

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1260

ANSWERED ON:07.03.2008

EXPANSION OF BANKING SERVICES IN RURAL AREAS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has formulated any action plan for expansion of rural banks and providing better banking facilities in the rural areas;
- (b) if so, the details thereof;
- (c) the number of branches of public sector banks opened in rural areas during each of the last two years in the country, State-wise; bank wise;
- (d) whether a number of public sector banks have closed their branches in the rural areas during the above period;
- (e) if so, the details thereof and the reasons therefor, State-wise, bank-wise; and
- (f) the steps taken/being taken by the Government to stop such closures and to develop best banking facilities in rural areas?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The Reserve Bank of India (RBI) under its branch authorization policy has given banks the freedom to select centres for opening of new branches. However, while granting approvals, RBI ensures that the approvals include centres in rural/underbanked districts also. Generally, all proposals for opening bank branches in underbanked districts/rural areas are considered favourably. Further, new private sector banks are required to ensure that at least 25% of their total branches are in semi-urban and rural centres on an on-going basis.

Further, a circular on "Financial Inclusion by Extension of Banking Services-Use of Business Facilitators and Correspondents" dated January 25, 2006 was issued by the RBI to all banks, whereby, with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks have been permitted to use the services of Non-Governmental Organizations/Self Help Groups, Micro Finance Institutions and other Civil Society Organizations as intermediaries in providing financial and banking services through the use of Business Facilitators and Business Correspondent models. The guidelines issued are primarily intended to help banks to extend their outreach and serve the rural masses even where they do not have any physical presence by way of branches.

(c): A Statement containing details of number of bank branches opened in rural areas during the last two years is placed at Annex-A.

(d) to (f): A statement containing details of numbers of bank branches closed in rural areas by Public Sector Banks during the last two years is placed at Annexure-B.

RBI has reported that it does not readily have information on the reasons for closure of these bank branches in rural areas. However, under the extant Branch Authorisation Policy, closure of even loss making branches at rural centres having single commercial bank branch (excluding Regional Rural Bank branch) is not permitted, as the closure would render the centre unbanked. The proposals for closure of a rural branch at a centre served by more than one commercial bank branch are required to be submitted to RBI by banks in the annual branch expansion plan after obtaining approval of District Consultative Committee. These proposals are considered by the RBI on a case to case basis and closure of rural branches is approved only under exceptional circumstances like adverse law and order situation, etc.

Further, in order to bring financially excluded population within the formal banking system, Government has taken a number of steps which inter-alia include: opening of 'no frills' account alongwith simplified procedure and limited overdraft facility without any collateral; one time settlement scheme for small borrowers; issue of General Credit Cards to eligible beneficiaries without security and scaling up IT initiatives in rural areas.

ANNEX-A

ANNEXURE AS REFERRED IN REPLY TO PART (C) OF LOK SABHA USQ NO. 1260 FOR 07.03.2008
STATE AND BANK WISE NUMBER OF RURAL BRANCHES OPENED BY PUBLIC SECTOR BANKS

OPENED DURING THE PERIOD
STATE NAME BANK NAME April 1,2006- April 1,2007-
March 31,2007 Dec 31,2007

ANDHRA PRADESH ANDHRA BANK 1 -
STATE BANK OF INDIA 1 -
ANDHRA BANK 1 -
ANDHRA BANK 2 -
SYNDICATE BANK 1 -
ANDHRA BANK 1
CORPORATION BANK 1
INDIAN OVERSEAS BANK 1 -
ANDHRA PRADESH Total 9 3

ASSAM STATE BANK OF INDIA - 2
STATE BANK OF INDIA - 1
STATE BANK OF INDIA 1 -
STATE BANK OF INDIA - 1
ASSAM Total 1 4

BIHAR STATE BANK OF INDIA 1 -
UCO BANK 1 -
CENTRAL BANK OF INDIA - 1
CENTRAL BANK OF INDIA 1 -
STATE BANK OF INDIA 1 -
CENTRAL BANK OF INDIA 1 -
BANK OF INDIA 1 -
PUNJAB NATIONAL BANK - 1
CENTRAL BANK OF INDIA 1 -
BIHAR Total 7 2

CHHATTISGARH STATE BANK OF INDIA - 1
STATE BANK OF INDIA - 1
STATE BANK OF INDIA 1 -
CORPORATION BANK - 1
STATE BANK OF INDIA - 1
CHHATTISGARH Total 1 4

DELHI CENTRAL BANK OF INDIA 1 -
CORPORATION BANK 1 -
DELHI Total 2 -

GOA BANK OF MAHARASHTRA 1 -
UCO BANK 1 -
GOA Total 2 -

GUJARAT BANK OF INDIA 1 -
SYNDICATE BANK 1 -
UNION BANK OF INDIA 1 -
STATE BANK OF SAURASHTRA 1 -
DENA BANK 1 -
STATE BANK OF INDIA - 1
STATE BANK OF SAURASHTRA 1 -
STATE BANK OF INDIA - -
STATE BANK OF SAURASHTRA 1 -
STATE BANK OF SAURASHTRA 1 -
BANK OF BARODA - 1
INDIAN OVERSEAS BANK 1 -
BANK OF BARODA - 1
GUJARAT Total 9 3

