

**REPORT OF THE
GROUP TO REVIEW
BRANCH AUTHORISATION POLICY**

OCTOBER 2009

LETTER OF TRANSMITTAL



Chairman

Group to Review
Branch Authorisation Policy
Reserve Bank of India
Central Office
Mumbai

October 26, 2009

Smt. Usha Thorat
Deputy Governor
Reserve Bank of India
Mumbai

Madam,

I have great pleasure in submitting the Report of the Group to Review the extant Branch Authorisation Policy. The Group, inter alia, has recommended certain measures to provide freedom to **domestic Scheduled Commercial Banks (other than RRBs)** for opening branches in Tier 3 to Tier 6 centres (centres with population upto 49,999) all over the country and in rural, semi-urban and urban centres in the North Eastern States (including Sikkim), subject to certain conditions.

On behalf of the members of the Committee, colleagues and on my own behalf, I convey my sincere thanks for entrusting us with this task of considerable importance.

With regards,

Yours sincerely,

(P.Vijaya Bhaskar)

Report of the Group to review the extant Branch Authorisation Policy



**Report of the Group to
Review the Branch Authorisation Policy**

Sd/-

**P. Vijaya Bhaskar
(Chairman)**

Sd/-

**I.D. Singh
(Member)**

Sd/-

**Ravi Narayanan
(Member)**

Sd/-

**Maninder Juneja
(Member)**

Sd/-

**K.Ramachandran
(Member)**

Sd/-

**K. Unnikrishnan
(Member)**

Sd/-

**Vinay Baijal
(Member)**

Sd/-

**B.P.Vijayendra
(Member)**

Sd/-

**G.S.Hegde
(Member)**

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SECTION I

INTRODUCTION

Statutory Provisions

1.1 In terms of the extant statutory provisions as contained in Section 23 of the Banking Regulation Act, 1949, no banking company shall open a new place of business in India or change otherwise than within the same city, town or village, the location of an existing place of business situated in India, without the prior permission of the Reserve Bank. Such permissions are granted in terms of the extant Branch Authorisation Policy, as revised from time to time. The components of the extant Branch Authorisation Policy, which was last revised in September 2005, have been incorporated in the Master Circular on Branch Authorisation dated July 1, 2009.

Constitution of Group

1.2 In the Annual Policy Statement of the Reserve Bank for the year 2009-10, it was announced that it is proposed “ to constitute a Group to review the extant branch authorisation policy with a view to providing **greater flexibility, enhanced penetration and competitive efficiency** consistent with financial stability”. Accordingly, a Group was constituted under the chairmanship of Shri P Vijaya Bhaskar, Chief General Manager in-Charge, Department of Banking Operations and Development, Reserve Bank of India with the following members:

- i. Shri Vinay Baijal, CGM, RBI, DBOD
- ii. Shri B.P.Vijayendra, CGM, RBI, RPCD
- iii. Shri G.S.Hegde, Legal Adviser, RBI, Legal Department
- iv. Shri K.Ramachandran, General Manager, State Bank of India, Corporate Centre, Mumbai
- v. Shri I.D.Singh, Chief General Manager, Punjab National Bank, Head Office, New Delhi

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- vi. Shri Maninder Juneja, Senior General Manager, ICICI Bank Ltd.,
Mumbai
- vii. Shri Ravi Narayanan, Executive Vice President & Head Branch
Banking , HDFC Bank Ltd., Mumbai
- viii. Shri K.Unnikrishnan, Deputy Chief Executive, Indian Banks'
Association, Mumbai

Terms of Reference

1.3 The Terms of Reference assigned to the Group were:

- (i) Providing **greater flexibility** to banks to open branches/other offices by granting general permission to banks to open branches in underbanked districts and rural areas without the prior approval of RBI, subject to reporting.
- (ii) Examining the criteria subject to which the proposed general permission for opening branches in underbanked districts/rural areas without RBI permission could be granted as to ensure **competitive efficiency**.
- (iii) Suggesting additional measures to **enhance penetration** of branch network of banks in underbanked and rural areas of the country including by way of framing policy stipulations for linking the authorisations to be granted to banks for opening branches in metropolitan/urban/semi-urban areas in other than underbanked districts to the number of branches opened by them in underbanked districts/rural areas, with a view to increasing financial inclusion.
- (iv) To examine any other matter relevant to the above.

Approach of the Group

1.4 The Group essentially adopted a consultative approach and held discussions with banks which are the major stakeholders in matters relating to Branch Authorisation Policy. Two meetings of the Working Group were held on July 21, 2009 and September 7, 2009 respectively.

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Structure of the Report

1.5 The Report has been set out in seven Sections. While Section II delineates the background including statutory provisions and evolution of the Branch Authorisation policy, Section III highlights the major components of the extant Branch Authorisation policy and evaluation thereof. Section IV provides information about the international practices relating to Branch Authorisation and Section V brings out the suggestions relating to Branch Authorisation made by other Committees like the Committee on Financial Inclusion, Committee on Financial Sector Plan for North Eastern Region and Committee on Financial Sector Reforms as also the recommendations of the present Group in respect of these suggestions. Section VI brings out a review of approaches adopted in the past and the roadmap for future while Section VII contains the summary of recommendations.

Acknowledgements

1.6 The Group wishes to place on record its gratitude to Smt. Usha Thorat Deputy Governor, Reserve Bank of India, for her constant encouragement, support and guidance.

1.7 The Group acknowledges the inputs received from the various stake holders consulted during the course of deliberations.

1.8 The Group acknowledges the dedicated efforts put in by members of the Secretariat, comprising Shri T.B.Satyanarayan, General Manager, Smt.Sonali Sen Gupta, Deputy General Manager, Shri H.K.Khare, Assistant General Manager and Shri Satyapal Unni, Manager, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Mumbai in bringing out this report. The Group also acknowledges the inputs and support provided by Shri A.Unnikrishnan, Deputy Legal Adviser, Legal Department, RBI, Central Office as also the team of officials attached to the Department of Statistics and Information Management(DSIM) headed by Dr.A.M.Pedgaonkar, Principal Adviser.

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SECTION II

BACKGROUND - STATUTORY PROVISIONS AND EVOLUTION OF THE POLICY

Genesis and statutory powers

2.1 Statutory powers to grant licences for opening of branches by commercial banks in India were first conferred on the Reserve Bank of India by the Banking Companies (Restriction of Branches) Act, 1946 which came into force on November 22, 1946. As its name indicates, this Act was designed primarily with a view to checking the indiscriminate growth of branch banking witnessed in India during the period of the Second World War.

2.2 . The substantive provisions of this Act were subsequently incorporated in Section 23 of the Banking Regulation Act, 1949 in terms of which, no banking company shall open a new place of business in India or change otherwise than within the same city, town or village, the location of an existing place of business situated in India, without the prior permission of the Reserve Bank. Another important provision of this Section refers to the criteria the Reserve Bank may follow in dealing with the applications of banks for grant of permission to open new offices. Section 23(2) of the BR Act lays down that before granting any permission under this section, the Reserve Bank may be required to be satisfied by an inspection under Section 35 or otherwise, in regard to the following matters:

- the financial condition and history of the applicant bank
- the general character of its management
- the adequacy of its capital structure
- the earnings prospects
- whether opening of the new office will serve public interest

2.3 These provisions of the Act and the criteria laid down therein form the statutory basis for the regulation by the Reserve Bank of the branch expansion activity of commercial banks in such a manner as to assist the sound *Report of the Group to review the extant Branch Authorisation Policy*

development of the banking system capable of meeting the growing requirements and the changing conditions of the economy.

Objectives of the Statutory provisions

2.4 The genesis of Section 23 of the Banking Regulation Act, 1949 may thus be traced to the necessity (i) to control the indiscriminate opening of branches by banks and (b) to assist and promote economic growth by adoption of a vigorous and positive branch licensing policy designed to achieve the twin objectives of mobilization of resources as also extension of credit facilities to rural areas and the development of banking habit among the people particularly those in rural areas.

2.5 Accordingly, the two dimensions emanating from the above statutory provisions are

- i. Regulatory comfort
- ii. Public interest

It follows from the above that (a) the branch authorisation policy is used to ensure that branch distribution is more dispersed to cover rural, semi-urban and other underbanked areas consistent with the public policy objectives and (b) the branch authorisations are restrictive where there is inadequate regulatory comfort.

Evolution of the policy over a period

2.6 As already stated, during the period of the Second World War, India witnessed indiscriminate growth of branch banking. To restrict branch expansion, a restrictive policy was followed initially during the years 1947 to 1954. Thereafter, till 1962, a liberal Branch Licensing Policy was pursued by RBI. In 1962, banks were compelled to open branches in unbanked/banked centres in a ratio of 1:2. For a coordinated branch expansion, banks were advised to submit a plan for 3 years i.e., 1962 to 1965. In 1968, social control measures were introduced. Commercial banks were urged to make a

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continuous study of banking needs and business potential of various regions and step up the pace of branch expansion by 30% of their performance in the preceding two years. All-India and large regional banks were required to open at least 25% of their new branches in unbanked centres. The earlier norm of two banked centres for every unbanked centre was modified to the ratio of 1:1 between banked and unbanked centres.

