

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:129
ANSWERED ON:05.03.2010
BANKS IN RURAL AREAS
Mandal Shri Mangani Lal

Will the Minister of FINANCE be pleased to state:

- (a) the average number of persons catered by a branch of a commercial bank in the country;
- (b) whether there is reluctance on the part of commercial banks to open branches in the rural areas and provide adequate staff to the existing branches;
- (c) if so, the details thereof alongwith reasons therefor, bank-wise;
- (d) if not, the reasons for less number of branches of commercial banks in the rural areas and under staffing of such branches; and
- (e) the steps taken or proposed to be taken by the Union Government to turn commercial banks into instruments of economic empowerment of the rural masses?

Answer

THE FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a) to (e):- A Statement is laid on the Table of the House.

Statement is laid on the Table of the House in respect of Starred Question No.129 for 05-03-2010 tabled by Shri Mangani Lai Mandal regarding Banks in Rural areas

(a): The All-India average population per bank branch as on 31-12-2009 is 13,639. As against the total number of 85,740 branches of Scheduled Commercial Banks (SCBs) in the country, 32,197(37.6%) bank branches are in the rural areas, 20,160(23.5%) in semi-urban areas, 17,521(20.4%) in urban areas and 15,862 (18.5%) are in metropolitan areas. The Reserve Bank of India (RBI) defines a `rural` centre as a centre with less than 10,000 population based on the 2001 census.

(b) to (d): As per the RBI Branch Authorization Policy in vogue since September 2005, in order to promote financial inclusion, RBI is authorizing banks to open one branch in `Other than underbanked districts` for every branch opened in `Underbanked districts`.

As regards the staffing of rural bank branches, staffing matters are decided entirely by the Boards of individual banks.

(e): The RBI under its extant Branch Authorization Policy allows the banks the choice of centre/location for opening up of new branches which banks decide after taking into consideration various factors including profitability, viability, availability of infrastructure, etc. However, RBI, while granting approvals, ensures that the approvals include centres in rural / underbanked districts. RBI while considering applications for opening bank branches received from banks, gives weightage to the nature and scope of banking facilities provided by banks to common people, particularly in underbanked areas, actual credit flow to the priority sector, pricing of products and overall efforts for promoting financial inclusion.

In December, 2009 in order to provide greater flexibility to banks for opening branches, to enhance banking penetration and promote financial inclusion, RBI relaxed its Branch Authorisation Policy under which domestic scheduled commercial banks (other than RRBs) were permitted to open branches in Tier 3 to Tier 6 centres (that is, with population upto 49,999 as per 2001 Census) without having the need to take permission from RBI in each case, subject to reporting. Domestic scheduled commercial banks (other than RRBs) were also permitted to open branches in rural, semi- urban and urban centres in North Eastern States and Sikkim without having the need to take permission from RBI in each case, subject to reporting.

RBI has also advised the Convener Banks of all State Level Bankers` Committees (SLBCs) to draw up a roadmap by March, 2010 which would provide banking services through a banking outlet in every village having a population of over 2,000 by March, 2011. This would result in extending financial inclusion to more than one lakh villages. Such banking services may not necessarily be extended through a brick and mortar branch but can be provided through any of the various forms of Information and Communication Technology (ICT) based models, including through Business Correspondents(BCs).