

# FIFTY-SEVENTH REPORT

## ESTIMATES COMMITTEE (1987-88)

(EIGHTH LOK SABHA)

MINISTRY OF FINANCE  
(DEPARTMENT OF ECONOMIC AFFAIRS)

[Action Taken by Government on the recommendations contained in the Forty-Seventh Report of Estimates Committee (8th Lok Sabha) on the Ministry of Finance, Department of Economic Affairs—R. B. I.—Opening of New Branches of Banks in Rural Areas]



~~Presented to Lok Sabha on .....~~

LOK SABHA SECRETARIAT  
NEW DELHI

April, 1988/Chaitra, 1910 (Saka)

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## ESTIMATES COMMITTEE

(1987-88)

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22. Shri P. M. Sayeed
- \*\*23. Shri Laliteshwar Prasad Shahi

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\* Elected on 6th August, 1987 *vice* Prof. Narain Chand Parashar resigned from the Committee w.e.f. 3rd June, 1987.

\*\* Ceased to be Members of the Committee on 14-2-1988 on being appointed Ministers of State in the Union Council of Ministers.

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STUDY GROUP ON ACTION TAKEN REPORTS  
OF ESTIMATES COMMITTEE

(1987-88)

1. Smt. Chandra Tripathi—*Chairman*
2. Shri Bipin Pal Das—*Convener*
3. Shri Hannan Mollah
4. Shri Hussain Dalwai
5. Smt. Jayanti Patnaik
6. Shri P. M. Sayeed
7. Shri V. S. Krishna Iyer .
8. Shri Shantaram Naik
9. Shri A. Charles

## INTRODUCTION

1. The Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this Fifty-Seventh Report on action taken by Government on the recommendations contained in the Forty-Seventh Report of the Estimates Committee (8th Lok Sabha) on the Ministry of Finance, Department of Economic Affairs—R.B.I.—Opening of New Branches of Banks in Rural Areas.

2. The Forty-Seventh Report was presented to Lok Sabha on 28th April, 1987. Government furnished their replies indicating action taken on the recommendations contained in that Report on 25th January, 1988. The replies were examined by the Study Group on Action Taken Reports of Estimates Committee at their sitting held on 23rd March, 1988. The draft report was adopted by the Estimates Committee on 30th March, 1988.

3. The report has been divided into following Chapters:

- (i) Report
- (ii) Recommendations/Observations which have been accepted by Government.
- (iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in Forty-Eighth Report of Estimates Committee (Eighth Lok Sabha) is given in Appendix. It would be observed that

out of 12 recommendations made in the Report, 7 recommendations i.e. about 58.34 per cent have been accepted by Government and the Committee do not desire to pursue 2 recommendations i.e. about 16.66 per cent in view of Government replies. Replies of Government in respect of 3 recommendations i.e. about 25 per cent have not been accepted by the Committee.

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NEW DELHI;

Date April, 1988

Chaitra, 1910 (S)

CHANDRA TRIPATHI,

Chairman,

Estimates Committee.

## CHAPTER I

### REPORT

1.1 This Report of the Estimates Committee deals with Action Taken by Government on the recommendations contained in their Forty-Seventh Report (8th Lok Sabha) on R.B.I.—Opening of New Branches of Banks in Rural Areas which was presented to Lok Sabha on 28 April, 1987.

1.2 Action Taken Notes have been received in respect of all the recommendations contained in the Report. These Notes have been categorised as follows:—

- (i) Recommendations/Observations which have been accepted by the Government:

Sl. Nos. 1, 3, 4, 5, 6, 8 and 10.

(Total 7—Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:

Sl. Nos. 2 and 9.

(Total 2—Chapter III)

- (iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee:

Sl. Nos. 7, 11 and 12.

(Total 3—Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies are still awaited:

NIL.

1.3 The Ministry of Finance, Department of Economic Affairs was expected to furnish the Action Taken Notes within a period of 6 months from the date of presentation of the Report to Lok Sabha, i.e. upto 28 October, 1987. The Ministry, however, furnished the Action Taken Notes only on 25th January, 1988. The Committee, therefore, at the outset express their displeasure at the inordinate delay in furnishing Action Taken Notes by the Ministry. The Report



contained only 12 recommendations and it should not have taken the Ministry so long to process the recommendations.

