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RBI announces Measures towards promoting Financial Inclusion

The Reserve Bank of India today announced a slew of measures aimed at taking banking services to the small man (Financial Inclusion). The circulars issued by the central bank contain the following:

I. Widening the Scope of RRBs:

(i) Regional Rural Banks (RRBs) have been advised to offer 'no frills' account facilities with zero or low minimum balance requirements as also nominal charges, so as to make such accounts available to vast sections of the population. Further, they have been advised to explore the provision of small clean overdraft facility in such accounts without linkage to purpose. The procedures for opening such accounts, including KYC compliance, will be simple.

(ii) In order to make RRBs important vehicles of credit delivery in rural areas, the Reserve Bank has announced a special package designed to give a fillip to their resource base. These measures will enable them to avail lines of credit from sponsor banks at reasonable rates of interest, access to inter-RRB term money/borrowings and also to repo/CBLO markets.

(iii) RRBs have been permitted to set up ATMs, issue debit/credit cards and also to handle pension/Government business as sub-agents of banks authorised to conduct Government business.

(iv) The Reserve Bank will consider, on a case by case basis, requests from RRBs for opening of currency chests and is also actively considering the possibility of permitting them to undertake non-trade related current account foreign exchange transactions for specified purposes, such as, overseas education, medical treatment, private visits, etc.

II. Introduction of General Credit Card:

The Reserve Bank has advised scheduled commercial banks and RRBs to introduce a General Credit Card (GCC) Scheme for issuing GCC to their customers in rural and semi-urban areas. The GCC will operate like the Kisan Credit Card and there will be no linkage to purpose or end-use of funds or security. The GCC can also be used for withdrawing cash against the limit sanctioned. Fifty per cent of the outstanding amount will be treated as indirect finance to agriculture. Women will be given preferential treatment under the GCC Scheme. Banks have been asked to utilise the services of local post offices, schools, primary health centres, local government functionaries, farmers' associations/clubs, etc., for sourcing of borrowers for issuance of GCC. Detailed guidelines have been communicated to banks in this regard.

III. OTS Scheme for Small Borrowers and Eligibility for Fresh Loans

With a view to giving small borrowers an opportunity to settle their non-performing accounts with banks and become eligible for fresh finance, all scheduled commercial banks (including RRBs and Local Area Banks) have been advised to provide a simple mechanism for one-time settlement (OTS) of loans for the principal amount upto Rs. 25,000 and which have become doubtful or loss assets as on September 30, 2005. State Level Bankers Committees will evolve State specific guidelines for loans granted under Government sponsored schemes. This scheme will not cover cases of frauds and malfeasance.

These measures have been formulated pursuant to the central bank's Annual Policy Statement for the year 2005-06 which gave high priority to Financial Inclusion of a large section of the population which has not been able to avail various banking services and facilities.

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