

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3135
ANSWERED ON:19.08.2011
QUALITY OF BANKING SERVICES
Verma Smt. Usha

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is satisfied with the quality of services rendered by the banking industry especially in far-flung, accessible tribal and rural areas of the country;
- (b) if so, the details thereof;
- (c) whether the Government has conducted any study to ascertain the penetration of banking services in the country;
- (d) if so, the details thereof;
- (e) whether the Government has taken note of deficiencies / obstacles in the implementation of public welfare and development schemes for want of banking services by the beneficiaries; and
- (f) if so, the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) to (f):- To ensure faster penetration of banking services to smaller centres, Reserve Bank of India (RBI) has granted a general permission to the domestic Scheduled Commercial Banks (other than RRBs) to open branches / mobile branches / Administrative Offices / CPCs (Service Branches),
- (i) in Tier 3 to Tier 6 centres (with population up to 49,999) which include all rural centres and
 - (ii) in rural, semi urban and urban centres of the North Eastern States and Sikkim, subject to reporting to RBI. Thus, domestic scheduled commercial banks are not required to take permission from RBI for opening branches / mobile branches / Administrative Offices / Central Processing Centres (Service Branches) in these centres.

Further, to extend banking services to the identified 72,800 villages with population above 2,000 and thereafter progressively to all villages over a period of time. RBI has advised the banks on 15.07.2011 that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres.

To further accelerate the process of financial inclusion and remove the difficulties faced by banks in engaging banking correspondents (BCs), RBI relaxed its guidelines in September 2010, and now the banks can engage companies registered under the Companies Act, 1956 with large and widespread retail outlets, excluding Non Banking Financial Companies (NBFCs), as BCs in addition to the individuals / entities permitted earlier.