1.4 The Committee will now deal with action taken by Government on some of the recommendations.

#### *Licences for Opening of Bank Branches*

##### **Recommendation (Sl. No. 7, Para 1.54)**

1.5 The Committee was surprised to find that as on 31 December, 1985, in utter disregard of the limit of 6 months prescribed for the opening of a bank branch after the issuance of a licence by the Reserve Bank of India, as many as 592 licences were pending with various Banks for opening branches in rural and semi-urban areas. The Committee did not feel convinced by the reasons advanced by the Department of Economic Affairs during evidence for the non-utilisation of the pending licences, which had been stated to be the non-availability of infrastructural facilities, inaccessibility of the area, etc. The Committee felt that all these factors should have been taken care of at the time of identification of a centre for opening a bank branch and the issuance of a licence for the purpose. The Committee emphasised that there was an urgent need for evolving an effective monitoring system for watching closely the progress in regard to utilisation of licences. It would be better that before granting a licence the views of the local administration regarding feasibility of opening the branch of a bank were also obtained so that a clear picture was available at the time of granting licence.

1.6 The Ministry have stated that under the earlier plan, the State Governments were required to identify the centres for opening branch offices and it was found that in many cases the banks could not open the branches due to lack of proper infrastructural facilities. Hence, large number of licences could not be utilised. It was, therefore, decided that under the current Plan the identification would be done by a group in which State Government would also be represented. The Group of Banks/State Government is expected to take into consideration this aspect regarding availability of infrastructure facilities for opening of bank branches, at the time of identification/finalisation of the centres. Banks have been advised that opening of branches should be evenly spread over the remaining period of current Branch Expansion Programme and that banks should accordingly indicate, period-wise, their schedule of opening the branches at the allotted centres to the concerned Regional Offices of RBI under whose jurisdiction the centres fall.

1.7 Concerned over the large number of licences pending with various banks for opening of branches in rural and semi-urban areas, the Committee had recommended for evolving a monitoring system for watching closely the progress in regard to utilisation of licences. The Committee had also recommended that views of local administration regarding feasibility for opening a new branch should be obtained at the time of granting licence. The Committee is happy to note that under the revised procedure the identification of centres would now be done by a group in which State Government would also be represented. The reply of the Ministry, however, does not indicate whether any monitoring system, as recommended by the Committee, to oversee the utilisation of licences by banks has since been evolved. The Committee consider that setting up of such a monitoring system is very important and urge the Ministry to initiate the necessary steps in this regard.

### *Incentives for Working in Rural Areas*

#### **Recommendation (Sl. No. 11, Para 1.76)**

1.8 The Committee found that for promotion from Grade I to Grade II, a minimum of two years service in rural areas had been stipulated. Like-wise, an officer had to put in a minimum of three years service in rural areas to qualify for promotion from Grade II to Grade III. The Committee did not consider these incentives to be adequate for attracting staff to work in the rural areas. Since the majority of branches of the banks are in the rural areas, the Committee desired the Ministry to examine whether the existing incentives could be made more attractive so that there was no difficulty in motivating the staff for working in the rural areas. In Committee's opinion, the term 'rural areas' needed to be defined explicitly so as to exclude rural areas bordering urban areas for the purposes of taking service in the rural areas for promotion. The Committee felt that such a stipulation was also necessary for hill areas where no such stipulation had been made so far.

1.9 In reply, the Ministry have stated that the minimum period of service in rural areas has been prescribed for promotion so that the staff develop necessary experience and expertise to shoulder higher responsibilities and to give rural orientation to the officers of the banks. As all the officers are expected under this condition to work in rural areas for a certain period, it is not considered necessary to provide them additional incentives.

1.10 Regarding definition of rural areas, it has been clearly specified that a centre having a population of less than 10,000 is to be considered as rural. It may not be necessary to make this definition more stringent for the time.

1.11 The Committee are not satisfied with the reply of the Ministry that as the minimum period of service in rural areas has been prescribed for promotion, it is not considered necessary to provide the staff with additional incentives. It appears that the import of the recommendation made by the Committee has not been realised by the Ministry. In the opinion of the Committee, if the existing incentives could be made more attractive, the staff would be more eager to work in the rural areas and there would be no difficulty in motivating them to work in rural areas.

1.12 Since the number of branches in rural areas is increasing, it seems necessary to create a climate whereby the flight to staff from rural areas after performance of duties for a couple of years, is arrested. As the indication to take active interest in promoting business in rural areas would have a direct relation to the attachment the employee cultivates for the rural areas, the Committee feel that a relook in the policy approach for posting in rural areas is called for. The Committee hence reiterate their earlier recommendation for appropriate action.

#### *Stay of staff near places of posting in Rural Areas*

##### **Recommendation (Sl. No. 12, Para 1.77)**

1.13 The Committee were concerned to note that most of the staff posted in the branches of banks in rural areas had been found to be travelling long distances from their residences in urban areas to come to their places of duty. This, in the Committee's view, seriously affected their efficiency. The Committee, therefore, recommended that it should be ensured that the staff, especially the Branch Managers, should stay close to their places of posting. If necessary, the banking regulations might be amended to provide for the compulsory stay of staff near their places of duty in the rural areas. For this purpose the bank should construct/hire suitable residential accommodation close to each rural branch for the Branch Manager.

