

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2557
ANSWERED ON:11.03.2011
FOREIGN BANKS IN INDIA
Owaisi Shri Asaduddin

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that at present foreign companies operate largely in bigger cities without freedom to expand like Indian incorporated banks ;
- (b) if so, the details thereof:
- (c) whether the Reserve Bank of India (RBI) has changed its policy with regard to the opening of branches by foreign banks in the country;
- (d) if so, the details thereof; and
- (e) the extent by which the new policy of the RBI is likely to bring more money to India and to downsize the Indian banks?

Answer

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

(a) & (b): Reserve Bank of India (RBI) has informed that the stipulation of minimum 25% of branch presence in rural and semi-urban areas is not applicable to foreign banks. However, according to Branch Authorisation policy issued by RBI in September 2005, while processing the applications for opening branches, the following aspects are also kept in view:

1. The RBI, while considering applications for opening branches, gives weightage to the nature and scope of banking facilities provided by banks to common persons, particularly in under-banked areas, etc.

2. Further, in order to ensure even spread of banking in the under banked districts, RBI has decided that proposals submitted by banks for opening of branches in under banked districts would be considered provided that the location of the proposed branch is not:

(i) Within the municipal limits of a State Capital a Metropolitan Centre or a District Headquarters and

(ii) Within 100 kms. from the 4 major Metropolitan Centres (Mumbai, New Delhi, Kolkata and Chennai) and 50 kms from a State Capital.

However, the above restrictions at

(i) and

(ii) will not be applicable in cases where the location of the proposed branch is in the State of Jammu & Kashmir or any of the 7 North Eastern States viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

(c) to (e): RBI on January 21, 2011, has released a 'Discussion paper on the form of presence of foreign banks' seeking views/comments of banks, non-banking financial institutions¹ all stakeholders and the public at large.