2.7 In 1969, when 14 major banks were nationalized, there were 6955 branches of public sector banks in the country and the Average Population Per Branch Office (APPBO) for the country as a whole was 64,000. Public Sector Banks were expected to co-ordinate amongst themselves and thereby avoid duplication of efforts in the spread of banking facilities in underbanked areas. Accordingly, in February 1970, RBI decided to issue licences as and when the banks become eligible for opening offices at urban centres, on the basis of ratio of one office in an urban centre for every two offices opened after December 1969 in rural and semi-urban centres (in the case of banks which had more than 60% of their offices in rural and semi-urban centres) and in the case of other banks, the ratio was one office in an urban centre for every three offices in rural and semi-urban centres.

2.8 In September 1971, the requirement of banks to open the requisite number of offices in rural/semi-urban areas to get an entitlement for opening urban offices including those at metropolitan and port towns was relaxed so that more offices in metropolitan/port towns might be opened.

2.9 From January 1977, a bank had to open 4 offices in unbanked rural centres to get an entitlement to open one office in a metropolitan/port town and one office in a banked centre. It was however open to banks to seek an entitlement of a banked centre in lieu of an entitlement to metropolitan/ port town.

Branch Expansion during 1980's and 1990's

2.10 During the years 1969 to 1980, there was a phenomenal increase of 19855 branches and the total number of public sector bank branches increased from

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6955 to 26810. It may however be mentioned that during the period 1979-81, under Branch Expansion, States and districts with a higher Average Population Per Branch Office (APPBO) than the national APPBO of 20,000 were identified and District-wise branch expansion programmes were drawn up in consultation with State Governments and banks were advised to open branches at the identified centres. During the period 1980 to 1990, there was a tremendous growth of bank branches and the number of **branches of public sector banks** increased from 26,810 to 42,079. Towards the end of the 1985-90 plan period, the country, had an impressive network of about 60,000 branches which were considered as adequate to meet the banking requirements. Besides, the adoption of Service Area Approach(SAA) to rural lending under which each bank branch was expected to cover about 15 to 25 villages, also ensured that the banking needs of every village in the country was adequately taken care of. The target of APPBO of 17,000 in rural and semi-urban was more or less achieved by then. The aforesaid achievements/developments were taken into account while evolving the approach to branch expansion for the period 1990-95 and it was decided that there was no need for evolving any particular branch expansion programme as such for any specific period, with targets like population coverage per bank office, as was being done in the past. In the light of the above findings, it was decided to leave it to the judgement of the individual banks to assess the need for additional branches taking into account factors such as business potential and financial viability. The above approach continued during the period 1995 to 2005 also.

Liberalised Branch Expansion Policy - September 2005

2.11 In terms of circular DBOD.BL.BC.35/22.01.001/2005-06 dated September 8, 2005, a new liberalized Branch Authorisation Policy was conveyed to banks. The emphasis on branch expansion in underbanked areas and semi-urban/rural centres continued in the new policy. It was indicated in the policy that banks are encouraged to open branches in underbanked districts and rural centres. In order to facilitate banks to identify centres in underbanked districts, a list of such districts was also forwarded to banks. In addition, new private sector

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banks are required to open 25% of their branches in semi-urban and rural centres on an ongoing basis.

Foreign banks

2.12 The branch authorisation policy for Indian banks which is in vogue since September 2005 is also applicable to foreign banks subject to certain additional parameters, as brought out in Section III of the Report.

2.13 Thus, the emphasis on provision of banking facilities in rural/semi-urban/underbanked areas continued in the Branch Authorisation Policy as it evolved over a period of time. Branch authorisation policy needs to be continued to be leveraged towards achieving the ultimate objective of financial inclusion.

SECTION III

MAJOR COMPONENTS OF THE EXTANT BRANCH AUTHORISATION POLICY AND EVALUATION THEREOF

Branch Authorisation Policy

3.1 (i) With the objective of liberalising and rationalising the branch authorisation policy, a framework for a branch authorisation policy which would be consistent with the medium term corporate strategy of banks and public interest has been put in place since September 2005. The Master Circular on Branch Authorisation dated July 1, 2009 contains the elements of the branch authorisation policy as updated from time to time.

As may be observed therefrom, in addition to the requirement relating to the financial condition and history of the banking company, the general character of its management, the adequacy of its capital structure and earning prospects, the branch authorisation policy framework has the elements enumerated in the following paragraphs.

(a) The RBI will, while considering applications for opening branches give weightage to the nature and scope of banking facilities provided by banks to common persons, particularly in underbanked areas (districts), actual credit flow to the priority sector, pricing of products and overall efforts for promoting financial inclusion, including introduction of appropriate new products and the enhanced use of technology for delivery of banking services.

(b) Such an assessment will include policy on minimum balance requirements and whether depositors have access to minimum banking or “no frills” banking services, commitment to the basic banking activity viz., acceptance of deposits and provision of credit and quality of customer service as, *inter alia*, evidenced by the number of complaints received and the redressal mechanism in place in the bank for the purpose.

(c) The need to induce enhanced competition in the banking sector at various locations.

(d) Regulatory comfort will also be relevant in this regard. This would encompass:

- compliance with not only the letter of the regulations but also whether the bank’s activities are in compliance with the spirit and underlying principles of the regulations.
- the activities of the banking group and the nature of relationship of the bank with its subsidiaries, affiliates and associates.
- quality of corporate governance, proper risk management systems and internal control mechanism.

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(ii) As regards the procedural aspects, the earlier system of granting authorisations for opening individual branches from time to time has been replaced by a system of giving aggregated approvals, on an annual basis, through a consultative and interactive process. Banks' branch expansion strategies and plans over the medium term are discussed by the RBI with individual banks. The medium term framework and the specific proposals would cover the opening, closing, shifting, merger and conversion of all categories of branches.

(iii) In terms of the new branch authorisation policy, banks will not be required to approach Regional Offices of Reserve Bank of India for "licence" for opening branches. However, they have to approach RBI,DBOD,CO for authorisation for opening branches.

(iv) Banks have been advised in terms of the extant policy that they are encouraged to open branches in underbanked districts and rural centres. In order to facilitate banks to identify centres in underbanked districts, a list of such districts (Annex I) has also been forwarded to banks.

Procedure for application

3.2.1 Based on the medium term strategy and considerations outlined in above paragraph, banks are required to submit on an annual basis, detailed proposals for opening new branches at specific centres to Reserve Bank of India(DBOD), Central Office, Mumbai for approval.

3.2.2 Banks are free to submit their annual branch expansion plan any time during the year. It is not linked either to the financial year or calendar year. The annual branch expansion plan should include specific proposals for opening, closing, shifting, merger and conversion of branches where approval of RBI is required in terms of the extant instructions. The annual branch expansion plan will be discussed with the bank, normally, within four weeks from its submission and approvals thereof will be communicated thereafter.

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3.2.3 The Annual Branch Expansion Plan (ABEP) and any other proposals required to be submitted to RBI in this regard should have approval of Board of Directors of the Bank or such other authority to which powers have been delegated by the Board of the bank.

Validity of authorizations

3.3 The validity of the authorisation granted would be one year from the date of the issue of consolidated letter of authorisation/ permission. Generally, no extension in validity period of the authorisations would be allowed. However, in case the bank is unable to open a particular branch due to genuine reasons during the validity period of one year, it may approach RBI before expiry of the validity period of authorisation for extension of time for a further period not exceeding one year.

Foreign Banks

3.4 The above branch authorisation policy for Indian banks which is in vogue since September 2005 is also applicable to foreign banks subject to certain additional parameters, as under:

- Foreign bank's and its group's track record of compliance and functioning in the global markets would be considered. Reports from home country supervisors will be sought, wherever necessary.
- Weightage would be given to even distribution of home countries of foreign banks having presence in India.
- The treatment extended to Indian banks in the home country of the applicant foreign bank would be considered.
- Due consideration would be given to the bilateral and diplomatic relations between India and the home country.
- The branch expansion of foreign banks would be considered keeping in view India's commitments at W.T.O. ATMs would not be included in the number of branches for such computation.

Relaxations in the extant Branch Authorisation policy

Opening of Off-site ATMs

3.5 With effect from June 12, 2009, Scheduled Commercial Banks (including foreign banks) have been granted general permission to install Off-site ATMs, subject to reporting, without having the need to take permission from the Reserve Bank in each case. However, this would be subject to any direction

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which the Reserve Bank may issue, including for closure/shifting of any such Off-site ATMs, wherever so considered necessary by the Reserve Bank.