1.14 The Ministry in their reply has stated that an officer posted to a centre is expected to stay within the municipal/panchayat limits or within its periphery. Government have already issued instructions in this regard. A copy of the instructions issued is attached.

1.15 The Committee regret to note that the recommendation made by the Committee for amending the banking regulations to provide for compulsory stay of staff near their places of posting in rural areas has not been considered by the Ministry with the seriousness it deserved. The instructions referred to by the Ministry in their reply were issued in 1984 while the instances of staff travelling long distances to their places of duty came to the notice of the Committee in 1987. It appears that the instructions had no salutary effect.

1.16 The Committee, therefore, reiterate their recommendation and call upon the Ministry to seriously consider amending the Banking regulations so that the staff should compulsory stay close to their places of duty.

#### *Implementation of recommendations*

1.17 The Committee would like to emphasise that they attach the greatest importance to the implementation of recommendations accepted by Government. They therefore, urge that Government should take steps in this regard. In cases where it is not possible to implement the recommendations in letter and spirit for any reasons the matter should be reported to the Committee in time with reasons for non-implementation.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Serial No. 1, Para 1.10)

1.10 The Committee note that even though banks were nationalised in 1969, a comprehensive branch licensing policy was only thought of in 1979 and the first branch licensing policy came into existence for a period of three years w.e.f. 1 January, 1979 to 31 December, 1981 i.e. after a lapse of almost 10 years. The Committee do not see any plausible reason why the matters were allowed to drift for almost a decade even after nationalisation of banks in 1969 before Government could think of evolving a branch licensing policy for regulating the opening of bank branches in the country. The Committee are sure that had the Branch Licensing Policy been evolved immediately after nationalisation of banks, the objective behind such nationalisation could have been better achieved by opening of more branches of the Banks in areas which had no branch of a bank within a reasonable distance even after twenty two years of independence. The next branch licensing policy evolved was again for a period of 3 years and came into existence on 1 April, 1982 and remained in operation till 31 March, 1985. The current branch licensing policy is, however, for a period of 5 years from 1 April, 1985 to 31 March, 1990 i.e. conterminous with the Seventh Five Year Plan. The Committee do not see any particular advantage in having a branch licensing policy for a longer period of five years unless it is to be kept under constant review so as to ensure that it could be modified, if need be, in between in consonance with the ever changing economic situation in the country. The Committee have no doubt that adequate mechanism will be evolved for continuous review and monitoring of the branch licensing policy and a critical review of five year policy will be made before laying down the Branch Licensing Policy for period to follow and laying down its duration.

#### Reply of Government

It may not be correct to state that during 1979—1982, Reserve Bank of India did not have any branch licensing or expansion policy. RBI had been, in fact, formulating policies in the background of the

then existing situation which were designed to meet the requirements of both short-term and long-term needs. Though there had been a shift in the coverage in successive branch licensing policies, emphasis and the objectives were never lost sight of in the successive policy pronouncements. The present policy was, therefore, a culmination of series of branch licensing policies over a period of a decade and a half.

Prior to 1969, the bulk of the banking system was in the private sector. Its operations were determined purely by commercial considerations and profitability was the main, if not the single and sole, objective. The State Bank Group of banks, which then constituted the public sector, was also predominantly guided by commercial considerations when they were in the private sector prior to 1955/1959. It was because of this that in the State Bank of India Act, a provision was introduced requiring State Bank to open 400 offices as per the programme given by Government/Reserve Bank.

In July 1969, at the time of bank nationalisation, there were only 8,262 branches. The rural branch network was extremely poor comprising only of 1,832 branches. The spread of the network was also extremely uneven. There were regional imbalances and the Eastern and North-Eastern states were very scarcely banked. The bank branches were conspicuous by their absence in the hilly and tribal areas. A large part of the country remained bankless and there were as many as 94 districts which did not have any bank branches.

Against the above background, the first concern was to fill up these wide gaps and the first policy formulated was to make the banks themselves go into rural areas voluntarily. This was sought to be achieved through provision of incentive for opening of branches in rural and semi-urban areas. In the first phase and as part of the branch licensing policy, it was decided that a bank would get one metropolitan and one urban branch licence for every two branches opened in the rural and semi-urban centres for banks having 60 per cent of their branch network in rural and semi-urban centres and against 3 rural and semi-urban branches for other banks. This policy compelled the banks to go into rural and semi-urban areas as they were keen to have licences for opening branches at the relatively better-of urban centres.

