

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4848

ANSWERED ON:18.12.2009

FUNCTIONING OF PRIVATE SECTOR BANKS

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Will the Minister of FINANCE be pleased to state:

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- (a) Whether the Government has assessed the functioning of Private Sector Banks in the country during the recent time;
- (b) if so, the details thereof and if not the reasons therefor;
- (c) whether the Government proposes to make it mandatory for private banks to open their branches in rural areas;
- (d) if so, whether Reserve Bank of India (RBI) has prepared any road map with the aim of benefiting the rural population with banking facilities; and
- (e) if so, the details thereof?

Answer

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

(a) & (b) : The Reserve Bank of India (RBI) assesses the functioning of banks by undertaking their Annual Financial Inspection.

(c) to (e): During the recent Second Quarter Review of Monetary Policy for the year 2009-10, RBI has announced guidelines for opening of branches by all the domestic scheduled commercial banks (other than Regional Rural Banks) including private banks for opening their branches in rural areas, as under:-

Banks will now be free to open branches in Tier 3 to Tier 6 centres as identified in the Census 2001 (with population up to 50,000) under general permission;

Opening of branches by these banks in Tier 1 and Tier 2 centres (with population over 50,000) will continue to require prior authorization of RBI;

Banks may plan their branches expansion in Tier 3 to Tier 6 centres in such a manner that at least one- third of such branch are in the underbanked districts of underbanked States as notified separately by RBI.

In considering such proposals, RBI, inter-alia, takes into account banks' performance in financial inclusion, priority sector lending and level of customer service.