



RBI/2011-12/283
DBOD.No.BL.BC. 60 /22.01.001/2011-12

November 29, 2011

All Scheduled Commercial Banks
(excluding RRBs)

Madam/Dear Sir,

Branch Authorization Policy – Relaxation- opening of Tier 2 branches under general permission

Please refer to paragraphs 77 to 80 of the Second Quarter Review of Monetary Policy 2011-12 on the above subject (extract enclosed). To enhance the penetration of banking in rural and semi-urban areas, domestic scheduled commercial banks (excluding RRBs) were permitted vide circular [DBOD.No.BL.BC.65/22.01.001/2009-10 dated December 1, 2009 to open](#) branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001) and in the rural, semi-urban and urban centres in North-Eastern States and Sikkim without having the need to take permission from Reserve Bank of India in each case, subject to reporting.

2. In view of the continued need to step up the opening of branches in rural areas so as to meet the objectives of increasing banking penetration and financial inclusion rapidly and meet the targets set out for providing banking services in villages with population over 2,000 by March 2012, and thereafter progressively to all villages over a period of time, domestic scheduled commercial banks were further advised vide [circular DBOD.No.BL.BC. 24/22.01.001/2011-12 dated July 15, 2011](#) that while preparing their Annual Branch Expansion Plan (ABEP), they should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres, i.e, centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

3. Since there is a continuing need for opening more branches in underbanked districts of underbanked States for ensuring greater uniformity in spatial distribution, banks are presently provided incentive for opening such branches. Accordingly, for each branch proposed to be opened in Tier 3 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, authorisation is given for opening of an additional branch in a Tier 1 centre.

4. These initiatives have led to an increased pace in the number of branches opened in Tier 3 to Tier 6 centres. However, it is observed that branch expansion in Tier 2 centres has not taken place at the desired pace. To provide enhanced banking services in Tier 2 centres, domestic scheduled commercial banks (other than RRBs) will be allowed to open branches in Tier 2 centres (with population 50,000 to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting. The incentive given in the form of authorisation for an additional branch in a Tier 1 centre for each branch proposed to be opened in Tier 3 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, is extended to Tier 2 centres also. Accordingly, for each branch proposed to be opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches proposed to be opened in unbanked centres that may be located in the underbanked districts of underbanked States, authorization will be given for opening of an additional branch in a Tier 1 centre.

5. Consequent on granting general permission to banks for opening of branches in Tier 3 to Tier 6 centres, general permission was also granted to domestic scheduled commercial banks, for opening of Administrative Offices and Central Processing Centres(CPCs) / Service Branches at such centres, vide [circular DBOD.No.BL.BC. 78 /22.01.001/ 2010-11 dated January 27, 2011](#). Now that general permission to banks has been extended for opening of branches in Tier 2 centres, domestic scheduled commercial banks (other than RRBs) will be allowed to open Administrative Offices and Central Processing Centres(CPCs) / Service Branches in Tier 2 centres (with population 50,000 to 99,999 as per Census 2001) also, along with those in Tier 3 to Tier 6 centres,

without the need to take permission from the Reserve Bank in each case, subject to reporting.

6. The general permission granted to banks for opening branches in Tier 3 to Tier 6 centres was extended for operationalising Mobile branches in these centres vide [circular DBOD. No. BL.BC. 27/22.01.001/2010-11 dated July 23, 2010](#). However, since the concept of mobile branches was mooted for rural areas, the general permission granted for operationalising mobile branches in Tier 3 to Tier 6 centres would not be extended to the operationalisation of mobile branches in Tier 2 centres.

7. Opening of branches by domestic scheduled commercial banks (other than RRBs) in Tier 1 centres (centres with population of 100,000 and above as per Census 2001) will continue to require prior permission of Reserve Bank of India. Authorisation for opening branches in Tier 1 centres will not generally exceed the total number of branches proposed to be opened in Tier 2 to Tier 6 centres as well as in the rural, semi-urban and urban centres in the North-Eastern States and Sikkim. While issuing such authorisation, Reserve Bank will continue to factor in whether at least 25 percent of the total number of branches to be opened during a year are proposed to be opened in unbanked rural centres as also regulatory and supervisory comfort and critical assessment of bank's performance in financial inclusion, priority sector lending and customer service, etc.

8. All other instructions will remain unchanged.

Yours faithfully,

(Deepak Singhal)
Chief General Manager-in-charge
Encl: As above

Paragraphs 77, 78, 79 & 80 of the Second Quarter Review of Monetary Policy 2011-12

Branch Authorisation Policy - Relaxation

77. Considering the requirement of penetration of banking in rural and semi-urban areas, domestic scheduled commercial banks [excluding regional rural banks (RRBs)] were permitted in December 2009 to open branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001) and in the rural, semi-urban and urban centres in North-Eastern States and Sikkim under general permission, subject to reporting. They were further mandated in July 2011 to allocate at least 25 per cent of the total number of branches proposed to be opened during a year in unbanked rural centres (Tier 5 and Tier 6 *i.e.*, population up to 9,999 as per Census 2001), so as to meet the targets set out for providing banking services in villages with population over 2,000 by March 2012, and thereafter progressively to all villages over a period of time. However, prior authorisation from the Reserve Bank is required for opening of branches in Tier 1 and Tier 2 centres, except in the case of North-Eastern States and Sikkim where general permission has been granted.

78. These initiatives have led to increased pace in the number of branches opened in Tier 3 to Tier 6 centres.

However, it is observed that branch expansion in Tier 2 centres has not taken place at the desired pace. To provide enhanced banking services in Tier 2 centres, it is proposed:

- to permit domestic scheduled commercial banks (other than RRBs) to open branches in Tier 2 centres (with population 50,000 to 99,999 as per Census 2001) without the need to take permission from the Reserve Bank in each case, subject to reporting.

79. The opening of branches by domestic scheduled commercial banks (other than RRBs) in Tier 1 centres (centres with population of 1,00,000 and above as per Census

2001) will continue to require prior permission of the Reserve Bank. While issuing such authorisation, the Reserve Bank will continue to factor in, among others, whether at least 25 per cent of the total number of branches to be opened during a year are proposed to be opened in unbanked rural centres.

80. Detailed guidelines in this regard will be issued separately.