The second phase of the branch licensing policy, it was decided to allocate each district in the country to a bank for developing banking infrastructure and increase the flow of credit to priority sector for rural development. Such banks were called Lead Banks.

for that particular district. As part of the responsibilities developing on them, the Lead Banks were required to identify centres for branch opening and allocate them amongst the various other banks. The Lead Banks themselves took upon the responsibility of opening a very large number of branches in their Lead District as they had a lead responsibility to follow. This Policy was also aimed at compelling the banks to open branches voluntarily at the same time trying to fill up wide gaps in the bank branches network.

As it was noticed that a large number of rural and semi-urban areas continued to remain unbanked, the focus of the third phase of branch expansion policy was on opening of more branches in the unbanked rural centres. It was felt that there was a need for compelling banks to open branches in rural centres and therefore the policy indicated that banks would be entitled to have a licence for one metropolitan branch and one unbanked centre for every 4 offices opened by them at unbanked rural centres. This was a deliberate policy aimed at pushing banks to go into unbanked rural centres so that the rural areas become accessible to banking.

In the fourth phase of branch expansion policy, the focus and emphasis was on removal of remaining regional imbalances. Population per bank office was taken to be a near ideal index to judge imbalances from State to State and within a State from district to district. A concept of deficit State and deficit district was introduced for the first time and branch expansion was regulated in such a manner that branch expansion took place in deficit district which were 237 in number (195 in deficit States and 42 in surplus States). District was made the unit for branch expansion policy and a programme of branch expansion was drawn up district by district in close coordination with implementation of the Lead Bank Scheme. Within the district, attention was paid to open branches more in the unbanked blocks. Top priority was, therefore, given to opening branches in 697 unbanked blocks for which a programme was drawn up and effectively monitored. Emphasis was to open branches in all unbanked blocks with the priority at the block headquarters. The incentive of giving urban and metropolitan licences for opening branches in rural areas was withdrawn as it was felt that this concept had outlived its relevance.

By 1982 there had, therefore, been a succession of branch policies each aimed at getting the maximum results in the direction of having more branches over a wider area throughout the country. The emphasis and shift in the priority was deliberate and was done after taking into consideration the existing infrastructure and the inadequacies and also taking into account the need for a well-developed branch network for the country as a whole. Since by

1982, a very large number of branches has been opened, the thrust of branch expansion policy was thereafter directed towards a reduction of regional imbalances and this got sharply focussed in the policy with emphasis on opening branches in rural and semi-urban areas of each district.

The target set was to achieve banking coverage in rural and semi-urban areas of each district at the level of one branch office for every 17,000 population. The district was the unit and emphasis was on the deficit district on the basis of population norm. Opening of branches in non-deficit districts having adequate rural and semi-urban coverage was allowed only on a selective basis after taking into account factors like spatial gaps, operational needs, etc.

The current branch licensing policy for the period April 1985 to March 1990 which co-incides with the VIIth Five Year Plan period is aimed at further removal of regional imbalances and filling up spatial gaps. The unit of regional imbalance has now been taken as a block. The policy aims at having one bank branch for every 17,000 population in the rural and semi-urban areas of each block. The hilly areas and tribal tracks are to be given a preferential treatment and the population norm is to be brought down to 10,000 to 12,000 per branch office. In addition, a special criteria of spatial gap has been brought in for the first time. In terms of this, there should be a bank branch within a distance of 10 kms from every village.

It would be seen from the above narration that there has been a definite and specific branch expansion policy right from nationalisation though the focus and emphasis was different from what is obtaining today. It would be appreciated that the present branch licensing policy is a culmination of successive branch licensing policies which were designed to suit the then requirements after taking into account the draw-backs and deficiencies then existing in the system. It would not have been possible to evolve the present branch licensing policy straightaway in 1969 as the banking system was not equipped to move to the rural areas in the manner it is moving today. It would have been difficult if not impossible to have the present branch licensing policy implemented in 1969-70. In fact it would have been inconceivable to have the present policy introduced in 1959 because of the fact that the structure and organisational framework of banks was not equipped to meet the challenging requirements of the current branch licensing policy



The current policy has been drawn up for a period of five years to enable banks to plan their expansion and also to consolidate their branch network. The implementation of the branch expansion plans is being closely monitored by the Reserve Bank of India and a critical review of the policy would be made before formulating a new branch licensing policy for the period to follow.

Government have taken a careful note of the observations made by the Estimates Committee regarding the need for a critical review of the existing branch licensing policy before formulating a new branch licensing policy for the period to follow and the other recommendations like having limited operation branches and mobile branches, to have some kind of linkage between urban, semi-urban and rural branches, the need for having cooperative banks in the urban areas, etc. In order to ensure that branch licensing policy is in conformity with the national objectives and priorities and is made a proper and effective vehicle for delivery of credit to as large a section of community as possible, it is proposed to have mid-term review of the branch licensing policy some time in March/April, 1988. The recommendations of the Committee would be kept in view at the time of this review and appropriate changes and modifications would be made both in the current branch licensing policy and the future policy taking into account the various factors.

