

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4008
ANSWERED ON:31.07.2009
REVAMPING OF BANKS
Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government intends to revamp banks so as allow them to become outreach units for financial inclusion;
- (b) if so, the details thereof;
- (c) whether the Government would entail amending the Acts which govern them and changing their Charter/Mission statement priorities;
- (d) if so, the details thereof; and
- (e) the implications of such revamping on the financial health of the banks in the light of economic slowdown?

Answer

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

(a) to (d): To bring the `financially excluded` population within the formal banking system, the Government and Reserve Bank of India (RBI) have taken the following steps:-

Pursuant to the Budget announcement for 2008-09, the Commercial Banks and Regional Rural Banks were advised to open 250 new rural household accounts every year at each of their rural and semi urban branches.

Government has set up two funds, with NABARD, viz., Financial Inclusion Fund and Financial Inclusion Technology Fund with an overall corpus of Rs.500 crore each, to facilitate financial services particularly among weaker sections, low income groups and in backward regions/hitherto unbanked areas.

Banks have been advised to make available a basic banking no frills` account either with `nil` or very low minimum balances.

Banks have been advised to issue General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit.

In January 2006, the RBI permitted banks to use the services of intermediaries in providing financial and banking services through the use of Business Facilitator (BF) and Business Correspondent (BC) models. In this light, banks can use Non-Governmental Organisations, Self Help Groups, Micro Finance Institutions, Post Offices and other Civil Society Organisation as intermediaries in providing financial and banking services.

(e): Measures taken by the Government and RBI are not expected to have a negative financial impact on the banks.