Business Facilitator/ Business Correspondent(BF/BC) Model

3.6 With the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks have been permitted to use the services of Non-Governmental Organisations / Self Help Group (NGOs/SHGs), Micro Finance Institutions (MFIs) and other Civil Society Organisations (CSOs) as intermediaries in providing financial and banking services through the use of BF/ BC Model. Under this model, the permitted agencies have been enabled to deliver banking services at unbanked/underbanked areas through an agency model. With a view to further scaling up the BC model, banks were permitted to engage individuals under the following three categories as Business Correspondent: (i) retired bank employees, (ii) retired Government employees and (iii) ex-servicemen. Based on the announcement made in the Annual Policy 2009-10, a Working Group has been constituted to look into the aspects relating to further enlarging the list of permitted entities which can be appointed as Business Correspondents. The Working Group has since submitted its report recommending certain measures to further scale up the implementation of Business Correspondent model, which is under the consideration of Reserve Bank.

Doorstep Banking

3.7 Banks were also permitted to prepare schemes for offering Doorstep Banking facilities, including collection/delivery of cash, to their customers (including individuals, Corporate, PSUs, Government Department etc.), with the approval of their Boards, in accordance with the guidelines issued by Reserve Bank of India.

Provisions in the policy aimed at enhancing/ensuring branch presence in underbanked and rural areas

Opening of branches in under banked districts

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3.8 In order to ensure the even spread of banking in the underbanked districts, the proposals submitted by banks for opening of branches in underbanked districts would be considered provided that the location of the proposed branch is not:

(a) Within the municipal limits of State Capital, a Metropolitan Centre or a District Headquarters and

(b) Within 100 kms. from the 4 major Metropolitan Centres (Mumbai, New Delhi, Kolkata and Chennai) and 50 kms. from a State Capital.

However, the above restrictions at (a) and (b) will not be applicable in cases where the location of the proposed branch is in the State of Jammu & Kashmir or any of the 7 North Eastern States viz., Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

Notwithstanding the provisions as indicated above, RBI would consider on a case-by-case basis, proposals from banks for opening branches at centres located within underbanked districts which fall within the category of (a) and (b) above, provided the bank is able to satisfy RBI that the location of the proposed branch is really underbanked.

Shifting/merger/closure of single rural branches

3.9 Banks are not allowed to shift /merge/close any single rural branch without prior permission from Reserve Bank of India. As a matter of policy, shifting/merger/ closure of even loss making branches at rural centres having a single commercial bank branch (excluding Regional Rural Bank branch) is not generally permitted, as it would render the centre unbanked.

Shifting of semi-urban, urban and metropolitan branches within the same State

3.10 Though banks are free to shift their semi-urban, urban and metropolitan branches within the same State (except single semi-urban branches as such shifting would render the centre unbanked), such shifting would be subject to the following two criteria:

- (i) the new centre is of the same or lower population group as the existing centre e.g., a branch at a rural centre can be shifted to another rural centre only and
- (ii) a branch located in underbanked district can be shifted to another centre in an underbanked district only.

Substitution of centres

3.11 The substitution of centres would also be subject to the criteria prescribed at paragraph 3.10 (i) and (ii) above. In other words, substitution of centres would be allowed to a centre in the same or lower population group as the centre proposed to be substituted and authorization in respect of a centre in underbanked district can be substituted with another centre in an underbanked district only.

Need for continuing with the provisions which ensure financial inclusion

3.12 Keeping in view the need for continuing with the thrust on financial inclusion which has been built into the extant Branch Authorisation Policy, this Working Group is of the view that the provisions referred to at paragraphs 3.8, 3.9, 3.10 and 3.11 may be continued as removing the same may result in banks moving away from the financially excluded areas.

Other Provisions of the Policy

(i) Part-shifting of branches

3.13 As per the extant policy, banks are required to approach RBI(DBOD, Central Office, BL Division for domestic banks and DBOD, Central Office, International Banking Division for foreign banks) for approval for shifting of some activities/ part-shifting of the branch. Part shifting of the branches will be considered by RBI on a case-to-case basis subject to the following norms:

- (i) No part shifting would be considered within three years of opening of a branch.
- (ii) Part shifting of only one branch per Metropolitan centre/State Capital would be permitted for each bank in a calendar year.
- (iii) The new location for part shifting should be within 250 meters of the existing location.

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(iv) For a single branch, only one part shifting will be permitted. Once a branch has been allowed part shifting, the new location as well as the existing location will not be eligible for part shifting.

(v) To qualify for part-shifting, the area of the new location should not be more than the area of the existing location.

(vi) The same activity cannot be carried out at both premises

3.14 Considering the tremendous pressure on space in metropolitan centres and State Capitals, many a time situations arise where banks require additional space for meeting the increasing requirements of their branches, due to growth of business over a period of time. Keeping in view the above aspect, the Group feels that RBI may consider granting general permission to **domestic Scheduled Commercial Banks (other than RRBs)** for part shifting of their branches subject to strict adherence to the norms as mentioned above.

Conversion of general banking branch into a specialised branch

3.15 As per the extant policy, banks are required to take the prior permission of Reserve Bank of India to convert their existing general banking branches into specialised branches. These proposals are generally being approved by RBI subject to the condition that the existing customers of the general banking branch which is proposed to be converted into a specialised branch should be continued to be served by the bank. The Group recommends that **domestic Scheduled Commercial Banks (other than RRBs)** may be delegated with power to convert their general banking branches into specialised branches subject to the condition that the existing customers of the general banking branch which is proposed to be converted into a specialised branch should be continued to be served by the bank.

Evaluation of the extant policy

3.16 It is relevant to mention here that after the introduction of the revised Branch Authorisation Policy in September 2005, the number of authorisations issued to banks as a percentage of the number of authorisations sought by them has been progressively going up, contrary to the perception in some quarters that the new policy introduced in September 2005 has been restrictive in granting authorisations to banks for opening branches. As against 62% *Report of the Group to review the extant Branch Authorisation Policy*

authorisations granted to banks (as a percentage of the number of authorisations sought) in the year 2005-06 (prior to introduction of the revised policy), the percentage of authorisations granted (vis-à-vis authorisations sought) has gone upto 68% (2006-07), 87%(2007-08) and 91%(2008-09) respectively in the three years after the introduction of the revised policy.

3.17 Further, better distribution has been achieved across the geographical spectrum in as much as rural and semi-urban branches authorised as a percentage of total number of authorisations, on an average, has substantially gone up from 32% during the period from 2003-04 to 2005-06 (prior to implementation of the new BA policy) to 51 % during the period from 2006-07 to 2008-09 (after implementation of the new Branch Authorisation policy).

3.18 As regards foreign banks, the number of authorisations issued during the calendar years 2006, 2007,2008 is 13,19 and 20 respectively as against the WTO commitment of 12 branches per year.

3.19 It would be observed from the above that the extant policy does subserve the goals of greater penetration of banking services and financial inclusion.

SECTION IV

BRANCH AUTHORISATION - INTERNATIONAL PRACTICES

Emerging Market Economies

4.1 A review of international regulatory practices in respect of Branch Authorisation especially with reference to emerging market economies is furnished in Annex II. As may be observed therefrom, in most of the emerging economies, banks require an authorization from the respective regulator.

Developed Economies

4.2. A review of international experience with reference to developed economies like U.S.A., U.K., Canada, Australia and New Zealand reveals that establishment of new branches is generally not subject to regulatory licensing requirements. Consequently the stipulations for geographic coverage of banks do not exist.

4.3. Instead, most of these countries have relied on measures other than branch authorization to encourage financial inclusion, like pressure being applied on banks to recognize their corporate social responsibility and provide access to all sections of the society. This has been achieved in a number of ways - through 'voluntary agreement', as in Britain; through legislation such as Community Reinvestment Act (CRA) as in United States and a mix of the two, in Canada, with legislation underpinning a voluntary agreement. The details in this regard are furnished below:

- Encouraging Credit Unions that offer functional flexibility for providing affordable credit with simultaneous tightening of legal provision to ensure investor safety (UK)
- Using Post Offices as delivery points, with substantial network support by banks, where the primary interface of the customers would be with Post Offices while banks provide the back-end technology and operating support (Post Office Card Account in US/UK)
- Allowing industry to respond to financial inclusion through Corporate Responsibility initiatives such as contributing to a dedicated industry financial inclusion fund (UK)

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- Facilitating an industry self-monitoring mechanism through constitution of a Financial Inclusion Task Force (FITF) with senior banking representatives to consider how to achieve a nationwide increase in the coverage and capacity of third sector lenders such as credit unions and community development finance institutions that operate in deprived areas (UK)
- In UK, the banking sector has played a proactive role in promoting financial inclusion by voluntarily entering into partnerships with projects and organisations fighting financial exclusion like children fund projects, housing association projects, financial education trusts and also with charity organisations. There are, however, no regulatory stipulations on minimum number of branches in rural areas.
- Memorandum of Understanding (MOU) between banks and regulators for promoting access to basic banking and monitoring the commitments under MOU through regulatory agencies (Canada)
- In Canada, people's "Access Basic Banking Services" has been recognised as fundamental right and the commitment of the banks to enforce this right of customers is made a part of their banking regulations. However, even in Canada, this objective is not linked with the regulatory restrictions or norms for opening of branches. But the closure of bank branches attracts regulatory attention, which seeks to examine such proposals from the social perspective

