

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:313
ANSWERED ON:03.02.2017
Small Finance Banks
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) has mandated that the small finance banks have to open at least 25 per cent of their branches in unbanked rural areas within one year of commencing operation, if so, the details thereof and the number of unbanked rural areas identified in each State/UT;
- (b) whether the instructions of the RBI are properly adhered by the small finance banks;
- (c) if so, the details thereof and if not, the reasons therefor;
- (d) whether the representatives of the small finance banks have urged the RBI / Government to relax the norms; and
- (e) if so, the details thereof and the action taken by the RBI / Government in this regard?

Answer

The Minister of State in the Ministry of Finance

(a): Reserve Bank of India (RBI) has informed that in terms of Paragraph II (4) of the Guidelines for Licencing of Small Finance Banks in the Private Sector dated November 27, 2014 (Licensing Guidelines), the annual branch expansion plans of the small finance banks should be in compliance with the requirement of opening at least 25 per cent of its branches in unbanked rural centres (population up to 9,999 as per the latest census). It was further clarified vide Paragraph 6.1 (ii) of the Operating Guidelines for Small Finance Banks dated October 6, 2016 (Operating Guidelines) that the small finance banks are required to have 25% of their branches in unbanked rural centres within one year from the date of commencement of operations.

(b) & (c): As and when Small Finance Banks are approaching Reserve Bank for seeking permission to open their branches, it is ensured that a minimum of 25% of the branches are proposed to be opened in unbanked rural centres i.e. centres in Tier 5 & 6 (population up to 9999) which do not have a brick and mortar structure of any Scheduled Commercial Bank for customer based banking transactions.

(d) & (e): None of the representatives of the small finance banks have approached RBI for relaxation of norms.
