

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
QUESTION NO 16.03.2010
ANSWERED ON
LOCAL AREA BANKS .

2017

Shri B.K. Hariprasad

Will the Minister of COALHEALTH AND FAMILY WELFARE FINANCE be pleased to state :-

- (a) whether the Reserve Bank of India (RBI) has given in-principle approval for setting up of the Local Area Banks (LABs) with jurisdiction over three contiguous districts;
- (b) whether the Raghuram Rajan Committee appointed by Planning Commission has recommended setting up of LABs as it felt these banks are more effective in reaching out to poorer households and local small and medium enterprises; (
- (c) whether as of now, the country has around 120 revenue blocks with no banking facilities; and
- (d) whether the LABs will be allowed to set up banking facilities initially in these areas?

ANSWER

The Minister of State in the Ministry of Finance

(Shri Namo Narain Meena)

(a) and (b):- The Reserve Bank of India (RBI) has reported that the Local Area Bank Scheme was introduced in 1996. The Scheme envisaged Local Area Banks with a minimum capital of Rs.5 crore and an area of operation comprising three contiguous districts. Although six local banks were licensed by RBI, at present only four Local Area Banks are functioning. The Raghuram Rajan Committee has recommended for allowing more entry to private, well-governed, deposit-taking small finance banks. The RBI has reported that it has not granted `in-principle` approval to any small finance or local area bank after the publication of report of the Raghuram Rajan Committee.

(c):- In July, 2009, a total of 129 unbanked blocks were identified in the country. As a result of the concerted efforts made by the Government, RBI and the Banks for providing banking facilities in these unbanked blocks, the number of such blocks has come down to 93 in February, 2010. Government is monitoring the progress being made in this regard on an ongoing basis.

(d):- RBI is not considering allowing setting up of any local area bank in the country.