SECTION V

SUGGESTIONS RELATING TO BRANCH AUTHORISATION POLICY MADE BY OTHER COMMITTEES AND RECOMMENDATIONS OF THE PRESENT GROUP

5.1 It will be relevant to look at the recommendations made by other Committees constituted in the recent past on aspects relating to Branch Authorisation. In this connection, the recommendations of the following Committees would be relevant: (i) Committee on Financial Inclusion (Chairman: Dr.C.Rangarajan) (ii) Committee on Financial Sector Plan for North Eastern Region (Chairperson: Smt.Usha Thorat, Deputy Governor, RBI) and (iii) Committee on Financial Sector Reforms (Chairman: Dr.Raghuram Rajan). The relevant suggestions of the above three committees relating to Branch Expansion of banks and the present Group's recommendations in this regard are furnished below:

Suggestions of the Committee on Financial Inclusion (Chairman: Dr.C.Rangarajan)

5.2 The relevant extracts from the Report of the Committee on Financial Inclusion are furnished below:

"(i) In districts where the population per rural and semi-urban branches is much higher than the national average, the DLCCs may identify centres for opening branches by commercial banks and RRBs in the next three years".

"(ii) "For the North-Eastern Region, the Committee on Financial Sector Plan (Chairperson: Smt.Usha Thorat) has already identified such centres and the branch expansion plan as indicated therein may be implemented "

Recommendations of the present Group

5.3 The data regarding number of branches of commercial banks(bank-group wise and population-group wise) as on March 31, 2009 is furnished in **Annex III**. As may be observed therefrom, there were 78,923 branches of commercial banks in the country as at the end of March 2009

5.4 The Committee on Financial Inclusion has identified 256 districts across the country as "financially excluded districts" (list furnished in **Annex IV**). Most of these districts, except a few, also figure in the list of underbanked districts circulated by RBI among banks. In other words, there are certain financially

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excluded districts which are not underbanked districts. There is an urgent need to use Branch Authorisation policy as a tool to scale up banking outreach in underbanked districts and financially excluded districts as listed in **Annex I and IV** to this Report.

5.5 The data regarding distribution of banked and unbanked centres population category-wise (Tier 1 to Tier 6) is furnished in **Annex V**. As may be observed therefrom, the percentage of unbanked centres to total number of centres under each population category is highest (ranging from 22% to 96%), at the centres which are at the lower end of population category (Tier 3 to Tier 6 centres - centres with population upto 49,999); while the percentage of unbanked centres to total number of centres is nil under the higher end of population category (Tier 1 and 2 - centres with population of 50,000 and above). However, 96% of the Tier 6 centres being unbanked is on the basis of reckoning each individual village (population of upto 5,000 and numbering around 5,75,000) as a separate bankable centre. From a banking perspective, this is necessarily not an appropriate picture inasmuch as each and every village may not be bankable; but could effectively be served by any or combination of the branchless banking models like BC/BF, ATMs, POS terminals etc, depending inter alia on various factors like geographical terrain, location of the village centre, economic potential etc., Nonetheless, this highlights the need for a more granular approach in branch authorisation policy to renew and focus national level efforts towards banking penetration at the lower end population category centres (Tier 3 to Tier 6).

5.6 Keeping the above aspects as also the need for scaling up banking penetration and financial inclusion in Tier 3 to Tier 6 centres, the Group recommends that domestic Scheduled Commercial Banks (other than RRBs) may be granted complete freedom to open branches in:

- Tier 3 to Tier 6 centres (population upto and inclusive of 49,999 as per 2001 Census) of the country without the prior permission of RBI, subject to reporting.

5.7 The Group considered the present overall position of the banks as to their network, capital adequacy, quality of management and profitability. The Group felt that public interest will be effectively served by the opening of bank branches in Tier 3 to Tier 6 centres to scale up the cause of financial inclusion and thereby to recommend that general permission may be granted to domestic Scheduled Commercial Banks (other than RRBs) for opening branches in such areas without being required to approach RBI in each case.

5.8 Further, RBI may have the option to withhold the general permission given to banks to open branches in Tier 3 to Tier 6 centres, on a case-to-case basis, taking into account relevant factors like lack of regulatory comfort relating to the bank. The continuation of the general permission by RBI should also be subject to a critical assessment of the steps taken by the bank towards achieving the goal of financial inclusion, including the number of branches opened in rural/semi-urban areas in terms of the general permission, rate of credit growth in rural branches, growth in number of deposit accounts in rural areas and growth in credit accounts for less than Rs.25,000/- etc.,

5.9 Even after granting the general permission as recommended by the Group, banks would continue to approach Reserve Bank of India for prior permission for opening of branches in Tier 1 and Tier 2 (centres with population of 50,000 and above as per 2001 Census). The number of branches which would be authorised by RBI based on such applications may depend, inter alia, upon various aspects including a requirement that banks may plan their annual branch expansion in such a manner that at least one-third of the total number of branches opened by them in every financial year are in underbanked districts or financially excluded districts, in underbanked states [States where the Average Population Per Branch Office (APPBO) is more than the national average - List of underbanked states furnished in Annex VI] as also upon a critical assessment of the steps taken by the bank towards achieving the goal of financial inclusion such as the rate of credit growth in rural branches, growth in number of deposit accounts in rural areas and growth in credit accounts for less than Rs.25,000/- etc., The prescription of a minimum number

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of at least one third of the total number of branches to be opened in underbanked or financially excluded districts of underbanked states will quicken the process of banking penetration in such of the areas which have been hitherto bypassed/untouched by banks.

5.10 As regards the North Eastern States, considering the extent of financial exclusion in these States, domestic Scheduled Commercial Banks (other than RRBs) may be given general permission to open branches in rural, semi-urban and urban centres in North Eastern States and Sikkim. Here again, the general permission would be subject to the requirement that at least one third of the branches opened in a financial year should be opened in underbanked districts and financially excluded districts of underbanked states.

5.11 The Group further recommends that the branch authorisation policy in respect of foreign banks may remain unchanged until review of the roadmap for foreign banks.

Suggestions of the Committee on Financial Sector Plan for North Eastern Region (Chairperson: Smt. Usha Thorat)

5.12 The relevant extracts from the Report of the Committee on Financial Sector Plan for North Eastern States is furnished below:

“Reserve Bank’s current branch licensing policy encourages banks to open branches in rural and semi-urban areas especially in underbanked districts. Taking into account the large number of such areas in the North Eastern Region, the Committee recommends that, for the North Eastern Region, RBI may consider an automatic approval scheme for any bank desirous of opening branches in such areas in the region. For other areas in the North Eastern Region, applications may be considered favourably”

Recommendations of the present Group

5.13 As already stated at paragraph 5.10 above, the Group recommends that domestic Scheduled Commercial Banks (other than RRBs) may be given general permission to open branches in rural, semi-urban and urban centres of North Eastern States and Sikkim, subject to the condition that at least one third of

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the branches opened should be in underbanked districts and financially excluded districts of underbanked states.

Suggestions of the Committee on Financial Sector Reforms - CFSR (Chairman: Dr.Raghuram Rajan)

5.14 The relevant portions of the Committee on Financial Sector Reforms are reproduced below:

"a) Abolish branch and ATM licensing immediately (other than licensing for foreign incorporated banks in metro and urban areas based on reciprocity). While the RBI as supervisor could curb branch expansion for specific banks that it has prudential concerns about, the norm should be that once a bank is licensed, where it puts up branches is its own business decision.

Domestic banks have not been able to set up branches freely thus far, and will not have anticipated such liberalization (which was not an element of the RBI roadmap).

Given that foreign banks have deeper pockets, experience and skills relative to domestic banks in rolling out a branching strategy in the newly liberalized environment, the Committee believes it necessary to allow a period of say two years from the announcement of the policy till the liberal licensing policy applies to domestically incorporated foreign banks. Till such time, the existing policy of branch licensing should apply to foreign banks. They will, however, will be able to acquire branches through takeovers of existing Indian banks.

