regards safety measures, Reserve Bank of India has issued detailed guidelines and advised banks to exercise due diligence for engaging Business Correspondents covering such aspects as reputation / market standing, financial soundness, management and corporate governance, cash handling ability and ability to implement technology solutions in rendering financial services. RBI has also advised banks to ensure that the equipment and technology used by the BC is of high standards