

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1802  
ANSWERED ON:01.08.2003  
BRANCHES OF FOREIGN BANKS  
ALE NARENDRA

**Will the Minister of FINANCE be pleased to state:**

- (a) whether RBI has issued guidelines to foreign banks to expand their operations in the country;
- (b) if so, the details thereof;
- (c) whether foreign banks are allowed to take over branches of other commercial banks which have become dormant;
- (d) if so, the number of such branches for which RBI has granted permission to foreign banks to operate; and
- (e) the steps taken by RBI to ensure that branches of banks in rural areas are not closed ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a): No Sir.

(b): Does not arise.

(c)&(d): There is no bar on foreign banks to take over the branches of other commercial banks on mutually agreed terms. This however requires prior permission from Reserve Bank of India (RBI). However, no foreign bank has approached RBI so far for permission in this regard.

(e): Closure of rural branches can be done only with prior permission of RBI. As per RBI's instructions closure of loss making branches at rural centres having a single commercial bank branch is not permitted. At centres served by two branches of commercial banks (excluding branches of Regional Rural Banks) the decision for closure of one of the branches may be taken by the concerned banks by mutual consultations with the prior permission of the RBI.