(b) Part of the rationale for branch licensing is the RBI's attempt to force banks into underbanked areas in exchange for permission to enter lucrative urban areas. Regardless of what views are on overall de-licensing, there is absolutely no reason to not de-license underbanked areas immediately for all banks. Furthermore, banking in underserved areas can be encouraged by instituting a norm - for every x branches that are opened in urban areas, y branches have to be opened in semi-urban or rural areas. In other words, enforce the norm that is now implied in RBI's licensing decisions, but allow banks the freedom to choose how many branches to open, where and when. Since branches are likely to become less important channels for outreach, it may be better to focus the norm on more objective measures of service (which also focuses on including the urban poor, an increasingly important category as immigration increases). For instance, the norm could be for every x savings accounts that are opened in high income neighbourhoods, y low-frill accounts have to be opened in low income neighbourhoods. Finally, it may be that the bank is not the best institution to offer financial services over the last mile to the poor. In that case, the service provision obligation could become traded (much as the priority sector norms earlier), with small banks or

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cooperatives acquiring certificates for the excess accounts they provide and selling them to deficient banks.

(c) Allow banks to freely exchange or buy branches, and close branches as alternative mechanisms of delivery of financial services emerge. If a branch closure will significantly impact services in an area, the authorities could negotiate a transition period.

Eventually all branches that are forcibly kept open to fulfil universal service requirements should be paid for through an auction where qualified banks bid for the minimum subsidy they need to meet an objective level of service."

Recommendations of the present Group

5.15 With effect from June 12, 2009, banks have been granted general permission to install Off-site ATMs, subject to reporting, without having the need to take permission from the Reserve Bank in each case. However, this is subject to any direction which the Reserve Bank may issue, including for closure/shifting of any such Off-site ATMs, wherever so considered necessary by the Reserve Bank.

5.16 As regards branches, even in terms of the extant branch authorisation policy, banks have already been advised that they are encouraged to open branches in underbanked districts and rural centres. Further, as per the extant policy, notwithstanding the system of banks submitting their branch expansion plans on an annual basis, they are free to submit any proposals for opening branches in underbanked/rural centres anytime during the year which are being considered by RBI on merits. Generally, all proposals received from banks for opening branches in underbanked districts/rural centres are considered favourably by Reserve Bank of India.

5.17 Further, the present group has also recommended that complete freedom may be granted to domestic Scheduled Commercial Banks (other than RRBs) for opening branches in Tier 3 to Tier 6 centres. The Group has also recommended that domestic Scheduled Commercial Banks (other than RRBs) may be given freedom for opening branches in rural, semi-urban and urban centres of North Eastern States.

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Total deregulation of Branch Authorisation - An evaluation thereof

5.18 As regards giving total freedom to banks to open branches in all areas as suggested by CFSR, the present Group views that the following pros and cons of such total deregulation assume great importance:

Pros:

- Part of the rationale for branch licensing is RBI's attempt to ensure presence of banks in underbanked areas in exchange for permission to enter lucrative urban areas. This can be achieved even after total deregulation by instituting a norm for linking the number of branches opened in metropolitan/urban areas with the number of branches opened in rural/semi-urban areas.
- Banks can save some time as they would not be required to approach RBI for obtaining authorizations.
- Reduction of operational workload in RBI

Cons:

- Linking the total number of branches to some parameter in a mechanical fashion may not allow sufficient room for judgement which does play a substantial role in these matters.
- At present, the Annual Branch Expansion Plans of banks are discussed with the CEOs of the banks through a consultative and interactive process. During the course of the discussions, the regulatory comfort in respect of the bank on areas like financial inclusion including priority sector lending, customer service, adherence to KYC/AML norms, internal control are assessed. The benefits arising out of these discussions/assessment would be lost in case of total deregulation.
- Banks may go overboard in opening branches which may have systemic implications. The current crisis has shown that such behaviour is very real. In the Indian scenario, it will be very difficult to take corrective action by closing/shifting branches. Further, withdrawing autonomy to banks with whom there is inadequate regulatory comfort may create loss of public confidence as the market reaction in such cases may be more severe than when reduced authorisations are granted. It could actually weaken further a bank already having some stress.

5.19 On balance of consideration, granting total freedom to banks for opening branches in all areas may not be advisable at this stage, given the huge unfinished agenda on the financial inclusion front. It could be considered at a later date, after we achieve the goal of providing banking services, in the hitherto financially excluded and underbanked areas of the country, through either the physical 'brick and mortar' branch model or branchless models like ATMs/Point of Sale terminals/BF/BC model.

Relaxations/general permission to be subject to regulatory comfort

5.20 In case of all liberalisations/freedom granted to banks as above, the Group suggests that the relaxations/general permission would be subject to regulatory comfort.

SECTION VI

REVIEW OF APPROACHES ADOPTED IN THE PAST AND THE ROADMAP FOR FUTURE

6.1 An evaluation of the extant Branch Authorisation Policy as brought out in Section III reveals that the extant policy has not only resulted in a considerable increase in the aggregate number of authorisations issued to banks for opening bank branches but the policy has also been able to ensure a better distribution across the geographical spectrum in as much as rural and semi-urban branches authorised as a percentage of total number of authorisations, on an average, has substantially gone up after the introduction thereof.

6.2 Further, international practices in Branch Authorisation as brought out in Section IV of the Report also indicate that in several jurisdictions, branch authorisation continues to be used as an active tool for ensuring financial inclusion while in certain other countries, measures other than branch regulation such as using moral suasion on banks for providing access to banking services to all sections of the society are being resorted to.

6.3 The various Committees which have gone into the issues relating to Branch Authorisation have also laid emphasis on the need for ensuring spread of banking services in the hitherto unbanked/underbanked areas of our country.

6.4 The case for total deregulation of branch authorisation at this stage is rendered weak on a careful consideration of all the pros and cons relating thereto. Large sections of the society which are financially excluded at present behave that the extant branch authorisation policy needs to be used as an effective tool for financial inclusion.

6.5 Further, banks have, of late, started increasingly leveraging branchless banking models such as Off-site ATMs/Point of Sale terminals (from where limited cash can be dispensed with in terms of the guidelines recently issued by RBI), BF/BC model, mobile banking etc., for delivery of banking services in

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unbanked/underbanked areas of the country. A Working Group which was constituted by Reserve Bank of India to examine the Business Correspondent model has recently submitted its report recommending several measures for further scaling up the use of Business Correspondent model. The said Working Group has recommended, inter alia, that several additional entities may be permitted to be appointed as BCs. The various measures recommended by the above Working Group when implemented, will go a long way in increasing the reach of banking services to the farthest parts of the country.

6.6 The Group is of the considered opinion that the way forward for ensuring speedy and effective financial inclusion would be to have an appropriate combination of the physical 'brick and mortar' branch model, including Satellite Offices at rural centres (where a full-fledged branch is not viable) as also mobile branches/Off-site ATMs and the branchless models such as Offsite ATMs/Point of sale terminals, banking services using mobile communication technology, BF/BC models etc., It would be basically left to the banks themselves to decide as to which model would be suitable for delivery of banking services in a particular area, depending on the special needs and characteristics of that area.

6.7 In this connection, it would be relevant to refer to the recommendations of the High Level Committee to review the Lead Bank Scheme (Chairperson: Smt.Usha Thorat). The above Committee has recommended that a road map may be drawn to provide a banking outlet at every Gram Panchayat. The Committee has also recommended that in the first instance, the road map should ensure coverage of every village having population of more than 2000. Such a banking outlet need not necessarily be a 'brick and mortar' branch but banking services could be provided through various forms of branchless banking, including through Business Correspondents. The above Committee has also recommended that a sub-committee of the District Consultative Committee(DCC) may be constituted in every district to draw-up the road map and allocate villages to banks and submit its plan by March 2010. The time frame to cover all villages having population of more than 2000 with a banking outlet should not be later than March 2011. The Committee has also *Report of the Group to review the extant Branch Authorisation Policy*

recommended that a monitoring system may be instituted and the position reviewed by the DCC at each meeting.

SECTION VII

SUMMARY OF RECOMMENDATIONS

Leveraging Branch Authorisation for financial inclusion

7.1 Branch authorisations need to be effectively leveraged to achieve the goal of financial inclusion. (Paragraph 2.13)

General permission for opening branches in Tier 3 to Tier 6 centres

7.2 Domestic Scheduled Commercial Banks (other than RRBs) may be granted complete freedom to open branches in:

- Tier 3 to Tier 6 centres (centres with population up to 49,999 as per 2001 Census) of the country without the prior permission of RBI, subject to reporting. (Paragraph 5.6)

7.3 Even after granting the general permission as recommended by the Group, banks would continue to approach Reserve Bank of India for prior permission for opening of branches in Tier 1 and Tier 2 centres (centres with population of 50,000 and above as per 2001 Census). The number of branches which would be authorised by RBI based on such applications may depend, inter alia, upon various aspects including a requirement that banks may plan their annual branch expansion in such a manner that at least one-third of total number of branches opened in a financial year are in underbanked districts and financially excluded districts of underbanked States as also as also upon a critical assessment of the steps taken by the bank towards achieving the goal of financial inclusion such as the rate of credit growth in rural branches, growth in number of deposit accounts in rural areas and growth in credit accounts for less than Rs.25,000/- etc., (Paragraph 5.9)

General permission for opening branches in rural, semi-urban and urban centres in North Eastern States

7.4 As regards the North Eastern States, considering the extent of financial exclusion in these States, domestic Scheduled Commercial Banks (other than

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RRBs) may be given general permission to open branches in rural, semi-urban and urban centres in North Eastern States and Sikkim. Here again, the general permission would be subject to the requirement to open at least one third of the total number of branches opened in a financial year in underbanked districts and financially excluded districts, in underbanked States. (Paragraph 5.10)

Total deregulation of Branch Authorisation

7.5 Total deregulation of Branch Authorisation is not appropriate at present on a careful consideration of the various pros and cons of such a move. (Paragraph 5.19)

Leveraging both branch model and branchless model

7.6 The way forward for ensuring financial inclusion would be to have an appropriate combination of the physical 'brick and mortar' branch model and the branchless models such as Offsite ATMs/Point of sale terminals, Business Correspondent model etc., It would be basically left to the banks themselves to decide as to which model would be suitable for delivery of banking services in a particular area, depending on the special needs of the that area (Paragraph 6.6).