HARYANA CENTRAL BANK OF INDIA 1 -
BANK OF INDIA - 1
ORIENTAL BANK OF COMMERCE 1 -
STATE BANK OF INDIA 1 -
STATE BANK OF PATIALA - 1
PUNJAB NATIONAL BANK - 1

PUNJAB NATIONAL BANK 1 -
CORPORATION BANK - 1
VIJAYA BANK - 1
HARYANA Total 4 5

HIMACHAL PRADESH STATE BANK OF INDIA 1 -
STATE BANK OF PATIALA 1 -
STATE BANK OF INDIA - 3
STATE BANK OF PATIALA 1 -
SYNDICATE BANK 1 -
UCO BANK 1 -
PUNJAB NATIONAL BANK 2 -
CENTRAL BANK OF INDIA 1 -
PUNJAB NATIONAL BANK 1 -
ALLAHABAD BANK - 1
PUNJAB NATIONAL BANK - 1
HIMACHAL PRADESH Total 9 5

JAMMU & KASHMIR ORIENTAL BANK OF COMMERCE 1 -
STATE BANK OF INDIA - 1
JAMMU & KASHMIR Total 1 1

JHARKHAND ALLAHABAD BANK -
STATE BANK OF INDIA - 1
STATE BANK OF INDIA 1 -
JHARKHAND Total 2 1

KARNATAKA CANARA BANK - 1
VIJAYA BANK 1 -
CORPORATION BANK - -
SYNDICATE BANK 1 -
CORPORATION BANK - 1
VIJAYA BANK - 1
SYNDICATE BANK 2 -
VIJAYA BANK 1 -
SYNDICATE BANK 3 -
KARNATAKA Total 8 3

KERALA STATE BANK OF TRAVANCORE 1 -
KERALA Total 1 -

MADHYA PRADESH STATE BANK OF INDORE - 1
CENTRAL BANK OF INDIA - 1
STATE BANK OF INDIA - 1
STATE BANK OF INDORE - 1
MADHYA PRADESH Total - 4

MAHARASHTRA UCO BANK 1 -
BANK OF MAHARASHTRA - 1
INDIAN OVERSEAS BANK 1 -
UNION BANK OF INDIA 2 -
BANK OF BARODA 1 -
INDIAN OVERSEAS BANK - 1
SYNDICATE BANK 1 -
UCO BANK 1 -
UNION BANK OF INDIA 1 -
BANK OF INDIA - 1
BANK OF MAHARASHTRA 1 -
CENTRAL BANK OF INDIA 1 -
BANK OF INDIA 1 -
MAHARASHTRA Total 11 3

MEGHALAYA BANK OF BARODA 1 -
MEGHALAYA Total 1 -

MIZORAM STATE BANK OF INDIA 1 -
MIZORAM Total 1 -

ORISSA UCO BANK 1 -
 I.D.B.I. LTD. - 1
 STATE BANK OF INDIA 1 -
 INDIAN OVERSEAS BANK - 1
 STATE BANK OF INDIA 1 -
 ANDHRA BANK - 1
 PUNJAB NATIONAL BANK - 1
 PUNJAB NATIONAL BANK - 1
 ANDHRA BANK - 1
 STATE BANK OF INDIA 1 -
 ORISSA Total 4 6

PONDICHERRY INDIAN OVERSEAS BANK 2 -
 STATE BANK OF INDIA - 1
 PONDICHERRY Total 2 1

PUNJAB STATE BANK OF PATIALA - 1
 INDIAN OVERSEAS BANK 1 -
 ORIENTAL BANK OF COMMERCE 3 -
 PUNJAB NATIONAL BANK 1 -
 SYNDICATE BANK 1 -
 STATE BANK OF PATIALA - 1
 INDIAN OVERSEAS BANK 1 -
 ORIENTAL BANK OF COMMERCE 1 -
 PUNJAB NATIONAL BANK 1 1
 ORIENTAL BANK OF COMMERCE 1 -
 STATE BANK OF PATIALA - 1
 PUNJAB NATIONAL BANK - 1
 PUNJAB AND SIND BANK - 1
 PUNJAB Total 10 6

RAJASTHAN BANK OF BARODA 1 -
 STATE BANK OF BIKANER AND JAIPUR 1 -
 BANK OF BARODA - 1
 STATE BANK OF BIKANER AND JAIPUR - 1
 ALLAHABAD BANK 1 -
 STATE BANK OF BIKANER AND JAIPUR - 1
 BANK OF BARODA 1 -
 BANK OF BARODA - 1
 STATE BANK OF BIKANER AND JAIPUR 1 -
 RAJASTHAN Total 5 4