[O.M. No. 13 (28)/86-Dev. Dated 25-1-1988]

### **Recommendation (Serial No. 3, Para 1.30)**

The Committee also consider that for opening bank branches, some sort of linkage between metropolitan areas and rural areas has to be developed as in the opinion of the Committee the urban areas are already over banked. The Committee would like the Government to examine whether the ratio of opening bank branches in the urban, semi-urban and rural (including hilly and remote) areas could be 1:3:5.

### **Reply of Government**

The aim of the current branch licensing policy is to eliminate large spatial gaps in rural and semi-urban areas wherever they exist and the centres identified by the Lead Bank Groups and State Governments which conform to the norms have been allotted to banks. It is accepted that Metropolitan and urban areas are well banked. The policy for branch expansion in these areas will continue to be selective and the banks will be allowed to open offices only in unbanked/under banked pockets of these areas taking into

account specific needs and the potential viability of the new branch. RBI has reported that while allotting the number of centres in metropolitan/urban areas to individual banks the ratio of branches of the bank in these areas to those in rural and semi-urban areas will be taken into account. However, as the policy of extending banking facilities to rural and semi-urban areas has been separately drawn with the specific objective of extending banking to remote areas hitherto not covered by bank branches and as the banks are generally required to open the branches at the allotted centres, it may not be necessary to have any specific ratio of opening bank branches in urban, semi-urban and rural areas.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988]

#### **Recommendation (Serial No. 4, Para 1.31)**

The Committee would also like the Ministry to examine the merit of having a cooperative bank in the urban areas where a very large number of people have migrated from rural areas.

#### **Reply of Government**

It may be mentioned that as per present policy of RBI new urban co-operative banks are allowed mainly in districts which are completely devoid of urban banking facilities provided the places where urban banks are sought to be established have adequate business potential to sustain the new banks as viable units in the course of time.

The endeavour of the Reserve Bank is to ensure the growth of urban co-operative banking in the country on healthy and sound lines. The idea is that by allowing a new bank, the already existing banks in the area are not rendered weak. Further, urban co-operative banks are to cater to the needs of people residing or gainfully employed in their area of operations irrespective of caste, creed or region to which they belong. The recommendation of allowing an urban co-operative bank in the urban areas where a very large number of people have migrated from rural areas will be kept in view against the existing overall policy making to the development of these banks. If adequate banking facilities are already available in an area, it may not be prudent to allow the organisation of a new urban co-operative bank in that area merely on the ground that a very large number of people migrated from rural area are residing there.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988]

**Recommendation (Serial No. 5, Para 1.42)**

The Committee are unhappy to find that 6 States and 2 Union Territories have not responded about the identification of centres for opening bank branches even though the matter has been taken up with them at a sufficiently high level. The Committee would like the Ministry to take up this matter with the State Governments and Union Territories again at the highest level so that the centres could be identified without further loss of time. The Committee also suggest that there should be not let up in issuing licences by the Reserve Bank of India for opening bank branches, especially in the unbanked areas, and in taking follow up action ensuring that bank branches opened in the States and Union Territories where these centres have already been identified.

**Reply of Government**

The Minister of State for Finance had earlier requested the Chief Ministers of States/Administration of Union Territories for expeditious submission of lists of identified centres to the Reserve Bank. As desired by the Committee the matter has been again taken up by the Minister of State for Finance with the State Government of Jammu & Kashmir, Nagaland, Bihar and Arunachal Pradesh which have not yet forwarded the complete list of identified centres for all the districts. Upto 30th September, 1987, RBI had allotted 4559 centres in various States/UTs for opening bank branches under the current Branch Licensing Policy. Regarding opening of the branches of banks at the identified/allotted centres, banks have been advised by RBI to ensure that branches are opened strictly in the specific area for which licences have been issued and according to the schedule of opening the branches as indicated by them. Regional Offices of RBI have also been advised by RBI that the licences to open the branch should be area specific with the condition that it cannot be utilised for opening a branch at any other area. The banks have been asked by RBI to submit their plans to open their branches at the allotted centres equitably distributed over the rest of the plan period.

Task Forces consisting representatives of Reserve Bank, State Government and National Bank for Agriculture and Rural Development (NABARD) setup at Regional Offices of RBI have been instructed to convene meetings every quarter and monitor closely the opening of branches by banks in their areas as per the expansion programme indicated by the Bank.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988.]

