

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5381

ANSWERED ON:29.04.2005

BRANCHES IN RURAL AREAS

Renge Patil Shri Tukaram Ganpatrao;Yadav Shri M. Anjan Kumar

Will the Minister of FINANCE be pleased to state:

- (a) whether Reserve Bank of India has decided to adopt rigid stand on bank`s reluctance to open branches in the rural and semi-urban areas, as committed by them in their licensing agreements;
- (b) if so, whether the Ministry of Finance has urged RBI to ask the banks to go by the licensing condition under which each of them are required to have at least 25 per cent of their branches in the rural and semi-urban areas;
- (c) the total number of new private banks opened in the country;
- (d) the number of banks which have followed this directive; and
- (e) the reasons for not followed the instructions of the Government by other bank?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) Under the extant branch licensing policy, identification of locations for opening of branches is left to the discretion of the banks. The banks take into consideration factors such as potential for business at the center, profitability of the proposed branch, availability of infrastructure, security etc. before submitting a proposal for opening of new branches. As per the data available, the percentage of rural/semi-urban branches of Public Sector Banks to total branches stands at 64.81%. The New Private Sector Banks are required opening 25% of their branches in rural/semi-urban areas as a part of the condition stipulated in the license issued to them. The banks have not shown any reluctance to comply with this condition while opening new branches.

(c) In all, ten banks in the private sector are presently functioning which have been set up subsequent to issuance of guidelines for licensing new banks on 03-01-2003.

(d) and (e) These banks have not shown any reluctance to Comply with the condition of opening 25% of their branches in rural/semi-urban areas while opening new branches.