

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4582
ANSWERED ON:20.08.2010
LOSSES OF RRBS
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Will the Minister of FINANCE be pleased to state:

- (a) the details of the financial position of Regional Rural Banks (RRBs) during the last three years and the current financial year;
- (b) whether such banks are running in the losses;
- (c) if so, the details thereof for the said period the reasons therefor alongwith its effect on the functioning of such banks;
- (d) whether the Government has constituted any committee to ameliorate the condition of such banks;
- (e) if so, the details thereof alongwith the main recommendations of the said committee; and
- (f) the other steps taken/being taken by the Government to improve the financial condition and functioning of the said banks.

Answer

The Minister of State in the Ministry of Finance (Shri Namu Narain Meena)

(a) As on date there are 82 RRBs functioning in the country. The details of the financial position of the Regional Rural Bank (RRBs) during last 03 years is as under:-

(Rs. in crore)

Salient Indicators 2007-08 2008-09 2009-10

Deposit 99093.46 120189.90 142814.29

Advances 58984.26 67802.09 83562.16

Total Business 158077.73 187991.99 226376.45

Net profit 1082.57 1371.41 1970.09

Profit earning RRBs 83 (out of 91) 80 (out of 86) 79 (out of 82)

Net NPA% 3.36 1.81 1.62

Source – NABARD & RBI

(b) and (c): The names of loss making RRBs during the last three years are as under:-

(Rs. in crore)

Name of RRB 2007-08 2008-09 2009-10

Ellaquai Dehati Bank 11.52 10.81

Manipur Rural Bank 3.39 3.32 2.98

Nagaland Rural Bank 0.74 0.29

Kalinga Gramin Bank 22.72 18.96

Kshetriya Gramin Bank 2.85 2.44

Puduvai Bharathiar
Gramin Bank 0.07 0.22

Mahakaushal
Gramin Bank 2.44

Kamraj Rural Bank 0.86

Arunachal Pradesh
Gramin Bank 3.52

Paschim Banga
Gramin Bank 9.97

Source – NABARD

The profitability of RRBs, as a segment, has been improving.

(d) and (e): Yes, Sir. A Committee under the Chairmanship of Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India was constituted in September, 2009 to examine the financials of RRBs with respect to Capital-to-Risk-Weighted Assets Ratio (CRAR).

The Committee has, inter-alia, mainly recommended the following:

40 RRBs need to be recapitalized out of 82 RRBs;

Total amount of recapitalization is assessed at Rs.2,200 crore and to be released in two installments i.e. Rs.1,337.50 crore in 2010-11 and Rs.862.50 crore in 2011-12;

The amount of recapitalization to be shared by the shareholders i.e. Central Government, concerned State Governments and the concerned Sponsor Banks in proportion to their share;

Need for an additional amount of Rs. 700 crore for North Eastern and Eastern Region RRBs, if they are not able to achieve the required minimum CRAR despite infusion of the assessed amount;

The amount of recapitalization to be released subject to MOU being signed by the Chairman of RRB with NABARD regarding achievement/performance parameters specified.

(f): The steps taken by the Government to improve the financial condition and functioning of the RRBs are as under:

1) Amalgamation of RRBs, sponsor bank-wise, at State level;

2) 27 RRBs with negative net worth were recapitalised to the extent of Rs. 1795.97 crore during 2007 to 2009;

3) RRBs have been given a target of opening of 2000 new branches by 31-03-2011;

4) RRBs have been advised to migrate to Core Banking Solution(CBS) by September, 2011;

5) RRBs have been advised to ensure greater financial inclusion in rural areas.

6) The performance of RRBs is being reviewed by FM on annual basis. NABARD is reviewing on half yearly basis and the sponsor banks are reviewing on Quarterly basis.