SIKKIM CENTRAL BANK OF INDIA 1 2
 CENTRAL BANK OF INDIA - 1
 SIKKIM Total 1 3

TAMIL NADU CENTRAL BANK OF INDIA - 1
 INDIAN OVERSEAS BANK 1 1
 INDIAN BANK - 1
 INDIAN OVERSEAS BANK - 1
 INDIAN BANK - 2
 INDIAN OVERSEAS BANK 2 2
 STATE BANK OF INDIA - 1
 INDIAN OVERSEAS BANK - 1
 INDIAN OVERSEAS BANK - 2
 INDIAN OVERSEAS BANK - 1
 INDIAN OVERSEAS BANK - 1
 INDIAN BANK 1 -
 STATE BANK OF INDIA - 1
 VIJAYA BANK 1 -
 BANK OF INDIA 1 -
 INDIAN OVERSEAS BANK 1 -
 STATE BANK OF INDIA - 1
 INDIAN OVERSEAS BANK 1 1
 INDIAN OVERSEAS BANK 1 -
 INDIAN BANK 1 -
 INDIAN OVERSEAS BANK 1 1
 TAMIL NADU Total 11 18

UTTAR PRADESH BANK OF BARODA - 1

PUNJAB NATIONAL BANK	-	1	
STATE BANK OF INDIA	-	1	
STATE BANK OF INDIA	-	1	
STATE BANK OF INDIA	-	1	
BANK OF INDIA	1	-	
PUNJAB NATIONAL BANK	1	-	
BANK OF INDIA	-	2	
PUNJAB NATIONAL BANK	-	1	
STATE BANK OF INDIA	-	1	
STATE BANK OF INDIA	-	1	
UCO BANK	1	-	
BANK OF INDIA	-	1	
STATE BANK OF INDIA	-	1	
ALLAHABAD BANK	-	1	
BANK OF BARODA	-	1	
ALLAHABAD BANK	-	1	
CENTRAL BANK OF INDIA	1	-	
ALLAHABAD BANK	1	-	
STATE BANK OF INDIA	1	-	
BANK OF INDIA	-	1	
STATE BANK OF INDIA	-	1	
STATE BANK OF INDIA	1	-	
ALLAHABAD BANK	1	-	
BANK OF INDIA	1	-	
STATE BANK OF INDIA	-	-	
STATE BANK OF INDIA	-	1	
ALLAHABAD BANK	-	1	
BANK OF BARODA	-	1	
UTTAR PRADESH	Total	9	20

UTTARAKHAND	CANARA BANK	1	-
	ALLAHABAD BANK	-	1
	ALLAHABAD BANK	1	-
UTTARAKHAND	Total	2	1

WEST BENGAL	SYNDICATE BANK	-	-
	SYNDICATE BANK	1	-
	ALLAHABAD BANK	-	1
	ALLAHABAD BANK	-	1
	SYNDICATE BANK	1	-
	CANARA BANK	-	1
	UCO BANK	1	-
WEST BENGAL	Total	3	3

Grand Total 116 100

Source: RBI

Notes:i) Data on bank branches exclude administrative offices

ii) Public sector banks comprise of SBI & its 7 Associates and nationalised banks (including IDBI Ltd).

iii) (-) : Denotes 'Nil'

iv) 'Rural' population group includes centres with population less than 10,000

ANNEX-B

ANNEXURE AS REFERRED IN REPLY TO PART (C) OF LOK SABHA USQ NO. 1260 FOR 07.03.2008 STATE AND BANK WISE NUMBER OF RURAL BRANCHES CLOSED/MERGED/CONVERTED BY PUBLIC SECTOR BANKS

CLOSED DURING THE PERIOD

STATE NAME	BANK NAME	April 1,2006-	April 1,2007-
		March 31,2007	December 31,2007

ASSAM	STATE BANK OF INDIA	-	1
ASSAM	Total	-	1

GUJARAT	BANK OF BARODA	2	-
GUJARAT	Total	2	-

JAMMU & KASHMIR STATE BANK OF INDIA - 1
JAMMU & KASHMIR Total - 1

KARNATAKA STATE BANK OF MYSORE 1 -
KARNATAKA Total 1 -

MADHYA PRADESH
PUNJAB NATIONAL BANK 1 -
MADHYA PRADESH Total 1 -

MAHARASHTRA - -
UNION BANK OF INDIA 1 -
MAHARASHTRA Total 1 -

MANIPUR STATE BANK OF INDIA - 1
MANIPUR Total - 1

MEGHALAYA STATE BANK OF INDIA - 1
MEGHALAYA Total - 1

MIZORAM STATE BANK OF INDIA - 5
MIZORAM Total - 5

ORISSA STATE BANK OF INDIA 1 -
ORISSA Total 1 -

UTTARAKHAND PUNJAB NATIONAL BANK 1 -
UTTARAKHAND Total 1 -

WEST BENGAL STATE BANK OF INDIA 1 -
WEST BENGAL Total 1 -

Grand Total 8 9

Source: RBI

Notes:i) Data on bank branches exclude administrative offices

ii) Public sector banks comprise of SBI & its 7 Associates and nationalised banks (including IDBI Ltd).

iii) (-) : Denotes 'Nil'

iv) 'Rural' population group includes centres with population less than 10,000

v) Closed branches includes closed/merged/coverted.