

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2970
ANSWERED ON:24.07.2009
PAYMENT OF SALARY THROUGH BANKS
Nagorao Shri Dudhgaonkar Ganeshrao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has plans to open more banks, especially in rural areas of the country;
- (b) if so, the details thereof and the time by which such banks would be opened;
- (c) whether the Government has envisaged making all Government payments like salary, wages, bills etc. through banking system only;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

Answer

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

(a) & (b): Opening of new bank branches is governed by the provisions of Section 23 of the Banking Regulations Act, 1949. It is, therefore, mandatory for commercial banks to obtain prior approval of the Reserve Bank of India (RBI) before opening a new branch/office. However, in order to provide infrastructure support for banking services in unbanked blocks of the country, the Government has allocated an amount of Rs. 100 crore during the current year as a one-time grant-in-aid to ensure provision of at least one center/Point of Sales (POS) in such blocks.

(c) & (d): In a letter written by the RBI in June, 2008, the State Governments/UTs have been asked to explore the possibility of routing Government payments including those under NREGS to various beneficiaries through the banking system. Banks have already initiated measures to appoint business correspondents/facilitators, open no frills accounts, distribute smart cards and propagate financial literacy and credit counselling with a view to facilitating, inter alia, greater use of the banking system for payments.

(e): Does not arise.