General Permission for part shifting

7.7 Domestic Scheduled Commercial Banks (other than RRBs) may be granted general permission for part shifting of their branches in metropolitan/urban centres, subject to strict adherence to the conditions as indicated in paragraph 3.13 (Paragraph 3.14).

General Permission for conversion of General Banking Branches into Specialised Branches

7.8 Domestic Scheduled Commercial Banks (other than RRBs) may be granted general permission for conversion of their existing general banking branches into specialised branches, subject to the condition that the bank should continue to serve the existing customers of the general banking branch which is proposed to be converted into a specialised branch (Paragraph 3.15).

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Regulatory Comfort

7.9 In the case of all liberalisations/freedom recommended to be granted to banks as above, the relaxations/general permission should be subject to regulatory comfort(Paragraph 5.20).

Applicability to foreign banks

7.10 The branch authorisation policy in respect of foreign banks may remain unchanged until review of the roadmap for foreign banks (Paragraph 5.11).

List of Underbanked Districts
(based on 2001 Population Census)

Andhra Pradesh		Maharashtra (Cont.)	
1.	Adilabad	9.	Gadchiroli
2.	Anantapur	10.	Gondia
3.	Cuddapah	11.	Hingoli
4.	Karimnagar	12.	Jalgaon
5.	Khammam	13.	Jalna
6.	Kurnool	14.	Kolhapur
7.	Mahbubnagar	15.	Latur
8.	Medak	16.	Nanded
9.	Nalgonda	17.	Nandurbar
10.	Rangareddy	18.	Nasik
11.	Srikakulam	19.	Osmanabad
12.	Vizianagaram	20.	Parbhani
13.	Warangal	21.	Satara
Arunachal Pradesh		22.	Solapur
1.	Chunglang	23.	Thane
2.	Dibang Valley	24.	Wardha
3.	East Kameng	25.	Washim
4.	Lohit	26.	Yavatmal
5.	Lower Subansiri	Manipur	
6.	Tirap	1.	Bishnupur
7.	Upper Siang	2.	Chandel
8.	Upper Subansiri	3.	Churachandpur
Assam		4.	Imphal East
1.	Barpeta	5.	Imphal West
2.	Bongaigaon	6.	Tamenglong
3.	Cachar	7.	Thoubal
4.	Darrang	8.	Ukhul
5.	Dhemaji	Meghalaya	
6.	Dhubri	1.	East Garo Hills
7.	Dibrugarh	2.	South Garo Hills
8.	Goalpara	3.	West Garo Hills
9.	Golaghat	Mizoram	
10.	Hailakandi	1.	Lawngtlai
11.	Jorhat	2.	Saiha
12.	Karbi Anglong	Nagaland	
13.	Karimganj	1.	Dimapur

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14.	Kakrojhhar	2.	Kohima
15.	Lakhimpur	3.	Mokokchung
16.	Morigaon	4.	Mon
17.	Nagaon	5.	Phek
18.	Nalbari	6.	Tuensang
19.	Sibsagar	7.	Wokha
20.	Sonitpur	8.	Zunheboto
21.	Tinsukia	Orissa	
Bihar		1.	Angul
1.	Araria	2.	Balangir
2.	Aurangabad	3.	Baleshwar
3.	Banka	4.	Bargarh
4.	Begusarai	5.	Bhadrak
5.	Bhagalpur	6.	Boudh
6.	Bhojpur	7.	Dhenkanal
7.	Buxar	8.	Gajapati
8.	Darbhanga	9.	Ganjam
9.	Gaya	10.	Jajpur
10.	Gopalganj	11.	Kalahandi
11.	Jamui	12.	Kandhamal
12.	Jehanabad	13.	Kendrapara
13.	Kaimur	14.	Keonjhar
14.	Katihar	15.	Koraput
15.	Khagaria	16.	Malkangiri
16.	Kishanganj	17.	Mayurbhanj
17.	Lakhisarai	18.	Nabarangpur
18.	Madhepura	19.	Nayagarh
19.	Madhubani	20.	Nawapara
20.	Munger	21.	Puri
21.	Muzaffarpur	22.	Rayagada
22.	Nalanda	23.	Sonepur
23.	Nawada	24.	Sundargarh
24.	Paschimi Champaran	Pondicherry	
25.	Purbi Champaran	1.	Yanam
26.	Purnia	Punjab	
27.	Rohtas	1.	Mansa
28.	Saharsa	Rajasthan	
29.	Samastipur	1.	Alwar
30.	Saran	2.	Banswara
31.	Sheikhpura	3.	Baran
32.	Sheohar	4.	Barmer
33.	Sitamarhi	5.	Bharatpur

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34.	Siwan	6.	Bhilwara
35.	Supaul	7.	Bundi
36.	Vaishali	8.	Chittaurgarh
Chhattisgarh		9.	Churu
1.	Bastar	10.	Dausa
2.	Bilaspur	11.	Dholpur
3.	Dantewada	12.	Dungarpur
4.	Dhamtari	13.	Hanumangarh
5.	Durg	14.	Jalor
6.	Janjgir-Champa	15.	Jhalawar
7.	Jashpur	16.	Jhunjhunu
8.	Kanker	17.	Jodhpur
9.	Kawardha	18.	Karauli
10.	Korba	19.	Nagaur
11.	Koria	20.	Pali
12.	Mahasamund	21.	Rajsamand
13.	Raigarh	22.	Sawai Madhopur
14.	Raipur	23.	Sikar
15.	Rajnandgaon	24.	Tonk
16.	Surguja	25.	Udaipur
Dadra & Nagar Haveli		Sikkim	
1.	Dadra & Nagar Haveli	1.	West Sikkim
Gujarat		Tamil Nadu	
1.	Amreli	1.	Cuddalore
2.	Banas Kantha	2.	Dharmapuri
3.	Bhavnagar	3.	Kancheepuram
4.	Dahod	4.	Nagapattinam
5.	Junagadh	5.	Perambalur
6.	Narmada	6.	Pudukkottai
7.	Panch Mahals	7.	Ramanathapuram
8.	Patan	8.	Salem
9.	Sabar Kantha	9.	Thiruvallur
10.	Surat	10.	Thiruvarur
11.	Surendra Nagar	11.	Tiruvannamalai
12.	Dangs	12.	Vellore
Haryana		13.	Villupuram
1.	Fatehabad	Tripura	
2.	Jhajjar	1.	Dhalai
3.	Jind	2.	North Tripura
4.	Kaithal	3.	South Tripura
5.	Mahendragarh	4.	West Tripura
Jammu & Kashmir		Uttar Pradesh	

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1.	Anantnag	1.	Agra
2.	Doda	2.	Aligarh
3.	Kupwara	3.	Allahabad
4.	Poonch	4.	Ambedkar Nagar
Jharkhand		5.	Auraiya
1.	Bokaro	6.	Azamgarh
2.	Chatra	7.	Baghpat
3.	Deoghar	8.	Bahraich
4.	Dhanbad	9.	Ballia
5.	Dumka	10.	Balrampur
6.	Garhwa	11.	Banda
7.	Giridih	12.	Bara Banki
8.	Godda	13.	Bareilly
9.	Gumla	14.	Basti
10.	Hazaribag	15.	Bijnor
11.	Koderma	16.	Budaun
12.	Lohardagga	17.	Bulandshahr
13.	Pakur	18.	Chandauli
14.	Palamau	19.	Chitrakoot
15.	Paschimi Singhbhum	20.	Deoria
16.	Sahebganj	21.	Etah
Karnataka		22.	Etawah
1.	Bangalore Rural	23.	Faizabad
2.	Bidar	24.	Farrukhabad
3.	Chamarajanagar	25.	Fatehpur
4.	Gulbarga	26.	Firozabad
5.	Koppal	27.	Ghazipur
6.	Raichur	28.	Gonda
Kerala		29.	Gorakhpur
1.	Malappuram	30.	Hamirpur
Madhya Pradesh		31.	Hardoi
1.	Balaghat	32.	Hathras
2.	Barwani	33.	Jalaun
3.	Betul	34.	Jaunpur
4.	Bhind	35.	Jhansi
5.	Chhatarpur	36.	Jyotiba Phule Nagar
6.	Chhindwara	37.	Kanauj
7.	Damoh	38.	Kaushambi
8.	Datia	39.	Kheri
9.	Dewas	40.	Kushi Nagar
10.	Dhar	41.	Lalitpur
11.	Dindori	42.	Maharajganj

