

**GOVERNMENT OF INDIA**

**MINISTRY OF FINANCE**

**RAJYA SABHA**

**QUESTION NO 09.11.2010**

**ANSWERED ON**

**OPENING OF BANKING SERVICES IN UNBANKED AREAS .**

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Shri Mohd. Ali Khan

Will the Minister of FINANCE be pleased to state :-

(a) whether it is a fact that banks should reduce the cost of services by becoming more efficient in order to provide banking services in unbanked areas;

(b) if so, the details worked out so far in this regard; and

(c) the steps being taken to encourage the private players to open the banks in unbanked areas ?

**ANSWER**

The Minister of State in the Ministry of Finance

(Shri Namo Narain Meena)

(a) to (c) In order to extend the reach of the banks in the rural hinterland, various measures are being taken by the Government of India and the RBI. The Government of India has directed banks to draw up roadmaps for extending banking facilities to all rural habitations with a population over 2000 (as per the 2001 census) by March, 2012. The banks will leverage the use of technology to extend banking facilities to areas without bank branches through the Business Correspondent (BC) model. The banks have been advised to select their technologies for branchless banking through the BC model, procure the required hardware/software, identify their business correspondents` state-wise and roll out their financial inclusion plans in a time bound manner. Accordingly, approx. 73,000 unbanked villages having a population of more than 2000 have been allocated to various banks for the provision of banking facilities. Villages have also been allocated to private banks. Further, the Reserve Bank of India has also set up different Working Groups which are looking at connectivity, interoperability issues and aspects of cash management under the BCs model. This is likely to standardise operations across banks and bring down the operating costs for banks.