

## **Reserve Bank gives in-principle approval for setting up of five more Local Area Banks**

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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, 1996 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.

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