

Chidambaram sends banks on rural drive

budget
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NEW DELHI: Finance minister P Chidambaram is likely to direct banks to open more branches in rural areas and focus on states in which penetration in the hinterland is low, to expand the government's much-hyped direct cash transfer programme.

Finance ministry sources said that more than 70 lakh new accounts have been opened in the current financial year so far. With just over a year to go for the general elections, the programme is viewed as critical for the UPA government's success at the hustings.

Bankers said the effort would be to add another one crore no-frill accounts to improve the rural spread of banking.

"The government is very clear that banks must expand rapidly especially in areas where the penetration is still low in a manner that there is at least one bank account for one family," said a senior government official who refused to be identified.

According to finance ministry data, the country has a total of 24,66,92,667 households, of which 58.7% are covered by the banking network.

The Indian Banks' Association (IBA) is already working out a strategy to facilitate branchless banking in villages. Besides this, remote villages with populations of 2,000 or less could get micro automatic teller machines (ATM) for banking transactions.

The government would also look at allocating ₹17,000 crore in a recapitalisation exercise for banks to help them in their expansion plans. An announcement for this may be made in the coming Union Budget.