

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:57
ANSWERED ON:24.11.2006
OUTSOURCING OF BANKING ACTIVITIES IN RURAL AREAS
Mane Smt. Nivedita; Sidhu Shri Navjot Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to encourage outsourcing in core banking in rural areas for spreading banking facilities;
- (b) if so, the details thereof; and
- (c) the modalities being worked out to implement it?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.CHIDAMBARAM)

(a) to (c) : A Statement is laid on the Table of the House.

Statement referred to Parts (a) to (c) of Lok Sabha. Starred Question No.57 to be answered on 24th November, 2006 regarding Outsourcing of Banking Activities in Rural Areas., tabled by Shrimati Nivedita Mane and Shri Navjot Singh Sidhu.

(a) to (c) : Pursuant to the announcement in the Budget Speech for 2005-06, Reserve Bank of India(RBI) had appointed an internal working group to examine the issues relating to engagement of Micro Finance Institutions (MFIs) and Civil Society Organisations(CSOs) for providing banking services to relatively under-banked and rural areas. Based on the recommendations of the Group, RBI has issued guidelines on 25th January, 2006 to all scheduled commercial banks in this regard. Banks have been advised to use the services of Non-Governmental Organisations (NGOs), Self Help Groups(SHGs), Micro Finance Institutions (MFIs) and other CSOs as intermediaries in providing financial and banking services through the use of Business Facilitator and Correspondent models. The objective of the scheme is to help low income group population in the country, which has lesser or no access to banking services due to locational problems, illiteracy etc., to access the banking services, with the help of these Intermediary institutions, even if there is no bank branch in the areas.