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RESERVE BANK OF INDIA

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Jan 15,1997

Reserve Bank gives in principle approval for setting up of two local area banks

The Reserve Bank of India has today given in principle approval for establishment of two local area banks, one in the districts of Jalgaon, Jalna and Aurangabad and the other in the districts of Dakshina Kannada, Uttara Kannada and Shimoga. The in principle approval is given subject to the proposed banks 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 mechanisms for promoting rural savings as well as for the provision of credit for viable economic activities in the local areas. It was expected that these banks would bridge the gaps in credit availability and enhance the institutional credit framework in the rural and semi-urban areas.

There has been a good response from most parts of the country for the establishment of local area banks, and as at the end of December 1996, as many as 50 applications backed by project reports have been received. These are being examined and the Reserve Bank will take a decision in regard to these, keeping in view the objective of establishing such facilities in non-urban areas.

(Alpana Killawala)
Deputy General Manager

Press Release : 1996-97/398