### **Recommendation (Serial No. 6, Para 1.46)**

The Committee are constrained to note that out of the total number of blocks which stands at 5059 in the country, the number of deficit blocks so far as branches of Banks are concerned is as high as 1,936 and the number of additional bank offices required there is 4,033. The Committee are also unhappy to find that there are very glaring region-wise disparities in the opening of bank branches in the rural areas. Keeping the present pace of development in view, the Committee cannot imagine how all the deficit blocks could be covered and the bank offices opened there in the foreseeable future. The Committee, therefore, strongly feel that concerted efforts are called for in this direction. It should also be impressed upon the State Governments to provide the necessary infrastructural facilities in the deficit areas on a priority basis so that there is no obstacle in the way of opening bank offices there.

### **Reply of Government**

Under the Branch Licensing Policy for 1982—85, rural and semi-urban centres were allotted with reference to the population of the district. Hence there were imbalances within the district in spread of bank branches and many development blocks were not adequately banked, even though the district as a whole might have achieved the population coverage norm prescribed under the previous policy. In order to remove such imbalance within the district, the population coverage norm under the current Branch Licensing Policy, is being reckoned with reference to the population of the development block. Further, a spatial gap norm that at least one branch should be available within a distance of 10 kms. has also been prescribed in the policy to ensure an even spread of bank branches. It is the endeavour that by the end of the current policy period all deficit blocks would be adequately provided with bank branches to achieve the objective of the policy. It has been made clear in the guidelines that it should be ensured that necessary infrastructural facilities are available at the centres while identifying them as potential growth centres to facilitate opening of branches.

[O.M. No. 13 (28)/86-Dev. Dated 25-1-1988]

### **Recommendation (Serial No. 8, Para 1.55)**

The Committee are also of the view that Branches, once opened in rural areas, should not be closed owing to economic viability.

### Reply of Government

Though expansion under the current policy is allowed after taking into account, *inter-alia*, expected volume of business so that the proposed bank offices operate on a financially viable basis, RBI has indicated that it does not propose to be rigid about the viability criterion in rural and semi-urban centres where bank offices are necessary on the basis of population norm laid down under the policy as also spatial gaps in availability of banking facilities. Banks have also been advised by RBI to consider operating satellite offices/mobile branches at the centres where they consider that full-fledged branches may not be viable for various reasons. Closing of rural branches is generally not allowed. Even for shifting of a branch to another location, the views of the State Government are normally obtained before taking a decision.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988.]

### Recommendation (Serial No. 10, Para 1.65)

The Committee do not understand as to why no heed was paid to the most important ingredient of the whole banking activity i.e. manpower with requisite skill and expertise, while embarking upon a rapid branch expansion programme. Had the Government taken care of this aspect side by side with the branch expansion programme, the banks would not have found themselves in the predicament in which they found themselves today. The Committee would strongly urge that instead of waiting for about one and a half years to get the staff recruited by the Banking Service Recruitment Board, Government should launch a crash programme for the purpose and get the required staff recruited on an emergency basis. It goes without saying that once the necessary staff has been recruited they should be exposed to ins and outs of the whole banking activity by modern techniques and methods of training so as to equip them and motivate them according to the needs. The Committee further consider that refresher courses for the existing officers and staff is also imperative with a view to improve upon their skills and expertise.

### Reply of Government

With the nationalisation of the 14 banks in 1969 and 6 banks in 1980 there has been a massive expansion in banks branches in rural and semi-urban areas. While branches could be opened at a faster pace, the process of recruitment and training of personnel could

not necessarily be done at the same pace due to various constraints. The process of recruitment involving inviting applications, holding examinations, interviews, etc. and later training of the recruited staff necessarily involve a certain timelag although efforts are made to curtail it as much as possible. However, every effort is being made by the banks to recruit the requisite staff within the parameters indicated by the Government and to provide them adequate training to motivate and equip them for the job. Banks have been advised to bestow adequate attention to human resource development. Besides the induction courses, banks are also ensuring that their staff are sent for refresher courses also. It is envisaged that training should be available for staff members at all levels. Banks are not only making use of their own training institute but also the facilities made available by industry level institutions like National Institute of Bank Management Bankers Training College, College of Agricultural Banking, etc.

A Standing Committee under the Chairmanship of Dr. C. Rangarajan, Deputy Governor has also been set up in Reserve Bank of India to monitor the training arrangement in banks.

During 1985 and 1986 1,80,887 and 2,68,096 members of staff of 28 public sector banks respectively were trained which constituted 23.23 per cent and 33.20 per cent of the total staff of 7,78,585 and 8,07,416 respectively.