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12.	East Nimar	43.	Mahoba
13.	Guna	44.	Mainpuri
14.	Harda	45.	Mathura
15.	Hoshangabad	46.	Mau
16.	Jhabua	47.	Mirzapur
17.	Katni	48.	Moradabad
18.	Mandla	49.	Muzaffarnagar
19.	Mandsaur	50.	Pilibhit
20.	Morena	51.	Pratapgarh
21.	Narsimhapur	52.	Rai Bareli
22.	Neemuch	53.	Rampur
23.	Panna	54.	Saharanpur
24.	Raisen	55.	Sant Kabir Nagar
25.	Rajgarh	56.	Sant Ravidas Nagar
26.	Ratlam	57.	Shahjahanpur
27.	Rewa	58.	Shravasti
28.	Sagar	59.	Sidharthanagar
29.	Satna	60.	Sitapur
30.	Sehore	61.	Sonbhadra
31.	Seoni	62.	Sultanpur
32.	Shahdol	63.	Unnao
33.	Shajapur	West Bengal	
34.	Sheopur	1.	Bankura
35.	Shivpuri	2.	Bardhaman
36.	Sidhi	3.	Birbhum
37.	Tikamgarh	4.	Dakshin Dinajpur
38.	Ujjain	5.	Haora
39.	Umaria	6.	Hugli
40.	Vidisha	7.	Jalpaiguri
41.	West Nimar	8.	Koch Bihar
Maharashtra		9.	Maldah
1.	Ahmadnagar	10.	Medinipur
2.	Akola	11.	Murshidabad
3.	Amravati	12.	Nadia
4.	Aurangabad	13.	North 24 Parganas
5.	Bhandara	14.	Puruliya
6.	Bid	15.	South 24 Parganas
7.	Buldhana	16.	Uttar Dinajpur
8.	Dhule		

Regulation for opening bank branches in Emerging Market Economies

Brazil

Banks in Brazil, either domestic or foreign, do need permission from the Central Bank of Brazil to open branches and have to comply with certain rules.

Indonesia

Banks in Indonesia have to obtain approval from Bank Indonesia (as banking regulator) to open branches as well as ATMs and further the banks should have included the proposals in their annual business plan.

Thailand

A commercial bank, other than a branch of a foreign bank authorized to undertake the business of commercial banking, may establish a branch only with the authorization of the Minister (Ministry of Finance).

A commercial bank authorized to establish its head office or branch office at any location shall not change the location of such office except with the permission of the Bank of Thailand.

Singapore

In terms of Section 12(1) of Banking Act, no bank shall open a new place of business or change the location of an existing place of business in Singapore without submitting a written request in respect thereof to the Monetary Authority of Singapore (MAS), which may grant/refuse its approval or without assigning any reason.

Philippines

No bank operating in the Philippines shall establish, open or operate branches or transact business outside the premises of its duly authorized principal office without the prior approval of the BSP (Bangko Sentral ng Pilipinas).

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Sri Lanka

In Sri Lanka, the approval of the Monetary Board is necessary under Section 12 (10) (a) of the Banking Act No.30 of 1988, for a licensed commercial bank to open a branch or change the location.

Annex III

Data on number of branches of commercial banks as on March 31, 2009

	Rural	Semi Urban	Urban	Metro	Total
SBI & Associates	5494	4762	2985	2589	15830
Nationalised Banks (inlcuding IDBI Bank Ltd.)	13337	8520	8837	8281	38975
Private Sector banks (New)	262	1060	1353	1455	4130
Private Sector banks (Old)	840	1546	1337	930	4653
Foreign banks	2	4	52	233	291
Local Area Banks	11	20	13	0	44
Regional Rural banks	11582	2702	646	70	15000
Grand Total	31528	18614	15223	13558	78923

List of Financially Excluded districts

[Districts where the Rural & Semi-urban per Branch Population is more than 19,272 and their Corresponding Credit Gap is more than 95% (2005)]

Sr.	State/ Union Territory	District
1	ARUNACHAL PRADESH	CHUNGLANG
2	ARUNACHAL PRADESH	DIBANG VALLEY
3	ARUNACHAL PRADESH	EAST KAMENG
4	ARUNACHAL PRADESH	LOHIT
5	ARUNACHAL PRADESH	TIRAP
6	ASSAM	BARPETA
7	ASSAM	BONGAIGAON
8	ASSAM	CACHAR
9	ASSAM	DARRANG
10	ASSAM	DHEMAJI
11	ASSAM	DHUBRI
12	ASSAM	DIBRUGARH
13	ASSAM	GOALPARA
14	ASSAM	HAILAKANDI
15	ASSAM	JORHAT
16	ASSAM	KAKROJHAR
17	ASSAM	KAMRUP
18	ASSAM	KARIMGANJ
19	ASSAM	LAKHIMPUR
20	ASSAM	MORIGAON
21	ASSAM	NAGAON
22	ASSAM	NALBARI
23	ASSAM	SIBSAGAR
24	ASSAM	SONITPUR
25	BIHAR	ARARIA
26	BIHAR	AURANGABAD
27	BIHAR	BANKA
28	BIHAR	BEGUSARAI
29	BIHAR	BHAGALPUR
30	BIHAR	BHOJPUR
31	BIHAR	BUXAR
32	BIHAR	DARBHANGA
33	BIHAR	GAYA
34	BIHAR	GOPALGANJ
35	BIHAR	JAMUI
36	BIHAR	JEHANABAD
37	BIHAR	KAIMUR

38	BIHAR	KATIHAR
39	BIHAR	KHAGARIA
40	BIHAR	KISHANGANJ
41	BIHAR	LAKHISARAI
42	BIHAR	MADHEPURA
43	BIHAR	MADHUBANI
44	BIHAR	MUNGER
45	BIHAR	MUZAFFARPUR
46	BIHAR	NALANDA
47	BIHAR	NAWADA
48	BIHAR	PASCHIMI CHAMPARAN
49	BIHAR	PATNA
50	BIHAR	PURBI CHAMPARAN
51	BIHAR	PURNIA
52	BIHAR	ROHTAS
53	BIHAR	SAHARSA
54	BIHAR	SAMASTIPUR
55	BIHAR	SARAN
56	BIHAR	SHEIKHPURA
57	BIHAR	SHEOHAR
58	BIHAR	SITAMARHI
59	BIHAR	SIWAN
60	BIHAR	SUPAUL
61	BIHAR	VAISHALI
62	CHHATTISGARH	BASTAR
63	CHHATTISGARH	BILASPUR
64	CHHATTISGARH	DANTEWADA
65	CHHATTISGARH	DHAMTARI
66	CHHATTISGARH	DURG
67	CHHATTISGARH	JANJGIR-CHAMPA
68	CHHATTISGARH	JASHPUR
69	CHHATTISGARH	KANKER
70	CHHATTISGARH	KAWARDHA
71	CHHATTISGARH	KORBA
72	CHHATTISGARH	MAHASAMUND
73	CHHATTISGARH	RAIGARH
74	CHHATTISGARH	RAIPUR
75	CHHATTISGARH	RAJNANDGAON
76	CHHATTISGARH	SURGUJA
77	DADRA & NAGAR HAVELI	DADRA&NAGAR HAVELI
78	GUJARAT	AHMADABAD
79	GUJARAT	BANAS KANTHA
80	GUJARAT	BHAVNAGAR
81	GUJARAT	DAHOD
82	GUJARAT	DANGS
83	GUJARAT	NARMADA
84	GUJARAT	PANCH MAHALS
85	HARYANA	HISAR
86	HARYANA	JIND
87	HARYANA	KARNAL
88	HARYANA	PANIPAT

