

**Reserve Bank gives in-principle approval for setting  
up of one more Local Area Bank**

The Reserve Bank of India has given 'in-principle' approval for establishment of one more local area bank, viz., South Gujarat Local Area Bank Ltd., Navasari, Gujarat. The 'in-principle' approval has been given subject to the proposed bank complying with certain conditions.

It may be recalled that the Reserve Bank had announced a set of guidelines on August 24, 1996 for the entry of local area banks in the private sector. This was done with a view to providing institutional mechanism for promoting rural savings as well as for the provision of credit for viable economic activities in the local areas. The Reserve Bank has earlier given 'in-principle' approval for establishment of eight local area banks. Out of these two banks have been granted licence and they have commenced banking business. The promoters of remaining six local area banks are taking the required steps for obtaining licence under Section 22 of the Banking Regulation Act 1949 for commencing banking business. It is expected that these banks, when established, would bridge the gap in credit availability and enhance the institutional credit framework in the rural and semi-urban areas.

**Alpana Killawala  
General Manager**

**Press Release : 1999/2000:1127**