[O.M. No. 13 (28)/86-Dev. Dated 25-1-1988]

### CHAPTER III

#### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

##### Recommendation (Serial No. 2, Para 1.29)

The Committee need hardly stress that the Branch Licensing Policy for opening of new branches of Banks should not only be used as an effective tool for bringing about coordinated and planned growth of bank branches but also for providing intensive banking coverage in rural and semi-urban areas of the country so as to provide appropriate and adequate institutional credit structure to subserve the national objectives. The first priority that has to be accorded, therefore, for opening branches of Banks in the country should aim at fulfilling the spatial gaps and evenly spreading out the bank branches so that the banking facilities could reach the remotest corners of the country especially where the existence of such institutions has been hitherto unknown. The Committee note that with this end in view, the branch expansion programme under the current Branch Licensing Policy would have the development block as a unit instead of the district and the aim would be to achieve the coverage of 17,000 population per bank Branch in rural and semi-urban areas of each block. In the case of hilly areas, these norms have been lowered from 17,000 to 12,000/10,000 depending upon the terrain, spread of villages and population. The Committee consider that even this population norm is rather on the high side as the hilly areas in the country are sparsely inhabited and there are long distances involved to reach from one hamlet to the other. The Committee would like the Government to consider further relaxation so far as the opening of bank branches in hilly and remote areas is concerned. In this connection, the question of opening 'limited operation branches' or 'mobile branches' in such areas could be mooted and implemented expeditiously.

##### Reply of Government

Under the current programme besides population norm, the centres have been allotted to banks on the grounds of spatial gap

also. It may be reasonably expected that the relaxed population coverage norm together with the spatial gap norm would ensure branch expansion in the hilly areas to adequately meet the banking requirements of the people in such areas. Further, Reserve Bank have also advised banks that in areas where volume of business and other considerations do not warrant opening of a regular branch, they may consider setting up satellite/mobile branches at the identified centres in a need based manner.

[O.M. No. 13 (28) /86-Dev. Dated 25-1-1988.]

**Recommendation (Serial No. 9, Para 1.56)**

The Committee would also like the Government to consider the feasibility of providing 'locker facilities' at least in one rural Branch under a block.

**Reply of Government**

As of now, there are no guidelines/prohibitions from RBI in regard to opening of locker facilities at the bank branches. Banks have been making available these facilities depending upon the need/demand, availability of infrastructural facilities, etc. It is often difficult to obtain suitable pucca buildings at rural branches for establishing locker facilities thereat. The business generated at rural branches may not also be sufficient and except for the rich landlord or money lender of the village, there may hardly be any other person requiring locker facilities. Hence setting up such facilities for the exclusive use of a single or two individual families or even a few individual families in a block may not be a viable proposition. This would also depend upon the availability of other infrastructural facilities like motorable roads, police stations, etc. It may not, therefore, be advisable to issue any instructions to the banks to establish safe deposit lockers atleast in one rural branch in each block. Every endeavour would, however, be made to see that locker facility is given wherever feasible.

[O.M. No. 13 (28) /86-Dev. Dated: 25-1-1988.]



## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH THE GOVERNMENT REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (Serial No. 7, Para 1.54)

The Committee are surprised to find that as on 31 December, 1985, in utter disregard of the limit of 6 months prescribed for the opening of a bank branch after the issuance of a licence by the Reserve Bank of India, as many as 592 licences were pending with various Banks for opening branches in rural and semi-urban areas. The Committee do not feel convinced by the reasons advanced by the Department of Economic Affairs during evidence for the non-utilisation of the pending licences, which have been stated to be the non-availability of infrastructural facilities, in accessibility of the area, etc. The Committee feel that all these factors should have been taken care of at the time of identification of a centre for opening a bank branch and the issuance of a licence for the purpose. The Committee would like to emphasise that there is an urgent need for evolving an effective monitoring system for watching closely the progress in regard to utilisation of licences. It would be better that before granting a licence the views of the local administration regarding feasibility of opening the branch of a bank are also obtained so that a clear picture is available at the time of granting the licence.

#### Reply of Government

Under the earlier plan, the State Governments were required to identify the centres for opening branch offices and it was found that in many cases the banks could not open the branches due to lack of proper infrastructural facilities. Hence, large number of licences could not be utilised. It was, therefore, decided that under the current plan the identification would be done by a group in which State Government would also be represented. The Group of Banks/State Government is expected to take into consideration this aspect regarding availability of infrastructure facilities for opening of bank branches, at the time of identification/finalisation of the centres. Banks have been advised that opening of branches should be evenly

spread over the remaining period of current Branch Expansion Programme and that banks should accordingly indicate, period-wise, their schedule of opening the branches at the allotted centres to the concerned Regional Offices of RBI under whose jurisdiction the centres fall.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988.]