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89	HARYANA	SONIPAT
90	JHARKHAND	CHATRA
91	JHARKHAND	DHANBAD
92	JHARKHAND	GARHWA
93	JHARKHAND	GIRIDIH
94	JHARKHAND	GUMLA
95	JHARKHAND	HAZARIBAG
96	JHARKHAND	KODERMA
97	JHARKHAND	LOHARDAGGA
98	JHARKHAND	PAKUR
99	JHARKHAND	PALAMAU
100	JHARKHAND	RANCHI
101	JHARKHAND	SAHEBGANJ
102	MADHYA PRADESH	BALAGHAT
103	MADHYA PRADESH	BARWANI
104	MADHYA PRADESH	BETUL
105	MADHYA PRADESH	BHIND
106	MADHYA PRADESH	CHHATARPUR
107	MADHYA PRADESH	DAMOH
108	MADHYA PRADESH	DINDORI
109	MADHYA PRADESH	EAST NIMAR
110	MADHYA PRADESH	GUNA
111	MADHYA PRADESH	HARDA
112	MADHYA PRADESH	JABALPUR
113	MADHYA PRADESH	JHABUA
114	MADHYA PRADESH	KATNI
115	MADHYA PRADESH	MANDLA
116	MADHYA PRADESH	MANDSAUR
117	MADHYA PRADESH	MORENA
118	MADHYA PRADESH	PANNA
119	MADHYA PRADESH	RATLAM
120	MADHYA PRADESH	REWA
121	MADHYA PRADESH	SAGAR
122	MADHYA PRADESH	SATNA
123	MADHYA PRADESH	SEONI
124	MADHYA PRADESH	SHAHNOL
125	MADHYA PRADESH	SHAJAPUR
126	MADHYA PRADESH	SHEOPUR
127	MADHYA PRADESH	SHIVPURI
128	MADHYA PRADESH	SIDHI
129	MADHYA PRADESH	TIKAMGARH
130	MADHYA PRADESH	VIDISHA
131	MADHYA PRADESH	WEST NIMAR
132	MAHARASHTRA	AHMADNAGAR
133	MAHARASHTRA	AURANGABAD
134	MAHARASHTRA	BID
135	MAHARASHTRA	BULDHANA
136	MAHARASHTRA	DHULE
137	MAHARASHTRA	GADCHIROLI
138	MAHARASHTRA	GONDIA
139	MAHARASHTRA	HINGOLI

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140	MAHARASHTRA	JALGAON
141	MAHARASHTRA	JALNA
142	MAHARASHTRA	KOLHAPUR
143	MAHARASHTRA	LATUR
144	MAHARASHTRA	NAGPUR
145	MAHARASHTRA	NANDED
146	MAHARASHTRA	NANDURBAR
147	MAHARASHTRA	NASIK
148	MAHARASHTRA	OSMANABAD
149	MAHARASHTRA	PARBHANI
150	MAHARASHTRA	WASHIM
151	MAHARASHTRA	YAVATMAL
152	MANIPUR	BISHENPUR
153	MANIPUR	CHANDEL
154	MANIPUR	CHURACHANDPUR
155	MANIPUR	IMPHAL EAST
156	MANIPUR	IMPHAL WEST
157	MANIPUR	SENAPATI
158	MANIPUR	TAMENGLONG
159	MANIPUR	THOUBAL
160	MANIPUR	UKHRUL
161	MEGHALAYA	SOUTH GARO HILLS
162	MIZORAM	LAWNGTLAI
163	NAGALAND	MOKOKCHUNG
164	NAGALAND	MON
165	NAGALAND	PHEK
166	NAGALAND	TUENSANG
167	NAGALAND	WOKHA
168	NAGALAND	ZUNHEBOTO
169	ORISSA	BHADRAK
170	ORISSA	NAWAPARA
171	RAJASTHAN	ALWAR
172	RAJASTHAN	BARMER
173	RAJASTHAN	BHILWARA
174	RAJASTHAN	DAUSA
175	RAJASTHAN	DHOLPUR
176	RAJASTHAN	JAIPUR
177	RAJASTHAN	JALOR
178	RAJASTHAN	JHALAWAR
179	RAJASTHAN	JHUNJHUNU
180	RAJASTHAN	JODHPUR
181	RAJASTHAN	KARAULI
182	RAJASTHAN	NAGAUR
183	RAJASTHAN	SIKAR
184	RAJASTHAN	UDAIPUR
185	UTTAR PRADESH	ALLAHABAD
186	UTTAR PRADESH	AMBEDKAR NAGAR
187	UTTAR PRADESH	AURAIYA
188	UTTAR PRADESH	AZAMGARH
189	UTTAR PRADESH	BAGHPAT
190	UTTAR PRADESH	BAHRAICH

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191	UTTAR PRADESH	BALLIA
192	UTTAR PRADESH	BALRAMPUR
193	UTTAR PRADESH	BARA BANKI
194	UTTAR PRADESH	BAREILLY
195	UTTAR PRADESH	BASTI
196	UTTAR PRADESH	BIJNOR
197	UTTAR PRADESH	BUDAUN
198	UTTAR PRADESH	BULANDSHAHR
199	UTTAR PRADESH	CHANDAULI
200	UTTAR PRADESH	DEORIA
201	UTTAR PRADESH	ETAH
202	UTTAR PRADESH	ETAWAH
203	UTTAR PRADESH	FAIZABAD
204	UTTAR PRADESH	FARRUKHABAD
205	UTTAR PRADESH	FATEHPUR
206	UTTAR PRADESH	FIROZABAD
207	UTTAR PRADESH	GAUTAM BUDDHA NAGAR
208	UTTAR PRADESH	GHAZIABAD
209	UTTAR PRADESH	GHAZIPUR
210	UTTAR PRADESH	GONDA
211	UTTAR PRADESH	GORAKHPUR
212	UTTAR PRADESH	HAMIRPUR
213	UTTAR PRADESH	HARDOI
214	UTTAR PRADESH	JAUNPUR
215	UTTAR PRADESH	JHANSI
216	UTTAR PRADESH	KANAUJ
217	UTTAR PRADESH	KANPUR NAGAR
218	UTTAR PRADESH	KAUSHAMBI
219	UTTAR PRADESH	KHERI
220	UTTAR PRADESH	KUSHI NAGAR
221	UTTAR PRADESH	LUCKNOW
222	UTTAR PRADESH	MAHARAJGANJ
223	UTTAR PRADESH	MAINPURI
224	UTTAR PRADESH	MAU
225	UTTAR PRADESH	MEERUT
226	UTTAR PRADESH	MIRZAPUR
227	UTTAR PRADESH	MORADABAD
228	UTTAR PRADESH	MUZAFFARNAGAR
229	UTTAR PRADESH	PILIBHIT
230	UTTAR PRADESH	PRATAPGARH
231	UTTAR PRADESH	RAI BARELI
232	UTTAR PRADESH	RAMPUR
233	UTTAR PRADESH	SANT KABIR NAGAR
234	UTTAR PRADESH	SANT RAVIDAS NAGAR
235	UTTAR PRADESH	SHAHJAHANPUR
236	UTTAR PRADESH	SHRAVASTI
237	UTTAR PRADESH	SIDHARTHANAGAR
238	UTTAR PRADESH	SITAPUR
239	UTTAR PRADESH	SONBHADRA
240	UTTAR PRADESH	SULTANPUR
241	UTTAR PRADESH	UNNAO

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242	UTTAR PRADESH	VARANASI
243	WEST BENGAL	BANKURA
244	WEST BENGAL	BARDDHAMAN
245	WEST BENGAL	DAKSHIN DINAJPUR
246	WEST BENGAL	HAORA
247	WEST BENGAL	JALPAIGURI
248	WEST BENGAL	KOCH BIHAR
249	WEST BENGAL	MALDAH
250	WEST BENGAL	MURSHIDABAD
251	WEST BENGAL	NADIA
252	WEST BENGAL	NORTH 24 PARGANAS
253	WEST BENGAL	PASCHIM MEDINIPUR
254	WEST BENGAL	PURULIYA
255	WEST BENGAL	SOUTH 24 PARGANAS
256	WEST BENGAL	UTTAR DINAJPUR

Distribution of unbanked centres as per category of centre

Sl. No.	Category of Centre	Total number of centres under the category	No. of banked centres	No. of unbanked centres	Percentage of unbanked centres to total number of centres under the category
1	Tier 1	435	435	Nil	Nil
2	Tier 2	495	495	Nil	Nil
3	Tier 3 & Tier 4	6,922	5,423	1,499	22%
4	Tier 5	15,881	7,384	8,497	54%
5	Tier 6	575151	21092	554059	96%

Note:**Classification of centres(tier-wise)**

Classification of centres(tier-wise)	Population(as per 2001 Census)
Tier 1 -	1,00,000 and above
Tier 2-	50,000 to 99,999
Tier 3-	20,000 to 49,999
Tier 4-	10,000 to 19,999
Tier 5-	5,000 to 9,999
Tier 6-	Less than 5000

Population-group wise classification of bank branches

Rural Centre	Population upto 9,999
Semi-urban centre	from 10,000 to 99,999
Urban centre	from 1,00,000 to 9,99,999
Metropolitan centre	10,00,000 and above

Annex VI

List of Underbanked States [States where the Average Population Per Branch Office (APPBO) is more than the national average]

1. Arunachal Pradesh
2. Assam
3. Bihar
4. Chhattisgarh
5. Dadra & Nagar Haveli
6. Jharkhand
7. Madhya Pradesh
8. Manipur
9. Nagaland
10. Orissa
11. Rajasthan
12. Tripura
13. Uttar Pradesh
14. West Bengal