

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2022
ANSWERED ON:12.12.2008
WITHDRAWING DEPOSITS FROM RRBS BY STATES
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Will the Minister of FINANCE be pleased to state:

- (a) whether State Governments are withdrawing deposits from Regional Rural Banks (RRBs);
- (b) if so,the details thereof;
- (c) whether the Government is aware that by this action RRBs would be deprived of bulk low cost deposits; and
- (d) if so,the steps taken/likely to be taken by the Government to protect RRBs which are on the verge of collapse?

Answer

The Minister of State in the Ministry of Finance(Shri Pawan Kumar Bansal)

(a) to (d) :- No such instance has been reported by Reserve Bank of India (RBI) or National Bank for Agriculture and Rural Development (NABARD).However,some State Governments park their deposits in the Nationalized Banks only.Taking note of it,RBI has advised their Regional Offices to discuss the issue with appropriate authorities for issuing suitable instructions to various departments to avoid discrimination against Regional Rural Banks (RRBs) and to encourage them by giving a fair share of business/deposits. To strengthen the RRBs, several measures have been taken:

- 1) Amalgamation of Regional Rural Banks (Rills) sponsor bank-wise at State level.The amalgamated RRBs will reap benefits of a large area of operation and enhanced credit exposure limits.
- 2) Recapitalization of weak RRBs in a phased manner.
- 3) Expansion of non-fund based business activities such as sale of insurance policies, disbursement of pension, salaries etc. and handling of government business to increase income generation.
- 4) Permitting RRBs to accept Foreign Currency Non-Residents(FCNR) Deposits.
- 5) Allowing consortium lending to RRBs.