



भारतीय रिज़र्व बैंक

**RESERVE BANK OF INDIA**

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DBOD.No.BL.BC. 24/22.01.001/2011-12

July 15, 2011

All Scheduled Commercial Banks  
(excluding RRBs)

Madam/Dear Sir,

**Branch Authorization Policy- Opening of branches in unbanked rural centres**

Please refer to paragraphs 97& 98 of the Monetary Policy Statement 2011-12 on the above subject (extract enclosed). As stated therein, there is a need to step up the opening of branches in rural areas so as to meet the objectives of increasing banking penetration and financial inclusion rapidly and meet the targets set out for providing banking services in villages with population over 2,000. Keeping in view the goal of bringing banking services to identified 72,800 villages with population above 2,000 by March 2012, and thereafter progressively to all villages over a period of time, there is a need for opening more number of brick and mortar branches in rural centres, besides the use of Business Correspondents.

2. Banks are, therefore, advised that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres. An unbanked rural centre would mean a rural (Tier 5 and Tier 6) centre that does not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

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हिन्दी आसान है, इसका प्रयोग बा[इये]

3. Presently, as advised in circular [DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009](#), domestic scheduled commercial banks (excluding RRBs) are permitted to open branches in Tier 3 to Tier 6 centres (population up to 49, 999 as per Census 2001) without prior permission from the Reserve Bank in each case, subject to reporting. However, opening of branches in Tier 1 and Tier 2 centres (population of 50,000 and above) would require prior permission of the Reserve Bank, except in case of North Eastern States and Sikkim where the general permission would also cover semi-urban and urban centres. Authorisation is given by the Reserve Bank for opening branches in Tier 1 and Tier 2 centres which would generally not exceed the total number of branches proposed to be opened in Tier 3 to Tier 6 centres as well as in North Eastern States and Sikkim. While issuing such authorisation, Reserve Bank would factor in whether at least one third of the total number of branches proposed to be opened in Tier 3 to Tier 6 centres are in underbanked districts of underbanked States as also upon regulatory and supervisory comfort and critical assessment of bank's performance in financial inclusion, priority sector lending and customer service, etc.

4. In view of the requirement for opening at least 25 per cent of the branches under ABEP in unbanked rural centres, it would now not be mandatory to open at least one third of the total number of branches proposed to be opened in Tier 3 to Tier 6 centres in underbanked districts of underbanked States. Accordingly, authorisation for branches in Tier 1 and Tier 2 centres will now factor in whether at least 25 percent of the total number of branches to be opened during a year are proposed to be opened in unbanked rural centres in place of the requirement that at least a third of branches to be opened in Tier 3 to Tier 6 centres are in underbanked districts of underbanked States.

5. Since there is a continuing need for opening more branches in underbanked districts of underbanked States for ensuring more uniform spatial distribution, banks would be provided incentive for opening such branches. Accordingly, for each branch proposed to be opened in Tier 3 to Tier 6 centres of underbanked

districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States in compliance with the requirement as indicated in paragraph 2 above, authorisation will be given for opening of a branch in a Tier 1 centre. This will be in addition to the authorisation given for branches in Tier 1 and Tier 2 centres based on the considerations stated in paragraph 3 above.

Yours faithfully

**(A.K. Khound)**  
**Chief General Manager**

Encl: As above

**Paragraphs 97 & 98 of the Monetary Policy Statement, 2011-12**

97. Domestic scheduled commercial banks (excluding regional rural banks [RRBs]) were permitted in December 2009 to open branches in Tier 3 to Tier 6 centres (with population up to 49,999) without prior permission of the Reserve Bank. However, prior authorisation from the Reserve Bank was required for opening of branches in Tier 1 and Tier 2 centres which was granted based, *inter alia*, on the (i) number of branches opened in Tier 3 to Tier 6 centres under general permission; (ii) branches proposed to be opened in under-banked districts in under-banked States; and (iii) bank's performance in areas of financial inclusion and customer service. It was observed that on an average scheduled commercial banks (SCBs) opened about 20 per cent of the total number of new branches in rural centres (Tier 5 and Tier 6) in the last two years.

98. There is a need to step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly and meet the targets set out for providing banking services in villages with population over 2,000. The FIPs submitted by banks indicate that banks propose to use BCs in a big way to reach out to unbanked villages. Keeping in view the goal of bringing banking services to identified 72,800 villages by March 2012 and thereafter progressively to all villages over a period of time, there is a need for opening of more brick and mortar branches, besides the use of BCs. Accordingly, domestic SCBs are being mandated:

- to allocate at least 25 per cent of the total number of branches to be opened during a year to unbanked rural (Tier 5 and Tier 6) centres.