

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2546  
ANSWERED ON:12.03.2010  
OPENING OF BANK BRANCHES IN RURAL AREAS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) the location-wise proposals for opening of bank branches pending with the authorities;
- (b) whether preference is given to scheduled areas and if so, the details thereof; and
- (c) the steps taken by the Government for hassle free and smooth opening and functioning of such new branches?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namu Narain Meena)

(a) to (c): Reserve Bank of India (RBI) has in December 2009, liberalized the extant branch authorization policy and granted general permission to domestic Scheduled Commercial Banks (other than Regional Rural Banks) to open branches  
(i) in Tier 3 to Tier 6 centres (with population upto 49,999) and  
(ii) in rural, semi-urban and urban centres of the North- Eastern States and Sikkim, subject to reporting. Accordingly, these banks are not required to approach RBI for prior permission to open rural branches. The State-wise details of number of proposals pending with RBI as on March 8, 2010 is at Annex.

The decision regarding opening of a branch at a particular centre/location is taken by the banks based on various factors including profitability, viability, availability of infrastructure, etc.

Opening of branches by domestic Scheduled Commercial Banks (other than RRBs) in Tier 1 and Tier 2 centres (centres with population of 50,000 and above as per 2001 Census) continues to require prior permission of the RBI, except in the case of North Eastern States and Sikkim where the general permission would cover semi-urban and urban centres also. RBI while authorising branches at these centres bases its decision on various aspects, including a requirement that banks may plan their annual branch expansion in such a manner, that at least one-third of total number of branches opened in a financial year in Tier 3 to Tier 6 centres are in underbanked districts of underbanked States, as also upon a critical assessment of the bank's performance in financial inclusion, priority sector lending, customer service, etc.

The Government has advised the State Governments to provide the banks assistance in the form of security of the premises, infrastructure and connectivity for opening of bank branches in underbanked areas where there are security concerns.