

## **RBI Press Release**

### **RBI Working Group for Revival of Weak Public Sector Banks (February 8, 1999)**

In consultation with the Government of India, the Reserve Bank of India has decided to set up a Working Group under the Chairmanship of Shri M.S. Verma, former Chairman of State Bank of India and presently Adviser to the Reserve Bank, to suggest measures for revival of weak public sector banks, with the following members :

- (i) Shri K.R. Ramamurthy, Chairman, Vysa Bank Limited.
- (ii) Shri M.M. Chitale, Chartered Accountant (former President, Institute of Chartered Accountants of India).
- (iii) Shri P.K. Choudhury, Managing Director, Investment Credit Rating Agency.
- (iv) Shri J.R. Prabhu, former Executive Director, Reserve Bank of India, and
- (v) Dr. Sushil Chandra, former Director, Indian Management Institute, New Delhi.

The terms of reference of the Working Group are :

- (a) Criteria for identification of weak sector banks;
- (b) To study and examine the problems of weak public sector banks;
- (c) To undertake a case by case examination of the weak public sector banks and to identify those which are potentially revivable;
- (d) To suggest a strategic plan of financial, organisational and operational restructuring for weak public sector banks.

Shri C.R. Murlidharan, General Manager, Reserve Bank of India, Department of Banking Operations and Development, Central Office will be the Member Secretary.

### **Reserve Bank Gives In-principle Approval for Setting up of Five More Local Area Banks (February 17, 1999)**

The Reserve Bank of India has given 'in-principle' approval for establishment of five more local area banks viz. (1) Capital Local Area Bank Ltd., Nakodar, Punjab, (2) Coastal Local Area Bank Ltd., Vijayawada, Andhra Pradesh, (3) Local Area Bank of Kongunadu Ltd., Salem, Tamil Nadu, (4) Vinayak Local Area Bank Ltd., Sikar, Rajasthan and (5) Central Gujarat Local Area Bank Ltd., Dabhoi, Gujarat. The 'in-principle' approval has been given subject to the proposed banks complying with certain conditions.

The Reserve Bank had on August 24, 1998 announced a set of guidelines for the entry

of local area banks in the private sector. This was done to provide an institutional mechanism for promotion of rural savings as well as for the provision of credit for viable economic activities in the local areas. Earlier in January and March 1997, the Reserve Bank gave 'in-principle' approval for establishment of three local area banks viz., Manipal Local Area Bank Ltd., Priyadarshini Local Area Bank Ltd. and Krishna Bhima Samruddhi Local Area Bank Ltd. The promoters of these Local Area Banks have taken steps to register the banking companies with the Registrar of Companies. They are also taking necessary initiative to operationalise these banks by putting in place the required infrastructure. After the infrastructure, etc., requirements are completed, they will have to apply to the Reserve Bank for issue of licence to commence banking business. It is expected that these banks, when established, will bridge the gap in credit availability and enhance the institutional credit framework in rural and semi-urban areas.