#### **Recommendation (Serial No. 11, Para 1.76)**

The Committee find that for the promotion from Grade I to Grade II, a minimum of two years service in rural areas has been stipulated. Likewise, an officer has to put in a minimum of three years service in rural areas to qualify for promotion from Grade II to Grade III. The Committee do not consider these incentives to be adequate for attracting staff to work in the rural areas. Since the majority of branches of the banks are in the rural areas, the Committee would like the Ministry to examine whether the existing incentives could be made more attractive so that there is no difficulty in motivating the staff for working in the rural areas. In Committee's opinion, the term 'rural areas' needs to be defined explicitly so as to exclude rural areas bordering urban areas for the purposes of taking service in the rural areas for promotion. The Committee feel that such a stipulation is also necessary for hill areas where no such stipulation has been made so far.

#### **Reply of Government**

The minimum period of service in rural areas has been prescribed for promotion so that the staff develop necessary experience and expertise to shoulder higher responsibilities and to give rural orientation to the officers of the banks. As all the officers are expected under this condition to work in rural areas for a certain period, it is not considered necessary to provide them additional incentives.

Regarding definition of rural areas, it has been clearly specified that a centre having a population of less than 10,000 is to be considered as rural. It may not be necessary to make this definition more stringent for the time being.

[O.M. No. 13(28)/86-Dev. Dated 25-1-1988.]

#### **Recommendation (Serial No. 12, Para 1.77)**

The Committee are concerned to note that most of the staff posted in the branches of banks in rural areas have been found to be travelling long distances from their residences in urban areas to come to

their places of duty. This, in the Committee's view, seriously affects their efficiency. The Committee, therefore, recommend that it should be ensured that the staff, especially the Branch Managers, should stay close to their places of posting. If necessary, the banking regulations may be amended to provide for the compulsory stay of staff near their places of duty in the rural areas. For this purpose the bank should construct/hire suitable residential accommodation close to each rural branch for the Branch Manager.

### **Reply of Government**

An officer posted to a centre is expected to stay within the municipal/panchayat limits or within the periphery. Government have already issued instructions in this regard. A copy of the instructions issued is attached. (Annexure).

[O.M. No. 13(28)|86-Dev. Dated: 25-1-1988]

NEW DELHI

April, 1988

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Chaitra, 1910 (S).

CHANDRA TRIPATHI,  
Chairman,  
Estimates Committee.

**ANNEXURE**

(Please see Recommendation Sl. No. 12, Para 1.77)

**N. BALASUBRAMANIAN**  
**DIRECTOR**

**MINISTRY OF FINANCE**  
**DEPARTMENT OF ECONOMIC**  
**AFFAIRS**  
**(BANKING DIVISION)**  
**"JEEVAN DEEP"**  
**PARLIAMENT STREET**  
**NEW DELHI-110001.**

D.O. No. 2|1|4|84-IR

*Dated the February 10, 1984.*

Dear Shri

As you are aware normally an officer or clerk posted at a particular place or branch is expected to stay at the place of the office or branch. Government have come across a few instances where officers do not stay at the places of their offices or branches.

Government are keen that all officers and clerks stay at their places of postings and avoid unnecessary travel by staying away from their places of postings. We shall be grateful if suitable instructions are issued in this regard to all your officers. If such instructions already exist in your bank these may please be repeated. A copy of the instructions issued may kindly be sent to us for our record and information.

With best regards,

Yours sincerely,  
Sd/-  
(N. Balasubramanian)

To

Chief Executives of  
all public sector banks.

## APPENDIX

(Vide Introduction)

*Analysis of Action Taken by Government on the 47th Report of the Estimates Committee  
(8th Lok Sabha)*

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I.	Total number of Recommendations . . . . .	12
II.	Recommendations/Observations which have been accepted by Government (Nos. 1, 3, 4, 5, 6, 8 and 10) . . . . .	7
	Percentage to total . . . . .	58.34%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of Government's reply (Nos. 2 and 9) . . . . .	2
	Percentage to total . . . . .	16.66%
IV.	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee (Nos. 7, 11, and 12) . . . . .	3
	Percentage to total . . . . .	25%
V.	Recommendations/Observations in respect of which final replies of Government are awaited . . . . .	NIL

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA  
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8.	M/s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications, 585, Chira Bazar Khan House, Bombay- 400002.	21.	M/s. Central News Agency Pvt. Ltd., 23/90, Connaught Circus, New Delhi-110001. (T. No. 344448, 322705, 344478 & 344508).
9.	M&J Services, Publishers, Repre- sentative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor 68, Jyotiba Fule Road, Nalgaum-Dadar, Bombay-400014.	22.	M/s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd Floor, Bombay-400001.	23.	M/s. Books India Corporation Publishers, Importers & Expor- ters, L-27, Shastri Nagar, Delhi- 110052. (T. No. 269631 & 714465).
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