

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:699

ANSWERED ON:01.03.2013

RULES GOVERNING OPENING OF BRANCHES BY BANKS

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Will the Minister of FINANCE be pleased to state:

- (a) the conditions/norms laid down by the Reserve Bank of India (RBI) for opening of new branches by the public sector banks in Tier II cities in the country;
- (b) whether the RBI proposes to relax the rules governing opening of branches by various banks in Tier II cities;
- (c) if so, the details thereof and the reasons therefor
- (d) whether certain banks are allowed to open branches in Tier II cities without prior approval of RBI;
- (e) if so, the details thereof and the reasons therefor; and
- (f) the number of banks allowed to open branches in Tier II cities during the last three years and in the current year?

Answer

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

(a) to (f):- As per Branch Authorisation Policy of the Reserve Bank of India(RBI), general permission has been granted to domestic Scheduled Commercial Banks(SCBs), including private sector banks(other than RRBs) to open branches/administrative offices/Service Branches (i) in Tier 2 to Tier 6 centres (with population upto 99,999) which include rural centres; and (ii) in rural, semi urban and urban centres of the North Eastern States & Sikkim subject to reporting. Regional Rural Banks (RRBs) are also allowed to open branches in Tier 2 to Tier 6 centres (with population of 50,000 to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting and fulfilling certain conditions.

New private sector banks are required to have 25% of their total number of branches in rural and semi-urban centres with population below 1,00,000 on an ongoing basis.

The domestic SCBs have opened 988 branches in 2009-10, 1362 branches in 2010-11 and 2336 branches in 2011-12 in rural areas of the country.