

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:669
ANSWERED ON:03.12.2004
CAPITAL SUPPORT TO RRB
Acharia Shri Basudeb

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has assured that capital support will be provided to the Regional Rural Banks;
- (b) whether NABARD has submitted a proposal to the Government to provide capital support to the extent of accumulated loss and share capital to each RRB;
- (c) if so, whether Government have examined the proposal and sanctioned and released fund for revamping RRBs;
- (d) whether the Government has requested RBI to submit an `approach paper` for revamping of RRBs for facing the challenge of revised agriculture credit;
- (e) if so, the facts in detail
- (f) the details of recommendations of Prof. Vyas Committee Report on the restructuring of RRBs
- (g) the steps taken by GOI for consolidation of RRBs after delinking from sponsor banks on any National Umbrella; and
- (h) whether there is any Public Sector Bank having no scope for cross-subsidization?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (S.S.PALANIMANICKAM)

- (a) : The Government has decided and informed sponsor banks that sponsor banks will be held squarely accountable for the performance of RRBs under its control. It has also been informed that RRBs that adopt a new governance standard and that abide by the prudential regulations will qualify for receiving funds from the Government for restructuring.
- (b), (c), (d) & (e): National Bank for Agriculture and Rural Development (NABARD) has submitted details of RRBs having accumulated losses and has proposed for re- capitalisation support. Government has asked RBI to evolve suitable criteria in consultation with NABARD for financial assistance to RRBs, assess its quantum and the manner in which the financial assistance should be provided for revitalisation of RRBs on a sustainable basis
- (f) to (h) : Prof. Vyas Committee appointed by Reserve Bank of India (RBI) has suggested consolidation of all Regional Rural Banks (RRBs) of North East into one company and the consolidation of the remaining RRBs at state level. Proposed structure of RRBs will be different from that envisaged in the RRBs Act 1976. As this calls for several amendments, the Committee recommended that RRBs Act 1976 may be repealed and replaced by a new Act, with suitable provisions for functional autonomy to the restructured RRBs and professionalisation of management and Board of Directors. However, discussions on restructuring of RRBs are inconclusive at this stage.